

## DEBATES

### **Samir Aita**

**Editor-in-chief of *Le Monde diplomatique éditions arabes*, and Président of the Cercle des économistes arabes**

Thank you very much Monsieur Levitte. Not only has France continued the work of Korea, but it has taken up three very ambitious issues – as you have been able to judge – but perhaps Mr. Ho-Young would like to comment first on these three French ambitions and on the difficulties they are going to face. I mention the reform of the international monetary system, aware that you have not exactly spoken of the history of the dollar as a reference currency, commodity prices, the history of which is very clear, and then global governance which touches on a more political area than world governance. This is a key subject of the conference. Maybe you have a comment?

### **Ahn Ho-Young, Ambassador At Large, G20**

Thank you very much for your question, but I think I will answer it in English, because my French is not very good.

As a matter of fact, I think there are different ways of looking at how France is approaching its Presidency. It could be either revolutionary or evolutionary. As you said, there are three new issues that the French Presidency is introducing. In that sense, you could be saying that it is revolutionary. However at the same time, as somebody who is basically very, very conservative, it is more evolutionary than revolutionary. For example, regarding international monetary systems, we have been discussing all the related issues anyhow at the G20.

As I told you, the global financial safety net is a system which has the kind of problems that cannot be resolved completely without a large number of us. This is if you look deep into the issue. This includes not only G20 countries, but non-G20 countries as well. We need to think seriously about what we should make out of the international monetary system we have had over the past six years. I will not go into all those details, because Jean-David has done so. However, at the same time, I think there is much interest and many ideas abroad with regard to this subject. France, among other countries, would be one of the best countries to take up this issue.

We can say the same thing with respect to the second and the third subjects. Volatility has been there in the commodities market. As was rightly pointed out by Jean-David, there are many different aspects to the issue: the products themselves, the financial markets etc. In fact, beginning with the Pittsburgh Summit, we have begun to examine this issue. In Pittsburgh, what we agreed was to deal with subsidy in the energy market, a prospective market. At the same time, again, it is an issue which is very closely related to the volatility in the commodities market.

Lastly, with regard to global governance, if there is no global governance, G20 will not exist. France is introducing the issues, which in my view, are evolutionary and I have to say, very timely. Given their experience, as well as the capacity that France has as a nation, we have very high expectations of the French Presidency. We are very glad that Korea will be provided with an opportunity to continue to work closely with France and particularly with Jean-David, whom I admire.

### **Jim Hoagland, Associate Editor and Chief Foreign Correspondent, *Washington Post***

In my business, which is daily journalism, we pay particular attention to the idea that timing is everything. The Seoul Summit comes at a moment in time in which there is going to be a lot of discussion internationally around financial issues, which are very urgent. You very rightly pointed to the credibility that the G20 has to establish. I think much of



the world, particularly many of my colleagues who will be in Seoul, will be looking at a particular question. How is the G20 going to address the problems we face today?

These are of hot money pouring into developing countries and a flood of US dollars on the market, as a result of the expectation of quantitative easing by the Federal Reserve. I wonder how you will come out of the Summit able to say, 'We have maintained our credibility on the financial instruments of the day.' I wonder if you could talk about the concept of what you will do to restore or establish international credibility for the G20 on these issues.

**Ahn Ho-Young, Ambassador At Large, G20**

Thank you for the question. A large number of Korean citizens are asking me, 'What are you going to make out of Korea's hosting of the G20 Summit?' As a matter of fact, some of them are fluent enough to ask me, 'What, in valid terms, would be the benefit of hosting the G20 Summit in Korea?' My answer to them is this. Before we think about the tangible benefit in valid terms of the G20, let us try to ask ourselves this question. What was the economic cost of the financial crisis we had in September 2008. If there is one thing which the G20 process has meant so far, it has been to restore stability in international financial markets, as well as the international economy in general.

Look at some of the issues G20 has been dealing with recently, for example, macro-economic coordination and the reform of financial regulation. There is also reform of international financial institutions. Put them all together. Yesterday, Mr. Ban Ki-Moon said, 'Let us connect all the dots.' On paper, we have all these dots, of macro-economic coordination, reform of financial regulation and reform of financial institutions. If we connect all those dots, at the end of the day, the outcome will be more stability in the international economy. That would be the best benefit that we have obtained through the G20 process so far. It is something that we will continue to try and achieve from the process and through the G20 Seoul Summit meeting as well.

At the same time, we expect to deal with more specific questions, as you just mentioned. This includes the hot money flying into the emerging markets and the flood of dollars into the market because of quantitative easing etc. The reality is, because of the difference in the interest rate, this money is finding its way into the emerging markets. One downside of quantitative easing would be flooding of the markets etc.

At the same time, we are talking about a policy mix, in the sense that there are a large number of problems that we should be addressing. In addressing those questions, from time to time, we will have to employ fiscal measures and from time to time we will have to employ monetary measures. Also, from time to time, we will have to introduce more measures in order to stabilise the financial markets etc.

All in all, let us think about two different scenarios, in which each country introduces its measures in order to address the problems they have, with its own mix of policies. This is one scenario. The second scenario is where we have G20 countries, representing 85% of the world's GDP, looking in the eyes of other officials. They can try to coordinate their fiscal policy and monetary policy, as well as their financial policy. Between these two scenarios, which one would you choose? That is the question I have for you. Which scenario would you choose? I think the answer would be obvious. Whatever we do in Seoul, if we can make a contribution in that direction, we will be very, very happy.

**Jim Hoagland, Associate Editor and Chief Foreign Correspondent, *Washington Post***

I wanted to ask Jean-David to outline the French concept of how to deal with these problems.

**Jean-David Levitte, Diplomatic Advisor and Sherpa to President Nicolas Sarkozy**

I believe that the most useful decision for the long term taken by the G20 was the creation of what is called the framework for sustainable growth. Why is it the most useful over the long term? Because we decided at twenty to put on the table the growth forecasts for each of our countries for the next few years. And then we asked the Monetary Fund to help us to see if, based on its scenarios, these forecasts were consistent and if, put together, they can enable us to have the highest growth that the world really needs.



This process is absolutely tremendous, in my opinion, because it offers countries that are not used to doing so, the opportunity, for the first time, to consult each other on what each does at home to check that, all together, they are not about to cause a new crisis, a new bubble.

The question that arises and which we have to answer is whether, in the future, this framework for sustainable growth should not tackle monetary questions. So far, the G7 of Ministers of Finance has been the place where seven countries got together to try to find formulas. This more or less worked in the seventies and eighties, but today it is clear that the multipolar world in which we live is emerging as a monetary multipolarity.

In 1945 and until the nineties, there was only the dollar. Now, the euro is gradually finding its place and then, of course, there is the yuan and the yen. So we need to be able to consult each other and we would be very happy if our partners thought that the G20 could be, after the G7, the new forum for talking about these subjects.

Within this framework there is a specific question, which is about exchange rate parities. This is an extraordinarily sensitive subject which is not spoken of in a hall with between 100 and 200 people, for fear of provoking a sharp fall or rise. More globally, as Ho-Young said, the monetary question is only one of the aspects of this convergence that we must organise in the management of our economies. That is why this broad approach, I believe, is really the lasting success of the G20.

#### **Ahn Ho-Young, Ambassador At Large, G20**

I will be very brief. I was listening to Jean-David's views on the Framework, which reminded me of two episodes that I think I can share with you without too much damage to the G20 process. When we were preparing for the first G20 Summit in Washington DC, Korea prepared a five-point memorandum and submitted it to the American Presidency. The first point in that five-point memorandum was; let us strengthen macro-economic coordination among G20 countries. Then I was provided with a draft communiqué for the Washington Summit and at the Washington Summit, there was a reference to macro-economic coordination.

I came to the Sherpas' Meeting in Washington DC and I found that apart from Korea, nobody else supported this terminology of macro-economic coordination. This was because they said, 'In G20, we are sovereign states. We cannot really enter into macro-economic coordination. Maybe at the next one, we can agree to macro-economic cooperation.'

Nobody supported macro-economic coordination, but today, everybody takes it for granted that G20 is there in order to discuss macro-economic coordination. Yesterday, I was listening to Mr. Trichet, who was talking about how Basel III was so quickly agreed upon, compared to Basel I and Basel II. It is the same with respect to macro-economic coordination, in the sense that when Korea first proposed it, nobody supported the idea, but now, we have a very strong mechanism called the Pittsburgh Framework. We are achieving it through that; that is to say macro-economic coordination. That is the first point.

My second point relates to when we were preparing for the Pittsburgh Summit, under the US Presidency. The US Presidency came up with this idea of the Framework. This is what I told my American Sherpa, my colleague in the United States. I said, 'I am so appreciative of the initiative the United States is taking.' Why? It is because it will be under the strong leadership of the G20 member countries that this kind of initiative could be taken. It was possible under the US Presidency for exactly the same reason as we are looking forward to in the French Presidency. It is because of its experience and capacity.

#### **Peter Jankowitsch, Secretary-General of the Franco-Austrian Center for European Economic Convergence**

Thank you very much. I ask a question from the point of view of a country typically (*inaudible*) G20, notably Austria and if you look at the history of the G8, the question that comes up is: is the G20 going to take the same path as the G8, that is to say, is it going to deal globally with practically all questions – not only economic questions, but also security matters, non-proliferation? This question is very important for smaller countries, because in a scenario such as this, one day, the G20 could perhaps replace – not formally, but in practice – the security advisors of the United Nations. At

the United Nations Security Council, one can be elected, but at the G20 one cannot be elected. So this question is very important for a large number of countries. It was, moreover, asked yesterday by Morocco.

The second question is: which channel does the G20 envisage using to put its proposals, its decisions into practice? At a given moment, the G8 had the habit of using the OECD as a forum for putting its decisions into practice. But what channel is there for the G20 in this regard?

#### **Jean-David Levitte, Diplomatic Advisor and Sherpa to President Nicolas Sarkozy**

I did not want to talk about the G8. We also have the presidency of the G8 in 2011. The question came up as to whether the G8 should be kept or not. There was unanimity for saying: "Let's keep it and we'll see what that's going to produce". What struck me about the G8 in Muskoka was that, in fact, there are subjects that are easily dealt with in the G8 because they are shared by us. We are all faced – in France, we have pension reform, for example – with subjects more typical of the G8 than the G20. Thus, we see that there is a distribution of roles that can be made. It is true that the G8 deals more and more with global questions of shared interest, but also political subjects such as Iran, Afghanistan and Pakistan, quite simply because its composition favours this kind of discussion.

Secondly, regarding the G20 – although Ho-Young may say otherwise – we think that it should not be enlarged. Moreover, in Pittsburgh, we decided that it was the most important forum for economic and financial questions. Well, everything is in the definition of the words "economic" and "financial". In the economy, with Korea, we readily included questions about development. But there again, a question arises: why does the G8 give 80% of aid for the development of the world. The African countries, which have had a partnership with the G8 for many years now, want to keep this link and we agree with them. That does not prevent the G20 from dealing with questions of development in the broad sense, setting the rules of play, codes of good conduct. So I believe that there is a place for a proper distribution of roles.

Finally, on the question of channels of implementation. Of course we are going to rely on a large number of organisations, beginning with the Monetary Fund: that is already a fact; the World Bank: that is already a fact. The OECD gives us reports, but there are all the other organisations. In that respect, when the time comes we are going to propose to our partners in the G20, perhaps, that a secretariat should be set up with around twenty members, because it is true that the task is huge. It would be good to have around twenty specialists who could, in a flexible way, provide monitoring, consistency and dialogue with the organisations most concerned.

I believe that it is very important, finally, to consult with the United Nations. Furthermore, from the 16<sup>th</sup> of November, i.e. four days after the end of the summit in Seoul, we are going – I don't know who will go for Korea, but I will go for France – to speak before the General Assembly of the United Nations, to answer all questions put by the 172 member states that are not in Seoul, but that want to feel involved in the work done by the G20 and want to get their messages across.

#### **Ahn Ho-Young, Ambassador At Large, G20**

With regard to the relations between G8 and G20, I have to tell you this. I was in Washington DC in November 2008 and on the first day of the G20 Summit, I was looking at the front page of the *Washington Post*. It is a local and metropolitan newspaper. It said that in this town, we are seeing history in the making. This is what I read in the front page of the *Washington Post*. It said that G20, given the buzz that we are observing in this town, is going to replace G8. I read it. I have to tell you this, Jim. I agree with almost anything I read in the *Washington Post*. However that day, I said to myself, 'Maybe this is not going to happen.'

Why? It is because G8 has several decades of history, several decades of experience and that does not go too easily. Several weeks back, we had the pleasure of hosting Lionel Jospin, one of the *ancien* Prime Ministers of France, in my country. We were sitting in a meeting and a lot of people were talking about this. They said that G20 is emerging; it is going to replace G8 one of these days etc. Then Lionel Jospin, as *ancien premier minister of the France*, said that one thing you have to remember is this. The international community finds it very difficult to agree upon new



international organisations, but even more difficult to dissolve them. G8 will survive. That is what Lionel Jospin has said and I think it is something we are going to observe.

With regard to the second question, *courroie de transmission*, I agree with everything we heard from Jean-David. At the same time, I have to tell you about the way non-G20 member countries look at the relationship between G20 on one hand and international organisations on the other hand. We should take their views into consideration. As Jean-David said, when G20 leaders agree upon things, they love to send this out to one of the international organisations. From the point of view of international organisations, they love to cooperate with G20.

At the same time, we should think from time to time about what non-G20 members of those international organisations think. What they think is; G20, who are the bigger guys, are making important decisions behind their back and impose them upon international organisations, of which I am a local member. They cannot accept this. That is the current view, widely held among non-G20 member countries. That is the reason why, as I have said again and again, outreach is important.

**Jim Hoagland, Associate Editor and Chief Foreign Correspondent, *Washington Post***

I am going to let Samir have one last word and then we will wrap up the session.

**Samir Aita**

**Editor-in-chief of *Le Monde diplomatique éditions arabes*, and Président of the Cercle des économistes arabes**

In France, if you hear what we have said, there is a tendency to continue in the same scope of what has been laid down since the beginning. The G20 was established through the crisis and the major question is; did the crisis end, or are we still in a period of imbalance? Yesterday, Mr. Trichet said we should be humble, because we do not control the mechanisms that generate a new crisis at a certain point of time, a new imbalance. Why should we squander resources anyway? The question is; did we finish what needs to be done?

Another remark that struck me was when somebody said that even if we apply Basel II, which has not been fully applied, we could not sustain the crisis. Now, we are giving ourselves parameters for Basel III. Could Basel III sustain the new crisis? We do not have an overview for it. There are still a lot of questions on the stability of the whole thing, the possibility of crisis and also the emergence of discontent among the populations.

It is easy to say, from the G20 meeting, that this should be the policy, but each of the countries, even China, has its own problems. People are asking for money, more social security and of course, countries like Morocco are asking where the legitimacy of the G20 is, regarding Morocco's own problems. They do not feel represented by Saudi Arabia, for example, as a group, in such things. What France has been putting forward is ambitious, in addition to the original schedule. Good luck. This is particularly difficult in relation to the third issue, the reform of the UN. Good luck and thanks to you both.

**Jim Hoagland, Associate Editor and Chief Foreign Correspondent, *Washington Post***

The voice of cold reality closes our session. We thank you all for your attendance.