JOAQUIN ALMUNIA

Vice President and the Commissioner for Competition, second college of the Barroso Commission

Jim Hoagland, Associate Editor and Chief Foreign Correspondent, Washington Post

The first speaker is Joaquin Almunia, who is Vice President of the European Commission and the EU's Commissioner for Competition.

Joaquin Almunia

I think I will speak in French. Since we are in Morocco I think the French language should be used, though I have to say I'm not sure whether that's a question of governance, a question of soft power, or whether it is a free decision of all the member States. My first contact with European affairs was in 1972 when I worked as a young economist in Brussels. In those days French was used everywhere in the European institutions. Nowadays, except for the Court of Justice which still holds its proceedings in French, nearly all our discussions, debates and analyses are in English. However we are going to remain francophones to talk about governance.

I want to talk about governance from the European point of view. I am going to tell you what I have seen, as a member of the European Commission for six and a half years, concerning the development of governance in the world and in Europe since the start of the economic crisis. I want to focus my remarks on economic governance, continuing the very interesting debates that we heard this morning.

Obviously the crisis has accelerated efforts on economic governance globally and in Europe. During lunch, Jean-Claude TRICHET gave details of some aspects that have been decided for economic governance in the economic and monetary union of the euro zone and for the European Union as a whole. The President of the European Central Bank, notwithstanding his independence, has asked governments and the Commission to go beyond the present proposals, something that would have been impossible a year ago. Last year, the President of the European Central Bank would not have dared make the kind of comments on what should be done as he has today. I must say that nearly all governments, the vast majority of the European Parliament, and of course the whole European Commission, are convinced that we need to move faster on the instruments of governance of our single currency, and that we need to strengthen the instruments for improving budget discipline and achieving a sustainable debt strategy, and this for both the public sector and the private sector. We also need to coordinate other economic policies to prevent other imbalances. This is a new consensus, and these are new instruments of governance which are being put in place in Europe very quickly and with considerable ambition.

Since the crisis began, Europe, in addition to its own aims, has also helped to improved governance on a global level. The idea of holding the G20 in Washington a month to a month and a half after the Lehman Brothers affair was originally a European idea. It was an idea conveyed to President Bush by President Sarkozy, who at the time held the Presidency of the Council of Europe, and by the President of the European Commission José Manuel BARROSO. I remember the first G20 summit in Washington, in November 2008. I have to say that most of the ideas and initiatives on the agenda of the first G20 summit were ideas that had been prepared in Europe on new financial regulations, and

on new instruments for improving supervision, for reinforcing financial stability, for tackling the effects that the crisis was having on the financial system, and for coordinating fiscal policies to boost demand.
But even in this area, in which governance has been accelerated by the crisis, there is still a long way to go. And here, we must be clear. Yesterday, we were asked not to be hypocritical in our speeches. If we do not find now – and so far we haven't found it – a way to discuss exchange rates as we used to do in the past when there were fewer relevant currencies at global level, if a substitute for the G7 is not found to talk about exchange rates in a reasonable manner, then we can expect very serious problems in terms of currency wars or increased protectionism, because there will be countries or regions that are going to have to put up barriers to protect themselves from the consequences of actions taken by others on exchange rates. This is something that has yet to be settled. Jean-Claude TRICHET said, and I quite agree with him, that we have a common diagnosis for confronting global imbalances, these huge deficits in one part of the world, and these huge surpluses in another, especially through a savings glut. We have the diagnosis. We had it before the crisis. We have already worked on it. We have strengthened the determination to take measures to stop global imbalances from spreading and bringing on a new, different kind of financial crisis in the next few years, one that would not necessarily be less severe than the one we are still going through. And yet we have still not found the place for debating these actions. So I have to tell you that I think that the emerging countries in the G20 should be more aware, not just of the new opportunity they have to talk at the same level as the old industrialised countries of the G7, but also of their obligation to assume responsibilities. If they think that being at the table of the G20 gives them the opportunity to talk, to take stances and discuss the final communiqué, then they should understand that they also have just as much responsibility for implementing what has been agreed. If that is not understood, we are not going to find a solution in the G20. We must turn, then, to the multilateral institutions and get them to accept their responsibilities. But here, we are going to find that the representation is obsolete and no longer of any use in solving problems today. Some of those who have to find solutions to the problems of exchange rates, global imbalances, etc. are newcomers who were not at Bretton Woods.

This links up here with the second point that I would like make in this introduction, namely Europe. Europe has taken very important, very courageous and very worthwhile initiatives, not only to solve its internal problems but also problems beyond its borders, global problems. But Europe has a position that others find unreasonable. It is over-represented in multilateral institutions. There are many Europeans around the boardroom table of the International Monetary Fund, but curiously, those representing the common European voice in monetary matters, such as the European Union or European Central Bank, have observer status only. In addition, those who have to deal with the political consequences of the decisions taken within the framework of the economic and monetary Union in respect of the euro are sometimes themselves divided. It is never certain that all Europeans around the table will say the same thing.

There are two scenarios that come up repeatedly. When I took part in the multilateral meetings of the G20, or in other forums, I heard many times, from both the emerging countries and the United States, that the Europeans had only one position, and that in these cases there was no need for eight Europeans around the table. Or I heard that the Europeans had very different positions and that in these cases Europe was more of a problem than a help in finding solutions. A divided Europe, within the borders of the European Union, is not going to help us make progress. It was a request I heard from the Americans, from the Chinese, and from other representatives at the G20: Europeans, please unite.

Why can't the Europeans act in a more unified manner? It is not a question of eliminating the differences and peculiarities or the different priorities of the member states of the European Union. However, on the central questions that should help us solve the most serious challenges of the present world, related as much with the economic and financial crisis as with the other challenges that were there before the crisis, such as climate change, multilateral trade negotiations, natural resources, Africa, and others, either the Europeans unite or Europe will be less influential in future than Europeans would hope it to be.