

From Seoul to Cannes

The global economy has continued to face many challenges since the G20 members gathered together in Seoul a year ago, and they must act in concert to steer the world towards sustainable and shared growth

By Lee Myung-bak,
president, Korea



In a time of economic turbulence and a world of weakened confidence, it is the G20 that must provide leadership. By taking the helm, the G20 must guide the global economy back towards strong and sustainable growth.

Downside risks and structural problems worldwide call for global coordination. Lingering fiscal and financial weakness impedes the economic recovery of advanced countries, while volatile commodity prices and capital flows are attenuating resilient growth in emerging and developing economies. Individual countries must continue to try to solve these problems, but national policies would be more effective if they were pursued in coordination with others. That is why the G20's collective leadership can salvage the global economy. We helped the world overcome a financial crisis in 2008, and today we can help to avert another one.

The G20, in which advanced and developing countries from five continents work together, was created with urgency at a time when existing approaches to global crises were ineffective. It emphasized the need for new global governance that would guide coordination, agreement and action. It proved greatly influential.

The Cannes Summit in November will follow the course of the 2010 Seoul Summit and previous summits. It will

provide an arena for the G20 to respond to problems, strengthen cooperation in a long-term process and solidify its role as a global steering committee.

Arriving at a critical economic juncture, the Cannes Summit must reaffirm our strong commitment to policy actions that will restore confidence and ensure strong, sustainable and balanced global growth.

The Seoul Action Plan adopted at the Seoul Summit brought together policy commitments made by each G20 member. We agreed on the basic principles of exchange-rate policies and capital-flow management to ensure macroeconomic coordination. We also agreed on conducting external imbalance assessments using indicative guidelines to take specific action to reduce those imbalances. In Cannes, we must implement the steps of the agenda of the Framework for Strong, Sustainable and Balanced Growth agreed upon in Seoul.

In fact, it is vital that we push forward with decisive and cooperative policy actions, in differentiated country-specific circumstances, to achieve our shared goal. Advanced countries with large fiscal deficits must make clear commitments to fiscal consolidation without derailing any nascent recovery. Credible fiscal plans should be aligned with actions aimed at rebalancing global demand. Our commitment to strengthening financial systems must translate into actions.

In previous contributions to this publication, I emphasised that the world must take a path towards all-embracing growth that will reduce global disparities. The time to take that path is now. Balanced and

““ The Cannes Summit must reaffirm our strong commitment to restore confidence and ensure strong, sustainable and balanced global growth ””

sustainable growth must include efforts to close the gap between advanced and developing countries. Despite their weak economic power, low-income countries have great potential to contribute to global growth and prosperity by improving their production capacity. This year, we have diligently followed through on all nine pillars of the multi-year action plan of the Seoul Development

Consensus to bring out such potential. These efforts and the development agenda as a whole have received strong support from non-G20 countries as well. A continued commitment to development will reinforce the legitimacy and credibility of the G20 process.

France has displayed strong leadership this year, fully preparing for a successful Cannes Summit. I believe that we will produce concrete outcomes with regard to this year's priority agendas, which include improving the international monetary system, enhancing food security, reducing the volatility of commodity prices and supporting employment.

Specifically, the G20 must be committed to collective action and restore stability and confidence in the commodity markets. The hike in commodity prices has led to an increase in inflation in many commodity-importing countries, further impeding economic recovery. Downside risks have grown significantly. I look forward to seeing progress in discussions about improving the transparency of food and energy markets and regulations in the commodity derivatives market, which would lessen commodity price volatility. The G20 should also lead the

Korean president Lee Myung-bak is joined by US president Barack Obama (left) and Canadian prime minister Stephen Harper (right) during an event at the 2010 G20 summit in Seoul

global pursuit of policies to increase energy efficiency and develop clean energy technologies.

In the past four years, the G20 summits have established a unique path to consensus – a gradual, pragmatic and results-oriented approach to problem-solving in the international community. Each summit is built upon the previous one, and each G20 agenda evolves by absorbing new issues into a web of ongoing ones.

In a global economy interrelated through trade and financial markets, we must remember that the pursuit of cooperative benefits will lead to individual country benefits. We must also remember that a global economy rife with risks will tempt a country to pursue its own interests only. But at this time of great interdependence among countries, a country cannot thrive alone. Short-sighted protectionist policies would hurt us all by reducing the volume of world trade.

Through the G20 process, I believe that the world can cultivate a more intimate type of international cooperation and seize opportunities to build a thriving and more united society. And through the Cannes Summit, I believe we can show the world what collaborative prosperity looks like. ♦





cutting through complexity

ACCOUNTING REGULATION

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More than 120 nations are now requiring or permitting IFRS reporting for domestic listed companies and dozens more are on the path to either full acceptance or – at the very least – dual compliance. Currently, we face a new challenge: to elevate IFRS out of a patchwork of national systems into a cohesive and consistent global approach, a process that is continuing to evolve.

KPMG understands the challenges ahead. Our global network of member firms works on both a national and multinational level to help companies, governments and regulators cut through the complexity of IFRS.

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Moving towards global alignment – why the focus must soon shift towards creating a consistent application of IFRS between member nations.

The challenge today is no longer one of establishing the IASB, nor building awareness of IFRS within national governments, rather it is to make a final push towards global adoption.

The final push for acceptance and adoption

“The ongoing focus of G20 ministers on creating a globally accepted, high-quality set of accounting standards has been integral in the adoption of IFRS. And while the G20’s emphasis in the past has been on driving forward a convergence approach with national standard setters, the time has come for the organization to evolve the objectives of the IASB to focus on developing a global set of standards undertaken with appropriate processes in place to achieve truly global acceptance, including encouragement for remaining non-IFRS jurisdictions to join. The direction taken in the ongoing strategic reviews, by both the Monitoring Board and IFRS Foundation’s trustees, are encouraging in this respect.”

Gary Reader, Head of KPMG’s Global IFRS Initiative

“It is encouraging that three largest economies of US, Japan and China are all exploring avenues by which they can achieve a financial reporting framework that is IFRS compliant. For example, the recent US SEC staff paper on IFRS signals a very positive step in outlining an approach towards allowing US companies to assert dual compliance with IFRS and US GAAP. We look forward to the SEC declaring their intentions for IFRS convergence.”

Paul Munter, National IFRS professional practice leader, KPMG in the US

The challenge ahead

“Clearly, the IASB has achieved great success in creating global awareness and agreement on the principles of IFRS.

But as more markets around the world adopt IFRS, there will be an increasing need for an aligned mechanism that ensures that IFRS is applied in a consistent fashion around the world. This will require increased co-operation between national regulators and among global regulators. It also requires the IASB to further establish themselves as the global authority and to work closely with the national and regional standards setting bodies, who should become the eyes and ears for the IASB at ground level to identify issues.”

Mark Vaessen, KPMG’s Global IFRS Network Leader

“Notwithstanding some major challenges that remain on the path to unified global adoption, the world is now coming very close to achieving a global plan on standards. The challenge facing the G20 today is how to apply their leadership to the undertakings of the IASB to help them make a final push towards converged solutions on some of their major projects, including financial instruments, and, with it, global adoption.”

Manfred Hannich, Head of KPMG’s Accounting Advisory Services



Gary Reader



Paul Munter



Mark Vaessen



Manfred Hannich

The IASB is now consulting on its future agenda and we encourage all stakeholders to participate in this process, to ensure that the IASB has the right focus in its work program for the next five years. As a global network, we at KPMG look forward to actively engaging in this agenda consultation.

The G20: maintaining the spirit of cooperation

The G20 was successful at setting a framework for reviving the global economy during the 2008 crisis and must show the same commitment and togetherness in creating its strategy for dealing with an equally challenging situation today

By Felipe Calderón,
president, Mexico



It has been more than three years since the world was on the brink of economic and financial collapse. The 2008 global crisis prompted leaders of the G20 to commit to make every effort to avoid a global economic meltdown. Since then, the G20 has emerged as a more inclusive forum that brings together developed and emerging economies, and has become a group in which economic decision-makers can foster international coordination in a complex and interdependent global economy.

Stimulating the recovery

The unprecedented economic stimulus plan that was instrumented by the G20 to address the 2008 crisis included trillions of dollars that restored confidence and liquidity to global financial markets, prevented the collapse of global demand, saved millions of jobs and set the basis for global recovery. The G20 created a framework for promoting strong, sustainable and balanced growth. It also created the Mutual Assessment Process to monitor and coordinate domestic economic policies in order to prevent and gradually correct global imbalances, accelerate the recovery in jobs and, in general, produce a macroeconomic setting aimed at stimulating global recovery.

The G20 also played a central role in reforming the World Bank and the International Monetary Fund to better

reflect the changes in the world economy. It endowed them with enough resources to help countries facing economic turmoil and enhance their management structures.

Despite the initial success of the G20 in setting the framework for recovery, recent events have shown that the global economic outlook remains challenging. Public deficits are too high in many developed countries, while job creation rates show no improvement. Stock markets have experienced sharp volatility since early August, due to concerns about the effect of fiscal problems in developed countries on the international financial system, particularly in Europe. Expectations have turned gloomy due to the difficulties that some leaders are having in designing credible and effective solutions to this challenge.

Global economy at a crossroads

Once again the world economy seems to be at a critical juncture. There are a number of issues that G20 members must address to avoid a new recession that could have long-lasting consequences.

First, we need to stick together in the spirit of unity and solidarity that characterised the creation of the G20. We have to focus on our common resolve to face the current situation and embrace once again our original vision of global cooperation.

Second, we need to act urgently and boldly, through a targeted mix of fiscal, monetary and exchange-rate policies to restore confidence in financial markets, keep liquidity flowing and promote growth.

All G20 economies must commit to fiscal sustainability. Some countries need to start this process urgently, while others can afford to implement medium- or long-term plans, but we must all walk this path sooner rather than later.

Another crucial point is that we must all keep our economies open to trade. During the 2008-09 crisis, countries that kept a true commitment to free trade, such as Mexico, resumed growth more rapidly than those that insisted on protectionism. This time, the risk of a deeper global recession makes defending free trade even more important.

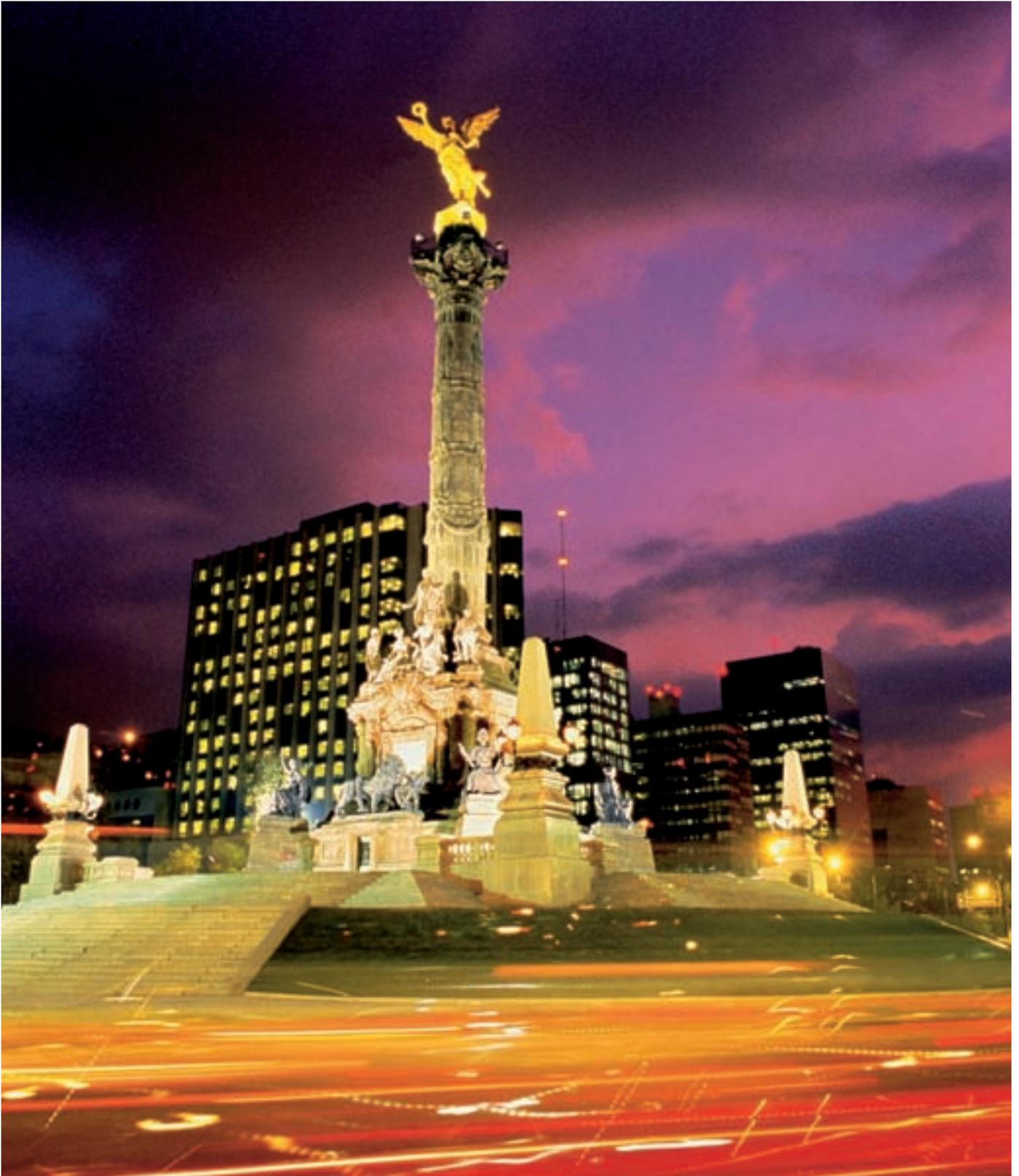
Third, we need to explain our views and strategies, and we need to listen to what civil society has to say. Our universities, our business communities, our young people, our non-governmental organisations, all of them have interesting things to say about what we have done so far and what we could do. The same goes for countries outside the G20, to whose proposals and viewpoints we must pay attention.

For all these reasons we should prepare the ground for a successful G20 summit in France in November.



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We will have to send a message of unity, we will have to act and we will have to listen. France has proposed a number of important initiatives and, on that basis, we are working together to reach broad agreement. We will deliver in Cannes. I am certain the G20 will be up to this new challenge.

The G20 has proved its worth. Current global problems demand creative and innovative solutions. Global governance today entails further interdependence and collaboration on an equal footing between developing and developed countries.

El Ángel de la
Independencia
– the Angel of
Independence –
in Mexico City

In 2012, as president of the G20, Mexico will welcome member economies for the seventh summit. Finding ways to strong, sustainable and balanced growth will continue to be the top priority. The challenges of improving international economic cooperation are very significant, and Mexico will do its best to promote a strong and successful G20 meeting. A flourishing G20 means robust growth for the world economy. It means more jobs, opportunities and well-being. This is what we need. And this is what Mexico will work for, with all its determination. ♦

Economic challenges call for concerted action

The G20 has emerged as an organisation that can deliver effective global governance, and Turkey believes that its members should build on the progress made by delivering decisive action in response to today's economic problems

By Recep Tayyip Erdogan, prime minister, Republic of Turkey



The G20, as a new institution, was established in response to the 1998 financial crisis, which started in the emerging economies in Asia and spread across the globe. At that time, G7 finance ministers and central bank governors felt the necessity to broaden the dialogue to systemically significant economies from various regions around the world. After a lengthy, thorough selection process, the current members – Turkey being among them – were invited to join the G20. The finance ministers and central bank governors met annually.

In 2008, the world experienced a new and unprecedented wave of economic and financial crisis, which shattered the most robust economies, as well as more fragile ones. G20 members were called upon to further strengthen international cooperation to tackle this new global financial meltdown. In November 2008 in Washington, the G20 leaders convened for the first time, to restore global growth and initiate necessary reforms in financial markets. Subsequently, G20 summits have been held in London and Pittsburgh in 2009 and in Toronto and Seoul in 2010.

Thanks to our concerted and decisive actions, further deepening of the global economic crisis was averted. With its balanced membership of both advanced and emerging economies, the G20 has helped the world deal effectively with the crisis. It has delivered significant, concrete outcomes – including the broadening of financial regulation, policy coordination and enhanced macroeconomic cooperation – among its members. Furthermore, global governance has dramatically improved to better reflect the role and the needs of emerging economies.

Landmark reforms of the International Monetary Fund (IMF) and multilateral development banks overhauled the governance structure and expanded the

financial resources of these institutions. Turkey has benefited from these reforms, as have other emerging economies. International financial institutions have made new lending tools available for countries faced with possible liquidity shocks. Steps have been taken to restructure the international financial system and to achieve strong, sustained and balanced growth.

The distinctive characteristics of the G20 platform – its informality, flexibility and balanced membership consisting of advanced and emerging economies, and its consensus-based decision-making – enhance international policy coordination and enable progress on complicated issues. The G20 has thus emerged as the premier platform for global economic cooperation, with the ability to achieve tangible results.

Indeed, the G20 has strengthened the role of emerging economies in global governance. Emerging economies have started taking more responsibility, in line with their growing weight in the global economy and their increasingly prominent role in global politics. They have proven their resilience during the crisis, and have become the major drivers of the recovery.

Turkey, with its active participation, helped reflect the views of the emerging economies. In addition, to inform the non-G20 members and ensure their support, Turkey has contributed to the G20's outreach. As chair of the South-East Europe Cooperation Process last year in Istanbul, we organised a G20 outreach panel aimed at informing regional policymakers about the G20 agenda and sharing their views with the rest of the G20 members.

In May 2011, Turkey hosted the Fourth United Nations Conference on the Least Developed Countries (LDCs) in Istanbul, to adopt new strategies for the sustainable development of LDCs. The Istanbul Programme of Action for the Least Developed Countries for 2011-20 was endorsed. The programme supports the G20's stance on the LDCs and their development. Turkey is committed to play its part in assisting the development process of the LDCs, and has mobilised resources to this end.

In September, Turkey also organized the Conference on Commodity Price Volatility, one of the G20's 2011 priorities. This conference covered issues related to fossil fuels and agricultural price volatility, and the commodity derivatives market. It provided substantial input into the preparations for the Cannes Summit.

Turkey's swift recovery

Since 2009, Turkey has been one of the fastest-recovering economies. In addition to the robust stance of its public finance, strong capital structure and effective risk-management in the banking sector, Turkey mitigated the



adverse effects of the crisis. Timely reforms to its banking system protected Turkish banks, so that no government resources were required to rescue any bank. Nor did its deposit guarantee system need to change. Moreover, timely exit strategies in fiscal and monetary policies have been effective. Fiscal discipline has always been an important element of Turkish economic policies.

Turkey was one of the first countries to announce a medium-term programme with an exit strategy, in

September 2009. For the next several years, Turkey has set solid targets for its budget deficit and ratio of debt to gross domestic product (GDP). At the peak of the current crisis, Turkey's budget deficit ratio increased to 5.5 per cent of GDP. Last year ended with a deficit of 3.7 per cent of GDP. For 2013, the target is 1.1 per cent of GDP. At the end of 2009, Turkey's public debt was 45.5 per cent of GDP, which decreased in 2010 to 41.6 per cent. Turkey is one of the few countries in the region

Zorlu Centre in Istanbul, a mixed-use project under construction. Turkey has seen growth in both the services and industrial sectors

to have decreased its debt-to-GDP ratio in 2010. For 2013, the target is 37 per cent of GDP.

High consumer confidence, high producer confidence and high confidence in the banking sector have been demonstrated in domestic investment performance, international capital flows and increased credit ratings. Economic activity continued its post-crisis recovery performance throughout 2010 as the Turkish economy grew by 8.9 per cent. Total output increased from pre-crisis levels.

The main sources of Turkish growth are robust growth in the services sector and double-digit growth rates in the industrial sector, private investments and consumption. While the labour force participation rate has increased, the strong growth has translated into significantly decreased unemployment. This is the result of high growth and strong labour market policies.

Momentum maintained its pace in the first quarter of 2011, with a positive trend in confidence indicators, industrial production and strong domestic demand. Hence, international organisations, including the European Commission, expect Turkey to be one of the fastest-growing economies this year. However, buoyant domestic demand, rising energy imports and relatively weak external demand have adversely affected the country's current account balance and led to a current account deficit of 6.6 per cent of GDP in 2010. On the other hand, this deficit is well financed and official reserves are

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continuously increasing. Turkey has implemented the necessary monetary and macro-prudential policies.

Structural reforms implemented in the past decade are a primary reason for Turkey's favourable economic performance and its recovery. Our country is determined to step up the reform process so that it can sustain strong growth and achieve a more resilient economic structure. One priority is labour market reform. Active employment policies will increase employment and enhance the quality of labour, to increase efficiency gains and sustain growth. Another priority is energy investments, in order to ensure a reliable supply of energy for the growth process and to lower dependency on fossil fuels, which Turkey mostly imports. Structural reforms in health and education are accelerating. Judicial reforms, as well as reforms to harmonise with European Union legislation, are also in progress. Enhancing the investment environment for the private sector will continue to be a priority.

However, despite significant achievements, serious risks prevail in the global economy: sovereign risks of advanced economies, unbalanced growth prospects between advanced and emerging countries, growing concerns on unemployment, and soaring commodity prices.

The spreading sovereign debt crisis threatens the economic stability of the eurozone. Furthermore, the problem with the advanced economies is not solely fiscal.

Poor growth prospects and declining competitiveness lie at the core of the crisis. Without creative solutions for boosting the productivity and potential growth for these economies, I fear that the effects of the fiscal measures will be short-lived. The stability and growth prospects of the entire global economy are at stake.

Soaring commodity prices are also making the prospects for global growth worsen, through supply-side strains. There is a clear need to dampen excessive price movements through enhancing the regulation of these markets, thereby increasing the transparency of the price-setting mechanisms, as well as improving the supply of certain commodities. Moreover, worldwide efforts are necessary to increase the use of clean energy by investing in research and development and in innovation.

Urgent action to boost employment

Another critical challenge is fighting structural and long-term unemployment. Stimulus measures have not been enough to reduce structural unemployment. Urgent action is warranted to reduce the mismatch between the skills of the workforce and the demands of the economy.

Therefore, Turkey attaches great importance to furthering efforts to strengthen the cooperative spirit among G20 members. All necessary actions should be taken to overcome these challenges. It is thus critical at Cannes to agree on concrete policy actions for strengthening the global economy and reducing global imbalances.

These challenges also call for the development of a well-structured system to monitor individual country policies, to assess spillover effects and provide coordination to reach more strong, sustainable and balanced global growth. The IMF's spillover reports are a good start. However, a comprehensive review and restructuring of IMF surveillance would further strengthen policy coordination. This also requires enhancing the IMF's effectiveness and legitimacy. The latest quota and governance reforms must be implemented and the voice of emerging markets improved. At Cannes, we G20 leaders should reaffirm our commitment to completing the approval process by the 2012 annual meetings of the IMF and the World Bank.

The financial sector is also high on the Cannes Summit agenda. The focus is now on implementing the agreed reforms. The G20's main role should be to maintain a level playing field across countries. Reducing reliance on credit rating agencies is of utmost importance, so that they do not stimulate aggressive market reactions.

The scope of the G20 agenda with regard to development is large. The G20 must thus be selective, based on the general principles of the Seoul Development Consensus for Shared Growth, and focus on achievable targets.

The G20 has been effective in forging consensus and facilitating cooperation among its members. It should keep its flexibility, balanced membership and conciliatory role in key economic and financial issues.

To enable more effective oversight of these critical objectives, G20 members can discuss further institutional steps, such as establishing a permanent secretariat. In doing so, we should not overlook the trade-off between flexibility and formality. The pros and cons should be elaborated and a balanced approach should be adopted. Yet, if a consensus is achieved, Turkey would be pleased to host this office in Istanbul, which would be the ideal location for such a global institution. My government is also ready and willing to host a G20 summit, in either 2013 or 2014.

Turkey believes that, building on the important progress achieved, the G20 should continue to put in effect the right policies and measures. We believe that today's key economic challenges require a concerted, decisive action, which the G20 can deliver. Therefore, the spirit of cooperation among the G20 members should prevail to face future challenges. ♦



Join the Global Conversation

G20 Research Group

In the rapidly globalizing world of the 21st century, the Group of Twenty systemically significant countries, created at the level of finance ministers and central bank governors in 1999 and elevated to the leaders' level in 2008, seeks to be the premier permanent centre of international economic cooperation. Its members, consisting of the Group of Eight, emerging countries and the European Union, work to provide financial stability, sustainable growth and openness that benefit all.

The G20 Research Group is a global network of scholars, students and professionals in the academic, research, business, non-governmental and other communities who follow the work of the G20 leaders, finance ministers and central bank governors. It is directed from the Munk School of Global Affairs at Trinity College in the University of Toronto, also the home of the G8 Research Group.

Our mission is to serve as the world's leading independent source of information and analysis on the G20. As **scholars**, we accurately describe, parsimoniously explain and reflectively interpret what the G20 and its members do, and, on this basis, responsibly predict what they will do. As **teachers and public educators**, we present to the global community and G20 governments the results of our research as well as others' research, ways to learn about the G20 and information about the G20. As **citizens**, we foster transparency and accountability in G20 governance, and the connection between civil society and G20 governors. And as **professionals**, we offer policy advice about G20 governance, but do not engage in advocacy for or about the G20 or the issues it might address.

The G20 Information Centre

www.g20.utoronto.ca

The G20 Information Centre is a multilingual, comprehensive permanent collection of information and analysis on the G20 available online at no charge. It complements the G8 Information Centre, which houses publicly available archives on the G20 as well as the G7 and G8.

Research and Publications

Among the material available on the G20 Information Centre is a document detailing the **Plans and Prospects** for the G20's agenda, updated frequently. Also available are compliance reports and performance assessments, as well as online publications such as *Growth, Innovation, Inclusion: The G20 at Ten*, *The G20 London Summit: Growth, Stability, Jobs*, *The G20 Pittsburgh Summit 2009* and *The 2010 Seoul Summit: Shared Growth Beyond Crisis*, edited by John Kirton and Madeline Koch.

Key Publications

- *Global Financial Crisis: Global Impact and Solutions*, Paolo Savona, John Kirton and Chiara Oldani (Ashgate Publishing)
- *Rising States, Rising Institutions*, Alan S. Alexandroff and Andrew F. Cooper, eds. (Brookings Institution)
- *Elements of the Euro Area*, Jesper Berg, Mauro Grande and Francesco Paolo Mongelli (Ashgate Publishing)
- *Global Financial Crime*, Donato Masciandaro (Ashgate Publishing)
- *The G8 System and the G20*, Peter I. Hajnal (Ashgate Publishing)
- *Sovereign Wealth Funds and International Political Economy*, Manda Shemirani (Ashgate Publishing)
- *Governing Global Derivatives*, Chiara Oldani (Ashgate Publishing)
- *Reforming from the Top*, John English, Ramesh Thakur and Andrew F. Cooper, eds. (Wilfrid Laurier University Press)

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Human Rights

Respecting and promoting them.

As a global company, Vale understands that it is not enough to respect Human Rights, but that it should also contribute to promoting them, in order to improve the living conditions of people in the regions where it operates.

In 2009, Vale's Human Rights Policy established the guidelines and principles for the company's projects and operations and throughout its supply chain. To turn this policy into effective action involving the company's and employees' everyday routines, Vale published its Human Rights Guide on December 10, 2010 - the same day on which the UN adopted the Universal Declaration of Human Rights.

Addressing topics such as diversity, harassment, community relations, government, and society, the Guide ensures integrated management that respects and promotes human rights.

In 2010, more than 2,600 corporate security guard contractors and over 170 company employees completed training on Security and Human Rights. As a result of the training cycles carried out and the process to globalize training practices currently under way, the percentage of corporate security personnel (contractors and employees) who have completed this training is 77%. Courses were conducted in 2010 in Canada, the United Kingdom, Colombia, Peru, Chile, Argentina, Mozambique, Paraguay, and Brazil.

Based on our Human Rights Guide, in 2011 we also began a training program in which employees discuss issues related to diversity, human rights violation risks, child labor, and forced or slave labor.



To ensure integrated management, Vale developed an internal assessment and planning tool for social issues. The tool covers the following areas: social impact management; child labor; forced, or analogous to slave, labor; relationships with indigenous, traditional, and/or fishing communities; artisanal and small-scale mining; and resettlement. The tool also enables risk analysis of child and forced, or analogous to slave, labor in the regions where Vale operates. The purpose is to evaluate Vale's activities in relation to human rights and develop action plans to improve continuously its performance in this area.

Human rights is a cross-cutting theme applicable to all of the company's businesses and areas. The topic is coordinated by the Corporate Social Responsibility Department, which acts as a catalyst for related subjects.

Spheres of Influence

In accordance with its Human Rights Policy, Vale maintains the following relationship with each group of stakeholders in its sphere of influence:

- **Employees:** Vale provides dignified working conditions and educational activities that promote professional and personal growth; it always seeks to maintain a healthy work environment; it does not tolerate discrimination or harassment of any kind, including moral or sexual; it respects freedom of association, collective bargaining and diversity for everyone.

- **Supply chain:** Vale promotes awareness of human rights with special attention to the eradication of child and forced labor; it promotes the rights of children and teenagers; it seeks to establish relationships with suppliers, partners, and customers that share the same principles and values as Vale, promoting awareness and human rights practices; it strives continuously to improve risk assessment of human rights violations.

• **Local, indigenous, and quilombola communities:**

Vale bases all of its actions on dialog of mutual respect; it strives to maintain a relationship of continuous engagement by supporting initiatives that contribute to socioeconomic and environmental development in the regions where it operates, from the start until the end of operations.

• **Government:** Vale respects the laws and regulations of the locations in which it operates and cooperates with authorities to promote internationally recognized human rights; it cooperates in the investigation of any incidents involving human rights violations within its supply chain.

• **Society:** A signatory of the United Nations Global Compact, Vale has voluntarily made a commitment to guarantee basic human rights according to the UN Universal Declaration of Human Rights; it is also a member of the International Council on Mining and Metals (ICMM) and is aligned with the International Labor Organization (ILO), whose principles inspire Vale's efforts; the company is also a signatory to the Brazilian Pact to Eradicate Slave Labor, a program supported by the ILO.



Vale's Spheres of Influence

Respecting and promoting human rights



Value chain

A condition concerning sustainability, which was already contained in Vale's Supplier Code of Conduct, the Sustainable Development Policy and Human Rights Policy began to be added to supplier contracts in Brazil in 2010. Contracts already in force are being amended to include this condition. In addition, analysis is under way to incorporate this clause in contracts with international suppliers.

Vale's operations in Brazil, England, Mozambique, and Taiwan conduct risk assessments of child labor and that of young people systematically exposed to dangerous working conditions. Vale also requires that the entire production chain (suppliers and clients) comply with Convention 105 of the International Labor Organization (ILO), concerning the eradication of forced labor.

Campaign against sexual exploitation of children

In July, Salobo, an area in southeast Pará, Brazil, where Vale has a copper project, hosted the launch of a campaign to raise worker awareness of the need to combat sexual exploitation of children and teenagers. Run by NGO Terra dos Homens and supported by the Brazilian presidency's Human Rights Secretariat, the campaign raises employee awareness of children's and teenagers' rights, focusing on combating abuse and sexual exploitation.

Since 2008, the Salobo Project has been conducting preventive actions among members of the local community and employees. The practices developed in this initiative were suggested for inclusion in the Terra dos Homens pilot project involving measures to combat sexual exploitation of children, through a project called "Growing Up and Citizenship for Children and Teenagers".

Approximately 1,000 employees attended the campaign launch event, which highlighted the importance of the company and its employees' commitment to fighting sexual exploitation.



Towards the Cannes Summit: managing the G20 in times of hardship

The G20 proved invaluable in tackling the worst effects of the financial crisis and must continue its crucial role in providing a coordinated, international approach to dealing with the economic problems that persist around the world

By Susilo Bambang Yudhoyono, president, Indonesia

In 2008-09, the G20 played an indispensable role in bringing the global economy out of the abyss of a crisis. The unprecedented macroeconomic policy coordination it provided was attributed as the major ingredient for recovery, something that was missing during the Great Depression of the 1930s.

Last year, when we thought we had successfully turned the page on the global economic crisis, we were too optimistic. Global growth remains sluggish and downside risks are even greater. If they cannot be managed carefully, we may open another gloomy page in our history. This is a gentle reminder that complacency would never serve our purpose.

Avoiding protectionism

The temptation to resort to protectionist measures usually arises during hardship. Again, the G20 managed this quite successfully by mandating related international organisations to monitor trade and trade-related policies of G20 members that might hamper international trade. The commitment by a group that represents more than 80 per cent of world trade has thus proven effective.

The G20 also played a critical role in reforming international financial institutions. The shift of six per cent of the quota shares of the International Monetary Fund (IMF), including the shift of two chairs on its executive board to the dynamic emerging-market and developing countries, is a step in the right direction to represent these countries better in the IMF.

So why, then, is the downside risk of the global economy still high, perhaps even increasing?

Indonesia remembers only too well its bitter experience during the 1997 Asian financial crisis, when it slashed its budget

The world is currently encountering the pressing challenges of the eurozone crisis and the fiscal situation in key advanced countries, volatile capital flows and the risk of overheating in emerging economies, and the problem of sluggish economic growth.

Some measures should be taken to address those challenges. First, in the advanced economies where fiscal debts are mounting, such as in the eurozone, credible medium-term fiscal consolidation is needed more than ever. This is the only way to restore market confidence in those economies. Of course, the impact of such consolidation should be balanced well with the need to sustain growth.

Contagion effects from the financial crisis in Greece should not be treated lightly. The eurozone countries should act hand-in-hand to prevent the situation from deteriorating in Greece and in other countries experiencing a similar situation.

Second, structural reform should be undertaken in advanced economies. This is the hardest and most difficult to do in terms of social and political policies. Indonesia understands only too well, remembering its bitter experience during the 1997 Asian financial crisis. It slashed its budget and maintained only what was most essential for economic recovery. Today, countries facing similar difficulties must also have the courage to take the same course. Subsidies that distort the economy, especially in agriculture, should be cut substantially. Such cuts will not only make the fiscal condition healthier, but will also boost the long-overdue Doha trade talks of the World Trade Organization.

Third, emerging and developing economies should carefully manage their large and volatile capital inflows. Overheating the economy is not only a macroeconomic problem, but also a serious problem for poor people in underdeveloped remote areas. Price hikes in food commodities will hit them hardest since the majority of their expenses are for food.

Fourth, the G20 should enhance its effectiveness in coordinating macroeconomic policies. The Mutual Assessment Process is a powerful vehicle. However, to realise its potential, it should be utilised more for real policy coordination than merely for information sharing.

Besides resolving current financial and economic issues, the G20 should take up the issue of development as part and parcel of its endeavour to attain strong, sustainable and



balanced growth. The G20's legitimacy will be questioned if it is silent on the interests of the majority of the world's countries. The deadline of the Millennium Development Goals is just four years away in 2015, and the G20 should contribute to their achievement.

Indonesia shares the view of G20 French presidency of prioritising the issues of infrastructure and food security in the deliberations of Development Working Group this year. Indonesia is also a strong advocate for strengthening good governance, believing that enhanced good governance will contribute to the improvement of fair competition and prevent misconduct among officials and business players. For this purpose, Indonesia, together with France, has served as co-chair of the G20 Anti-Corruption Working Group.

Building on international ties

The global economic recovery cannot be separated from regional dynamics. Interconnectedness throughout the world should therefore be enhanced. As the most vibrant region, Asia should again become the prime mover for recovery and prosperity. Other regions could and should benefit from a growing Asia through better connectivity.

Indonesia is playing an important role in this regard. As chair of the Association of Southeast Asian Nations (ASEAN) and host of the East Asia Summit in 2011, it is keen to promote better connectivity of the region with the world. Asia – and East Asia in particular, as the most populous region coupled with high economic growth – could be a global economic powerhouse.

In the context of ASEAN, Indonesia has agreed to establish the ASEAN+3 Macroeconomic Research Office,

Indonesia's President Susilo Bambang Yudhoyono, pictured at Merdeka Palace in Jakarta

supporting the Chiang Mai Initiative of Multilateralisation. With regard to food security, it has also agreed to establish the ASEAN+3 Emergency Rice Reserve.

We are now at a critical juncture. To remain ahead of the curve, it is in the interest of all that G20 members continue their united, solid and effective support of the Framework for Strong, Sustainable and Balanced Growth. The Cannes Summit should highlight several key issues.

First, it should address the pressing global economic challenges, such as the eurozone crisis, to prevent contagion. This is a matter of priority and urgency, as the credibility of the G20 will be at stake if it does not act to address this serious problem.

Second, it should reverse the problem of a low-growth global economy by creating new sources of global demand. The Cannes Summit should lay out the G20's commitments to increase global growth.

Third, it should highlight the G20's commitment to trade as an engine of global economic growth. Although the stalemate of Doha Development Agenda looms, G20 leaders should reiterate their commitment that open trade regimes continue to be essential.

Whether the G20 is able to deliver its meaningful contribution to solving today's pressing global economic challenges will depend very much on members' own solidity and effectiveness. The essence is to lead by example. Possessing 85 per cent of the world economy and representing two-thirds of the world's population will not be meaningful without leadership. Therefore, the most effective way for the G20 to influence the future course of global economic governance is by demonstrating its quality leadership. ♦

Bioceánico Aconcagua Corridor: integration for growth



Eduardo Eurnekian,
President of Corporación
América

“Make your life a dream and your dream a reality. Self-discovery comes when a man measures himself against an obstacle”
Antoine de Saint-Exupéry

South America is in need of its own ‘Panama Canal’ to bridge distances, foster regional integration and further its participation in the world economy. Building a fast track is highly required so that the goods produced in Mercosur can efficiently reach Asia, a key player on the changing global economic map.

The Bioceánico Aconcagua Corridor is an initiative developed by Corporación América that will bring the physical and commercial integration of both South American coasts to a new level, narrowing the routes and distances between Mercosur and the Pacific Basin countries.

The original idea was based on the analysis of the global economic outlook, the development prospects for the next 50 years and the need to seek a long-term solution to interoceanic communication that is more direct between

South America and the rest of world. The analysis was carried out bearing in mind that commercial exchange generates 40 per cent of the country’s growth in gross domestic product (GDP), so this project will lead to an increase in the level of economic activity and the standard of living.

History has proven that a reduction in transport time and costs brings about an increase in exports and a strong inflow of investment.

The project is also intended to free the region of a real Achilles’ heel, since part of the trade between Mercosur and Asia currently depends on the Cristo Redentor Pass, a crossing that has reached its capacity limit and remains closed up to 60 days per year due to snowstorms and extreme winds.

Only five million tons a year reach their destination, having to overcome numerous obstacles in the way, which stem from poor infrastructure, severe weather conditions, and geographical incapability to meet a demand that continues, regardless of the oceans or high mountains.

Based on a long-term analysis that sees a progressing Asia, a thriving Mercosur and a promising Africa, a solution has been designed that would reach a transport capacity of 77 million tons over the next 50 years, representing a 15-fold increase in capacity compared with the existing pass.

The corridor comprises a rail system with two 52-kilometre base tunnels that will link Argentina to Chile, and will transport cargo and passengers across the Andes in just four hours, as opposed to the 12 hours that is the current estimated time.

Besides reliability and speed, the Bioceánico Aconcagua Corridor has a strong positive environmental impact, as it will reduce carbon dioxide emissions to the atmosphere – because





The corridor comprises a rail system with two tunnels, that will transport cargo and passengers across the Andes in just four hours as opposed to the current 12 hours

of the use of electrical energy instead of fossil fuels. This will contribute to a decrease in global warming, giving the whole project a negative carbon balance.

“In the past, distances were greater because space is measured in time.” This thought by Jorge Luis Borges reflects the spirit of the project: opening up new roads to bring continents together.

Today's world is fully globalised, the borders have gradually become bonds, the cultures have enriched themselves with the mixing of traditions and the differences relate mainly to time zones – an almost insignificant aspect for a planet in constant motion.

With the technological breakthroughs, oral communication is now immediate and this has resulted in major progress since all players can now communicate directly. International trade has been the first real communication among different cultures and nations, guaranteed by an exchange based on clear and universal rules.

Goods are not just produced in ports or bordering cities. Regional economies bond together and generate their own ways to reach new markets. It is necessary to broaden these links with a view to achieving an articulated production chain that would favour long-term progress and would go beyond any circumstantial ups and downs.

The corridor is an integration tool for all the region and the countries in it. It connects the internal economies and makes them work in coordination with the aim of connecting with Asia and with the Pacific coast of South America.

This initiative also contemplates the increase in demand and the possibility of generating new traffic between Argentina, Chile, Ecuador, Mexico, Peru, the United States, the Caribbean, Australasia and the Far East.

We think today about tomorrow. Calculations resulting from various studies carried out to assess the impact of the corridor forecast benefits in an area of more than three million square kilometres, that will influence a population of 126 million inhabitants. This accounts for 48 per cent of the total in South America, which generates 70 per cent of the continent's economic activity.

These millions of people will be the core subjects of the development that will have to take place in order to facilitate and increase trade flow. The small towns located along the roads and rails in the countries connected by the Bioceánico Aconcagua Corridor will become service providers for the increasing volume of export transport.

The project is presented within the framework of the Maipú Treaty, conceived as a treaty aimed at physical integration and economic cooperation. It declares the Bioceánico Aconcagua Corridor of strategic interest for Argentina and Chile, and sets a will commitment that ensures the development and implementation of the massive infrastructure works.

For the development of this initiative, Corporación América has created an international consortium of leading companies which includes Mitsubishi from Japan, Empresas Navieras from Chile, Contreras Hermanos from Argentina and Geodata from Italy.

All in all, the Bioceánico Aconcagua Corridor is a reliable, efficient and competitive crossing.

This interoceanic link will bring about a true revolution: South America will turn into a key player in the global economy. The time has come for a new crossing of the Andes.



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This is a pivotal time in the economies of the United States and Europe. Politicians are finding solutions for the financial system. However, job creation has been overlooked. The Occupy Wall Street and other simultaneous similar groups around the world have a legitimate point. The world needs infrastructure – most certainly in Africa, but also in most other places. This need presents not only an opportunity to find good feasible projects in Africa, but also to supply the job creation stimulus needed in our own countries. The means are there through Multilateral and Export Credit Agencies. If we do not recognize these opportunities and put in place measures to bring about the productive activities and the resulting job creation, it will be an opportunity lost.

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Promoting growth, creating opportunity

During a recent speech at the United Nations, US president Barack Obama shared his thoughts on some of the topics to be discussed at this year's G20 summit, including economic recovery, rebalancing, development and climate change



To bring prosperity to our people, we must promote the growth that creates opportunity. In this effort, let us not forget that we've made enormous progress over the last several decades. Closed societies gave way to open markets. Innovation and entrepreneurship has transformed the way we live and the things that we do. Emerging economies from Asia to the Americas have lifted hundreds of millions of people from poverty. It's an extraordinary achievement. And yet, three years ago, we were confronted with the worst financial crisis in eight decades. And that crisis proved a fact that has become clearer with each passing year – our fates are interconnected. In a global economy, nations will rise, or fall, together.

Today, we confront the challenges that have followed on the heels of that crisis. Around the world recovery is still fragile. Markets remain volatile. We stand with our European allies as they reshape their institutions and address their own fiscal challenges. For other countries, leaders face a different challenge as they shift their economy towards more self-reliance, boosting domestic demand while slowing inflation. So we will work with emerging economies that have rebounded strongly, so that rising standards of living create new markets that promote global growth. That's what our commitment to prosperity demands.

To combat the poverty that punishes our children, we must act on the belief that freedom from want is a basic human right. The United States has made it a focus of our engagement abroad to help people to feed themselves. Together, we must continue to provide assistance, and support organisations that can reach those in need. And together, we must insist on unrestricted humanitarian access so that we can save the lives of thousands.

To stop disease that spreads across borders, we must strengthen our system of public health. We will continue the fight against HIV/AIDS, tuberculosis and malaria. We

will focus on the health of mothers and of children. And we must come together to prevent, and detect, and fight every kind of biological danger – whether it's a pandemic like H1N1, or a terrorist threat, or a treatable disease.

I urge all nations to join the US in meeting the WHO's goal of making sure all nations have core capacities to address public health emergencies in place by 2012. That is what our commitment to the health of our people demands.

To preserve our planet, we must not put off action that climate change demands. We have to tap the power of science to save those resources that are scarce. Together, we must work to transform the energy that powers our economies, and support others as they move down that path. That is what our commitment to the next generation demands.

And to make sure our societies reach their potential, we must allow our citizens to reach theirs. No country can afford the corruption that plagues the world like a cancer. Together, we must harness the power of open societies and open economies. And no country can realise its potential if half its population cannot reach theirs. The United States recently signed a new Declaration on Women's Participation. We should each announce the steps we are taking to break down the economic and political barriers that stand in the way of women and girls. This is what our commitment to human progress demands.

I know there's no straight line to that progress, no single path to success. We come from different cultures, and carry with us different histories. But let us never forget that even as we gather here as heads of different governments, we represent citizens who share the same basic aspirations – to live with dignity and freedom; to get an education and pursue opportunity; to love our families, and love and worship our God; to live in the kind of peace that makes life worth living.

It is the nature of our imperfect world that we are forced to learn these lessons over and over again. Conflict and repression will endure so long as some people refuse to do unto others as we would have them do unto us. Yet that is precisely why we have built institutions like this – to bind our fates together, to help us recognize ourselves in each other – because those who came before us believed that peace is preferable to war, and freedom is preferable to suppression, and prosperity is preferable to poverty. That's the message that comes not from capitals, but from citizens, from our people.

Peace is hard, but we know that it is possible. So, together, let us be resolved to see that it is defined by our hopes and not by our fears. Together, let us make peace, but a peace, most importantly, that will last. ♦

Based on excerpts from an address by President Obama to the United Nations General Assembly on 21 September 2011

Broad horizons, shared prosperity

Infrastructure development in Africa, the importance of reaching agreement on climate change, and equitable international trade were just some of the issues highlighted by South African president Jacob Zuma in a recent address



It may be recalled that just two decades ago, South Africa was still in the throes of its liberation struggle. Brazil, the Russian Federation, India and China firmly supported our quest for freedom. Today we have met as one, we have met as partners. This bears testimony to the evolving world. We are now equal co-architects of a new equitable international system.

Such a new world order will be to the benefit of all humanity and aims at securing shared prosperity for all. What distinguishes each of the BRICS countries are the value and importance we attach to development. We share the commitment of ensuring that our people benefit at the broadest level from global growth and that the benefits of economic expansion are shared equitably.

Over the next ten years, Africa will need \$480 billion for infrastructure development. Already, Africa is projected as the third-fastest growing economy in the world, while the BRICS countries now constitute the largest trading partners of Africa and the largest new investors.

This economic relationship will be further strengthened as Africa forges ahead towards regional economic integration. This move will open up opportunities for more foreign direct investment and expanding trade relations with BRICS countries.

With regards to South Africa specifically, we expect to benefit economically and politically from this important alliance. Our primary goal is to improve the lives of South Africans through the growth and development of the economy, which will in turn result in job creation, our primary focus area, especially this year.

South Africa stands to benefit from the concrete projects of BRICS. These are in areas such as agriculture, science, statistics, development finance institutions, security and

justice. As this is a dynamic relationship, more areas of cooperation will no doubt be added as we interact.

We must emphasise that the relationship with our BRICS partners does not mean that relations with countries such as the United States and the broader north have become less important. The European Union and Europe also remain South Africa's most important economic trading partners, accounting for approximately 40 per cent of its exports, as well as 70 per cent of foreign direct investment.

We value these relationships with the developed north too. We recognise the developed north's continued dominance, but it is important to also acknowledge the rising importance of the giants of the south and the value, thereof, for a developing economy like ours.

At the end of this year, South Africa will host the 17th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change. We are working towards the implementation of the COP 16 decisions in Durban, and are aiming for a realistic outcome in the short time available, while not raising any unrealistic expectations.

Although the parties have different positions on the elements on which agreement might be possible in Durban, any outcome must remain true to these principles. These include the principles of multilateralism, environmental integrity, common but differentiated responsibility and respective capabilities, equity, and honouring of all international commitments and undertakings made in the climate-change process.

I also have the honour to co-chair, with Her Excellency Tarja Halonen, the President of Finland, the UN Secretary General's High Level Panel on Global Sustainability. We have no choice as nations of the world. We must confront the climate change challenge head on for the sake of sustainable development and future generations.

With regards to equitable international trade, we join the call for the conclusion of the Doha Development Round, and will continue engaging for a developmental round. We are optimistic about progress in many areas of cooperation, because we in the BRICS share a common view on the need to work together to change the world for the better.

There is unity of purpose in our diversity and this is what renders this mechanism unique and increasingly influential. Naturally each country is responsible to its own citizenry, but we further share a collective accountability now to the global community and notably the emerging-market and developing economies component thereof. ♦

Based on an address by President Jacob Zuma to the plenary session of the third BRICS leaders' meeting in Sanya, Hainan Island, People's Republic of China, on 14 April 2011

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An open letter to the members of the European Council

Brussels, 7 October 2011

Dear colleagues,

We would like to share with you our views on the key issues coming up for discussion at the G20 summit in Cannes. We hope these orientations will serve as a good basis for our preparatory exchange of views at the European Council meeting.

The G20 summits were crucial in steering us through the global financial and economic crisis three years ago by acting strongly and decisively in a sense of urgency and common purpose. In light of the current economic situation, with world growth slowing down and the global economic outlook deteriorating, we need to renew this collective G20 spirit. Europe should be proud to have been instrumental in the creation of the G20 process; the fact that France holds the G20 presidency this year gives Europe a special responsibility. We need to make the Cannes Summit a G20 summit that restores confidence, supports sustainable growth and job creation, and maintains financial stability.

Europe will be in the focus of the Cannes Summit. Our G20 partners' perception is that if Europe does not solve its sovereign debt crisis there will be dangerous spillovers on the global economy. We need to show them that the European Union is determined to do whatever necessary to overcome the current difficulties. At the same time, we will also demand from our G20 partners a constructive contribution to face the global economic challenges.

Against this background, we consider the following EU priorities for the G20 summit in Cannes:

1. *Restoring growth and tackling global macroeconomic imbalances.* Many of the distortions underlying the large pre-crisis imbalances remain in place – including undervalued exchange rates in key emerging surplus economies, and insufficient domestic savings in some advanced economies. The EU should strongly support the adoption of an ambitious action plan at the Cannes Summit to address the immediate challenges coming from the current economic slowdown, and to strengthen and rebalance global growth over the medium term. We therefore need to ensure a balanced discussion of the various risks to the global economy, including those coming from the United States and from emerging-market economies. All countries need to make a contribution. The EU needs to demonstrate that we are aware of our own responsibility and fully engaged in addressing the challenges we face. Our contribution to the Action Plan should be based

on our agreed economic policy strategy, and in particular the decisive measures that we are taking to address the sovereign debt crisis, and strong policy commitments in the areas of economic governance, fiscal policy, monetary policy, financial repair, structural reforms and restoring growth.

2. *Making tangible progress on implementing the financial market reform agenda.* The agreed financial market reforms must be fully implemented while ensuring a level playing field. The EU is honouring its G20 commitments by being the first jurisdiction to launch, with the European Commission proposal, the legal process for implementing the Basel III agreement. Our G20 partners have to deliver as well, and together we should accelerate work to advance on other agreed reforms, such as over-the-counter derivatives, commodity derivatives, bank crisis prevention and resolution – where the EU is already moving. And further work is needed to agree ambitious measures on systemically important financial institutions, shadow banking and paving the way towards a single set of high-quality globally accepted accounting standards. It is time to make the necessary changes to the governance of the Financial Stability Board so as to underpin its monitoring function. On non-cooperative jurisdictions, the G20 in Cannes should support the [work of the Global Forum on Transparency and Exchange of Information for Tax Purposes].
3. *Making the international monetary system more resilient.* The current international monetary system, despite many imperfections, has enabled remarkable progress in global economic and financial integration. But there is scope for improvement and reform to strengthen economic surveillance by the International Monetary Fund (IMF), agreeing on principles to guide G20 members in the management of capital flows, agreeing on a roadmap for broadening the IMF special drawing rights to facilitate the internationalisation of key emerging-market currencies, improving the cooperation between regional financing arrangements and the IMF, and improving further the IMF's toolkit to support countries during systemic stress. We will also need to discuss the issue of the adequacy of IMF resources.
4. *Boosting trade as the most effective way to support global growth.* Despite our intensive engagement and that of some others in the first half of this year, it will not be possible to conclude the Doha Round of the World Trade Organization (WTO) in 2011. This is depriving the global economy of a significant boost, and risks encouraging protectionist measures. The EU



has a particular responsibility to lead the discussion in Cannes on how the G20 could support the WTO at the present juncture. We must advocate an active WTO negotiating agenda that delivers concrete results from the Doha agenda in 2012, in particular on least-developed countries, as well as broaden the scope of issues being considered by the WTO in order to address new global challenges. We need to renew our commitment to refrain from all protectionist measures and also need to ensure a global market and open trading system for raw materials that is undistorted, sustainable and transparent.

5. *Enhancing the social dimension of globalisation.* As reaffirmed by G20 labour and employment ministers on 26-27 September in Paris, employment and poverty reduction are at the centre of global economic policy coordination.
6. *Ensuring food security and promoting the G20 development agenda and innovative financing.* We need to address the global food security challenge by fully endorsing the Action Plan on Food Price Volatility and Agriculture agreed by G20 agriculture ministers on 22-23 June. The G20 Development Agenda has become an important part of the G20 and we welcome this year's focus on food security and infrastructure. We are looking forward to the report by Bill Gates on financing for development, which will contribute to the G20 leaders' discussion on development.

Herman Van Rompuy (left) and José Manuel Barroso encourage their European partners to show determination in solving the eurozone financial crisis, and call upon the other G20 members to address today's global economic challenges

- The European Commission has recently proposed a financial transaction tax for the EU. We believe that a similar approach among G20 partners can help us all meet global challenges. We will therefore strongly support further discussions by the G20 in this field.
7. *The G20 needs to further tackle the global climate and energy challenge and continue its fight against corruption.* The G20 summit will be an important opportunity to push for a successful outcome of the Durban Climate Conference of the Parties (COP 17) and we welcome the initiative taken by the G20 to conduct further work on mobilising resources for climate change finance.
 8. *Improving global governance.* Finally, we look forward to discussing the proposals contained in the report by Prime Minister David Cameron on global governance, which he will present at the summit following an invitation by President Nicolas Sarkozy.

The EU is fully engaged in making Cannes a successful summit in order to restore confidence and underpin the global economic recovery by demonstrating the ability of the G20 to act with a common purpose. The stakes for Cannes are high – for the credibility of the G20 and for each of its members. ♦

*José Manuel Barroso, president, European Commission
Herman Van Rompuy, president, European Council*



An open letter to French president Nicolas Sarkozy

22 September 2011, Ottawa, Ontario

President Sarkozy,

Three years after our first leaders' meeting, reverberations of the global financial crisis are still being felt by citizens and governments around the world. For many advanced economies the path out of the deep and prolonged recession will be difficult. This will impact on growth in emerging markets, and there is more limited room for manoeuvre than in 2009.

We fully support your call yesterday that the priority of the G20 must be to "help the world find the path to growth". We will give our full backing to your presidency in achieving this at the Cannes Summit in November. We need decisive action to support growth, confidence and credibility.

We have not yet mastered the challenges of the crisis. Global imbalances are rising again. External risks to the

stability of our banks and our economies are reaching pre-crisis levels. And volatile and high energy prices are hurting our citizens and acting as a drain on world growth.

At the same time, the confidence of citizens, businesses and markets has been damaged due to the lack of visible political will: this in itself is holding back the recovery. Over the summer, the difficulties encountered in finding a durable solution to sovereign debt problems have further affected confidence.

The G20, representing 85 per cent of the world economy, is our platform to address these challenges. Under your leadership in Cannes, we have the opportunity to commit to each other to take the actions we know are necessary. We must agree the hard policy decisions we should each take, validating our actions against strong objective analysis and recommendations from the relevant international institutions. And, within the Framework for Strong, Sustainable and Balanced Growth agreed in



Pittsburgh, we must each act on those decisions. Only when we work together can we restore strong growth and the confidence on which it depends.

The priorities are clear.

We must increase global demand without once again creating unsustainable global imbalances. Surplus countries need to increase their expansion of domestic demand, enshrining their policies in clear political commitments within the G20, including on structural reform, to keep markets open, increase exchange-rate flexibility and refrain from competitive devaluation. Deficit countries need to find new sources of growth, including making clear commitments now to put in place specific structural reforms necessary. They need to restore competitiveness and improve the underlying performance of their economies.

Eurozone governments and institutions must act swiftly to resolve the euro crisis and all European economies must confront the debt overhang to prevent contagion to the wider global economy. The July agreement to strengthen the eurozone financing facility was an important first step. Euro countries now need to ratify this agreement as soon as possible, alongside implementing reforms to deal with excessive deficits, improving economic competitiveness and acting now to strengthen banking systems. The eurozone must look at all possible options to ensure long-term stability in the world's second largest international currency.

Countries with long-term debt problems must put in place and implement credible growth-friendly medium-term fiscal consolidation plans, differentiated according to each country's own national circumstances. The United States, as the world's largest economy, also has an important role to play in restoring confidence. The August bipartisan deal lays the foundations for a deficit reduction plan and President Obama's jobs plan will help provide

a welcome impetus to growth in the short term. The US, along with other high-deficit advanced economies, needs to overcome the remaining hurdles towards restoring medium-term fiscal sustainability.

The failure to date to conclude a global trade deal is robbing the world of a much-needed economic stimulus. It is also affecting public confidence in our ability to deliver what leaders have promised to do repeatedly. We should agree in Cannes a credible plan to take to the World Trade Organization ministerial in December as a basis for concluding the Doha Development Round. If we cannot agree this we should direct our ministers to consider innovative approaches to deliver progress in a multilateral trade deal and strengthen the multilateral trading system. International trade can be the engine of global growth and development and we must keep it moving forwards.

In taking forwards all these actions, the G20 must also take a path toward all-embracing growth, supporting economic development that will help reduce global disparities.

The barriers to action are now political as much as economic. We must send a clear signal that we are ready to take the actions necessary to maintain growth and stability for all for the future. The G20 showed at the height of the global financial crisis that we could work together to deal with global instability – the Cannes Summit is an opportunity for leaders to prove this, arrest the slide in confidence, and strengthen the foundations for strong, sustainable and balanced global growth for the future. ♦

Julia Gillard, prime minister, Australia
Stephen Harper, prime minister, Canada
Susilo Bambang Yudhoyono, president, Indonesia
Felipe Calderón, president, Mexico
Lee Myung-bak, president, Korea
David Cameron, prime minister, United Kingdom

French president Nicolas Sarkozy (right) greets Canadian prime minister Stephen Harper (left) and British prime minister David Cameron (centre) at the Elysée Palace in Paris, during their visit in September



The world needs R&D leadership now



By Dr. Karen Chad,
Vice-President Research,
University of Saskatchewan

The social imperative

The world is facing an unprecedented food security challenge – how to feed an expanding population that is forecast to reach nine billion by 2050, an increase of 2.6 million people.

Experts say that meeting these enormous food demands will require a doubling of food production over the next 40 years. The daunting challenge is not only to produce and deliver adequate supplies of safe and nutritious food for our expanding world population, but to do so without destroying the capacity of future generations to feed themselves, given increasing constraints on available land and water resources and mounting climate change issues.

Slowdown in productivity growth and R&D investment

But, alarmingly, there has been a global slowdown in agricultural productivity growth over the past two decades. This has been most pronounced in the OECD countries where R&D investment has been stagnant since the mid 1990s. It is particularly concerning since poorer countries tend to rely on the R&D undertaken by a small number of developed countries.

To increase the world's capacity to produce, process and distribute food, there is an urgent need for new science, technology and policies. Given the well-documented evidence that public and private R&D investments foster increased agricultural productivity growth, greater investment in research by both the public and private sectors is critical.

Fortunately, there is an historic resolve among G20 governments to collectively address these issues. Last June, the G20 agricultural ministers committed to increasing agricultural production through use of improved practices and technologies, as well as to new and expanded research and development.

Universities key to finding solutions

Universities, with their focus on research and public education, have a key role to play in finding innovative solutions and ensuring that new knowledge is exchanged with and adopted by end users – from farmers, to communities, to government agencies, to companies in the food system. Indeed, food security institutes have been springing up on university campuses in various countries.

But the challenges are greater than can be addressed by any one university or country. To truly tackle the food security challenge as a global issue and anticipate tomorrow's challenges, there must be:

- greater sharing among the world's universities of ideas, research progress and diverse approaches to food security issues;
- initiatives to bring to bear the best minds and the best science and policy research on finding solutions to complex challenges;
- increased linkages among food security research networks; and
- enhanced dialogue and collaboration among partners in government, industry, NGOs, and academia.

Creating a consortium of universities with food security research interests and fostering a commitment to work together with our industry, NGO and government partners would be an excellent place to start.

A moral responsibility to share knowledge and expertise

At the University of Saskatchewan (U of S), in the heart of one of the world's most important agricultural regions, we are willing to be part of the global solution. In a region with abundant natural resources, globally significant agricultural exports, and a century of successful agricultural research and development in sustainable high-yield agriculture, we feel a moral responsibility to explore connections between Saskatchewan R&D capacity and pressing global food security challenges, and to foster international information sharing.

With recognised expertise in crop development, feeds research, feedstock handling, animal and human vaccine development, and public policy across the food supply system, food security is a key U of S signature area. As food security issues are inextricably linked to water issues, our leadership in water security – through our Global Institute for Water Security – positions us to serve as an important node in the proposed global knowledge and innovation network.

Twin goals: sustainable high-yield agriculture and affordable food prices

The world needs a concerted international effort led by governments, NGOs and universities to address the complex scientific and policy dimensions of achieving sustainable high-yield agriculture and affordable food prices. Through greater research investment and sharing of new knowledge, we can together help mitigate hunger and poverty around the world.

Saskatchewan Discovery and Innovation Help Feed a Growing World

A century ago, the University of Saskatchewan led far-sighted research and innovation to help feed a growing nation.

Now through international collaborations in our signature area of food security, we're helping to feed a growing world. With a research focus on sustainable high-yield production and quality, we aim to push back the boundaries of what can be grown and raised in prairie environments to help address global food security challenges.

Our campus is at the heart of one of the world's leading food production regions

Saskatchewan is a world leader in sustainable production and related research, policy and innovation.

- World's top exporter of lentils, dried peas, mustard and flax seed
- Supplies nearly a third of the world's total exported durum wheat
- Produces \$1 billion worth of beef annually, helping to meet growing demand in developing countries for animal-based protein
- Renowned biotechnology and agri-food sector, with \$8 billion exports in 2010
- Supplies 40 per cent of world potash, mainly for fertilizer use
- Global food science linkages with partners around the world

World-renowned centre of excellence in crop development

- **New and improved crops:** More than 345 commercial crop varieties developed at the University of Saskatchewan, with innovations in spring and winter wheats, durum, barley, oat, flax, and pulses.
- **A billion-dollar, research-driven pulse industry:** Twenty years ago, peas, lentils and chickpeas were hardly grown here. Now Saskatchewan leads the world in pulse crop exports—staple foods in fast-growing emerging markets such as India, China, Bangladesh, and northern Africa.
- **Rust-resistant wheat:** Using conventional breeding techniques, genes for rust resistance were transferred from wild grasses to wheat varieties now grown around the world.
- **"Greener" animal feed:** Hog feed from a new barley variety with low levels of the natural compound phytate reduces phosphate in hog manure and the environmental footprint of hog operations, while lowering feed costs for producers.
- **Part of regional cluster that brought canola to the global marketplace:** Now a major generator of value in Canada and abroad.

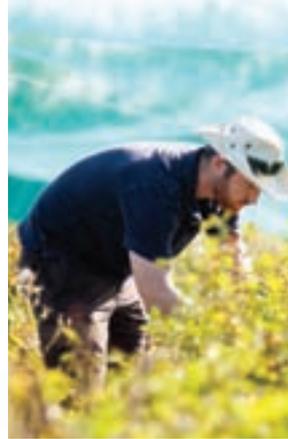


Photo courtesy of Canadian Light Source Inc.

Home to two of Canada's top science facilities

- Canadian Light Source synchrotron with unique in-North America biomedical imaging for plant, animal and human studies
- New International Vaccine Centre for vaccine and infectious disease research and development to protect animal and human health

Dominant research and training cluster with vibrant private sector R&D

- Veterinary, agricultural and medical colleges with a "one health" focus
- Leading federal and provincial centres for ag-related research located right on campus
- Vaccine and Infectious Disease Organization has six world firsts in vaccine research
- Global Institute for Water Security and renowned toxicology centre
- Johnson-Shoyama Graduate School of Public Policy
- Highly successful industrial research park—Innovation Place



Three years of G20 summits: an assessment

Although G20 members can be proud of their recent achievements in rebalancing the global economy, an urgent and potentially greater set of challenges must be addressed as the group enters its fourth year of discussion and cooperation

By Montek S Ahluwalia, deputy chair, Planning Commission of India, and India's sherpa for the G20 summit

As the G20 leaders meet at Cannes, it will be three years since their first meeting in Washington, at the height of the 2008 crisis. They can claim significant achievements in this period, notably the containment of the worst global crisis since the Great Depression, and also the start of some new initiatives, such as the coordination of macroeconomic policies and the evolution of an appropriate structure for financial regulation, although these remain works in progress. However, the eurozone crisis presents a new challenge that will again test its effectiveness in crisis management.

Most would agree that the G20 did well in orchestrating a simultaneous fiscal expansion by all countries with supportive global monetary and financial policies to contain the 2008 crisis. There was a contraction in industrialised

countries in 2009, but they returned to positive growth in 2010 and the emerging-market countries performed strongly in both years, indicating the emergence of a potential new source of dynamism in the world economy.

The turnaround was also supported by the G20's decision to expand financial resources for the international financial institutions, strengthening the global safety net and stabilising market confidence. The voting share of dynamic emerging-market countries at the International Monetary Fund (IMF) was increased, less than might have been warranted, but clearly a move in the right direction. Significant progress was also made in outlining an action plan for reform of the architecture for financial regulation to deal with risk and instability. The Financial Stability Forum was expanded to include all G20 members and renamed the Financial Stability Board (FSB), as a

permanent institution for overseeing the activities of international standard-setters and facilitating consultation with national supervisory authorities and the IMF.

The G20 also launched an ambitious multilateral effort – the Mutual Assessment Process (MAP) – to coordinate macroeconomic policies among the major countries. Coordination was viewed as critical for sustaining growth and reassuring markets. The crisis had led to a sharp increase in the sovereign debt position of industrialised countries, in large part due to the collapse in government revenues and the increase in expenditures on the social safety net.

While the resulting fiscal stimulus proved effective in supporting economic activity temporarily, it was obvious that it would have to be reversed. As such a reversal would have a contractionary effect on economic activity, it was felt that it should be phased to avoid an immediate contraction, while simultaneously seeking to reassure markets by taking credible steps to ensure fiscal viability over the longer term. This strategy needed to be supported by rebalancing global demand, with an expansion of demand in surplus countries accompanied by greater exchange-rate flexibility.

Coordinating macroeconomic policies on this scale among sovereign governments is not easy. Earlier IMF efforts had proved unsuccessful, but it was hoped that the MAP, being a country-led process, would do better. The Cannes Summit was to be the first opportunity to review, and hopefully agree upon, the outcome of the MAP in terms of a consistent set of policies for individual G20 countries capable of restoring growth.

Eclipsed by the eurozone crisis

All this has been overtaken by the explosion of the sovereign debt crisis in the eurozone. If not effectively controlled, it could have a major destabilising effect on Europe and, given the weight of Europe and its integration with the rest of the world, therefore also on the global economy. The crisis was triggered by the collapse of the rescue package for Greece, which put pressure on Ireland and Portugal, with contagion spreading to Spain and Italy. All these countries have serious debt problems, although none as serious as Greece. Unfortunately, the failure of the IMF package for Greece has eroded market confidence, making it difficult to prevent contagion.

Greece is now widely regarded as 'insolvent' in the sense that the maximum austerity that is socially and politically acceptable will not allow Greece to reduce its ratio of debt to gross domestic product (GDP) to acceptable levels, given the low-growth prospects facing the Greek economy. The low-growth potential in part reflects both weak underlying factors, such as low investment, and the fact that domestic austerity itself will reduce domestic demand and depress economic activity. There is little prospect for offsetting this contractionary effect by relying on external demand, given the absence of exchange-rate depreciation as a policy option and also the depressed state of the European and world economies.

For all these reasons, markets believe that Greece can be rescued only if there is a substantial debt reduction. The 21 July package agreed with European leaders did involve some reduction of Greek debt, via a restructuring package backed by the European Financial Stability Facility (EFSF), but it was much less than was needed. Current market sentiment suggests that a haircut of between 40 per cent and 50 per cent of bank debt would be needed. It remains to be seen whether such an outcome can be agreed upon and how the burden will be shared: should it be borne largely by the banks themselves that lent imprudently to begin with, or shared by the European Central Bank (ECB) and the EFSF? Of course, if the banks take a hit, it will be left to governments to recapitalise them, further eroding their weak positions.

A map of Europe in marble, part of a world planisphere in Lisbon. Portugal is one of the countries causing concern in the current eurozone crisis

It is necessary to reassure markets that credible steps have been taken to ensure stability in the eurozone

The build-up of sovereign debt in Greece and other countries reflects a variety of factors, including weak growth, lax fiscal policies and imprudent bank lending, the last arising from a failure to recognise some inherent weaknesses in the eurozone. The adoption of a common currency removed the currency risk from lending to countries within the eurozone, which should have led to somewhat lower interest rates.

However, European banks behaved as if credit risk had also been eliminated. Fiscally weak sovereigns were able to borrow at interest rates only marginally higher than those of Germany. This would have been reasonable if the eurozone had mechanisms that enforced fiscal prudence, but there were none. Such mechanisms that existed had been breached earlier and made irrelevant. Despite this, the banks lent excessively, leading to a large build-up of sovereign debt in the countries that are now in trouble.

New challenges await

The Cannes Summit faces two major challenges in addition to the usual items on the agenda. First, and most immediately, it is necessary to reassure markets that credible steps have been taken to ensure stability in the eurozone. Second, having ensured stability, the G20 also needs to show some progress on the MAP. The two are obviously connected since progress on the MAP should allow higher levels of growth globally, and therefore also for the debt-stressed countries, which in turn will have a favourable impact on any assessment of debt sustainability.

Stabilisation of the eurozone urgently requires a package that ends the Greek crisis, which requires early agreement on the difficult issues listed above. This must be followed by an effective adjustment programme for each country under threat. Even if an objectively credible package is put in place for each country, it may not reassure markets immediately, posing serious liquidity problems, so these countries will need liquidity support.

This is reasonable: once solvency is taken care of, liquidity must be provided and in ample measure. If the resources to meet liquidity needs are to come from the eurozone itself (whether the ECB or the EFSF), the international community is not directly concerned, although it is vitally interested in the success of the measures. If the eurozone effort needs to be further backstopped by the IMF, the G20 is directly concerned. In that event it will be the IMF's responsibility to determine whether the programme being supported is credible. In effect, the IMF will have to certify whether a haircut is necessary and, if so, whether it is adequately provided.

There is also the issue of what is the appropriate scale of the IMF's contribution, relative to what should be done internally by the eurozone. More generally, these issues raise the question whether resources available within the eurozone are adequate, and likewise the resources available from the IMF Markets will look for clear signals from the G20 on all these issues if normality can be restored.

Once the task of restoring stability in the eurozone is assured, the G20 will still need to make progress on the MAP, if only to persuade markets that the macroeconomic policies being followed by major countries are consistent with stimulating and sustaining robust growth in the medium term. As pointed out above, creating credibility about growth prospects is itself critical for reassuring markets that debt sustainability issues can be resolved.

All in all, the G20 members will have a lot on their plate in Cannes as they enter their fourth year. It illustrates the proposition that, in a globally integrated world, global coordination among major countries is needed. The G20 is the only mechanism we have to bring this about. ♦

The views expressed in this article are those of the author and do not necessarily reflect the views of the Government of India.

Prospects for the G20 Cannes Summit

At their sixth summit, the G20 members must rise to the challenges that face the global economy today, from the slowdown in growth to the escalating financial crises in the United States and Europe that threaten the world as a whole

By John Kirton, G20 Research Group

The sixth G20 summit, taking place in Cannes, promises to be unusually significant. It must confront and control a new prospective global financial and economic crisis, arising first in a Japan struck by both natural and nuclear disasters in March and then in the United States with its sovereign debt downgrade, and now extending to Europe with doubts about sovereign debt in Greece, Spain, Italy and France and a Franco-Belgian bank gone bust.

The summit must simultaneously counter the rapid slowdown in global economic growth that helped caused these financial crises and that will compound their negative effects; it must also address its broad, ambitious, built-in agenda, starting by strengthening financial regulation and supervision for banks and for globally systemic financial institutions now under stress, and inventing new instruments and increasing resources for the International Monetary Fund (IMF) to contain the contagious global financial and economic crisis with which regional organisations alone, led by the formidable European Union, cannot cope. It must advance the three priorities defined in August 2010 by French president Nicolas Sarkozy as the Cannes Summit chair and host: modernising the internal monetary system beyond its heavy reliance on the US dollar, calming volatile commodity markets and improving global governance within the G20 itself, as well as in the United Nations galaxy. The Cannes Summit may also be called on to address newly erupting crises and opportunities, such as reconstructing a reforming North Africa and Middle East and controlling the terrorism that undemocratic regimes in the region breed.

Responding to adversity

The Cannes Summit will probably rise to these challenges to produce a summit of substantial and sufficient success. It will do so above all in its classic mission of crisis response to the new financial and economic shocks erupting on its eve in its European home, by authorising a confidence-creating, coordinated action plan for growth, centred on credible medium-term fiscal consolidation combined with short-term stimulus, stronger financial regulation and supervision, and new responsibilities and resources for the IMF.

The success of Cannes as a classic 'back-to-basics' crisis-response summit will be driven above all by the very severe, sustained and somewhat familiar shocks erupting on the summit's eve. Further spurs for success will come in the inability of the EU and IMF to cope on their own, the rising capabilities of emerging G20 members now ready

to assist, the deep domestic attachment of all members to economic, social and political stability and openness, a highly experienced, energetic, ambitious, committed chair surrounded by like-minded G20 summit veterans, and the interpersonal bonds formed among those meeting for the sixth time in three years to confront and conquer global financial and economic crises such as this.

The defining challenge and likely standout success of Cannes will be to contain the growing global financial crisis and the accompanying plunge in economic growth. Equipped with the Framework for Strong, Sustainable and Balanced Growth and the Mutual Assessment Process (MAP) to help put it into effect, G20 members will move to design and implement a coordinated action plan for global growth, containing immediate measures and those that follow in the short and medium term. The plan will blend monetary, fiscal and direct financial support measures, give a green light for emerging G20 members as well as a few advanced members to stimulate, and have most advanced members, led by the US, credibly commit to comply with the fiscal consolidation by 2013 that they promised at the G20 Toronto Summit in June 2010.

In its content and in its clarity and in the G20 members' commitment to greater macroeconomic policy coordination, this action plan should create the confidence necessary for investors to lend and consumers to spend, and even encourage the US Congress and legislatures in Europe and Japan to make unprecedented adjustments for the greater G20 and global good. The recollection of the great recession and great rescue by the G20 from 2008 to 2010 and the reality of the current crisis are so strong that the Cannes leaders will be forced to expand on their proclamation at their 2009 Pittsburgh Summit to make the G20 the permanent priority forum for their international economic cooperation, a forum on which the global community as a whole now depends.

A second equally significant, if less spectacular, success will come through strengthening financial regulation and supervision. In the face of intense market concerns about the inadequate capital held by European banks as a buffer against their sovereign bonds that might go bad and their loans that might sour as their own and partners' economies slow, stagnate or shrink, G20 leaders will agree on the faithful implementation of the Seoul commitment to strengthen bank capital, the conduct of more convincing, internationally consistent stress tests, the imposition of rules for globally significant financial institutions that can expand as the contagious threat to global financial stability does, and the raising of the capital required by embattled banks that see their value shrink and their liquidity dry up. A key immediate accomplishment will be assisting



The defining challenge and likely standout success of Cannes will be to contain the growing global financial crisis





beleaguered countries bolster their international payments balances, bondholders, budgets and banks.

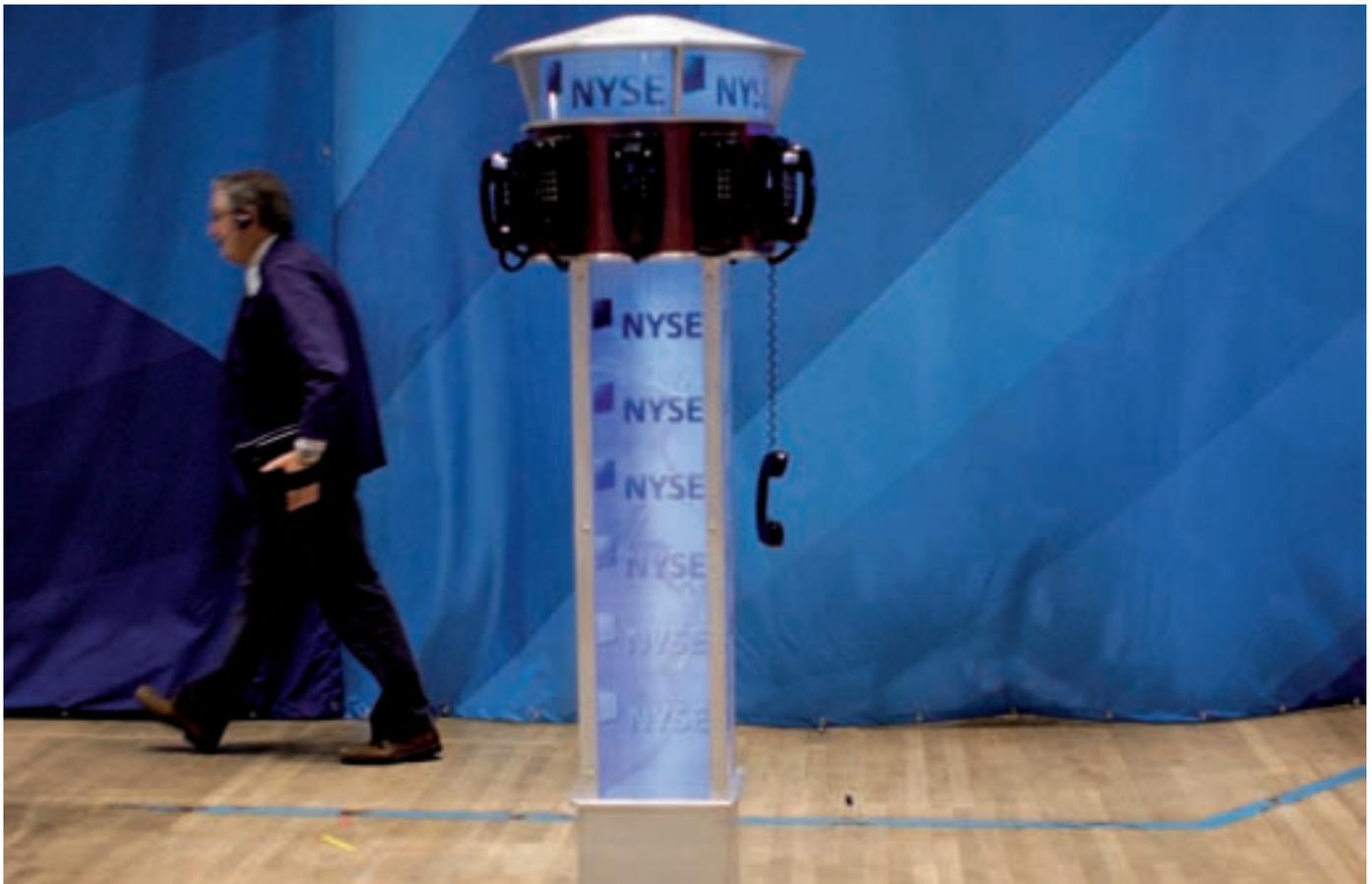
A third success will come from moves to strengthen the responsibilities and resources of the IMF. Since the start of the eurocrisis in the spring of 2010, IMF resources have backed those of the European Union in the rescue packages for Greece, Ireland, Portugal and, once again, Greece. Much more will be needed to convince markets that governments with enough available money, including the leading emerging countries in the G20, will be there to back Spain, Italy, France and the euro itself, should the need arise. One possibility would be to assemble a ready reserve in advance, a second line of defence at the IMF on which embattled governments could draw to assist their besieged international payment balances, bondholders, budgets and banks. Another would be to build on the

London Summit's success with another allocation of special drawing rights (SDRs), perhaps backed by more currencies than before. This would allow France to claim some success on its presidential priority of moving the international monetary system off its singular reliance on the US dollar, to give rising powers a greater share of the rights and responsibilities they now deserve.

A fourth advance will come on the French priority of commodities. Leaders will avoid the over-regulation of derivatives markets, and instead launch the much more food-friendly Agricultural Market Information System, or AMIS, to enhance market transparency, reduce fear-driven hoarding and protectionism at times of perceived shortages, and foster humanitarian food relief for the very poor.

Taking a back seat, but being nudged ahead, will be most issues that have generated the disputes and

A clock that stopped working at the time the March 11 tsunami hit the Rikuzentakata area in Japan. Natural disasters have joined economic crises on the list of challenges facing the G20



drama at G20 summits past. One is a global bank levy or international transaction tax that is tempting for cash-strapped, austerity-minded European governments, but resisted by the majority of G20 members, whose financial institutions behaved well during the shocks of the past several years. On the menu of innovative finance options that Bill Gates will bring to G20 leaders to back the provision of badly needed public goods when the budgets for official development assistance are under growing strain, the double-strength options of taxes on alcohol, tobacco or climate-unfriendly transportation will have greater appeal.

A second, now less central, issue is China's undervalued exchange rate. China, sensitive to increasing inflation and social instability at home, is rationally allowing the renminbi to rise against the US dollar and other currencies abroad. Further flexibility by China and others on this issue within the framework and the MAP is the sensible solution.

A third issue with a reduced profile is last year's allegation of 'currency wars' brought by new American quantitative easing and emerging countries' capital controls in response. Also on the back burner will be such summit perennials as getting the badly overdue Doha round of multilateral trade liberalisation negotiations finally done, even as leaders try to make the December ministerial meeting of the World Trade Organization a success. Similarly, giving climate-change control the boost it needs as the end of the Kyoto Protocol commitment period and the Rio+20 summit in 2012, as well as improving global governance, are due for modest advances at best.

In the same category stands serious efforts to deliver the G20's impressive commitment at its 2009 Pittsburgh Summit to rationalise and phase out inefficient fossil-fuel subsidies in the medium term – a move that would produce major advances in reducing, simultaneously, fiscal deficits, carbon emissions and harm to human health.

In the area of strengthening G20 governance, France's plan to spread the burden of an ever-expanding

The trading floor of the New York Stock Exchange. Reform and regulation of the world's markets will continue to be among the subjects discussed at the Cannes Summit

agenda over its full year as chair by adding several more ministerial meetings has paid off most clearly in the contribution of the G20 agricultural ministers' meeting to the food security advances. However, the current global financial and economic crisis gathering force since the spring suggests that the value of preparing for the possibility of returning to the G20 summit's tradition set at its start of holding two summits a year.

Demand for an additional summit

The intention of the next host, Mexico, to hold its G20 summit in June 2012 opens up the option of a further gathering in the autumn. The long-standing desire of Russia and Turkey to host the 2012 summit suggests there would be sufficient supply of this critical component of G20 governance to meet the clear demand. No G20 secretariat of any form could substitute for this critical value of the leaders themselves taking personal ongoing charge of the design and delivery of G20 governance that the world so badly needs.

To strengthen global governance beyond the G20, the Cannes Summit should bolster the authority and resources of the Financial Stability Board – a badly needed step towards making this body as strong a pillar in its area of the international financial institutional firmament as the IMF is in its field. Bolder, broader advances initially proposed by France as chair, such as reforming the United Nations Security Council, will have to wait for another day.

Despite such second-level disappointments, by acting as a coordinated club to contain the current financial crisis, revive slowing economic growth and strengthen financial regulation and supervision, the G20 Cannes Summit will give ever more life to the ambitious promise that the Pittsburgh leaders proclaimed of making the G20 the permanent, premier forum for its members' international cooperation and, now, in its impact for the global community as a whole. ♦