

U.S. clout at G20 at risk as crisis bites

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By Glenn Somerville and David Lawder - Analysis

WASHINGTON (Reuters) - The Obama administration's struggle to come to grips with the deepening financial crisis is calling into question whether it can play a strong leadership role at emergency global talks this week.

U.S. Treasury Secretary Timothy Geithner will press Group of 20 rich and developing nations to emulate Washington's huge fiscal stimulus push to stem the global economic downturn.

Those calls are likely to fall flat with some of his European counterparts who want to focus instead on regulation to prevent the kind of banking mistakes -- chiefly in the United States -- that caused the crisis.

Geithner's clout at the meetings in London on Friday and Saturday could be undermined by criticism at home and abroad that he has so far failed to provide details of his centerpiece plan to get toxic loans off the books of banks.

He has even had to endure jokes by television comedians for seeming unsure how to fight the financial crisis.

"The problem is that there doesn't seem to be much momentum developing, especially on the U.S. side," said Eswar Prasad, a senior fellow at the Brookings Institution.

Concern that the United States is moving too slowly to revive the world's biggest economy has weighed on financial markets. U.S. stocks sank to 12-year lows in recent days.

Some investors fear that without a clear agreement by the G20 on how to tackle the crisis, markets could fall further.

EMPTY HALLS

The U.S. Treasury has several key posts still unfilled more than a month after President Barack Obama was sworn in and pledged that his economic team, including Geithner and renowned economist Lawrence Summers, would fight the crisis full on.

"There is a sense that the U.S. Treasury is understaffed and that Summers and Geithner have not been able to engage fully on international issues because of the scale of the U.S.'s domestic problems," Prasad said.

Just six weeks into the job, Geithner has maintained a frenetic pace, outlining a bank rescue plan for which details still are missing, a program to slow foreclosures and "stress tests" for banks to determine if they need government funds.

But he still lacks a No. 2, after a preferred candidate withdrew. And the positions of under secretary for international affairs and for domestic finance are not yet filled, though Treasury insists it is no slower than past administrations in putting nominees forward.

"It's essential to have all hands on deck," Prasad said. "The fact that they are not means it is impossible to give each dimension of the problems the U.S. faces the full attention that it deserves because it all devolves to Geithner."

Geithner huddled with U.S. lawmakers behind closed doors on Monday night to make the case the administration was moving aggressively. "We're doing more in weeks than other countries do in years," he told Reuters after the meeting.

"NOT TO OUR LIKING"

Some analysts are also worried by the signs that the United States and Europe are at odds over how to tackle the crisis.

After a meeting in Brussels of finance ministers from the 16-nation euro zone on Monday, Jean-Claude Juncker, the group's chairman, said U.S. calls for Europe to do more were "not to our liking, given that we are not prepared to go further in the recovery packages we have put forward."

A U.S. Treasury official sought to play down talk of different priorities on opposite sides of the Atlantic, telling Reuters the United States would push both "crisis response" and "crisis prevention" efforts at the G20 talks which are being held to lay the groundwork for a leaders summit on April 2.

The response includes stimulus, financial system repairs and aid to vulnerable emerging economies, while the prevention efforts include key regulatory reforms, changes to accounting standards and efforts to promote market integrity.

"It's not either-or. It's both," the official said.

Analysts say there is a need for the G20 -- which includes key economies like India, China and Brazil as well as developed economies -- to announce a coordinated plan for fiscal stimulus because growth is plunging worldwide.

Simon Johnson, former chief economist for the International Monetary Fund, said the United States risks losing the bargaining hand to Europe about how to cope with crisis as long as so many U.S. banks remain crippled.

"There is a weak point in the American armor at that negotiating table and that's the banks," said Johnson, a senior fellow at the Peterson Institute for International Economics. "They'll have to have some sort of rabbit out of their hat on the banks before the G20 meeting in April."

(Additional reporting by Emily Kaiser, Editing by Andrea Ricci)

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