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Connecting business to Europe



EUROPEAN BUSINESS COUNCIL
JAPAN

Position Paper

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**G20 SUMMIT:
LET'S GET DOWN TO
BUSINESS! / ROLL UP
YOUR SLEEVES!**



1. Finance

The Chambers of Commerce of the G20 countries are deeply concerned about the current financial crisis, the effects of which are now being felt across the global economy.

The crisis has brought global stock markets to the levels of several years ago and world growth is currently projected to hover around 3.9% in 2008 and at barely 3% in 2009, with growth forecasts which are expected to be revised further down. The world will also witness a reduction of inflationary pressures given to temporarily lower commodity prices, declining potential growth and reduced demand. In a context of economic recession, policy makers should pay adequate attention to potential deflationary pressures in the short-to-medium term.

It is clear that the financial crisis will hit hard developed as well as emerging economies. Nobody will be unaffected.

The signatory parties attach great importance to the G20 meeting which will take place in Washington on 15 November. This meeting must be followed by a series of international summits to be convened in the early months of 2009 with the aim of restructuring the global financial system, restoring confidence in financial markets and alleviating as much as possible the effects of the financial crisis on the real economy. In this context, we expect the summit on 15 November not only to give a strong sign of political coordination and unity, but to come up with concrete proposals to tackle all above mentioned issues.

The G20 proposals should aim at strengthening supervisory structures at national and supranational level, at enhancing cooperation between developed and emerging economies with the aim of reducing economic, monetary and trade global imbalances. The quality of regulatory standards should be improved in the framework of a broad reform of the global financial system that must also include a higher degree of financial and macroeconomic surveillance and improved crisis prevention mechanisms, as well as early warning systems.

At institutional level, the role, activities, set-up and composition of the IMF, the World Bank and the Financial Stability Forum should be carefully assessed in the light of the current crisis and the global financial and economic developments of recent years. In this context, significant emerging economies should be invited to sit together with developed economies on a permanent basis in international economic and financial fora.

Last but not least, we expect the G20 leaders to come up with a global economic roadmap to protect the real economy as much as possible, especially with the regard to the business and investment capacity of small entrepreneurs, and stimulate growth in the short term with economic and fiscal incentives. In this framework, we insist on the importance of respecting the principles of the free market and fair and transparent competition.

2. Trade

The signatory parties very much applaud all the efforts undertaken by the World Trade Organization (WTO) members at the last Mini-Ministerial meeting held last July in Geneva. In this sense and in order not to loose the progress already achieved, all stakeholders must

continue to work hard so as to reach an ambitious and comprehensive Doha agreement in the next coming weeks.

The most important consequence of not achieving this deal is that there can be a tangible risk that countries raise tariffs or protect their economies in any imaginative way again, and eventually following domestic pressure. Moreover, countries will be discouraged to continue with their efforts to autonomously liberalize their economies. Therefore, the 'lock-in' effect of the Doha Round would be crucial to secure the progress in terms of tariffs' reduction achieved so far.

Signatory parties believe that the WTO has proven to be a successful mechanism/tool of global governance. While being fully committed to the principles of free trade, the parties truly consider that a failure of the DDA Round could have pernicious effects on the WTO, opening a debate about the WTO in itself, threatening thus the credibility and life of the multilateral trade system. Furthermore, a failure of the latter will threaten/weaken the other international organizations, thus putting the whole system at risk. In this sense, voices that currently ask for more global governance in this context of financial crisis/instability should take as an example the WTO and the crucial role it has played during the last 60 years. Indeed, by liberalizing world trade policies, improving market access and promoting a stable, transparent and internationally-accepted system of rules and instruments and a trade-dispute body, this institution has greatly contributed to economic growth, development and employment worldwide, as well as consolidating the multilateral trading system.

