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"Fighting on all fronts: tackling the global slowdown and climate change"

Globalisation Council

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Ladies and gentlemen,

We meet at a very difficult time for the global economy.

The events of recent months have been unprecedented.

Around the world, growth is slowing and unemployment is rising.

Major economies are sliding into recession.

The emerging economies are still experiencing strong growth, but they are increasingly being affected by the worldwide slowdown.

We must act swiftly and decisively to stem the effects of the crisis on the real economy.

And we must reform financial market regulation to avoid another crisis in future.

I have recently returned from the G20 Summit in Washington. The impulse for this Summit came from Europe. We pushed for as many countries to be involved as possible. In the end, it was an extra-ordinary gathering which brought together representatives of about 85% of the world's economy.

At the Summit, Europe was able to make its voice heard. We played a constructive role in discussion. We were able to do this because we were united. All 27 Member States had agreed on a clear, coherent position before the summit (at the informal European Council meeting on 7 November).

The Summit was successful. A consensus emerged on four key points:

leaders agreed to work in a co-ordinated way to support the real economy;

they recognised the need for a new, comprehensive regulation of the financial markets;

they called for a new form of global governance;

there was a clear "no" to protectionism.

Let me say something about each of these points.

On the real economy, Europe must act together. Member States co-ordinated their interventions in the banking sector to great effect. Now they must do the same again. This is essential to exploit synergies and avoid negative spill-over effects.

The choice is stark. The stakes high. Work together, and the downturn in Europe can be short and shallow. Go it alone, and I fear that it may be prolonged and painful. And, of course, it is Europe's citizens, particularly the most vulnerable among them, who will pay the price.

We must be bold. This is no time for "business as usual." It is no time for ideology. We must be prepared to move outside our comfort zone. To think the unthinkable.

We need a plan which brings all possible policy levers to bear on the situation. A co-ordinated plan for the whole EU. That is what the Commission will be bringing forward on 26 November.

In the plan we will be delivering, we will include the need for a significant budgetary expansion in the EU. I believe that this is the right approach. Fiscal policy should be used to support economic activity, provided it is timely, targeted and temporary, and in full conformity with the Stability and Growth Pact. Indeed, the Pact provides us with a way to deal with exceptional circumstances such as those we are experiencing now.

Spending to beat the recession must be smart spending. As well as supporting the economy in the short term, it must reinforce our long term growth potential. We must invest in those areas which are critical to our future competitiveness - essential infrastructures, research and innovation, clean technologies to support the transition to the low carbon economy, energy efficiency and education and training.

On the regulatory side, there was clear agreement in Washington that no financial institutions or instruments should be outside the law, transparency should be increased, excessive risk-taking reined in and conflicts of interest avoided.

Many of the issues will have to be dealt with at EU (not national) level.

For example, we are already taking action in areas like improving accounting standards, reducing the systemic risk from derivatives, removing perverse incentives from remuneration schemes and regulating credit ratings agencies.

The EU's major financial institutions operate across borders. But our supervisory arrangements must be improved, notably as regards cross-border institutions. So, I have set up a high level expert group, chaired by M. de Larosière, to present me with concrete proposals to address this issue. A report will be submitted to me by February next year.

The Summit recognised the pivotal role of the IMF in providing macro-financial policy advice.

This is crucial. This crisis stems partly from macro-economic policy mistakes and the failure to prevent the build up of global imbalances also played a role. Vigorous, even-handed surveillance of all countries is desperately needed.

Equally, the Summit recognised any new form of global governance must be made much more open to the emerging economies.

On trade, we promised in Washington to strive for a deal in the Doha Round by the end of the year. I can think of no better way of boosting confidence in the world economy.

A successful conclusion to Doha, together with a renewed commitment to the delivery of the Millennium Development goals, is essential for the developing countries, as they struggle to cope with the economic crisis which is likely to have a very damaging impact on them.

Whatever the problems we ourselves are facing, our commitment to the world's poorest countries must not weaken.

Ladies and gentlemen,

Nothing that has happened in recent months has caused me to question my commitment to free markets and open trade and investment regimes. Or, just as importantly, my commitment to open, democratic and free societies.

Globalisation has benefited developed and developing countries alike. It has helped to lift hundreds of millions out of poverty. It is our best hope of helping many more.

Amartya Sen, one of the few economists respected on all sides of the globalisation debate, said: "to be generically against markets would be almost as odd as being against conversations between people."

He is right. And just as conversations can extend across borders, so can markets.

And this is precisely what we are doing here today – exchanging views about our actions at global level.

Ladies and gentlemen,

There is one last message which I would like to leave you with.

Amid all this turmoil, we must not forget one of the most important challenges of the 21^{st} century – the fight against climate change. I know that this will also be the focus of your discussions today.

Some are arguing that, given the very difficult economic situation, we can no longer afford our climate change and energy package.

They could not be more wrong.

One thing we have learned from the financial crisis is that, if we ignore risk building up in the system, it is much harder to manage that risk. We must recognise it early and tackle it.

And of course, the consequences of ignoring the risks of climate change will be even greater than the consequences of ignoring risks from the financial sector.

The transformation of Europe into a low carbon economy is essential for future competitiveness.

Recent falls in oil prices are only temporary and clearly reflect the downturn in the world economy. They are bound to rise again as soon as growth returns.

In the long run, as the recent report of the International Energy Agency (Global Outlook) shows, the price of fossil fuels is clearly on the upward curve, as global demand increases and supplies dwindle.

Without the climate change package, and as our own Strategic Energy Review clearly demonstrates, we will become more and more dependent on foreign energy. This would leave us vulnerable to energy shocks, with potentially disastrous effects for the economy.

We are on track to get a first reading agreement on the package in December. If we can achieve this, we will be in a much stronger position to press for an ambitious agreement in Copenhagen next year – so ensuring a level playing field for EU companies at world level.

Of course, there are still some sticking points in the negotiations. It would be very surprising if there were not. There is genuine and legitimate concern about carbon leakage, particularly since industry is under such pressure at the moment.

We recognise these concerns, and we have to agree on a clear methodology for identifying sectors and sub-sectors of energy-intensive industries at risk of carbon leakage and provide free allowances. Of course, we cannot finally determine which sectors are exposed to risk until the international negotiations are completed.

I am glad to say that most Member States accept the overall architecture of the package. Some are asking for more weight to be given to their earlier reduction efforts. Others want auction revenues to be distributed differently between Member States. We believe that our original proposal represents a fair distribution of efforts. We are willing to show some flexibility if this is needed as part of a compromise. But it has to be remembered that less effort on the part of one Member State means more effort by others. There is no way round this.

I do not want to play down the importance of these issues. We still have some way to go. But I am convinced that we will find the right point of compromise and that a deal is within our grasp.

The package will do a lot to increase Europe's energy security. But at the same time, some Member States want a clear signal on energy security based on solidarity between Member States. We need a more conscious and organised strategy to boost inter-connections, e.g. in the Baltic region, so that Member States can help each other out in tackling shortfalls.

Ladies and gentlemen,

This is the third meeting of the Globalisation Council. It is happening against a much more difficult background than the other two.

Now more than ever, we need gatherings like this.

It is vital that business leaders like you come together to discuss the pressing problems we face now – without, of course, losing sight of longer term challenges.

I wish you fruitful discussions.

Thank you.