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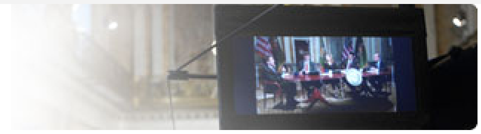

Remarks by Treasury Secretary Tim Geithner at the G-20 Meeting of Finance Ministers and Central Bank Governors

2/26/2012

As Prepared for Delivery

MEXICO CITY - The risks to the global economy have diminished since the G-20 last met in Cannes, but we still face significant economic challenges. The U.S. economy is gradually getting stronger. Europe has acted to significantly reduce the risk of a catastrophic financial crisis. And even with weakness in European growth, we are seeing encouraging signs of resilience in many emerging economies.

The discussion of ministers and governors this weekend focused primarily on three key issues:

Europe and the global economic outlook;
Iran and oil markets; and
Financial reform.

Our colleagues in Europe gave us an update on their plans going forward to address the European financial crisis. We are encouraged by the progress that they have made over the last few months. A durable solution requires both a sustained period of economic reform and a substantial financial firewall to support those reforms. European policy makers recognize the magnitude of the challenges ahead and will be reviewing additional steps in the weeks ahead.

The G-20 is committed to making sure that the IMF has the resources it needs to help its members deal with the risks from Europe. There is broad agreement that the IMF cannot substitute for the absence of a stronger European firewall and that the IMF cannot move forward without more clarity on Europe's own plans.

Beyond Europe, the steps many emerging economies took last summer and fall have helped support global growth. While the right mix of policies will differ across countries, policy generally should be directed at reinforcing economic expansion.

Reorienting the economies of countries with large external surpluses toward domestic demand and greater exchange rate flexibility remain critical to a sustainable global recovery. Since China resumed exchange-rate reform in June of 2010, the renminbi has appreciated by around 12 percent against the dollar after taking into account China's higher level of inflation. That's welcome progress, and we believe it is in China's interest and in the interest of the global economy for their exchange rate to continue to appreciate.

Other emerging economies in Asia with external surpluses also need to increase their exchange rate flexibility and adopt policies that support domestic sources of growth.

On Iran and oil, I had a series of encouraging conversations with countries planning to significantly reduce imports from Iran. We are seeing very effective cooperation from our partners on the financial front to help ensure that their banks cease transactions with the Central Bank of Iran and that Iranian banks find it harder than ever to facilitate Iran's illicit nuclear activities or to help Iran evade sanctions.

We are working together to help ensure there are alternative sources of oil from major producers to help offset reductions in exports from Iran, and here too, I am encouraged.

We reviewed the global effort to strengthen safeguards against future risks in the financial system. We have made important progress on tougher capital standards. We're seeing broad convergence on strategies for oversight and transparency in derivatives markets. There is very extensive consultation between the Federal Reserve, the FDIC, and their counterparts in other countries about how to manage crises and deal with the possible failure of large financial institutions.

This is an important year for financial reform in the United States, where we expect to have the major foundations of our reform in place by the end of 2012. Of course, it's very important to us that we have a level playing field internationally. As we and others go forward in implementing our financial reforms we will be mindful of cross boarder impacts and committed to managing them carefully.

Let me conclude with a few points on the U.S. economy.

The U.S. economy is gradually getting stronger. Despite substantial headwinds, our economy has grown at an average annual rate of 2 1/2 percent over the last two and a half years. And we have seen encouraging signs of strength in recent indicators.

This recovery has been supported by a shift toward a more balanced pattern of growth in the United States, with stronger growth in private investment and exports. Productivity is up. Private savings is substantially higher than it was before the crisis, and our fiscal deficits are now falling. The U.S. current account deficit is now around 3 percent of GDP – down from a peak of around 6 percent before the crisis. The financial sector is much stronger.

Even with this progress, however, the damage inflicted by the crisis will still take some time to repair. Unemployment, while falling, is still very high. And the housing market remains weak.

Our focus now is on reforms that will help create a stronger foundation for future growth and broaden economic opportunity. Our strategy is to combine investments and reforms in education, innovation, and infrastructure with tax reforms and savings to restore long-term fiscal sustainability.

Thank you to our gracious hosts, President Calderon, Minister Meade and Governor Carstens and their teams, for hosting us this weekend.

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