



## Latin American Memories at the G-20

*John Williamson suggests that the leaders of Brazil, Mexico, and Argentina will bring lessons from their own financial crises of a decade ago to the G-20 summit in mid-November 2008.*

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Steve Weisman: Welcome to Peterson Perspectives. This is Steve Weisman at the Peterson Institute for International Economics. Our guest today is John Williamson, Senior Fellow, and we're going to discuss issues facing the global economy and especially the G-20 summit in mid-November. Welcome, John.

John Williamson: Thank you very much.

Steve Weisman: Now, the G-20 has been around for nearly a decade. The finance ministers have been meeting almost every year, I think. Is this summit different from its meetings in the past?

John Williamson: Well, very different; it is a summit. The meetings in the past, as you said, they've been meeting twice a year; one's at the finance-minister level and one's at the deputy level, and this is the first time they've met as a summit. So, it's very different in that respect.

Steve Weisman: From the point of view of the Latin American countries represented at the summit, what are they bringing to the table based on their experience a decade ago?

John Williamson: I think they all have very different perspectives. If you remember, it's less than a decade ago that Argentina had a crisis and had to renegotiate its debt. Brazil, on the other hand, avoided any type of renegotiation. Mexico also had difficulties as well more than a decade ago. I think all three of them, therefore, have this perspective of having suffered from debt crises in the past. But, of course, they were quite different types of crises. They were very much regional crises. Crises of emerging markets rather than being caught up in a global crisis, and there really isn't a precedent for the present crisis. Not in living memory. I think there's nobody living in the present day who can bring any perspective from their own personal experience.

Steve Weisman: Brazil, Mexico, Argentina—do they have a pretty unified view?

John Williamson: No. I think their views are going to be very different. Although they've all had the experience of having sovereign debt crises in the past, or near crises, nevertheless they have adopted very different attitudes in recent years. Mexico is the most powerful of the countries to have a fairly conservative president, a president who is very much committed to the market system. Argentina is at the other extreme. Argentina is often put as the country that's potentially in the [Venezuela President Hugo] Chavez bloc in Latin America. Brazil is somewhere in the middle on this. It has a president who certainly identifies with and has come from a worker's party, but he has essentially taken the European-type line and recognizes that nowadays, if you really want to advance the interest of that constituency, you have to work through the capitalist system. And that's what he's tried to do. So, there are very different perspectives that they're going to bring in.

Steve Weisman: When did these countries realize that they were not immune to the problems that first began in the United States?

John Williamson: That was very recent. Until post-Lehman bankruptcy, they were assuming that they would be immune. They thought that their quite good fundamentals, which they had taken care to cultivate after the last round of debt crises, would insulate them and essentially inoculate them against a repetition, and they were relying, therefore, on being able to sail through this crisis. And then that suddenly changed in mid-September, late-September, when we had the bankruptcy of Lehman Brothers. And it was seen after that; this was going to be a global crisis in which they were going to be involved as well, whether they liked it or not.

Steve Weisman: How much blame of American policies do you detect is going on in Latin America or elsewhere?

John Williamson: Well, I think, most of the rest of the world feels that it's primarily a crisis that's made in America. In the case of the Latin American countries or these ones in particular—Mexico and Brazil, at any rate—they feel that they have been following highly responsible policies, trying to avoid future debt crises, and they've really taken all the advice that they were given about running big budget surpluses and tight monetary policies and targeting inflation and denominating their debt in local currency instead of the dollar, and so on. And yet, even so, they've been caught up in this crisis. So I think they feel pretty sore about that.

Steve Weisman: Do you think they have a right to feel sore?

John Williamson: Yes, I think. They indeed took the advice that they were given. Even so, they've been hit by this crisis.

Steve Weisman: Are they getting any solace from the fact that they've now been invited to this grand summit meeting?

John Williamson: Well, I think that they would have been pretty sore if they hadn't been invited. There clearly is a strong representation of Latin America, and developing countries in general, and I think that's welcome. Whether it's going to be regarded as a solace for their economic problems, I'm not sure. But certainly, I think, it's justified on its merits.

Steve Weisman: What perspective will they bring to the whole debate about reforming the global financial architecture, either the Bretton Woods institutions like the International Monetary Fund and the World Bank, or whether or not it's time to bury the G-7 or G-8 and just move toward a permanent G-20 that meets once a year?

John Williamson: Well, I think that one would expect them to have fairly strong views on both those topics; they will want to see an international system that is more sympathetic to regulating the financial actors than in the past, and also they will feel that the right place to discuss these issues is more than just the G-7, G-8.

Steve Weisman: On the other hand, we'll have the spectacle of 20 leaders from around the world sitting around a large table in Washington. Isn't that awfully cumbersome?

John Williamson: Yes, I think one has to say that it's about the maximum number of people that one could reasonably involve in this type of discussion, and that we live in a complex world and I think that it's necessary to have a fairly large number of people if the meeting is to be generally recognized as having any legitimacy. The G-7 represents 15% of the world's population. That just isn't regarded as serious these days.

Steve Weisman: Thank you, John Williamson, for joining me today.

John Williamson: Thank you very much. Enjoyed talking to you!

