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Brussels Forum

The Committee to Save the World? The G20 and the
Future of Global Economic Governance

SPEAKER: Ladies and gentlemen, please take your
seats. We are about to start the program. Please take
your seats. Thank you. Please take your seats. Thank
you.

Welcome back for the last session of this year's
Brussels Forum on the G20. Our moderator for this
meeting is David Rennie from *The Economist*. I will
turn it over to him right now.

Mr. David Rennie: Good morning, ladies and
gentlemen. For a real highlight not just the session,
but a real highlight with some extremely distinguished
guests and a subject that really wraps up a great
number of the themes that we've touched on this weekend
because huge hopes have been placed in the G20, it
perhaps the concrete achievement of the crisis to date
is this idea that we have to make room for the emerging
powers and we also need global governance because we

are interconnected in ways that we have not previously realized and these two things have clearly come together in the tremendous ambitions people have for this forum for the G20.

So perhaps the simplest thing is to start off with our panel who have a tremendous range of views on this forum. We start with Dr. Rhee from South Korea is at the heart -- (inaudible) of the G20 because his country will soon be sharing it. They are organizing the next summit. He is the secretary general of the organization that hosts this.

We have Pascal Lamy who clearly is known in Brussels as a former senior European Union official, is now in charge of the World Trade Organization and will be taking a great interest in the free trade and protectionist fighting measures of the G20.

We are very honored to have President Zedillo, former President of Mexico who is now the Director for Center for Study of Globalization at Yale University.

And from the United States from the State Department one of the great experts in trade and international economic policy, Robert Hormats under

Secretary of State for Economic Energy and Agricultural Affairs.

I think we will take in the order we have seating here. Dr. Rhee, do you feel that the hopes of being placed in the G20 are realistic? And what is the agenda that you think your country will want to shape?

Dr. Changyong Rhee: In terms of agenda until June, I think, our first objective is to help Canada to have a successful summit. Because between the Canadian Summit and our summit there is only three months, so we will try to make the transition from the Canadian Summit to the Seoul Summit as seamless as is possible. During the Canadian Summit, I believe that the legacy tasks from the previous summit such as the framework for strong balanced and sustainable growth and international finance institutions reform and financial regulatory reform are the most important agenda. And we will try our best to have some concrete deliverables on those topics. For the Seoul Summit, if I am allowed the time I will discuss in more detail, if economic condition allows we would like to produce a few more focused new area and we are thinking about introducing

development as one of the important agenda for the legitimacy. And also given our experience in coping with recent financial crisis we want to answer some measures to cope with the sudden capital reversals. So under the title of Global Financial Safety Nets we want to propose some mechanisms in coping for some (Inaudible) for the emerging market economies. These are two topics if conditions allow we will emphasize later.

Mr. David Rennie: Pascal Lamy, when you hear people being skeptical about the G20, one of the obvious things that you hear, one of the pieces of conventional wisdom is that it has been disappointing on the free trade front. That the big meeting ordered trade ministers to deliver something very tangible on Doha by the end of the year. That didn't happen. Since then we have seen these reports of creeping pieces of protections and things that look a lot like protectionism. From your free trade perspective, from your WTO perspective, has the G20 under delivered or do you think that it is on course?

The Hon. Pascal Lamy: On trade the G20 has

delivered on the defensive. It hasn't delivered on the offensive. What happened during this crisis was that part thanks to the G20 involvement and the monitoring which the WTO has put in place which was G20 triggered, there has been no serious protectionist development. That is contrary to all expectations when the crisis started. So the system, this WTO insurance policy against protectionism has worked and the G20 has been helpful. And we've been helping this in providing a regular snapshot of what G20 countries were doing and not doing. And the reality is that they have accepted some flippage here and there but nothing dramatic for the moment. We are not out of the woods now.

Where the G20 has not yet delivered is on the offensive side. It is one thing to administer (Inaudible). That's great. But these translate from 1995 and they obviously are not up to what the world economy is today. So updating them, which is the very purpose if they are around, still remains to be done, not that we haven't done most of the job. Most of the job is there but there is a sort of political spasm to include the round which we need for the moment the G20

has not characterized.

Mr. David Rennie: Mr. Hormats, do you think that the big players on both sides of the Atlantic, Europe and the United States, do you think that they have the same vision of what the G20 is for? It is very striking in this town, in Brussels, that the most recent E.U. summit ended on Friday. The summit conclusion was truffled with mentions of the G20. And they tend to be heading in the direction of what about this very tough financial regulation we were sure we were going to have? When is it coming? When are we going to stop seeing resistance to tougher regulation? And then they mention the G20 because that seems to be for some European countries what the G20 was. It was a promise, perhaps, from countries like yours, from governments like yours, that you are going to give in and start regulating in a more sort of European way. Do we share the same vision of what the G20 is?

The Hon. Bob Hormats: I think we do in many respects. Let me just identify two of those. One, the broad framework that was agreed for strong, sustained and balanced growth is something that I think both

Europeans and Americans, indeed, the Chinese, Indians, Koreans and many others who participated in the Pittsburgh summit agreed to. There is a lot of work going on. I think there is a considerable amount of cooperation in that area.

On the question of financial reform, financial regulation, clearly there is a history between United States and Europe in seeing the particulars or the details in different ways. We have a different regulatory system in the United States. Europe's is different. Europe is different, in some cases, from country to country. But what we agree to do to try to reduce these differences is to create something called the Financial Stability Board. There is a lot of work going into the that group. It is run by Italian Mario (Inaudible) who is excellent. And a lot of work is going on in that group to try to narrow differences and come up with some generally accepted principles that can be accepted not just between the United States and Western Europe, but by all the participating countries. So it is not necessarily a process that is going to happen right away but there is an understanding on the

part of Americans and Europeans and others to avoid what is called here regulatory arbitrage where you do your business in the country that has the weakest standards. In a world where global financial markets are integrated, if you don't have at least high standards across the boards, if you can engage in regulatory arbitrage it tends to weaken the system. If there is a country that has poor regulations and that country is vulnerable to disruption, it can have an effect on the rest of the world.

So we understand that and we're working within the financial stability world and other groups, the OECD and the IMF and other groups to try to address these kinds of issues. It is not going to happen easily because there are long standing differences in approach but we are attempting to narrow those. And I think we have made a considerable amount of progress already.

Mr. David Rennie: President Zedillo, I know you are not here to represent Mexico or even the broader emerging markets.

The Hon. Ernesto Zedillo: Only Yale University.

Mr. David Rennie: One of the other pieces of G20

conventional wisdom is this is the moment when the Europeans, particularly given their over representation in things like the IMF or World Bank, they realize it is time to make room for the rising powers. Then they seem to be quite keen to stay in the room just a little while longer. Is it a sense of governance to not make us selfless, but not yet? Is that your sense of the status quo powers or do you think this does represent a fundamental shift and they realize they are going to have to reduce their representation?

The Hon. Ernesto Zedillo: I think the G20 is a step in the right direction to take into account the interest, power, the opinions of the emerging countries. But at the end of the day the judgment will be established on the basis of the results, on the results for developed countries and the results for the emerging countries. I think the challenge in front of the G20 is to deliver on the key issues that they have established in their own agenda. For me the main issue is the relevancy of the growing economy. The second question is the financial reform and the trade issue is a G20 question that can be pushed strongly if there is

political will in this group.

I think the G20 would be legitimate as considered good or bad as a result that it delivers within the next year or two on these three fronts. It was a good step but now we have to see whether the results are there. So far it goes for the all of these reasons the results are not yet there. In the sense that Pascal has helped to do the (Inaudible) is true. We have a good diagnosis. We have good commitments on the paper, but now we need to see the coordinated collective action that they promise to carry out. That, unfortunately, every month we see some watering down of that commitment.

Mr. David Rennie: It is a very concrete way of phrasing it saying it will be as legitimate as the results that it delivers. Perhaps, before we go to the audience just one question for all of the panel. Is there a danger that we put too much weight on this rather young organization because we believe that this is the solution to legitimacy? For example, the European Union summit saying one of the figures of Copenhagen is clearly the United Nations climate change

process is unwieldy. So let's use the G20. Is there a danger that each of the big international headaches that we face there will be this temptation to start using the G20 as a magic not-too-small, not-too-large body? Is that a risk? Do you think that it is inevitable that the G20 is going to work or is this rather a fragile creature that we have to handle carefully?

The Hon. Pascal Lamy: I wouldn't agree that the G20 is an organization. And for sure it is not "the" organization. The G20 is a piece and certainly a much improved piece of a system of global governance. You have the G20. You have international organizations. And you have the UN system. That's the basic triangle of global governance today. What you have in the European Union, the Commission and the Parliament. The G20 provides leadership. The Commission provides for getting things done. That's what international organizations are doing. And the UN provides for legitimacy although I read part of the G20 may be (Inaudible).

That's the picture. But remember the G20 does not

take decisions. The G20 has no mandate to take decisions. The G20 gives a direction. It is a leadership place, but all of what the G20 gets into then has to be translated somewhere else in the international system, notably through international organizations which we remain member driven. That's, I think, the big picture. Of course, there is the issue of articulating the G20 international organizations and the UN system knowing that among the improvements from the G8 to the G20, of course, emerging countries are there. That is a plus. International organizations are there. World bank, IMF, financial board. This sort of wealth financial organization which doesn't accept to have this name, but that is what it is in reality. INO, OECD, WTO plus the UN secretary general.

The second improvement is that -- and not many people have seen -- two regions have a chair as such in the G20, the Africans and the Asians. And not many people have yet spotted this, but it is also something so.

I think it is great for leadership, but I wouldn't agree that that is the global governance organization.

Global governance is inevitably more complex.

Mr. David Rennie: Do you want to talk briefly?

The Hon. Ernesto Zedillo: I have a small disagreement, very small with Pascal. They cannot decide. I think it is time to stop playing that game because at that chair you have the President of the United States, the prime minister and presidents of other important countries and so on and so forth. If they take the decision there they can instruct us. They have done it in the documents, their ministers to do what it takes to execute what they decided. The guy who was in the G20 of finance ministers when I was in office is here. If I cannot agree something with my colleagues and Gurria went to the World Bank or the IMF and it was not what I said then I have the capacity to fire Gurria. That is why it always is what is agreed by the presidents.

Is time to stop playing these games in which they say we commit to this but then let's see what happens at the WTO. And allow the ministers of trade, or even worse, the trade negotiators, to discuss and agree on those matters. Come on. If the presidents want to get

it done, well -- you know why we close negotiation with you exactly 10 years ago? Because the trade minister called me and says Pascal says that if you accept this he's willing to get all of these things on the table. I said tell Pascal that we have a deal. Of course, once I said that we had to do it because I had the leader responsibility to take the decisions.

So it is true the G20 is not the global government but I think it has the power to do what it takes to have better global governance in the world.

Mr. David Rennie: Just before I come to Dr. Rhee, can I put you in the hot seat as the representative of a big government that a lot of people want to see taking decisions and being banned? How do you feel about this debate?

The Hon. Bob Hormats: Well, I think Ernesto makes a very good point. And that is that if these governments represent about 85% of world GDP. So what their presidents and prime ministers, their heads of states say matters a great deal. The other part of it is that this is a phrase Bob Zelek used yesterday. They have to be networked in because in many cases they

will make the decisions but they need to be implemented in other groups that engage and involve more countries, for instance, a lot of what they did in Pittsburgh was to reach agreements but then they asked their ministers to carry them out in other institutions, in the IMF, in the World Bank, in the OECD, and elsewhere. They can't give instructions to those groups. They can't officially give instructions to the IMF but they can give instructions to their ministers within in the context of the IMF or the World Bank to do things. I think that is really the way they're networked into these broader groups.

The second point I make goes to the question of legitimacy. The legitimacy in part results from who is seated around the table. You have a number of countries, including not just the G7/G8 countries, but as Pascal pointed out, you have countries in the Middle East, from Africa, who were not part of the G7. That is a very important difference.

The third is, if you look at the G7, and this goes to your point about can you ask or is there risk that you'll put too much weight on the G20? It is a very

legitimate question. It cannot do everything and it cannot resolve all issues. It has made a very clear point in the last discussions in Pittsburgh which I attended, that they do not want to get into sensitive geopolitical issues. The G7/G8 do geopolitical issues. The G20 does not in part because you have a wider range of countries. In most cases the countries in the G7 are allies except for one. U.S. is in alliance with Japan, the Europeans and U.S. and Canadians are in the NATO alliance. So there is a lot more political conversation and, therefore, conversation in that group compared to the G20. So they're willing to take on a wider range of geostrategic issues that the G20 is not willing to take on and simply resists doing that. At one point there was a notion to discuss Iran and the G20. They didn't want to do that. There is a danger in putting too much weight on the G20.

On the other hand, just as was the case with the G7, it started out being called the G7 Economic Summits. Over a period of time it took on more and more issues and therefore will evolve, but it will have to be gradual. All of these things cannot be imposed

by one government or any other government on the G20 process.

Mr. David Rennie: Dr. Rhee, are you comfortable with the discussions you are hearing at the G20?

Dr. Changyong Rhee: Actually, this discussion was held in the March Sherpas' meeting and there was a broad understanding that indeed, legally, the G20 is a steering group for the world economic cooperation issues which can contribute by efficiently collecting not just G20, but the non-G20 voices. International institutions like the World Bank and WTO and OECD can be an effective mechanism in collecting the technical support. So structure wise I think there is no misunderstanding. But still that does not mean that as a steering group it can avoid the legitimacy problem or expectation problems because the world leading groups are all together in the G20, the expectation is quite high.

In terms of legitimacy and expectation we discuss about 3 ways to solve this problem. One is membership. The other is outreach activities, but the membership issue has a lot of political dimensions and we reached

some tentative conclusions but we thought is much better because still the world is in a crisis mode. It is better not to discuss in detail of membership issues for a while, but focus on the real deliverables, and in that sense we decide to focus more on the outreach activities for the non-G20 countries. Also, in a transition period it is very important for us to show to the world that G20 is different than other organizations and international meetings by showing the concrete outcome for the given agenda. You mention for all the other issues and high expectation, but still we have a lot of lists of things that we have to clear this year. For this year we need to focus on the concrete outcomes that would enhance our legitimacy. Eventually I believe that the G20 has to evolve from economic issues inevitably to move to the non-economic issues but whether the other countries will support this transition will heavily depend on whether we can show some deliverable outcomes this year. That is the general consensus we had in our last meeting.

Mr. David Rennie: In a couple of words perhaps I can ask the -- I know you are now a global citizen, are

you happy with the number of seats that the Europeans are taking up and are planning to take up? We now have Germany, France, Britain, Italy, Spain is going to be invited. I gather the Netherlands is now not going to be invited anymore. The European Commission now with the Lisbon Treaty we have the European Commission joined by the new friend the European Council. That is a lot of Europeans around a 20 strong table.

The Hon. Ernesto Zedillo: A few months ago Pascal and I along with many other people (Inaudible) work on this report on World Bank governance. One of the complete proposals we made there -- and that was signed by Pascal and other Europeans -- was that at the World Bank board there should be a reduction of 4 or 5 European chairs because now it is divided between 8 and 9. I think this applies to the IMF and this applies, also, to the G20. There is, indeed, an over-representation of European countries and there's an under-representation of other parts of the world.

But I think it would be dangerous to try to decide on that right now. I think Mr. Rhee is right. We have an agenda in the long term communicating and my

emphasis would be in telling our leaders please do as you said and monitor that rather than opening other issues for discussion.

Mr. David Rennie: Secretary Hormats, when the United States is told we have this wonderful new Lisbon Treaty in Europe, it means an extra European will be coming, was that greeted with joy and delight?

The Hon. Bob Hormats: We are very encouraged by the Lisbon Treaty and hope it works, although it will be up to the Europeans to make it work. The question that I think you have asked Ernesto and myself to talk about, the representation of Europe at the table, there is clearly an understanding in principle that the power in the global economy has shifted to a large number of emerging economies, but there is also this legacy notion that started out with the G7 that the G7 had, of course, four European countries in it. Some of those European countries plus others are now at the G20 table. So you really have to look at this in the context: Is that representation in the G20, does it represent the evolving changes in economic power in the global system? By any objective measure you would have

to say that it probably has not quite gotten there yet. That is the whole notion in the World Bank and IMF of redistributing to a degree votes and voice. That process is underway.

I think the Europeans who understand how the global system has evolved and how more power is shifted into the emerging economies are also at some point going to have to come to grips with the fact that maybe the current representation doesn't fully reflect that. How Europe decides that internally who is going to go and who will represent Europe is something Europeans have to decide. But if you are looking at the way the system is evolved, it is not quite at the point yet where the balance in the G20 represents the balance of power in the global system.

The Hon. Pascal Lamy: I will give you the political answer which is what Bob as a nice diplomat just said.

The Hon. Bob Hormats: I'm in Brussels, after all.

The Hon. Pascal Lamy: The diplomatic answer would be great. We have accepted big sacrifice. We were half of the G8 and we now are only a third of the

G24 -- because it is not the G20, it is the G24. We have made a big effort.

Now, the reality, the frank reality, I sit in the G20. The frank reality is that it does not make sense, not for political reasons, not for institutional reasons, just because it is a group. And if one European takes the floor on one topic and then another European takes the floor on the same topic, nobody listens. Nobody listens because either it is the same thing and it gets boring or it is not the same thing and it would not influence the result at the end of the day. That's how groups work. And there is something in the G20.

The right solution, if I may, is at least make sure that they speak with one mouth, not one voice, one mouth on each topic of the agenda. That would be a great improvement. And, by the way, I'm sure that's what (Inaudible) is trying to get to. If he gets there it will be a big step forward so that next time Bob Hormats will be saved from this nice ice skating.

The Hon. Bob Hormats: I would say that there is, when you look at Europe from the outside there is a

conflict and that is Europe increasingly wants to be seen as the unified entity in the world. On the other hand, in the G20 it wants to have a lot of seats and a lot of voices and a lot of, to use Pascal's words, "mouths". So this does raise a certain inconsistency. If Europe wants to be seen as having the kind of influence that greater unification would imply, it also needs to find a way of representing itself in these groups in a way that is consistent with that. And for the moment they want to have a lot of people and one unified voice and that is an inconsistency.

The Hon. Ernesto Zedillo: There is a very nice example here, which is the WTO. This man here, Pascal Lamy, when he was the European Trade Commissioner, he was a very powerful man at the WTO. Europe really spoke with one voice and there was only Bob Zelek and Lamy and around the rest of the world. That was because Europe spoke with one effective voice and one representation.

The Hon. Bob Hormats: It does that on trade but most other things it does not. That's the problem.

Mr. David Rennie: I'm very keen to go to the

audience for question, but if you want to jump in on this.

Dr. Changyong Rhee: I think it's an interesting question, but I think it is going to take forever because we have a long discussion for three months where we come up with these tentative answers. I really don't want to reopen these things for the effectiveness of the G20 this year. We will think about it later.

The Hon. Pascal Lamy: Good investigating for him.

Mr. David Rennie: Let's go to questions from the audience. Because time is short and we have a very distinguished panel I would like to give as many people as possible a chance to ask. So that means one thing I will be ferocious for very short questions, no speeches, and also one question each, please. I will take two at a time.

AUDIENCE: Just to make the point about the power of the leaders of the G20, we made more progress on the taxes and the question of transparency of taxation and exchange of information on taxes in the last 12 months than we did in the 12 years before that. The reason is

there was a G20. The imminence of the meaning of the G20 made this move more than ever before. The food security issue was always there but it took the Italian leadership in order to put it on the agenda. Now it is being pursued regularly. Now the United States is pursuing an anticorruption. We have had that the OECD for 12 years an anticorruption instrument. The UN has now but we have very high hopes that now it is going to get on the agenda and make progress because the G20 are picking it up.

Last but not least, Dr. Rhee said "development." I have to tell you, this is an issue we have been trying to put on the front burner of the agenda now because the G20 is going to pick it up, because the host, Korea, is proposing it. It will have a lot of importance. That is the kind of thing. This is a transformational influence that the G20 has on the world.

AUDIENCE: We have talked so far about the G20 but this session is also about saving the world. Let's look beyond the G20 because as Pascal Lamy has described it, it is a leadership arrangement which does

not take decisions, which is an odd thing the leaders is not to do. What needs to happen outside the G20 that connects the G20 which is still a building site rather than a really powerful organization, with the a la carte set of arrangements of multinational negotiations, Gs from 2 to 135, all acting, the regional organizations. This is a world where the true level of political decision making outside pillar one of the European Union hasn't risen above the national level. What does the panel think that the G20 has to do outside its own arrangements to make sure that the metaphor of global governance, which it is at the moment, turns into something that is delivered?

Mr. David Rennie: You have had it put to you by the secretary of the OECD that the existence of the G20 has triggered these things but it shows, but of course, the politics is a nasty crisis. In nasty depressions and crises we see people moving on tax evasion. How much of this is the G20 and how much of this is going to pass when the crisis goes less acute?

The Hon. Pascal Lamy: To answer this precise question, my view is that governance has three states,

like mass. The national which is solid, the European which is liquid, and the international which is gaseous. Thank God I learned physics at a time when (Inaudible) wasn't there. That is the simple thing. The question then, of course, is how do you articulate the various levels? If you take the international system it remains gaseous. By definition it is sovereign molecules that interact with each other which is why the question of how does the G20 relate to other elements of international governance is crucial. We have a looming problem with the UN system. I'm a member of the chief executive board of the UN system. I can tell you within this G25 leaders of international organizations, there is a majority of people who believe that the G20 is holding up power from the UN system. We have a problem in many of our organizations which remain member driven and we are to be very clear, there is a sort of resentment that if Ernesto is right and this is where the decisions are taken, they now are imposed. They have a problem.

Many of you may know that there is a proposal which was worked out by 20 or 30 countries which is now known

in the UN as the 3G proposal, pushed by countries like Singapore, New Zealand, Switzerland, of course. And which is trying to find a way of articulating better the G20, the UN, and international organizations. And I think Bob has said it and he is perfectly right. It is a question of interaction between these three bits, networking between the three bits that is the solution. By the way, coherence can only come from there because otherwise the streams for coherence are too loose.

The Hon. Bob Hormats: I was going to make a couple of points related to that. One, I think the G20 does make decisions. It makes decisions about what it wants its ministers to do in other institutions. And other institutions broaden those decisions. If a minister is saying ministers from the G20 countries are told by their heads of state or leaders to do something in the IMF or World Bank or the OECD, they can't tell the IMF or World Bank to do things, but they can translate the importance from their heads into those fora and the fora can make decisions using the importance from these large countries. It is not guaranteed.

The second point that is more important is they can set basic principles and the key principle is that we should not allow the world to deteriorate into zero sum competition. It does seem to me that if that is something that if they can reach agreement on that that the objective in these institutions is to develop some degree of convergence among these countries, that will be very effective.

The third is there is an increasing number of global public goods around. It is not just competition for markets and competition for capital around the world today. It is competition for increasing raw materials. It is competition for arable land. It is competition for water. There are a whole range of environmental exogenous inputs into the process that are being dealt with in these institutions. Increasingly they have to take the kind of cooperation that they have developed in the IMF and World Bank and expand that to environmental cooperation and economic development. That's going to be the big test. It is not what they do in traditional institutions, it is how they make new institutions work more effectively.

That's going to be the test as to whether or not they can succeed.

Mr. David Rennie: President Zedillo, we have has been firmly thrown down by questions. The G20 has achieved more in 12 months in years about taxation. And then what is the next level of the G20 leading onto really big decisions?

The Hon. Ernesto Zedillo: I go back to the commitments that they already took. There is a question of rebalancing the global economy, meaning correcting the global imbalances that led us in the first place to this massive crisis and that will reappear in one year or two if there is no international economic policy coordination. They said we are going to do that. Then they launch this process of mutual assessment in which the role of the IMF of the moot lateral institution is diminished. I think there are things that they can do and there are things they shouldn't do. They speak about global financial coordination and they provide the right diagnosis about the critical points of this reform. And then one day we wake up with the news that a European country

announced unilaterally a tax on banks. The U.S. the next day. Because of the result of an election in Massachusetts, two days later the president goes and announces -- president of the United States -- unilaterally that they are going to adopt the so-called Balkan rule. That is a basic inconsistency. You are saying that there should be international coordination for financial reform, then I would say stop making unilateral announcements and wait until you have allowed the process that you announced which is to relieve financial instability board and to the IMF and other instances to make fundamental decisions.

Mr. David Rennie: Dr. Rhee, is this a smooth institutional process for you or do you see these political events the crisis elections in America buffering all of your careful planning. How does it feel for you?

Dr. Changyong Rhee: You cannot avoid world leaders discussing their own political agenda. I think that the G20 would be a good case for them to bring those agendas to be discussed in the G20 platform. Let me shift because we are still talking about legitimacy

issues indirectly or directly. But given that Mr. Green mentioned contents, then we need to be more clear about why we mention the development, whether the tax things that you just discussed could be in the agenda for the development and its related to the legitimacy question. As I mentioned that this year there was some groups which think we shouldn't expand the scope of the agenda because we really focus on the risk management. But on the other hand, like the second discussion questioner mentioned, there is a demand for other non G20 countries to expand the scope of the agenda, in order to increase its legitimacy. So in this year, Korea's position is that we want to link these things together. For example, a major topic this year is the rebalancing issue, if you read the Pittsburgh, the rebalancing is defined in a narrow way. The rebalancing does not necessarily mean the rebalancing of macroeconomic imbalances alone. They specifically mention the rebalancing includes narrowing the development gap, etc. So we believe development agenda is a good way to link development issues with a framework approach and with existing approaches and

also they can enhance the legitimacy. In this way it is not a binary solution. We have to address the legitimacy issue. We have to address the effectiveness issue, but the G20 is in transition. So we have to take a more creative approach to satisfy the expectation in transition.

Mr. David Rennie: So an organization in transition. So are there any questions over here? And there were some other questions. Hands raised.

AUDIENCE: Thank you very much. We were talking about economic governance, I have a question with regards to that. There have been a lot of ideas floating around recently, especially with regards to Greece and that is tying into the entire international system. There have been everything from having taxes on financial transaction and on the idea of tax matters or the European monetary fund or banning credit default swaps. So the question is still: What is working for the international system? The G20 has said we want more transparency in the system, but how do we reach this and what are the ideas that are going to be effective?

AUDIENCE: Thank you. I have a small question to Mr. Lamy. First, thank you for making the distinction between being an organization and a group, which is very important. And then my small semantic question is: You said that European Union should not speak with one voice but with one mouth. Are you clearly stating that the European Union should be represented only by one person?

The Hon. Pascal Lamy: I think what I'm trying to explain is that the most important thing is to speak with one mouth on each topic. Now, how many Europeans are there? Not my business anymore. Thank God. One voice is a legitimate objective. One mouth is the real objective. And sort of gargarism about one voice we know if it doesn't translate into one mouth doesn't work. So whatever setup they put together, in my view, my advice would be there are six topics on the agenda, but I could not take the floor on the six topics. One European mouth per topic.

The Hon. Ernesto Zedillo: I think going back to your point on Greece, I can just make a comment from an outsider perspective. All of this discussion that has

taken place in Europe for a few weeks in the sense that this should be purely a European affair and that the IMF should not be part of the -- or a fundamental part of the effort to help Greece, for me, at least, was a bit too realistic, quite frankly. This idea that because you have the European Union, a multilateral institution like the IMF should not be involved in the surveillance of a program that has to be decided and agreed but in the first place by the Greek government and the Greek people. And only then agreed with the IMF and with other parties to provide the necessary finances to make that program effective, for me, was a bit unrealistic. In the middle of that say we would create a European monetary fund. Maybe a nice idea but that doesn't help you to solve something which could become not only a problem for Europe but a problem for the world at large. This takes me back, again, to the basic point. We have multilateral institutions that can serve very good purposes and have delivered. So, yes, let's use the G20 as a steering group, as a leadership group to discuss issues that cannot be discussed in other fora but then take those

multilateral institutions and power them, reform them and make them work.

Mr. David Rennie: We have a lot of questions in the audience. I'm going to take a brief point.

Dr. Changyong Rhee: I believe the Greece case really can demonstrate the usefulness of the G20. Because if you think about the issues with IMF involvement, what kind of program they have to adopt, whatever the decision is when they start to do the restructuring, unlike in the Asian financial crisis in 1997, world economies are all now stagnant. So it will be very hard for Greece to get out of this crisis very easily. So what is one of the most important agenda in the framework is where we have to find the new source of growth. In order to solve this problem, it is not just a European problem. The world economy has to cooperate together to get some consistent effort to solve this problem. So framework is related to this Greece problem. I'll stop here.

The Hon. Bob Hormats: This is a very fundamental point. The global rebalancing was designed, in effect, to say a country or a group of countries cannot simply

rely in this case on the over indebted American consumer for sustained growth of their exports and, therefore, sustained growth of their economy. The whole notion of rebalancing is that countries in a better current account position and a better fiscal position have to take a greater share of responsibility for resuming and sustaining global growth. That is important for the global economy but it is also helpful for countries like Greece and others that are having to make major changes internally to address their problems.

One of the reasons Korea and the East Asians did well after the crisis in the late 1990s is there was a strong global economy for them to sell to. If the countries like Greece and other countries in southern Europe are undertaking major adjustments, those obviously depend, in part, on what they do internally, but their degree of success will also be determined by a robust global economy. And a robust global economy will not happen unless a number of countries in a strong position, many of them are in East Asia, are willing to take a larger share of global growth. And

the key to the G20 is the countries in a position to do so assume a greater responsibility for the global system. That, to me, is what the G20 is all about. If the emerging economies that are now quite strong financially and economically are to play a role in the global system one of the roles of the G20 is to help them do that, to encourage them to do that. If they don't do that the global system will not work and the countries now undertaking strong reforms will find it a lot more difficult to succeed.

Mr. David Rennie: It's taking us about 45 minutes to have the first gentle thought of China in this discussion. It is good to hear it coming. We have a very patient lady in the back who has been waiting to ask a question.

AUDIENCE: Just a very quick question. We have skirted around a number of times here the issue of regional grouping, Dr. Rhee mentioned (Inaudible) and the role in the G20. He asked in part about regional groupings in this panel today and yesterday with Bob Zelek. There was lots of references to regional groupings and clearly the E.U. started this region

economic grouping. In this context that we're talking about we have a strong message about the multilaterals and how to build those up. What role will regional groupings play in this kind of architecture that you're talking about? Thank you.

AUDIENCE: Center for New American Security. I want to follow up on Secretary Hormats last remark about responsibility in Asian powers because one of the themes for the Brussels Forum this year as in many other forums recently has been the need to integrate the rising China. So the question is: So far, do you see China playing that constructive responsible role vis a vis the G20? I would be interested in the views of the panel on that. And maybe specifically for Secretary Hormats, if you think about an issue as thoroughly as this currency manipulator question, will China start to use the G20 as a lever against U.S. pressure in some other ways? Thank you.

Mr. David Rennie: Can we start with Secretary Hormats because you have poked the anthill that is called China.

The Hon. Bob Hormats: I think I will stay out of

the currency issue directly. I would like to make some broader points related to that question. It is clear that when you look at the growing role of the large emerging economies, China being one and it isn't the only one. There are a number of these countries. Those countries have been enormous beneficiaries of the open global system, the WTO, the IMF or the World Bank. And it is an interesting thing. The Cold War ended not with World War III. It ended with 2 billion people joining the global market system through the WTO and the World Bank and the IMF over a period of time. And those are countries that wanted to destroy that global system 20 years earlier and now they are a part of it. They are benefiting from it. I also think in some cases they are making important contributions to it. I don't mean to imply that they are not, in some cases they are, particularly in dealing with global financial crisis, China, India and many countries played a very constructive role.

Now the question is going beyond that are they going to play a constructive role in the rebalancing of the global system? And I do think where protection of

intellectual property or in dealing with a lot of other issues, I think one of the important things is to recognize if they can't rely on the American consumer who is already in heavy debt and they want to continue to grow, then they have to find ways of increasing domestic demand. If they do that they rebalance better internally, they also help the global system to rebalance and they help a lot of other countries who are now undertaking the kind of reforms Greece is undertaking to grow more rapidly. So the answer is they have to play a greater role in the global system and a more constructive role after the financial crisis just as they have done during the crisis.

Mr. David Rennie: The title of the panel is is the G20: The Committee That Can Save the World. We spend our time talking about what should happen. I think the panel is to decide whether the G20 has a chance of being the thing that will happen.

The Hon. Bob Hormats: It is the best possible framework for doing it. Will it work? I don't know, but I can't imagine any other framework that has a better chance of encouraging these countries to take a

more responsible role in managing the global system, not just getting the benefits from it but assuming greater responsibility for it. If it couldn't be done at the G7 the G20 is the ultimate vehicle for doing it. Will it work? I don't know, but it is a far better instrument for doing it than anything we've had in the past.

Mr. David Rennie: We had a question. Will regional organizations help it work?

The Hon. Ernesto Zedillo: I would go back to something that was said yesterday. He said ideally one day every chair in the G20 will represent a sequency of countries. Perhaps then we would not be a G20 we would be a G12 or G15 which would make it more manageable. In that respect I think that organizations can play a very good role to conform that constituency representation. I think that is just an example of why organizations can play a role but not in lieu of but as a means to enforce multilateral institutions.

The Hon. Pascal Lamy: On this one let me repeat that there are two regional chairs already in the G20. African Union and the Asian both sit in the G20 as a

group. So there's the (Inaudible). Once you have Argentina, let's assume, there, you've got two North Americans, Mexico.

The Hon. Bob Hormats: Three. Canada.

The Hon. Pascal Lamy: I have many friends in Latin America. I usually refrain from saying that Mexico is North America.

The Hon. Ernesto Zedillo: We are also Latin Americans.

The Hon. Pascal Lamy: That's your view. But there's already quite a bit of regional input. And if more was to come I think moving slowly to a constituency system would make sense.

On the China thing, I know the issue is that China is not where it should be, that it doesn't take enough responsibility. China -- and I will only speak on trade -- joined the WTO in 2001, benefited since 2001 from open trade, has grown its economy through demand, but one shouldn't forget that China paid a high price for that when they joined the World Trade Organization. They paid a high price, I'm not saying too high a price, in opening its economy, in subscribing to

international (Inaudible) under conditions which are much more stringent than the rest of the developing countries in the trade system. And why so? Because they joined very late, whereas others joined very early. If you look at the number of international trade disciplines which China has subscribed, as compared to India or Brazil or South Africa or Asia or Indonesia in tariffs, for instance, they paid a high price. It is not just a one-way street as if China was the free rider of open trade. I'm not saying everything is all right, but this implicit assumption that China is free riding on an open trade system which it hasn't been, deserves a bit of nuance --

The Hon. Bob Hormats: I never said they were a free rider on the system. And I also accept that they took major commitments that others didn't take. I would also stipulate the following. And this was a policy of (Inaudible). The success of China today is in large measure because it opened itself up to more competition by joining the WTO. I think it would not have as strong a domestic economy today if it had not joined the WTO. The objective was to make changes

internally in China by opening China to more competition.

Therefore, I think they paid a price but also benefited enormously. I am not saying they have not done constructive things. There are areas that are imposing difficulties like intellectual property protection and a number of other things. In my view it is not that China has made progress, my view is that China, as a big economy, probably has to go somewhat further to take on the kind of responsibilities commensurate with its strong role in the global financial trading system.

Mr. David Rennie: Is the G20 capable of taking this discussion away from the concrete? Is the G20 capable of making this discussion concrete? Is the G20 the body that can make China do things that others want?

Dr. Changyong Rhee: It is a little premature to say concrete outcomes. We have, at least from Korean perspective, we have two principles. One is it's not just for the U.S/China problem. Every country has to contribute something and every country has to share the

burden of the global rebalancing. And second if you really talk about the origin of the problems, I think, it is not very productive. You have to talk about what should be done, what is the adjustment mechanism, and why the adjustment hasn't worked. In that sense what China and the U.S. has to contribute, not just macroeconomic policy, but there are many structural things to do. On the list of principles I think we can come up with some solutions. Under this regional institution agenda, I think their existence will help the legitimacy, but unfortunately it will invite another debate in the sense that whether the member countries of the regional institutions will agree to give this head of the regional institution permission to represent their views. So it is not just a simple issue. There are lots of debates.

The Hon. Bob Hormats: We all need to make internal structural changes because the external imbalances won't be reduced unless internal structure changes are made. And that's what the OECD is doing among some groups and what the G20 can do among other groups.

The Hon. Ernesto Zedillo: But the point is that the G20 agrees on coordinative analysis and a coordinative process to correct the global imbalances. The diagnosis is impeccable. But when one country individually it starts to fingerpoint to another member of the group overriding the collected mechanism, then we are in trouble. And I think there must be some consistency. If leaders have determined an approach to deal with this problem, then please, leaders, be disciplined about your own approach. I think what is happening right now, in the U.S. some people, sometimes including the leadership, are telling unilaterally to the Chinese what to do. And the Chinese respond as the Premier responded two weeks ago, this is not going to be very productive. We have tried that before. So now the G20 opens a new way. I think we should stick to that way when dealing with this.

The Hon. Bob Hormats: Everyone has to make adjustments. And I agree you shouldn't point to one country. It is not only one country. It has to be done by everyone in the G20.

The Hon. Ernesto Zedillo: You have to agree what

kind of adjustment. You have a mechanism at the G20, but if the U.S. executive starts to tell the Chinese what to do before you -- (Overlapping comments)

The Hon. Bob Hormats: We've got to deal with our internal imbalances, too, otherwise whatever we do internationally won't be very helpful for us.

Mr. David Rennie: I'm going to drag us just the last few minutes we have back to the title of this discussion because I think one of the most important things said is the title of this: Is This a Committee to Save the World? Do you feel, these discussions about finger pointing, European Union is very comfortable about forming a body and finger pointing within itself. It is what the European Union is for. It is so they can blame each other for things. The G20 is rather valuable if it is a place to finger point.

Just your last contributions, do you feel that the G20's momentum is inevitable and is linked to this long secular trend of the rising powers? How much of this is the crisis politics that once the crisis feels slightly more distant this will ebb away? Is this the committee that will save the world? I think I will

take it in order. We have very little time.

Dr. Changyong Rhee: I am an economist, so I believe in the track record, and during the crisis, I think G20 contributed significantly in coordinated actions in stopping the Great Depression II. You mentioned that may be due to the crisis period, but I believe that the whole world learns a lot from history, and there is some consensus that the individual country's interest will be best shared by the shared objectives of the whole world economy. So I think we are enlightened enough to make these things a success and we will do our best to make those things happen in the Canadian Summit and the Seoul Summit. I hope you can all help us to do that. Thank you.

The Hon. Pascal Lamy: I think G20 is there to stay. It is an improvement over the G8. It is there to stay as, again, part of the system which is slowly taking shape.

Second, that's the good thing about crisis in that you do things which you wouldn't do otherwise. The G8 was created in 1974 and lasted 35 years which is certainly at least 15 years too much as compared to

what the world was, but the crisis provoked what logic wouldn't have provoked.

Third, I think in terms of efficiency the jury is still out on one major issue which was the origin of this crisis which is financial stability. There still is no evidence that on this major issue which is a combination of, let's say, financial regulation, fiscal policy, monetary policy because financial stability is not just about regulation, that the G20 will produce something. I hope it will happen. I direly hope it will happen, but the jury is still out. And if the G20 was not to produce, not to fill this big hole in international regulation which we have on finance then new question marks would arise.

The Hon. Bob Hormats: I am very much along the lines of what Pascal is saying. There are two reasons for the G20. One, it was something that should have happened anyway to allow the large emerging economies to play a bigger role in the global and direct our international system. It is here to say because it is more representative than the G8. It got its real boost last year from the fact that it was a better group for

addressing the financial crisis than the G8 or any other group.

Now the question of the future. I think it will stay, again, because it is the right group with some variations with some regional representation. Then question that Pascal asked: Can it be effective in addressing the aftermath of the crisis? Two things. One, it can be effective in addressing the aftermath of the crisis. The crisis may be over in some respects but there are still a lot of legacy issues: unemployment, how do you we get out of it? How do we deal with reform? That will be its first question. Can it be effective in dealing with those?

Second, can it identify new areas of global challenge where it can work together after the crisis is over? And then that really is going to be the longer term test. There are a whole range of issues, environmental issues and many other things that we have talked about.

The last point goes to a point that Ernesto and I were discussing. If it gets into the blame game, if each country says "you're responsible for the problem,

not us" or "you're responsible for the answer, not us," then it won't work. It has to be seen as a group where everyone is taking responsibility for the global system, not as a blame game operation. That spirit of not looking at this as a 0 sum game, you win/I lose, I win/you lose, that is going to be critical to making it a long term success.

Mr. David Rennie: You have a brief word but the last word.

The Hon. Ernesto Zedillo: Many people like myself have said for a long time globalization is a great instrument for prosperity and for international peace and security. But to optimize the benefits, to minimize the downsides and to avoid the catastrophic degrees of globalization, we need better global economic governance. In order to have that we need the reform and reinforcement of the existing institutions, but we also need something like the G20. This is not new. It was out in the Global Neighborhood Report where I think Pascal, somehow, was part of that in 1992/1993. This was head of the G20 finance ministers. It was said in the financing for development report

which was a base for the document of Monterey. The idea is there in practice. I think now they have to deliver.

Mr. David Rennie: Panel, thank you very much and that closes our final session.