

March 26, 2011

Transcript of Press Conference following G20 en Vogue

Mr. Pascal Lamy: And, no, as Bob said, sorry, I will not answer questions which are related to the Doha round I have a session with the whole membership on Tuesday and I have to talk to the membership before I talk to you. But for the rest, any question.

Ms. Gabrielle Steinhauser: Hi, there are huge protests today in London and there were--

Mr. Robert Zoellick: Could you give your name and where you're--

Ms. Gabrielle Steinhauser: Oh, Gabrielle Steinhauser from the Associated Press. There are huge protests today in London and there were protests here in Brussels just a few days ago against austerity measures and, you know, people worried about cuts to their social system. Do you think that protests like that have any impact on what is happening at the G-20 level or are policymakers so far removed from the people on the street?

Mr. Robert Zoellick: You promised to take all the non (inaudible).

Mr. Pascal Lamy: I mean, look, this--the fact that this economy crisis had a social impact, which is having a political impact is--I don't think anybody should be surprised by this. That's the lesson of history.

Each time there have been a big shock of this kind, this has resulted in political turbulences, political--some, from my perspective, in the right direction, some, from my perspective, in the wrong direction. Look at the lessons of history and it's a question of personal judgment so we should not be surprised by this.

And this will keep going on as long as levels of unemployment and social discontent will remain what they are. And, of course, if you have to run rebalancing programs, if you have to reduce your public expenditure, if you have to make sure that markets will not totally downgrade you, you have to take a number of

measures of reforms which are politically and socially extremely painful.

Now, if there's another solution than addressing these issues, fine. I think, for the moment, a number of these countries have no other choice than going through this painful period, which, in a way, pays for credit (inaudible) a more happy period in the past.

Mr. Robert Zoellick: The countries you mentioned are democracies so, of course, you know, people have a right of association, they have a right of speech. That's a normal part of the democratic process. And if you ask whether politicians listen and pay attention to them, of course they do because they have to be elected at the end of the day.

Now, they also have to figure out how to respond to a multiplicity of different perspectives and steps today that may be difficult, as Pascal said, but are important for the long run.

And you mentioned London. I think in Britain there is a view that I, frankly, am very sympathetic, that

given the risks of the debt posture, they had to demonstrate by reestablishing their fiscal solidity. It won't be easy and I think, you know, everybody has empathy for the people that are going through these difficult times.

I think the more interesting question is the demonstrations in the non-democratic countries. I mean, so what we really seen this year is the fact that people are willing to go to the street and protest where they don't have a voice and they don't a say. And I think one of the greater challenges now of this period will be how will these governments respond in different ways to allow and to engage people into overall economic, as well as political, process.

Mr. Jakob Nielson: Jakob Nielson from Danish newspaper, Politiken. Now, just this week, the Euro countries and some other EU members made an agreement on how to focus more on keeping down debt deficits and managed debt. And I would like to ask both of you if you think enough is being done in the U.S. to keep down

the deficit and to manage the debt problems that are present in the U.S. economy. Thank you.

Mr. Robert Zoellick: Do you want me to start or you? Okay. No. And I think that this is the way that a democratic process under the U.S. constitution where you have powers separated with the President and between different branches of Congress is working its way towards something. I hope that they do come together and act on it because I think that the United States also faces an issue of too much government spending, too much debt that's been built up.

Their--the President, President Obama, appointed a commission that came up with a series of solutions. Uh, you had one of the Senators here, Senator Warner from Virginia, who's tried to put together a bipartisan group to try to advance those steps. I think that's very important.

In the United States, as in any political system, the debate focus is on the near-term issue. So the debate is focused on the annual spending bills, which

weren't passed by the prior Congress and now they've had a series of extensions. But that, as you probably know, is a rather small part that's called the discretionary spending. The larger amounts deal with what is the entitlement spending and so I think those are an issue that the United States is going to have to address.

United States is, you know, has a very strong financial posture globally that's been earned over 220 years of hard work, but people shouldn't take that for granted, whether it reflects the ability to borrow at certain rates or the currency.

So I do think that's something U.S. has to address. And I listened to Senator Warner's comments with interest 'cause he was making the point that in a political and constitutional system it may take years or it may take a year. And he's pushing for this year, which I think is a good thing.

Mr. Lawrence Neumann: Lawrence Neumann from Dow Jones. Let me try something that spins off Doha, but

is not directly Doha related. If there isn't a breakthrough in the next few months, what is the best way forward on trade in your view now? Is it to carry on pushing for some kind of global trade deal or might it be to take a different approach to scale back ambitions, something along those lines?

Mr. Pascal Lamy: Well, we are not yet there. And given the viscosity of this international system, given the complexities of the negotiations, what members in WTO have decided is to work on plan A before working on plan B. And as you know, even the construction of plan A at the time took probably between two and four years before we started the negotiation. So intellectually, I mean, I agree a lot with those who say, you know, "If plan A doesn't work, why keep digging? Why not think about the plan B?" It's perfectly rational and correct reasoning. If it needs--if we need two or three years to build plan B, better try and finish plan A.

Mr. Robert Zoellick: Uh, no. Let me add something to this so you have a sense of some of the

interconnections. Pascal was in the U.S., I guess it was a week or so ago--

Mr. Pascal Lamy: Yeah.

Mr. Robert Zoellick: --and we both took part in an event with the Chamber of Commerce of the United States bringing together business groups trying to focus on trade facilitation and also the capacity building. So this is neither plan A nor B, but it could be of help under any circumstance.

There are huge gains to be had in trying to remove the non-formal boarder barriers so the cost of customs systems, the ability to inter-connect infrastructure imports more effectively, trade finance. So I think I want to compliment Pascal because he's driven this agenda in a way that is not only complimentary to the Doha trade negotiations, but could actually be supportive in that even if you remove formal barriers, for many particularly in the developing world, unless they can address some of these other issues, they won't be able to take full advantage.



And one of the things that we've seen is that by drawing in everything from export credit agencies, which is another group that we met with while there from around the world, developed and developing, to the private business sector, you can really turbo charge the benefits of the trade reduction. And Pascal has had a series of meetings regionally, but then he brings them together globally on Aid for Trade. And I think you've got one this July in Geneva, too, to try to emphasize that dimension.

Mr. Pascal Lamy: Good. Let's take one last question.

Mr. Amhaf Khadin: I am Amhaf Khadin, a journalist from Egypt. I ask about (inaudible) oil play a greater role in the policy (inaudible) between U.S.A. and EU with the other regimes like Saudi Arabia and the Gulf Region? And another question, how is it that EU and the United Kingdom and U.S.A. can help countries like Egypt and Tunisia and the other countries have revision (inaudible)? Thank you.

Mr. Pascal Lamy: Well, on the trade side, when you look at this region--and let's say the whole of the Mediterranean basin, Maghreb, (inaudible), and then up north to Turkey. If you look at trade flows, there is one striking thing, which is that they remain mostly north/south. So I personally believe U.S., you, could probably do a bit more in opening their trade with the countries in this region as they've been doing it during the last 20 years.

But my own personal view, and I've shared this view with a number of my Egyptian or Tunisian friends or even Moroccan friends recently, is that what's missing is economic and trade regional integration. That's what's missing in this region.

And if you look at the small steps that have been taken in the past, such as the (inaudible) or free trade arrangement between Morocco, Tunisia, Egypt, Jordan, which in a way Turkey has now joined, it has created a lot of pluses. And there is ample space for more regional integration. And, of course, Egypt, as

the elephant in the system, has a role to play, which my hope is that it will play in the future.

Mr. Robert Zoellick: What's striking, if you look at the aggregate trade statistics of the broader Middle East or Middle East and North Africa, is how under-integrated it is with the global economy, other than energy.

And just to give you one reference point that I found striking, South Korea has a population of about 60 million people. Egypt has a population of about 80 million people. South Korea's manufacturing exports in one week exceed what Egypt's are for a whole year.

Now, this is a caution for us as we go forward because what I just talked about in the other room is I think the events in the broader Middle East and North Africa are some of the momentous events of our time, but there's obviously still huge uncertainties. And the process will wind its way in different countries in different ways. I think we need to have an international effort focused on support in a short,

medium and long-term.

Short-term, I'm concerned about rising food prices and the stress it could put on countries such as Egypt, which import a lot of its wheat, or Tunisia. But at the same time, we need to try to work with developing governments to see what examples others have used around the world to have more effective support programs. Because if you just increase everybody's wages and increase the current subsidy program, which provides bread to 85 percent of the people, you'll blow a hole in your budget.

Second, I do think there's gonna be a crying need for short-term job creation. But, again, we've seen elsewhere in the world there's ways you can do this without inhibiting the development of the private sector, depending on the wages and how you design the programs. That's gonna be important.

Third, I do think, at the same time, we need to try to work with the governments to create additional opportunities for the private sector. You have very

bloated public sectors if you compare those economies, not just with Europe and the United States, but, say, in East or South Asia. And remember, it was a Tunisian street vendor who was being hassled that set all this off. So can't we create additional opportunities for entrepreneurs and small business people?

The fourth, however, is we need to try to capture this question about demonstrations, people in the street, and link it to the economy where sometimes those two are intentioned. And this is through social accountability of what governments do, the transparency, the anti-corruption. How can we connect that energy to government policies?

So my own view is this is going to need to be one of the big issues, whether it's done in a G-20, whether it's something that France takes on in the G-8, whatever combination. At the World Bank, uh, we're engaged with this process. At the same time, we have to recognize that, uh, this is not gonna be a straight line. There's gonna be--we're still in the midst of

huge turmoil, but with the right support, I hope we can create an opportunity.

Last point is the one that Pascal mentioned, is at the World Bank, we've done a lot of analytical work with the countries in the region to try to encourage sub-regional integration. And, frankly, the politics, say, for example, in the Maghreb has still blocked it.

So maybe we can create some additional opportunities here with some of the political changes so that you can integrate some of the region. But at the same, I think part of the challenge will be for some of the developed economies to help create a better investment environment, perhaps to look at some of their policies, whether Pascal tried to do this when he was European Commissioner or I tried to do it as Trade Representative, not only to, perhaps, open the markets, but maybe relooking at some of the rule of origin issues, maybe considering how you can support the food exports with product safety support and other aspects. And these are not immediate, but they're gonna be the

medium and long-term to really give these countries a chance to integrate more deeply in the global economy.

Mr. Pascal Lamy: Okay. Thanks for your attention.