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### “The G20 as New Global Economic Governance”

It's great to be back to the World Policy Conference. I attended the 1<sup>st</sup> World Policy Conference held in Evian in the midst of worsening the global crisis after the Lehman Brothers bankruptcy in September 2008. Today's global economic situation doesn't seem to be much different from the situation then. So, it may not be an exaggeration to say that we have a sense of Déjà vu!

The epicentre of the crisis in 2008 was on the other side of the Atlantic. This time the European crisis loudly speaks itself how important the governance system is for a nation, a region, or for the whole global community.

In this age of deep globalization and high interdependence, globally concerted policy efforts are more important than ever in dealing with major crises at international or regional level. The appropriate governance system is particularly crucial at the global community level in this age of non-polar or G-Zero world.

Collective leadership at the global community level is the only viable option in today's non-polar world. It is my strong view that the G20 is the only available source of such collective leadership.

So today I would like to focus my attention primarily on the G20 as new global economic governance and I will briefly touch on the relationship between the G20 and the G8.

There is a general consensus that the G20 which better reflects the shift in the global economic power taken place during the last couple of decades was successful in dealing with the worst financial crisis since the 1930s. Since another Great Depression was averted by the globally concerted policy actions primarily led by the G20 during the years 2008 and 2009.

As the leaders were satisfied with their own achievements, they agreed to designate the G20 as the premier forum for international economic cooperation in Pittsburgh in September 2009. Indeed, it was a historic event in the evolution of global economic governance.

So, the daunting challenge for the G20 was and still is to prove itself as a functioning global steering committee, so to speak, not just as a crisis committee. There were enough G20 sceptics arguing that as the sense of urgency was dissipating, national interests would overtake the global concerns. Consequently, they predicted a slim chance of the Seoul G20 delivering previous commitments and consolidating its position as a global steering committee.

To their disappointments, in my view, the G20 leaders in Seoul were able to deliver most of their previous commitments and agree on a specific timeline for assessing economic imbalances against a set of indicative guidelines through the mutual assessment process (MAP) within the Framework for Strong, Sustainable and Balanced Growth of the global economy.

As many of you recall, the world at the time of the Seoul G20 Summit faced a heightened risk of global currency war. In fact, the G20's ability to avoid the potential currency debacle at Seoul certainly showed the world its potential to become a functioning global steering committee. In terms of delivering prior commitments, the largest IMF quota adjustment was agreed in favour of emerging and developing countries. The G20 leaders endorsed the Basel III.

In addition, at Seoul, the G20's legitimacy as a global economic governance framework was also enhanced, in my view, by adding economic development on the G20's priority agenda. Although the G20 covers more than 85% of the global GDP, there are more than 170 non-G20 UN member countries, most of which belong to the developing and



emerging world. So, it is critical for the G20 to properly address their concerns and priorities. The leaders agreed to adopt the Seoul Development Consensus with a Multi-Year Action Plan. The global financial safety nets were strengthened in cooperation with the IMF, again for those vulnerable emerging and developing economies.

Along with this, the Business Summit was launched as an integral part of the G20 process by which private business leaders can participate in the G20 process itself.

Just last month at Cannes, the G20 leaders under the French Presidency showed their determination to make the G20 a functioning global steering committee by agreeing on an Action Plan for Growth and Jobs. It is to address short-term vulnerabilities and strengthen medium term foundation for global growth. As the Cannes Summit was held amid the deteriorating European sovereign debt crisis, it was natural for the G20 as the global economic steering committee to address the crisis.

Candidly, I am not totally satisfied with the outcomes of the Cannes Summit in this regard. The immediate task of the G20 is to deliver implementable concrete policy options to steer the global economy achieving strong, sustainable and balanced growth in the medium term perspective in addition to alleviating short-term global vulnerabilities

Toward this end, the G20's mutual assessment process needs to be further strengthened by more formally structuring and establishing a close collaborative framework with the IMF's surveillance mechanism.

Prime Minister Cameron in his Governance report to the Cannes Summit shared my view to say: "In order for the mutual assessment process to be successful, greater ambition and commitment are needed by all G20 members..."

The G20 needs to continuously enhance credibility, effectiveness and legitimacy especially through its strengthened macroeconomic coordination.

Let me now briefly turn to the current European crisis. As I alluded at the beginning, the current European crisis well illustrates the importance of appropriate governance and committed leadership in dealing with the crisis. There is no doubt that the crisis could have been managed much earlier without further contagion if there was a strong governance framework. For this reason, the G20 together with the IMF could have engaged more proactively to gauge a set of viable policy options for the EU.

I sincerely hope that under the Mexican Presidency the G20 would better structure and utilize the mutual assessment process in remedying global macroeconomic difficulties toward steering the global economy to strong, sustainable and balanced growth.

At this point, I would like to reemphasize the importance of producing deliverables and following through on them. The G20 needs to streamline its agenda rather than overextending it. At this G20's formative stage, the task of establishment of its credibility and effectiveness supersedes the breadth of agenda.

Needless to say, the G20's own governance will have to be strengthened if it is to become a functioning global economic steering committee. In this regard, I, for one, have been advocating for a stronger troika system by making it better structured and institutionalized for effectiveness and continuity of the G20. A previously circulated Korea-UK joint paper elaborates various options for further institutionalization.

I personally feel that it would be desirable for the past Presidency to second a senior staff to the current Presidency for the first 2-3 months to share their experiences. The next Presidency would second its staff to the current Presidency 2-3 months prior to the Summit. This arrangement can contribute to enhancing the G20's effectiveness and continuity as process. In relation to this, the rotation scheme will have to be structured in such a way to ensure a strong Troika as leadership team each year.

Before establishing a small scale secretariat, a cyber-secretariat can be introduced by consolidating the existing G20 websites run by each Presidency. Once established, it could be maintained by the rotating Presidency.



Let me now briefly touch upon the relationship between the G8 and the G20. G20 leaders at Pittsburgh agreed to make the G20 the premier forum for international economic cooperation. Therefore, major global financial and economic issues should be brought into the G20 context even for those issues requiring actions to be taken primarily by the G7. Cases in point include the G7 finance ministers' decision to support the Japanese yen after the Japanese earthquake and tsunami disaster in March and after the US sovereign credit rating downgrade this past August.

The challenge for the G20 is how to maintain its cohesion as a functioning steering committee. Therefore, the G8 should not be seen as a caucus within the G20. Neither should the BRICs. In that regard, I welcomed the G8 finance ministers' decision not to issue a communiqué before the Toronto Summit last year.

At this critical juncture with no focal point in global leadership, the G20 is expected to exert collective leadership for restoring confidence of the global financial market and health of the global economy. I sincerely hope that G20 leaders who have demonstrated their strong political will to avert another Great Depression in 2008/9 continuously do the same for the whole economy.