

BUSINESSEUROPE



THE PRESIDENT

Mr Jean-Claude Juncker
Prime Minister of Luxembourg
rue de la Congrégation 4
1352 Luxembourg
Luxembourg

Brussels, 2 October 2007

Dear Prime Minister,

I am sending you this letter in your capacity as President of the Eurogroup to call for the political voice of the euro area to be heard on current exchange rate developments. Having crossed 1.40 against the US dollar and appreciating against the Chinese Yuan and Japanese Yen, the euro exchange rate has attained a pain threshold for European companies.

As only global solutions can help alleviate the risk of disorderly currency adjustments, there is no time for any passivity either on the European or on the international policy scene as you declared recently. BUSINESSEUROPE therefore sees your role as essential to foster a common European position, a position that needs to be endorsed by all European G7 members and be put forward in active and sincere dialogue with our partners, in particular the US, Japan and China. The next G7 meeting in Washington on 20-21 October will be a unique opportunity to raise these issues forcefully, and proclaim that the euro cannot be the variable of adjustment to reduce the US external deficit in the face of inflexible currency regimes in other parts of the world.

Political interference in the ECB's monetary policy will not help finding positive solutions to today's challenges. The ECB's handling of the financial market turmoil this summer has been both quick and well targeted, which again illustrates the relevance of its independence and clear mandate. Looking forward, we expect the ECB to guarantee the orderly functioning of money markets and remain pragmatic as regards its interest rate policy in the face of an unusually high level of uncertainty. In this regard, exchange rate volatility and risks of further appreciation of the euro should naturally rank high on the ECB's list of concerns.



In present circumstances, it is also essential that Member states put their house in order so as to improve the resilience of growth in Europe. Real and fundamental reforms supporting productivity and competitiveness must be implemented with no delays, and BUSINESSEUROPE counts on euro area member states to honour their pledges to balance their budgets by 2010.

The business community continues to be a strong and reliable supporter of your efforts to improve the economic governance of monetary union, but it is time to raise your voice and defend euro area interests. The business community is expecting clear and unequivocal signs that would help to foster their confidence and encourage them to continue investing and hiring.

I would be pleased to meet you at your best convenience to exchange views on these and other issues.

Yours sincerely, *et mes sentiments respectueux à mesdames*

Ernest-Antoine Seillière