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**ADDRESS BY THE PRESIDENT OF THE FRENCH REPUBLIC**  
**Press Conference to present**  
**the presidency of the G20 and G8**

**Elysée Palace – Monday, 24 January 2011**

Prime Minister, Dear François,  
Ministers,

This is the first time that the diplomatic corps has been invited to a press conference and, as this event coincides with the period of new year's wishes in France, I would first like, Most Reverend Excellency, Ambassadors, to ask you to pass on France's warm wishes to your Heads of State and Government and, naturally, through them, to the peoples they represent.

I would also like to present to you, Ladies and Gentlemen of the press, my best wishes for 2011, for a year full of news, but also I wish you a year full of happiness and success.

You will all understand that my heart goes out to your colleague and photographer, our fellow countryman Lucas Mebrouk Dolega, who was fatally wounded when covering the events in Tunisia. Today, my thoughts are with his family, his friends and all those who loved him.

Lucas Mebrouk Dolega was doing his duty as a journalist. He was merely doing his job. A difficult, demanding job that required passion and courage. And Lucas was lacking in neither.

We knew him well here at the Elysée, where he would bring to his work the consideration, discretion and professionalism that were his hallmark. Everyone thought highly of him, and I know that today, many of you are deeply saddened at the departure of such a talented photographer who, I imagine, was also your friend.

My thoughts are also with Hervé Ghesquière and Stéphane Taponier, your two colleagues taken hostage in Afghanistan, 391 days of intolerable torment. The government is doing everything in its power to obtain their freedom. We will spare no effort to end their ordeal as soon as possible, just as we do for all hostages in the world.

Ladies and Gentlemen,

International news abounds from Lebanon to Tunisia and Côte d'Ivoire. If you will permit, I will come back to these points later in this press conference. First, I would like to concentrate on the G20 and G8.

If you will bear with me, I will give a brief introductory presentation, then I will answer your questions, and then we can turn to these issues in the second part of this press conference. That seems to make more sense to me.

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I have spent a great deal of my time consulting these past two months. Consulting with Heads of State and Government, naturally, but also with international organizations, international trade unions, business representatives, economists, researchers, and former foreign Heads of State and Government.

I have drawn this conclusion from these consultations: if the G20 wants to remain legitimate, it must remain effective. Our aim is to tackle the essential issues that have waited long enough, so that we can present concrete results to an increasingly impatient public.

A number of ministerial meetings will be held this year:

- For the G8, the foreign ministers will meet to prepare the Deauville Summit, and the home affairs ministers will meet to work on the fight against drug trafficking, particularly in cocaine.
- For the G20, the finance ministers and central bank governors will convene. In addition, two other ministerial meetings will be scheduled, to which I attach particular importance: the meeting of labour and employment ministers and the meeting of agriculture ministers.

Symposia and seminars will also inform our group discussions, and I will have the opportunity to visit President Hu Jintao for a first seminar on the reform of the international monetary system to be held in China in late March.

Our presidency's ambition is simple: we live in a new world, so we need new ideas.

This new world is marked primarily by an extraordinary change in the balance of world economic powers.

At the end of the Second World War, that is when the world created the UN, the IMF, the World Bank and GATT, the United States accounted for 45% of world GDP. In 1975, when the G7 was set up, the United States and Western Europe alone represented two-thirds of world GDP. Since the end of the 1990s, we have seen an extraordinary tilt in this balance.

In the space of just ten years, from 2000 to 2010, China's weight more than doubled, overtaking Japan as the world's second largest economy.

In 2050, China could become the world's leading economy ahead of the United States, India could become third and Brazil fourth. Clearly, everything created in 1945 was based on balances that no longer stand today.

We have started to take these changes on board, as shown by the creation of the G20, which represents 85% of world GDP.

The second observation that we can make following this shift in balance is that we live in a totally interdependent and increasingly volatile world, where imbalances have not only escalated quickly, but have also grown in magnitude.

This volatility is everywhere.

In preparing for this press conference, I counted the number of banking crises and financial crises there have been. It is quite extraordinary. Over the last 40 years, there have been 125 banking crises. And if you look at these last 40 years, you realise that these 125 banking crises have picked up extraordinary speed over the last 20 years. So, the imbalances are not slowing down, and they are growing and coming in quicker succession.

If we look at international capital movements, since 1990, the world has seen 42 crises caused by capital flows suddenly drying. For example, from 2008 to 2009, Asian countries saw their capital flows halved in weeks, if not days. How can countries be expected to resist and handle this kind of instability? It is totally impossible.

On the foreign exchange markets too, the figures are enough to make your head spin. They are extraordinary. The daily volume of transactions has topped 4,000 billion dollars per day. I know that these figures do not mean much to the general public, but they are realities and we have to face them. 4,000 billion dollars per day, that is the daily volume of transactions, on the foreign exchange market alone, up 20% since 2007 following a 72% increase from 2004 to 2007.

Here too, what worries me obviously is that there is nothing new in saying there is instability in the world, it is quite a different matter to show with figures that this instability is accelerating at astounding speed. The repercussions, therefore, will hit increasingly hard.

Now this same volatility on the foreign exchange markets, with the financial crises and the banking crises, is found, exactly the same, on the energy commodity market. In 2008, oil prices went from \$140 to \$40 per Brent barrel in six months. Down by two-thirds in six months. I do not think that energy consumption needs, dropped by two-thirds in six months.

If you look at agricultural commodities, food price volatility has tripled over the last 20 years, and this alongside the growing financialization of these markets. This is all the more extraordinary when you consider that agricultural production will need to have increased 70% by 2050 to feed what will by then be nine billion people on our planet. This is where you see how strong France will be by defending the Common Agricultural Policy, the world's number two farming system, European agriculture, when farm production needs are expected to increase 70% by 2050. This is really no time to be dismantling the Common Agricultural Policy. These figures speak for themselves. Food prices have started to rise again. At the end of December 2010, the food price index topped its June 2008 peaks. I have not chosen 2008 by accident, as this was the year of the food riots. We are already above the 2008 peak.

Lastly, the international monetary disorder in which we live has generated an unprecedented increase in external imbalances. It is very simple. The external imbalances have doubled since 2000.

The third characteristic – and I will come back to the solutions later, I think it is best to look at possible solutions after sharing our analysis with our partners: naturally, if the analysis is not shared, if we do not agree on the analysis, we cannot agree on the solutions. The third characteristic takes the form of global challenges: climate change and development challenges, which call for global responses. I will say it again, and I will keep saying, that we have predicted and pledged 100 billion dollars a year to developing countries starting in 2020. That was a promise. That was Copenhagen. How can we keep this commitment, when our countries have unprecedented budget deficits, without tackling the issue of innovative financing? Innovative financing is a critical issue for France.

The “new” G8 should launch the public debate at political level. At my meeting with President Obama, I was very pleased that he agreed with us that at the G8, we should have a very informal discussion about the Internet. Note that the idea is in no way to contain the development of the Internet and its content. The Internet represents progress, there is no doubt about that. The Internet gives everyone the possibility to access universal knowledge and no one would dream of repressing this positive development. Yet the Internet does raise substantial topics for discussion for us leaders. The G8 is made up of eight extremely modern economies in which the Internet is highly developed, so it is the right forum for discussing this issue.

France will hold a forum on the eve of the Deauville Summit with the G8 countries' leading players of the digital economy. I believe that the time has come to trust one another and to build a model based on the combination of our skills, by listening to what the major Internet actors have to say, and I am

sure they will do so most responsibly, and by them listening to what we have to say, so we can find the way forward to a civilized Internet.

I set out to give you an outline of the challenges.

Obviously, we are not starting from scratch and our presidency's first priority is to ensure that the decisions taken at the last five G20 summits are put into practice.

This is the case, in particular, with financial regulation.

In less than two years, considerable progress has been made, even though, as I know all too well, public opinion finds it hard to believe. It is true all the same. New rules on bank capital, hedge funds now regulated where they answered to no authority before, bank taxes introduced to curb systemic risk, and the supervision of bonuses on which everyone now agrees. I see that Morgan Stanley has announced it will henceforth defer payment of 60% of its bonuses. This is a little more than we asked for.

On the long untouchable tax havens, 600 tax transparency and information exchange agreements have been signed since April 2009. Thirteen countries have waived banking secrecy for tax purposes. And we will have the first evaluations from the Global Forum on national legal frameworks so that we can start making decisions.

Development will be a second major challenge for the G20.

I would like our double presidency to prioritise Africa.

We will focus our efforts on infrastructures. At the Cannes Summit, we will adopt a list of concrete projects, with their financing, that will be launched immediately. The high-level panel tasked with identifying these projects will be chaired by Tidjane Thiam, Chief Executive of worldwide insurance group Prudential and former Ivorian Minister of Planning and Development. I thank him for accepting this mission.

The third element is innovative financing. I was just talking about this. France is in favour of a tax on financial transactions. France considers that this tax is morally sound, given the financial crisis we have just been through, that this tax is useful to dissuade speculation, I can explain this if you have any questions, and that this tax is effective for finding new resources for development. I am well aware that this tax has great enemies and adversaries standing in its way. We will endeavour to convince them. We will work with Mr Meles, Prime Minister of Ethiopia, who has produced an excellent report, and France will ask a civil society figure to find innovative solutions at the border between the private and public sectors. France believes that the tax on financial transactions is the best solution, but that it cannot alone solve the entire question of innovative financing. We are therefore prepared to discuss other solutions even though we feel that this tax – on financial transactions – and I can explain this when I answer your questions, is the best formula.

Regarding employment and social issues, the social partners will be fully involved in the G20's work. We will be holding the first ever Social Summit on the eve of the G20 Summit, alongside the Business Summit. There is no reason why we should have a Business Summit and not a Social Summit. And the question for France is how to give the International Labour Organization more weight in global governance. France would like us to consider setting up a minimum standard of universal social protection. That is not to say a single social model, which makes no sense, but a minimum standard, and France will not resign itself to the fact that the eight ILO conventions on fundamental labour rights have not been ratified by all the members of the G20, which are, for the most part, also members of the ILO. When you are a member of an organization, you ratify the standards produced and adopted by that organization.

The instability of the international monetary system and commodity price volatility. The currency debate ran right through 2010. Some even spoke of a currency war. The truth is we have been living with the instability of the international monetary non-system since 1971. To say that a monetary system exists is a huge mistake. There has not been one since 1971.

I have read many things, so allow me to address a certain number of these points. First of all, France does not want to go back to a fixed exchange rate system. It would be a contradiction to want to bring back a fixed exchange rate system when we criticize the euro's volatility for not corresponding to economic realities. Fixed exchange rate systems characteristically do not adapt to the realities of the economy. France does not want to challenge the dollar, which plays an eminent role and should be a strong currency, as President Obama has so often said. And France does not support additional capital controls. Those are the fundamentals. Yet having made these three negations, is there a single person in the world who could say that the international monetary system works well or that there is no problem?

We do not want to address these questions from an ideological angle, but from a pragmatic one. Our ambition is to agree with our partners on concrete proposals.

Our position is simple. It can be summed up in one sentence: the emergence of new economic powers will inevitably lead to the emergence of new international currencies. There is no escaping this fact. The transition under way could be a factor of instability.

We therefore have a prime objective: to improve our cooperation in order to support growth. And to do this, we will try to get everyone to agree on the indicators required to analyse persistent imbalances. Before tackling the imbalances, France will try to get everyone to agree on the definition of the indicators required to measure these imbalances. It is fascinating! Everyone criticizes their imbalances, but there are no rules, no criteria to define what an imbalance is or what a surplus is. So this will be our first, and extremely important, job. I hope that, with the ministers and governors, we will start finding answers in February. Each country will then be asked to present economic policy actions and structural reforms to reduce these imbalances.

We also need to answer some very difficult questions.

How can we reduce the need to accumulate reserves? Obviously, when countries see their capital drain away in the space of a few days, they try to guard against this risk by considerably raising their reserves on the basis that, "If there's a problem, I'll have reserves." Yet this accumulation of unproductive reserves weighs extremely heavy. It is an expensive strategy. We need to make more headway with creating new IMF facilities, as the IMF had indeed tried to do. But how can we improve the way we handle the systemic nature of certain crises that affect an entire region and call not for a national response, but for a global, multilateral response?

How can international capital flows be better regulated? The current framework is outdated. The multitude of recent unilateral measures raises the question of the establishment of multilateral rules. We will propose that the G20 draw up a code of conduct for the management of capital flows. Ultimately, France believes that a reform of the IMF's Articles of Agreement would help common rules to prevail and the IMF to exercise its supervision in this area. You see, we set criteria that define the imbalances, we ask the IMF to analyse these criteria, to supervise the application of these criteria, and we try to get everyone to comply with these criteria.

Lastly, how do we make the transition to the internationalization of the new currencies? The SDR, if my memory serves me correctly, was created 42 years ago. 42 years after the creation of the SDR, can we agree on when and how to extend the SDR to new currencies such as the Yuan? I was very pleased to see in the communiqué about the discussions between President Obama and President Hu Jintao that the question of integrating the Yuan into the SDR was raised. It is already huge to ask this question! When France first spoke about it a few months ago, it was highly controversial.

These are complex questions. I am sure we will not solve all problems in one presidency. Yet France wants a debate, because this debate can no longer wait.

I would like to announce, in terms of organization, that I have proposed to Chancellor Merkel, who has accepted, that Germany co-chair the working group on the international monetary system with Mexico, which will chair the G20 in 2012.

The second urgent question is the volatility of commodity prices. If we do nothing, we risk food riots in the poorer countries and an extremely negative impact on global growth.

There are four areas for action:

- We want regulation of the financial commodity markets. Some of them have no basic rules against market abuse and price manipulation. Work is under way in the United States and Europe. We need common rules. How can we explain that it is normal to regulate the financial market, but that we have to abstain from any rules on agricultural derivatives? It makes no sense.
- We need to improve transparency on the physical markets: predictability calls for knowledge of production, consumption and stock prospects. We will propose setting up a joint database, much like our oil database, to prevent food crises.
- We need to improve our food security mechanism. I am thinking in terms of defining a code of good conduct to exempt food aid from export restrictions and building emergency stocks. It really is extraordinary that the food aid funds have to buy commodities at full price! That is to say that not only does speculation create food riots, but the food aid organisations, to prevent people from dying, have to pay full price for the food they buy! That makes no sense and it could trigger a massive uprising in countries and continents where they have nothing to eat. And that is unacceptable. We need to develop agricultural supplies – and I hope that all my European friends are listening – develop the agricultural supply if we want to feed the entire world population. The agriculture ministers have an immense responsibility in the G20.
- Last but not least, I would like us to look into how to put new financial insurance instruments to work for poor countries so that they can protect themselves against price increases and events affecting their harvests. I have just given Pierre Jacquet, Chief Economist at the French Development Agency, a brief on this point.

I would also like to announce that Mr. Medvedev, President of the Russian Federation, has agreed to give particular attention to these subjects under the French Presidency.

A word to conclude, and I apologise for no doubt being way too long: global governance is a vast subject.

We have reformed the IMF and the World Bank, and we have created the Financial Stability Board.

I have spoken of our will for the IMF to take its full place in the supervision of global imbalances, but there is still so much to do. The creation of a world environment organization, the cohesion of all the agricultural organizations, action by the financial institutions in terms of the ILO's fundamental standards, and the creation of a permanent G20 secretariat to follow up on the implementation of our decisions between two presidencies.

I have asked UK Prime Minister David Cameron, who has agreed, to work more specifically on these subjects.

You see, here is a picture of a cooperative French presidency. We have a consensus on the agenda. We do not have a consensus on the solutions, that's for certain, but we have made a lot of progress with the working method and the agenda. Now we need to make progress with the solutions.

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Ladies and Gentlemen, if you will, I will take your questions on the G8-G20 and then the other foreign policy questions.