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# European Commission calls for united EU position for G20 Summit in Pittsburgh

The recent severe crisis has underlined global interdependence and the need for new and more substantial forms of international cooperation. The European Union has been instrumental in maintaining the momentum of the process through the G20. This has been made possible by the high degree of coordination within the EU, before and after G20 meetings. The informal dinner on 17 September provides another opportunity to agree how to set the pace to secure a successful G20 meeting, with the aim of helping us to bring our economies back onto the path of sustainable development in a globalised world.

Next week's Pittsburgh meeting needs to build on the success of the April meeting in London. The Commission believes there are several points which need to be made, as the EU, to G20 partners.

The G20 needs to prepare the exit from the crisis. Fortunately, there are increasing signs that the European and global economy is turning the corner. The risk of meltdown in the financial system has receded. But serious challenges remain, as unemployment continues to rise, public finances look to recover sustainability and the financial sector remains fragile. The economy must not risk going back into decline by withdrawing the support measures too quickly. A successful recovery, sustaining demand and stemming increases in unemployment, must remain the top priority. This means continuing to implement our recovery programmes with vigour. But it is important that the exit strategy is prepared, a sustainable strategy which puts public finances back on track and directs investment to new sources of growth. The timing and content of the exit strategy should be coordinated at EU and the global level. As national economies move back to growth at different speeds, this will present a particular challenge for EU coordination.

The European Union is particularly concerned by the employment and social consequences of the current crisis. Unemployment is back at levels which we have not seen for over twenty years. We need to help efforts to ease adjustment and prevent unemployment from becoming entrenched. And at the same time, we must build new jobs in the areas of the economy which will see the most growth tomorrow. We are putting a major focus on moving to a sustainable, low carbon economy based on innovation and knowledge, equipping people with right skills for tomorrow’s jobs. And we must ensure that public and private efforts are focused on getting growth flowing as quickly as possible into new jobs.

This longer term framework should shape the European Union's approach in the G20. The EU should support the development of an international charter for sustainable economic activity. We should also support an enhanced IMF role in analysing G20 economies in the context of its surveillance mandate assessing the impact of our policies on others, and the risks facing the global economy. We need to ensure that the specific nature of the EU and all that it means for its Member States, both inside the Euro area and more generally.

The EU played a pivotal role in ensuring that the G20 London Summit agreed an ambitious set of commitments on financial regulation and supervision. We need to make sure this remains an important priority. At Pittsburgh, G20 leaders should increase the momentum for a comprehensive and ambitious reform of the global financial system, which draws on the lessons learned from the crisis and puts in place the right framework of regulations and supervision. It cannot be "business as usual" for the financial markets.

Ahead of the Pittsburgh Summit, the Commission will present its formal legal proposals for a new European financial supervision architecture. The proposals will strengthen oversight of both individual financial institutions and the financial system as a whole. The three new European Supervisory Authorities for banking, securities and insurance and pensions will work together with national supervisors to foster more coherent, consistent and effective supervisory practice and enforcement as regards individual financial institutions, whilst not impinging on the fiscal responsibilities of Member States. Meanwhile, the new European Systemic Risk Board will monitor system-wide risk, issuing warnings and recommendations for remedial action when deemed necessary.

This new supervisory architecture will serve as the European cornerstone for a global mechanism to bring new oversight to systemic risks facing global financial markets. Since financial markets and actors are increasingly global, President Barroso will stress in Pittsburgh the need to work with our international partners to seek maximum cooperation in managing such risks, drawing on the expertise of the International Monetary Fund and the Financial Stability Board.

Strong and coordinated action on remuneration is essential both to restore the link between compensation, risk management and real sustainable performance, and to sustain public consent for the huge investments made to restore the financial sector. The Commission Recommendations and the latest amendments to the Capital Requirements Directive already on the table offer a series of detailed proposals: swift adoption of such rules at national level would offer the best platform to press our international partners to make similar international benchmarks through the FSB. The European Union will need to ensure that the additional guidance to be provided by the FSB will be endorsed at the highest level in Pittsburgh, monitored and delivery benchmarked. They will also have to match the level of ambition contained in the Commission's Recommendations or legislative proposal.

The EU should also seek a renewed commitment from the G20 to accelerating the pace of delivery on accounting standards and non-cooperative jurisdictions. It is vital that the IASB delivers on appropriate reform of the accounting rules to ensure that financial stability concerns are fully taken into account to reduce pro-cyclicality in the system. Convergence to high quality accounting standards remains a top priority of the EU, in particular as regards financial instruments. The EU therefore needs to secure a strong political commitment to balanced convergence towards high quality standards no later than 2010. Regarding non-cooperative jurisdictions, a roadmap should be agreed to complete the work, including clear milestones for evaluating their compliance.

The EU as a whole has made the largest commitment to strengthening the resources available to the IMF by providing up to €125 billion in bilateral contributions, 35% of the total IMF resource increase. This clearly shows that the EU is fully committed to making the IMF an effective instrument to fight the current crisis and, in a longer-term perspective, one of the key international economic institutions in the post-crisis world.

The EU should support the strengthening of IMF surveillance, of its lending facilities, and the reform of its governance structure with greater involvement of Ministers. The G20 should call for determined action to conclude the on-going negotiations in a timely manner. Regarding the multilateral development banks, it is time to review their capital adequacy and concessional resources and ensure they are appropriately endowed to meet the challenges of the coming years.

Consistent with the EU's role as the largest donor of development aid in the world, the EU has acted speedily to address the particular problems faced by developing countries in coping with the current crises. In May, the EU agreed the Commission's proposal to continue honouring our aid commitments while also leveraging new resources to act counter-cyclically. Concrete action has already being taken; over €750m has been committed to speed up aid delivery to the most vulnerable, with a special focus on those suffering a collapse in exports in 2008.

We must continue to fight protectionism which would only delay the return to growth that we are all seeking. As we experience the first decline in global trade since 1982, the need for open world markets has never been greater. A prompt and ambitious conclusion to the Doha Round would give a timely boost to the global economy, and in particular to developing countries.

The Pittsburgh Summit should send an important message on the need to take urgent international action to tackle food insecurity and translate the commitments made in L'Aquila into concrete action. It should also welcome the proposed new World Bank Trust Fund, complementing existing initiatives and reinforcing work like our own Food Facility.

The informal European Council meeting on 17 September is just 81 days away from the Copenhagen international climate conference. The Commission is worried by the lack of advance in the negotiations. We need to make quick and serious progress to break the deadlock. We need to press for unambiguous G20 commitment to achieving an ambitious outcome in Copenhagen, with both developed and developing countries playing their part in realising our common target of limiting climate change to 2ºC. For developing countries, predictability on climate finance is critical to secure firm mitigation action on their side – which is why the Commission came forward with a clear set of proposals on climate finance. The Commission's analysis shows that it is both possible and desirable to go in this direction, and tactically, now is the moment to consider this issue at EU level.

The seriousness of the EU commitments on climate finance should convince all other developed countries to contribute also their fair share on finance. This will be essential if developing countries are to agree to an ambitious outcome in Copenhagen. At the G20 meeting, the Commission and EU Member States should underline the urgency and press for ambitious conclusions on climate finance, along the lines of the Commission's proposals.