

BRUSSELS DECLARATION ON MORE EFFECTIVE GLOBAL ECONOMIC GOVERNANCE

Brussels, 5 October 2010

“TOWARDS MORE EFFECTIVE GLOBAL ECONOMIC GOVERNANCE”

We, the Heads of State and of Government of Asia and Europe, the President of the European Commission and the Secretary General of ASEAN, meeting in Brussels on 4-5 October 2010 under the Chairmanship of the President of the European Council Herman Van Rompuy, having discussed the current economic and financial situation, declare as follows :

1. We recognize that the economic crisis has exposed the weaknesses in the global economic and financial system and has highlighted the interdependence among the world's economies. Following up on the Statement of the Seventh Asia-Europe Meeting on the International Financial Situation and the Ninth ASEM Finance Ministers Meeting held in Madrid in 2010, we resolve to give new momentum to the cooperation between Europe and Asia with a view to promoting strong, sustainable, balanced and inclusive growth, restoring market confidence, strengthening the resilience and the transparency of the financial system, reforming the financial sector, contributing to the reform of the international financial institutions and spurring economic growth in developing countries.
2. We stress that in order to ensure strong, sustainable and balanced growth and inclusive economies in Asia and in Europe, all ASEM partners have to play a part in addressing economic distortions and weaknesses in policy responses. With this objective in mind, we pledge to strengthen the sources of growth and to conduct structural reforms, moving away from the patterns that created fragilities in the pre-crisis period, including excessive public deficits, non-sustainable debts and development gaps. In the interest of greater stability, we intend to move together. We agree that policy actions must take account of possible spill-over effects and imbalances, and demonstrate a shared responsibility for the global economy, taking into account the different levels of development of countries.
3. We note that, as a result of the extraordinary and well coordinated stimulus packages, the global economic recovery continues. We agree that priority should be given to restoring market

confidence and preserving recovery momentum. We welcome the actions taken in Asia to sustain a robust recovery and maintain the momentum towards economic growth while containing inflationary pressures. We note the connection between large fiscal deficits and rising debt levels inherited from government interventions in the midst of the financial crisis and the continued fragility of the financial markets and uncertainty in the world economy. For this reason, we welcome the measures taken by European members to ensure a proper functioning of the market for sovereign debt and their readiness to go further if warranted. We encourage the pursuit of credible clearly communicated plans for fiscal consolidation, delivering fiscal sustainability while also protecting economic growth, duly differentiating the speed and timing of consolidation for national circumstances. We emphasize that increasing the potential for economic growth, including through appropriate structural adjustment, should be seen as paramount to ease fiscal adjustments in the longer run.

4. We recognize the need for financial safety nets to help countries cope with financial volatility and reduce the economic disruptions from sudden swings in capital flows. We welcome in this regard the IMF's recent decision to improve its approach to crisis prevention. We also recognize both the multilateralisation of the Chiang Mai Initiative in Asia and the European Financial Stabilization Mechanism as valuable regional instruments. We agree however that sound macroeconomic and financial policies should continue to be the first line of defense against macroeconomic shocks. Further, we encourage the G-20, in close cooperation with the Financial Stability Board (FSB), to make as announced rapid progress with strengthening the resilience and the transparency of the financial system.
5. We reaffirm the need to deliver on the projected reforms in the field of financial regulation and supervision. The lessons from the past have to be learnt and a more efficient, resilient and reliable financial environment must be created. The importance of stronger capital adequacy and liquidity rules is highlighted by the recent agreement reached by regulators and we look forward to its formal adoption. We emphasize the need to eliminate excessive leverage practices. We also emphasize the need to improve supervisory and crisis management processes with specific attention for the moral hazard associated with systemically important financial institutions. We agree to strengthen over-the-counter derivatives regulation and to improve regulatory oversight of financial firms, hedge funds and credit-rating agencies in order to reduce systemic risks and improve market efficiency, transparency and integrity. Good governance in the financial sector should further be promoted through the conclusion of agreements purporting information exchange and cooperation amongst supervisors for regulatory purposes. We fully support the work of the Financial Action Task Force and Financial Action Task Force-Style Regional Bodies in their fight against money laundering, terrorist financing and information

exchange on jurisdictions with strategic deficiencies. We agree that the financial sector should bear a fair share of the cost incurred by governments in conditions of crisis, something that can be achieved through a number of possible policy approaches suitable for different national situations. We also emphasize the importance of agreeing internationally a single set of high-quality accounting standards, applicable globally.

6. We emphasize that our collective efforts depend on well-functioning, responsive and adequately-funded International Financial Institutions.
7. We confirm our ambition to modernize the governance of the IMF, to improve its credibility, legitimacy and effectiveness and called for resolve to ensure the IMF has the resources it needs to fulfill its mandate. In this regard, we support the Fund's efforts to update its mandate and to clarify its role and responsibilities in overall surveillance and preservation of the stability of the international monetary and financial system.
8. In view of the strong growth in dynamic emerging markets and developing countries, we express support for the implementation of the IMF quota reform, by the G-20 Summit of November this year, to adequately reflect the relative weight and responsibilities of the IMF members in the world economy. As decided at the October 2009 meeting of the International Monetary and Financial Committee in Istanbul, we reaffirm that IMF quota shares must be shifted to dynamic emerging markets and developing countries by at least 5% from overrepresented to underrepresented countries using the current quota formula as the basis to work from, while protecting the voting power of the poorest countries. We recognize that, in parallel, wider governance issues should be addressed. These include an open, transparent and merit-based process for the appointment of heads and senior leadership of international institutions, Fund Governor's involvement in the strategic oversight of the IMF, staff diversity at senior and mid-level positions, voting modalities, and a representative and inclusive size of the IMF's Executive Board. We look forward to a constructive dialogue between Ministers and Governors at the upcoming Annual Meetings of the IMF and World Bank.
9. We welcome the decision by the Development Committee of the World Bank on the World Bank's voice reform, which will increase the voting power of developing and transition countries by 4.59 % compared to 2008 and look forward to its timely approval by the Board of Governors. We underline our commitment to continue moving over time towards equitable voting power distribution, while protecting the smallest poor countries, on the basis of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission.

10. We call specifically for actions that encourage more sustainable models of development, benefit developing countries and reduce poverty. We believe that these should include market access, cross-border investments, international assistance, actions on debts and technology transfers. In this regard, we welcome the initiative announced by the G-20 to focus on economic growth in developing countries, narrowing the development gap and reducing poverty, and its stated intention to elaborate a development agenda and multiyear action plans.
11. We reiterate our resolve to conclude the WTO Doha Development Agenda promptly because a successful conclusion would provide a powerful economic stimulus for global sustained recovery. We reaffirm our commitment to reject protectionism, refrain from raising new barriers to trade and investments and keep markets open. We also underline the importance of deepening economic integration within and between both regions as a means to global recovery. We recognize the high expectations placed on us to help strengthen worldwide economic and financial policy coordination.
12. We reiterate the importance of inclusive consultation and coordination among ASEM partners to achieve sustainable recovery. We express full readiness to work with the G-20 in order to strengthen the world economy and achieve, in the appropriate multilateral fora, the required higher standards and necessary regulatory reforms. We call for full cooperation to ensure the successful outcome of the forthcoming G-20 Seoul Summit.

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