

BRUSSELS FORUM 2009

Economic Multilateralism: How Do We Make it Work?

Gideon Rachman

The Financial Times

In normal times, it isn't the most riveting of topics, but obviously these aren't normal times, and at the moment it's about the most important subject that there is. We meet in the middle of an extraordinary economic crisis. It's been said that this is a global crisis that needs global solutions. And just two weeks from now the G20 Summit will be in London, which may be the most concerted effort yet to find this elusive global solution to the world economic crisis.

So what should we be hoping for? This afternoon's panel brings together participants from four continents to discuss this question. Robert Zoellick is President of the World Bank, based in Washington DC. Celso Amorim is Foreign Minister of Brazil. Kamallesh Sharma is Secretary General of the Commonwealth, and before that a distinguished Indian Diplomat who [was variously] his country's Ambassador to the UN and the United Kingdom. And Mark Malloch Brown is Britain's Minister for Asia, Africa and the UN, and was Deputy Secretary General of the United Nations under Kofi Annan.

Robert Zoellick, I was thinking about this mantra that this is an international crisis and must be solved internationally. First of all I wondered do you think that's correct, and how are we doing in terms of finding international cooperation that can get us out of this problem?

Robert B. Zoellick - President, World Bank

Well I tend to say it's a global crisis because I don't want to just emphasise the national aspect of it, and it will require a global solution as we talked about this morning. How are we doing? I think relative to what one might have expected, the fact you've got some good stimulus plans and people are trying to pull together on additional resources for the IMF and some of the other issues, some of the Regional Development Banks that there has been a construction response. But as we discussed this morning, the depth of this is going to be beyond what anybody can

predict. So I think that there is going to be an ongoing need for the G20 and other groups to monitor and make mid-course corrections.

I think on the G20 the key point I'd make is that no one group is going to do it all. I think the mistake is trying to assume that there is one body G7, G20, G whatever. I think one needs to look at that group in a way as a form of a steering group, and how it interacts with other groups, the World Bank, WTO, IMF other regional organisations. And that adds a complexity to the system. But I think as long as we are in an environment where you've got nation states, some regional organisations, some international organisations that's the reality we are going to have to deal with this problem.

Gideon Rachman

Okay. Mr. Amorim, the reporting in the weeks running up the G20, a lot of it focused on the kind of European/US disagreement over, should it be about fiscal stimulus, should it be about regulatory reform? But I suppose the whole point of the G20 is that it wasn't just the old G7 that it brought in emerging powers like Brazil. So, viewed from Brazil, what matters most about this meeting we are about to have?

Celso Amorim - Minister of External Relations, Brazil

Look, what matters most is that the leaders are able to take decisions and then after that these decisions are carried out by bureaucrats and negotiators, because one of the important decisions that were taken in the meeting of Washington, for instance, was to conclude the Doha Round until December. And in spite of the call by the leaders, the negotiators were, myself included by the way, were unable to do that. So I think this is certainly an important aspect.

If I would single out one aspect which is crucial for developing countries, I would say it's the lack of credit. And I know that there is a lot of interest in the World Bank. And if there would be one fraction or maybe a portion of one fraction of what's being given to bail out failed banks in the rich world to improve credit for trade among developing countries or developing countries to develop their countries that would be a great help that we would like to see.

Gideon Rachman

And Mr. Sharma from an Indian and Commonwealth perspective is this an important meeting, and what would you like to see come out of it?

Kamalesh Sharma - Secretary General of the Commonwealth

We would like to think that the G20 doesn't think itself, or of itself as an expanded magic circle of the G7 or G8. We'd like to think it regards itself as a lesser magic circle than a catchment basin which collects the views of the [G127] that are out of it. And I think we were encouraged by the communiqué from Washington, which said that we are going to try and address the drift towards nationalism and protectionism

because trade is absolutely crucial to growth and economic expansion. And we were also encouraged by many of the principals that were mentioned.

But overall, the idea that we are in need of new multilateralism now, the old multilateralism was an option, the new one is an imperative, because all your solutions are collective, all your approaches they have to be collective as well. And I think it is the role of the G20 to be more like the T20 or the Trustees 20 which collects the views which are applicable to be seen globally as responding to the anxiety which is in their minds as well.

Gideon Rachman

Okay. Lord Malloch Brown, Britain is hosting this meeting. I gather you've been doing a fair amount of travelling on behalf of the Prime Minister, gathering views from countries that will be there. What are you hearing and what do you think we can realistically expect out of London?

Lord Mark Malloch Brown - Minister for Africa, Asia and the UN, United Kingdom

Well, the first thing difference between the G8 and G20 is a lot more air miles for the political envoy. But it's fascinating, because a couple of things here are happening. The first is that whereas the conversation amongst the old developed economies is very much about stimulus and regulation, it is, when you bring in the rest of the G20, Brazil and others and India, you start to get much more emphasis on the desperate need for a trade agreement to be completed quickly, because they are all faced with these collapsing export markets.

Secondly, a lot of focus on the reform of the IMF and the World Bank, driven by the fact that developing countries are really anxious to see large volumes of public finance substitute for the loss of private finance, and the loss of export earnings.

And the third thing, of course, predictably and I think quite correctly, is that the poorest countries, who back in November thought this was somebody else's crisis, because it was a banking sector crisis and they had very small, thin conservatively managed financial sectors, now find that now that is an exports and trade and commodity price crisis its hitting them really hard. So they are very anxious to see special arrangements to meet the needs of African countries and other poor countries.

But just a concluding thought, what comes across most strongly despite different emphases of agenda, is the sense of interdependence, the feeling when you go to China that the loss of the American consumer has hit China or Japan hard. The feeling when you go to Africa similarly that it's a loss of those overseas export markets, the worry about the value of the dollar vis-à-vis other currencies for countries with large dollar holdings. There is a real sense that this is an interdependent problem, and that you need a global solution because no part of the global economy can recover unless the whole global economy recovers.

Gideon Rachman

Well we heard an emphasis from you that you were hearing a lot about trade, but Mr. Zoellick your own institution the World Bank produced this report, I think it was last week, showing that despite the hand on heart statements at the last G20 meeting that we are all in favour of completing the Doha Round [but] against protectionism. Since then 17 of the 20 countries have actually introduced protectionist measures.

So should we even believe what we hear out of the London meeting? There does seem a tension between what leaders say to each other when they meet internationally and the political pressures they are under at home.

Robert B. Zoellick

Well exactly, but I think Celso put his finger on the biggest one was to get the Doha Round done, and they obviously didn't. But I think that doesn't mean that the meetings are a sham, because one of the reasons we produced that study, and the WTO has produced others, was to draw public attention to these steps. At the same time I think we noted there were some 47 actions, people can debate whether they are appropriate ones or not because a lot of them don't violate any WTO rules. But I think it's important to have them out in the public domain. And in some cases use the name and shame process to draw attention to those that will be of a protectionist nature.

As I mentioned this morning, and I talked with Celso, I think there is a particular obligation for developed countries; it's going to be very hard for developing countries to resist protectionist impulses if developed countries don't. So I think in that sense statements that commit themselves to a standstill and ask the WTO or the World Bank and others to report on this are useful. But, of course, are we in a system where there is total enforcement? No, but that's because we are in a nation state system and the international bodies can do the best they can to stitch these together.

Gideon Rachman

Mr. Amorim, perhaps you could give us a sense of the political pressures you are under as a politician in Brazil? When people look at this economic crisis, how easy is it for your Government to say, well actually we are not going to go the protectionist route you've had protectionist legislation placed before the President.

Celso Amorim

And he refused it indeed. Yes, well it will be more and more difficult as time goes by because, of course, protectionism is not only a poison as many people say but it's also a contagious disease, and it spreads out very quickly.

I would say one thing about this question of protectionism its [exhortations] are fine, and of course, they are worth what they are worth they are [exhortations]. The only way really to avoid protectionism is if you go forward. I know it's a worn out

metaphor, but it's like a bicycle in trade, you either move forward or you fall down. That's why the Doha Round is so important. But more and more people who are defending the Doha Round are being seen as idealistic people without touch with reality. And we have this paradox. Now that it's more difficult, because indeed it is difficult in a moment like this, but it's also more necessary. So that's the big challenge I find in relation to trade, but trade also, of course, not the only matter, I mentioned credit which is very fundamental for the developing countries.

Gideon Rachman

Mr. Sharma you represent an unusual international organisation in that it has some of the worlds leading industrialised nations and also some of the worlds poorest countries. As you try to establish a sort of commonwealth interest is it there to be found in this crisis?

Kamalesh Sharma

There is one I think we have a statement on that question. We have said that there are two principals in the world which is upon us which must be observed. The first one is that of inclusivity. Whatever you do must be inclusive, otherwise it's not sustainable.

And the other one is of principals, which is that if you start from the right principals you are not pre-judging the results and the outcomes, but you will come to the right ones, but these principals must be observed. And these are fairness, representativeness, legitimacy, transparency, accountability, effectiveness. These words will look like --

Gideon Rachman

Motherhood and apple pie.

Kamalesh Sharma

Idealistic pronouncements, but 53 heads of states have subscribed to them, and mentioned them in this document, that the time has come to speak about international relations in a way in which the ownership is seen to be total ownership.

Gideon Rachman

Right, okay Lord Malloch Brown perhaps a last question for you before I consult the audience. One of the other debates that it seems to me is kind of emerging in the run up to the G20 is between those who see this an immediate kind of economic crisis, which needs urgent policy responses, and those who are interested in using it for institutional reform.

Now everybody is interested in a bit of both, but there seems to be, if I can perhaps caricature it a little bit, the Europeans, the home of institutional naval [gazing], we are very keen to talk about institutions. The Americans are keener on the sort of

immediate economic shock to the system. Where do you think the balance should be struck?

Lord Mark Malloch Brown

Well I am going to disappoint you by saying both, the worst answer for that kind of question, but it really is both, because clearly you need some short term recovery, fiscal stimulus measures to make up for the lost, as much of the lost demand in the world economy as you can over the next couple of years. But looking beyond that you will not restore confidence to the financial sector or to consumers, or indeed be protected against future crises unless you deal with these global regulatory issues. You need to make sure that there is no jurisdiction or no part of the financial sector, whatever its name that can again pose systemic threat through not being properly regulated.

Now, this is easier said than done because this crisis did not start in an under-regulated segment it started in plain old vanilla American consumer banking and mortgage lending. But the fact is going forward if we have more regulated markets in the US and Europe but don't in some parts of the world, it will drive financial sector activity into those unregulated places. So we need both, but I think the most, the biggest, priority is recovery now.

Gideon Rachman

Okay.

Robert B. Zoellick

Gideon, could I just comment on something Celso said?

Gideon Rachman

Please do, yes.

Robert B. Zoellick

I think one of the other challenges for a group like the G20 is in addition to having pronouncements and directions and reviews that a certain legitimacy and confidence has to come from actions and results. And one reason we at the Bank Group have tried to put together a new trade liquidity facility goes exactly to what Celso mentioned. It was very interesting. What we could see early on was that [they] had a huge drop in trade, biggest drop in 80 years, much of it driven by demand, but in many countries its because you can't get credit, the market has dried up.

Now trade credit is normally not a risky credit, it's normally about 180, 270 days. We started out by expanding the guarantee program, which we developed with about 160 developing country institutions in some 60 countries. But we saw the pick up wasn't there. And what we realised was there was a problem of lack of money.

And so we are actually bringing to our Board on March 31, so in right advance of this, something that would allow us to get some money from Governments, our money, but then leverage it with commercial bank funding. So we are working with a number of large commercial banks, so about every \$4 we put in they put in \$6, so as to start maybe [in every] April with maybe \$20bn up to \$30bn, \$40bn, \$50bn of trade liquidity over the next couple of years.

I think as the leaders consider these problems what they also have to do is think of the right mix of things that can show you actually addressing the problem otherwise it all becomes like hot air.

Lord Mark Malloch Brown

Hear, hear.

Mr. Gideon Rachman

Questions from the floor, has anybody got any points or questions that anybody wants to make, [Dan Drezner] in the front row here, send a microphone to him, here it comes.

Q&A Session

Dan Drezner

Thank you. I have a question about the push towards greater regulation, and there seems to be a paradox here. On the one hand clearly part of the reason we are in this crisis now is that there were a whole variety of financial institutions that were too big to fail. And because they were too big a fail they've had to be bailed out.

In my experience though, if you try to regulate a sector it frequently creates a cartel that actually it much more tough, much more difficult for new entrants to enter, and therefore, guarantees that you are going to have a lot of very big firms. How do you avoid this paradox?

Lord Mark Malloch Brown

I think the world is full of examples of trying to protect against the last crisis, and then the way you do that so sternly looking over your shoulder, the next one hits you. And I think frankly for that reason we've got to move into this area of regulation with some prudence and care. And we must not flip from the now much criticised light regulatory touch to something which is just so heavy handed that indeed it has those effects you describe.

And that's why I think the kind of formula that we are talking about, which is strong principals, globally adopted of regulation, but which are applied by national regulators who understand local conditions, and then that you use the Financial Stability Forum and the IMF and Basle in some kind of combination to make sure that national regulators are dealing with this in a relatively uniform way is the way to go rather than some sort of global super regulator who indeed I think, could have that unintended effect.

Gideon Rachman

Okay. Just in the front row over here the woman in the black. Could you just wait for the mic, and also tell us who you are that would be great.

Barbara Thomas Judge - United Kingdom Atomic Energy Authority

Barbara Thomas Judge, I used to be an SEC Commissioner although now I do nuclear. Just one comment about over-regulation, remember Sarbanes Oxley, Sarbanes Oxley was supposed to be the answer to the problem that we had with Enron. And I think everybody related to Sarbanes Oxley thinks that it was over-kill rather than over-regulation. So its just Lord Malloch Brown, I think you are right we need to find a solution that's not to the last [war].

Lord Mark Malloch Brown

Yes, and again though it is why you need a global approach because Sarbanes Oxley, do I dare say this, was a huge windfall for London. And so you've got to make sure in future that you have universality of approaches so that you don't drive the financial sector into places where there is less regulation in ways which pile up problems for later, [inaudible], so right and sensible, but universal.

Mr. Gideon Rachman

Won't that mean no more windfalls for London though?

Lord Mark Malloch Brown

It will, but I think that's the price of it that you can not in future use regulatory systems to create unfair advantages, your advantages have to come from a broader set of, if you like, level playing field factors.

Mr. Gideon Rachman

Last point on this before we move on, but can you do that just based on everybody agreeing to principals, or do you need something that's actually legally enforceable internationally?

Celso Amorim

Well there are always people legally enforcing the obligations of developing countries. But what never happened was someone trying to legally enforce principals on rich countries. And coming back to your first question you just said whether it was national or international. I think this is a nationally generated crisis with international repercussions. And most countries that have very well and sound financial systems are suffering from the consequence. So these questions that are being discussed maybe between experts of rich countries, but they are of interest to everybody else.

And then I think there is a question, I think the G20, if you allow me, because this is an important point related to what Ambassador Sharma said, of course, the G20 in relation to what existed before is a step forward in terms of world governance. I don't know how it will be institutionalised and so on and how it will reflect on the voting structure of the IMF or the World Bank, but it is a progress in terms of [seeing]. But even there you see the mindset is still limited.

For instance, the G20 has just been amplified to include Spain and Netherlands. We have nothing against the countries, on the contrary, in the case of Spain we even support them explicitly, but why not Egypt, why not under developing countries being a part there. And in this dazzled committee that oversees the banking it was some expansion, but there is no African country. So the mindset is still an old mindset and if you don't correct the mindset you continue dealing with the problems of today and tomorrow with the mindset of yesterday.

Gideon Rachman

Robert Zoellick, could I just ask you about this regulation question. How far are we, and if we are going to deal effectively with the issues throw up by this crisis, going to have to accept that there is going to be some roll back of national sovereignty over issues like regulation, there must be, its obviously an issue that's out there, but you're an international civil servant now, but you've been an American Diplomat, you know how tough that would be to sell in America.

Robert B. Zoellick

I don't think it's only the case in the United States. I think if you look at [de La Rosière's] report you see that in European Union, which you've had shared sovereignty developed over 40 years there are still some very strong sensitivities about national supervisory authorities. I think within many countries the US has a challenge in that it's got, even within one national system, it's got regulatory authorities piled upon regulatory authorities that are left from historical accidents of evolution.

So I frankly think what you are going to see here is that different national authorities will try to address the same issues. And the question is how can they be interconnected together. And this is where the Financial Stability Forum I think can

play an additional role, and I think it's the type of leadership that Mario Draghi the Chair of it has already started to play.

Now, as Celso said, the Financial Stability Forum it developed some pretty good rules, but had been a smaller group, it didn't include developing countries. So the first step is to start to expand that. But what I would caution here is, in part because of the politics of this, there is a view that says let's get those bastards, and we'll regulate them and so on and so forth, and they'll never do that again. It just -- some of these questions it's not quite so simple. And one has to remember that some of the institutions that got in trouble were extremely regulated institutions, some weren't regulated institutions, and so the second and third order effects of these problems bear close consideration.

And I think what you'll find is, just as we've talked about in other contexts, these start to become very sensitive to national considerations and authority. So I wouldn't set out the goal that you're going to have a global financial regulator, because you won't.

But what you could have and what you need to have is some greater interaction among some of these national regulators. And this is where people come to terms like principles, they start to say about general approaches. And I think that would be a reasonable aspiration to have come out of this.

Gideon Rachman

Okay, great. I've had my back rudely to this side of the room. So, gentleman just here.

Jerry Hultin – President, Polytechnic Institute, New York University

Hi, Jerry Hultin. I'm Head of Polytechnic Institute of New York University, an Engineering and Technology School. In some ways what the conversation up to now's been about is putting the cards back into the house of cards. But there's something is think missing, or going to be missing. I want to ask the panel.

And that is, we've been priming America consumptive demand – consumption demand, with lending from China. That's probably ended. Where are the jobs and the consumer demand going to come from that basically drive this new multilateral restructuring? And I think that's the bigger question that's unanswered yet about the future of the world economy.

Gideon Rachman

Who wants a crack at that?

Celso Amorim

I'll [inaudible] maybe.

Gideon Rachman

Okay, so Celso Amorim

Celso Amorim

Well I'm not the best person to describe who will replace China, certainly not Brazil, will be able to tell you. Although we are the fifth lender, or fifth taker of the U.S. bonds. Well I think a lot has to come from inside a country and they should use all the means available to them, not shy before taking some actions. I think, I'm speaking very honestly here and very frankly. I think for instance in the case of some countries, less in Europe and more in the United States, there is some kind of, we call it a [short] circle from which people cannot go.

And that has to do for instance with nationalization of banks which have to be – which might be a necessary thing if you want really to correct and to restore credibility to the systems. When I'm saying nationalization, of course I'm not necessarily saying socialism, you can give back the banks as Sweden did some years ago. But I think one of the limitations I see in the measures taken so far is that there is always an effort to resolve through the market some of the problems that the market itself failed to resolve. So this is one basic aspect.

But how also you're going to put money in the economy, I think there are several ways of course. But certainly easing the conditions for credit, not only internal but for international trade in developing countries because developing countries also nowadays buy a lot from the rich countries, would certainly help.

Lord Mark Malloch Brown

I would just say to Jerry's point, I think the most dangerous idea still alive out there is that the world is going to somehow expect the American consumer to once more ride to the rescue and save the world economy by borrowing and spending. And that, you know, if that idea is left out there and not addressed by the rest of the world it is undoubtedly going to lead to protectionism in America. Because why absolutely shouldn't it?

And in that sense I think part of the messaging that's not gotten through so clearly because we're all so ceased with the moment and the immediate, is that within the recovery has to be an absolute understanding that global imbalances are in the medium term going to be reduced.

And the good news Jerry, from my travels is, in Asia that is really understood. In China there is a very open discussion about the fact that the Chinese save 50% of GDP and the U.S. has been saving zero. And the 50% of GDP is two-thirds government, one-third Chinese citizens. The two-thirds government, the government plans to spend a lot more on health, education and social safety nets. By doing that not only will it bring its own savings rate down but it will release consumer savings

which are driven by a kind of saving from the rainy day when the kid needs to go to college or somebody needs an operation.

So I think the Chinese, and not just China but other countries in Asia as well, understand this. And I think we've got to that that discussion because otherwise it's not a credible, sustainable solution.

Gideon Rachman

There seems to be lots of people waving at me. Just to the – somebody's already pre-emptively got the microphone. So would you like to introduce yourself and.

**Jean-Pierre Lehmann – Professor of International Political Economy,
Founding Director, Evian Group**

Thank you, Jean-Pierre Lehmann, Evian Group at [IMD]. I want to pick up on some this that Celso Amorim said. And in fact last time we saw each other I was mentioning this book which is think both read, Power and Plenty, I think a lot of people in the room have probably read it. If not they should. And when you get to the chapter on 1930s it's absolutely fascinating because the League of Nations convened a whole bunch of meetings on trade and protectionism. And when you read the declarations, you change a word here, you change a word there, and it's eerily similar to the language you're getting out of the G7s, the G8s and now the G20. so, or words, words, words, as you pointed out.

This leaves me two questions. One is, would it not be better for the G20 in London not to have any declaration at all? And simply to work on saying we will get back to you on the actions [inaudible] taken. Sorry, and particularly we heard Barroso yesterday saying that the EU would insist once again on the completion of the Doha round. Does anybody in this room believe that the Doha round will be completed this millennium. And is there not a serious credibility risk that by repeating this all the time and nothing happens, that it's delegitimising the whole process. And I think this picks up on what you said.

So, one, no declaration. Two, certainly not anything about Doha until it's actually completed.

Gideon Rachman

Kamalesh Sharma, as a veteran of all these [inaudible].

Kamalesh Sharma

No, I can give very direct answers to those questions. I think if there's no declaration it'll look like a cartel.

Gideon Rachman

Yes, there'll be conspiracy theories.

Kamalesh Sharma

It'll look like an inside talk, primarily of interest to themselves. And I think it'll be a very deleterious outcome. Secondly if you don't refer to Doha what you're saying is you don't believe in a multilateral rule based systems. How can there be, even if a thing doesn't happen, G20 did say at the end of last year, we should have had a ministerial, we should have killed this problem. And it didn't happen, doesn't mean you don't talk about it.

What happens to all the people whose very trading livelihood depends not upon the fact that they're strong traders. There are weak traders in the system. But it depends upon a rule-based system. And Doha represents that.

Gideon Rachman

But there is a credibility problem isn't there. If every year you meet and say we're going to complete the Doha round and you never do. There's a certain point people just laugh.

Kamalesh Sharma

Well you can say that we believe in the system, therefore this is the system which must prevail and so on. But if you say you shouldn't have a Doha round at all it means, a, you're denying this. And secondly you're not even answering the question that originally it was a development round. We're still talking about the nexus between development and trade. You seem to have forgotten that.

So I think it will be an application really of two ideas.

Gideon Rachman

Okay, anybody else got any views on this. Yes, to Robert.

Robert B. Zoellick

I want to take the question in a slightly different direction. And I would use your League of Nations example as a caution. That multilateralism alone isn't enough. I often point to the League of Nations as when people say, look, everybody's got to have an equal voice and everybody's got to be at the table. Fine, that happened with the League of Nations and what did it do?

So what you've seen over the years is people come up with different structures. They have their flaws. Celso and I spend a lot of hours in what's called the green room in the WTO. In the WTO all countries have a voice, everybody has to come together. Do you think you're going to get 155 countries all in the same room at one point, or

economies to be precise. No, you're not. So you're going to have to come up with models where you get smaller numbers pushing things forward.

And the real answer to the Doha round and the real answer to the G20 is that some of the leading countries, it used to be in the developed world, now it's got to be developed and developing world, have to take some larger risk and step to make the systemic benefit work. So if you read Charles Kindleberger about the great depression and look in this area that's one of his conclusions.

Now the harder thing now is it's not just one country, it can't just be the United States, it's got to be a group of countries. And anytime you have collective action that becomes a little bit more tricky. But I suspect Celso and I from a developed and a developing country could agree.

There's a deal on the table in Doha. Now is it a perfect deal, no. Would it be a big advance, I think so. But it's a question of political will about whether people are willing to drive that deal forward in the face of what are increasing protectionist sentiments. So that's the lesson of the League of Nations, is that countries have to exercise political will.

Gideon Rachman

Mr. Sharma, is your emphasis on representativeness and fairness in danger of just leading us a new League of Nations where nothing gets done?

Kamalesh Sharma

Well to begin with I must say that the problem with the League of Nations was that everyone wasn't on the table. That's why it failed. People who should have been there weren't there, that's why it failed, not because everyone was there.

The second point is we're not saying everyone should be physically present but you can't have a world divided into rule makers and rule takers. Not any more. Everyone's concerns have to be on the table and fairly represented. This is what we've been saying about the G20. the G20 must enable an interactive culture which universalises the concern which they are talking about. Not that they embrace everyone in the world, that would be a very large conference.

Gideon Rachman

Mark, you've had to face this trade off between effectiveness and fairness all your career at the UN. How do you strike it now?

Lord Mark Malloch Brown

Well, look, I think that the G20 has no formal status. It is a clearinghouse, it's a facilitator. The fact is most decisions it makes, any decision it makes, needs to go back either to national decision making or more normally to a UN or a World Bank

board or some other place to get turned into a formal agreement. And that's key because we've got to not allow it to seem as though it's another exclusive club. It's got to be seen for what it is, as Bob described, a place to arrive at some ideas to which you go to the broader global community to get endorsement and perhaps modification.

But if I could just also say on that very splendidly clever and provocative point, obviously a great picture would be worth a lot of text, if you actually could get 20-plus world leaders looking confident about the future and not just looking as though they'd had a good lunch, it would be fantastic. But the key to confidence is actually going to be a communiqué which is not just empty words, but as Bob said earlier, it's full of very specific things around these key points of stimulus, regulation, reform of the institutions, something for the poor and something on trade.

And on trade it's not that complicated. It is India and the United States to be a bit more explicit I think, about the point. Which in the eyes of the rest of the world could offer the breakthrough once their political processes allow. Which could get us to the completion of a round.

Celso Amorim

On the trade issue, I think you are quite right. We can be ridiculous and [growingly] ridiculous if we continue saying that we continue – that we won't to close the round and it just doesn't happen.

But also there is an education work to be developed and I – specifically in certain countries. Because for instance when I hear the discussion in the United States to give an example, about the Doha round, it's always confused with a discussion for instance with the free trade agreements. The Doha round is not about eliminating all the tariffs and making complete free trade. It's nothing like that.

It's just that minimum that keeps the multilateral trading system going. And addressing most of all, with some give and take because it's necessary, but Bob Zoellick and myself know that very well. Basically eliminating or at least reducing the biggest distortions that exist to world trade and which affect not only Brazil, France, India or the United States but affect Mali, Chad, Burkina Faso, the countries that are not probably in this room.

Gideon Rachman

Well, in my own effort to combine efficiency and fairness I'll now take three questions from each side of the room. There's a gentleman over there.

Atul Kaushik – Director, CUTS Geneva Resource Centre

Thank you. I'm Atul Kaushik from CUTS International. I want to ask this question with the assumption that we're not going to have the Doha round decided on the April 2, but what we are hearing is that there's going to be some decision or at least some

declaration of commitment on stand stills. Now the question that comes is can you have a kind of commitment from the political leaders on the stand still that still keeps the Doha round alive from the development perspective. From the perspective of the kind of countries that Minister Amorim mentioned, the cotton countries for example.

And one way of doing it is that instead of harping only on stand still, on tariffs, can we have a stand still on the kind of agreement that already has been achieved in July last year and has been preserved as per these statements made in the WTO by all nations who participated in that. And can be implemented as an early harvest, whatever legal pundits, howsoever legal pundits can make it. So that the world outside understands that we're not November 15, we're April 2, we've made a commitment, we've actually implemented it and now we're moving towards a Doha development round conclusion eventually.

Gideon Rachman

Okay, very good. I'll hold that thought and we'll take a question from here.

Jean Pisani – Director Bruegel

Thank you. It's also

Gideon Rachman

Sorry, could you just say who you are.

Jean Pisani

Yes, Jean Pisani from Bruegel think-tank here in Brussels. It's also on trade. It seems to me we're discussing about whether or not we can improve the rule of the game. But what's happening now is that you can do a lot of harm while abiding by the rules. Just look at what's happening with banks, basically you can attach string to public support to banks that banks have to lend at home. Implicitly they don't lend cross-border. You can do the same with companies that increasingly in the manufacturing sector will depend on public support. And you can also bias your stimulus in the direction of domestic industry.

So I think it would be urgent to address those dimension that are perfectly compatible with the rule of the game but are nevertheless doing a lot of harm. And that would require being specific and having some kind of code of conduct rather than planning for the next round.

Gideon Rachman

Okay. And over here, there's a gentleman there. The microphone is approaching.

John Kornblum – Chairman, Lazard & Co

My name is John Kornblum, I live in Berlin. I would just like to ask, it's almost a factual question but it seems to me something that might interest a lot of us. You talked about regulation, about what to do with the financial markets. Can you look now, 9, 12, 18, months ahead and tell us what the financial markets are going to be.

Gideon Rachman

Is that an investment tip [otherwise].

John Kornblum

I don't mean that. I mean it was not two years ago that everyone told us that it was all going to be computerised, done on Facebook or whatever. We didn't need the IMF anymore, probably we didn't need the World Bank anymore because the capital was all going to be gotten on the capital markets. It was going to be 200 CFOs around a room who were moving money around all the time. In other words the flat earth vision of the financial markets just two years ago was that there wasn't anything more to regulate.

And is the genie out of the bottle, can you come up, you or I mean the people who are doing it, can one come up with structures and regulations which will in fact restore or add a little bit of order to a market which seemed to have spun out of institution control.

Gideon Rachman

Okay, thanks. We'll we had two trade questions there and one finance and financial regulation question. I don't who I should pick on, if anybody particularly wants to take on. Mr Amorim.

Celso Amorim

On the trade questions, I'll pass on the financial question. On the trade questions first of all in relation to the stand still. I would say that precisely the problem of defining a stand still is one of the greatest question because of instance I don't know exactly, but for now we have lost my numbers, but what is a stand still? Is the quantity of subsidies that the United States, I'm taking the United States for example because it's easier in my mind, spent two years ago? Which was about \$9b, \$10b in the starting internal subsidies. Or is it what they are allowed to do which is more than \$50b. so we start defining there.

What is stand still? Is the tariff that Brazil and Mercosur applies now or is it the tariff that we are allowed to apply according to WTO. So that's the difficulty.

But I think the two questions relate somehow because of course, even if conclude the Doha round it will not solve the problems that you referred. The problem is that it's

like, I don't know how it's called in English, I think it's bursitis, is it bursitis? This pain that you have in, when you have a pain like that you have to act against the pain not in favour of the pain.

So concluding the Doha round goes against the natural negative instinct of protectionism and economic nationalism. And that's why it would be so helpful.

Gideon Rachman

What about all these issues that as Jean Pisani-Ferry pointed out, don't even technically fall within the ambit of the Doha round or our current rules but are still nonetheless protectionist.

Lord Mark Malloch Brown

Well I think what you've first got to do is lock in the Doha round, which I think there is a window to do in the second half of the year. And then deal with this because this is incredibly complicated. And I think it's going to lead, you've made the argument on one side that these things that are not in conflict but really should be perhaps. But there's also the whole issue of what is legitimate in terms of stimulation of one's own national economy. This time it's not an easy debate to resolve. And I think if we would postpone progress on trade until we'd solved that we would be kicking it into the long grass. So I would think we would need to go at two steps if you like.

On the financial point, a little similarly, a lot of work has happened since November on the financial regulatory issues. And some new institutional announcements, some new things on the scope of regulation, will be put there. But I think going back to the first question of the afternoon. We need to act with a certain caution and care just because, you're quite right Mr. Kornblum, we don't know what it will look like in a couple of years from now. And so we need a system which is responsive and meets the changes as they occur.

Gideon Rachman

Question from the back, that gentleman there.

[Sunan Ulgam – Aidam]

[Sunan Ulgam], I run [Aidam], a think tank based in Istanbul. We heard from the President of the Commission Barroso yesterday about how much Europe, the EU, is doing in terms of fiscal stimulus. Now we also know the U.S. position about that rhetoric. But I was wondering whether his statements were convincing for countries like Brazil and India before the G20 summit about whether the EU is pulling its weight in terms of overcoming this economic crisis.

And secondly I also want to underline the symbolism that the Doha round, the conclusion of the Doha round will have. There's a widespread, very widespread feeling among the developing countries that what happened was very unfair. That this

wasn't the doing of the developing world, that this crisis came, emerged from a lack of regulation in the U.S. and possibly in Continental Europe. But at the end of the day we're on the same boat. So having the Doha round would show the developing world that the developed countries do actually care about the fate of the rest of the world.

Gideon Rachman

Okay, it's two questions there. But both very interesting and pointed ones. Mr. Amorim, what do you reckon?

Celso Amorim

First of all I was not here when Mr. Barroso spoke so I don't know exactly what he said.

Gideon Rachman

Well if I can rephrase it for you then. There's been this argument, we've all seen reported, between Britain and the – between Europe and the United States about fiscal stimulus. So who's side are you on?

Celso Amorim

He said both once, so I'm saying neither this time. Well we understand that the world needs stimulus but of course the stimulus if it is accompanied by protectionist measures instead of being positive it's negative. I think the stimulus also has to be proportionate to the degree of responsibility that each country has in this crisis. You cannot ask for that matter Turkey or Brazil or India to have the same kind of responsibility than the United States or Europe has for that matter.

We know that Europe has other problems related to Eastern Europe and maybe other questions that I can't [suggest] now. But I think Europe should also make an effort in terms of the stimulus package.

In the question of the symbolism of the Doha round, if I understood well you actually agreed with me. Maybe you're coming from a different position. I think the big stimulus, especially as Bob Zoellick and others said, we have to finish with what we have. You know I think there are two things that made the Doha round not to be concluded in July-December and they are very simple.

One was the very, let us say, understandable caution of countries like India, not only India, countries like India who had a big concern with their own domestic small farm agriculture. The other, I have to say that, was a little bit of greed on the part of U.S. manufacturers. So if now we come, if the elections in India would allow, to relieve a little bit that problem, and the U.S. manufacturers understand there's a lot to gain by the simple fact of keep the system functioning, because after all they are the biggest, I think we would conclude that rather quickly.

But it has to be on the basis of what we have there. If you start to change a lot then it's finished. Then we'll have to have four or five years.

Gideon Rachman

Mr. Sharma, could I ask you what you make of this argument about fiscal stimulus, do you have a sympathy one way or another, or is it irrelevant?

Kamalesh Sharma

I think it's a very fair point. If you've heard a lot of talk about stimulus packages for bailing out banks and insurance companies and the rest. But we haven't heard too much about stimulus packages for those countries that are the most exposed, the most vulnerable, the most affected. And not, as the point was made, for any cause of their own. The only point I've heard is from Robert Zoellick saying, all right, at least give a certain percentage of your domestic fiscal plans and have a global conscience about what's happening.

Gideon Rachman

Mr. Zoellick, do you think you're going to get any mileage out of that suggestion that a little bit of the fiscal stimulus be earmarked for the developing world?

Robert B. Zoellick

I think there's an interest. I think Prime Minister Brown has picked up on it. And we've already seen some of the developed countries try to provide some additional support in areas that they can get through their own political system. In Germany it's more infrastructure and microfinance. Japan it was recapitalising banks and trade finance.

So I think this is, again if I come back to the practical side of multilateralism, we need some agility here of connecting where donor countries with their own political constraints might be willing to do more, and connect it with developing country needs. But in some ways it goes back to your very first question. It's important to remember here it is a global crisis that will require a global solution. And in terms of global stimulus in some ways you could probably get more bang for the buck if you make the investments in some developing countries than you would in some developed countries.

Now that's now so easy to do. It's not so easy to tell taxpayer in one country to do it in another country. But I do think this means in the development side we need to try to find the inner connections, as in the infrastructure field where you can get multiple benefits.

And that brings you right back to the trade argument. In a sense what will really drag us down is the idea that each country can sort of build it's wall, tighten the [inaudible] down. The more you see that growth in one country will help in another country. The

more you keep markets open, that's the only way you're going to get out of this mess. And so in that sense, you're coming back to the whole concept of multilateralism, the G20 can't do it all but it can try to give a boost to the WTO process, it can try to give additional resources to the IMF, it can try to give some support to some of things we're doing in the World Bank.

And so I tend to see this as a network model as opposed to a hierarchical model. And in that sense the G20 can play a catalytic role but as everybody else has said here, those countries don't control it by themselves.

Gideon Rachman

Right. Yes, the lady over there.

Penny Naas – Vice President, Global Government Affairs, Citigroup

Hi, I'm Penny Naas, I'm with the bank Citigroup. First off one point I was going to make about the SEC and Sabanes-Oxley was an issue that's been on the front pages today has been the issue of pay for U.S. bankers. And some of the actions that were taken on Friday. And if there's anything that's going to boost London potentially again it's going to be some of these actions driven by popular sentiment that we can all understand. And some of us are also quite furious that some people in our firms but.

Gideon Rachman

Name any names?

Penny Naas

[inaudible]. More broadly on the G20 question now. I would actually complement the G20, there's actually quite a bit of substance on the table there and quite a bit of very serious things that are being looked at and addressed. But there are some who I talk with who question the next steps of the G20 and what all this means because there's no legal treaty or legal obligations underpinning the G20 meetings.

So the question I was going to ask was, in terms of the title of this session today, if we are going to move forward with the G20 does there need to be some kind of legal treaty or obligation underpinning it, or are the existing treaty obligations and legal organizations that we work through sufficient to carry forward the objectives of that meeting?

Gideon Rachman

Mark, do you want to.

Lord Mark Malloch Brown

Well on that point, it's built on something I said earlier. Everything the G20 will agree needs to go somewhere else for legal endorsement if you like. But that's the nature of the decision. For example, trade finance, they'll be a good strong package on that but it's going to be built around Bob's leadership at the bank. So we need to work through the Board of the bank to support him.

The regulatory issues will be dealt with at the national level. So I don't think, just as the G7/G8 never had a kind of legal treaty basis, the G20 doesn't need it. And in fact it would be counter productive because it would create a lot of resentment. It's informal clearinghouse, catalytic role is the essence of it's effectiveness. That it's setting up decisions for other institutions to take. As long as those decisions are taken quickly and promptly after the meeting.

Just on your other point about bankers salaries, I'm not sure bankers are going to do that much better in the U.K. at that moment either. And I think it raises a very real issue and it's exactly the kind of thing where you don't want to rush to solution. This is a very odd moment where a lot of governments, like my own, that never expected to own banks find we do. And we just need to be very careful here. On the one hand respond to an absolute fury across all our voters across the world at the idea of undeserving huge bonuses and wealth taken out at same time as banks did things, which are felt to have destroyed an economy we all grew on. And we need to kind of bear that in mind. Against it we need to bear in mind that it is the financial sector who's innovation has in a country like mine since 1986, created 30 years approximately or 20 plus year, of prosperity, for the country as a whole. And we just need to let these two facts settle into some balance, before we race to do some things which would permanently seek to globally regulate Bank salaries.

Gideon Rachman

How do you feel about global regulation of Bank salaries?

Kamalesh Sharma

(inaudible). But I don't think we should presume any kind of formal, institutional, legalistic contribution of the G20, because there are a lot of counter-railing forces against that idea itself. In fact, the [present] meeting itself was called the London Summit, not the G20 Summit.

Celso Amorim

On that point, maybe just one point. I agree with both here that we should not try to legalise, or give a legal basis to the G20. G20 is a political body that will influence decisions on other bodies. Having said that, I do think that it is important to reform the existing bodies to make them compatible with the new (inaudible). And that applies to the World Bank, to the IMF, to the United Nations. Curiously enough, the WTO, because it's very informal, it's somehow reformed its decision making process,

which is basically a negotiating process, without having to go through any reform. If you take, four years ago, ten years ago, or 15 years ago, and you will see the quad, the quad would be the United States, European Union, Japan and Canada. If you see the quad today, it will be the United States, European Union, India and Brazil. So, that was reform, without really calling it so.

Robert B. Zoellick

And there's another hidden point in Celso's point, which is the European Union is represented by one party.

Gideon Rachman

Absolutely.

Robert B. Zoellick

Works very well.

Gideon Rachman

You are the most convinced European here, in the room. The gentleman here, and then here.

[Jean de Raleigh] - Member, European Parliament, Belgium

Yes, thank you. Jean de Raleigh from Belgium. In this reflection about the world architecture, my question was about the IMF, because we did not speak very much about the IMF as such. Obviously, now everyone believes again in the IMF, but its structures aren't what they were. Some say the Americans dominate too much, some say the Europeans are over-represented. And, in the Third World, they don't like it, because of past [problems]. But what else is there? Is it possible, is it realistic, to reform the IMF and make it the regulatory body at the world level, which could be accepted by everyone? And what is needed to make it? Or is it not possible, in 10 years, to do this, [to create something] there?

Gideon Rachman

And the gentleman here. You had a question?

[Gid Marskef] - Member of Parliament, Germany

Gid Marskef, a Member of Parliament, Germany. Only a brief question. If we don't use this historical momentum in order to bring about the Doha round, in this very moment, if we don't deliver this, when is it going to happen?

Gideon Rachman

Well, back to trade. Also, you could have an opportunity to reform your neighbours at the IMF. What would you like to see done to them?

Robert B. Zoellick

Well, the spirit in which I've tried to approach all of this, and this network idea, is to try to make sure that we work more closely, in a co-operative fashion. But, going back to Celso Amorim's point, I think it's inevitable that the World Bank and the IMF will adjust some of the voting rights on the Board. We added another seat for Sub-Saharan Africa. But each Institution has to face its own complexities. In this sense, for example, the World Bank has an issue a little different from the IMF, but it shows you where this becomes not quite so easy. One of our big tools is IDA, which are grants and very concessionary no-interest loans for the 80 poorest countries. Most of that money comes from developed countries, although Brazil is a good contributor and China did it for the first time.

So when you think about Board seats, not only is it the relative weight of the economy, but you also have to figure out who's going to be contributing to these funds. We have eight European chairs, out of 24. So, compared to the WTO, it looks a little heavy on European representation. On the other hand, the reality is, some of those countries have roles because they are bigger contributors, and it would probably be hard for them to get support from their Parliaments to make those contributions if they didn't have chairs.

I'm not presuming the solution, but I'm just saying that there are more complex tradeoffs. There are things that the management can do. For example, I've appointed eleven officers, and nine of them were from the developing world. So there's things you can do with the staffing to try to help, but, ultimately, it becomes a difficult decision among shareholders, of tradeoffs. But I think it will happen. Just as Celso said, in the WTO it's started to happen. And then part of the question is, coming back to some of the interactions of this, is how these informal systems will get this balance between more representation and effectiveness. And I suspect that what you'll see is a larger group, but then some informal subgroups within them. And that stage is still to be developed.

Celso Amorim

There's one point though, which, from even the moral or ethical point of view, has to be reformed. I don't know if Bob Zoellick will like what I'm commenting, although we agree on a lot of things here. But why did God write down that the Director General, or the Chairman of the World Bank has to be an American, and the Chairman of the IMF has to be a European? I don't think it's in the Bible, in the Koran, or in any other --.

Gideon Rachman

Is it in the bible? I don't know. But, presumably, you can be quite relaxed on this point, since --.

Robert B. Zoellick

Both have actually said, Celso, that they need to have an open [mirror], transparent process. I will say, and you know from international institutions, I haven't seen too many Americans ever get the WTO Director General-ship, the UN Secretary General. So the reality is, if one's going to reform the multilateral system, and we want fairness in equity, fairness in equity all across the board.

Celso Amorim

I'm totally in favour of that. (inaudible) Security Council reform, by the way.

Robert B. Zoellick

That would be a debate for China, more than it is for the US.

Kamalesh Sharma

I think these financial institutions are absolutely pivotal institutions. I don't think it helps the world to see their emasculation. I think we need to see them stronger, but we need to see them retooled and attuned to a global delivery horizon. They have to be agencies, expressing the multilateralism of the world, and expressing the mechanics of the new multilateralism as well. I've nothing against the talk of the nationality of the DG, or the voting rates, but we must be very careful on one point. All hands on the steering wheel must be exerting their energy to move the ship away from the looming iceberg, and not just rearranging deckchairs on the Titanic. That is the issue here. When I hear this kind of talk, I say, 'fine, but this is in-house talk'. I don't think the world outside is that interested. The world outside is, 'how are you morphing and transforming yourself into answerable institutions to what's happening to the world itself, not what's happening to you?' As for your question, I'm very sympathetic with it, when you said 'if you can't do it now', because there's nothing to be said for disaster except this. It really helps in concentrating the mind. So I agree with you, let us not squander this catastrophe.

Lord Mark Malloch Brown

Yes. As I've gone to developing countries, they are very clear on the IMF. The World Bank is in a [privileged-ly] different position on this, but on the IMF there are three interrelated things. Yes, it's got to have the resources to help us, but it's got to have a completely changed business model so its money actually does help us. In fact, an African President used the phrase to us, 'it's not [additional-ity] of resources, it's availability', by which they mean money on terms they can actually afford and access, and on payback arrangements which will allow them to use it. And that goes immediately into the issue of governance and staffing, because they believe it is the fact that these institutions, or the IMF in this case, is not viewed as accountable to them, which has led to its business model being so far from their interests. Yes, of course, on the trade issue, second half of this year, I think there is a real window to get it done. An issue which has not been raised here, of course, is climate change.

Gideon Rachman

I was about to, yes.

Lord Mark Malloch Brown

Well, perhaps I should let you [disclose] it.

Gideon Rachman

Yes. For obvious reasons, we've focused on the G20, because it's a couple of weeks away, but there's this other huge international negotiation, which is meant to climax in December, in Copenhagen. And there are many people, perhaps myself included, who think that the chances, already quite dim, of concluding a decent agreement in Copenhagen, must have been made worse by the global economic crisis. It must become harder. So how do you think that the climate change negotiations will proceed now, in this new economic climate? Perhaps, Mr. Zoellick, I could start with you?

Robert B. Zoellick

Well, I think there's a strong political momentum for it. I worry that a lot of these pieces interconnect with other items that we've discussed, and I'm concerned that they're not being fully drawn out. So, for example, when we talked about ['a little bit in advance'], is that I don't think that you're going to have a successful climate change agreement unless you have some financing arrangements. And yet, when I talk with Finance Ministers, understandably perhaps, this really isn't on their screen. So one of the things we've been trying to do at the World Bank, is to come up with some climate investment funds, and have different mechanisms. But this is a very sensitive issue, about relative authority with the UN bodies and others, and it invokes some of these same questions about institutions and how they interrelate.

A second issue that connects to trade is one I mentioned this morning. There's some ideas that, if developed countries are going to make commitments to cap their carbon emissions, that they will impose carbon taxes on imports from countries that do not have the same emissions levels. Well, that would violate the WTO agreements, and would certainly kill the prospect for developing countries working with developed countries to reach a climate change deal. And there's no effective deal, unless you have developing and developed countries together on this. Of course, they may have different obligations, but they have to be together. So, it's another example that sometimes policy-makers of the world see these in individual boxes. The reality is they interconnect and, when they work best, groups like the G20 or others can help cut across some of those categories. Not that they can make all the decisions themselves, but they can identify the issues and then try to say, 'well, the World Bank needs to work with the UNFCCC on the financing arrangements, or others, to steer a network process.

Gideon Rachman

Mr. Amorim, how do you feel about the climate change negotiations?

Celso Amorim

Well, I would agree with that assessment. I'm not so pessimistic, of course. Those who were in Geneva in July will say, 'well, if you cannot agree on a trade agreement because of a mysterious thing which is called [SSM], nobody could define precisely how can we agree on such complex things like climate change?' But in this respect, I think that, in a way, the change of mood in the American administration is a positive thing. Of course, I'm not sure if we'll be able to do it, because the time from here to Copenhagen is quite short. But I think [Bali] will have some new ideas that appear there. Developing countries, for the first time, decided that they could take some what they call -- they didn't want to use the word 'target', because target is linked to a specific aspect of the climate change convention. But they say that they were prepared to accept quantifiable objectives which, for all practical purposes is a target.

So these things are evolving, in a way, at least in big developing countries like Brazil, China and India. But I would agree, many of the aspects depend on finance, especially if you take very small African countries, or very small countries in the Pacific. How can they take obligations, if they don't have the financial means to deal with them?

Kamalesh Sharma

But if you're talking about how to make multilateralism work, then you have to talk about governance. If you relate the contingency, which is the climate calamity which is upon us, with the absence of any international IEG, International Environmental Governance mechanism or progress, you wonder how is it that we feel that the most exposed? Like the Pacific Island States, their needs of adaptation, their needs of mitigation, who the hell is in charge of the shop? Because when you go to the Pacific, even these institutes who are examining what was happening, they see no political will whatsoever on the governance side. I am reminded of a sentence I read in James Martin's book, 'The Meaning of the 21st Century'. And he says, the assiduity and the concentration with which we are degrading and ruining our habitat, to me it can now possibly be explained by only one thought, that, perhaps, as a species, humankind is losing its instinct for self-preservation. Otherwise, I cannot explain it.

Gideon Rachman

Well, do you have a collective death wish, Mark?

Lord Mark Malloch Brown

No. I think it's a really important deal to get done, but it's very easy to see how we might end the year, having made some significant step forward in economic governance but having failed, if you like, on environmental governance, just because of the nature of the economic crisis we're in. But, frankly, this issue of imbalances, that I determine in terms of global consumption, is as much an issue of how we bear

down on our limited global environmental resources. So, we have to deal with it, and I think there's a row developing. Celso's relatively confident, but I have to say that this issue of the financing is going to be key.

In developing countries, there's a growing view that money shouldn't be a constraint, because of the sheer amounts of money we've been willing to throw at our financial system. 'Surely, the amounts of money for mitigation can't really be that much? They're a fraction, compared to what we've thrown at Citibank, for example', goes the argument. On our side, the argument is, this recovery is going to have to be so expensive, it's creating such deficits for us, that we have to cut public spending which isn't directly related to it. And that's, I think, intellectually, where probably most people from developed economies would be in this room. And obviously, there's risk that climate change is a victim of that difference of view about the availability of resources.

Celso Amorim

At least, in a recession, you should emit less CO₂, I suppose? No? It's a silver lining.

Robert B. Zoellick

(inaudible), where there's a very short (inaudible) connection, is that some of the decisions that countries have been making on infrastructure and technology, today, will have long-term effects. And so that's one reason why, again, when you have a sense of how the rubber hits the road on this, one of the things we've been trying to do at the Bank is to starve some of these funds. To show, for example, how technological change in Mexico with a transportation system. It doesn't have to be rocket science technology. Where this is being used, in China, or elsewhere, can make a big difference. The deforestation issue. 80% of the emissions or 20% of the emissions are from the deforestation issue. So, where the pieces do need to fit together is that, at the exact time people are making some investments, you'd presumably want them designed in a more low-carbon way.

Lord Mark Malloch Brown

And I think we can get that into the Summit, communicate that.

Gideon Rachman

Hang on. We've got about 10 minutes left, and then I'll -- please. Okay, yes.

Celso Amorim

I would like to make one comment, but not on this particular issue. I would say that we are talking about several different issues which are all important, like trade, finance, climate change. We could add poverty. And all of them, in a way, relate to security, and I don't see how we can solve these questions, the institutional questions, without looking at them together. And if some think disaster is good, it would be

precisely to redefine the institutions. That should not mean that we should stop and wait until we have redefined the institutions to do the things that we need to do now, but this is a crucial moment if we want to improve the world governance.

Gideon Rachman

Okay. I will, perhaps rashly, just take two more questions in the last 10 minutes.

Robert B. Zoellick

But there was a Brazilian request for the UN Security Council, if you didn't quite --. Appropriate.

[Michael Zetta] - Policy Planning, German Foreign Ministry.

[Michael Zetta] from Policy Planning in the German Foreign Ministry. I wanted to pick up on the question of how we bring these issues together. Wouldn't the default solution to be to call for a global trade recovery in London? Wouldn't that also help Copenhagen? And wouldn't we start a narrative for a future low-carbon economy? Capital is also looking for a new narrative, and before the crisis we thought that low-carbon investment was investment in the future sustainable economy.

Gideon Rachman

Good. Okay now, two more brief questions and then we'll wrap it up. That gentleman here.

[Pierre Larrivee] - French Policy Planning.

Pierre Larrivee, from the French Policy Planning staff. My question is still on the question of climate change, and (inaudible) and security. It's a very trendy subject. It is appealing to people because it frightens them. We have, sometimes, images of floods, immigrants and conflicts. It raises a real issue, in terms of governance, among different institutions. And the UK organised, I think two years ago, for the first time, a debate at the Security Council, which was very interesting. So I wanted to ask you, especially Lord Malloch Brown, how much do you think this issue is appealing, in terms of marketing, to mobilise concerning climate change? And how can we cope with it?

Gideon Rachman

Okay. And the last question, just here.

Darrell Issa - Congressman, California

Thank you. Congressman Darrell Issa, from California. Rahm Emanuel, the Chief of Staff to the new President, is often quoted for his statement that you never let a good crisis go to waste. Einstein is less often quoted for, 'in the middle of adversity lies opportunity'. With the crisis of the day clearly being the meltdown of traded and

guaranteed assets around the world, it's interesting that, in this whole weekend, I haven't heard anyone say 'okay, how do we get the kind of transparency on these and other assets, on a global basis, so that we can not call them toxic when, in fact, only some portions of them are toxic?'

So from a multilateral standpoint, a common, whether it's [XPRL] or some other maybe less well known data, why is it we're not talking in terms of the G20 meeting and saying, 'we can never again allow assets to be traded globally if, in fact, they cannot be looked at online, in real time, so that people can make sensible decisions on what their value is, long before it becomes a crisis'. So, going more toward Einstein, isn't that actually the opportunity that comes from the adversity, not all the other things that can be piggybacked onto the fundamental crisis?

Gideon Rachman

Okay. I'm going to ask you all to do a rather difficult thing, which is to answer all those three questions and, somehow, summarise the discussion in an elegant fashion, in the last six or seven minutes. Who wants to go first? Mr. Sharma, perhaps?

Kamalesh Sharma

To answer that question, when I set out the principles which have been subscribed to by all the leaders of the Commonwealth, I did mention, specifically, accountability and transparency. Everybody knew the importance of that, no matter what line of activity you're in. I think that, when we talk of multilateralism and its place, we must also always bear in mind that it is not limited to interstate multilateralism. In fact, interstate multilateralism today must serve healthy multilateralism, wherever, and by whichever route it takes place. We all know the argument that non-state actors are a very important element of our global life. And we must recognise that, whether it is [NGOs], or corporations, or the Civil Society, youth bodies, women bodies, they really add a huge charge globally today, in transforming the world, which is why I said we need to empower these institutions which we already have and not talk them down. You must talk them up, and keep on talking them up, because the ambition horizon for them should be to work for states and to work for the world, in the way in which I have mentioned.

One last point. Take the youth as a global resource. I think 75% of the world is youth. The future, or what happens to the youth of the world, is going to determine what's happened to human societies. I'm not sure what the World Bank, or the IMF, what kind of plan they have. Of course, they have some plans. In a total way, the UN working in this, private sector working in this, having a deliverable plan for the youth of the world. When you talk about multilateralism, you must have the objective view, and also must coordinate and become coherent. A debate has to move away from interstate multilateralism talk. Thank you.

Gideon Rachman

Well, that is an ambitious long-term objective. Malloch Brown, we heard a couple of questions circling around this issue you have already discussed, which is how do we tie together the climate change crisis and the economic crisis, so that they don't actually contradict each other and that, somehow, we get them to dovetail? Is there a way of doing it?

Lord Mark Malloch Brown

I think so, but I think it is worth just observing the difficulty we, as the hosts of the London Summit, have had, in putting low-carbon recovery as much at the centre of this as we would have liked to have done. Part of it is because we Brits are seen as serial international initiative launchers, so there's a deep suspicion of us, when it comes to this.

Gideon Rachman

I think that is one of the kinder things that is said about us. Go on.

Lord Mark Malloch Brown

Yes. But the second, more substantive point, is the worry that it's a hidden trade measure. And third, that somehow we're stumbling into Copenhagen territory, and you need the expertise for that. So we believe we can get the [greening], the recovery, the Bob Zoellick point about making sure nothing we do in the infrastructure and energy investment level sets back our objectives. And we can give a good plug for Copenhagen, but we are a bit limited. But I think, when we want this conversation to go beyond a room like this to where it's got to go to, which is restoring confidence to the six billion voters and consumers and citizens in our world, that we know where we're going and there's a way forward, a path forward for us, as global citizens. This issue of bringing the economics and sustainability and environment together is key. As is, final point, the need of making sure that we have something as strong in this, a life raft for the world's poor as well, who, so easily, every conversation we have about this, become the afterthought but are, more even perhaps than in climate change, yet again pretty much the innocent victims of this, who have really gotten knocked down by it. And, if it's to carry global confidence, it's the environment plus poverty that we need to address.

Gideon Rachman

Mr. Amorim, we've got only about two or three minutes left, and it's been a very rich discussion, so it's perhaps impossible to ask you to summarize it. But if I could perhaps ask you, coming out of the G20, if you had to write the newspaper headlines, what would be the two things you would like to see that emerged from that meeting?

Celso Amorim

Well, unfortunately I'm not a journalist, because otherwise you'll see [still] another flop. And therefore, the journalist's always right. But I think that one thing that I would like to say, and to stress, is the urgency of all these measures, and the urgency of these reforms. We cannot be talking about them forever, as others said. And I just want to touch on a social and psychological aspect that nobody touched. People talk here about the different problems the different Banks and the different Institutions have. But for the common people, when they see these trillions and trillions of dollars being wasted, and they don't have money to invest on some basic things -- and I praise Bob Zoellick for his initiative. And when you see, for instance, I believe it was the Chairman of [AIG], saying that they would give back, I believe, half of their bonds, that sounds to me a little bit like Marie Antoinette before the French Revolution. But we are in a global era, so it might be much worse.

Gideon Rachman

Mr. Zoellick, you made the point right at the beginning that perhaps it's a mistake just to focus on the G20. So perhaps I'll give you a slightly longer time horizon. If you had to look at this whole year, what would you most like to see come out of a very important year for multilateral economic governance?

Robert B. Zoellick

Well, first to address Darrell's point. I think it's a very good point. I think the challenge there would be, of course, with proprietary trading systems, whether people also have confidential information in their systems. But [otherwise], it's a good idea.

Well, I'll come back to the point I've been trying to stress, which is we've got a serious problem out there, and part of [legitimacy] is solving problems and effectiveness. And, while the purpose of this discussion is to talk about how you can adjust multilateralism and governance, let's not lose sight of the [key ball], which is how do we get these economies re-stimulated? How do we fix up the banking systems? How do we prevent protectionism? And, the reason why this shouldn't be underestimated is, for all our talk, what we have to recognise -- and you've got some elected representatives here. They're still responsible, by and large, to the national authorities, and those national authorities are concerned about what takes place at home. And so the reason why these trade agreements are so difficult is, not because people don't understand the trade aspects, it's because each of them has to come up with a political explanation at home. So what I would suggest is that, as you think about multilateral structures, don't lose sight of the world as it is, with the real problems you have, how you have to explain things at home. And the art, in a sense, is using these institutions and regimes so [that they] come with cooperative solutions that everybody can explain at home.

Gideon Rachman

Okay, thank you very much. That's an appropriately global and political thought on which to end. So, I'd just like to thank the whole panel. Thank you very much.

Craig Kennedy – President, GMF

I also want to thank our friends at Bruegel, who have given us invaluable help in setting up many of the economics sessions at this year's Brussels forum. And now it's time for a taste of Latvia. Our good friends in Latvia have supplied various tasty things for the break. And, when we come back, we'll talk about 20 years after the fall of the wall. So, thank you.

[End]