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# U.S. and China Agree to a Process to Analyze Risks in Economies Worldwide

By BINYAMIN APPELBAUM

WASHINGTON — The United States and China agreed on Friday to participate in a new international process that will review the risks that major economic powers pose to each other and to global growth and development.

The deal, completed at a meeting of finance ministers from the Group of 20 nations, was hailed by several of those ministers as a milestone in efforts to increase China's accountability to the concerns of other nations.

The United States hopes the process will raise international pressure on China to stop increasing exports by keeping its currency artificially cheap. In return, the United States is likely to get a dose of strong international criticism for running up immense deficits to finance unaffordable levels of consumption.

But the studies, scheduled for presentation to heads of state at a November meeting in France, will include neither carrots nor sticks to encourage changes. A 2006 study of the same issues by the International Monetary Fund sank without a trace.

"The enforcement mechanism?" asked Christine Lagarde, the French finance minister, echoing the question of the day. "It will be for heads of state and government."

"I hope certainly," she added, "that there will be good will to take the matter to the end."

The examination will unfold in several steps. First, the Group of 20 will be winnowed down to a smaller group of countries with particularly unstable economies, either because they are bloated by borrowing or because they are overly dependent on exports.

The winnowing will be based on a comparison of each country's fiscal situation and balance of trade with the norms that would be predicted by economic models. Economists then will seek further evidence of distortions by comparing the present situation with the nation's own history, with other nations at a similar stage of development, and finally with the other members of the Group of 20.

The seven nations with the largest economies will be graded on a tougher curve, reflecting their greater importance to the global economy. That makes it much more likely that those countries, including the United States, China, Japan, Germany, France and Britain, will be selected.

Proponents hope the new round of analysis will find a more receptive audience in part because it follows a financial crisis that was fed by the imbalances among nations.

The United States and other developed economies are eager to revive growth by increasing exports, but they need help from the developing world, where the crisis was not nearly as painful, and there is little enthusiasm for sharing the pain of recovery.

Lael Brainard, the Treasury under secretary for international affairs, said the framework was meant to treat deficits and surpluses as issues of equal concern, placing equal responsibility for change on the developed countries that have borrowed too much and on the developing nations that have relied too much on exports.

The developed nations have pushed the evaluation process in the hope that it will create what Ms. Lagarde described as a "very mechanical and very objective process" whose conclusions will be more palatable to developing nations.

The initial discussion of the standards in February proved extremely contentious. The Group of 20 moves only by consensus, and nations including China withheld their approval until the last moment.

This time, by contrast, the work was done before the finance ministers formally convened on Friday. The remaining details were resolved by staff members after a working dinner Thursday night.

A senior Chinese official had grumbled in public earlier this week, describing the standards as a "political tool" intended to suppress China's growth. But the Chinese delegation offered no public comments on Friday.

"It was clear that everybody was really ready to move on to the next stage," Ms. Brainard said. "Countries had really recognized that this process was going to move forward."

China already has won an important victory, however. The evaluations will not consider a nation's reserves of foreign currency, but only the balance of imports and exports, a more narrow measure that does not reflect the accumulation of an imbalance over time.

Eswar S. Prasad, a professor of trade policy at Cornell University, said there was some basis in research for establishing the appropriate level of foreign reserves, but very little consensus on a method for judging trade balances.

He warned that the results therefore would be relatively easy for critics to attack and dismiss as lacking a sound and objective foundation.

"It leaves a very effective opportunity for obfuscation and stonewalling," Professor Prasad said. "And the lack of enforcement mechanism could result in this being just another grounds for squabbling and bickering."

But Professor Prasad added that there still was value in creating a new shared language for discussing imbalances. That point was echoed by George Osborne, Britain's chancellor of the Exchequer, who said that its influence could well emerge over a longer time frame, and perhaps in unexpected ways.

"These international processes do have a habit," Mr. Osborne said, "of gaining momentum and a will of their own once they've started."