Obama to shop market reforms to G-20

A week after the administration revealed to Congress how it wants to beef up rules on financial markets, president will present them on the world stage.

By Jennifer Liberto, CNNMoney.com senior writer
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WASHINGTON (CNNMoney.com) -- Last week, Congress. This week, the world.

At the Group of 20 meeting on Thursday, President Obama is expected to push the new regulations that he and Treasury Secretary Tim Geithner pitched to Congress last week as a way to prevent another financial market collapse. He heads to London on Tuesday and will meet the next day with the leaders of Great Britain, Russia and China.

The president will emphasize the need to regulate hedge funds and derivatives markets, encourage better capitalization of financial companies and "forge coordination among regulators," said Michael Froman, a deputy Obama adviser on international economic affairs. The need to crack down on offshore tax havens is also on the agenda, Froman added.

A lot is at stake beyond the call for tougher regulations, experts say.

Last week, billionaire investor George Soros, while addressing a Senate panel on foreign relations, called it a "make or break event" for the global markets.

The United States has faced criticism for emphasizing the need for economic stimulus rather than strengthening its own regulatory system, which many blame for triggering the global crisis.

Global economists say they expect the proposed regulatory platform to blunt that criticism and help the United States push for broader global stimulus efforts and other shorter-term economic crisis reforms.

"The U.S. is on better grounds going into the summit now," said Morris Goldstein of the Peterson Institute for International Economics. "It's hard for other countries to say the U.S. is dragging its feet on regulatory reforms."

Many countries are, in particular, expected to applaud increased regulation on hedge funds and investment firms, experts say. In fact, some may consider the U.S. efforts in that area too weak and push for even more of a crack down.

"The Europeans believe the reason we got into this was shadow banks," said Nariman Behravesh, chief economist for IHS Global Insight, a global research firm. "Geithner's proposals don't go very far in that direction."

Brad Setser of the Council on Foreign Relations said he expects all countries to "rally behind" a push to move derivatives trading to clearinghouses or exchanges. He said that would reduce risk associated with hedge funds even more than direct regulation.

Some European countries may also push for the establishment of a risk regulator to oversee banks and investment firms globally -- an idea that will not sit well with the United States and emerging nations, said Eswar Prasad, a global economics expert at the Brookings Institution.

Generally, the proposed new regulations should help "dissipate tensions" between the United States and other countries who had been wanting to see a discussion of tighter rules, Prasad said.

However, some leaders, including those in India and Eastern Europe, are worried about how tougher rules would be implemented. Requiring more capital to back up financial deals could dampen lending and ability for some emerging markets to grow.

Prasad said he also expects some tension from countries that don't want to talk about new regulations while they're struggling with a crisis and trying to get their economies back on firm ground.

But that's exactly why they need to work on a global regulatory agenda, said Homi Kharas, another Brookings Institution economist.

"The danger is if you don't move on putting in place some processes, you're going to end up with a substantially different regulatory framework, as recovery starts to pick up," Kharas said. ■

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