

Italy calls for 'legal standard' on world finance

By Guy Dinmore in Rome

Giulio Tremonti, Italy's finance minister, yesterday unveiled proposals that would establish a worldwide "legal standard" of rules governing the future of globalisation.

"We need a new global order," he told the Financial Times in an interview. "We want to present a new icon – the legal standard – just as once there was the gold standard."

Mr Tremonti will use Italy's presidency of the Group of Seven industrialised democracies to present the proposals to G7 finance ministers plus Russia on February 13 in Rome. He says Italy's plans are not competing with proposals on financial regulation to be discussed at the G20 meeting in London in April, but stresses that Rome's plan is more far-reaching.

Although Italy has not yet discussed its ideas with its G7 partners, Mr Tremonti believes he has support in principle from Nicolas

Globalisation rules plan

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Sarkozy, France's president, and Angela Merkel, the German chancellor, who in Paris last week spoke of the need for European leadership in bringing tighter financial regulation. Mr Tremonti also hopes Barack Obama, the US president-elect, will be receptive.

A briefing paper he showed the FT begins: "The 'Legal Standard' could contain the minimum basic set of rules on propriety of international activities and transparency which the whole international community is expected to respect."

A mix of voluntary and binding codes would be

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Finance minister of Italy

closely monitored with a wide range of tools, including peer review, naming and shaming, indicators and "black listing... for 'rogue' economies".

Italy is already working with the Paris-based Organisation for Economic Co-operation and Development on developing instruments. Some already exist.

The proposed OECD instruments for the legal standard include an anti-bribery convention, principles on corporate governance including state-owned enterprises, guidelines on multinational enterprises, standards of transparency

and co-operation on tax, principles on disclosure of financial information, existing G7 taskforce recommendations on money laundering, and standards on international property rights.

The proposals stem from Mr Tremonti's conviction that "true" capitalism is in crisis because globalisation embracing Asia over the past decade "expanded too fast, grew too quickly too soon and involved too much leverage, too much debt".

What he calls "technofinance", including proliferation of derivatives, was created on the platform of unfettered globalisation where in parts of the world "the only rule is the absence of rules".

Mr Tremonti fears that fiscal stimulus packages, interest rates near zero and lower taxes are insufficient. The root cause of the crisis is a deficit of faith in the global finance system, he says. A "plan B" must also be considered, possibly including establishment of "bad banks" to hold toxic assets.

