



EUROPEAN COUNCIL
THE PRESIDENT



EUROPEAN COMMISSION
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Brussels, 5th November 2010

Dear G-20 Colleagues,

We would like to share with you our views on the key issues on the agenda of the G20 Summit in Seoul, building on the discussions we held with our European colleagues at the October EC to prepare the EU position for Seoul.

The Summit comes at a critical time. It will be a real test of whether the G20 can deliver the coordination the world economy needs, identifying and applying cooperative solutions at global level. We believe it can, and the European Union is fully committed to make Seoul a success.

The G20 has become the premier global forum for international economic cooperation. With the world economy slowly recovering despite very large uncertainties, the G20 is now at a turning point. Its focus has shifted from immediate crisis response to longer-term global economic coordination. Sustaining the recovery and laying the foundations for strong and more balanced growth remains a significant policy challenge. As we move into a new economic phase, there is a risk that the momentum for collective and cooperative action might weaken. The outcome of Seoul must show that this is not the case.

In particular,

- *The uneven global recovery highlights the need to forcefully implementing the G20 Framework for strong, balanced and sustainable growth.* All G20 countries must recognise that economic imbalances are a common concern, and that all major economies must do their part to achieve rebalancing. Current account imbalances should be used as an indicator to trigger an assessment of the possible root causes of impediments to adjustment. In this context, the institutional economic policy set-up of the euro area as a whole must be fully taken into account. The European Union in this respect is putting in place a strong alert mechanism that aims at preventing internal economic imbalances. In Seoul we must also give a clear political commitment to cooperative and lasting solutions to the current tensions in currency markets, to allow exchange rates to be set in line with market fundamentals and to refrain from competitive devaluation of currencies. G20 members should consider the possible effects on their partners and the global economy and refrain from actions that may have negative spillovers.

- *We need to complete the reform of our International Financial Institutions.* The European Union welcomes the agreement by the G20 Ministerial Meeting of 23 October on the reform of the International Monetary Fund. This compromise is a landmark decision. The European Union answered positively to the challenge of making the institution more legitimate and more representative of the global economy. We now need to strive for wider governance reforms, including the enhancement of the effectiveness of the IMF's Executive Board and a greater involvement of IMF Governors in the strategic oversight of the IMF. Modernising the IMF's governance is a core element to improve its credibility, legitimacy and effectiveness.
- *We can sustain the recovery by boosting trade. In times of limited budgetary resources, this is the most effective to boost global growth. Therefore G20 Leaders in Seoul need to give a strong political impulse to a rapid conclusion of the Doha Round negotiations.* This will require strong political leadership, with clear and operational instructions for negotiators to bridge the gaps and to conclude the Round. Moreover, Seoul must agree on further steps to reverse the build-up of trade restrictive measures, thus ensuring that the Toronto standstill commitment is respected.
- *We need to highlight what the G20 has already achieved on financial regulatory reform and we need to ensure the implementation and monitoring of key reforms.* We must avoid any loss of momentum because the reform agenda has not yet been completed. The European Union fully supports the new agreement on capital and liquidity standards (Basel III). Its implementation should be strictly monitored. We also need to endorse the policy recommendations by the Financial Stability Board on Systemically Important Financial Institutions and on reducing reliance on Credit Rating Agencies. We must reaffirm strict implementation of the agreed FSB compensation standards, convergence on global accounting standards by the agreed deadline, and a firm stance on Non-Cooperative Jurisdictions. Further, we must pursue work on further regulatory reforms, including on effective cross-border crisis management, commodity derivatives, market integrity and shadow banking. Moreover, the EU will continue to support work in the G20 to explore and develop a financial transaction tax at global level. In the meantime, we need to work on other ways of ensuring that the financial sector makes an equitable contribution, through measures such as a financial activities tax and levies.
- *We fully support the G20 work on development as an important contribution to achieving the Millennium Development Goals.* We welcome the G-20 multi-year action plan as a tool to promote inclusive and sustainable economic growth and resilience in developing countries. We will support the adoption and implementation of a set of actions identified to improve access to financial services for the poor and for SMEs.
- *Seoul will also be an important opportunity to create political momentum for a successful climate change conference in Cancún.* The European Union remains fully committed to a fully-fledged international framework to drive comprehensive and ambitious global efforts to cut emissions and secure the action needed to keep the temperature rise below 2°C. The G20 needs to find a balanced and realistic position to drive us forward towards a low carbon global economy.
- *Finally, we support G20 work on addressing energy-related issues and fighting corruption.* We need to rationalise and phase out inefficient fossil fuel subsidies in the medium-term, support efforts to reduce fossil-fuel price volatility and share best practices to protect the marine environment from accidents related to offshore exploration and development, as well as transportation. Further, the European Union is strongly committed to fight corruption at every level and in all its forms, and therefore supports the efforts by the G20 in this field.

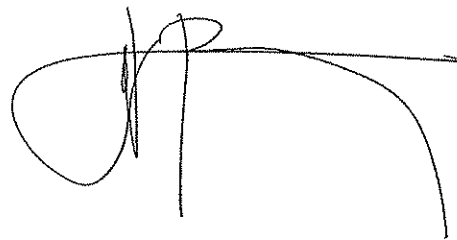
With this ambitious agenda, the Seoul Summit will be a real delivery test for the G20. We are confident that the G20 can lead the global economy out of the crisis and find cooperative solutions to recent tensions. The stakes for Seoul are high - for the credibility of the G20 and for each of its members. What we agree in Seoul will pave the way to the future.

We are looking forward to a successful meeting in Seoul.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line and a small dot at the end.

José Manuel Barroso
President of the European Commission

A handwritten signature in black ink, featuring a large loop on the left and a long horizontal line extending to the right.

Herman Van Rompuy
President of the European Council