



EUROPEAN UNION
DELEGATION TO THE UNITED STATES OF AMERICA

The Trade and Finance Sections

Washington, 3 November 2011

Subject: Minutes of EU Trade and Finance Counselors of 28th October 2011

Presentation by the French G20 Presidency, Minister Counselor Jean-François Boittin

Jean-François Boittin presented the aims, achievements and expectations under the French Presidency of the G20, calling for a stronger, more stable and resilient global economy.

The G20's current agenda relates to:

- Growth and macroeconomic balances
- Financial regulation
- Development

But the French Presidency has been pursuing three new priorities, with a particular focus on developmental issues:

- Reforming the international monetary system
- Tackling commodity price volatility
- Global governance

Current financial tensions in the market; namely public finances and sovereign debt concerns and downward revision of growth forecasts, have increased the need for an effective G20. The G20 must therefore tackle the underlying causes, such as incomplete financial regulation, inadequate growth and commodity price volatility.

An effective G20 requires swift and co-ordinated responses from its participants; as was confirmed at the meeting in Washington DC on 22 September. Here, agreement was made on the need for

- 1) An "ambitious action plan to stimulate strong, sustainable and balanced growth";
- 2) Supporting financial and banking system stability through sufficient access to refinancing for banks and harmonised implementation of Basel III;
- 3) A commitment to provide liquidity to banks.

Boittin presented 6 key areas expected to characterise the direction of the G20 summit in Cannes (see PowerPoint presentation).

Remarks by Assistant Secretary Charles Collyns, US Treasury

Collyns stated that currently Europe and the Euro crisis are continuing to take centre stage in the US. The economic package announced by the EU had all the right elements in it, but he felt there were still many aspects within the broad framework that needed to be filled in.

However, one should not let the G20 meeting be dominated by Europe and the G20 Action Plan for Sustained Growth must be principal. All – including the US - needed to work on its implementation. For the US, fiscal consolidation and well sustained expansion are key as stimulus measures are expiring; He was hoping there could be an agreement with the GOP at least on payroll tax cuts and unemployment insurance. While the bi-partisan Congressional Deficit Super Committee would probably achieve a substantial agreement, he was not sure they would reach the requested **\$1.5 trillion** deficit cut target. He felt that the next two months would be critical for the implementation framework. Others needed to do their part too, notably with regards to rebalancing and exchange rate flexibility.

Collyns mentioned other important processes under way to help manage capital flows develop lending facilities and also strengthen IMF surveillance. Work on the regulatory front was important for the Treasury. Work on capital adequacy rules is going well, also with the higher standards contained in Dodd Frank in the US, and so is the work on globally systemic financial institutions.

Further progress was however sought in encouraging derivatives trading onto exchanges and obtaining a European commitment to moving in the same direction.

Questions and Answers

- In response to a question raised on the G20's ineffective use of tools against China, Collyns replied that the strategy has to be the use of all routes possible to apply pressure, not just by the US but also other major players including the EU. Thus other countries should step up to concrete plans to show that the G20 is playing a role and fight criticism that the G20 serves no purpose.
- On increasing IMF funding to address the European crisis, Collyns noted that the administration's view is that the IMF has enough funds with an expanded resources base and does not require increased contributions. As to whether they should be contributing to funds for Europe, Collyns stated that Europe as a whole has sufficient funds and thus should not be looking to the IMF to provide resources even though the IMF could play some role.
- He also stated that the use of a Special Purpose Vehicle to enhance the European Stability Fund was possible; the use of an SPV could help Europe attract financing for instance from sovereign wealth funds. The IMF could administer this but would not use its own resources

- He remarked that there was no need for additional stress tests in US banks, given that they are "highly capitalized" and equally do not see the same stresses as in money markets.
- On the issue of the US relationship with the Chinese deteriorating due to China bashing temptations ahead of the elections, Collyns stated that the currency legislation in Congress could be a concern if it moves ahead. China was criticizing restriction on FDI in the US; however, FDI had to be consistent with US security interests and China FDI had been increasing despite this. IP, government procurement and US export controls were all issues which had to be discussed between the two parties; however, he did not see a fraying of the relationship between them.
- He could not comment on Basel II + III timing, only noting that the US was fully committed but could not rush this either.



G20 Finance Meeting - 14 and 15 October 2011 - Paris - France

François BAROIN

Minister for the Economy, Finance and Industry,

and

Christian NOYER

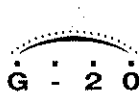
Governor of the Banque de France

14 and 15 October 2011 – Paris



G20 Finance Ministers and Central Bank Governors' Meeting





G20 Finance Meeting - 14 and 15 October 2011 - Paris - France

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Meeting of G20 Finance Ministers and Central Bank Governors,
14–15 October 2011 – Paris

List of participants

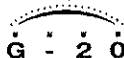
Agenda

G20 Finance themes



G20 Finance Ministers and Central Bank Governors' Meeting





G20 Finance Meeting - 14 and 15 October 2011 - Paris - France

List of participants*

* By alphabetical order,

on 7 October 2011

G20 members states

ARGENTINA



Finance Minister
Amado BOUDOU



Deputy Central Bank
Governor
Miguel Angel PESCE

AUSTRALIA



Finance Minister
Wayne SWAN



Central Bank
Governor
Glenn STEVENS

BRAZIL



Finance Minister
Guido MANTEGA



Deputy Central Bank
Governor
Luiz PEREIRA DA SILVA

CANADA



Finance Minister
Jim FLAHERTY



Central Bank
Governor
Mark CARNEY

CHINA



Finance Minister
XIE Xuren



Central Bank
Governor
ZHOU Xiaochuan

FRANCE



Finance Minister
François BAROIN



Central Bank
Governor
Christian NOYER

GERMANY



Finance Minister
Wolfgang SCHAUBLE



Central Bank
Governor
Jens WEIDMANN

INDIA



Finance Minister
Pranab MUKHERJEE



Central Bank
Governor
Duvvuri SUBBARAO

INDONESIA



Finance Minister
Agus MARTOWARDOJO



Central Bank
Governor
Darmín NASUTION

ITALY



Finance Minister
Giulio TREMONTI



Central Bank
Governor
Mario DRAGHI

JAPAN



Finance Minister
Jun AZUMI



Central Bank
Governor
Masaaki SHIRAKAWA

KOREA(REPUBLIC OF)



Finance Minister
Jaewan BAHK



Central Bank
Governor
KIM Choongsoo

MEXICO



Finance Minister
José Antonio MEADE



Central Bank
Governor
Agustín CARSTENS

RUSSIA



Finance Minister
Anton SILUANOV



Central Governor
Governor
Sergey IGNATIEV

SAUDI ARABIA



Finance Minister
Ibrahim AL-ASSAF



Central Bank
Governor
Muhammad AL-JASSER



G20 Finance Ministers and Central Bank Governors' Meeting





G20 Finance Meeting - 14 and 15 october 2011 - Paris - France

SOUTH AFRICA



Finance Minister
Pravin GORDHAN



Central Bank
Governor
Gill MARCUS

TURKEY



Finance Minister
Ali BABACAN



Central Bank
Governor
Erdem BASCI

UNITED KINGDOM



Finance Minister
George OSBORNE



Central Bank
Governor
Mervyn KING

UNITED STATES



Finance Minister
Timothy GEITHNER



suppléant du Governor
de Banque centrale
Janet YELLEN

EUROPEAN UNION



President of the Ecofin
Jan VINCENT-ROSTOWSKI

EUROPEAN CENTRAL BANK



President European
Central Bank
Jean-Claude TRICHET

EUROPEAN COMMISSION



European Commissioner
for Economic and
Monetary Affairs
Olli REHN

Permanent invited country

Invited countries

ESPAGNE



Finance Minister
Elena SALGADO

ETHIOPIA (NEPAD)

Finance Minister
Sufian AHMED

SINGAPORE



Finance Minister
Tharman SHANMUGARATNAM

AFRICAN UNION PRESIDENCY (EQUATORIAL GUINEA)



Finance Minister
Martin Crisanto EBE MBA

UNITED ARAB EMIRATES



Finance Minister
Obaid AL TAYER

International institutions

FINANCIAL STABILITY BOARD



Secretary General
Mario DRAGHI

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT



Deputy Chair
Angel GURRIA

WORLD BANK



President
Robert B. ZOELICK

INTERNATIONAL MONETARY FUND



Managing Director
Christine LAGARDE

UNITED NATIONS DEVELOPMENT PROGRAMME



Administrator
Helen CLARK

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE



President
Tharman SHANMUGARATNAM

Others guests

HIGH LEVEL PANEL FOR INFRASTRUCTURES AND INVESTMENT



President
Tidjane THIAM

SOUTH AFRICA

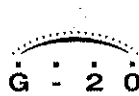


Minister for National Planning
Trevor MANUEL



G20 Finance Ministers and Central Bank Governors' Meeting





G20 Finance Meeting - 14 and 15 October 2011 - Paris - France

Meeting of G20 Finance Ministers and Central Bank Governors

14 and 15 October 2011 at Bercy

On 14 and 15 October 2011 François Baroin, the Minister for the Economy, Finance and Industry, and Christian NOYER, the Governor of the Banque de France, will be chairing the fourth Meeting of G20 Finance Ministers held during the French G20 Presidency. The meeting will take place at the Ministry's Bercy premises.

It will be attended by the Finance Ministers and Central Bank Governors of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States, as well as the European Union, represented by the Finance Minister of Poland, which currently holds the rotating EU Presidency, the Governor of the European Central Bank and the European Commissioner for Economic and Monetary Affairs.

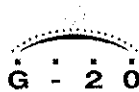
The Finance Minister of Spain, a permanent invitee of the G20, will be attending, as will the Finance Ministers of the following invited countries: Singapore, the United Arab Emirates, Ethiopia and Equatorial Guinea, the country currently chairing the African Union.

Both Tidjane Thiam, the Chief Executive of the insurance company Prudential plc and former Minister of Planning in Côte d'Ivoire, who currently chairs the High-Level Panel (HLP) for Infrastructure Investment set up at the start of the French Presidency, and Trevor Manuel, the Minister in charge of South Africa's National Planning Commission, are invited.

The list of international organisations that will be represented at the meeting includes the International Monetary Fund, the World Bank, the Organisation for Economic Cooperation and Development, the United Nations Development Programme and the Financial Stability Board.

Six working sessions will be held to address the following issues: the global macroeconomic situation and the Framework for Strong, Sustainable and Balanced Growth; reforming the international monetary system; energy and commodity price volatility, development, climate and innovative financing; financial regulation; the run-up to the Cannes Summit; and presentation of Mexico's priorities for its term holding the G20 Presidency in 2012.





G20 Finance Meeting - 14 and 15 October 2011 - Paris - France

Agenda

G20 FINANCE MEETINGS

OVERALL AGENDA

Deputies' Meeting

Thursday, 13 October 2011 (Ministry)

3 pm–7 pm Working sessions

Friday, 14 October 2011 (Ministry)

9 am–1 pm Working sessions
8 pm Session for drafting the conclusions

G20 Finance Ministers and Central Bank Governors' Meeting

Friday, 14 October 2011 (Palais de Chaillot)

5.45 pm–6 pm **Arrival of delegations***
6 pm–6.45 pm Reception
7 pm–9 pm Working dinner

Saturday, 15 October 2011 (Ministry)

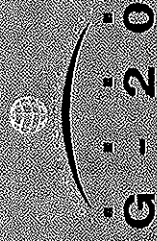
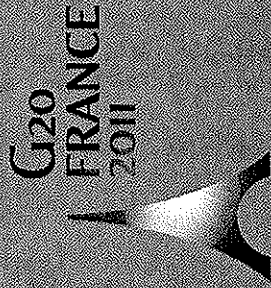
8 am **Arrival of delegations ***
8.30 am–12 pm Working session
12 pm–12.30 pm **Family photo ***
12.30 pm–4 pm Working session
4.15 pm–4.45 pm **G20 Presidency press conference***

**Media sequences*



G20 Finance Ministers and Central Bank Governors' Meeting



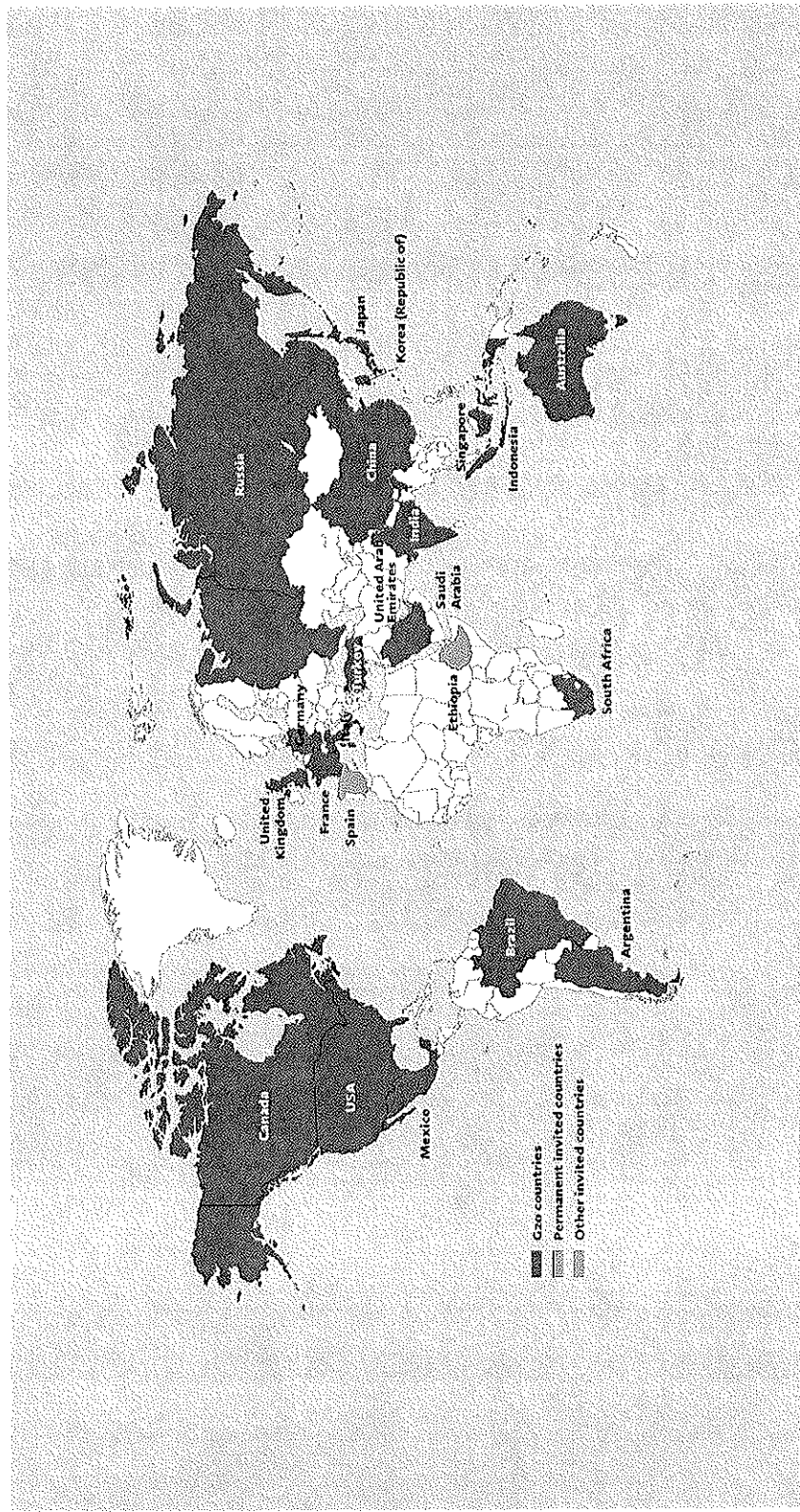
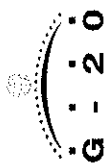


G20 Finance Meeting

François Baroin
Christian Noyer

14-15 October 2011 – Paris

The G20 countries represent 85% of global GDP

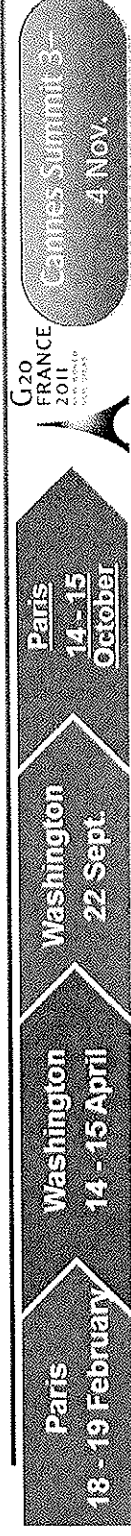


New world, new ideas

Priorities of the French Presidency of the G20

- Pursue ongoing efforts:
 - Growth and macroeconomic balances (*Framework for a Strong, Sustainable and Balanced Growth*)
 - Financial regulation
 - Development
- Three new priorities established by the President of the Republic:
 - Reforming the international monetary system
 - Tackling commodity price volatility
 - Global governance

➤ The goal: build a stronger, more stable and more resilient global economy



The current economic climate increases the need for an effective G20

(1/2)

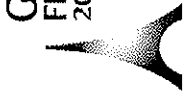


- Financial tensions in the past few months and downward revision of growth forecasts ...
 - Concerns about public finances and sovereign debt in developed countries have led to extreme tensions in the markets
 - Banking shares have received rough treatment on stock markets, growth figures for Q2 2011 were disappointing, and growth forecasts for 2011 and 2012 have been revised downward
 - ... underscore the relevance of the G20's agenda ...
 - The G20 has focused its efforts on the underlying causes of current problems:
 - Inadequate growth and global imbalances (uncertainties concerning budget sustainability in certain countries, large-scale, persistent current account surpluses, particularly among some emerging countries)
 - The risk of financial instability and incomplete financial regulation
 - Commodity price volatility that hampers the proper functioning of the world economy
-

The current economic climate increases the need for an effective G20 (2/2)



-
- ... highlight the need for swift, coordinated responses from the G20 Finance participants, who agreed at their Washington meeting of 22 September on the following:
 - The need for an ambitious action plan to stimulate strong, sustainable and balanced growth by both developed countries (steps to resolve the euro area crisis, measures adopted in the US and Japan) and the major emerging countries (including moves to rebalance demand)
 - The need to support financial stability and adopt any measures required to stabilise banking systems and financial markets (commitment to ensure sufficient access to refinancing for banks and harmonised implementation of Basel III)
 - Resolute commitment by G20 central banks to provide liquidity to banks as required
 - ... and confirm the need to come up with additional resources to finance global public goods (development, climate) in a time of budgetary restrictions, thus justifying the use of innovative financings, notably via a Financial Transaction Tax (FTT)
-



G20
FRANCE
2011

How can the G20 Finance meeting input into Cannes Summit?



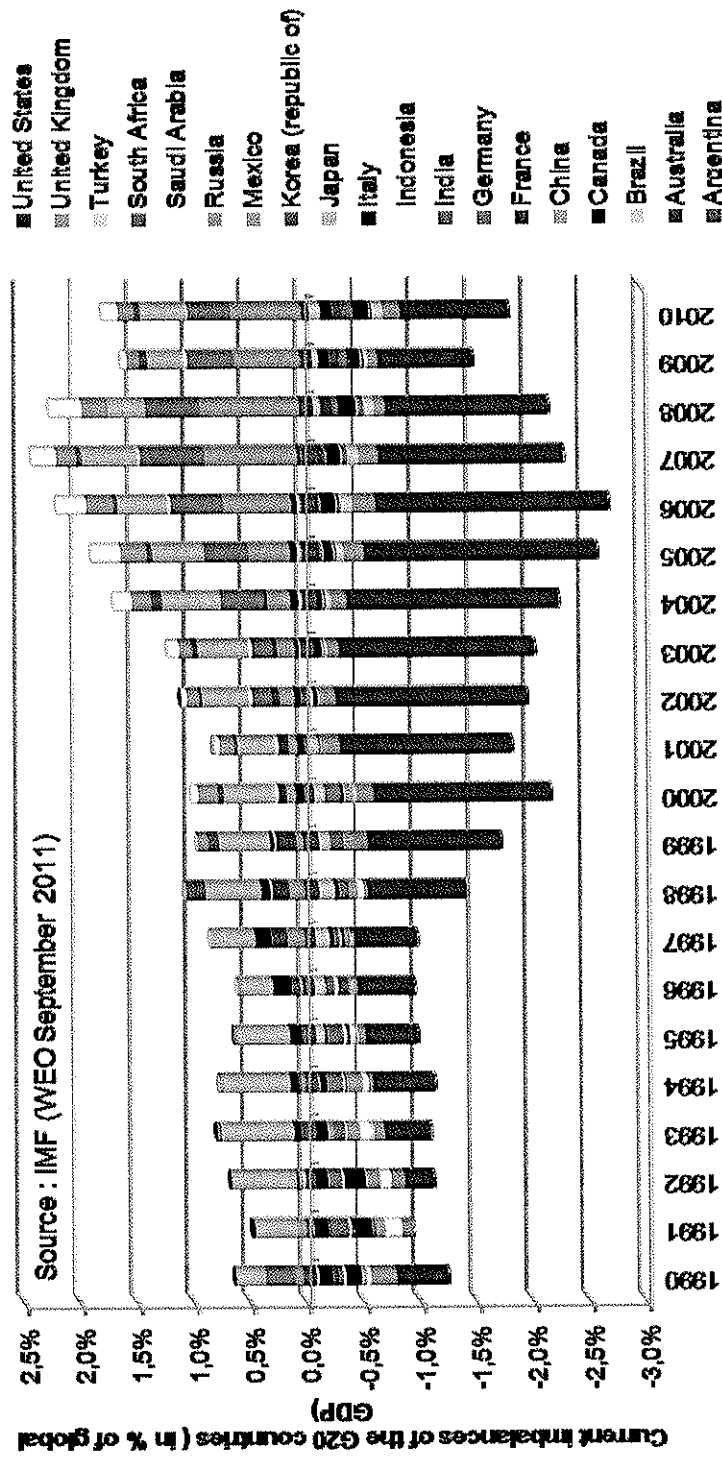
-
- Secure economic recovery via a credible action plan for world growth, principally through ambitious commitments from all countries (primarily the euro area, the US, Japan and China) that combine short-term measures and longer-term structural actions
 - Demonstrate the G20 capacity of effectively providing support for global economic transitions by :
 - ✓ Supporting the internationalisation of emerging currencies to create a more stable, more robust IMS
 - ✓ Increasing transparency of physical commodity markets and ensure better regulation for derivatives
 - ✓ Promoting innovative financings
 - ✓ Agreeing on priority infrastructure projects and an action plan for food security
 - Increase the G20 credibility as leading forum for global economic cooperation by demonstrating that its decisions are implemented (financial bonuses, non-cooperative jurisdictions) and that it is able to tackle new, complex, relevant challenges (e.g. IMS, commodities)
-

Finance: Review of the main themes

1. Framework for a Strong, Sustainable and Balanced Growth

G 2 0

Global imbalances seriously widened since the late 1990s





G20

FRANCE

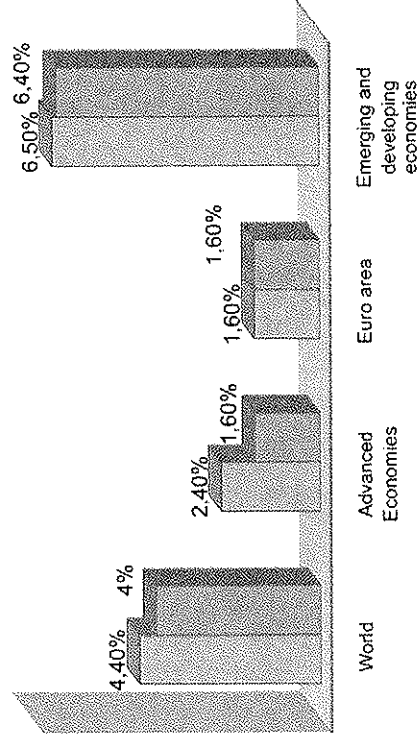
2011

1. Framework for Strong, Sustainable and Balanced Growth



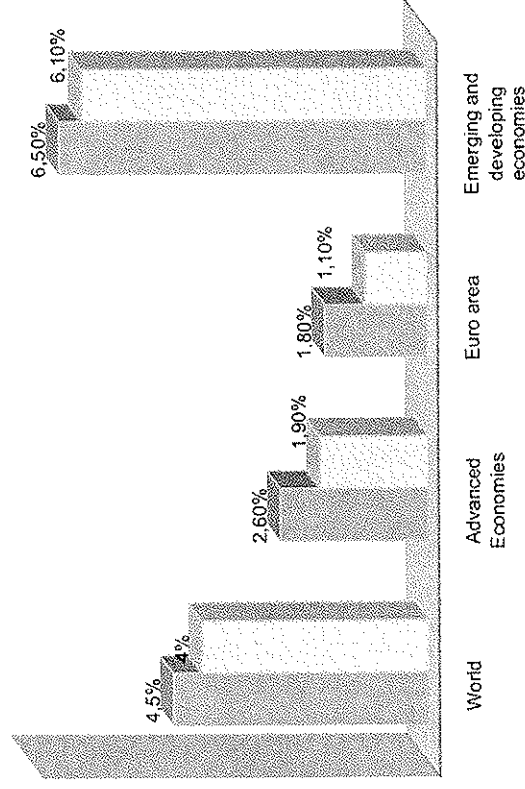
Growth forecasts revised downward between April and September 2011

IMF growth forecasts for 2011



Forecast of April 2011 Forecast of September 2011

IMF growth forecasts for 2012



Forecast of April 2011 Forecast of September 2011

1. Framework for Strong, Sustainable and Balanced Growth



Objectives: strengthen global growth and reduce the macroeconomic imbalances that fuelled the 2008–2009 crisis

What we have achieved since the start of the year

- A method for identifying excessive imbalances
- Identification of 7 economies showing persistent excessive imbalances
- Commitment to adopt an ambitious action plan to stimulate growth

1. Framework for Strong, Sustainable and Balanced Growth

G - 20

What we hope to achieve at Cannes

Finalize an ambitious action plan spanning a broad range of country-tailored commitments, to :

•Tackle structural vulnerabilities

- Commitment by European governments to take the necessary steps to maximize the EFSF flexibility
- Targeted stimulus policies (US Economic Recovery Package, Japan's reconstruction programme), including, where possible, allowing automatic stabilisers to play their role
- Appropriate monetary policies to maintain price stability while supporting economic recovery, along with flexible exchange rates

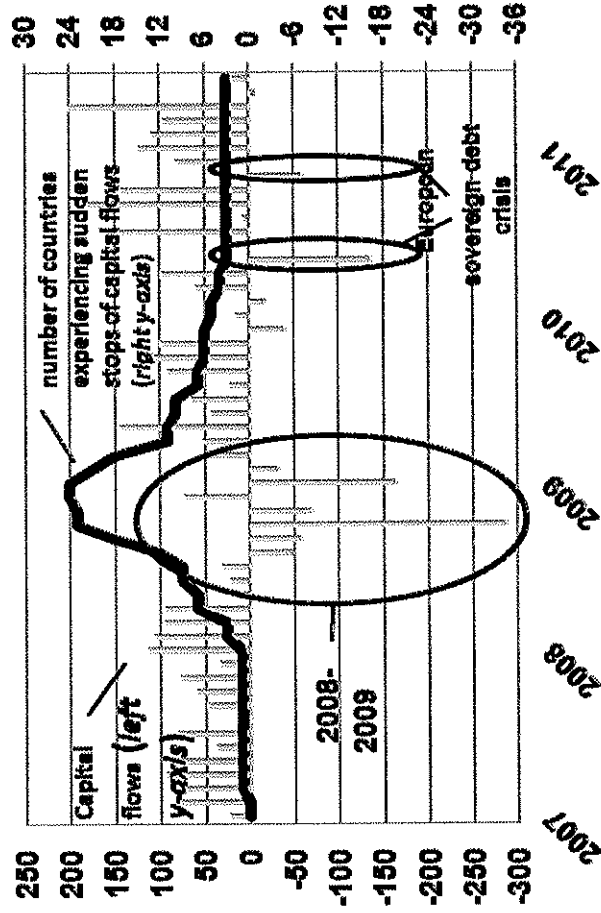
•Put growth on sounder foundations and tackle macroeconomic imbalances

- Concrete medium-term fiscal consolidation plans, above all in the developed countries
- Efforts by countries running a surplus to stimulate domestic consumer spending in order to help rebalance global demand
- Structural reforms to boost growth potential and employment

2. Reforming the international monetary system

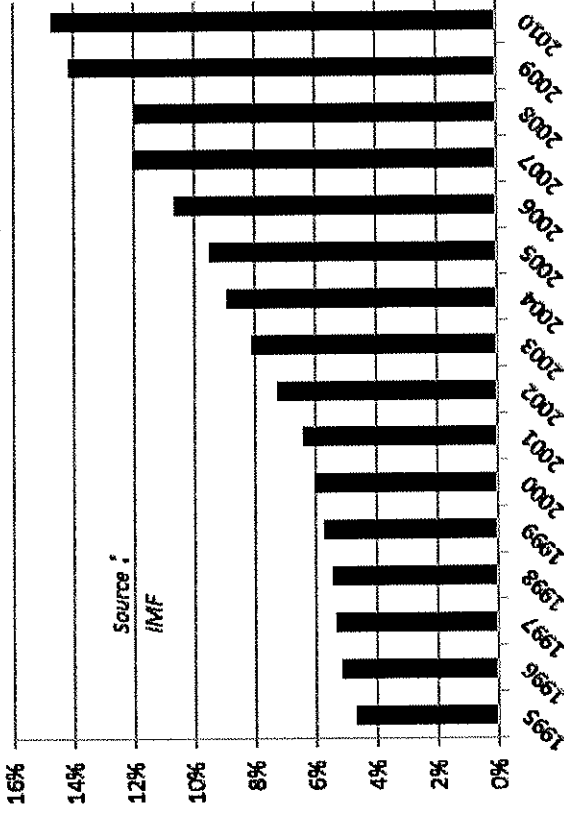
Unstable capital flows ...

Estimates of capital flows to emerging economies (Billion \$)



... and a mounting buildup of foreign exchange reserves

Global reserve accumulation, in % of global GDP



2. Reforming the international monetary system



Objectives: support growth in emerging economies, reduce currency volatility and persistent exchange rate misalignments, and encourage capital flows to support growth

What we have achieved since the start of the year

- **Consensus on the dysfunctional state of the IMS** (currency volatility and capital flows) and the need to support the expanding role of the emerging countries in the global economy
- **Agreement on a number of avenues for reforming the IMS, including deliverables** at the Cannes Summit, most notably in 4 areas:
 - recommendations on capital flow management, a stronger response structure in case of systemic shock, progress towards the internationalization of emerging currencies, and increased IMF surveillance

2. Reforming the international monetary system



What we hope to achieve at Cannes

- Finalised and politically agreed conclusions on:
 - A reference framework to improve the management of capital flows
 - An action plan to support the development of local currency bond markets
 - Principles for IMF and regional financial agreements cooperation
- Progress towards the internationalisation of emerging currencies (including the SDR basket)
 - Increased IMF surveillance
- A stronger response structure in case of systemic shock (global financial safety nets)

3. Financial regulation

Objective: carry through on the pledge made at the Washington Summit, according to which “all financial markets, products and participants are regulated or subject to oversight”

What we have achieved since the start of the year

- First steps towards compliance with the Basel Accords (II, II-5, III) in the agreed timeframe
- A call for ambitious implementation of OTC derivatives reform
- A 2nd peer review on compensation rules

3. Financial regulation

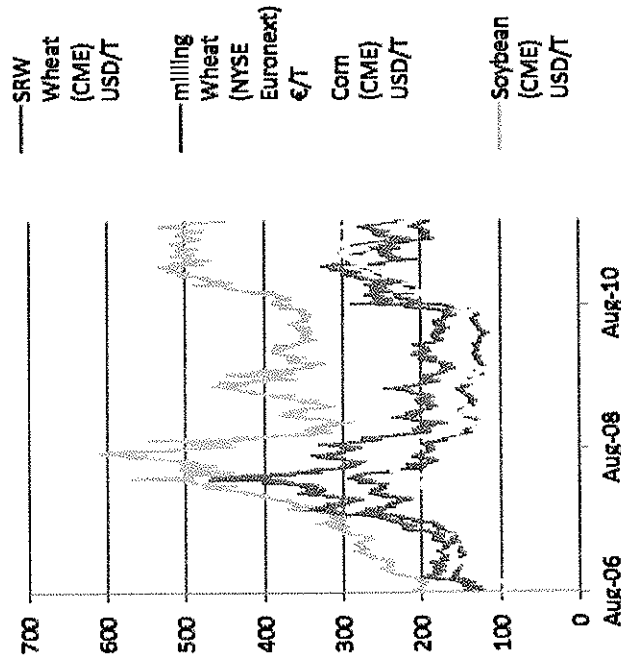


What we hope to achieve at Cannes

- Progress in the harmonised, efficient implementation of the commitments made by the G20
 - Basel III
 - Compensation standards
 - Central clearing of OTC derivatives
 - A written evaluation by the FSB of the implementation of G20 decisions
- Better protection against risk for citizens, the financial system and the larger economy:
 - Agreement on a framework to deal with systemically important institutions that spans supervision, prudential regulation and resolution
 - Agreement on a first set of measures for regulating shadow banking
 - Further progress on market integrity (high-frequency trading) and macroprudential policy
 - Approval of shared consumer protection principles

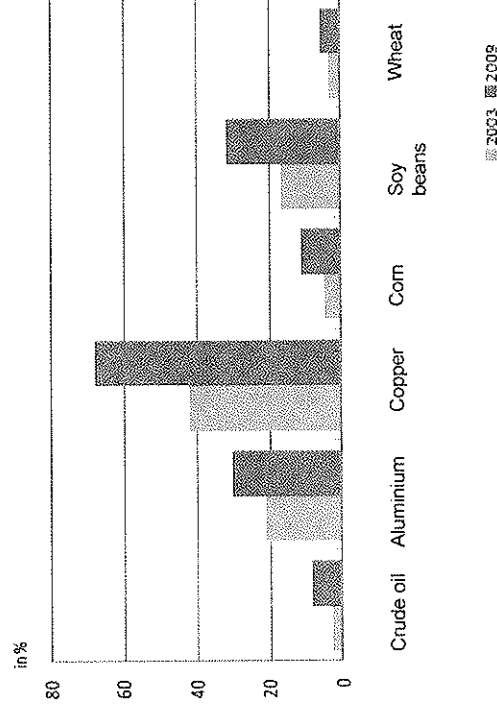
4. Tackling commodity price volatility

Excessive commodity price volatility ...



Source: DG Trésor – International Grain Council

Increasingly “financialised” commodity markets ...



Derivatives trading in proportion to global output for selected commodities

Sources: Bloomberg, Commodity Research Bureau, The CFB Commodity Yearbook, Energy Information Agency.

4. Tackling commodity price volatility

Objective: increase the transparency and regulation of commodity markets

What we have achieved since the start of the year

- A commitment to make the JODI oil database more regular, more comprehensive and more reliable
- Creation of AMIS, an information system on agricultural products

4. Tackling commodity price volatility

What we hope to achieve at Cannes

- Enhanced producer-consumer dialogue on oil market trends (turning the IEF-IEA-OPEC symposium into an annual event)
- A common framework for regulating and supervising commodity derivatives trading
- Concrete proposals by national authorities and international organisations to improve the JODI oil database and broaden JODI to include natural gas
- Pilot projects on hedging instruments to tackle price volatility and improve food security

5. Development



Objectives: develop infrastructure and improve food security

What we have achieved since the start of the year

- G20 members agreement to give precedence in 2011 to *Infrastructure* and *Food Security* among the pillars in the Action Plan adopted in Seoul in 2010
- The decision to put development and climate change financing on the G20 agenda

5. Development



What we hope to achieve at Cannes

- A list of exemplary region-wide infrastructure projects with private-sector involvement, primarily in Africa, based on the work carried out by the *High-Level Panel on Infrastructure*
- Launching of food security pilot projects (hedging instruments against price volatility) and emergency humanitarian reserves
- Agreement on innovative financings for Development, and introduction a Financial Transaction Tax (FTT) in a core group of countries
- Agreement on resources that can be used for climate financing, based on the work carried out by the World Bank and the IMF

6. Governance

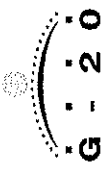


Objectives: promote effective, legitimate international fora, as well as a set of global shared standards

What we have achieved since the start of the year

- Work started on governance reform at the Financial Stability Board (FSB)
- Ratification by additional G20 members of the key international anti-corruption agreements
- Progress in the drive to deal with non-cooperative jurisdictions (FATF, prudential and tax cooperation)

6. Governance



What we hope to achieve at Cannes

- Increase the G20's credibility as the leading forum for global economic cooperation and boost international coordination, particularly via international financial institutions (FSB, IMF, etc.)
- Advance towards the implementation of the Seoul action plan to fight corruption, including ratification of the key international agreements
- Continue to identify non-cooperative jurisdictions and sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters