

ANA PALACIO

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I'm not exaggerating when I say how honoured I am to be here, it's a real pleasure. Thank you to IFRI. Thank you to Thierry de Montbrial for inviting me. I am speaking just before dinner, which will doubtless be a high point with Pascal Lamy.

I will reply to your question by saying that I fully agree with what Hubert Védrine said – this is not a crisis, but a mutation. If we had had this panel say 10 years ago, before this mutation, what would this panel have spoken about? We would have talked about corporate governance, ideas of self-regulation and soft law, and this would have been the main focus of policies at the multilateral level and even at the national level. The main focus then was on what constituted economic success and it was largely growth, pure and simple growth. In development terms, it was the big days of the Washington consensus.

What has changed? First of all, as other speakers have said, populations all over the world want more. They understand governance in a very different sense. They want that government, public institutions, and big companies deliver in terms of fairness. They do not want corruption. We see it in China, and we have all seen what this change of leadership has meant with Hu Jintao's hand-over speech stressing: "If we fail to handle this issue [corruption] well, it could prove fatal to the party, and even cause the collapse of the party and the fall of the state." It is also the role of the media. Their big role is keeping track and maintaining the flame. We see that in Egypt today.

I think this awareness is one of the best pieces of news we have with this mutation. This awareness also means that there is a sense of the rule of law in different ways and in different places, from China to Europe. And all this could change the world. What we know is that self-regulation, ethics, codes of conduct and soft law are necessary, but not sufficient. If they were sufficient, we would not be where we are today, the crisis being intimately linked to these lacunae. We need hard law rather than soft law.

For the past 30-plus years, the world was about economy and growth, in the heyday of the Washington consensus. Today it is about distribution, social concern and the sustainability of growth, which means institutions and the rule of law. In a way, this is very good news for the world at large.

What can we do as an international community? At the same time, we see the complex situation of mutations. You see a trend, but at the same time, we see that the big international institutions are very weak. These are institutions that we created after World War II that do not represent the world of today and frankly, we do not have the strength or the leadership to change and adapt them to the world of today. For many institutions today, such as the Monetary Fund or the World Bank, on a 25-member board, you see at least seven or eight European faces and sometimes one or two African faces, which does not represent the world of today. We need to change that from a governance perspective.

We need to adapt because we need these institutions. We are seeing, and this is a bit contradictory, that the battle for the rule of law is there, but at the same time, we are abandoning formalised fora and institutions. We see the G2, the GX, the G8 are not institutions. They are not concerned about institutionalising. Where is the legitimacy? The usual reply is that they represent 80% of the GDP of the world. I would ask, 'What about the other 20%?' This is a concern for all of us.

Now, we have talked about the importance of the structures of these big institutions. It is not just about governance at the highest level, at the political level, but it is also about the structure. Your question about risk aversion is very important and very interesting. We see that not only have they not adapted to the new world at the highest level of governance, but frankly, they are too much process oriented. I am sure that Mr Mo Ibrahim and many others will speak about this. We need to reward risk taking within the rules. We need to encourage not just playing by the book and ticking all the cases, but achieving the necessary results.



In summary, I think we are at the beginning of a new era, with a breakthrough, which is this quest for the rule of law, and for international institutions. As in all mutation moments, we have a fantastic opportunity, and at the same time, we face many risks. I hope that we will understand that and just work together to overcome it and to create what the world at large, in both the developed and the developing world, are asking for, which is a more rule-oriented, more rule of law-oriented situation, and less of an economy-oriented world.