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Il Sakong, let us move to Asia with you and jump into these global governance issues that are key to the stability of the world economy.

Il SaKong, Chairman, Institute for Global Economics

As always, it is a great privilege to be here with all of you and particularly with the distinguished panelists sharing this podium. I thank Thierry de Montbrial for inviting me. Given the time constraint, I will focus my very brief comments on the global governance, with specific references to the G20. However, before doing so, I would like to follow up on a couple of points made by previous speakers. Kemal Dervis referred to the recent views expressed by Larry Summers and Paul Krugman of the secular stagnation. They see the current state of the world economy from the secular stagnation perspective.

The current state of the world economy can be characterized by a slow growth and low level of job creation. Larry Summers and Paul Krugman see it not just as cyclical but as a phenomenon of secular stagnation. I do not know whether you would agree with them or not, but such a view inevitably calls for even closer international policy cooperation and stronger global governance.

The second point I would like to touch on relates to another point that Kemal Dervis made regarding global imbalances. So far, we tend to look at global imbalances, mostly in macroeconomic terms and specifically in real economy terms. But we have to pay more attention to the global financial imbalances, simply because financial stability is critically important to ensure real economic stability and economic growth.

Regarding the G20, I do not think we need to get into the details of the G20. Recognizing the fact that the global economic power constellation has changed, the G20 leaders, of course including the G7 leaders, saw the need for new global governance and the G20 emerged as a result. Thanks to the G20, the world was able to avert another Great Depression. The G20 leaders were so satisfied with the G20's achievements that they made an agreement in Pittsburgh in 2009 to designate the G20 as their premier forum for international economic cooperation.

I re-emphasise the fact that the G20 leaders agreed to designate the G20 as their premier forum for international economic cooperation. They committed to the new global economic governance and they also specifically agreed to have a Mutual Assessment Process (MAP). Unfortunately, in my view, in recent years, the G20 is not living up to its earlier commitments and promises. Look at the last G7 meeting, which was held in the UK and look at the agenda. You will see all the economic issues back on the agenda. I just wonder if those G7 leaders have forgotten about their earlier commitments made in Pittsburgh.

The G7 alone cannot handle most of the new global economic issues, as we witnessed after the Lehman Brothers bankruptcy. Therefore, we have to reinvigorate the G20. Today's world is not even a multi-polar world but instead a



non-polar or a G-zero world. So we need collective leadership and the G20 can be the source of collective leadership. In that regard, as I said last year at this very conference, the G20 needs its own further institutionalization. It is to strengthen its own governance system and to help provide collective leadership which the global community needs.

How do we further institutionalize it? As soon as I say this, many would think I argue for establishing a full-blown Secretariat. We do not need to go that far. There are many different ways of doing it. I don't think it is a right place to discuss alternatives. But I just want to emphasise the necessity. The G20 needs to keep its own institutional memory for consistency and continuity. Mind you, the G20 Summits are not just annually-held events. It is a process and I would like to see this whole process being continued throughout the year. The G20 should have more frequent and structured meetings for finance deputies, finance ministers and Sherpas before the Summit. Leaders' time is the scarcest resource in the world, so they cannot meet often.

Considering the imminent US Fed's tapering, I think it ought to be brought into the G20 framework. Even though this is a US domestic policy, the potential global spillover effects will be so great that it requires the G20's involvement. The reverse spillover effects will affect the United States anyway. Therefore, it is not only good for the rest of the world but for the United States. The G20's MAP can be utilized assisted by the IMF and other multilateral institutions.

Perhaps in the future, though I do not know how soon it will, the time for Japanese tapering will eventually come. And that again has to be brought into the G20 framework. There is a lot to be done and it can be done regarding the G20. I know it is difficult but it has to be done in this no-polar world. The world needs a functioning collective leadership forum. To have functioning collective leadership, we need to further institutionalize the G20 itself first. Let me stop here and we may return to this subject later.