G-20 pact has new rules and commitments of $1.1 trillion

Mark Landler and David E. Sanger

Prime Minister Gordon Brown of Britain spoke with President Luiz Inacio Lula da Silva of Brazil during a group photo session at the G20 Summit in London on Thursday.

Attempting to bridge deep divides in policy and financial philosophy, the leaders of nearly two dozen of the world's largest economies agreed Thursday to a broad array of new fiscal and regulatory steps, in a desperate effort to revive the paralyzed global economy.

At the conclusion of the first economic summit meeting to rivet world attention in decades, Prime Minister Gordon Brown of Britain announced that the leaders had committed to $1.1 trillion in additional loans and guarantees to finance trade and bail out troubled countries.

But the funds he announced are well short of a direct injection of stimulus into the world's economic bloodstream — the result of a continuing division between continental Europe and much of the rest of the world over whether to act now or wait see how current spending measures take effect.

"This is the day the world came together to fight against the global recession," Mr. Brown declared. "Our message today is clear and certain: we believe global problems require global solutions."

In the end, the daylong conference — which also served as President Obama's debut on the world stage — yielded what seemed to be a more forceful and detailed blueprint for recovery than a similar gathering in 1933, which failed to fend off the rampant protectionism and misery of the Great Depression.

Among the steps Mr. Brown detailed are strict new regulations on hedge funds and rating agencies, as well as a crackdown on tax havens, which will be publicly named and subject to sanctions if they do not agree to share tax information with the authorities of other countries.

The Group of 20 also agreed on new global rules to cap the pay and bonuses of bankers, as well as a common approach to dealing with the toxic assets on the balance sheets of the world's banks. That is an issue that has bedeviled the Obama administration and other governments.

Philip Wojazer/Reuters
President Obama with Treasury Secretary Timothy F. Geithner before the start of session at the G20 summit on Thursday.

Giving teeth to an endorsement of free trade at the last summit in Washington, the countries agreed to “name and shame” countries that erected trade barriers. They also pledged $250 billion in financing for trade.

The most concrete measures relate to support for the International Monetary Fund, which has emerged as a “first responder” in this global crisis, making emergency loans to dozens of countries.

The Group of 20 pledged to triple the resources of the Fund to $750 billion — through a mix of $500 billion in loans from countries, and a one-time issuance of $250 billion in Special Drawing Rights, the synthetic currency of the Fund, which will be parceled out to all its 185 members.

The countries, in turn, could lend that money to troubled neighbors. The I.M.F.’s members also agreed to lend the proceeds from sales of the fund’s gold reserves to the poorest countries.

A financial stability board with enhanced authorities will also be created to provide an early warning mechanism to alert nations of systemic risks to the international economy, the communiqué said.

“Together these steps give us confidence that world economy can return to trend growth,” Mr. Brown said.

The announcements came after negotiators from the United States and Europe worked frantically to hash out an agreement on new regulations, a day after France and Germany signaled a rift over the level of scrutiny that regulators should have over hedge funds and other global financial institutions.

While the United States was determined to resist European efforts to create regulatory authorities with crossborder authority, officials said the two sides worked out policies on transparency and early risk warnings for banks that would placate France and Germany.

“There’s not going to be a ceding of sovereignty to a global regulator,” said a White House official, who spoke on condition of anonymity because the negotiations were confidential.

France other Europeans countries also pressed China to accept action against tax havens, a step it has resisted because of the possible consequences for its coastal banking centers, Hong Kong and Macao.

A utilização desse artigo é exclusiva para fins educacionais

“I think we’re going to see an agreement,” said Stephen Timms, the financial secretary to the Treasury. “I am expecting sanctions against tax havens. We want that pressure to be maintained.”

Britain began talks on Wednesday on a tax information exchange agreement with Liechtenstein, an Alpine principality used by wealthy Europeans and others as a place to stash money.

The leaders also agreed to increase by $250 billion the financing available for world trade, which has suffered a crippling double-blow from the financial crisis and the economic downturn.

“The goal is to finance banks and guarantee credit for international trade,” said Lord Malloch-Brown, the British minister for Africa, Asia, and the United Nations. “In rescuing national banking systems, it had an unintended consequence of neglecting the international businesses of those banks.”

New York Times, New York, 2 abr. 2009, Europe, online. Disponível em <www.nytimes.com>. Acesso em: 3 abr. 2009.

A utilização deste artigo é exclusiva para fins educacionais