

G-20 leaders push global economic reforms Friday

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PITTSBURGH — Leaders of the world's major economies are coming together on reforms to rein in huge bank bonuses, toughen financial regulations and guard against the dangerous imbalances that contributed to the worst global downturn since the 1930s.

In the process, the Group of 20 countries decided they will serve as the board of directors on decisions for the global economy, taking over a role performed for more than three decades by a smaller group of wealthy nations.

President Barack Obama initiated the move to transfer the responsibilities of economic coordination from the Group of Eight major developed countries — the United States, Japan, Germany, France, Britain, Canada, Italy and Russia — to the bigger G-20.

The G-20 also includes major emerging economies such as China, Brazil and India and underscores how much the world has changed since a small club of wealthy, industrial countries began meeting in the mid-1970s in an effort to respond to oil shocks, stagflation and other economic crises of that period.

The decision was to be announced Friday as Obama and the other leaders prepared a joint action plan to address regulatory overhaul and efforts to achieve more balanced growth.

The Pittsburgh G-20 meeting did have one thing in common with recent G-8 meetings: protesters seeking to demonstrate unhappiness with global capitalism. Police fired canisters of pepper spray and rubber bullets at several hundred demonstrators who had tried to march toward the convention center.

Police reported that about 20 protesters were arrested after demonstrators threw rocks and broke windows.

In another development, a senior White House official said that Obama and the leaders of France and Britain will accuse Iran at the opening of the summit of building a secret facility to produce nuclear fuel.

The official told The Associated Press that the three leaders — Obama, British Prime Minister Gordon Brown and French President Nicolas Sarkozy — will demand that Tehran open the covert facility up to inspections by the International Atomic Energy Agency.

Iran has kept the facility, 100 miles southwest of Tehran, hidden from international weapons inspectors for years, but the U.S. has long known of its existence, said the official, who spoke only on grounds of anonymity because the announcement was still pending.

The Pittsburgh meeting marked the third G-20 leaders summit in less than a year as the countries continued to grapple with a debilitating downturn that has resulted in millions of unemployed around the world, the loss of trillions of dollars in wealth and massive amounts of government stimulus spending designed to jump-start economic growth.

With spreading signs that the worst of the downturn is over and many countries beginning to return to modest growth, the leaders were able to hold their discussions with less of a crisis atmosphere than their two previous meetings — in November in Washington and in April in London.

But the lessening of the crisis raised concerns that the momentum to implement reforms could lessen as well, posing a threat G-20 officials vowed to resist.

"We are not going to walk away from the greatest economic crisis since the Great Depression and leave unchanged and leave in place the tragic vulnerabilities that caused this crisis," Treasury Secretary Timothy Geithner told reporters.

Geithner at a Thursday news conference predicted that summit partners would endorse the broad outlines of a proposal to deal with huge imbalances in the global economy, such as large trade surpluses in China and record budget deficits in the United States.

The Obama administration wants the group to agree to a "framework for sustainable and balanced growth" that could include monitoring by the International Monetary Fund.

The framework would not include firm targets for trade and budget balances, as had been urged by some European nations. That position was strongly opposed by China, which worried that its huge trade surpluses would become a target.

Geithner said the U.S. supports China's efforts to gain greater voting rights in the IMF and its sister lending institution, the World Bank, over the reservations of European nations, who would lose influence.

The leaders gathered with their spouses for a welcoming reception at a botanical reserve where they were greeted by Obama and Michelle Obama, wearing a sleeveless taupe-colored cocktail dress.

The biggest clashes between police and demonstrators occurred at just about the time the reception was beginning. The protesters banged on drums and chanted "Ain't no power like the power of the people, 'cause the power of the people don't stop."

Geithner said the G-20 countries had reached a consensus on the "basic outline" of a proposal to limit bankers' compensation by the end of this year. He said it would involve setting separate standards in each of the countries and would be overseen by the Financial Stability Board, an international group of central bankers, finance ministers and regulators that has representation from all the G-20 nations.

The U.S. won a battle with Germany, France and some other European nations who wanted specific limits on bankers' bonuses.

"Europeans are horrified by banks, some reliant on taxpayers' money, once again paying exorbitant bonuses," European Commission President Jose Manuel Barroso said.

Geithner predicted the proposed crackdown on bankers' bonuses would be in place by the end of the year as countries join together to maintain momentum for change.

Also expressing optimism was German Chancellor Angela Merkel, who said, "I think we have a chance to reach progress in all important fields." Merkel faces her country's voters on Sunday.

Associated Press writers Ben Feller and Daniel Lovering contributed to this report.