



## The Future of Europe Summit III

November 27-28 in Andorra la Vella

### Economic Sustainability: New Opportunities for Europe

What will it take to get the European economies out of the crisis?

The opening sessions of the 2008 summit focused on the economic crisis, the outlook for growth and the need for tough regulation to avoid a repeat of the current financial meltdown in the future.

Opening the conference, Albert Pintat, prime minister of Andorra, laid out the moves that his country is taking to respond to the downturn. At the core he said, would be a new economic model focusing on innovation, talent and promoting economically sustainable sectors.

"We must all discover how to learn during these economically exceptional times," he told the audience. "We have a blank slate and we have all the things that we need to do something about this."

The first session examined what it will take to get the European economies out of the current financial mess?

Panelists agreed that the downturn is unparalleled for the present generation and most felt that governments were not yet doing enough to directly address the problems.

"Too many people are too optimistic," said Jacques Attali, the author and chairman of Attali & Associés in France. His central theme was the need for genuine "global government rather than governance." He was referring to the urgent need to harmonize legal market rules throughout the world, bring in a new generation of good civil servants, especially in the United States, transform rating agencies into non profit organisations, and strengthen the linkage between international financial reporting standards and the Basel II rules on capital adequacy for banks.

Attali also argued that the crisis could have been prevented had the right personnel been in place, particularly in the U.S. administration during the years before the storm broke.

He noted that both the White House of Bill Clinton and that of George W. Bush used former top executives from Goldman Sachs – Robert Rubin under Clinton and Henry Paulson Jr. under Bush.

"It's a matter of power between Wall Street and Congress," Attali said. "Wall Street has been blind to what was happening."

Wolfgang Munchau, associate editor of the Financial Times, forecast that in 2009, growth in Germany may contract by between 2 to 4 percent or worse in the event of a major bank failure. He deplored the fact that Chancellor Angela Merkel of Germany and President Nicholas Sarkozy of France have a "poisonous" relationship, when instead they should be seeking to relaunch the Franco-German engine of European integration.

Munchau said the focus should be on immediate pump priming to avoid a slump in the light of "the very dangerous escalation of the crisis on the real economy" during the last 3 to 4 weeks and stabilizing money markets using central banks as a counterparty for transactions. Further out, the Bretton Woods based system of financial rules has led to damaging exchange rate volatility and a U.S-China conspiracy, "allowing China to run an unsustainable surplus and the U.S. an unsustainable deficit." That situation has encouraged asset price bubbles to build.

Pat Cox, chairman of the European Movement and former president of the European Parliament, noted that it was a “rather heroic presumption” to assume that the EU budget – at about 1% of GDP of the members — was enough to kickstart growth. “Some states can afford to do more lifting,” he said, referring to Germany in particular as “deleveraging in the economy has a long way to go.”

Still, he found some reasons for optimism. “We can have an influence,” Cox said, praising the fact that the EU authorities had managed to avoid a systemic financial failure, so far.

“Government can deliver – opaque has to be out and transparency has to be in.”

Salvador Garriga, a member of the committee on budgets for the group of the European People's Party and European Democrats in the European Parliament, focused on demand measures that the EU can take. For example, steps to ensure early payment of suppliers, using structural funds to stimulate economies and help offset unemployment.

Several important comments and suggestions were submitted from the audience including:

- Throwing money at the problem is not enough.
- Could stronger global governance really have helped to avoid the crisis?
- How to punish those responsible for the crisis.
- To extend rules governing bankruptcy protection for companies and financial institutions.
- Cap mortgages at 75-80% of revenue, rather than 100% or more.
- The need to lower taxes to free consumer spending.
- The imperative to invest in health and education.
- Invest in Africa.
- To better manage public institutions.
- The need to guarantee returns from public investment.
- Basing incentives on sustainable rewards, not risk-based rewards.
- Use threat of terrorism as a means to leverage new investment.
- Why should we trust the people who got us into this crisis to get us out?

During a second session, “The sustainability imperative: Europe’s global leadership opportunity?” panelists discussed the urgent need for companies and governments to incorporate the concept of sustainability to ensure continued growth.

Stavros Dimas, EU commissioner for the environment, stressed that there was “no economic case for delaying the shift to a low carbon economy.”

Another session on thursday, “20% CO2 by 2020: heavy blow for business or new opportunity?” looked at how Europe is leading in the fight against climate change.

Patrick Birley, chief executive of the European Climate Exchange, said the introduction of a “cap and trade” scheme, a market based policy tool for protecting the environment, will reduce carbon emissions. Trade in carbon permits has grown from 94 million tons in 2005 to 2.6 billion in 2008.

“As Europeans, we are ahead of the rest of the world and cap and trade is a beautiful concept and means that early action will be rewarded by a carrot, but those who take no action will be hit by a stick.”

### **The Future of Europe Summit**

The Future of Europe Summit is a unique debate platform to discuss issues of most relevance to Europe's economic and social future and find out how the continent could retain and further its leadership role. This exclusive event intends to generate a participative and lively debate with high added value and “outside the box” thinking.

A conclusions book containing the initiatives to help revitalize European economies and societies, as well as recommendations that have arisen from this prestigious gathering will be published and personally delivered to EU and G8-leaders.

**The Summit Organizer: OIE ([www.oie.ad](http://www.oie.ad))**

The Bureau for Business Innovation (Oficina per a la Innovació Empresarial, OIE) reports to the Prime Minister of Andorra. Its objectives are:

- Offer incentives for the creation and the development of companies that will promote the emergence of new economic activities
- Develop the "Invest in Andorra program" and guide investors through the entire process of coming to Andorra

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