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Merci beaucoup pour cette introduction de la question des réformes structurelles dans les débats sur la conduite des politiques macroéconomiques en période de sortie de crise et de réforme du système monétaire international. Il y a une question institutionnelle intéressante à poser dans la discussion, ça serait de savoir quel rôle l'OCDE qui est experte en matière de réforme structurelle pourrait être appelée à jouer si on poursuit l'idée qui vient d'être introduite. Nous allons faire une transition avec ce que va nous dire Gordon sur un aspect plus politique de la gouvernance mondiale.

Gordon Smith

Merci beaucoup Jacques. C'est un plaisir d'être ici.

I will do something a little different from the previous two presentations, though I will build on them, particularly on some of the things Lionel said. I want to put the discussion of monetary and financial reform in the context of overall global governance and institutional reform, which as I see it is very much what Thierry and the IFRI staff have wanted to do with this meeting.

What we are talking about is highly political; Lionel was talking about power, the changing nature of power in the world and how that has to be reflected in governance. Just to repeat something we all know, the contemporary state of governance, and the institutions which are the major but not the only means of achieving it, are clearly not up to the degree of interdependence that now exists. That point was made this morning, and I would just reiterate it.

I would also underline the concept that we are living in a world of mutual vulnerability, and that sense of mutual vulnerability was there in what both Pedro Carlo and Lionel had to say. I was very interested to hear the Secretary-General speak this morning; it was great that he was able to come and talk about the processes of the UN and the changes that need to take place to make it more effective, efficient and so forth. However, we have to deal with the world as it is rather than as we might like it to be, and I am certainly sceptical that a reform of the Security Council is coming any time soon.

Therefore, I believe that, in dealing with the big and interlocking issues, which again was a theme that came up repeatedly this morning, one needs some form of global steering group. I choose my words carefully; I do not call it an executive committee for a whole set of reasons which we can come back to.

The G20, as we know, is very much focused on its central mandate of being the premier economic forum, and certainly I know our Korean friends want to make sure it succeeds in doing that. However, I would argue that one can already see that the agenda will evolve; I am not suggesting that the Koreans should enlarge the agenda in the three weeks, but there were even suggestions this morning that the G20 finance ministers and leaders might take on other things.



Our Korean friends have already found, and the Deputy Minister can confirm, that the agenda has been enlarged to deal with development issues for a whole series of good political reasons.

Because I am less optimistic than some people I heard today about the prospects for a climate change success in Cancun, the financial dimensions of dealing with climate change will soon end up on the G20 agenda. Basically, the world needs a steering group because a G192 is simply unable to do what needs to be done. There has not been much talk of this here, but I am aware that people question the legitimacy of a steering group; they did for the G8 and they will for the G20. However, in my judgement the critical thing will be whether it is effective or not; if it is effective people will not question its legitimacy, but they certainly will if it is ineffective.

I want to underline again what I said about the notion of a steering group. This is not a group that would impose its decisions on anyone, and I think Jean-Claude Trichet was very clear in making that point a number of times. Let me come back to climate change, where I think there is a need for a steering group. What will eventually have to happen will be ratification of any G20 consensus by all UN members, and this is not inconsistent in any way with a steering group. The point is that we need a form of leadership in the world that, for all the reasons that Lionel and others have laid out, includes the developing countries. I think he made a compelling case for that. The kinds of global issues leaders are dealing with are not those that can be dealt with exclusively by developed countries; I do not need to emphasise that any more.

I was interested to see on the agenda that we will be talking here in Marrakech about governance of cyberspace. I remember reading that Korea was thinking of putting cyber-security on the agenda for Korea, but I do not know if anything came of it.

The following point has already been made in the course of the day, but I just want to make it clear. The changing nature of the world is reflected in the fact that Korea is chairing this G20, as opposed to having one more meeting of the G7 or the G8. I am also told by people more expert than I that, if the G8 were chairing this G20 meeting, there never would be the emphasis there has been on global safety nets. That very much reflects where the host country is coming from.

My argument is, in that in global governance, in particular the role and leadership of summits, that form ends up following needed function; the G7 finance ministers became the G20, the G20 finance ministers became the G20 leaders' forum, I have already alluded to how that might develop. We will see what comes from Seoul in this area, but there is no question in my mind that France, which will chair both the G20 and the G8, will have a great deal to do in terms of sorting out those respective bodies, given the leverage that comes from their dual presidency. There was a reference to the G8 this morning and its uncertain future.

Regarding Seoul, I think it is important that we should not regard dealing with the exchange rate problem as the sole test of success. There are other things that the meeting must do, and which revolve around the stability and security of the system. I do not think there is a need for me to go into what came out of the Basel Committee. That is clear progress in the right direction, and, although I do not pretend to expertise in this, I note with interest what the Governor of the Bank of England said: when a bank is too big to fail, it is too big. I understand that in the world where I come from, but I do not really see an adequate response as to how to deal with that problem coming from the international financial system yet.

I want to say a word or two about the Financial Stability Board (FSB) and the role it should be playing in the system. It is fairly clear that, despite all the dangers that exist, there will not be a single global regulator, and that point has been made during the day. However, much more can be done to coordinate the monitoring of risk, capturing the evolution of financial innovation, something which has not gone all that well in the past, and ensuring some means of enforcement of principles and standards.

The FSB, it seems to me, is a key body on which to build, and I hope we will spend some time talking about that. It will need more resources, and, I would argue, its membership should be open to all IMF members. It really is not a place where you tell people they are not welcome inside the door. The bottom line, I would suggest, is that the FSB must be



able to ring warning bells. I do not know what enforcement is possible; others in this room probably have better ideas. It seems that we ought to explore that issue this afternoon.

I come from the operational world of foreign policy and now academia as a political scientist. Jean-Claude Trichet touched this morning on the changing nature of sovereignty, a subject that arises in both contexts. The kinds of changes we are talking about here, the changes I just mentioned, do reflect a change in the nature of sovereignty. We have been working very closely with former Prime Minister and Finance Minister of Canada, Paul Martin; he, along with Larry Summers, got the G20 going at finance minister level. He has said: 'Coming to grips with what it takes to make globalisation work requires a global consensus that cannot be squared any longer with the traditional exercise of sovereignty.' This is a major statement.

The argument that he makes, and that I make, is that there are not just sovereign rights in the world but also sovereign duties. Greater independence, as we know, means greater vulnerability; it is true in the financial area, and it is true in other areas when one talks about the global commons. I think it is possible to argue that US and European financial players created toxic assets over the last couple of years and sold them around the world, and one can make the argument that that very process infringes rather negatively on the sovereignty of others.

Therefore I would argue that we have to do what we all have probably been trained not to do, and get into this very sensitive area of the future of sovereignty. That really is what we are talking about if we are to manage in an effective way the kind of interdependent world in which we now live.