

Statement in view of the informal EU Summit on 7 November

Dear President Sarkozy,

Dear President Barroso,

*Unprecedented
crisis with
far-reaching
consequences...*

The financial market crisis is affecting developed and developing economies with a growing intensity and will result in a significant global economic slowdown. In these circumstances, state interventions have increased dramatically and the roles of regulation and institutions are currently being reviewed in a number of areas.

*Coordinated
actions key to
restoring confidence...*

Strong collective responsibility is needed at EU and international level to address present challenges in a balanced way, seeking to create the conditions for a rapid return of confidence, growth and job creation.

*EU initiatives must be
brought to the next
level..*

The European business community has strongly appreciated your leadership in providing a European response to this crisis, and now calls upon you to bring EU initiatives to the next level. This means promoting strong international cooperation, rejecting protectionist reflexes, using all EU instruments effectively and encouraging at member state level an appropriate and growth-enhancing mix of macroeconomic policies and structural reforms.

EU's strategy to restore confidence in turbulent times

*Implementation of
EU action plan must
ensure a level playing
field...*

The joint action plan promptly agreed by euro area and EU governments to rescue the banking sector and restore an orderly functioning of money markets has represented a turning point in EU policy-making and bodes well for future economic governance in Europe. This European approach must be effectively implemented at national level, ensuring sufficient coordination and a level playing field on the internal market.

*Priority to
sustaining the flow of
credit to the
economy...*

Further initiatives will be required to support a continued flow of credit to the economy and temper the impact of the crisis on growth and jobs. In this regard, targeted measures to support bank lending to the private sector, sufficiently funded and rapidly accessible EIB instruments, together with broad-based liquidity interventions by central banks should help support the supply of credit. In any event, further interest rate cuts by the ECB and other European central banks will be needed to respond to a deteriorating economic environment.

*Effective cross-border
supervision urgently
needed...*

Reinforced coordination, transparency and convergence of financial market supervision remain a priority to tackle the crisis in the EU and BUSINESSEUROPE stands ready to contribute to the reflections of the High Level Group on cross-border financial supervision chaired by Jacques de Larosière.

EU budget must be mobilised ...

Additional means will need to be found within the EU budget to help member states facing severe financing difficulties and going through significant currency turbulences. The Commission proposal to frontload EU cohesion funds is also welcome as it could provide a buffer, in particular for low-income regions and those facing more acute structural adjustments.

Flexibility of SGP must be used to boost reforms...

Regarding national budgetary policies, the flexibility provided by the Stability and Growth Pact in current exceptional circumstances needs to be used smartly and effectively. While acknowledging the stabilising effects of counter-cyclical budgetary policies, BUSINESSEUROPE insists that priority should be given to support structural reforms, making tax systems more supportive for private investment and improving the quality of public expenditures.

Education, infrastructures, innovation, activation must come first...

Public investment in education and training, infrastructures, science and technology must be privileged for their growth-enhancing effects, and should be leveraged through effective public-private partnerships (PPP). In times of economic stringency PPPs should play a stronger role as they can help improve the quality, control and impact of public spending. In addition, active labour market policies should be modernised along the lines of flexicurity principles, with the aim of facilitating successful transitions between jobs and from unemployment to employment.

Commitment to balance budgets remains the essence...

Deficits above the threshold limit of 3% of GDP will need to be transitory and compensated by corrective measures to ensure a credible path towards balanced budgets after the peak of the turmoil has passed.

A global response to be outlined at the G20 meeting in Washington

G20 to set the base for better global governance...

We strongly appreciate your initiatives at the international level leading to the organisation of the G20 meeting in Washington on 15 November. Beyond a clearly defined European strategy, a global action plan must be decided to reinforce the international financial system and its institutions.

EU must show leadership ...

Such a global response is needed in order to (i) promote coherent stabilisation programmes, (ii) alleviate financial difficulties of the most vulnerable economies (iii) strengthen certain regulatory arrangements and (iv) clarify the role of international institutions. Europe must show leadership and talk with a unified voice to weigh in these crucial discussions.

BUSINESSEUROPE emphasises in particular the following messages:

Rescue plans must share common principles...

- Consistent approaches to safeguard financial systems should be further promoted at the international level, in coherence with existing action plans decided in Europe, the USA and other parts of the world.

IMF has key role to prevent a deepening crisis ...

- The IMF plays a crucial role in present times and should be provided with sufficient means and flexibility to help countries affected by short-term financing difficulties, particularly emerging economies. Further ahead, its role in the surveillance of global macroeconomic and financial imbalances should be reinforced, ensuring an adequate participation and representation of emerging markets.

Stronger market supervision also at international level...

- We support the need for reinforced coordination of market supervision at the global level in order to better cover financial institutions with global outreach.

*Pro-cyclical
rules must be
reviewed...*

- After the necessary amendments to mark-to-market accounting rules by the IASB, any additional review to prevent pro-cyclical behaviours should take place at the international level in order to ensure a global level playing field. We also support improvements to the rules on rating agencies to resolve conflict of interest and improve the reliability of their assessments.

*More transparent
sovereign wealth
funds ...*

- We are very supportive of IMF and OECD transparency proposals for sovereign wealth funds, which will reduce concerns over the operations of some of these funds, hence contributing to maintain open investment policies.

*Commitment to free
trade and open
markets is vital...*

- The financial crisis and global economic slowdown should not lead us down the path of protectionism. The EU should support calls for the resumption of the Doha Round and pursue free-trade negotiations with key partners such as India, Korea and Ukraine. New FTA opportunities, for example with North American partners, should be pursued as well, while Russia should be encouraged to return to WTO accession negotiations.

*A recovery is
possible if decisive
action is taken*

If policy-makers work along the lines defined above, the European business community is confident that European and global economic governance will come out reinforced of this unprecedented crisis and a gradual recovery of our economies will be possible.

Yours sincerely,



Ernest Antoine Seillière

On behalf of the 40 members of BUSINESSEUROPE
representing more than 20 million companies