

Jean-Claude Trichet: Central bank cooperation after the global financial crisis

Video address by Mr Jean-Claude Trichet, President of the European Central Bank, at the Bank of Korea International Conference 2010 “The changing role of central banks”, Seoul, 31 May 2010.

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Ladies and Gentlemen,

First, let me congratulate the Bank of Korea on its 60th anniversary.

The bank has made essential contributions in Korea’s economic development, the reform of the country’s financial system and its integration into the global financial system. The clear focus on controlling inflation and the strengthened independence further buttressed the role of Bank of Korea in the economy. And recently, the Bank’s timely and decisive measures helped Korea weather the global financial crisis. Hence, there are many reasons to congratulate and wish Bank of Korea a very happy birthday!

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Let me now say a few words about central bank cooperation during and after the crisis, which the Bank of Korea is so closely involved in.

The cooperation among central banks has recently taken numerous forms, such as information sharing and the setting of general standards and rules. Such cooperation has been mainly channelled through the various fora at the Bank for International Settlements (BIS) in Basel. These include the Governors’ Global Economy Meeting and the other committees that meet under the aegis of the BIS as well as the Financial Stability Board. The Global Economy Meeting comprises the esteemed Governor Kim and some 30 other governors from all systemically important economies. It is held every two months in Basel and provides a unique opportunity to discuss the global economic outlook, policy challenges as well as any other topics of mutual interest.

Until January this year, the Global Economy Meeting was primarily concerned with assessing global economic and financial conditions. Since then, it was entrusted with an additional assignment: it now provides guidance to, and formally decides on, issues discussed by the various Basel-based central bank committees. This responsibility had been in the hands of G10 Governors for decades. I have the privilege to chair the Global Economy Meeting and find the frank and in-depth discussions of invaluable importance for my own work and for the central bank community at large.

Central bank cooperation is part of a more general trend that is reshaping global governance, and which has been spurred by the global financial crisis. One distinctive aspect of this crisis has been its originating in industrial economies. Emerging countries have also been severely affected, but as a group remained a source of strength for the world economy. It is therefore not surprising that the crisis has led to even better recognition of their increased economic importance and need for full integration into global governance. The enhanced role of the Global Economy Meeting I just described reflects exactly this recognition.

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Optimal arrangements for global governance are difficult to find. Global governance –like all collective decision-making – always faces a trade-off between efficiency and legitimacy. Therefore, devising institutions for collective decision making is always a delicate balancing act, even more so at the global level.

The international community has identified the G20 as the premier forum for international economic cooperation. The G20 includes 11 emerging economies and Korea holds the presidency this year. The G20 has already been in existence for over a decade. But the main innovation at this point is to set it up as the key forum for strategic global impulse at the level of the leaders, as well as at the level of Ministers of Finance and Governors of central banks. I therefore wish the Korean presidency a successful steering of this body during the course of this year.

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Let me express my profound gratitude to Mr Lee, former Governor of the Bank of Korea, for the fruitful cooperation between our central banks during his tenure, for his contributions to the Global Economy Meeting and, above all, for his friendship.

I would like to once again congratulate Mr Kim on his appointment as new Governor. I am very much looking forward to working with him.

I am confident that we will continue to build on the cordial relations between the Bank of Korea and the ECB, not only in the context of the aforementioned multilateral policy meetings, but also on occasions such as bilateral meetings and the annual Bank of Korea Central Banking Seminar, which ECB staff always find very constructive and enjoyable.

Best wishes from the ECB and, once again: happy birthday!