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JAPAN'S G-7 AND CHINA'S G-20 CHAIRMANSHIPS:
BRIDGES OR STOVEPIPES IN LEADER SUMMITRY?

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P R O C E E D I N G S

MS. SOLIS: Good morning, everyone. I am Mireya Solis, senior fellow and Philip Knight Chair in Japan Studies, and on behalf of the Center for East Asian Policy Studies and the Project on International Order and Strategy, it is a pleasure to welcome you this morning to the program on global summitry in East Asia.

Before we discuss the substance of the event, I want to express my condolences to the victims of the earthquakes in Japan and Ecuador, our sympathy for the people who lost their lives, people who lost loved ones in the communities and places of work that were destroyed.

Let me then move on and talk about the program for today. Every day we are reminded how in an era of fluid geopolitics, fluid geoeconomics, challenges to the international order abound, from ever morphing terrorism, massive refugee flows, a stubbornly sluggish world economy, and the specter of global pandemics.

Inevitably, the question arises, where will needed governance come from? Which nations and which platforms will step up to the plate? Should it be the G-7? Should it be the G-20? Should they work together and try to coordinate in providing effective ways in dealing with these pressing challenges to international order.

The problems and the solutions, of course, are global. The question of the role and effectiveness of leader summitry is of particular importance to East Asia in 2016. Why? Because this year, Japan and China, two economic giants, which sometimes are perceived as political rivals, will respectfully host the G-7 and the G-20 summits.

So, we have prepared a program to address the following timely and important questions, and of course, we are going to invite all of you to share your opinions in the conversation later on.

What are the questions guiding our program today? First and foremost, is global summitry effective in providing international governance? Second, with a focus on East Asia, how will China and Japan use their role as hosts to boost their leadership credentials and advance important priorities in the foreign policy strategies?

Third, we are going to talk about the coexistence of the G-7 and the G-20, and the question here is can the Asian hosts create synergies in the work they do? We know there are areas of

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shared interest, restoring the health of the global economy, promoting development, promoting quality infrastructure. These are crisscrossing areas of interest.

Should we expect, therefore, a very effective coordination where the G-7 and G-20 work in tandem, or can we expect the more familiar pattern of separate tracks and disparate efforts to take place?

As you can see, I have given a lot of homework to our panelists to address these very complex questions, but they are undaunted because they are true experts on these topics, and they have very kindly agreed to share their insights with us today.

I will introduce them in the order in which I will ask them to come to the podium to offer their remarks, and then we will move on to have a conversation with all of you.

So, first, my colleague and co-organizer of this event, Tom Wright, fellow and director of the Project on International Order and Strategy. Tom works on a very broad set of strategic issues, such as the future of U.S. alliances, multilateral diplomacy, and U.S. relations with rising powers.

The world has caused the role of leader summity in international governance, and I think in particular, G-7.

Yves Tiberghien is director of the Institute for Asian Research and associate professor at the University of British Columbia. Yves' research focuses on G-20, global public goods, and climate change. Yves' regional expertise also runs very deep, and he is equally comfortable talking about Japan and China's economic and foreign diplomacy, and so he has kindly agreed to talk about how these two Asian hosts will use the G summits to advance important foreign policy paradigms.

Another Brookings colleague, Colin Bradford, is a nonresident senior fellow at the Global Economy Program, and previously Colin was chief economist at USAID. His research areas are in global economic governance and international economics and development. Colin will discuss the short-term growth agenda and the long-term link to sustainable development goals.

I also want to announce a big change in the program. Nancy Alexander, unfortunately, cannot be here with us today. She had a personal emergency, and therefore, she could not be here this morning with us.

That is all for me for now. I would like to ask Tom to come to the podium. Thank you.

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MR. WRIGHT: Thank you, Mireya. I'd like to thank you, and to Jennifer as well for organizing this with us and for really doing the lion's share of the work, so we appreciate it. I think it is going to be very interesting, and I am looking forward to the conversation.

I think we have had sort of an unusually interesting year for G-7 and G-20 summitry. There is very little, I think, that we can say with certainty except maybe that Justin Trudeau will take the opportunity to steal the limelight yet again at an international summit meeting, maybe by speaking Mandarin fluently to Xi Jinping in Beijing or Japanese to Prime Minister Abe.

What I wanted to talk about is really these upcoming summits but mainly the G-7 and the different agendas of the two hosts, and what this sort of represents. Mireya asked, I think, a very important question, which is what does this mean for global governance and what can we take from the summits to understand how countries are tackling common challenges.

I might reframe it a little bit and say these two summits really represent two very different sort of models about how the world is going to work for the next 10 years.

On the one hand, you have sort of the G-20 summit, which I think represents ideas that have been pretty dominant over the last 10 or 15 years, which is the challenges we face in common are more important than the things that divide us, and the issues like climate change and infrastructure, growth, development, non-proliferation, and counterterrorism, all of these challenges are ones that countries, major powers, generally have in common.

The most important thing is how they sort of react to that, and the challenge is really to have increased coordination and cooperation so you have more effective responses to these problems. You need to bring more countries into the tent and you need to deepen sort of engagement, and really have sort of a transformation, an ongoing transformation of world politics.

So, that is sort of the G-20 model. Obviously, it dates back to one of those greatest moments of common challenges in 2008 and 2009 with the financial crisis. The second sort of view is that actually while those challenges are quite important, we are seeing the return of interstate competition, and we are seeing the return of competition between major powers. Some of it has an ideological dimension.

Actually, you can't get very far by bringing countries together in large numbers because

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you can't really talk about responding to Russia and Ukraine when you have Russia in the room, and you need to agree with everything with Vladimir Putin and similarly perhaps with China, and from the Chinese and Russian perspective, maybe they have issues they want to deal with with Western powers, and that is complicated, and by those large forums as well.

That model is really why we need to continue to work on climate. We need to continue to work on the global economy. We also have to be attentive to the balance of power in East Asia to Chinese activities in the South China Sea to Russian activities in Europe.

In Dean Acheson's famous words, you need to build situations of strength amongst like-minded powers, you need to bring together Democratic countries, Europe, Asia, and North America, to work together, maybe other like-minded countries, to work increasingly together to advance their agendas.

It is a more sort of divided world. To me, this sort of difference between the geopolitical and the more sort of transnational global issues, you see it in the Obama Administration and even in the president's own words on foreign policy over the last 8 years.

This is really crystallizing this year in these two summits because what we have in the forthcoming G-7 summit is a host, Prime Minister Abe, who has his list of common challenges and said he wanted to focus on climate, infrastructure, and health, and obviously, there can be immediate crises infused into it either in the Middle East or by North Korea.

Really what he wants to focus on is East Asia, and what he wants to focus on is trying to convince other democracies that actually they, too, have a stake in the South China Sea and the East China Sea, and they, too, have a stake in putting some pressure on China about territorial issues.

On the agenda, we saw the communique last week or the week before from the G-7 Foreign Ministers' meeting in Hiroshima which focused quite a lot on the maritime communique and focused a lot on the South China Sea, and he has invited other countries from the region to attend.

I think the way the prime minister sees this issue is essentially he believes that the common sort of thread between what is happening there and European and North American interests more generally is the rule of law, and there is a commitment to multilateral resolution of territorial disputes, and to certain processes that is sort of an unifying theme between the Ukraine and the maritime

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disputes in East Asia.

He sees this as a way of trying to bring in or lock in European countries into having more influence or making this part of their agenda with China, because of course, they have made their China agenda primarily around commercial and more sort of common political diplomatic issues rather than these issues of conflict of interest.

That is where he sort of sees it. The U.S., I think, is broadly onboard with that as a general matter. The U.S. has certainly pushed Europe to take a more active role in the case the Philippines has against China on the South China Sea, which is coming up for judgment in a couple of months. The U.S. has encouraged Europe to take a more active holistic role in East Asia.

The problem is this sort of agenda, of course, runs directly into the G-20 and into China. China has reacted very angrily to the prime minister's focus on the South China Sea and maritime issues, and it has really been sending warning shots in the media, in the Chinese media and elsewhere, saying this would damage bilateral relations between China and Japan, but one also suspects that it will complicate the G-20's role as well.

I don't think there will be any sort of real change in path on this, because I think as I was trying to say a minute ago, it really reflects fundamentally different visions of what is actually most important.

For the prime minister or even for many people in the United States, the issue is not about focusing on the South China Sea will disrupt other issues, it is that issue in and of itself merits greater attention sort of on the world stage.

There are a couple of sort of flies in the ointment, as it were. One is the prime minister's stated desire also to build bilateral ties with Russia. Although he has been very clear in condemning Ukraine and is certainly steadfast on sanctions against Russia, it is well known he would like to see more bilateral relations, bilateral engagement, with Moscow because of the unresolved issues with Japan's Northern Territories.

It believes it is a way to essentially engage Russia on common issues while disagreeing on Ukraine and while maintaining sanctions, much in the same way that the world sort of engages with China on common issues while disagreeing on specific issues.

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There has been strong push back against that from the U.S. and certainly there is a lot of concern in Europe on it.

The second issue is the Europeans' response. I think Europe will be reluctant to go along with sort of Abe's vision of where the G-7 should go because they do have a very different view of China. It's not that they think what's going on with the South China Sea is okay, it is they would largely like to compartmentalize it in one sort of section and focus on the other sort of common interests.

They are more in the G-20 sort of mindset, but at the same time they are in a difficult position, I think, because the rule of law sort of issue, and particularly the case, the Philippines case, does sort of make it abundantly clear there are fundamental issues at stake here, and for Europe not to sort of back China -- not to back the Philippines on that case when the judgment comes out -- to back the finding of the court as opposed to the Philippines, and I'm assuming here it will be somewhat favorable to the Philippines.

Even if it is not, even if it is more mixed, China doesn't recognize the authority of the court, of course. For Europe, that raises a pretty fundamental issue on the rule of law.

I think we will see a sort of clash, not a clash at the summit, but we see a clash between the summits to that extent. We will see a lot of diplomacy between the European leaders and the Japanese in terms of trying to nuance it or ensure that it doesn't sort of take over the entire agenda.

To me, what the sort of fundamental takeaway is these geopolitical issues now have cotangent effects, they are now beginning to affect other types of cooperation, and I think that is not a surprise, and it is not something that is really reversible because until there is a fundamental change in world politics, these are real issues. These are issues that Japan and other countries are fundamentally concerned with.

They do rise to a higher level of importance in those countries than these transnational issues. When faced with a choice between sort of issues of fundamental geopolitical importance and say climate change, a country is going to go with the issues of fundamental geopolitical importance, even though climate or development are very important long-term issues.

We will see, I think, some cotangent effects from these issues. When I think back to a couple of years ago when the Malaysian airline went missing, the East Asian nations found it very difficult

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to share radar data because they were worried about that being used against them by other countries because it would have revealed their strengths and vulnerabilities.

That was a very early sort of example of how global cooperation can be complicated and by geopolitics.

More generally, and just to sort of conclude, I think when you look at the G-7 summit, these leaders, you know, fundamentally, what makes a G-7 summit different than the G-20 or the larger forums, is it is a very small informal gathering.

Essentially, these leaders will talk about what they want to talk about. They are not bound by secretariats or by pre-cooked sort of agendas, although that does have an impact. They come to it from very different perspectives.

Several of them are in quite a bit of trouble. David Cameron, of course, maybe in the last few weeks of his prime ministership, when he goes to Japan, seriously, it is pretty well acknowledged he will probably be forced to resign, and it obviously is a very large issue for Britain's future, but also for the global economy. The IMF warnings and others about the real risk to the global economy, I think, is something that will be on the minds of the leaders.

There is actually very little they can do about it, the die have been cast in a way. The vote, I think, is on June 23. Really, there is very little they can do at that stage.

If the meeting was immediately after the vote, there may be a way to try to sort of limit the damage, but it is before. I think it will be on the minds of the leaders.

Angela Merkel is probably less severely but also in trouble and under pressure because of the refugee issue, which has slightly abated in recent weeks, but is still very much a long-term sort of challenge, and there are German elections next year. There are French elections next year. President Hollande is under pressure there. Renzi, I think, is in a slightly different category, a little bit less pressure. Justin Trudeau, as I mentioned, is still in the sort of honeymoon phase, which leaves President Obama.

Obviously, a trip to Japan is part of the broader thing for him. There is the whole issue around Hiroshima and the broader sort of context of his trip to Japan. I think he will agree about the focus sort of on East Asia, and while we need to keep focus on these transnational issues, he has been long on record that the U.S. is over invested in the Middle East, and there needs to be more sort of global

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attention and U.S. attention on the Asia Pacific.

I sense some sort of overlap between him and the Prime Minister there, even if would obviously, I think, not push probably the maritime issue to the forefront to the same degree that Japan has.

So, I think I will just conclude by saying that I do think these are very significant summits. I leave it to my colleagues to talk about the G-20, but I am happy to talk about it in conversation. I do think that will be focused more on these common challenges, and we may have real issues in the global economy that need some addressing come that meeting.

This G-7 summit, for me, at least, marks in addition to the one that excluded Putin, although he then sort of showed up uninvited, but along with that one, it is really a landmark in terms of the trajectory of geopolitics toward a more competitive environment.

The question, I think, is whether or not we see anything over the next few years that can sort of pull that back more in the direction of common challenges or whether that continues.

Thank you very much. (Applause)

MR. TIBERGHIE: Thank you, Tom. Thank you, Mireya, for inviting me. It's a great pleasure and honor being here.

I'm going to start with the big picture, where the big issues are, and then I'll narrow it down to 2016 risks and opportunities, and then get down to the two summits.

I'll take more a position of a big historical overview and liberal internationalism with some realist caution.

First, to start off, I would argue that we are living through a historic transition in the global system and human history. The stakes are high. We are not in a period of business as usual. We are in a historical change. The decline of transitions that happens once in 100 years. The stakes are very high.

There is also a strategic window of opportunity because we are still at a time when the dialogue between rising powers and established powers is possible, where cooperation is possible. It is also a period of real creation, and there will be a reward for policy entrepreneurs and for those who play an active role in setting the new rules.

I think that countries that get this the most, that understand the sort of historical period

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where we are, are Singapore, possibly Korea, and Canada may be coming back to it under the current government.

I should also point out that in 2016, we don't just have those two events, G-7 and G-20. We also could have historically important a trilateral summit between China, Japan, and Korea, although there is less momentum now, but behind the conflict I am about to talk about between Japan and China, there is actually convergence of strategies between Japan and China.

Both of them want to increase the percentage of their trade covered by FTAs, which is very low. Both of them want to reach about 70 percent, and for both of them, they can't reach that target without including each other. It comes from trade ministries, but they have come to the same conclusion.

My punch line before I get to more details is by and large, however, the G-7 and G-20 operate in different spheres. They are mostly led by different Ministries, so in that sense, I agree with what Tom just said, there is very little coordination between the two hosts at the moment, and there is clearly some irritation around the South China Sea issue, even though the two summits could end up walking in the same direction on climate and development, but without real coordination.

Before getting back to the summits, I want to step back and ask what the current global challenges are, since Mireya put to us the challenge of dealing with them, and then seeing how the summits can answer them.

To me, the real challenge facing us and all the countries in the world is how to buttress the resilience and capacity of our global liberal economic system in the face of both a period of prosperity and interconnectivity, but also three fundamental challenges.

Those three fundamental challenges, if you look at history, tell us that the global economic system that we have today could collapse, as it did in the 1930s. I think that to me is the real big issue above all. Number one, we face an increase in systemic risk of growing and growing scale that includes financial crisis, and there we have to deal with the tremendous complexity of preventing another crisis, but also knowing how to coordinate the response when it happens.

We should remember a great historian, Kindleberger, reminding us that why the 1929 crisis was so great or became so treacherous and led to the collapse of the global system, it's not because of the stock market itself, it was because the large players became unable to coordinate the

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response, and in particular, the U.K. had no mobility to deal with a crisis that big, the U.S. was unwilling.

So, if we have a crisis in 5 or 10 years and we have the U.S. and China in that kind of situation, then the crisis would not be answered in the way it was in 2008 and 2009.

We also face systemic risk, of course, as mentioned by Tom, around issues like climate change, and the only way to deal with climate change and not have the real dire scenario's that have been given to us, is by transforming our economy structure entirely by about 2050, so we have 35 years to decarbonize, which means have new technologies and do things differently.

The challenge is big. We also have to deal with pandemics, managing high risk technologies, and above all, the interaction between technologies in the natural order, what Prime Minister Putin calls "planet building." We have real big issues to deal with. That's only the first of the three challenges.

The second one is adjusting to the tremendous shift in the global balance of power that we have just gone through. This is the once in a century shift. Remember, China's size of global GDP was 2 percent in 1990, and today, in nominal dollars, is between 13 and 14 percent, in PPP terms, 19 percent. That is just China. China is about the shift. The other emerging powers also got another half of global GDP.

You don't have a shift in global GDP that big without the need to adjust a lot of things, including global growth, global institutions, and then voice in those institutions. It also put geopolitical pressures, and I think that is where I converge with what Tom said, but in a way when there is a shift that big, there has to be adjustments, right? We can't just hold the way we were before, otherwise those tensions are unmanageable.

That is the story we lived through with the rise of Germany, the rise of Japan. The system was unable to give space to that rise, and that led eventually to extreme tensions and war.

The third challenge is we are dealing with tremendous anger and sensitivity to inequality in most countries, particularly the U.S. and Europe. Essentially, the people are angry and support for global governance today and globalization is going down. It's even lower for global governance than for globalization, so it's hard to coordinate and create rules to deal with those problems when actually the public doesn't support it, because they lost trust in it.

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So, those are the big issues, and behind this, for one big challenge, is how to build trust between emerging and established powers, and integrate China in the world order. In a way, I would put this as the number one issue that we face when you have a rising power that size displacing that much, that is the number one issue, how to integrate them in a global world based order that we live in, in a way by giving them voice and by getting them to stick to the rules as well.

So, that is the big picture. When I get to 2016, we actually face a bundle of unprecedented risks and a few opportunities. The report that is done every year by the Eurasia Group, by Ian Bremmer, this year said in the 20 plus years they have done it, this is the year with the highest systemic risks and the highest geopolitical risks.

So, we have that on the one hand. We also lived through a period of deceleration of the economy. The IMF keeps downgrading the global economic growth. Trade is flat. We are not quite negative but we have less trade growth than we have even in economic growth. We have essentially no more room, no more fiscal room, no more monetary room, and structure reforms are not doing very well either, so we have very few engines to dynamize the global economy.

I won't say more because Colin will pick that up, that thread, because there is one engine that's possible, which is infrastructure.

When it comes to social discontent, we should really not minimize the issue of the Panama papers. It's not just the fact that information was released. It is the fact that it is really explosive information. In a way, the Panama paper puts China but also Iceland, the U.K., France, the U.S., Malta, on the same page, that is a sense that the game is rigged due to a mismatch between the exit options available for the wealthy and the capacities of the state to deal with them.

The average people looking at this are angry because of the sense that the game is rigged. That sense is explosive. That is what drives revolutions. We have the same kind of anger in China with respect to the elite, as now we have toward Cameron or Iceland.

This is very important, and in turn, it feeds into populism. We have the rise of populism. We see it in the U.S. election. We see it in a lot of European countries. Remember, populism and political actions responding to social anger is what Polanyi reminded us drove the collapse eventually of the global economy in the 1930s.

We also know living through one of the greatest period of migration flows, this is not going to be just about Syria. There will be more. Some driven by poverty, some driven by climate, some by war. We are not equipped to deal with this. We deal with state collapse, terrorism, and if we believe Ian Bremmer, the biggest thing that could happen in the next 2 to 3 years is the collapse of Saudi Arabia, because the model is teetering on the brink.

We find creeping securitization of the global liberal order, instead of having the global economy integration leading to reduced tensions on the security side; right now we have the reverse with tensions on security starting to affect the trust in the global economy.

So, the opportunities, however, are related to sort of an amazing series of things that happened in late 2015. First, we find finally at the end of term, real U.S. leadership and U.S. leadership is the oxygen in the world system.

Of course, the number of things where the U.S. is leading now when it comes to climate, STGs, reforms, et cetera, are issues where the leader cannot take full ownership in the public realm in the U.S. or in Congress for that matter. It is kind of odd leadership, lame duck leadership, but it still works at the moment. The STGs were a huge thing; COP 21 was a big thing. The IMF reforms finally ratified.

Finally, there is a bit of a window of opportunity between China and the U.S. That now leads me to a couple words on G-8 and G-20, in this bigger context. About the G-8, it is important to note that foreign ministries dominate the agenda of the G-8, whereas in the G-20, the finance ministries and a few other ministries in some countries have a key role. We know the foreign ministers' communique is out. There is some good work there on nuclear disarmaments, some tremendous symbolism, seeing Foreign Minister Kishida and Secretary Kerry holding each other in front of the Hiroshima Monument. That is a powerful moment.

There is a lot of action on a lot of security issues, but on the maritime security, that strong declaration in support of UNCLOS, and we should remember, UNCLOS not ratified by the U.S. yet, that opens some risks. If this issue is not managed well, it will indeed affect all the other issues that I just listed. So, that's the most sensitive issue. The hope, of course, would be to find a way to save face for China, although nobody has found that way yet.

The two areas where there may be a bit of convergence with climate and developments,

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which are both on the G-7 agenda, but in both cases, there is no mention at all this is a core issue for the G-20.

For example, on climate, the G-7 is expected to play a leading role in the area of energy policy or in addressing climate change. On developments, the G-7 will need to take a proactive leadership role in carrying forward the agenda, so there is no effort at building a bridge here with the G-20.

Now, the note, however, is that the G-7 can possibly marshal resources and some funding, but any real action on climate, development, et cetera, requires coordination with emerging economies. Taking too much of an in the face kind of leadership through the G-7 will actually backfire, will not help the global issues as much.

When it comes to -- the songs I hear from Canada and Europe have been indeed a little worried about where Abe is taking the summit. It is not just the Europeans. The Canadians have also been -- they are kind of put in this difficult position because they cannot say no, we don't respect international law, so they have to stand behind UNCLOS, although they all believe in international law.

They also know building bridges with emerging powers over global issues is what will make or break the global system. Going in the face and destroying bridges will hurt every other issue.

In addition, we lived through a period of a rising power as I mentioned, and you can't have a rise that big without giving a bit of space to the rising power. Giving that space while upholding international law is the key challenge here.

Now, going too far in the face with China, however, creates what we see now, which is a tit for tat action/reaction game, where each step taken by the U.S. and Japan leads to a counter step by China, and more and more militarization. That, I think, is not the ideal pathway, but finding a better pathway is not easy right now.

The G-20 is going to focus on growth, trade, developments, climate, tax evasion, and there is potential progress there. I'll keep the rest for Q&A, but I wanted to do a final couple of points on Japan, trying to think bigger about Japan, and relating conversations I had in Tokyo, beyond the Foreign Ministry, but with other ministries, political leaders and economic leaders there, Japan has tremendous assets, technology, know-how, human capital, is a tremendous player in the U.N. system, tremendous

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endowments.

Probably Japan would maximize its role in the global economy and a global geopolitical system if it can position itself as maneuvering between emerging powers, including China, and established powers, which then requires a real engagement with China.

Taking advantage of the current moment when new rules are being redrawn and when the future of the system is at stake, it requires primarily for Japan better coordination in the country, the prime minister's office. Today, Japan suffers from fragmentation among the three core ministries, and I know, for example, MITI has much to contribute on the issue of global economy coordination, that ideally should have a bigger voice in the country in the management of both summits, but it's not happening right now. I think Japan could do more by pulling all its forces and all its endowments together.

Thank you. (Applause)

MR. BRADFORD: Thank you very much for being here, everyone, and thanks to the organizers for actually focusing on the G-7 and G-20 together, something which for a long period of 13 years that I have been working on the G-20 I have been loath to do, because 10 years ago, 13 years ago, I was a replacer. I came here to Brookings in 2003 and wrote a book about changing and transforming the G-8 to G-20 at summit level.

I am glad you have done this, because I think it is very revealing of some of the real tensions involved, and I think the discussion will be excellent.

Let me just move quickly to what I have to say. The issue I'm going to start with is the one Mireya mentioned, which is the G-20 growth agenda and the long run sustainability agenda.

We just had in this very room last Wednesday a Think Tank 20 meeting between Brookings and several advanced country institutes, CGD, LAII, and the German Development Institute, along with three leading think tanks from China, CAS, the Shanghai Institutes for International Studies, and Rendon University. We had a meeting of 60 people in this very room last Wednesday on the G-20 China Summit.

Where we came out was the three top priorities as far as the Think Tank 20 is concerned, are growth, infrastructure, and Agenda 2030, and to see these in an integrated way, and see them in an integrated way synoptically in the following way, that there was considerable concern among the

economists in the room about the vulnerabilities in the global economy.

That translated into a concern about understanding the underlying fundamentals that are driving the continuing vulnerability and sluggishness of the global economy, such as the dynamics between productivity change and growth, which are negative in terms of employment creation, and nobody quite has a handle on it, there is no silver bullet for sure, if anything, that problem itself reduces to granularity inside of specific countries, different responses in different places.

It shows that there is more to the problem than just insufficient aggregate demand, and that one needs to simultaneously think about the long run trends, the long run dynamics, the long run underlying fundamentals at the same time that you are trying to achieve growth in the short run.

It was said at the outset that we have essentially exhausted monetary, fiscal, and structural adjustment policy, as Yves just told you, and it was argued that the fourth pillar for dealing now with both the short term and the long term is investment in infrastructure, and it is really a shame for more reasons than one that Nancy Alexander is not with us to discuss this, but personal issues prevail over professional ones on occasion, and unfortunately, that is true in her case.

It is clearly true that there is an underlying need to use investment in infrastructure to spur short term growth, which it does by increasing demand for investment goods and construction and the like, to use investment in infrastructure as the key vehicle for achieving transformational changes the way Yves spoke of it, on climate change, and to use investment in infrastructure to achieve the transformational changes that are envisioned in Agenda 2030 towards achieving sustainability by 2030 and beyond, to 2050, as Yves mentioned.

So, investment in infrastructure becomes a key instrument. In fact, the only instrument that is left, the only arrow in the quiver, because monetary, fiscal, exchange rate policy, and structural adjustments, the normal macro tools, macro policy tools, have been exhausted.

So, let me just tell you something to make a contrast here as a way of making a point. What we decided in our meeting among predominately economic think tanks, although not entirely, was this agenda, growth, infrastructure, and Agenda 2030 go in that order.

Now, there is a danger to doing that, which Yves actually has captured in something he now calls "Vision 20." He held the first large meeting of this in the G-20 Summit site in Hangzhou, China

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a month ago, three weeks ago, and I participated, and his ordering is different, I think, or I would argue that the order for -- what is the point of Vision 20 as opposed to Think 20?

The point of Vision 20 founded by Yves is to highlight the longer term underlying structural more political elements of managing the future than the current practice in G-20s in general, and regrettably, in G-20 Summits, to focus on the short term, to focus on the technical, and to focus on macro policy oriented things.

In other words, the discourse of leaders at summits has been swamped by the discourse of finance ministers at a different level.

I submit to you that people don't understand exchange rates, and if people don't understand exchange rates, talking to them about it in order to reassure markets is going way over their heads.

The reason that summits, G-20 Summits, seem to have flags since 2010 is not because the problems aren't urgent, it is the summits have focused on the wrong problems. They are focusing on, as this critique basically points out, on the short term, the incremental, and the technical problems that are in the domain really of finance ministers, and not on the leadership issues of a people as Yves has pointed out who are angry, anxious, and concerned about livelihoods, their pensions, their economic security, their social security, and the political paralysis in many of their countries, not to speak of the planetary boundaries which are being transcended.

So, the failure of leaders has been they have not articulated the vision of urgency that the future holds for the planet and for our people and for our societies, our economies, and our economic institutions, if there is not transformative change.

So, this puts a completely different light on the sustainable development agenda. The "sustainable development agenda" is a term from the 1990s that applied to developing countries. Agenda 2030 is a sustainability challenge to the world that includes importantly and crucially the G-20 of countries, because if systemically important countries don't commit to Agenda 2030 as a domestic agenda, global sustainability will not be achieved in 2030 or in 2050 because business as usual simply will not get us where we are going.

It is a political failure to articulate the urgency now of anticipated problems in the future if

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we continue on business as usual. That is the fact.

The wonderful convergence here is that 2016 is the first year of implementing Agenda 2030, and it happens to be the China presidency in which China, I think, wishes to make a difference from Hangzhou in September, and wishes to strengthen its own leadership in relation to the global interest, rather than just asserting itself and its own national interests, because that is what the G-20 Summit is basically about.

I mean, think about it. The advantage to internationalizing the politics of large continental-sized nations like the United States and China is to insert them into a multilateral mechanism like the G-20, where you have other significant powers that you cannot ignore, civilizational powers, important cultures, irrespective of more populous than the G-7, irrespective of the fact their economies are also large.

So, these are countries and peoples, nations, that need to be brought into the global conversation, so by having those voices and those powers at the table in the G-20, the larger continental powers like the United States and China, have to behave differently in that forum. You just can't sit down and say because we are large and massive in size, we think this and therefore you must do this as well. This is not the political dynamic of how the G-20 works.

So, I think China will cease this moment to try to exercise leadership, and there is evidence already. Haibing Zhang from the Shanghai Institutes brought two G-20 development working group papers from a meeting of the development working group in April to our Think 20 conference last week. One of those papers had templates of eight issues that you would want G-20 countries, major economies, to address, seven of those eight issues were domestic, the last one was about relations of advanced industrial countries with the developing world, which is the right proportions to have if you take Agenda 2030 seriously. The other one was a draft of the collective action plan of the G-20 to address Agenda 2030.

The indication is there, that was phenomenal news as far as we were concerned, actually Haibing Zhang and I had written a paper a year and a half ago arguing this is exactly the path that China should take, which is to say that without, as I said before, the systemically important countries in the G-20, Agenda 2030 means nothing, the 173 countries that are not in the G-20 can do everything under the

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sun to reach sustainability themselves by themselves, and they will not reach it because the spillover effects and global trends are set by the G-20. So, without them, the Agenda 2030 means nothing.

I think this documentation is very encouraging, but there is still reluctance among the advanced industrial countries to take this as seriously as I am trying to argue it should be taken with you this morning, I think, and this is just a development working group set of papers. There has been a meeting since which has endorsed them and seems to be taking them forward, but there is a long way to go still to see whether China and the G-20 leaders actually deal with this.

Let me go to the point that has been already discussed here, what is the relationship between the G-7 and the G-20 on these issues. You have heard a good discussion this morning on this. I think the way I would reflect on it, thinking about what Dean Acheson said, Tom, about you have to find situations of strength with like-minded countries.

Dean Acheson was Secretary of State a long time ago. We live in a very different world. I think a better approach to geopolitical security and economic challenges, the urgent systemic challenges that we face, is to realize that there are two responses we can have to these global challenges.

One is populous nationalism, which is what we are seeing now on the part of not only other countries but the U.S. in particular. It's very interesting as you look around the world that there is a missing political center.

You would have thought in a time of economic uncertainty, social fragmentation, that the center, even the progressive center left, would have captured this anger that Yves mentioned before and that I have mentioned.

What has happened is the extreme right has captured that anger. That is a danger. So, there is an alternative, which is responsible nationalism. G-20 is not an international organization. This is not international civil servants who have left their roots behind who meet and decide the fate of the world. This is a forum of national political leaders, even finance ministers are national political leaders.

The game is how to articulate these domestic concerns and anxieties into a global posture and policy and strategy to deal with issues which are of concern to people in a way that makes them feel secure, that reassures them that leaders understand the threats that impact on them and moves the world towards some sort of resolution.

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It's my view that the G-7, the worst thing that could happen to the G-7, and I have felt this for some time, is that it become a caucus of like-minded people who kind of get their house in order before they go to the G-20 Summits.

Stephen Harper tried that in Canada in the early part of 2010 by having the G-7 Summit - G-8 Summit then -- first, and a day later the G-7 Summit in Toronto. The Chinese threatened not to go. The Koreans who were holding a summit in Seoul, Korea in the fall of 2010 were furious.

It shows you that is not the way to do business, and what you want in the G-20 in any case is not locks, you don't want the G-7 forming its positions and the BRICs forming theirs and having a "conversation" across these divides.

What you want is a complex agenda in which everybody has different national interests, and therefore, they align themselves differently depending on what issue is on the table, so you get what I have called for some years "shifting coalitions of consensus" within the G-20, so that on Issue A, one set of countries will have a majority voice, and on Issue B, a completely different set.

That is a much healthier dynamic because it means that you are negotiating about pragmatic, real tangible things, and you're not dealing from allies versus enemies. You are not dealing with adversaries. You are all working together trying to move a complex set of issues forward simultaneously.

So, I think the bottom line here is the STGs, Agenda 30, could be an answer to the political missing middle. The STGs, when you start to think about it, has a people-centered agenda, which anticipates the future and meets the current set of human conditions where people are angry and anxious. It addresses those two simultaneously.

That is the issue to lead with in Hangzhou in my view. That is the issue that Yves has put forward in Vision 20 as opposed to the T-20, where we are still focused on the economic issues, which I think will not get us there.

Thank you very much. (Applause)

MS. SOLIS: Thank you very much. We really appreciate the very thoughtful remarks from all of you. I think you have provided depth and nuance in a very important topic, and when we talk about global summitry.

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I would like to get us started with our conversation first and then have the audience ask questions. I don't work myself on global summitry, so I have curiosity about the workings of global summitry, and what can we expect. We should have realistic expectations about what these kind of forums can achieve.

It seems to me that crisis management is the hallmark, if you will, of global summitry. That is where the assets are bringing leaders to the table shining through, make these fast and important decisions.

We know the G-7 and the G-20 have tried to do much more than this, and I think Colin in particular was talking about longer term issues, and how we move from global summitry to the immediate response, as effective as it can be, with the global financial crisis, to actually providing a vision or a roadmap to how we deal with the most difficult issues ahead.

I wanted to basically ask the panelists to respond to Colin's comments on how we think about the challenges for global summitry to address long-term issues.

And to you, Colin, in particular, where we think there is a political will in China and Japan to go through this process of multilateralization, if you will. These countries, continental powers, powers that play in the global field, do not like to be constrained. Do you think they are ready to do so in the context of the G-7 and G-20? Comments from anybody.

MR. WRIGHT: First of all, I think there is a large degree of overlap, although I think there are some differences as well. I certainly agree there are these long-term global challenges and the G-20 is an important forum to address those, and I think Colin is exactly right, you don't want to address a lot of those directly through the G-7 because the major actors are not there. It makes no sense to try to shape the future of the global economy without China or climate change or any of these issues.

I do think the problem with even the G-20 is these are not necessarily coordination difficulties, right, they are differences of philosophy about how to deal with these problems. One country we haven't mentioned, Germany, which has a very different view of infrastructure investment, that's really the gap between the U.S. and Germany rather than between the U.S. and China.

Schaeuble is opposed to spending any money, incurring any debt on infrastructure, even if you can basically borrow that money for free. On the stage last year, he was very explicit that what

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worries him is the nominal levels of debt, not the debt ratio's.

Germany is a part of all of them in terms of a coordinated response, so countries have very different -- obviously, China has its own sort of difficulties. I think there is more support for stimulus here, except on the Hill, so that is highly significant as well. I'm a little skeptical of the G-20 capacity to deal with these, not because of any problem to do with the G-20, per se, but just because these leaders come -- the only other point I would make is I certainly understand your frustration and for the sake of argument, I'll just make it explicit, about these other issues.

What strikes me is both the geopolitical issues -- you are both saying they shouldn't be that important, right, they shouldn't be on the agenda in these places because that is really important or the long-term issues, and we need to stay focused on those.

The leaders believe they are important, so they are putting them up there, and it isn't the case that in the South China Sea, for instance, these are tic for tat issues. These are real dynamics that are happening because of strategic decisions the leaders are making.

I think that is why -- I certainly want to see cooperation on the global issues continue, but we will need to do both. These are going to clash to some extent. It is just the new reality. It's not a preference. It is just saying that is the world we are in now.

MS. SOLIS: Thank you, Tom. Yves?

MR. TIBERGHEN: I have a few points, first to answer Mireya's first question on what the two summits, the G summits can do. Crisis management is definitely an issue, and in 2008/2009, it was the number one issue to deal with, and I agree that the system worked and all the leaders came together, both at home and in the G-20.

But in the long term, that is only one issue, and it could be not the most important. The other critical issue is that -- if I echo what Michael Spence has written about or Danny Roderick or Joe Stiglitz, the U.N. report on the global financial crisis 2009, all those reports were building on institutional economists have shown you can't have global markets that are functioning without global rules and global institutions.

If you keep extending market results, having rules keeping pace with the markets, then you have a mismatch between the institutionalization and the global market, and over time we know this

creates uncertainty, lower trust, and volatility, and eventually can lead to collapse of markets.

We know we need to adjust institutions, we need to expand the capacity where there are gaps, and for that, the only way is for the larger countries, given the system that we live in, for the large countries to agree on the roadmap and instruct the right working groups and the right institutions to do it.

That agenda of institution building, I think, is more fundamental, except when you have a crisis as big as 2008, then the technical adjustments and the year-to-year adjustment to small crises, so the G-20, where I agree, the leaders don't have the will to really face those issues fully.

At the same time, it is only thing you have, that is the only group that allows for in a way good natured or a good chance of a dialogue between the larger powers and the established powers in doing this institutional job. That is why it is so crucial.

The question on leadership, the one element which I find could have been easy and cheap but maybe is a myth, is just as Japan is inviting to the G-7 all the major economic institutions, including World Bank and ADB, so the ADB, not just global like World Bank, IMF, they also invited ADB to the summit.

They should have invited the AIIB and NDBs in the spirit of the agreement of September 25 between China and the U.S., in which there is an effort for all the NDBs to work together, so having the NDBs in Asia work together toward common good governance, et cetera, is what we need to do.

Leaving one group out and refusing to accept them at this point is not wise, and it does not show leadership.

On the South China Sea, my point is simply it is very important, it has to be addressed. My point would be we have to do scenario's. We have to say how do we get to a better outcome, what are the different options, and to do that we first have to unpack what the issue is. The issue is essentially a story of domestic politics in China, domestic coalition.

Xi Jinping is gearing up for reform and is taking on so many groups in the anti-corruption, including the military leadership, the security leadership, some large vested interests. He has chosen apparently to give big space to the military on the South China Sea, and the South China Sea may have even splurged on overbuilding those islands.

The problem is once you have gone this far and building up a line that is inherited from

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the Republic of China, so that is a long history, it predated UNCLOS, right, because it was in the Republic of China time.

We know from our perspective that it doesn't work with UNCLOS, right, it is in opposition to UNCLOS in some ways. We have to think of a way to unpack that domestically in a way that Xi Jinping doesn't have an enormous cost, and therefore, is unable to unpack it.

All I am calling for is a very realistic list of options. Probably my hunch is that it should be done at a diplomatic level or in low key separate meetings. It should include a bundle of tough talk on international law, and some creative thinking. Putting it at the center of G-7, I don't think will yield great outcomes.

MS. SOLIS: Thank you. Colin?

MR. BRADFORD: I'll be very brief. I think the answer I basically would give is -- by the way, Tom, I am very much in favor of geopolitics being part of G-20 summitry, and I think Bruce has written an article in the last week.

A great example actually was in St. Petersburg where there was a dinner scheduled at 8:30 on the one evening the leaders were spending together. It was going to be on development. It was the time when the chemical weapons, the use of chemical weapons by Al Said in Syria was on. The leaders went in the room alone, which is the best thing about the dinner -- the G-20 would do well to mimic the G-7, by focusing on the informality of leaders as you both mentioned.

They went in the room at 8:30 at night and they came out at 2:30 in the morning. Nobody is too sure what went on, but what went on was communication, pretty intense communication among the leaders of the most important and largest economies in the world. That is the kind of thing that needs to happen.

My main answer to the skepticism, the understandable skepticism, the realistic constraints on continental powers and others in summits, and I don't mean to sound flip, but it is really a question of behaving as adults.

The example that Yves gave of the Japanese not inviting the AIIB to the outreach session of the G-7 Summit is a good example. What I was getting at before is you don't -- I have said for years that you want to be in the room with the people with whom you have the biggest disagreements, then you

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really have something to talk about, but you have to be willing to do, as you said, able to figure out where the space is domestically for your adversary, if you want to think of the country in that term, so they can accept an outcome which is globally suitable.

You know, that is adult behavior. No marriage exists in this world today without that kind of give and take. There are lots of reasons why men and women have fundamental disagreements.

It is really a question of growing up and realizing the neighborhood boundaries have shifted from your city, your village, to your nation, to the world. We have to engage. It's fun. The more difficult it is, I find it the more challenging.

I think the style that we bring to it, and this is why I'm thinking Justin Trudeau's entrance into this game, and there are some others, leaders that have been elected, eight of the 19 leaders have been elected in the last three years, so there is a fresh bunch of face -- if they can bring something different. Leaders in the room, let them play it out themselves. Let them come up with the conclusions themselves.

Gordon Brown ripped up the communique, the leaders' communique, that was drafted by the staff in April 2009, and the leaders, they did some drafting but they did drafting based on the leaders' conversation, not on the staff preparations. That is the way to do it.

MS. SOLIS: I have a lot of questions, but I am going to refrain myself because I want the audience to have a chance to ask questions. Just a brief comment, nobody has remarked on the South China Sea and the disruptive effect of that communique that came out last week from the Foreign Ministers' meeting of the G-7.

Just a point of correction on the record, didn't the German G-7 Summit also produce a similar document? It's not a new issue, right? It has come up in previous G-7s? The effect was different this time, I think, because obviously the meeting took place in Hiroshima. I just wanted to point that out.

SPEAKER: Good point.

MR. TIBERGHEN: It is a separate declaration in this case.

MS. SOLIS: All right. I would ask you to please identify yourselves, be very concise, because time is short; there are so many questions and issues on the table. Wait for the microphone, and I will take two questions at a time. Please be very concise.

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QUESTIONER: Thanks so much. Chris Nelson. I try to write about this stuff every day, but you guys have just opened up an entirely new universe for people like me who deal with it every day, because we have our nose up against the glass.

The biggest problem I have is when I'm dealing with people who do the trade stuff and they tell me about the IPR theft and how Microsoft lost \$300 billion, whatever it was last week, or I talk to the Filipinos, where did your fishing grounds go, I can't find myself to trust anything the Chinese tell me about anything in the long range.

I look at what they are doing in the short range and they're not keeping any of the rules. Is that just me or do we all have to struggle with that every day, and how can we deal with that kind of thing, these short term mistrust issues that block any really intelligent discussion.

I have two grandkids now. 2050 certainly is real to me. I'm going to be dead before -- no, I'm not going to be dead, but I have grandkids.

How do we get over this immediate level of mistrust and talk like adults?

MS. SOLIS: Thank you.

QUESTIONER: I have a question, and I think you are a Japanese specialist, there are so many global and domestic challenges for G-7 and G-20, but I think the economic situation affects very much those challenges, particularly for Japan. I think recovery of the Japanese economy is very important.

I would like to get your perspective on how we can get our economy recovered. We are struggling for that every day, still we need some input from foreign observers, how we can revitalize the Japanese economy and in that context, I'd like to get one comment about the increase of consumption tax, yes or no. (Laughter) Thank you.

MS. SOLIS: Mistrust of China and Japan's economic come back.

MR. TIBERGHEN: It is definitely the big issue you hear from many, many players. What it is, there is a spectrum of behavior, I think if we think as a social scientist, right, you will have points where you have behavior that inspires trust and you have also behavior that inspires mistrust. You have a whole spectrum.

On the trust side, you find by and large, for example, with a mutual assessment process

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and the commitments taken by China on what to do with the capital account, exchange rate, et cetera, you come back and you find actually a high level of implementation.

When you talk to Schaeuble and treasury officials from other countries, and I have had some good de-briefings with some of the countries, like the Europeans, they usually give very high marks for those officials and the follow up policies when it comes to Central Bank, Minister of Finance, et cetera.

In general, and also on IPR, the laws passed by China are very good, and in fact, there has been also now reform of law including a creation of an IPR court, and we have cases where foreign companies have won cases against local governments, provincial governments, et cetera.

Those are the positive signs. Distrust, of course, is when it gets to military. Then we get to implementation. That is where there are problems. First, when you get to IPR, you have to go down to the provincial level, then down to the local level, and you have lots of bad apples, because you are in a Far West environment, you have lots of private players or even SOEs sometimes who are going to try to take advantage of the system, and the court system in some provinces will not be as good, so there are a lot of cases of implementation.

When it comes to the Seas, you do find pretty terrible behavior by some individuals, fishing boats, by individuals -- there has been a big report in the Washington Post or New York Times on some fishing boats destroying things in the Pacific Ocean. In general, they do it without being watched by anyone.

When you go back to the Chinese side, they say that is an issue of implementation. In some ways, the Chinese central authorities are willing to -- increasingly, they realize these behaviors have a bad outcome for the Chinese powers and the willingness to work with the other countries in finding ways to stop it. There is a long way to go. There is a lot of bad behavior out there.

A case I studied is in Yanmar, and in Yanmar, you have two sorts of anger, Chinese players on the ground, one is because of big deals that were done. They never thought people would not like it. That was a big learning curve.

The other aspect is all the border areas, and in the border areas, there are lots of Chinese illegals, lots of bad apples, bad dudes, coming across the border. The Chinese authorities have not yet found a way to work with the other countries in stopping and restraining this. Maybe they are

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slower getting at this, but there is a huge demand, and maybe over time there will be a learning process. It's going to be a long messy process, but trust is in the middle of this.

As you know, I've done an entire book on structural reforms in Japan, and we know this has been a struggle since 1992/1993 in Japan, finding growth. The latest effort is finding a creative approach, need to get some traction, but right now we find we are in a period where inflation is not picking up, now the Yen is even going up, which is a surprise.

On the fiscal side, there has never been enough traction and then we are really bumping into fiscal in the midst. It is a question of you have to build up those fiscal resources. The structural reforms have not gone far enough.

It is a long struggle. When I go to Japan, my impression is you do find young people, and I teach young people, don't live yet in the realm of possibilities. They feel constrained, they don't feel they can unleash entrepreneurial spirit, so then structural reform has a bad name in a sense that still there is a huge amount of things that have to be done when it comes to education and when it comes to higher education, when it comes to the labor market, and when it comes to the entrepreneurial spirit and the creation of companies.

So, that is where there is a lot of space. When you get to consumption tax, over time, it is necessary; there is no way around it. It is clear. You can't go out at 40 to 45 percent spend of GDP and resources at 30 percent of GDP, and by the way, it is the same in the U.S., right, and by OECD standards, both for Japan and the U.S., it is a revenue problem. In OECD, everyone else's is 40 to 60 percent, it is higher, but they have revenues to match that.

At some point, it is a revenue problem in Japan, there is no question about it. It is all about timing afterwards, right? When you are in the phase of deceleration, you may need to postpone another year, but it gets messy, right.

By the way, calling an election for this is politically or tactically clever, but it is really unnecessary by any outside standard, even though it may happen. I haven't seen yet.

More innovation on the structural side, and above all, unleashing that free spirit, especially beginning with young people.

MR. BRADFORD: Just quickly, I think the trick in this is to realize that this kind of conflict

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creates push back. Let me give you an example. When Obama mentioned in his State of the Union speech this year, the one time he mentioned China, he argued for the Transpacific Trade Partnership, TTP, and he said if we don't do it, if we don't write the rules, the Chinese will.

I have been to China twice since that speech, and I have brought it up every time with the Chinese. They all remembered it, of course. What you have to realize is why -- yet, look at the nuclear summit that just took place here, clearly Obama and Xi Jinping has decided that given the alternative landscape that is developing in the United States, Obama looks like a pretty good guy to deal with, let's try to lock some stuff up before he leaves.

What is Obama doing? Obama is creating space for himself when he's talking to the American public, even though he knows, of course, the Chinese are listening, he's creating space by standing firm against China on a competitiveness level in order to be able to cooperate on the nuclear level or on some other things.

The same thing applies to the Chinese. I think it is just a question of getting intensely enough engaged between the Americans and Chinese, between the Europeans and the Chinese, and others, so that we all understand exactly the games we are playing and that we have to play. You have to pay attention to the domestic political base.

MS. SOLIS: There is a lot of interest in the room. Can we go a lightening round, because otherwise, we will never get out of here. I want to get everybody out of the room on time.

QUESTIONER: It's going to be hard. Colin, you mentioned that people are angry in many countries. You didn't go specific about it. I was wondering, you mentioned China last week, the Chinese think tanks putting together some proposals, how much do you think China is prepared to open its own situation to the G-20 and especially social problems that may be in China, and how much is it ready to share and discuss with other countries its own domestic situation? Do you follow what I'm saying?

MS. SOLIS: Thank you, that was great.

QUESTIONER: Thanks. In terms of the crisis management capacity in the G-7, in the face of the North Korean nuclear missile developments, do you expect the G-7 leaders can present anything more powerful and convincing than simply saying something in their statement and

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communiqué? Thank you.

MS. SOLIS: Thank you.

QUESTIONER: Calvin Chang. I'm not affiliated with any organization at the moment. My question is pretty brief. Can China and Japan be friends? If so, how can we get to that point? Obviously, that relationship is going to be very important for the geopolitics in Asia and globally as a whole.

MS. SOLIS: Thank you, Calvin.

QUESTIONER: One of the things that the G-20 accomplished was financial stability in the financial stability forum. My question is in light of the living will situation here where they didn't approve the resolution authority of the banks, how does the G-27 address greater accountability on the part of global financial institutions towards their sort of responsibilities? It is more Colin, but everybody else can answer.

MS. SOLIS: I am going to be totally unfair and ask you for very short answers because we are almost out of time. Tom, would you like to start?

MR. WRIGHT: Sure, I will just comment on one thing brought up by Chris, about the mistrust and how do you get people to behave like adults. I think the problem here is we need to remind ourselves that the countries see things very differently and there are real differences of interest and more differences of interest now than for some time.

You talk about putting these issues on the agenda, there is no way China would allow the maritime issues on the G-20 agenda. We know that. They don't even allow them on a multilateral agenda in the region.

I think we need to be fair in terms of which countries are behaving in the appropriate manner.

One point just in the general G-20 stuff, the issue that they are really going to face is this de-legitimization of the international economic order, and the big question is can the major powers of the world change course in a way that will increase popular support for an open global economy.

There are a number of ideas, Larry Summers the other day, about how you might do this and sort of flip the script on it. We didn't really talk about it that much, but I think that is the long-term

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challenge, and actually, it's one that all of the major nations have in common, because they are all facing -- both of you mentioned this -- domestic issues, all countries have their domestic issues, and it is eroding support for economic sort of engagement internationally.

MS. SOLIS: Thank you.

MR. TIBERGHIE: I agree with Tom on this point, and there is one set of things that can be done at a global level, and it is addressing things like the Panama papers and financial institutions. There has to be so much more, on tax base erosion and very, very strong action on tax havens. That is one thing where the public will be watching very, very carefully.

The rest is actually more domestic level policies, because globalization only works when it is mediated by the right set of policies that will spread the fruits.

That is where a lot of the action is, but if domestic systems don't do it, then it erodes support for the global system.

On the North Korea question, it is a tough one because even China has lost much leverage over North Korea. Kim Jong-un is in a very, very difficult space and reacting to no signal from outside. The more you press him, the more he doubles down. It is really hard. There will be a good statement by the G-7. Everyone is in unity. In fact, even China could join most of it.

It's not biting, it's not changing behavior of Kim Jong-un, and nobody has found yet what to do.

I'll just speak to the China/Japan thing. There is good news behind it, while there is all this conflict up and down, actually there is always an undercurrent of pragmatic cooperation below. When I meet MITI or trade officials on both sides, actually they keep working. They are still working on the STA. Tourism from China is the highest ever in Japan. It has been booming over the last two years. Of course, investment has dropped down from Japan in China. There is that undercurrent, and there is the understanding that they have to get together on trade.

Maybe if we could push South China Sea, then they will go back and cooperate.

MS. SOLIS: Colin, last comment?

MR. BRADFORD: Yes. In response to your question, it's a good one. I guess this is kind of a personal answer, but I hope it is a politically strategic answer that others can adopt.

I have reasons in my past and having lived in Chile why human rights is very important to me. I figure professionally in my discussions with the Chinese that the last thing I should do or we should do in our foreign policy right now is to put human rights and democracy and issues of this sort into the conversation as a kind of a frontal piece.

I think what we need to do is front the stuff that we can cooperate on, that we can agree on, we get to know each other in the process of doing this, massively, across the board, in every sector of society. I keep telling every young family I talk to, get your kids to learn Chinese.

This is the biggest thing for the future, China's relations with the world. We have to bring it along. We have to go with the things that we can cooperate on first, and do the -- let me stop. You get the drift of where I'm going. We can talk afterwards. It is a difficult subject. Certainly, one can disagree with this position, but I think that is the adult way to move forward.

On the question of the financial stuff, I think in a way Yves answered that, it essentially becomes are domestic financial regulatory reforms in front of big banks sufficient, and there is peer pressure there. You can't always count on it to work but it is what we have. The FSB is better than the FSF that preceded it. IMF is doing a lot better itself and in cooperation with the FSB, and it really has to do with whether other countries are willing to come to the table, big powers and middle powers, and pressure each other to make sure that the standards are good enough to hold the system together.

MS. SOLIS: Great. With this, we will conclude. Thank you so much. Thank you for a wonderful and really dynamic discussion. Thank you. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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