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Speaking notes for the Right Honourable Paul Martin P.C., M.P., Annual Meeting of the Development and Peace Foundation

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I want first of all, to thank the Development and Peace Foundation for the invitation to speak here today and I want to congratulate you for your initiative in focusing this meeting on the L20. This is an idea whose time has long since come. Indeed, in one form or another I believe it is inevitable. I also believe that this meeting in Dresden, and others in Canada and elsewhere of a similar nature, will in later years be seen as laying much of the L20's eventual construct.

Before going into the subject at hand, it might be worthwhile discussing the origins of the G20, the annual meeting of finance ministers and central bank governors, whose success I believe has paved the way for the L20.

The G20 came into being as a result of a series of financial shocks in the latter half of the 1990s, the most serious being the Asian crisis, and with these the fear of a global meltdown as contagion spread from economy to economy, from continent to continent. The causes of these shocks were in most cases a lack of financial transparency by governments and inadequate regulation of financial institutions.

As a result of this, the G7 finance ministers sought to convince the emerging economies to adopt the kind of framework of financial rules and regulations that existed within the G7 countries themselves. We did not succeed. The problem was that they simply ignored us. They did so for two reasons: First, they felt we talked a better game than we played and second and most importantly, because they were not at the table at the time the G7 addressed the issue.

Quite simply, too many of them, having accepted at one time or another, IMF 'imposed' solutions to their detriment, such as the unsequenced liberalization of financial markets or a hard-edged definition of the Washington Consensus (fiscal solutions with no offsetting social supports), were not about to give carte blanche to anyone ever again.

These criticisms were valid. To deal with them, and because we realized that the world's financial system had attained a degree of seamlessness not seen in other areas, we came to the conclusion that representatives of the emerging markets had to be at the table and on an on-going basis if we were to deal with today's financial crises and to prevent tomorrow's.

In summary, why did the G20 come into being? The answer was because we needed a body that could form the consensus required to deal on a timely basis with economic issues that had global repercussions. In short, the time had passed where the G7 could take the world for granted.

And so we come to today's discussion: Why is the L20 needed? The answer is the same - because we need a body that can form the consensus required to deal on a timely basis with issues of all kinds that have global repercussions. In short, the time has passed where the G8 can take the world for granted.

The world needs to continuously round off the hard edges of globalization. It needs to make globalization work. This is not simply the responsibility of the United Nation's system of institutions. It is the responsibility of national governments; all of whom, one way or the other, despite their vast differences in circumstances, are dealing country by country with many of the same issues.

As Anne Marie Slaughter said, 'Stop imagining the international system as a system of states – the unitary entities like billiard balls or black boxes subject to rules created by international institutions. Start thinking about a world of governments.'

And to that, let me add my own comment – governments that are often the last of the globe's players to have adapted to the world outside their borders.

Both points are important because issues of growth, trade and aid on the one hand, and environment and poverty on the other hand, require a level of international coordination that is fundamentally different today from any preceding period of history; and while successful international institutions are essential if the world is to work, national governments are the masters of those very institutions - not the other way around.

Thus, the system of global governance must build on national governments as the ultimate source of authority and in most cases of voter accountability. It is governments that must accept their responsibility.

And what is the L20? It is exactly that. It is national governments acting at the highest level – Chancellors, Presidents and Prime Ministers.

There is another reason as well for the creation of the L20. As Angel Gurría, the new head of the OECD, put it quite succinctly and I quote: 'Because the different fora that deal with globalization are not working.'

Let me now deal with some of the questions that arise in the wake of a suggested Leaders 20. The first question is: What should its membership be? In the case of the G20, obviously with some countries the choice was clear; in other instances, much less so.

The fundamental criteria I believe is: first, the countries chosen must include the G8 and other leading economies; second, they must possess the requisite social and political stability; and finally, the major regional powers regardless of economic ranking should be included. For instance, it was a mistake not to have included Egypt and Nigeria.

As Andrew Cooper said: 'The L20 becomes in essence, a meeting place for the different civilizations of the world, not just taking into account the different histories and development trajectories of the actors at the table, but searching for common ground between them.'

Leaders are not immune to the human tendency of failing to understand where the other side is coming from because of cultural differences – in English the concept is described as 'ships passing in the night.' The only answer to the misunderstandings that can occur because of this, are that the differences be put on the table. For leaders that table can be set by the L20.

The second question is: Wither the G8? Should it fade away by expanding its membership into the L20? The answer I believe, is no. The G8 has a role to play on its own, and while one may wish it would do more, it would be sorely missed.

Furthermore, the reality is, if forced to choose between the G8 and the L20, at the present time the members of the G8 would choose the G8 and it would be a long time, a very long time, before the L20 would see the light of day. This was made very clear at the time of the formation of the G20.

Another option, the so called outreach alternative to the L20, arises out of the precedent established at Evian, Sea Island and Glen Eagles – where selected countries were invited to participate in some part (usually a lunch) of a G8 Summit.

This is not the answer in my opinion, a view I suspect that was shared by the invitees at those G8 Summits.

Inviting countries for part of a meeting only as is the case of the G8 + 5, or on a rotation basis (as some have described it - variable geometry,) may work in other fora or it may be good showmanship, but it won't work in the context of leaders driving to a solution.

What is needed for successful international dialogue, is the kind of familiarity, the recognition that only comes from people who have met often as a group, who know they will continue to meet in the future and who know the dynamics of the room. That's what happens at the G8, it's what happens at the G20, and it's what should happen at the L20.

The third question is; will the L20 be in conflict or in competition with the United Nations? The answer is no. It will complement the UN as the G20 Finance Ministers complement the IMF and the World Bank.

In fact, when I became the chair of the G20 and Gordon Brown the head of the IMF's new International Monetary and Finance committee, a similar concern existed, but we established a productive and co-operative working relationship between the two bodies right from the start, a precedent that continues to this day.

Indeed, given its potential to break deadlocks in contentious areas, I believe the L20 would be an invaluable ally of the UN. In fact the High Level Panel of Eminent Persons appointed to advise members of the United Nation on necessary reforms in the lead-up to the millennium +5 Summit specifically recommended that an informal caucus of leaders, styled in the character of an L20, be created outside and independent of the UN to serve as its catalyst and conscience for achieving results.

The fourth question is; what would be on the agenda for the first L20 meeting?

The answer is that while it will inevitably resemble the agenda of a G8 meeting, L20 meetings must under all circumstances not duplicate the G8 meetings nor should they follow upon their heels.

The quickest way to strangle the L20 would be for it to appear to be simply a way of obtaining the ratification of approaches already adopted by the G8.

Potential subjects will obviously depend on the circumstances of the day, on the priorities of the time. For instance, the G20 finance ministers' meeting which occurred two and a half months after September the 11th, confirmed not surprisingly the drive to shut down terrorist financing.

Indeed what happened was that the G20 dealt with all the thorny issues that could divide countries and arrived at a consensus on how to deal with them. These it then delivered all neatly

tied up with a bow to the G7 finance ministers at a meeting held the next day. Given the nature of the issues, it is doubtful the G7 could have done the converse.

Incidentally the G20 meeting which took place in Ottawa was the first global meeting of its kind after the tragedy. That in itself is an incisive comment on the difficulty the world's governments have in dealing with the world's issues. How telling is it that a face-to-face meeting of the pertinent powers was acknowledged to be of great symbolic importance given the circumstances, and yet it was not possible for two and a half months.

Clearly an L20 meeting held tomorrow would choose to focus on one or two issues such as energy, health, environment, or trade.

In terms of energy the importance of the L20 may be seen in the simple fact that the majority of the world's producers and consumers would be around the same table – a substantial improvement on the kinds of silo based sterile discussions we've seen all too often in the past, where producers and consumers sat in opposite rooms.

In terms of health, the issue is that of infectious diseases, from HIV AIDS to Avian Flu. Given the deep cultural differences and financial capacities of individual countries that currently prevent timely action, co-operation at the leaders' level may well be necessary to deal with the menace of a global pandemic or to find the balance between intellectual property rights that underwrite much of our medical research on the one hand, and the overwhelming need to alleviate the suffering of those who cannot afford the fruits of that research on the other.

Indeed, the precedent has already been set. Most of the G20 health officials did meet in Ottawa to discuss approaches to the threat of Avian Flu early on and from that meeting came the impetus which led to the APEC plan under Canada's aegis, the Pan American Health Organization's plan endorsed at last fall's Summit of the Americas, and gave an important impetus to the WHO's global strategy.

In terms of the environment – the issue is climate change and the problem is threefold: those countries which have fallen behind on their targets including my own; those countries that have not accepted the threat as a threat, and the major emerging economies who feel the problem is for others to solve. Quite simply, we've had enough escapism. The time has come for the kind of hard talk that corresponds to the magnitude of the problem we're handing to our children. It doesn't hurt for leaders to call it like it is when their peers are around the table, and the cameras are not.

Trade – here the issue remains agriculture. Let's be clear -- this is not just a trade issue. It is a profoundly political issue, engendering deep political pressures within individual countries that may well, only be able to be dealt with by leaders who are the ones able to take the risks that are necessary to make political trade-offs within their own borders.

The fifth question – What should the 'modus operandi' of the L20 be?

My own view is that we should learn from the strengths and weaknesses of the G8. For instance, there should be no communiqués. They simply suck all the air out of a meeting before it even starts. If the leaders want to speak out, let them do so and let the host provide an overview or read-out.

Nor should there be a focus on announceables. The purpose of the L20 is not to engender a talkfest. The focus should be on rounding off globalization's hard edges through informal discussion. This I believe will lead to more deliverables in the long run than would the process of short-term bargaining between sherpas, no matter how necessary the latter may be.

Except perhaps in the initial push to get the L20 up and running, there should be no secretariat, which would simply get in the way of strong direction from national capitals. The goal is political accountability, not bureaucratic process.

There should be no set piece speeches. The idea is that leader's interventions should go with the ebb and flow of the meetings. Only in this way can leaders transcend bureaucratic deadlock.

Only leaders can take the leap of faith -- the kinds of risks, the breaking of precedent that can lead to real progress. Officials can bridge gaps, but only leaders can jump gaps.

Furthermore, only leaders can exercise the kinds of peer pressure on one another that will lead to yes!

The responsibility for good international governance falls ultimately upon the shoulders of the political leaders of the world's sovereign governments. But the problem is that many of today's international meetings are not designed to facilitate the kinds of informal political debates that must occur between political leaders; they are designed to accommodate pre-cooked set piece speeches. For this reason, as we all know, the most fruitful exchanges between leaders often take place in the corridors of the major meetings, far removed from the actual agenda.

Thus, what the L20 must do, and what the G8 and G20 when at their best have succeeded in doing, is to allow ministers and leaders to break free of the briefing book syndrome, allowing them to think outside of the box. Bureaucrats and diplomats do tremendous work advancing an issue, but the problem is they can only take it so far and no further. Political leaders have got to stop hiding behind their bureaucratic edifices, and they have to be prepared to make the leap that is so often required if you're going to break an intellectual and emotionally historical impasse. Photo ops are no substitute for political will. We have got to find ways for political leaders to work with each other internationally as they work with different political constituencies at home.

In short, the goal of the L20 must be similar to that which has been established with the G20 Finance Ministers and with the G8 at their private dinners. An environment that promotes the exchange of views rather than pre-cooked briefs and speeches. In terms of most of the important questions today, answers will only be found if national capitals engage one another directly. Thus, the L20 should be results-oriented, focusing only on those issues where core political leadership is needed to move the world forward.

It is for this reason as well that membership must be limited. Going much beyond 20 at the table clearly diminishes the ability for informal discussion, for legitimate give and take.

This doesn't mean however, that the L20 would not be representative.

For instance, the Finance Ministers G20 represents approximately 90% of the world's economic output, 75% of all trade, 67% of the world's population and a majority of the world's poor. And every region of the world is at the table.

As an aside – When you see those numbers, it's hard to understand the objections to the L20. It's like objecting to the future.

In conclusion, let me simply say that I believe it will be a mistake to delay any further. The problems of globalization are too immediate, its benefits too great for us to wait.

The rest of the world wants in. They are going get their wish. The question is, are they going to get it in a way that is constructive or will it come about in a way that leaves lasting resentment?

I believe the L20 is part of the positive answer to that question, and I also believe that the push that appears to be coming, from a number of the world's major think tanks, if coordinated, could make the difference. Let me therefore congratulate you once again on having this meeting.

Thank you.

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