PARLIAMENTARY CONFERENCE ON THE GLOBAL ECONOMIC CRISIS

Organized by the Inter-Parliamentary Union
Geneva, 7 and 8 May 2009

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Transcript of the speech delivered on 7 May 2009[*]

Mr. Chairman, thank you. Let me say that it's a great pleasure to be here and I really welcome this meeting and the opportunity for people such as myself as well as old colleagues from the UN agencies to be able to interact with you directly - the world's parliamentarians - about this global economic crisis. I think that in itself is one small silver lining of this terrible situation we are passing through. If it is girded, that will result in a strengthening of the ties between parliamentarians and international organizations regarding these kinds of issues.

Let me just say that as this recession took a grip on the world in the latter part of 2008, my Prime Minister, Gordon Brown, started to describe it is the first crisis of globalization because it started to show the weakness of our national institutions. It was difficult for governments and arguably parliaments as well - to get their arms around a phenomenon that was not national in nature but global. It was difficult because it was a crisis of a global market, of a global financial market where there were no national regulatory solutions available to us. It is also a crisis of contagion, where a crisis in one sector, for example the sub-prime mortgages in the United States, could spread and ripple across not just the global housing market, but global banking and the global real economy. That forced us as governments to try and establish a global way of talking about, debating and finding global policy solutions to this global phenomenon. And in that sense, I think both the crisis and its response will be remembered as a turning point in global economic events because of both the global crisis itself and the way it has forced us to make a response.

I would again like to make the point that your own meeting is a further expression of that: parliamentarians gathering globally to debate the recession and discuss appropriate steps forward. Before getting to the specific issues of the crisis, I think at the rawest political level, from the point of view of the politicians - people such as you - two fundamental issues have been thrown up which are challenges to all of us in our national political contexts, but which are an expression of the global nature of what is happening.

The first is this massive crisis of trust, which has rippled across or financial as well as political lives over the past nine months whereby bankers don't trust each other, investors don't trust the institutions in which they are investing, traders don't trust those they are selling to pay for the goods they are receiving, and where this fundamental breakdown of trust in the transactions that underpin the economy has brought a huge proportion of international trade to a halt. There is a dramatic double-digit fall in world trade this year and for some regions, such as Asia, that drop stands at between 30 and 40 per cent, reflecting not just reduced

[*] Edited by the IPU for purposes of consistency and clarity

demand but beyond that, the inability of people selling goods to find banks that issue them letters of credit so that those goods can be securely shipped and the transaction honoured.

This crisis has gone through every aspect of our economy, where banks have been pulling money back out of countries where their main branches are not located partly because they get bank rescue packages at home, but also because the head office has gotten deeply worried and uncertain about conditions in countries far from its own. Similarly, across the real economy, people's individual assurance that they can meet their mortgage payments, that they can put food on the table for their family, that their job is secure, has gone through a fundamental crisis of trust. People have watched this huge deleveraging taking place in the world, this massive destruction of wealth, which has cast tremendous insecurity into people's lives, most intimately right at home. Can they support their family in the coming months? These are insecurities that are triggered by global conditions, which are beyond their own reach and beyond the reach of their governments to respond to, let alone redress. And beyond that crisis of trust which is infecting our economic - and I might add our political - lives, because it is reflected in incumbent government after incumbent government in the world - whatever its political complexion, however successful or unsuccessful it's been in dealing with this crisis - taking a terrible drubbing in the opinion polls and subsequently already at the ballot box.

The second question which comes out of this is this pervasive sense that we certainly see in the UK, but I know from polling and reading press coverage from around the world, is in a sense lurking behind the uncertainty in politics everywhere, is that if problems are global and we've only got national solutions - which are a thin reed to hold up to this global storm - it doesn't offer us much protection. The question on everybody's mind is: Is there anybody in charge out there? Is there anybody who is forging solutions which are sufficient to deal with this global storm which is raging through our different economies and our own personal lives, in families and in communities?

Obviously, the G20 was intended to be part of the answer to the existential crisis that we now face in our political and our economic lives. And above all else, it required 20 leaders, whose economies collectively represent 85 per cent of the world's GDP, to agree on a plan of action which was sufficiently strong and plausible and had enough gritty detail to it. It wasn't just 20 leaders stepping up to the cameras with frozen smiles on their faces and promising action for the future. Rather it had to be 20 leaders with a real plan to do things in the weeks and months after that meeting in London. We felt we could start to turn this crisis of confidence, we could start to restore confidence at all the levels - from the international and the national down to the community and the family - and say yes, there is somebody in charge and we can start to trust our own immediate personal economic futures and that of our countries and the global economy above that.

And I think that first test of trust, of confidence, the beginnings of the recovery of confidence, were actually moved forward by this summit. I rather dangerously told the international press in the weeks in the run-up to the summit that it would have to judge the success of the G20 meeting by the reaction of the stock markets and then spent an extremely restless couple of days around the summit itself wondering exactly how the stock markets would react because they are highly volatile things.

But the general verdict of the markets at the time of the G20 summit and since is that perhaps, in some aspects, we have bottomed out the crisis and are beginning in some areas to pull pack. You see the strongest signs of recovery if you look at the press and the economic statistics for

China, the United States and other parts of Asia. The recovery of confidence and indeed the early flickers of any signs of real growth are frankly coming more slowly in Europe and some other regions. And it would be interesting to hear from you all because you do represent such a global constituency here. In some of the more flexible economies there is some pick-up and the beginnings of early signs of movement. But that can only be sustained and only turn the world economy back towards growth perhaps at some point in 2010 if - and that's a big if - the kinds of decisions that were taken at the G20 are really implemented.

Now how is that to happen? The first thing is that the G20 must not follow the mistakes of other G groupings before it and somehow assume that it has some independent sovereignty or legitimacy as a grouping able to take decisions for the world economy. After all, it is made up of 20 countries while the United Nations has 120 Member States. We had to make sure that this was a more inclusive group than just the world's biggest economies and hence our effort to include representatives of Africa. The Prime Minister of Ethiopia was present in his role as the Chair of the New Partnership for Africa's Development (NEPAD), the AU's economic wing. Through other formulas other African leaders were also invited to the summit: the head of the African Development Bank, the head of the Economic Commission for Africa (UNECA), the South Africans were there in their own right and the Egyptian Finance Minister attended as part of the IMF delegation in his role as the Chair of the IMF Governors Committee (IMFC).

Similarly, we sought to reach out to Asia, by asking the Chair of the Association of South-East Asian Nations (ASEAN), Prime Minister Abhisit Vejjajiva of Thailand to attend, along with Surin Pitsuwan, the ASEAN Secretary-General. There was also a strong representation from the international organizations: the UN Secretary-General, the Director-General of the WTO, and the leaders of the IMF and the World Bank. Much to my regret, the Director-General of the ILO was not there despite my lobbying efforts and I think it's one of those issues the G20 will want to look at because jobs were such a big part of the agenda. Behind the summit lay a theory of trying to have as inclusive a meeting as possible so that the results would win as broad a support as possible across the global economy.

Now let me just very quickly tick off the issues which were addressed at the G20 meeting. The first was to make sure that on the issue of recovery, growth and jobs there were was a resource package for middle-income and countries which did not have the luxury of being able to engage their own fiscal stimulus or counter-cyclical public investment, hence the big IMF and World Bank financing package of US $750 billion, in addition to SDRs and various financing mechanisms. It also agreed a big increase in World Bank lending and that of the regional development banks such that they would be lending at three times their regular level. IMF gold sales and other measures are intended to ensure the assignment of SDRs and that poor countries will be benefiting from this package, not just rich and middle-income ones. The idea is to foster real fiscal stimulus and counter-cyclical investment, which would reach those parts of the global economy that had been left out of the narrower stimulus of national governments in the run-up to the summit itself.

Second, the G20 called for recognition that the current system of financial regulation of markets, oversight and supervision of banks and other financial institutions and their capital requirements, has many shortfalls. There is a need to make sure that wherever banks or financial institutions are located - whatever their jurisdiction - they are properly supervised and that there are global standards driving that supervision. In this connection, a phrase was bandied around during the summit: tax havens. All of that was a second big block of the summit results.

The third was to make sure that we were doing something for trade which, at the time of the summit, seemed to be the biggest vulnerability, the biggest issue which had to be addressed most quickly if we were to reverse the downturn in economic growth. As I mentioned earlier we have been through a period where trade is contracting much faster than global GDP. And beyond that, signal a commitment to the resumption of the Doha Trade Round and a commitment by the individual G20 members to hold off any protectionist steps of their own. The G20 hoped that it could reverse this decline in world trade and it supported that hope by this financial package amounting to US$ 250 billion, which is intended to provide insurance to get export, import and other banking facilities for getting letters of credit and other areas of trade finance moving again in the next couple of years. And always in all these measures, we kept marking off measures for the poorest countries to make sure that they were not excluded.

Now the summit is behind us. I think it met its immediate purpose, which was to signal to the world there were serious leaders who had a plan, who had overcome their differences, who had committed to the short- and medium-term steps which would make a difference. And they did this on top of the very significant fiscal national stimulus plans that they already had in place in their own countries. But we cannot lose momentum and we needed to go through the spring meetings of the World Bank and the IMF with decisions to take these declarations to the G20 and translate them into action at the Board of the IMF and the World Bank, next week at the African Development Bank's annual meeting, an in June at the high-level UN meeting in New York.

Each of these meetings will not be just about action based on what was already agreed, but the intricate process of taking the conversation forward, adding additional steps, and continuing the political leadership of the world to go on redressing the different aspects of the crisis as these aspects come into view and need action to reverse them. And, for that reason, it was agreed at the last G20 meeting that there would be another heads of government meeting and it is now likely - although not publicly confirmed and the actual details have not been confirmed - that it will be held in the United States in September, around the time of the opening of the General Assembly. It will focus on stock-taking of the progress since the London summit and on what are the further steps to take.

Let me just close by suggesting my own proposals for the issues that will need to be looked at. At the global macroeconomic strategic level, it was clear that there were a couple of issues that were too long-term for this emergency summit but which continue to worry heads of government and will continue to provoke proposals and debate about the way forward. One is the issue of imbalances in the world economy and the need to move from a situation where a country like the US had a negative savings rate and some Asian countries had a 50 per-cent savings rate. Clearly, Chinese leaders have very publicly acknowledged that there needs to be a shift in the economic business model to higher domestic consumption and spending in China and less dependence on exports to markets like the US. And similarly, the US has to drive up its savings rate because of the second issue, which is the dollar being the only global reserve currency and the fact that we all have a huge stake in that being a solid currency. There is going to be a lot of debate about that question, which was raised by the Chinese Central Bank Governor and the Russian leadership in the run-up to the London meeting. The debate will centre on whether a global economy should have more than one reserve currency. Can it be run it on a single rail or does it need a second or third rail for global monetary stability?

The second big set of issues remains those of development and the Millennium Development Goals and of jobs, particularly in poorer countries. There is a theory that the richer countries may start to come back rather slowly in 2010 perhaps and in 2011 and onwards more strongly.

So there is no doubt that the original purpose of those Millennium Development Goals - the need to build the effective social safety nets, the human development investments in health and education as well as in jobs and growth - will have to be monitored to make sure that we are not left with a two-class global economy. The case for that has become more urgent and more important than ever.

As we struggle with the financial crisis, there are many countries represented in this room which have had that laid on top of the remains of the food, price and energy crisis of a year earlier. While energy prices are down for western consumers and food prices have stabilized, that is not the case in developing counties, where different markets and circumstances have led to price rigidities, which means that food is still in short supply, food prices are still high, energy prices are still high and for many of you, your voters and consumers, food and energy are still the biggest components of their household budget.

So when you layer in on top of that a dramatic contraction of remittances, government revenues, and commodity prices on which so many of your economies are dependent for exports, there is no doubt that this is a multi-faceted crisis which was not of your making, but for which we must carry forward not just the G20 process, but global governance of our shared global economy. We have to build a sense of global solidarity that allows us to address those issues, not just the issues of bankers and banking stability.

Thank you.