

JACQUES MISTRAL & XAVIER VIDAL-FOLCH

Introduction

Jacques Mistral, Head of Economic Studies, Ifri

Good morning Ladies and Gentlemen. My name is Jacques Mistral. I am a Professor of Economics and I am responsible for economic studies at the IFRI. It is an honour and a pleasure to open this second session of the *World Policy Conference*, which the organisers have asked me to moderate with Xavier Vidal-Folch, Deputy Director of the great daily newspaper *El País*.

This session, as you have seen, is devoted to world economic and financial governance. Like the previous one, we can say that this is a matter of widespread interest which is on the mind of everyone taking part in this conference.

As an introduction, I would just like to give two or three pointers to what we are going to be dealing with on the panel that has been formed. Two years ago, in the days following the great financial crisis, governments reacted quickly and creatively by setting up the G20. The G20 was the correct framework in which to quickly determine suitable and effective policies in several areas.

Firstly, in the management of monetary and fiscal policies, by immediately taking decisions that did not always conform to the rules previously applied, thus preventing a very dangerous recessionary spiral from setting in.

Secondly, the G20 in Washington and London also launched an agenda for financial reforms to prevent the causes that had led to this situation from reappearing.

Thirdly, the G20 played a key role in avoiding the temptation to adopt policies based on “every man for himself” which, as we know, in the thirties, exacerbated that recession so quickly and so dramatically.

Now, two years after the start of these G20 summits in Washington, after London, Pittsburgh and Toronto, we are getting ready for the summit in Seoul in three weeks. Where are we? Where is the economic and financial governance? That is what we are going to discuss. I see three big issues in taking forward the work that has been done.

The first of these issues is defining suitable macroeconomic policies. Clearly the situation is more complex than it was when everything needed to be done urgently to stop a recessionary spiral. Now, there are debates: should we create inflation or rather deflation? Should we adopt stringent policies immediately? Should we go on propping up economic activity which is still fragile? That is one series of questions; which perhaps could be called the “exit strategies”.

Secondly, there is the job of financial reform on which different judgements can be made. I believe that the situation can be summed up by saying that substantial progress has been made. There are the Basel III Accords which are going to be submitted to the leaders in November. There is the creation of the Systemic Risk Council in the United States and in Europe. So these are very significant steps forward, but very difficult subjects still lie ahead, to name but one which is the question of financial institutions that are ‘too big to fail’.



And then there is a third issue, that of global imbalances, which has been on everyone's mind for years and which has been raised in a very timid way in the communiqués of the G20, and was not even addressed in any of the first meetings. Global imbalances, exchange rates, this is a subject on which public attention has been focused for several weeks. We have seen the reappearance of words we thought had been left behind along with the expression "currency war" which brings back very bad memories.

That is where we are: three major issues. Obviously, the European question is an especially pressing one. In spring we saw the difficulties that could arise when the European institutions failed to work efficiently enough, and the systemic effects which could result from that. The question of European governance is therefore closely linked with questions of world governance.

Briefly, in conclusion, I would mention the words of the French President who, a few weeks ago, said that world governance – the G20, in this case – was at a crossroads: either the G20 was becoming an instrument for crisis management and was waiting until some other event forced it into action again, or it was gradually becoming a genuine institution for better world governance. This is what we are going to discuss with a really outstanding panel which has been brought together by the organisers.

I now hand over to Xavier to introduce the panellists.

Xavier Vidal-Folch, Deputy Director, *El País*, President of the World Editors Forum

Thank you Jacques. How important is the subject? How urgent is it? How did we get into this *worst currency* situation, in this currency war that has just been mentioned?

We certainly do have an exceptional panel. I would like to point out that the members of this panel live – although all three travel a lot – on three different continents. One person lives in Washington, another in Tokyo and the last one in Frankfurt. So, we are going to try to travel together to these three continents.

I would like to add that we expect a lot from our panellists. They are each going to speak for about 10 minutes, then, they are going to reply to each other and, afterwards, enter into a discussion with all willing participants.

I would like to stress that we expect a lot not only in terms of what has happened so far, in these two years with lots of initiatives and projects, but also of what must be done from now on and the tasks still to be done to achieve that.

True, we had a *big bang* of financial reform packages in July in the United States. True, there is a build-up of new initiatives in European legislation, and among them that of financial supervision, the chief architect of which, Commissioner Joaquin Almunia, is here amongst us. But there is still much to do. We expect ideas for accomplishing the tasks. So let me introduce the three people who are going to speak.

First of all, Kemal Derviş. He has been a Member of Parliament in the Republic of Turkey and Minister of Economic Affairs. He then became Vice-President of the World Bank. He has directed development programmes at the United Nations. He is now Vice-President of the Global Economy and Development Programme at the Brookings Institution, which everyone knows well.

Secondly, from the Asian, and particularly Japanese, point of view, we are honoured to welcome Mr. Haruhiko Kuroda. He is President of the Asian Development Bank. He has been a special adviser to Prime Minister Koizumi; and a Professor at the Hitotsubashi University of Tokyo. He has also been Vice-Minister of Finance for International Affairs.

Last but not least, Jean-Claude Trichet is President of the European Central Bank. He has been President of the European Monetary Committee. He has become Governor of the Bank of France. He has been President of the Paris Club and Governor of the World Bank. He has been President of the European Central Bank since 2003 and his contribution is awaited with great interest.

Thank you all. Mr. Derviş?