

LEE HYE-MIN

Former G20 Sherpa of Korea, Senior Advisor of KIM & CHANG

Thierry de Montbrial, Founder and Executive Chairman of Ifri and the WPC

Thank you very much. I give the floor now to Hye-Min to give a Korean viewpoint, but it will, in fact, be much wider than Korea. Please, Hye-Min.

Lee Hye-Min, Former G20 Sherpa of Korea, Senior Advisor of KIM & CHANG

Thank you, Thierry. I am very happy to be here this afternoon. First of all, I would like to thank Thierry and his team. I think we also need to talk about the G20 in order to talk about the G7. The G7 and the G20 are groups of countries that meet for mainly macroeconomic policy coordination in view of their necessity and importance. The G7 and the G20 have significant influence on the global economy, but both the G7 and the G20 are informal entities. Traditional and formally structured international governance institutions are established and based on a founding charter or an international treaty, such as the Charter of the United Nations or the Articles of Agreement of the International Monetary Fund. However, as you can see, the G7 and the G20 were not formed by such official agreements. Therefore, the G7 and the G20, from the beginning, lacked the legitimacy afforded to such international organizations like the United Nations or the IMF. Nobody has asked them to discuss and decide on such important global economic issues. More importantly, G7 and G20 declarations or documents carry no legal obligations and cannot be enforced.

I do not know whether Ambassador Etienne remembers me or not, but we were G20 Sherpas at the same time at the Hamburg G20 Summit meeting. When the G6 welcomed Canada in 1976 it became the G7. It was at the initiation of the French President, Valéry Giscard d'Estaing. It involves French and European ideas. It is understood that they have shared views on values, including respect for human rights, the rule of law and a commitment to market economies. Over time, the G20 focus on macroeconomic policies expanded to a variety of other global issues, including security, foreign policy, climate change and terrorism, among others. With the increasing economic growth of the emerging economies, its share in the global GDP continued to decrease from 61% in 1980 to 52% in 2008.

I refer to 2008 because that is the year when the global financial crisis took place. When the global financial crisis broke out in the fall of 2008, it was not possible for only G7 members to deal with this crisis. The G20 leaders then convened for the first time in Washington, DC in November 2008 as a leaders' meeting. The G20 leaders declared in the next year, in 2009, in Pittsburgh, that the G20 would be the premier forum for international economic cooperation, and it has become a major actor in global governance, in fact, replacing the G7. The G20 has since stabilized the world economy, successfully overcoming the 2008 financial crisis through

active macroeconomic policy coordination among its members. It was also very instrumental in concluding the Paris Climate Change Agreement in 2015 at COP21 and its early entry into force in 2016.

However, as you can see, the last three G20 Summits in Bali, New Delhi and Rio demonstrated that the G20 could no longer have any meaningful impact on global issues because of the breakdown of global cooperation mechanisms caused mainly by the intensifying US-China conflict and Russia's invasion of Ukraine. Against this backdrop, the G7 has regained its importance by mostly coordinating the West's sanctions on Russia. However, its continued lack of representativeness in the global economy, whereby the G7's share of global GDP dropped to 30% last year, compared to 85% for the G20, limits the role of the G7 as a global governance entity. It remains uncertain how the G7 can increase its representativeness without affecting its efficiency.

When the G20 was first established in 1999 after the Asian financial crisis at the finance minister and central bank governance level the intent was to include systematically significant countries that are able to contribute to global economic and financial stability. This number and composition of 20 was a striking and careful balance between representativeness and efficacy. The conflict of representativeness versus efficiency has been an enduring concern for the G7 as well as for the G20. It will continue. On the one hand, the G7 and the G20 as major actors of global governance must include all significant countries as members. On the other hand, they must consider the risk of reduced efficacy if the numbers exceed a certain limit. This is an unavoidable dilemma. In the case of eventual expansion of the membership of the G7 and the G20, they must do so in a way to supplement their lack of legitimacy. In addition, expanding the agenda of the G7 and the G20 is another problem posing the challenge of staying within the capacity of taking leadership on all major global issues. The G20 leaders' communique for this year is 36 pages, and throughout the year Italy has hosted 23 ministerial meetings, each producing a long declaration. Similarly, the G20 leaders' declaration from Rio for this year is 22 pages, and Brazil hosted more than 100 ministerial meetings, working groups, task forces and engagement group meetings.

Finally, here comes President Trump. I think you all remember what he said in May 2020. He said that the G7 is an outdated group of countries. Since he took office, I have heard that the Sherpas of the G7 and the G20 had difficulty in producing draft leaders' declarations, mainly due to his dislike of the climate change language and the multilateral trading system. I participated in the Hamburg G20 Summit meeting of 2017 as Korea's Sherpa, and the G20 leaders' declaration always contained the expression of support for the multilateral trading system, but in Hamburg the US Sherpa opposed the expression of the multilateral trading system. We asked him why. His answer was, "Trump does not like it." He instead proposed "international trading system." Therefore, if you see the Hamburg leaders' declaration it contains "international trading system" in place of "multilateral trading system." I checked this year's G20 leaders' declaration. It came back to "supporting a multilateral trading system." The America First policy does not appreciate the value of alliance and partners, so I expect the vitality of the G7 and the G20 would be significantly reduced. The leadership role of the United States in the G7 and in the G20 may be different in the years to come. This will be a challenge for all of us. Thank you.



Thierry de Montbrial

Thank you very much, Hye-Min. That was a very interesting and exhaustive viewpoint.