Obama frames G-20 meeting as debate over future global economy

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This week's G-20 summit is shaping up as a debate over what the world economy of the future should look like.

The meetings on Sept. 24-25 in Pittsburgh represent the first international summit hosted by President Barack Obama, who on Sunday made it clear he wants to talk about fostering a new era in global economic affairs.

Obama, who inherited a massive budget deficit that is now projected to increase to $9 trillion in 10 years, hopes this era will be shaped by a reverse in the patterns of the last few decades. He wants to see growth in U.S. exports and savings rates, while trading partners accept more U.S. goods and pump up consumer spending in their own countries.

"We can't go back to the era where the Chinese or the Germans or other countries just are selling everything to us, we're taking out a bunch of credit card debt or home equity loans, but we're not selling anything to them," Obama said Sunday in an interview on CNN.

He said the G-20 meeting is going to be about "making sure that there[1]s a more balanced economy."

The Wall Street Journal on Sunday night reported that much of the G-20 discussions will be on a U.S. proposal titled "Framework for Sustainable and Balanced Growth." If implemented, the plan would ask the U.S. to save more and cut its budget deficit, according to the Journal. China would be asked to rely less on exports, while European countries would change their economies to boost investment by their businesses.

Obama's statement comes as members of both political parties have expressed worries over both U.S. budget deficit, and the rising trade deficit, particularly with China. Both deficits have exploded in the past decade while at the same time U.S. consumers steadily cut their spending as they took out new loans on their homes.

The collapse of the housing market has at least temporarily suspended the pattern of U.S. consumer spending, and the U.S. has seen its savings rate increase.

Still, that's not nearly enough to overcome the patterns of recent decades.

China owns $2.1 trillion in foreign currency reserves, much of which are believed to be in U.S. dollars. That figure will also grow; the
administration is depending on China to continue to buy U.S. dollars in order to finance its deficit spending. A troubling note for the U.S. is that Chinese leaders over the past year have expressed worries over the U.S. budget deficit.

Germany and Japan are also export-dependent economies with populations that are much more frugal than the U.S. in terms of citizen saving. As Obama grapples with the budget deficit, he clearly is hoping that some of the slack in the world economy will be taken up by spending by other countries.

Obama's plans are likely to run into a number of obstacles and competing priorities and objectives from other G-20 members.

China, in particular, is peeved at Obama's decision just last week to impose steep tariffs on Chinese exports of tires to the U.S. Obama imposed the tariffs under a law that had never been used before, and China responded by threatening to impose similar barriers to U.S. exports of car parts and poultry.

The decision played into China's argument that it too often is blamed by the U.S. and Europe for problems in the world economy. It also may have served as a signal to other U.S. industries, which could further inflame tensions.

Less than a week after Obama announced the tires decision, U.S. Steel asked the International Trade Commission, a quasi-judicial branch of the government, to impose barriers against steel pipe from China. The U.S. has already imposed tariffs on a similar type of steel pipe from China.

Other parties at the G-20 share similar worries about China's growing power. But they also have conflicting priorities.

France and Germany in the weeks leading up to the G-20 summit have signaled their interest in tackling bonuses at the G-20, and at times they have found an ally in the United Kingdom.

All three governments have taken a more aggressive stance on the issue than the Obama administration, although the Federal Reserve is considering new ways of reviewing compensation at U.S. firms.

Obama on Sunday signaled that cooperation among all of these countries will be critical in recovering from the worldwide recession. He said "really high growth rates" in the economy will be required because so many jobs have already been lost.

U.S. unemployment has jumped to 9.7 percent since the recession began, and is expected to top 10 percent before the end of the year.