

Brussels, 30 October 2011

Joint letter of European Commission President José Manuel Barroso and European Council President Herman Van Rompuy to their G20 partners ahead of the G20 Summit in Cannes (France), 3-4 November 2011

Last night, on 29 October, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy have sent a letter to their G20 partners in order to summarise and explain Europe's comprehensive crisis response ahead of the upcoming G20 summit in Cannes on 3-4 November 2011. The letter states: "We will implement these measures rigorously and in a timely manner, and we are confident that they will contribute to the swift resolution of the crisis. However, whilst we in Europe will play our part, this cannot alone ensure global recovery and rebalanced growth. There is a continued need for joint action by all G20 partners in a spirit of common responsibility and common purpose." They call in this context for a renewed collective G20 spirit. The two Presidents also outline the EU's priorities for the G20 summit and stress that the Union's overall objective would be "to help restore global confidence, support sustainable growth and job creation, and maintain financial stability."

Full text of the letter:

"Dear G20 Colleagues,

The decisions we have taken in our G20 Summits to date have been crucial in steering us through the global financial and economic crisis. We have acted firmly and decisively with a sense of urgency and common purpose. In the current economic situation, with world growth slowing and the global economic outlook deteriorating, we need to renew this collective G20 spirit. So our overall objectives for the Cannes G20 Summit should be to help restore global confidence, support sustainable growth and job creation, and maintain financial stability.

Within the EU, we are taking all necessary steps to ensure the stability and growth of the euro area. The euro is at the core of our European project. On 26 October we agreed on a comprehensive set of measures to restore confidence and address the current tensions in financial markets. These measures include:

- a sustainable solution for Greece. Our agreement puts Greece on track to reach a public debt ratio of 120 percent of GDP in 2020. The solution includes a voluntary agreement for a nominal discount of 50 percent of Greek debt held by private investors. This will ease market pressure on Greece and allow the country to continue its programme of reforms. We aim at concluding work on a second financial assistance programme by the end of the year.

- a significant further strengthening of the resources of the European Financial Stability Facility (EFSF), which depending on the specific set-up is expected to leverage up to around 1 trillion euros. The subsequent ratification of the new European Stability Mechanism (ESM) Treaty will provide the euro area with a permanent instrument to support financial stability.
- a coordinated plan to reinforce Europe's banking system. We approved a coordinated scheme to recapitalize banks across Europe and we are working to design an approach for medium and long-term funding of banks. Banks will be required to temporarily increase the ratio of highest quality capital to 9% after taking account of sovereign debt exposures. Supervisors will ensure that banks' plans for recapitalization do not lead to excessive deleveraging or undue pressure on sovereign debt markets.
- determined action to ensure sustainable public finances and enhance growth. Euro area Member States that are experiencing tensions in sovereign debt markets will make a particular effort in terms of fiscal consolidation and structural reforms and we will accelerate our growth strategy notably by using the full potential of our single market of 500 million citizens.
- strengthening euro area governance. We agreed to put in place a set of concrete measures to strengthen economic and fiscal coordination and surveillance within the euro area, going above and beyond the recently adopted package on economic governance.

We will implement these measures rigorously and in a timely manner, and we are confident that they will contribute to the swift resolution of the crisis. However, whilst we in Europe will play our part, this cannot alone ensure global recovery and rebalanced growth. There is a continued need for joint action by all G20 partners in a spirit of common responsibility and common purpose.

In Cannes we should aim for ambitious outcomes on eight priorities:

1) *Restoring growth and tackling global macroeconomic imbalances.* The EU's main contribution to Cannes is the above-mentioned package to ensure the stability of the euro area. But more needs to be done at the global level. Many of the distortions underlying the large pre-crisis imbalances are still to be addressed – including undervalued exchange rates in key emerging surplus economies, and insufficient domestic savings in some advanced economies. In Cannes, we need to adopt an ambitious Action Plan to address the short-term vulnerabilities the global economy is facing, and to strengthen and rebalance global growth over the medium-term. The discussion of the various risks to the global economy must be balanced, and all countries must take action. Given the ongoing tensions in global markets, we also need to continue to ensure sufficient resources for the International Monetary Fund to address crisis situations in a coordinated and comprehensive manner.

2) *Making tangible progress on implementing the financial market reform agenda.* Our internationally agreed financial market reforms must be implemented in full while ensuring a level playing field among all G20 partners. The EU is honouring its G20 commitments and has already launched the legal process for implementing the Basel III agreement. We look to all other G20 partners to deliver in this area and together we should accelerate work to advance on other agreed reforms, such as Over-The-Counter and commodity derivatives – where the EU is already moving – and bank crisis prevention and resolution on which proposals are currently being finalised. And further work is needed to extend the framework agreed on Global Systemically Important Banks to all Systemically Important Financial Institutions, effectively regulate shadow banking, and quickly move towards a single set of high quality globally accepted accounting standards. It is also time to make the necessary changes to the governance of the Financial Stability Board so as to underpin its monitoring function. At Cannes we should also make a clear commitment in support of the Global Forum's work on non-cooperative jurisdictions. The European Commission has recently presented a legislative proposal for a financial transaction tax in the EU. The introduction of a global financial transaction tax should be explored and developed further.

3) *Making the International Monetary System more resilient.* The current international monetary system, despite certain identified shortcomings, has on balance more than proved its worth in terms of global economic and financial integration. But there is scope for improvement and reform to strengthen economic surveillance by the International Monetary Fund. We should agree principles to guide G20 members in the management of capital flows and a roadmap for broadening the IMF Special Drawing Rights to facilitate the internationalisation of key emerging market currencies. Improving the cooperation between Regional Financing Arrangements and the IMF developing the Fund's toolkit to support countries during systemic stress are among the measures that we now need to address as a matter of priority.

4) *Boosting trade as the most effective way to support global growth.* We together with some of our partners have worked very intensively on the WTO Doha Round, but it is clear that the Round will not be concluded in 2011. This is depriving the global economy of a significant boost, and risks encouraging protectionist measures. We therefore want the G20 to commit to a roadmap for an active WTO negotiating agenda, in particular for least developed countries, as well as on broadening the scope of issues being considered by the WTO in order to address new global challenges. The G20 should renew its anti-protectionism commitment taken in Toronto and agree to ensure a global market and open trading system for raw materials that is sustainable and transparent and free from distortion. Cannes should also send a strong message to the WTO December Ministerial to finalise Russia's WTO accession by the end of this year.

5) *Enhancing the social dimension of globalisation.* As reaffirmed by G20 Labour and Employment Ministers the Cannes Summit should underline that employment and poverty reduction are at the centre of global economic policy coordination. Youth and female employment must feature among our top priorities.

6) *Ensuring Food Security and Promoting the G20 Development Agenda and Innovative Financing.* We need to address the global food security challenge by fully endorsing the Action Plan on Food Price Volatility and Agriculture agreed by G20 Agriculture Ministers. The G20 Development Agenda has become an important part of the G20 and we welcome this year's focus on food security and infrastructure. We look forward to discussing the report by Bill Gates on Financing for Development.

7) *The G20 needs to tackle further the global climate and energy challenge and continue its fight against corruption.* The G20 Summit will be an important opportunity to push for a successful outcome of the Durban Climate Conference (COP 17) and we welcome the initiative taken by the G20 to conduct further work on mobilising resources for climate change finance.

8) *Improving global governance.* Finally, we look forward to discussing the report on global governance by Prime Minister David Cameron.

The stakes for Cannes are high - for the credibility of the G20 and for each of its members. In the EU we have demonstrated our commitment to do everything necessary to restore confidence and growth. We look forward to a very constructive round of discussions with our G20 partners next week as together we take the necessary decisions to make a step change on the path of global economic recovery.

Yours faithfully.

Herman Van Rompuy

José Manuel Barroso

Further information on the EU at the G20, including an online flip book with facts and figures: http://ec.europa.eu/commission_2010-2014/president/g20/index_en.htm