



**EUROPEAN COUNCIL
THE PRESIDENT**

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**Remarks by
Herman VAN ROMPUY
President of the European Council
at the press conference before the G20 Summit in Seoul**

Ladies and Gentlemen, good afternoon,

Prior to the Summit, President Barroso and I addressed a letter to the G20 Leaders expressing the EU's position on the different elements of the agenda. As usual the European Council prepared the G20 Summit in order to have a single message for our Union.

The world economy is recovering, but some important risks remain. Imbalances are still there, and closer cooperation is more than ever needed. The EU and the eurozone made a large contribution to the objectives of this summit.

The Summit will officially open this evening with a working dinner on the state of the world economy and the "framework for growth". I expect a very important debate on this matter. I will present the EU's position on two particular issues:

What is the economic situation in the EU and in the euro area? And what does the EU expect from the G20 framework?.

On the first element: Our growth projections are double as high as expected six months ago but it is a multi-speed recovery. Germany's performance is very strong; a number of other Member States, are on track as well. Most of our MS are successfully implementing major reform, both on the fiscal side and on the structural one. We believe there will be a positive spill-over effect to other Member States. We are not complacent knowing the problems in some EU countries, but we are confident in our capacity to overcome them.

We confirm our commitment to a growth-friendly, gradual and differentiated fiscal consolidation.

As regards economic governance, the EU is making major progress. Two weeks ago, the October European Council endorsed a major overhaul of economic policy framework based on the following elements: greater fiscal discipline (with sanctions); broader economic surveillance (with sanctions); a permanent crisis management mechanism.

P R E S S

FOR FURTHER DETAILS:

Dirk De Backer - Spokesperson of the President - ■ +32 (0)2 281 9768 - +32 (0)497 59 99 19
Jesús Carmona - Deputy Spokesperson of the President ■ +32 (0)2 281 9548 / 6319 - +32 (0)475 65 32 15
e-mail: press.president@consilium.europa.eu - internet: www.european-council.europa.eu/vanrompuy

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Our fiscal policies and our strong economic governance will further underpin the stability of the euro.

On the second element, the EU's expectation for the G20: the EU believes that there is a need to coordinate policies. In that respect, we are ready to coordinate within the framework of the G20.

I should like to mention two main topics to be discussed this evening: current account imbalances and exchange rates.

On current account imbalances: these should be used as a warning indicator for possible obstacles to adjustment. We are doing exactly this in the EU to redress or prevent loss of competitiveness. But we do not believe in mechanistic approaches. As a matter of fact the EU as a whole has a balanced current account position.

On exchange rates. We rather want exchange rates that reflect the reality of the economic fundamentals and are market-determined. In addition; these fundamentals have to be sound (inflation; current account balance of payments) We also need to take into consideration the possible spill - over of our economic policies on our international partners.

We have to avoid currency wars like we should avoid protectionism. Once again we need coordination and a strong sense of responsibility for the world economy as a whole. In this respect, completing the Doha Round should remain a top priority.

Tomorrow we shall also discuss other two key subjects: the reform of the International financial Institutions (IFIs) and the Financial regulatory reform.

On tomorrow's first topic - (*President Lee has asked me to intervene as keynote speaker*): I would like to say that the EU members have played a key role to reach an agreement. A landmark agreement on the quota shift and on the representation of the emerging market economies. The results exceed the objectives set in Pittsburgh in 2009. I may say it was not easy for European countries, but we agreed that emerging countries need increased visibility and a voice. Of course we are convinced that more representation should go hand in hand with more responsibilities.

We now need to implement this agreement within the given deadline (2012).

On financial regulatory reform, a lot of work has already been done but further work is still needed. The momentum should not be lost. The EU fully supports the new agreement on capital and liquidity standards (Basel III): we consider an agreed G20 timetable crucial for its implementation to ensure a level playing field. We need to continue our work on taxation of financial transactions, cross border crisis management and commodity derivatives. The incoming French G8 and G20 Presidency will play a decisive role.

To conclude, our key message to our partners in this Summit is to keep momentum for a coordinated answer to the collective challenge we are facing. Each country and region has its specific situation, but we are all in the same boat. And we should continue to work to share a common sense of direction.

The EU wants to make this Summit a success by:

- contributing to a sustainable and balanced growth (by our fiscal consolidation, higher economic growth and a balanced current account) and by stronger internal economic governance.
- making possible our indispensable contribution to the IMF reform.
- supporting the Basel III agreements.

We are looking forward to engagements by the other G20 partners especially on imbalances, exchange rates and trade (avoiding protectionism and rapidly concluding the DOHA round).
