

SPEECH
for Commissioner Almunia
Telefonica Conference
**'Internationalisation: what role for
business and the EU? And what benefits
for society?'**
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EU and global coordination: Creating the conditions for recovery

Ladies and Gentlemen,

It gives me great pleasure to join you this afternoon. Internationalisation is an apt topic for discussion today. The current financial and economic crises are a clear example of just how interlinked the global financial system is and just how interdependent our economies are.

Although the financial turbulence began with the US sub-prime crisis in August 2007, it took a sharp turn for the worse with the collapse of Lehman Brothers on the 15th September. This event triggered a systemic crisis larger than any since the 1930s, engulfing Europe and spreading to all parts of the global economy.

In response, the European governments and the ECB have taken ambitious and coordinated decisions to support the banking sector. According to the available information, these measures are gradually taking effect in some market sectors. Fears of a full scale financial meltdown have receded.

Europe is now taking far reaching action to ensure that a crisis of this magnitude cannot happen again. Both with wide-ranging reforms of our financial sector and by providing the impetus for a globally coordinated response to the crisis. It was on the EU's initiative that leaders of the G20 met in Washington on November 15th for a historic meeting to overhaul the international financial system.

It is still too early for a conclusive assessment on the impact of these initiatives over the medium to long term. But already the summit represents a major step forward. It has established an international consensus on the need to improve international financial regulation, to find a better way of assessing systemic risk and to establish mechanisms for more effective and coordinated crisis prevention.

It also called on world leaders to work together in a coordinated way to support the real economy. And for good reason.

The economic situation is deteriorating very quickly. Global growth is slowing increasingly rapidly and the US, Japan and the euro area are already in recession. More worrying still, the crisis is now taking a severe toll on emerging economies.

In the EU, the forecasts that we published one month ago indicated close to zero growth for 2009. Only in 2010 would growth begin to gradually recover and unemployment is set to rise substantially over the next two years. However, this forecast is beset with risks and we are already seeing signs that the reality could be far gloomier.

Financial markets remain very fragile, despite the emergency measures taken by governments and confidence is at historic lows. Tight credit conditions are putting households and businesses under strong pressure. And as the world enters a global downturn, demand for exports is falling. As a result, economic forecasts are constantly being revised downwards.

If we are to avoid a vicious circle of plummeting demand, economic contraction and job cuts, we need to take rapid and decisive action. And this action should be coordinated.

The European Economic Recovery Plan proposed by the European Commission last week aims to do just this.

The Plan has two components: a fiscal stimulus of €200 billion to boost demand and consumer confidence in the short term; and a programme of 'smart investments' to strengthen the competitiveness of the EU economy in the medium and long term.

At yesterday's ECOFIN Council there was strong consensus among finance ministers that fiscal stimulus measures are required in these exceptional times.

Ministers agreed on the key principles underpinning the stimulus:

First, that to be efficient it has to be well designed: timely so as to counter the downturn; targeted for maximum effect on demand; and temporary to avoid the need for damaging permanent tax increases.

Second, that the rules of the Stability and Growth Pact should apply. This is crucial to guarantee the sustainability of public finances over the medium to longer term.

And last but not least, that these fiscal measures must be coordinated. For Member States who launch stimulus packages in a coordinated way, the benefits are mutually reinforcing; they stimulate demand at home but also in other Member States, thereby giving a major boost to their own exporters.

At the same time, the plan proposes to complement the fiscal stimulus with a programme of 'smart investments' and structural reforms. In a downturn, it is all the more important that we take measures that enable us to compete at the global level. We need to be ready to grasp the opportunities for growth when they return.

Hence we will provide better access to finance by improving the framework conditions for future investments; we will support business and entrepreneurship by reducing administrative burdens; and we will sharpen Europe's competitiveness by speeding up innovation.

Driving forward the transition to a low carbon economy implies major opportunities in fast growing markets. We are therefore proposing partnerships between the private and public sector to boost the development of green technologies: these include initiatives for clean cars, energy efficient buildings and a 'factories of the future' initiative to increase the use of technologies in manufacturing. In addition, we will work with Member states and the private sector to achieve 100% high speed internet coverage by 2010.

So far I have concentrated on the EU level response to the downturn and the importance of European coordination. But in an interdependent world, all countries need to collaborate to create the conditions for a recovery.

This is precisely why our response to these global shocks must be coordinated at the global, as well as the European level.

We have made a good start with the G20 meeting in Washington in November. For leaders of emerging and developed economies to meet and discuss economic and financial challenges has no precedent in history. It reflects the recognition

that overcoming these challenges will only be possible through international cooperation. This means cooperation between regulators and supervisors in the financial system, but also in tackling the macroeconomic risks in the global economy, and in coordinating monetary and fiscal policy.

Times of crisis should be used as a unique chance to drive forward necessary changes. We should take this opportunity to shape the future: to galvanise action on climate change and energy security, to better regulate financial activities; to step up the use of cutting edge technologies; to ensure sustainable social models and to reduce poverty and advance economic progress worldwide.

Central to these goals are open and dynamic global markets. It is somewhat inevitable that with the world facing a severe financial crisis protectionist voices grow louder. We must resist such a tendency at all costs.

Keeping trade links and investment opportunities open is the best means to limit the global impact of the crisis and secure prosperity for the long term. Not only does Europe's return to solid growth depend on our capacity to export. But a healthy global economy depends crucially on the economic performance of emerging and developing countries.

This is why I want to underscore the importance of reaching a successful conclusion to the Doha negotiations and why the EU has made it a priority to reach a global trade deal as soon as possible.

Conclusion

Ladies and gentlemen, let me conclude.

Over the past three decades the world has embraced globalisation and freer, open markets because it has been the proven way to grow economies and to improve living standards around the world.

Today, we face serious difficulties in our financial systems and in our economies in addition to the enormous challenges of climate change, population ageing and global poverty reduction. The answer to these challenges is not to question our interdependence, but to strengthen it. It is not to hunker down in isolationism, but to coordinate our actions, both in Europe and internationally, in order to overcome the recession and safeguard sustainable growth.

The EU has a central role to play here. It is a valuable means to mobilise resources and lever joint action between Member States and European institutions. The EU also provides a crucial platform to influence global debates and policy making. I am therefore confident that by working together, we can emerge from this crisis stronger.

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