The New York Times

November 4, 2012

Officials at G-20 Meeting Warn About Debt in Europe and U.S.

By ELISABETH MALKIN

MEXICO CITY — Finance ministers and central bank governors from the Group of 20 met here on Sunday amid mounting alarm that the euro-zone crisis and Washington's failure to deal with soaring deficits could endanger the fragile global recovery.

But the meeting of the largest industrial and emerging economies was not expected to produce any major agreement, coming just ahead of the United States presidential election on Tuesday and the start of the Chinese leadership transition later in the week. Several important officials, including Timothy F. Geithner, the American Treasury secretary, and Mario Draghi, the European Central Bank president, skipped the talks.

Along with the focus on economic stagnation in Europe and the political stalemate over a fiscal plan in the United States, there was also interest in how China would contribute to strengthening global demand.

Eswar S. Prasad, a professor of trade policy at Cornell University, said that the risks facing the world economy "should make for a sobering round of discussions that may well deteriorate into recriminations among the major powers" at the meeting.

Many of the same officials met less than a month ago in Tokyo at the annual meeting of the International Monetary Fund and the World Bank. They warned then that the debt crises in developed countries continued to be a drag on global growth.

Before that meeting, I.M.F. economists scaled back their estimates for global growth to 3.3 percent this year and 3.6 percent next year.

The I.M.F. said that those forecasts rested on two assumptions: that European leaders would continue to take steps to bring the region's sovereign debt crisis under control, and that the United States would head off $600 billion in tax increases and spending cuts scheduled to take effect automatically on Jan. 1.

To avert that so-called fiscal cliff, Congress must negotiate a debt-reduction compromise that so far has been hampered by electoral politics. Finance officials in other countries fear that the combined effect of the tax increases and spending cuts could send the United States economy back into recession, deepening global financial instability.

"When I speak to financial officials in emerging markets," Mr. Prasad said, "that concern is rising by the day."

The worries over global growth threatened to overwhelm other global economic issues that Mexico, which holds the rotating presidency of the Group of 20 this year, had hoped to keep on the table, like volatile international food prices.

Another topic that got short shrift was a package of banking regulation measures, called Basel III, intended to shore up banks' capital reserves as a bulwark against future financial crises. Although the new rules are supposed to go into effect on Jan. 1, the European Union, the United States and Britain have dragged their feet and published only draft rules for new capital standards

"There's a real concern that it may fall by the wayside," Mr. Prasad said.