



Mr Herman Van Rompuy
President of the European Union
European Council
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B-1048 Bruxelles
BELGIUM

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Dear President,

BUSINESSEUROPE would like to emphasize the importance of promoting a strong and united European position on key issues of concern to European business at the 11-12 November G20 Summit.

G20 leaders will focus their discussions on the **state of the global economy**. While we appreciate the progress made at the Gyeongju meeting of G20 Finance Ministers, a lot of work remains to establish a more robust framework for global economic policy coordination. The debate on exchange rate developments and the threat of “currency war” is a clear warning. The failure to develop a comprehensive multilateral approach to economic rebalancing implies great risks of renewed protectionism that should be avoided. Currency stability and a rapid transition toward a market based system in China and other emerging economies would be greatly facilitated if it is part of a global commitment towards sustainable economic policies. Impediments to growth and macroeconomic imbalances must be addressed in all G20 countries. Cutting public deficits and adopting far-reaching reforms to jump start private sector led growth should be the EU's main contribution. The G20 Action Plan for a Framework for Growth should empower governments to undertake the much needed reforms in a coordinated and balanced manner to ensure stability and growth in an interdependent global economy.

G20 discussions on **comprehensive financial reform** will have a significant impact on European companies which need access to finance. We expect the G20 to strengthen the resilience of global financial markets through close coordination. This should include efforts to maximise the effectiveness of financial market stabilisation measures, to avoid divergent policies and to support growth in the world economy by ensuring access to finance for companies. After the endorsement of the principle of new capital rules for banks (Basel III), we call on G20 countries to work cooperatively on their implementation and further calibration – especially across the Atlantic – to ensure that access to finance and the competitiveness of European companies will not be unduly affected. When translating Basel III rules into new capital requirements in the EU, the central role of bank intermediation in the financing of the economy and the diversity of banking models, the composition of balance sheets and structure of financial groups in the EU should be duly considered. Basel III also contains liquidity requirements that would be biased in favour of government debt over equity which is considered higher risk. As the demand for capital intensifies, companies will find it increasingly difficult to



obtain the finance they need for investment. The effects on trade finance should also be made explicit. A thorough, consistent and credible impact assessment looking at the cumulative effect of financial market reforms on access to finance and growth is still lacking and should be urgently undertaken at both global and EU level.

Regarding systemically important financial institutions, there must be a strong focus on resolution mechanisms for dealing with such cases. Finally, we call on the G20 countries to also continue cooperation on other important financial regulation issues like convergence toward international accounting standards or the regulation of over the counter derivatives which are measures that affect a wide range of companies in Europe.

Reform of international financial institutions is essential to facilitate G20 cooperation on global economic reform issues. We expect that emerging countries will expand their representation in these institutions. You should be mindful throughout these discussions of the need to also strengthen the voice of the EU, respecting subsidiarity principles, in institutions that determine the global framework for policies of EU competence. In addition, representational reforms should go hand in hand with improvements in the functioning and effectiveness of these institutions.

On trade, we continue to express concern over government measures to restrict access to procurement, to restrict trade in raw materials and measures to subsidise exports. These beggar-thy-neighbour policies will provoke trade policy reactions that threaten the multilateral trading system. This underlines the need for G20 members to show more leadership in the WTO Doha Round by negotiating more ambitious reciprocal market opening and stronger global rules against protectionism and market distortions. These rules should create a level playing field for companies on the global market. For technology, the EU should reiterate the importance of free trade and strong intellectual property rights as key vectors to facilitate the commercial diffusion of new technologies and to foster innovation. We also strongly support G20 proposals to eliminate oil and gas subsidies that distort markets, generate energy inefficiency and undermine energy security and call for these proposals to become WTO rules.

The G20 Summit will also be an opportunity for the EU to progress in view of the Cancun **climate change** conference. It is vital that all major emitting countries engage firmly in this process with comparable commitments. The ultimate goal must be a global price on carbon.

I thank you for taking these views into account and we count on you to strongly advocate for Europe's economic interests in Seoul.

Yours sincerely,



Jürgen R. Thumann