G-20 postpones difficult decisions

SEOUL

Leaders vow to address global imbalances, but not before next year

BY SEWELL CHAN
AND SHERYL GAY STOLBERG

Leaders of the world's largest economies, after weeks of wrangling leading up to two days of summit meetings, ended up backing a U.S.-led call Friday for curbing "persistently large imbalances" in trade, saving and spending. But under pressure from China and Germany, both export powerhouses, they avoided the thorniest decisions to help fix the problem, deferring any concrete actions until next year at the earliest.

Afterward, President Barack Obama, while saying that progress had been made, directed some of his strongest language yet at Beijing on the fraught topic of China's currency, the renminbi.

"Precisely because of China's success, it's very important that it act in a responsible fashion internationally," Mr. Obama said at a news conference. Its currency "is undervalued," he said, adding that the issue "is one that is an irritant not just to the United States, but is an irritant to a lot of China's trading partners — those who are competing with China to sell goods around the world."

The tough language suggested frustration by the White House at the less-than-rousing conclusion of the meeting of leaders of the Group of 20 economic powers, the fifth such gathering since the financial crisis hit in 2008.

The uneasy compromise reached here fell short of initial U.S. demands for numerical targets on trade surpluses and deficits but reflected a consensus that longstanding economic patterns — in particular, too much consumption by the United States and too little by China — were no longer sustainable.

"Instead of hitting home runs, sometimes we're going to hit singles," Mr. Obama said at a news conference, using a baseball metaphor. "But they're really important singles."

The meeting showed that the United States could still set the agenda for international discussion, even if the result — asking G-20 officials and the International Monetary Fund to define and analyze the imbalances — was far from robust.

The cautious approach, according to several officials from the G-20 powers, reflected the concerns of China, which resisted setting any kind of timetable for currency appreciation, and Germany, which insisted that any approach to the problem include fiscal, monetary

G-20, PAGE 4

G-20 *SEOUL SUMMIT*

OBAMA'S LUSTER DIMS ON WORLD STAGE
A G-20 meeting marked by disputes over currency and trade has doused enthusiasm for the U.S. president. *PAGE 4*

G-20 BACKS TIGHTER BANK REGULATIONS
But the group left open numerous details, including how to deal with the biggest institutions. *PAGE 4*

N8

G-20 postpones difficult decisions

G-20, FROM PAGE 1

and other policies, not just trade.

The leaders did, however, agree to "move toward market-determined exchange-rate systems" in hopes of avoiding trade and currency wars and to coordinate their policies more closely.

"We are all in one boat of destiny," said the South Korean president, Lee Myung-bak, who as the host of the meeting tried to play a conciliatory role.

China's president, Hu Jintao, told the other leaders that its economy would shift toward stronger domestic consumption and that the government would make it a priority to increase consumer demand, as the United States and many economists have urged.

Mr. Obama expressed hope that currency appreciation, a consequence of that shift, would occur "in a gradual fashion," and that a visit by Mr. Hu to Washington in January would yield additional progress.

"We understand that this is not solved overnight," Mr. Obama said. "But it needs to be dealt with, and I'm confident that it can be."

But Mr. Obama, who had brought a trade-driven agenda to his 10-day trip to Asia only to find his ambitions frustrated at practically every turn, made clear that the status quo had to change.

"We've got everyone talking the same language, everyone understanding longer term what has to be done."

"No nation should assume that their path to prosperity is paved simply with exports to the United States," he said.

The declaration the G-20 leaders agreed upon was largely based on an document that finance ministers, including Treasury Secretary Timothy F. Geithner of the United States, hammered out last month at a meeting in Gyeongju, South Korea. But it added a timetable.

The ministers are to agree by next June on "indicative guidelines" for "timely identification" of big, enduring imbalances that "require preventive and corrective actions to be taken."

Using those guidelines, the International Monetary Fund will then conduct an analysis of the "root causes" and consequences of the imbalances by the next G-20 leaders' meeting, to be held in France late next year.

Technical and watered-down as it was, the language on imbalances was the most contentious element of the 22-page joint statement by the leaders. It was made final only after days of negotiation by the leaders' representatives that stretched into early Friday, hours before the leaders blessed the deal.

"In Seoul, there was too much jostling over currencies, deficits, and exports for the G-20 leaders to make any significant breakthroughs," said David Shorr, a policy analyst at the Stanley Foundation, a private organization that advocates international cooperation and monitors the G-20. "But there was also enough concern to avert a disastrous breakdown."

Expectations for the meeting had been low, particularly after officials from China, Germany, Brazil and other countries accused the Federal Reserve of weakening the dollar to support the sluggish U.S. recovery.

The meeting did, however, yield substantial agreements in other areas. The leaders endorsed an encompassing new round of bank capital standards; called for a conclusion to the long-delayed Doha round of world trade talks; and declared that development of poorer countries mattered not only for social justice, but for the bottom-line goal of raising global demand to sustain the recovery.

Mr. Obama suggested that the controversy over currencies and trade overshadowed those accomplishments.

"Naturally there's an instinct to focus on the disagreements, because otherwise, these summits might not be very exciting," he said. But "in each of these successive summits," he argued, "we've actually made real progress."

Other leaders offered similar, if mild, praise.

"Not heroic, but good and steady progress," said the British prime minister, David Cameron.

José Manuel Barroso, president of the European Commission, said the outcome was "a quantum leap in terms of global economic governance," given the refusal of some countries even to discuss imbalances two years ago.

And Stephen Harper, Canada's prime minister, said, "We've got everyone talking the same language, everyone understanding longer term what has to be done."

To be sure, in agreeing to a broad examination of imbalances and their causes, countries with large trade and budget deficits like the United States and Britain could be opening themselves to criticism of their policies. While Mr. Cameron's government has pursued a wrenching program of fiscal austerity, Mr. Obama faces a Congress locked in bitter disputes over spending and tax measures.

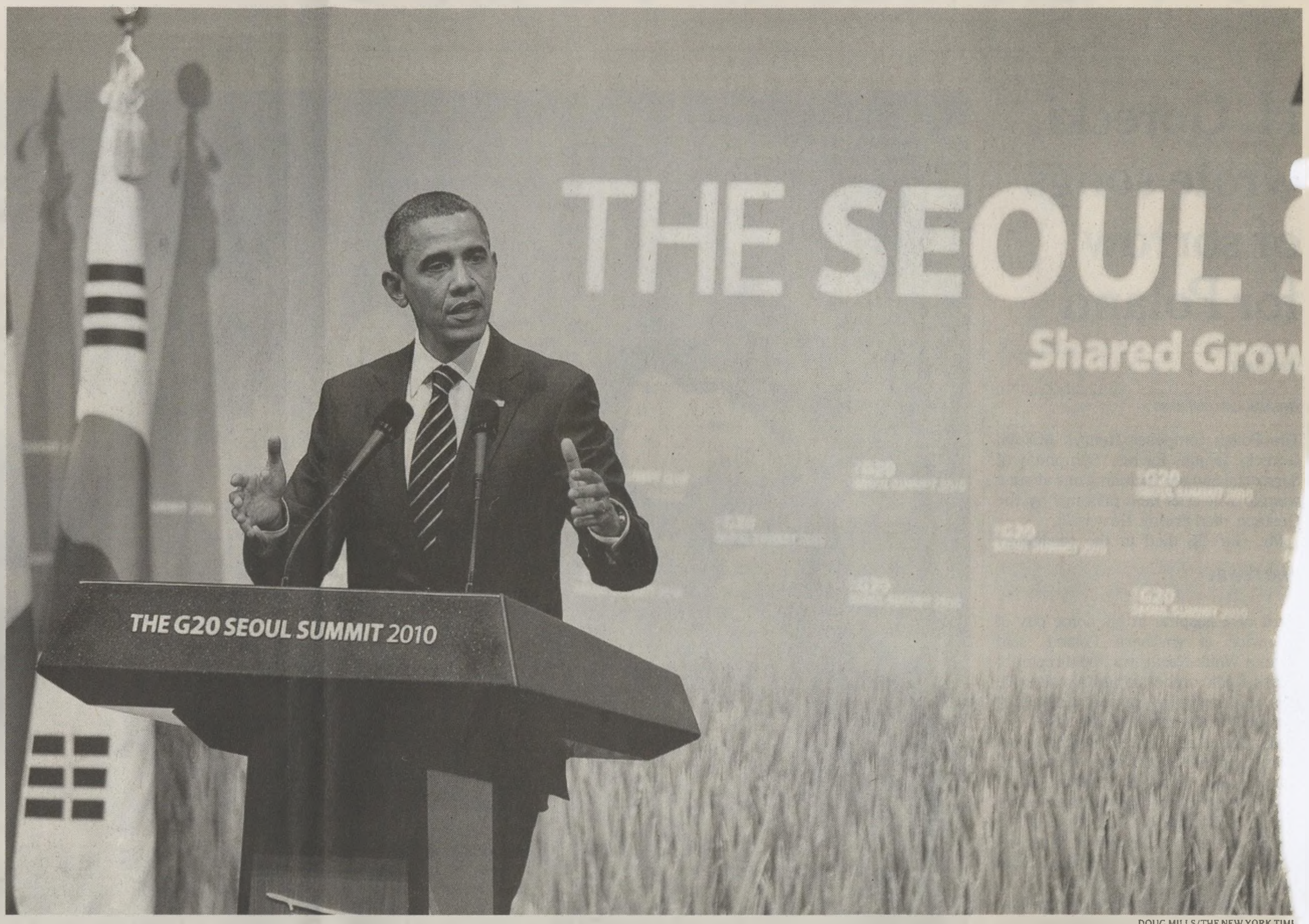
Indeed, at a dinner Thursday, according to one participant, Mr. Obama told the other leaders that the Fed's decision to inject $600 billion into the economy offered the best hope of speeding the recovery, given the unlikelihood of additional fiscal measures.

Perhaps the only clear winners in the meeting were the I.M.F. and, to an extent, France.

The G-20 leaders approved changes in the fund's governance that will expand representation of emerging markets, and they supported the expansion of lending programs for countries facing a sudden liquidity crunch. France will help hash out the details of addressing imbalances, a responsibility its president, Nicolas Sarkozy, seemed to embrace.

Perhaps Dominique Strauss-Kahn, the head of the I.M.F., summed it up best: "This was more a G-20 of debate than a G-20 of conclusion."

Su-hyun Lee and Mark McDonald contributed reporting.



DOUG MILLS/THE NEW YORK TIMES

Fielding questions during a news conference following the G-20 meeting, Mr. Obama said world leaders were pushing back against the United States because "we're initiating ideas."

Seoul dulls Obama's presidential luster

SEOUL

He admits disagreements with foreign leaders despite friendships

BY SHERYL GAY STOLBERG

Foreign leaders could not seem to get enough of President Barack Obama when he arrived on the world stage two years ago. They brought copies of his memoir to global conferences seeking his autograph. They angled for handshakes and "bilats" — diplomatic jargon for a bilateral meeting. They maneuvered to get next to him in photograph opportunities.

Now the glow has worn off. So when the heads of state convened this past week for the Group of 20 conference — a gathering marked by disputes over currency and global trade imbalances between the United States and its allies — they were not shy about putting Mr. Obama on the defensive.

"It's not just a function of personal charm," the president said Friday, at a news conference wrapping up the conference. "It's a function of countries' interests and seeing if we can work through to align them."

The question of whether Mr. Obama had lost his diplomatic touch was a thread running through the news conference.

When a reporter asked what kind of complaints he was hearing from leaders about the United States, Mr. Obama laughed it off, asking, "What about compliments?"

He said other world leaders were pushing back against the United States because "we're initiating ideas." As to whether the midterm elections had weakened him overseas, he replied with one word: No.

Before leaving Washington for a 10-day tour of Asia that he has characterized as an economic mission, Mr. Obama said his relationship with the U.S. people had come down from an "incredible high" and gotten "rockier and tougher." But he said the same was not true of his relations with foreign leaders.

"When I first came into office people might have been interested in more photo ops because there had been a lot of hoopla surrounding my election," Mr. Obama said, adding that he now has a "genuine friendship" with many world leaders, though "that doesn't mean there aren't going to be differences."

He listed those on the "genuine friendship" list: Prime Minister Manmohan Singh of India, Chancellor Angela Merkel of Germany, Prime Minister Recep Tayip Erdogan of Turkey and President Lee Myung-bak of South Korea. Then, perhaps reluctant to offend the leader of a rival country, Mr. Obama threw out another name: President Hu Jintao of China, whose clashes with the president over currency policy have been in the headlines here.

"It wasn't any easier to talk about currency when I had just been elected and my poll numbers were at 65 percent than it is now," Mr. Obama said. "It was hard then and it is now."

Mr. Obama is nearing the end of a trip that has had mixed results. He won praise for reframing the relationship with India by lifting restrictions on exports of sensitive technologies and backing India's bid for a seat on the United Nations Security Council. His stop in Indonesia was a sentimental homecoming, because Mr. Obama lived there as a boy.

"You are now seeing a situation in which a whole host of countries are doing very well and coming into their own."

But Mr. Obama stumbled in Seoul. He failed to seal a deal with President Lee on a long-awaited free-trade agreement, a serious setback for a president who has made doubling exports a centerpiece of his economic agenda. And his plan to even out global trade imbalances ran into resistance from President Hu and Chancellor Merkel, among others. Mr. Obama chalked it up to international muscle-flexing.

"The United States, obviously, has a special role to play on the international stage, regardless of who is president," Mr. Obama said, adding that "you are now seeing a situation in which a whole host of other countries are doing very well and coming into their own, and naturally they are going to be more assertive in terms of their interests and ideas. And that's a healthy thing."

Mr. Obama lamented the "search for drama" in disagreements at such summit meetings.

By the time 45 minutes had passed, Mr. Obama seemed eager to end the news conference and get to his next stop: Yokohama, Japan, where he is to attend yet another conference, the Asia-Pacific Economic Cooperation forum.

As a president with his own plane, Air Force One, Mr. Obama controls his own schedule. But he cut short his final questioner.

"I'm late for my flight," he said.

POOL PHOTO BY ERIC FEFERBERG

FRENCH DIPLOMACY President Nicolas Sarkozy of France reaching across President Hu Jintao of China to shake hands with President Felipe Calderón of Mexico. France will help hash out the details of addressing global imbalances, a responsibility Mr. Sarkozy seemed to embrace.

G-20 approves stricter rules for banks

FRANKFURT

But tougher regulations for biggest firms will take another year to resolve

BY JACK EWING

The Group of 20 nations endorsed rules Friday that would sharply increase the amount of shock-absorbing capital that banks must hold in reserve but left open numerous details, including how to deal with institutions whose failure could rock the whole financial system.

The G-20 leaders, meeting in Seoul, endorsed the regulations, which raise the amount of risk-free capital that banks must hold to 7 percent of assets from as little as 2 percent.

"The leaders reaffirmed their commitment to strengthening the financial regulatory system as part of their broader goal of strong and sustainable growth," the G-20 said in a statement.

The leaders also endorsed — in principle — yet more stringent rules for banks that are so large or so interconnected they could wreak widespread damage if they got into trouble. But the Financial Stability Board, the panel that is writing rules for banks that are "too big to fail," said it needed another year to resolve crucial questions like how to define such banks and how much extra reserve capital they should be required to have.

"It would appear that the complexity of getting agreement on how to regulate global systematically important financial institutions has proved too much of a challenge to deliver by the Seoul meeting," Jon Peace and Robert Law, analysts at Nomura in London, said in a note.

Mario Draghi, the governor of the Bank of Italy and chairman of the Financial Stability Board, or F.S.B., pleaded for more resources to complete the panel's work.

"So that the F.S.B. can fulfill its mandate and keep pace with growing demands, further steps are needed to strengthen its capacity, the resources that support it and its governance arrangements," Mr. Draghi wrote in a letter to the G-20 dated Friday.

Proponents of stricter rules have expressed concern that they could be watered down if discussions drag on too long. There are indications that some countries, like France, do not want their big banks to have to adhere to stricter standards than smaller banks. Other countries, like Switzerland, are already moving independently to impose even more stringent rules on big banks.

"Getting agreement on how to regulate global systematically important financial institutions has proved too much."

The new set of rules, Basel III, will be gradually put into effect from 2013 to 2018. They also contain provisions designed to ensure that banks have stable sources of refinancing and are not vulnerable to the kind of freeze in interbank lending that occurred in 2008.