

## **France's Forthcoming G-20 Presidency**

Remarks delivered at the Asia-Europe Economic Forum

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### **The value of the Group of Twenty**

The Group of Twenty (G-20) has been designated in 2009 in Pittsburgh as the premier forum for international economic cooperation. The elevation of the G-20 was the natural consequence of its effectiveness in tackling the crisis

As France had consistently advocated, the G-8 with all its merits was lacking legitimacy and efficiency to address global economic and financial challenges. Bringing together 85% of the world economy, the G-20 is better equipped to design relevant policy responses, enhance cooperation, and ensure a level playing field

The efficiency of the G-20 relies on delegation of preparatory work to politically mandated country officials (G-20 sherpas and deputies) and on delegation of implementation to technical branches which should be both efficient and legitimate. These are currently the Financial Stability Board as regards financial regulation, and the International Monetary Fund (IMF) and the World Bank on global economic and development issues. Legitimacy of the FSB has been improved in 2009; legitimacy of the IMF and World Bank will be enhanced in 2010 through the reform of voice and quota shares.

### **What has been achieved so far?**

Since the inaugural Washington Summit in October 2008, the G-20 response can be described under three main items:

- a) Economic revival and financial rescue. This has been made possible through fiscal and monetary support of exceptional magnitude (fiscal effort accounted for about 2% of GDP in 2009 and 1.6% in 2010), decisive actions to support the banking sector to restore its ability to finance the economy, resumption of funding flows to emerging countries (tripling of IMF resources, \$250Bn allocation of Special Drawing Rights, stretched balance sheets of Multilateral Development Banks).
- b) Strengthening of financial regulation to restore confidence and lay the foundations of a more robust and stable growth. Submission of all territories, players and financial instruments to proper regulation has been established as an overarching principle and has been embodied into the fight against uncooperative jurisdictions, particularly in the tax area, the registration and supervision of rating agencies, a better regulation of hedge funds, an agreed framework for bonuses or strengthened rules on securitization.
- c) Rejection of protectionism under the scrutiny of the World Trade Organization (WTO).

## **The French work program in 2011**

Full implementation of the commitments made by G-20 Leaders in Washington, London and Pittsburgh is critical to establish the credibility of the G-20. A number of outcomes have been delivered but it is too early to claim mission accomplished. We trust our Korean colleagues to fully implement the Pittsburgh agenda, including: financial regulation, for which complacency, loss of political momentum and lack of a level-playing field are acute risks; and macroeconomic cooperation, with the implementation of the new 'Framework for a Strong, Sustainable and Balanced Growth'.

In 2011, France will take stock of the outcome of the Korean Presidency as regards financial regulatory reform and propose next steps, such as in the field of international taxation. France will also emphasize global imbalances, building on the G-20 Framework and undertaking further work on the International Monetary System, including on exchange-rate misalignments and volatility. We shall also seek better integration of social and environmental dimensions by looking at ways to enhance cooperation between the ILO on the one hand and the WTO, OECD, and International Financial Institutions on the other hand. Last but not least, development should be put higher on the agenda

## **The future of the G-20**

The G-20 has clearly taken the lead on global economic and financial issues, while the G-8 will probably refocus on political issues. G-7 finance ministers and governors will continue to meet occasionally, with lower visibility, and discuss issues of common interest such as financial markets developments.

G-20 membership should be addressed one day, with the representation of low-income countries as a priority. But this should not divert too much time and political energy from addressing today's challenges.

There remain gaps in the global governance fabric. Environment is a case in point. The respective roles of the United Nations Framework Convention on Climate Change (UNFCCC), the 'G-28' group of countries which have signed up to the 2009 Copenhagen commitment and the G-20 should be more clearly delineated. Financing climate change (beginning with the \$30Bn and \$100Bn Copenhagen commitments for adaptation and mitigation) will almost certainly fall within the G-20 remit. One day, a World Environment Organization should bring all existing environmental arrangements under a single umbrella. Energy is another example. Without prejudice to the role of the IEA, the G-20 has already agreed to discuss reducing taxes and subsidies on fossil fuels, and should examine more closely the functioning of commodity markets.

In a world with global common goods to deliver and manage and with global threats to face, confrontation between developed and emerging countries is a luxury we cannot afford any more. The G-20 has played a major role in bridging the gap. Korea's presidency in 2010 is very significant in this respect and France looks forward to building on its achievements.

Thank you for your attention.