Global Economic & Financial Crisis
G-20: Role and Relevance in Providing Global Solutions

Remarks by
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To put the G20 into perspective, I’d like to provide a quick overview of the G20 so far. Then I will make a few suggestions to make the G20 more relevant and credible.

As you know, the first G20 summit was held in November 2008 when another great depression looked quite likely. The G20 leaders met in Washington and agreed to make concerted policy efforts, including the commitment to stand still on protectionist measures. What is even more important is their decision to meet again in less than six months’ time. I suppose they didn't forget the hard lesson from the 1930s and the failed London World Economic Conference of 1933.

They met in London in April 2009 the second time and made special efforts to ensure concerted stimulative policies to be implemented. They went on to enhance the resources for the Bretton Woods Institutions, particularly the IMF. The leaders took a very pragmatic attitude in terms of reforming the international financial institutions and systems rather than creating new supranational institutions. They took the attitude of “Let’s fix what we have and utilize them.” Considering the global power constellation, I suppose they took the right path.

They met again in Pittsburgh in September 2009. In Pittsburgh the G20 leaders agreed to meet annually. I think it is a significant start of new economic governance. They also decided to designate the G20 as the premier forum for international economic cooperation.

Another significance of the Pittsburgh summit is that the G20 leaders adopted and committed themselves to the framework for strong, sustainable and balanced growth with mutual assessment process integrated for more effective macro-economic coordination.

In June 2010, the leaders met the fourth time in Toronto. In a way, Toronto summit was a transitory one, in the sense that the G20 leaders wanted to turn the G20 into a global steering committee, so to speak, from just a crisis committee. The Toronto summit was held back to back with the G7 summit, I suppose, to save travel time of the leaders. The Toronto summit was held at the time when the global economy started to witness recovery, although fragile and although there still were many pessimists about it.

Then the G20 summit came to Seoul in November 2010 which was in a way a real serious test for the G20 to prove itself as a viable steering committee beyond a crisis committee. There were enough skeptics around the world about the outcome of the Seoul summit for various reasons. One legitimate reason was that when the sense of urgency receded, the G20 would falter because it had been difficult to
reach unity. Besides, Korea was the first non-G7 country to lead such an endeavor in the global state. So, the Seoul summit was critical for the G20’s future. But against many odds, Seoul did deliver most of the previous commitments and came up with a few new initiatives.

Most importantly, the G20 leaders put development on the agenda, which I think is the most critical in making the G20 more legitimate and credible as the premier forum for international economic cooperation. Although the G20 countries produce more than 85 percent of global GDP, there are 173 UN member countries that don't belong to the G20. So, unless the G20 as the premier forum paid proper attention to the concerns and policy priorities of these countries, most of which belong to the emerging and developing world, how can it be claimed to be the legitimate premier forum? So, Korea as chair country persuaded the G20 member countries to put development on the agenda.

Another legitimate reason why development should be put on the G20 agenda is when development gaps are widening, there is no way of achieving sustainable and balanced global growth. So, in a way, rebalancing the global economy requires development on the agenda. And the G20 leaders did adopt the Seoul Development Consensus with a multi-year action plan which has been following through in Cannes and in Los Cabos, Mexico this year.

Against many odds, the Seoul summit agreed on the largest IMF quota shift ever in favor of developing and emerging countries in its 66-year history. And the Basel III was endorsed. Let me remind you that it took almost 10 years to agree on the Basel II, but it took only 18 months to agree on the Basel III with the G20’s strong mandate.

So, the Seoul summit did, I suppose, pass with fair marks as global steering committee. Particularly, the Seoul summit, in my view, successfully avoided the imminent crisis, so-called the currency crisis, by allaying the tension with the introduction of indicative guidelines which include not only the exchange rate issue but the overall current account movements, fiscal consolidation, and so forth. It was followed up in Cannes and will be done by the Mexican presidency.

This is what's been happening with the G20 in a nutshell. I think the G20 has yet to prove itself as a viable steering committee, and in doing so, the most important is to concentrate on implementing the framework for strong, sustainable and balanced growth. Actually, by strengthening the mutual assessment process, even the European problem today can be brought into this framework.

I wanted to see even more involvement in Cannes. I'd like to see in Los Cabos, Mexico the leaders putting more energy in implementing the framework.

Let me make just a few suggestions toward making the G20 more relevant and credible as the premier forum.

First, I would like to suggest reviewing Prime Minister Cameron’s paper on governance thoroughly and doing the necessary. In fact, Korea, during its presidency in 2010, together with the UK, circulated a paper on governance. If the G20 leaders are serious about making it the premier forum, they should make efforts to strengthen its own governance by further institutionalizing the process. I emphasize “the process.” It's not just about summit meetings. It's a process, a continuous process. To be a successful continuous process you need to strengthen its governance and its governance system. I don't say that we establish a full-fledged secretariat or anything at this stage. But we need to strengthen the existing troika system. Actually, we have already put specific ways to strengthen the troika.

Then it should establish more structured formal modus operandi with the IMF and international institutions. Currently, the working relationship is more on ad hoc basis. I think a very close working relationship should be spelled out, particularly with regards to early warning system and crisis prevention.

In terms of agenda setting, I would recommend very strongly that for some time to come, or even for many years to come, the G20 not spread its agenda too thinly but concentrate on the framework and the implementation of the commitments. In fact, any unexpected short-term crisis can be brought into
this framework in any case. The rule of thumb Korea diligently tried to follow is that the 70 percent vs. 30 percent of the division of the efforts. The 70 percent should be devoted to following up on the earlier commitments. I think it is very important. We should make sure that the G20 does not become another photo session but a really delivering forum. With the 30 percent, I think you can add new agenda of short-term issues.

My last comment has to do with the background paper Gordon Smith already circulated. I agree with most of the points except one and I will also respond to a couple of the questions he put.

What I don't agree is that Gordon kept saying “the first three summits.” I don't think he's doing justice to all the G20 summits. We all have to do our best to make the G20 successful. Although the G20 has not been totally satisfactory, it has made a good start. Besides, the G20 is the only option we have in the global community.

The modus operandi of the G20 summit itself is to emphasize its personal and informal aspect. Yes, I agree it is most effective. But I think it is also important to take into account the different debating cultures, diversity and language facilities of leaders. If you emphasize it is a process, I would like to suggest based on my personal experience that we lengthen the meeting time, although the scarcest resource in the world is the leaders' time.

Lastly, there is no question that all the elected leaders should pay attention to their domestic electorates. But I think the G20 governments should make special efforts in raising the general public’s awareness as to how important it is to make this global forum more effective. Today even ordinary housewives in Korea and all over the world would wake up in the morning and pick up a newspaper to see what’s happened in Greece. This is the kind of world we're living in. So, when you commit the resources for the IMF, say this is for us and we are not just helping the Greeks and the Portuguese, but we're helping ourselves. This kind of very special effort on the part of government is critical.