

Interview with Paul Martin, Canada's Minister of Finance and Chair of the G20

Conducted by Candida Tamar Paltiel, G8 Research Group

Unedited transcript of videotaped interview, November 18, 2001, Ottawa

CTP: Mr Martin, I would like you to take us back to the creation of the G20.

PM: Well, with me it was a step-by-step process. It really began with the Mexican peso crisis and there was, at that point, the general view that if there was transparency in financial statements, consistency in the way they were presented, that the Mexican peso crisis would not have occurred. And Canada, at that point, argued that you've got to go beyond that. You're going to have to set in banking regulations, the same kind of standards internationally that we had domestically. And that wasn't really accepted. Then the Asian crisis came along, and I think people really came to the same conclusion that that's what was required, and the G7 then pronounced from on high, that these are the kinds of things that emerging economies are going to have to put into place. But at that point, Larry Summers who was... then Bob Rubin?... who was then secretary-treasurer in the United States and I had a conversation in which we said, "You know, nobody's going to follow a G7 dictate. They've got to be at the table and be part of the solution." And as a result of that, the Americans agreed and the G20 was formed.

CTP: Could you tell us a little bit more about what you actually did?

PM: Well, I basically harangued an awful lot of finance ministers around the world, but primarily the G7 finance ministers. I would go to the meetings and essentially say, "Look, we've got to do this. They're not going to listen to us. We're going to get ourselves into the same pickle." Then I talked to a number of the potential members of the G20, and said, am I right that you people really want to participate, and they all said yes. And I said, "Well, then, you better start speaking to some of the other G7 members." I've got to say at this point, that through the process, the Americans were really very, very supportive.

CTP: And how did this lead to...

PM: You've just put your finger on what was the essential criteria. It was that we wanted the emerging economies, because that's where the problems were liable to arise. And also they were the bigger countries. Now some countries such as China and India, it was self-evident. Other countries were actually chosen because of also their regional capacity. It was expected, for instance, that South Africa would play a role within Africa. Some countries were not part of it

because in fact there were particular problems. Indonesia did not become part of it at the beginning because of the huge upheaval that was happening, and because there was a democratic deficit within Indonesia at that time, which they cleared by the time we had the meeting, which was the reason we were able to invite them in. In other words, the G7 was announced, but then there was a time period between when it was announced and when the first meeting was. Indonesia basically named its new government in that interim period so we were able to ask them. Other countries that were very seriously considered, such as Nigeria, basically solved their democratic deficit, but unfortunately it was well after the creation of the G20.

CTP: Would you tell us about the participation?

PM: First of all, in terms of the participation, there was absolutely no difficulty in having the non-G7 members participate at an equal level with any of the G7 members. And that's because you're dealing with very competent people who have a lot of expertise. Let me give you an example. Pedro Malan from Brazil, who is the Brazilian finance minister, was a former IMF and World Bank staffer. Here's a person who negotiated their debt, then came to work for the institution, had tremendous experience, had no difficulty sitting down at the table with any G7 finance minister on an equal level. Domingo Cavallo, the Argentine finance minister... exactly in the same position. These are people who've been negotiating debt on behalf of their countries or in the institutions. They've been on both sides of the table. So they had no difficulty.

Now, I'll answer your question. Over the last couple of days, how did we come to basically put through what was essentially the Canadian action plan. It was a Canadian action plan because out of the G20 there is no secretariat. It's done by the country where the chairman comes from. And so we were the secretariat, so the Canadian department of finance officials worked with the officials of the other G20 countries... got us probably 90% of the way there, and then the last 10% in terms of the countries and some of the issues that had to be dealt with, then are really dealt with by the ministers around the table. And essentially it worked out very, very well.

CTP: I'd like to know how September 11 galvanized the members.

PM: There's no doubt there would not have been, at least not in the same form, the fight against terrorism financing, had it not been for September 11, and had it not been for the G20. But I think that the effects of September 11, we've only begun to see them. Let me simply give you an example. What is going to have to be done by individual, small countries to fight terrorism

financing is going to be so extensive, in terms of their banking systems, that it's going to be impossible for them to do it unless they reform their banking systems, and it's going to be impossible for them to reform their banking systems without the assistance of the larger countries. And so all of a sudden you're going to get an awful lot of what is a broader agenda actually going to become possible because of September 11. Then I can even go one step further, and that is... a number of the smaller countries are going to say to the richer countries, "Wait a minute here. Terrorism is a terrible thing, but there are no hundred-story buildings in our country, and our number one priority is health care, or it's education." And they're going to basically say to us, "We'll work on your agenda because we think it's important, but you'd better help us with our agenda." So I think that actually some good may come from what was a terrible, horrible event.

CTP: So actually, what kind of trade-off...?

PM: Really, very little negotiating took place at these meetings. What really happens at G20, G7 or IMF, World Bank meetings is that essentially the ministers come together. There will be a lot of corridor discussion. Consensus will begin to develop on a certain set of issues. Officials may well be pushing for a certain set of issues, or individual ministers may have very strong views. Then they have their committee meeting. They will basically establish the agenda and the officials will then go away, and in the interim months, work on that agenda and come back and report. At the reporting stage, it would either be, this is the progress we've made, or this is the progress we haven't made. So it's an ongoing process all the time. But the detail work is done by officials in between meetings.

CTP: During the press meetings over the last two days there seems to be a momentum.

Yes, I think so. I think that what happened was that we went into September 11 with an economic slowdown, a global slowdown, really the first economic slowdown synchronized, in nature, that certainly I've ever seen, but there was a view that this was a cyclical slowdown and we would come out of it. I think what happened after September 11 is the recovery that a lot of us had begun to see flickering in the far-off horizon was clearly put off. I think there was a recognition that, in fact, when you've got a synchronized slowdown, and when it's been hammered by something like September 11, that maybe the world itself had better start to look at what's going on, and what could be done to make sure that we come out of it.

CTP: There are a number of things that I've noticed — there seems to be a return to looking at the underlying values.

I think it's very much a values question. I don't think that anybody disputes that dealing with poverty is a moral imperative. I think that everybody understands that free trade which benefits only the wealthy countries (essentially the countries that now have got the tariffs are the wealthy countries against the poorer countries) ...I think that that's something that more countries are beginning to realize that we have to do something about it. I must say that I think you're absolutely right that September 11 essentially told, certainly those of us who live in North America, that we are no longer invulnerable. And that has certainly created a very different perspective on the world, and I think, that sense that emanated from North America is, in fact, permeating the rest of Europe and Latin America.

CTP: Can you tell me what you are personally taking away?

I think it is that individuals can actually control their own destiny. That you just don't simply have to lay back and be rolled over by the huge forces of globalization that you can't control. That it is possible for nation states acting collectively to, in fact, deal with the problems they face. I also have to say something else that really didn't come out of this meeting, but that this meeting certainly confirmed, and that is that Canada is really, I think, the world's first 21st century country. We have a very post-modern view. Not only is our economy open, but in fact the waves of immigrants have changed the way Canadians look at the world. I think that we are by far a more modern country than almost any other, and that there is a huge opportunity for Canada to play a leadership role. We are not a dominant power such as the United States. We are not narcissistic as are so many Europeans in the process of building Europe. We are not beset by economic problems as are the Japanese. And we have this much more progressive view of the way in which the world ought to evolve. I certainly, and I think a lot of people, have felt there is a real role that Canada can play... very similar to the role that we played in the 1960s when the world was going through a different era and a different kind of reconstruction. I believe that's what's happening now. And what happened this weekend, in my view, is because Canada played such a strong role, that perspective of the responsibility and the opportunity for Canada worldwide was confirmed.

CTP: Could you be more specific about what particular plan of action exists. What are the agendas for the future?

I think what you're going to see over time is that the Canadian action plan to fight terrorist financing is going to be taken much further. It's going to be taken into the kinds of structures that are required to make the international economy work well. We're talking about debt moratoria for countries that are in difficulty. We're talking about debt forgiveness for countries that simply cannot face up to their debts. We're talking about the kinds of rules of the game that are going to have to be established to protect countries regardless of their size. We're talking about the basic responsibility that we have to deal with, in fact, the world is going to be adding a billion and a half people to its population, fifty million of whom live in the rich world, a billion and a half who live out there and the legacy that we cannot pass on to our children. This is all part of the Canadian agenda and it's certainly one that we intend to take further.

CTP: Do you see the function of the G20 changing?

The great strength of the G7 was that they were not only powerful economies but they were small enough that they were able to basically argue back and forth across the table. The big problem with most international meetings is people come in and they read set pieces. They just simply read them and there isn't much interchange. The great advantage of the G7 is that there is that interchange. Now, what we sought to duplicate on a much larger level with the G20 was exactly... that's why it's restricted to 20 countries... was that kind of interchange. But it is from that kind of interchange as long as the countries are big and powerful enough, that in fact those deliberations lead to real decisions. Best example: it was at deliberation of the G20 that essentially meant that half an hour later when the IMF had its meeting that in fact the action plan against terrorism simply was taken right into the IMFC and was adopted. So that it isn't simply, let's discuss, it's, let's discuss and make a decision and implement it. And the G20 was able to do that in this particular case. I think you're going to see more and more of that. I think that the G20... its ability to implement its decisions is now becoming clear. Its ability to set the agenda is now becoming clear. I think the best proof, of course, is that the unhappiness that is caused by people who are not in the G20, which is a problem we have to deal with.

CTP: You've spoken a little bit about the areas of consensus...

The urgency of decreasing the level of foreign aid.

CTP: ...comment on the areas where there was not consensus?

In Montreal we established something called the Montreal Consensus, which essentially says that economic growth is not enough. Economic growth as the solution to all the problems is really a product of what they call the Washington Consensus. We took it one step further and said economic growth is absolutely crucial, but it's not enough. You have to have development. You have to have solid health care. You have to have education. And as part of that, foreign aid is required if you're going to succeed in that area. That's the Montreal Consensus... one step beyond the Washington Consensus. One of the things that happened at this meeting is that there were those who felt that the Washington Consensus was sufficient, and so there was a battle between, look... just establish free markets and make them work, and then all good things will come from that. There were others, including me, who feel that free markets need a little help.

CTP: What do you think will be the agenda for the G20 in India?

A lot of that is going to depend on what happens over the course of the year. I certainly don't think that if you asked me that question a year ago I would have said fighting terrorist financing would have been on the agenda. But I think the issue I have just raised is going to be very much on the agenda. And that is essentially, how are we going to bring Africa, the poorer parts of Central America... how are we in fact going to give them the opportunity (and their populations, the opportunity) to really increase their standard of living substantially. As of today, I believe that will be number one agenda. If the global economy has not turned around by the time of the next meeting, I can assure you it will be the number one topic.