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Going back to our topic, the economic order at a crossroads, it has been striking to see how international governments have evolved over the past years, and I would like to start with Mr Lipsky. We all remember September 2008, when the world was on the brink of financial collapse. Can you remind us how much this has changed governance, and can you assess where we are today and how efficient and trustworthy our system is?

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Your question is a very pertinent one. My main point in response would be that, following the financial crisis, one unexpected result has been a diminished focus on and a reduced role for the multilateral and treaty-based institutions that formed the foundation of the post-World War Two economic and financial architecture. Instead, there has been a rising role for what I would call ad hoc, voluntary and regional initiatives. This has added to the sense of unease, uncertainty and unpredictability of policies that have made the recovery more difficult. I suspect that this period of uncertainty about policy direction and policy organisation will not be resolved quickly, and certainly not until there is a greater sense of shared economic progress and diminished sense of frustration with weak economic performance, especially in the EU and Japan, and a greater sense of regional rebalancing taking place over the next few years in Asia.

More broadly, expanding on this, since the collapse of the Soviet Union, there was a filling-out of the multilateral institutions that formed the basic financial and economic architecture of the post-World War Two era. This comprised the GATT, and subsequently the WTO, with regard to international trade, and the IMF for global financial and economic policy issues. One of the ambiguities of that system was the absence of any formal role for any institution with regard to global capital flows, which the IMF was quite specifically not empowered to oversee. Looking back over the 1980s, 1990s and early 2000s – despite the common description of this period as The Great Moderation – in fact there were repeated crises. These included Mexico in 1994 and 1995, in Asia, Russia and Brazil in 1997 and 1998, etc. In the wake of the Asian crisis, the Financial Stability Forum – a new institution – was created explicitly to take financial regulatory issues away from the IMF and into a smaller, voluntary (and elite) body.

Next came global financial crisis. The principal institutional response to the global financial crisis, beginning in late 2008 was the formation of the G20 at the Leaders' level. The Leaders adopted four principal agenda items at their initial meeting: First, to restore global growth; Second, to repair and reform the financial system; Third, to avoid new protectionist measures and instead to promote new trade liberalization; and Fourth, to reform the international financial institutions, specifically the IMF. With regard to each of these basic goals, institutions or organisations were either formed or assigned responsibility for their completion. For example, in the case of the First goal, The Framework for Strong, Sustainable and Balanced Growth was formulated, to be implemented by a Framework Working Group of G20 Deputy Ministers and Deputy Governors. In the case of the Second goal, the Financial Stability Board was formed, by expanding the Financial Stability Forum to include all G20 countries as members. Each of these had good intentions, but the institutional ambiguity is that they were all voluntary, informal and ad hoc initiatives. The G20 is not a universal institution; it is self-appointed and it is not treaty-based, and so its pronouncements, although potentially very powerful, do not have the same standing in international law as a decision of a treaty-based multilateral institution.



I do not know if it is surprising, but when we look back, we realise that of these four agenda items, not one of them could be considered to have been accomplished, despite the time that has passed since 2008. This is not necessarily a criticism, but rather just a statement of fact. However, I fear that the operations of the ad hoc, G20-led system has tended to undermine the effectiveness and legitimacy of the post-World War Two organisations. At the same time, the G20 Leaders process seems to have lost traction: Thus, the 2015 G20 Leaders Summit took place just as the political discussions regarding the conflict in Syria were becoming intense, diverting attention and focus away from the G20, per se. The G-20's Framework Working Group, in fact, produced something called the Antalya Action Plan, that in turn was endorsed by the G20 Ministers and Governors, and by the Leaders. I'd bet that hardly anyone here has taken a look at it. The Financial Stability Board was intended to create a level playing field for international financial markets, but I suspect most people would conclude that, compared to the situation before the crisis, financial markets are more national and the playing field, if anything, is less even than previously.

Regarding trade, the initial commitment to adopt or finalise the WTO's Doha arrangements have instead been replaced by regional trade initiatives, and regarding IFI reforms, the reforms agreed by the IMF in Seoul remain yet to be adopted by the US Congress. If these reforms are not finally adopted by this Congress, the Seoul reforms might have to be renegotiated under a new US presidency, and there would be great uncertainty about how this is to happen. My major point is that the old system is being superseded without a completely clear vision about what is happening next. A test for the possibility of broad multilateral action will be the upcoming COP 21 discussions in Paris, and we will be watching closely, but there is a real challenge here that was not clearly anticipated in the wake of the financial crisis.

Virginie ROBERT, Foreign desk editor, *Les Echos*

It is really interesting, but we understand that the G20 took action because the crisis was so bad that all governments decided to join together, and they did take some decisions and affirm some principles, as you say. Do you think they are actually lacking legitimacy today? Is that the problem? Is it that they are not effective enough by themselves, that the G20 is not powerful enough?

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The G20 as it is constituted potentially is extremely powerful when it represents the expression of a very broad consensus. Its problem is the lack of an internal structure or a voting rule, and – to a certain degree – its lack of legitimacy, as it is a voluntary, partial group. Remember that the initial idea was to bolster both cooperation and the effectiveness of the pre-existing institutions. Part of the problems of both effectiveness and of legitimacy in part is that there is a disjunction between the leadership of the G20 and the leadership of the multilateral institutions. For example, the composition of the IMF and World Bank Executive Boards are not the same as the G20's membership. Therefore, it has tended to confuse the system, and when there is lack of consensus among the G20, especially among the principal members, the G20 finds it very hard to make progress. In contrast, the multilateral institutions have voting rules, and legitimacy through their universal membership, that allows them to reach decisions that can be effective and have legal standing even in the absence of full consensus.

Virginie ROBERT, Foreign desk editor, *Les Echos*

They have not lost credibility, at the same time, but they have been very much criticised. The Greek crisis has shown that very clearly: there was a lot of angst and anger against the Troika, for instance. I understand that they probably have the structures to make things more binding, but their messages might be less accepted as well.

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When you take on tough situations, criticism is inevitable. Not everyone will like everything you do, but that is part of the usefulness of these institutions – their very structure means they can take action in situations where there is not complete consensus, but there is a supporting majority.



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Therefore, should we wish for a comeback of those multilateral institutions, so they assume more pre-eminence?

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It strikes me that there are grounds for rethinking the current structure to try to line up better the ad hoc and voluntary organisations with the underlying architecture. There are certainly important questions we will be dealing with as things develop. It is not inappropriate that there is a filling out of regional institutions, but they need to be consistent with actions at a global level agreed by global governance institutions.