

From **WILLIAM R WHITE**,
former Head of the
Monetary and Economic
Department of the
Bank for International
Settlements.

Sir,
There are good reasons
to accept Anna
Diamantopoulou's thesis
that, in an increasingly
complex and interdependent
world, more power needs
to be ceded to higher levels
of government. She rightly
argues that this should apply
both at a global level and
at the level of at the level
of European institutions
and that membership by
sovereigns in supranational
bodies must be accompanied
by "binding standards and
material consequences for
countries failing to fulfill
them".

*The most important institutional
development has been the
increased moral authority given
to the G20. This recognises
that many emerging market
economies are now of significant
importance in the global
economy and deserve more
influence over how it is managed*

Unfortunately, the article
makes no reference to
a number of important
institutional developments

which have occurred in
response to the crisis.
Perhaps the most important
has been the increased moral
authority given to the G20.
This recognises that many
emerging market economies
are now of significant
importance in the global
economy and deserve more
influence over how it is
managed. This is all the more
so since many emerging
market countries have
significant trade surpluses
and must have a forum for
ongoing discussions with
debtor countries on global
trade imbalances. Further, a
similar extension of both the
authority and membership of
the Financial Stability Board
(FSB) deserves to be noted.
Consistent with the thrust
of Ms. Diamantopoulou's
suggestions, the FSB is
now more strongly focused
on ensuring that countries
do actually implement the
international financial and
regulatory standards to
which they have committed.

If this is the good news,
there is some bad news to
go along with it. Of greatest
importance has been an
increasing reluctance to
address the exchange rate
issues at the heart of the
global imbalances problem.
Another practical problem
has been the disquieting
tendency for many national

financial regulators to try to
lead by example. Evidently,
convergence based on
"follow me" is not likely to
work over time. We must
hope that, with time, the
promises offered by the
existence of the G20 forum
and the FSB will actually
materialise.

*Internal success in dealing
with cross-border financial
issues would enhance Europe's
already formidable reputation
with respect to international
co-operation*

Anna Diamantopoulou's call
for a more united and
forceful Europe on the world
stage is also welcome.
Internal success in dealing
with cross-border financial
issues would enhance
Europe's already formidable
reputation with respect to
international co-operation. A
willingness on the part of
Europeans to merge their
seats in international bodies,
and to speak with a united
voice, would not only make
that voice better heard but
also make room for emerging
market participants.
Everyone would gain by such
a courageous move. □

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