

# **Center for Strategic and International Studies (CSIS)**

## **Outlook for the G-20 Los Cabos Summit**

### **A Conversation with the U.S. G20 Sherpa**

#### **Moderator:**

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Simon Chair in Political Economy,  
CSIS**

#### **Speakers:**

**Harold "Terry" McGraw III,  
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Vice Chairman of ICC and Chairman of USCIB;  
Michael Froman,  
Deputy National Security Adviser for International Economic Affairs**

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MATTHEW GOODMAN: We're going to get – we're going to get started – restarted. I hope everyone got some lunch. And again, there are probably – you know, there are a few more spaces up front, so if you want to move forward, you're welcome to do that – in fact, encouraged to.

OK. Can we quiet down? We're going to get started again.

OK. Well, welcome back, everyone. I'm still Matthew Goodman, Simon chair at CSIS. And delighted to have everyone here – still delighted to have everyone here, and particularly delighted to have the two gentlemen with me on the stage.

Terry McGraw, we've already introduced and met and – spoke early this morning; he's still chairman, CEO and president of the McGraw-Hill Companies, fortunately. And so, you have, by the way, bios on everyone in your pack there, so I won't go into detail.

And then Mike Froman, who I think is also well-known to this group, is deputy national security adviser for international economics and among many, many other things, the G-20 sherpa. And we've had a lexicon – this morning we had a lesson in the lingo of sherpdom and sous-sherpas and yaks and various things. So I was Mike's yak, which is – now I think you can see the connection there more directly. And Mike, as I say, among other things is responsible for preparing the president for the upcoming Los Cabos summit and for as importantly helping to drive the agenda for the summit with his colleagues in the sherpa group.

And so it's a good time, I think, two weeks ahead to get a little bit of a preview. We're going to have a little conversation up here, and then I'll open it up to questions on the floor. But if I could start with you, Mike, and just ask, you know, kind of an open-ended question, what do – what do you – what should we expect from Los Cabos? What are the leaders going to talk about, and what sort of three or four things are going to be most significant that come out of it?

MICHAEL FROMAN: Well, thanks, Matt, and thank all of you for being here. And it does seem to be summit season: We had the G-8 two weeks ago and the G-20 two weeks from now, and I think we should do these things every month or so if – as necessary until we get it right.

You know, the Mexicans have pursued a very broad agenda for this G-20. They've done a terrific job of it, everything from continuing to work on the framework for balanced, strong and sustainable growth to work on financial regulation. And there's a robust agenda to complete the work on financial regulatory reform, work on financial inclusion. In the development area, they have focused on food security and on infrastructure. There is a theme of green growth that underlies a lot of what will be talked about at the summit. There is always a good discussion of trade. So it's a broad agenda that really cuts across a lot of different issues: energy, fossil fuel subsidies, et cetera.

Obviously, this will also be affected very much by the biggest issue in the global economy right now, which is the situation in the eurozone. And my sense is that while there is a lot of good work that has been done over the course of the year in working groups and

ministerials and task force, all of which will get embraced by the leaders in these various areas, that the leaders are likely to spend a disproportionate amount of their time talking about the state of the global economy and particularly what's going on in the eurozone but also what the rest of the global economy can do to both be supportive of a resolution of that situation but also spur on further demand to help make sure that the recovery is secured.

So that's my sense of what the focus will be. And again, I think President Calderon and his team have done a very good job of teeing up many different work streams that are now coming to a head in Los Cabos and start triggering a discussion that I think will be very important for the leaders to have.

MR. GOODMAN: And do you think – I mean, if you look at the G-20 sort of list of rankings of GDP and just take the top 5, which is – I think I've got this right – U.S., China, Japan, Germany, France, and I guess, above all that, the EU, if you – if you count them as a unit – you know, there are – there are somewhat different views and priorities right now among that group. And do you think that there is going to be two weeks from now a sort of coming together, a common concern about the broad global risk and frankly, more specifically, the eurozone mess? And are they going to be able to – you know, to agree on something?

MR. FROMAN: Well, I think what's interesting is that notwithstanding the fact that as you say, they come from a number of different perspectives, there is an overwhelming consensus that the focus is on growth, the need for growth, the risks to growth around the world, and what each country can bring to the table to deal with that challenge, right? Of course, the eurozone crisis is the most significant threat to growth, but we see slowing growth in emerging economies. We have our issues here about returning to fiscal sustainability over the medium term and making sure that there is a good path towards that. And so my sense is, in fact, there will be a fair degree of consensus around that and the actions necessary to take that forward.

MR. GOODMAN: Mmm hmm. And do you think those actions will be sort of built on what's been done before with the framework from Pittsburgh and the continuing efforts from – on that, with the Mutual Assessment Process and so forth, or is there going to be some new thing that's going to be discussed that we should look for?

MR. FROMAN: Well, I think it'll build on – it'll build on the past in that there is the framework; as you said, there is the whole rebalancing agenda, the need to spur domestic demand, particularly in surplus countries, to move towards more market-oriented exchange rates where they don't exist. And so they will build very much on that process. They'll also build on initiatives like the Cannes Action Plan, which was really about how to ensure the recovery and restore growth. And obviously, the situation has changed somewhat since Cannes, so it's even more urgent now that countries are focusing on what they need to do to promote growth.

MR. GOODMAN: OK, thanks. Well, we'll come back in a second.

But Terry, let me ask you, from a business perspective, what do you see as the key things to look for at Los Cabos? And what does business want to get out of the G-20 more generally?

HAROLD "TERRY" MCGRAW III: In a word, I'd say focus.

And Matt, it's always good being with you. It's terrific being with Mike as well. Mike, you know, does so much for this administration in terms of so many policy matters and the like, and so it's always good to share views with you – (inaudible).

And I come back to the word focus, you know. And, you know, we're talking and we can go into a lot of process, that kind of thing, scorecards and how we're going to measure certain things and how robust the agenda is going to be. Now, you know, the serious nature of the, you know, current environment means that I think we need to do fewer things. And Mike is right; it's got to be all about growth on this one.

You know, we were all concerned in Cannes about, you know, the situation in the eurozone. It has now gotten worse. And it's not just an issue that I think somebody said on one of the panels this morning that it's for Europe to work out; I don't think so anymore. The contagion effect and the ripple effect that that's having right now on the economy is – you know, creating much more of a dire situation for the United States in terms of its growth rate. We're seeing it impact the BRICS, and we've seen it with China in the manufacturing side; we've seen it in India in particular, Brazil also on that one. And now, that sort of Next 11, the Indonesias, the Malaysias, the Turkeys, the – they're starting to get impacted. And so if we don't – if we don't come together in some way and start to, you know, create a more focused agenda on this one, you know, the continuation of this is going to have some very serious social and economic issues. So from a business standpoint, now everything has got to be about economic growth, and with it, obviously, job creation and, you know, improved standards of living and all of those kinds of things that we talked about earlier.

For us, the most important issue has got to be the enhancement of the capital market. You know, if we're talking about just the infrastructure spending that we were talking about earlier, you know, some \$70 trillion by 2030 worldwide – Standard & Poor's has it at, you know, a little over 40 trillion (dollars) by 2016 – this is a short timeframe on this one and a massive amount of money. The banks are not going to be in anywhere near a position to provide that kind of capital, so we must go to the capital markets. And therefore, some of the things that you were talking about, Mike, in terms of regulation and all of these kind of things, we have to improve the process by which we're doing (it ?).

And I think that we heard from Rupert this morning about where we are with the Financial Stability Board and some of the mechanisms here. And I think that, you know, one of the words that Rick Johnson (sp) was using was institutionalizing both the G-20, the B-20, the Financial Stability Board; that is exactly what needs to take place. But if we don't enhance the capital markets and the funding of all of this, you know, we've got some, you know, very serious concerns.

The second one for growth – and everything focused on growth on this one – is trade and investment. And we're just not moving fast enough. You know, we've had a very disappointing, you know, Doha agenda, you know, in terms of results. The World Trade Organization doesn't seem to – you know, providing some of the leadership that we need, you

know, on that part, and we need to be able to do more. But we have to have a better agenda that is going to allow more people to participate that way.

And then the last one that, you know, I think is the most important is that as the service sector becomes stronger and a bigger portion of our overall economy, if you're not protecting intellectual property in terms of content, you know, you're going to pay a price for that on that.

So I think that from a business standpoint, everything now because of the environment has got to be focused on economic growth. And I would love to be talking about, you know, green growth initiatives, I'd love to be talking about food security and the like, but I think in terms of the priorities, you know, we get to get after the capital markets, trade and investment and intellectual property.

MR. GOODMAN: Right. OK. Well, I think there is unanimity up here that growth is what this is all about.

Mike, on those three points, are those issues that are going to be addressed? And in particular, I'm interested in the trade one, and whether now that you at Cannes last year effectively said that Doha, you know, it may have reached its limits and we need to look at other approaches, you know, how does the G-20 take that conversation forward?

MR. FROMAN: Yeah. No, I very much – I very much agree with the importance of the issues that Terry cited. And very importantly, as you said, growth is an end in itself, but it's also very much a means towards jobs. And the focus on jobs, we – when we had the G-20 presidency around Pittsburgh, we launched a trade – excuse me, a labor ministerial to begin looking at labor issues. That tradition has continued. You see extraordinary unemployment rates in some parts of the world. Obviously, it's higher than we'd like to see it here, but when you look at Europe, where in some countries, the unemployment rate is 24 (percent), 25 percent and it's literally over 50 percent for the youth in places like Spain, this is a real, serious social issue as well as an economic issue. And it's something that the G-20 has spent some time on and needs to spend more time on.

On the – on the trade agenda, I'm actually somewhat more optimistic than Terry. You're right that at Cannes, the leaders said it's time to look at fresh, innovative approaches to pursue the multilateral trade agenda and trade liberalization more generally, consistent with some of the objectives of Doha. And that has been our approach since. And we are beginning to see in Geneva a bit of progress on a plurilateral services agreement or an information technology agreement that's updated or a multilateral trade facilitation agreement, where more and more developing countries are saying, this is really important to our ability to develop and to grow.

So there's obviously a lot more work to be done, but I would expect that the leaders, as they focus on trade, will be focusing on what to do to pursue – to pursue that agenda, while each of us also pursues other parts of the trade agenda, in our case, GPP, and we just had the commissioner, De Gucht, from the European Commission here yesterday to spend several hours working on the trans-Atlantic trade initiative. And so each of us will pursue our own ways of doing that as well as strengthening the WTO in its capacity to further – to further trade liberalization.

But I think Terry is right that we need to stay focused on the core issues here. And right now growth and jobs related to that are very much at the core.

One last thing on IPR: One of the little-known things that came out of the G-8, actually, at Camp David were a series of agreements by the G-8 about strengthening and raising standards on intellectual property rights protection. And that's something the G-8 will be working on, and we welcome other countries working with us on that and creating higher and higher global standards, because we agree with you that that's a key part of innovation and growth going forward.

MR. GOODMAN: That's actually an important point, and you know, not many people read these communiques all the way through, but it's important to because there are often embedded in there some little jewels that actually are quite significant, if not, you know, big headline-grabbing issues. And I expect that to be the case in the G-20 as well.

So let me ask a process question of both of you, or each of you, different – slightly different questions. So – well, it's maybe the same question, which is do you feel that the fact that the Mexicans, for, you know, kind of coincidental reasons, moved up the summit to June instead of doing it in the sort of more traditional fall, November time frame, you know, has been a good thing, a lucky thing, a fortunate thing given what's going on in the world and the risks of the global economy? Is this – and the reason I'm asking that is is the G-20 relevant – particularly relevant to addressing those risks? Because just as I said in the earlier remarks this morning before you were here, you know, just a couple of months ago there were a lot of people talking about the G-20 as sort of irrelevant and has lost its mojo since the crisis has passed. But it seems – it feels as though this conversation is going to be more important than people thought a while ago.

(Laughter.)

(Cross talk.)

MR. FROMAN: OK, I – look, I think – I think this is likely to be an important conversation. I mean, one of the values of these summits is that they are – they create action-forcing events and they focus attention. And they require not only bureaucracies, but leaders to become focused and make some critical decisions. And that is certainly the case now, as the Europeans, who of course ultimately are the ones who need to make the decisions about what to do with regard to the eurozone crisis – as they prepare for Los Cabos and they know this will be a major issue of discussion, I think it serves as a useful action-forcing event in that regard. So I don't – I don't know how one defines G-20 mojo, but I think – I think there will be plenty of it around in Los Cabos.

(Laughter.)

MR. MCGRAW: Well, I liked your comment up front, Mike, that between G-8, G-20, whatever, that we ought to meet every month. You know – (laughter) – we ought to stop trying to create the big event, you know –

MR. FROMAN: For the present degrees of –

MR. MCGRAW: – and you know, when we get to Russia, we'll really get on to our agenda and all of those kind of things. And the more we are together and the more we're doing things together and the more that we're cooperating between business and government, working on a very focused agenda, I think more will happen.

I think this is very exciting for Mexico. I think President Calderon is a very pro-business, pro-trade and pro-growth president. And he's putting an awful lot of energy into it. Alejandro Ramirez, wherever you are, you know, has done so much in terms of making all the logistics come together on this – on this one. And I think it's great for South America. I mean, it's – you know, it's – you know, so much has happened, so much growth, the passage of the trade agreements just with Colombia and Panama, you know, this past year. You know, it really is going to put some attention to it.

But you know, again, you know, we're still early on in the institutionalizing of the G-20. You know, we keep talking about, you know, the who is the secretariat, you know, who is going to set what agenda, how are you going to define accountability, how do you measure progress and all of these things, and it's a – it's a work in process. And so, you know, the fact that it's sooner, if anything, I think is good. And I think that, you know, we've just got to really focus on fewer things.

MR. GOODMAN: OK, let me open it up to the floor and let you ask questions. When you do, please take the – wait for the microphone and identify yourselves, and please try to ask a question, because I know there are going to be a lot.

This lady here. So if we have a mic –

Q: (Off mic.)

MR. GOODMAN: Well, but people in the back can't hear you, and all the thousands of people watching you on television won't be able to hear you. (Laughter.)

MR. : A former – a former schoolteacher.

Q: Hi, I'm Jutta Hennig from Inside U.S. Trade. I wanted to follow up on two key points that Mr. Froman made. One is on the TPP: Do you expect a decision on the new entrants – Canada, Mexico, Japan – being able to join the negotiations, or is this an issue that will await further discussion among the current participants?

And on the high-level working group: Do you expect the June report to reflect a consensus between the two sides on how to proceed, which was not the case leading into the June 4 meeting, or do you expect the two – the two sides to still reflect different approaches in the report?

MR. FROMAN: You always know much more about our meetings than I do. (Laughter.) You have very good sources – (inaudible).

Q: I'm too old not to remember my mother's warning against lines just like that. (Laughter, applause.)

MR. FROMAN: So you'll get a very unsatisfactory answer: that it's too early to tell on both your questions. On the new entrants, we are in consultations with all three countries. We're having discussions. And it's just too early to tell exactly where those conversations will go and whether all three of them are ready themselves to join and whether we are ready to have them join. So we have to leave that, I think, for some further discussions.

And on the end June report, we are now in the process of just beginning to draft it. You probably already have a copy. (Laughter). But it is too early to tell – and if not, she'll have one by the time we leave here. (Laughter.) It is too early to tell exactly where that will come out. All I would say is we have – we've had very good discussions with our European counterparts. USTR and DG Trade have done a very good job of doing analysis and exploring what the opportunities are and also exploring what the obstacles are to a comprehensive trade and investment agreement. And we're working through those issues, and we'll see where it comes out.

MR. GOODMAN: Great. Terry, you wanted to –

MR. MCGRAW: Yeah –

Q: Do you expect the leaders to discuss the new entrants issue – (inaudible) –

MR. FROMAN: Well, this is a G-20 meeting, and so there's not a TPP meeting there or things of that sort. So I think it's unclear what the – you know, at this point. We don't anticipate having a meeting that discusses TPP per se at Los Cabos.

MR. GOODMAN: Great.

Terry, you wanted to say something?

MR. MCGRAW: Yeah, on Trans-Pacific Partnership, I think that from a business standpoint – and I'm not a part of the administration, so I can say a little more directly on it – we want speed on this one. We want – you know, and inclusion is a big deal. We would like to see others come into the partnership, you know, I think.

But we've got to get it done. We'd like to see, you know, something in 2012. And I think that for Canada, Mexico and Japan to come in, they should come in under the standards of which the other nine have already agreed. And therefore we cannot spend a lot of time renegotiating individual component. Flexibility is always an – you know, an operative word. But we think that inclusion is good, but you have to come in under the agreement of what the nine have done. I know I missed one. But speed, get it done is what the business community wants.

MR. : OK. Although – yeah, OK. I – (inaudible) – made my own comment. Right here in the front.

Q: Ian Talley, Dow Jones. Thank you for doing this. Germany has consistently come in at the 11<sup>th</sup> hour in the euro crisis to sort of put a – some would say a Band-Aid, others would say paper over or kick the can down the road a little further. Is – are we at a point in the crisis where

any action from Germany is too little, too late? What gives you any hope for optimism? And secondly, I'm – the administration has said that they expect actions in the coming weeks to bolster the banking – euro banking system. I'm having difficulty seeing how exactly or what exactly U.S. wants or expects – excuse me – out of Europe and how that will actually solve Spain's recapitalization problem.

MR. : Well, I guess I'd start by saying I think Europe has taken a number of very important steps in the last month to address the crisis. And give great credit to Chancellor Merkel and her government for moving the European system towards that action, whether it's in erecting the firewall against contagion, allowing liquidity to be provided to the banks or starting on a path of significant reforms, structural and otherwise. There really has been a lot of action in Europe.

Now clearly what the – what's clear now from the markets is that they expect more and more is needed. And there's a robust debate going on in Europe about how best to address the short, medium and longer-term issues, whether it's the aftermath of the Greek election where a number of difficult and important decisions will be made by the Greek people or how to deal with the vulnerabilities of the Spanish banking system or how to create a growth strategy for Europe to go along with the fiscal pact or how to reform the institutions of Europe, so as to strengthen integration and match on the banking side or the fiscal side the kind of integration that's existed on the monetary side or the single market area.

And so those are all remarkably difficult challenges. And I think they're trying to work their way through that. They are seized with importance of what they're doing, with the urgency of some of those issues. And I think we would expect, whether in the next – in the next – in the coming weeks that they will continue to make progress, taking steps in that direction. They have all the capability to do so. They have the will to do so. And my sense is they're working very hard at it.

Q: Keith, can I just follow up to say, I mean, when you actually talk about this stuff in the G-20, presumably, you know, it's – as you said, these are mostly European challenges. And so they're presumably going to be presenting what they've done, what they're planning to do to take forward what they've already done and how they're addressing the immediate problems. Is then – do others then sort of respond to that? I mean, I'm sure that the U.S. will have – will have views on that, but will other members of the group – I mean, will China, Brazil, others – are they interested in this? Are they – do they – are they concerned about it? And is there a real back and forth then with everybody participating?

MR. : Well, I think there is certainly global concern and interest right now about what's going on in the eurozone and what steps need to be taken to address it. And I would expect that all of the G-20 countries who have a strong interest in what Europe will be coming to Los Cabos with and want to engage with them substantively on what needs to be done.

But we should also put the eurozone crisis and the actions that Europe needs to take, which is the most critical set of issues at the moment, in the broader context of the overall G-20 effort to rebalance demand and create balance on a sustainable growth, because we all have

issues and we all have actions that we need to take, whether on our side, spurring growth in the short run and achieving medium-term fiscal sustainability; on the side of China, issues around the exchange rate and domestic demand; issues with other surplus countries about – (inaudible) – greater demand and allowing more – a freely-determined exchange rate.

So we all have things that we can contribute to the effort to make strong, balanced and sustainable growth. And to me that's really at the heart of the G-20. It's the forum for collective action. And at any point in time, the issues of one country may be paramount over – or one region may be paramount over the issues faced by others. But we all have a role to play in trying to deal with the overall challenge.

MR. : OK, great.

Way back there. Lady with the hand up on the right. Yeah.

Q: Mike Norton (sp) –

MR. : Sorry, hold on.

MS. : Woops.

Q: Sorry.

MR. : No, no, go ahead. The lady, the one standing. Yep, go ahead.

Q: Thank you so much. Scotty Greenwood, Canadian American Business Council. Thanks for doing a great program.

Michael, another – slightly different couple questions on TPP. One is could you imagine, instead of doing zero or three, doing one country? I have one in mind. But is that – is that possible, or do you think the United States has to say yes to the new entrants all at once? Or could you do a phased approach? That's the first part.

The second part is, given the president's strong growth agenda and doubling exports and all of that, if you assume for a moment that Canada is ready and demonstrates that it's ready, what reason would there be not to admit Canada to the TPP at this point? Thanks.

MR. FROMAN: Well, look, I think we are working with all three countries and consulting with all three of them in, frankly, exactly the same way, in parallel fashion. We have the same approach to all three countries in terms of the nature of our dialogue to ensure that they're committed to the level of ambition that the TPP represents.

And as Terry said, you know, we don't want to slow this down for new entrants. We don't want to reopen or renegotiate issues that have been settled as we – as we allow new entrants. On the other hand, we know the new entrants don't want to accept just a rubber-stamp

agreement. They're going to want to be part of the process. And it's striking that balance that we're – that we're working through.

You know, we haven't made a decision about one, two or three because we haven't had to make that decision yet. We're proceeding down three parallel paths with them. And at the end of the day, we'll see which ones – which ones are ready and whether that's an issue that we have to – whether that we have to address. I don't think there's any particular reason we have to hold up one or two if a third one is going to take a bit more time. But we don't have to address that question yet, because it's hypothetical at this moment.

You know, and with regard to the particular issues we have with each country, we have issues with each country. And Canada is a terrific partner of the United States, a strategic ally, one of our closest partners across such a broad range of issues. And we work very closely with them. But we do have trade frictions, longstanding trade frictions. And we want to make sure, as we're – as we're exploring their entry into TPP, that we're able to deal with those trade frictions and not import them into TPP. And that's the nature of the dialogue that we're having with them, with Mexico and with Japan.

MR. : OK. Over there, there was a gentlemen in the back – (inaudible).

Q: Adam Taylor with World Vision. Two questions for Mr. Froman. One is –

MR. FROMAN: You can pick on Terry, by the way.

MR. MCGRAW: (Chuckles.) That's right.

Q: And Terry, please feel free to jump in as well.

MR. FROMAN: (Inaudible.) He's not just a publisher of books. (Laughter.) He is –

Q: For both of you, then, the first question is on biofuels, which you mentioned. If you could give us just a little more insight about what the U.S. perspective and strategy is in addressing that; what you hope to get accomplished, particularly from the food security side. It is a key driver of escalating food prices. And you know, kind of what do you hope to see accomplished at the G-20?

Second question is, given all the hard work that went into the alliance for food security and nutrition, I'm wondering if there are any plans to expand or strengthen that through the G-20 as we approach Los Cabos.

MR. FROMAN: Yes, absolutely. He's referring to the – at the G-8 we announced a new alliance on food security and nutrition and really a new approach, the next phase of our food security engagement with Africa and potentially around the world. And we will be – we are encouraging other countries to join us, as we did in Lakvila (ph), and are very much open to having a broader group of countries involved in there.

And I think that's – it raises a very important point, because one of the interesting things and potentially great opportunities of the G-20 is, as it addresses issues around development - and the Koreans added development to the agenda when they hosted the meeting in Seoul – it gives us an opportunity to approach development in a broader-gauge sort of way. It's not just about the rich G-8 donor countries and how much money they're going to give on any particular issue to a particular region. It is rather an opportunity to say, China is very active in Africa. It's an active investor in Africa. Brazil and India have great capabilities and expertise and technology from their own development experience that may be relevant to the development experience of other developing countries. And the G-20 – obviously, Korea is a great case study in and of itself of a – of a country that's gone through that development very successfully. And so the G-20 gives an opportunity to broaden the development agenda to include a much wider range of experiences and a much wider range of actors working together.

You know, on biofuels, it's one of several issues in the energy area and the food security area that we look at. And we are – we are keenly aware of the relationship between wanting to do more on biofuels and the impact it has on food security. We try and balance those things out. We think both are important. And so our challenge is to pursue the biofuel agenda as much as we can in a cooperative way with other countries, at the same time addressing the food security needs as well.

MR. GOODMAN: OK. (Inaudible) – Gary.

Q: Gary Kleinman, Kleinman International. In the interests of rebalancing, yes, I will follow up on a comment that Terry McGraw made. And probably leaving a side reference to S&P, I want to explore further the capital markets development agenda that you would like to see. And certainly we see there would be a media relevance even for the eurozone crisis where the conspicuous lack of distressed debt markets could certainly feature in the program at the upcoming summit. So what would you like to see, Terry, from the business side? And Michael, do you see it as featuring in the program at all, whether it's on the eurozone or on other issues?

MR. MCGRAW: OK, well, first of all, obviously, you know, demand is going to be, you know, so strong that the banking system isn't going to be able to keep up with any aspect of it. One of the things that we have to see is the smooth operation of capital markets and in particular the fixed income markets. And so as we see local bond markets cropping up around the world, we have to make sure that there is a mechanism in place to help in terms of the regulatory front in terms of their smooth operation.

And so from our standpoint, I think getting some sort of harmonization on the regulatory front – what we have seen, you know, is lots and lots of different regulatory efforts. And you can be compliant, you know, in one particular area, and in another area, you're not. And so getting after some sort of harmonization, you know, on that process, it would be – would be very helpful. But again, with a majority of the capital over time coming from – you know, from the markets rather than from banks, we're going to have to see, you know, again, that smooth operation.

I think also on the banking structure that there's got to be some cooperation, and I think we heard about that from, you know, Rupert Thorne today on the Financial Stability Board. We have to strengthen, you know, those institutions such that the Financial Stability Board, the IMF, IOSCO, Caesar (ph), those institutions have a lot more cooperation.

MR. GOODMAN: Way in the back with a BlackBerry or iPhone or something in their hand. Yeah.

Q: Hi. Thanks. (Name inaudible), Reuters. The G-7 had a telephone call today, and the U.S. Treasury issued a statement saying that they reviewed progress toward financial and fiscal union in Europe. Could you elaborate a little bit more on that? Is that a priority in your view for us to achieve some type of stability in Europe that they actually lay out a road map toward fiscal and financial union and not just deal with the immediate crises?

MR. FROMAN: Well, I think I'll leave the Treasury statement to speak to the G-7 call itself and not comment on that. I would simply say that we do think there are multiple challenges to be dealt with, and they – the challenges, that they have to all be dealt with more or less at the same time, the immediate issues around strengthening the banking system in places like Spain, and that means creating capacity to provide support, and the medium-term – the medium-term issues of laying out a growth pact to go along with the fiscal pact, and the longer-term issues of Europe's broader integration agenda and the institutional reform that will be required by that. So there is a lot of major decisions ahead for Europe, and I think they're working their way – they're working their way through those as we speak.

MR. GOODMAN: OK.

Can't hear you.

Q: Sorry. How important, in your view, is it that we get some clearer indication at the G-20 of how they're putting together those short-term, medium-term and long-term plans?

MR. FROMAN: Look, I think they're working through those issues at the moment. And I think people will be looking and probably expecting Europe to make progress on several of them in the – in the coming – in the coming weeks. When it comes to the G-20, this will obviously be a focus of discussion. And my sense is that countries will be eager to hear what their broad perspective is. But these are difficult decisions that the Europeans themselves need to make, and they'll need to work through that through their own process.

MR. : OK, couple more.

Peter.

Q: Peter Robinson, USCIB ICC USA. Mr. Froman, we're all focusing on Mexico, and be – with – before too long we'll all be focusing on Russia. And I was just wondering whether you might be able to give us any kind of a preview of the kinds of issues that you're beginning to look at in the next round.

MR. FROMAN: Not yet. You're right that the Russians will take over the chair of the G-20. They have not yet laid out what their particular emphasis might be on their agenda. There is an ongoing work program of the G-20 that creates some continuity from one presidency to the next. So I would expect work on the – on the framework, for example, to continue; on regulatory reform, on the international financial institutions and their reform – all to continue, as well as on the development agenda that we talked about. But what particular area of emphasis any, you know, chair or presidency puts on it remains to be seen. And my guess is we'll learn more over the course of the year.

Q: Can I just ask a process clarification? Do the – do the Russians take over on June 20th and have the chair for 18 months or until the next summit? Or do the Mexicans continue through the year? Traditionally the G-20 was summit to summit, not calendar year, right?

MR. FROMAN: It's been – it's been more or less calendar year, except by agreement. And so Mexico took over the chair on December 1st of last year, so a month early. I think we'll – I think Mexico will probably hold the chair through the bulk of the year. But we also have what's called a troika process that's been put in place. And so while Mexico is chairing, it works closely with the French and the Russians, the previous president and the next presidency, on the management of the G-20. So this should be a relatively smooth transition whenever it occurs, right. And similarly, after Russia it's Australia, so they'll be joining the conversation presumably once the Russians do take over.

MR. : Exactly.

MR. : OK? Over there, the lady in purple.

Q: (Off mic.)

MR. : Wait, hold on a sec.

Q: (Off mic.) Thank you. Patricia Brooks with ActionAid. I was just wondering, will there be any progress on any finance mechanisms for the Green Climate Fund to address climate change?

MR. : (That's ?) been an issue that the finance ministers and their – and the deputies have taken up over the course of the year to look at various mechanisms for financing of the – of the Green Fund. I don't expect decisions to come out of this. And in some ways this is the wrong forum for decisions, because that really is a UNFCCC – or rather a multilateral process. And there is a whole process around the Green Fund, including the committee the – that was charged with setting it up and going through the governance of it. But it is an issue that is on the finance agenda. And it's something that's gotten some attention over the course of the year.

MR. : OK, let's just take three more in a – in a group, and then we'll wind up.

OK, the gentleman down there, go ahead. And then we'll – I'll take two others.

Q: Thank you very much. I'm John Ruthrauff with InterAction. I had a question for Terry and Mike. This morning Alejandro Ramirez described a process that the B-20 was doing to track some of the – (inaudible) – but some of the processes they've been going through over the last several years. And I was wondering if there – and of course the G-8 now has a much more comprehensive accountability report that's been coming out. Is there any movement within the G-20 to track some of the things they've agreed to in the past?

MR. : OK, let's hold that; G-20 accountability.

Next, over there – the gentleman there. And this lady here.

Q: Yes. Uri Dadush of the Carnegie Endowment. I have a question for both Terry McGraw and Michael Froman. United States is being, of course, severely affected by the euro crisis. Yet the United States has taken no steps – not supported with action the expansion of IMF resources. Can it still continue to claim a position of leadership on international financial issues? Thank you.

MR. GOODMAN: OK, thanks. And the lady here in green. One more. Jing (ph), if you could – or David.

Q: Marie Brill, also from ActionAid, and interested to hear a little bit more about the food security agenda. I recognize there's a hope to focus more on some of the growth and finance issues, and at the same time I think we really did learn after 2008 how intricately tied food security and economic stability are. And so two questions. One is, again, on the question of biofuels. In that effort to balance food security and renewable energy sources, can there be any hope for increased action to reduce some of the market-distorting processes of supporting biofuels, so looking at subsidies and mandates? The U.S. has taken a great step towards this goal already, and so can there be some pressure on Europe or other countries to also reduce their subsidies and mandates for biofuels production to reduce that competition for agricultural crops is one question.

And then the second is in the Cannes process on food security, there was – the World Food Program began a pilot project in West Africa for food reserves, and I'm wondering if there's going to be any conversation about sort of food stocks and reserves that will follow with Mexico's presidency.

MR. GOODMAN: OK, so we have accountability, U.S. leadership in IMF resources, biofuels and the food project – do you want to –

MR. FROMAN: Your report talks about accountability –

MR. : Right.

MR. GOODMAN: Yeah, maybe you could talk about that and then we'll segue over here. That's a good point.

MR. MCGRAW (?): OK, as far as the International Chamber of Commerce and the whole role that it plays, you know, with the B20, what we came up with was the G-20 business scorecard. And the whole notion was obviously that if we're coming up with all of these different initiatives by the different kinds of categories, I know – on that one – that we are going to hold the G-20 accountable to the progress that we're making by country in each of those kinds of initiatives.

Now, you know – you know, who gets to determine, you know, whether it's satisfactory or not satisfactory? And we're working that through, we're working with McKinsey, and we're working with others to – you know, to grapple with that. But we do believe that it's very, very important that of all the things that we do suggest from a business recommendation standpoint that we actually just keep an eye in front of us and we actually, you know, hold ourselves accountable to judge the G-20 and what they're capable of doing.

But we will be releasing the ICC G-20 business scorecard, and we will be making sure that, in detail, we are communicating exactly what it is that is taking place and why. And so we hope that's a start. It's not the be-all, end-all, you know, but I think it is a start that when we do talk about doing some of these kind of things that we do, you know, also communicate what exactly is being done.

MR. GOODMAN: Can I just broaden the question to you a little bit, Mike, about sort of institutionalizing the G-20 and whether that is a part of a broader effort to make some of the processes and the decisions and everything more sort of formalized with the secretariat, who would then presumably, you know, be responsible in part for this accountability question? Are those conversations that you're having, or are you just focused on the substantive agenda? Or is there – is there talk of strengthening the institution?

MR. FROMAN: There is – there is talk about the process of the substance, and I would say that there still is a view held by most of the members that it's not the right time to create a secretariat and to make it a bureaucratized process, but rather to invest the presidency and the leadership and the leader-led process with the responsibility and the accountability for making sure that initiatives from one year are followed up the next or terminated when they've been fully fulfilled and that committees don't continue to exist for no particular reason and to make sure that the leadership and the country-led process is what owns the initiative. And so that's been our dominant view, that the G-20 is at its best when, as is the case of Mexico, President Calderon feels ownership of it. He's directed the agenda, he's directed his team. They're fully invested in it. And it's not outsourced to a group of permanent bureaucrats who are – who are charged with producing ongoing reports. But the accountability issue that Terry mentioned is a very important one. And one of the responsibilities we see that the presidency has is to ensure accountability from one year to a next and that we're not just adding new initiatives, but making sure we're fulfilling the ones that have already been agreed to.

You know, I think on the question of U.S. leadership, I think the answer is a simple yes. I don't think there's any doubt that the U.S. is showing global leadership and has the capacity to exercise that leadership. And I think we can go from one issue to another, whether it's what's going on in the G-20, what's going on in any number of economic, political, security, foreign policy, national security or even the issue of the eurozone itself, where President Obama and the U.S. has played a role in trying to encourage progress along the lines we've been discussing.

And I don't think reducing U.S. power to how much of a check they write to the IMF is a – is a particularly useful way of dimensioning U.S. influence in the world.

And finally on biofuels, I think you've exhausted my knowledge of biofuels. And all I would say is it is interesting that when I go in and one of my jobs is – Matt knows – is to run something called the Major Economies Forum for Energy and Climate, which is mostly climate negotiators. There we hear more about what more can we do to subsidize biofuels and create mandates and make sure that more of it is produced. So there is always this balance to be struck. And that's what we have to try and do going forward.

MR. GOODMAN: OK.

MR. MCGRAW: You know, Matt, I would just add to that, you know, Mike's comment about the process and the troika, you know, is very, very important. And does that get institutionalized in a different way at some point? You know, probably. But at this point, making sure that the process is in place that allows for continuity between G-20 sessions. You don't want to stop and start and, you know, start with a whole new agenda and so forth. And we need to see that progress. So I do think with the ICC – the – you know, a G-20 business scorecard, it is an attempt to keep the agenda in front of us and to make progress on those initiatives. But you don't this start and stop, you know, focus.

MR. GOODMAN: OK, great. Well, unless there are any other reports from Argentina who have another question – sorry, inside joke – I think we'll wrap it up here. And please join me in thanking both Mike and Terry. (Applause.) (Off mic.)

MR. : Yeah. Thank you.

MR. GOODMAN: All right. Great.

(END)