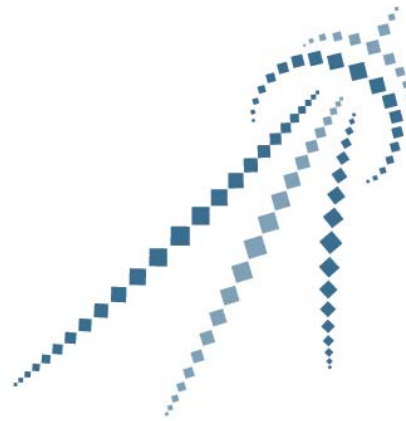


Chairman's Summary



**G20**  **TORONTO**  
CANADA 2010

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**BUSINESS SUMMIT**  
**SOMMET D'AFFAIRES**

June 25-26, 2010

## **Report to G-20 Ministers of Finance**

**Notes for remarks by The Honourable John Manley  
Chair, G-20 Business Summit  
June 26, 2010**

### **Introduction:**

- Thank you for this opportunity to meet with G-20 Finance Ministers to offer what has been described as a “reality check” from the front lines of global commerce.
- We have discussed the state of the global economy, the fiscal situation facing governments, risk and regulation in financial markets and what it will take to drive strong economic growth over the longer term.

### **Economic and fiscal challenges:**

- There is a general sense of optimism but also recognition that the recovery is still fragile. Growth also is uneven, both between countries and within national economies.
- The biggest worry shared by the business people in this room is the growing burden of government debt.
- Some countries are in good shape, but too many are effectively running out of money. There is now more worry about excessive government debt than about insufficient fiscal stimulus.
- The strongest consensus I have heard today is that dealing with deficits is in fact essential to restoring confidence and to driving business investment and economic growth. Failure to address deficits effectively is now the biggest risk to global economic recovery. Fiscal consolidation is a precursor of a sustainable recovery.

### **Market uncertainty:**

- The next big worry for business is the continuing uncertainty about what governments are going to do on a number of important issues.
- This is true in fiscal policy, where even a tough budget like the one just introduced in the U.K. is seen as positive because it shows clearly how a government plans to proceed: what it will do and what it will not.
- This is especially true in the financial sector, where one delegate said “speed to certainty” is critical.
- Banks cannot expand lending and businesses cannot commit to borrowing for major new investments if they are unclear about what the rules of the game are going to be going forward.

## **Financial regulation:**

- We devoted a full session this morning to discussing risk and regulation in the financial services sector.
- A strong, credible financial sector is critical.
- The reality is that some financial institutions in some countries have much stronger records than others.
- While there is broad support for greater transparency and a consistent international framework to discourage regulatory arbitrage, there is no support for “one size fits all” approaches to global regulation.
- It was recognized that in some countries where taxpayers had to bail out banks, it may be necessary for governments to impose taxes on the sector in order to make fiscal consolidation politically feasible and for tough budgets to be seen as fair.
- But I must tell you that I heard absolutely no support for the concept of a global bank tax or for a fund to be available in future crises. Delegates suggested that such a tax would add to moral hazard, would increase systemic risk, and could undermine both access to credit and the more important focus on improving regulation.
- Rather, governments should focus on addressing the key issues that led to the crisis, especially capital ratios, leverage and liquidity.
- As governments do so, we also would urge you to move carefully and in a balanced way. While it is important to strengthen balance sheets, we must be careful not to tighten the requirements too quickly, in ways that might restrict private-sector access to credit at the same time as governments are cutting spending and looking to business to increase investment and job creation.

## **Trade and investment:**

- This leads me to our discussion on drivers of sustainable growth.
- It will not surprise you that this group is strongly supportive of free flows of trade and investment.
- Protectionism was a huge worry during the downturn. While it did not prove as damaging as some had feared, protectionism continues to hurt growth in both obvious and subtle ways.
- There is strong support in this group for a concerted effort to break the logjam of the Doha Development Round. Success on this front would amount to a huge global stimulus package at no cost to governments.
- In addition, a breakthrough on multilateral trade rules would be a powerful symbol that governments have got the key message from the recent crisis about the importance of establishing open markets and common rules.

## **Innovation:**

- Another important driver of strong and sustainable growth is innovation. And the most important factor in encouraging innovation was described as demanding customers who are free to make choices. Free trade is therefore linked directly with innovation.

- We discussed several other factors that are important to strengthening innovation in both the public and private sectors, including the need for strong and consistent protection of intellectual property rights, access to high quality education and support for research and development.

### **Entrepreneurship:**

- One of the most disturbing continuing effects of the economic downturn is the situation facing young people. We heard very discouraging statistics about the extremely high level of unemployment among young people in developed and developing countries alike.
- There was strong recognition that efforts to create more economic opportunity for young people must include self-employment and entrepreneurship.
- This requires public policies that support the launch and growth of small and medium-size enterprises. We also must ensure that SMEs have access to affordable credit within financial markets.

### **Summary:**

- To summarize, government efforts to foster strong and sustainable growth around the world must focus on open trade and competition, innovation and entrepreneurship. Governments also must recognize the need for long-overdue structural changes.
- Fairly or unfairly, the recent crisis has left a lot of people around the world blaming bankers for the state of the economy.
- The recession also has sparked some hostility toward business in general, and, in some countries, this is leading to policy decisions based on populism and aimed at punishment rather than shaping sensible solutions to real problems.
- As business leaders, we recognize that we will have to do our part in answering the criticisms and rebuilding public trust.
- And I want to assure you that we intend to do just that in addition to working with you in developing and implementing the public policies the world needs in order to strengthen both short-term recovery and long-term growth.