

## **Introduction by the President of the European Council**

### **Council session on the financial crisis**

**Bruxelles – Wednesday 15 October 2008**

1. In the course of the past week, the initiatives taken in Europe have made it possible to produce an initial global response to the financial crisis. This is still not final, but for the first time the Europeans have shown that they are capable of coordinated action in an emergency.

2. For the first time in financial history, it is plans worked out in the European Union which have inspired the measures taken in other countries of the world, including the United States. Europe has shown leadership in dealing with the crisis and I welcome this.

3. We must demonstrate the same leadership in the consideration of the future on which we have embarked. This is not a crisis of European origin. But it is the Europeans who are - and have been for a long time - coming up with proposals for reform of our international financial system. I myself already urged the G8 to act accordingly in August 2007, and I have repeated that call for reform, before the United Nations.

Today we are facing a dual, historic, challenge. Firstly, to ensure this crisis is dealt with conclusively. Secondly, to make sure that mistakes made in the earlier crises – that of the emerging countries in 1998, and the collapse of the internet bubble in 2001 – do not recur. We dealt, then, with the malady's symptoms but did not strike at its root causes.

4. This crisis is one too many. The system must be completely overhauled, an overhaul that must be global. A new form of capitalism is needed, based on values which put finance at the service of business and citizens, and not vice versa:

- The role of public players needs to be reconsidered: I would propose a simple principle, that no financial institution should escape regulation and supervision. I am thinking, for example, of the regulation that we must apply to the rating agencies, and of the necessary supervision of hedge funds. The rules must be revised and made consistent, and the emergence of further speculative bubbles has to be avoided. In this connection, there has to be a fresh look at the method of developing accounting standards and their consistency with prudential rules.
- Private players must be made accountable: I am thinking, for example, of the remuneration issue, on which we are already making progress in Europe.

5. This overhaul cannot stop at Europe. The economy is global, no country can protect itself alone. Yes, States are sovereign; yes, there are differences between the richest countries, the emerging countries and the other developing countries. But the theory of uncoupling has not withstood the test of reality. There is only one world; everyone is concerned. We must involve in our discussions those who are already economic and financial powers: the emerging countries. We must also work to eliminate the grey areas that undermine our efforts at coordination, in this case the off-shore centres.

Lastly, I want to say that we shall not let the poorest countries fall and thereby wreck the years of development efforts.

6. World economic governance is too fragmented. We must look for a new mode of coordination between all the players involved: international organisations, regulatory and supervisory authorities, and more generally all the fora that produce standards in the economic sphere. But I am also thinking of the need to ensure that the mandates given to each of these players are consistent.

I said this to the United Nations General Assembly in New York in September. We need a new Bretton Woods. The new system will have to have all the necessary political legitimacy and to show that it can deal with the new global challenges.

7. I propose that when we depart from the European Council, we all take this message with us. That is the spirit in which I proposed an international Summit before the end of the year, preferably in New York where everything began. It is my wish that we Europeans should be fully united in this matter. This Summit is a starting point for the necessary adoption of the agenda, objectives and values of this great reform. I now call for your proposals.