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March 11, 2009
 TG-53

Prepared Statement by Treasury Secretary Tim Geithner in Advance of G-20 Finance Ministers and Central Bank Governors Meeting

Washington, DC-- This week, the G-20 will meet in London amid a severe global economic downturn and ongoing stress in the world's financial markets. This is a global crisis which calls for a global response. The G-20 Finance Ministers have two agenda items for that global response: how to ensure recovery and restart growth, and how to reform and coordinate the international regulatory and supervisory system to ensure that no such crisis occurs again.

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The global recession is deepening. The International Monetary Fund (IMF) has estimated that the global economy is likely to contract by 0.5 percent in 2009. Unemployment is rising and world trade is likely to decline by at least 3 percent and probably more in 2009. Last week's jobs report showed that unemployment in the United States rose to 8.1 percent in February. In the fourth quarter of 2008 we saw the biggest quarterly decline in real U.S. exports since 1971. Our economy needs a revival of global growth to complement the stimulus we are injecting at home. U.S. exports, U.S. jobs and the health of the U.S. economy are inextricably linked to the health and stability of the global economy.

The G-20 countries must take strong macroeconomic and financial sector measures. In the United States, we moved quickly to pass the American Recovery and Reinvestment Act, which lays a foundation for economic recovery through a powerful mix of investments and tax cuts to create jobs and strengthen our long term growth potential. The G-20 countries have also put into place fiscal stimulus. We believe it is important for G-20 nations to commit to substantial and sustained actions for a period that matches the likely duration of the crisis. The IMF has called for countries to put in place fiscal stimulus of 2 percent of aggregate GDP each year for 2009-2010. This is a reasonable benchmark to guide each of our individual efforts. We think the G-20 should ask the IMF to report quarterly on countries' stimulus efforts scaled against the relative shortfall in growth rates.

Forceful financial sector actions are critical to rebuild confidence, restore market functioning, get credit flowing and bring stability to the global financial system. In the United States, we are implementing a series of aggressive initiatives to stabilize and strengthen our financial system to support economic recovery, and we look for complementary actions around the world.

It is important, as well, for each of us to reaffirm commitment to open trade and investment policies, which are essential to global economic growth and prosperity.

As the crisis has spread from advanced economies, emerging market and developing countries are experiencing a severe economic slowdown and sharp declines in capital inflows and exports. The G-20 countries, working with the international financial institutions, should mobilize substantial resources that can be deployed quickly and in innovative ways to help emerging market economies and developing countries restore growth and begin recovery. To build on this effort, the G-20 should support substantially increasing emergency IMF resources through a significant expansion of the New Arrangements to Borrow (NAB). The NAB could be increased by up to \$500 billion and membership could be enlarged to include more G-20 countries. We welcome the international effort to raise temporary resources for the IMF. In addition, we are prepared to explore additional actions to provide support for the poorest countries given the impact of the crisis and the need for global liquidity. The World Bank and other Multilateral Development Banks must more effectively leverage existing resources by flexible use of their balance sheets to help meet financing needs.

The additional resources should be targeted to help emerging market and developing countries restore growth, embark on

recovery, and expand trade. In this context, the G-20 should come together to support the efforts of the World Bank and other institutions to coordinate trade financing initiatives. We support bringing together bilateral and multilateral institutions, including export credit agencies and multilateral development banks, to use their substantial resources to attack risk and liquidity barriers to the flow of trade finance.

Just as the G-20 countries must work together to restore growth, we must at the same time build a strong supervisory and financial regulatory framework for the future to ensure no such crisis occurs again. There has been a lot of talk about reform. Now is the time for action. The U.S. will lead in this effort and prior to the April Summit will lay out critical elements of our regulatory reform program. The United States will promote a race to the top, not to the bottom.

The G-20 should come together cooperatively to agree on a broad framework of reforms to raise standards globally:

- We must ensure that all systemically significant financial institutions that operate globally are subject to strong standards of supervision and regulation.
- We should exercise effective oversight of markets critical to the functioning of the financial system, such as derivatives.
- We need to put in place a stronger framework of capital requirements that provides better protection against future crises and ensures financial institutions can build up capital in good times and draw capital down as a buffer in bad times.
- We must strengthen cooperation to fight money laundering and terrorist financing and to crack down on those who use offshore tax havens to escape paying their share of taxes.
- We need to have a standing cooperative framework for actions in a crisis to provide better tools for crisis resolution that keep pace with the changes in the international financial system.

As part of this effort, we need to reform and strengthen the Financial Stability Forum (FSF) so that it can play a more effective role alongside the original Bretton Woods institutions in strengthening the financial system. This requires expanding the membership to include all G-20 countries, giving it a stronger mandate for promoting more robust standards consistent with the principles above, and working with the IMF and World Bank to monitor the implementation of those standards.

Finally, the international community should comprehensively address substantial governance reforms of the international financial institutions. We should commit to a clear roadmap toward agreement on changes that would increase the voting shares and financial roles of the dynamic emerging market economies in the international financial institutions. To this end, the United States favors accelerating the conclusion of the next IMF quota review to January 2011 and aligning the World Bank process with that of the IMF.

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