



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Economic and Monetary Affairs

2011/2011(INI)

6.4.2011

DRAFT REPORT

on Global Economic Governance
(2011/2011(INI))

Committee on Economic and Monetary Affairs

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The European Parliament,

- having regard to the Palais-Royal Initiative report ‘Reform of the Monetary System: a cooperative approach for the twenty-first century’ published on 8 February 2011,
 - having regard to its resolution of 20 October 2010 on ‘Improving the economic governance and stability framework of the Union, in particular in the euro area’¹,
 - having regard to its resolution of ... May 2011 on ‘the EU as a global actor: its role in multilateral organisations’²,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on International Trade (A7-0000/2011),
- A. whereas the development of the world economy during the last decades generally has been remarkably successful, with the number of people living in relative prosperity increasing from one to four billion,
- B. whereas the emergence of new major players, with China and India as frontrunners, on the world market has had a profound impact and changed the economic landscape fundamentally, further increasing the already existing imbalances,
- C. whereas the imbalances of today are nothing new as such, but only a replacement of other imbalances that characterised the global economy for decades, although today greater in magnitude and creating new challenges for global governance and rendering current arrangements insufficient,
- D. whereas the prevailing monetary arrangements led to substantial accumulation of foreign exchange reserves in some economies, which increased the global supply of capital and exerted downward pressure on interest rates, helping to spur the bubble in asset prices that played a central role in the last financial crisis,
- E. whereas the much mentioned current-account imbalances are a result of underlying structural imbalances in the domestic economies,
- F. whereas the EU should play an active role in reshaping the international monetary and financial system via more powerful external representation based on more efficient and transparent internal decision-making in accordance with the relevant provisions of the Lisbon Treaty,

¹ Texts adopted, P7_TA-PROV(2010)0377.

² Texts adopted P7_TA-PROV(2011)0000.

Policy recommendations to address global macroeconomic, monetary and financial imbalances

1. Stresses that an imbalance as such does not necessarily constitute a threat to financial stability or economic growth; taking this into account, stresses that imbalances stemming from structural misalignments and a lack of competitiveness in the domestic economy should be addressed, as this is where the fundamental problems are to be found;
2. Recognises that policy-makers around the world have already proposed different solutions and reforms of global financial governance to help rebalance the world economy and avoid another slump;
3. Stresses the importance of responsible monetary policies; urges central banks of major economies to consider potential externalities when implementing non-conventional measures;
4. Is aware that, ultimately, confidence in the strength of the underlying economy and the depth and sophistication of its financial markets are the main determinants for which currencies are kept as reserves by central banks;
5. States that currencies should reflect underlying market fundamentals in order to enhance openness and flexibility and to facilitate economic adjustment;
6. Urges members of the IMF to adhere to the Articles of Agreement, especially the commitment to refrain from manipulating the exchange rate, and the relevant provisions of the GATT Agreement;
7. Supports the work and commitments of G20 States to implement medium-term fiscal consolidation, pursuing appropriate monetary policies, enhancing exchange rate flexibility to better reflect underlying economic fundamentals, and structural reforms to foster job creation and contribute to global rebalancing;
8. Supports the establishment of a timetable for an action plan that will implement the G20 Framework for Strong, Sustainable and Balanced Growth;
9. Takes the view that the commitments given in the G20 need to be more concrete and that progress needs to be monitored by an independent body, such as the IMF;
10. Stresses the need to agree a set of macroeconomic indicators that will allow this monitoring to take place at a global level; underlines that these indicators should cover internal imbalances, such as public debt and deficits and private savings and debt, as well as external imbalances from trade and investment flows and transfers;
11. Calls on the IMF to provide an assessment as part of the Mutual Assessment Process of progress towards external sustainability and consistency of policies based on the above indicators;

Reform of the international monetary and financial system and its institutions

12. Stresses that the European Union must play a leading role in global economic reform to make international institutions more legitimate, transparent and accountable;
13. Underlines the need for a global understanding and a common approach regarding monetary policy, sustainable public finances and flexible currencies based on economic fundamentals; considers that the global economy should be characterised by free trade in all sectors; stresses that the IMF and WTO should be the core of such a process, with input from the G20 and other relevant bodies;
14. Recommends a strong and independent IMF with sufficient tools and resources enabling it to increase its attention to cross-country linkages by not only strengthening multilateral surveillance but also focussing on economies of systemic importance and developing indicators to assess durable large imbalances;
15. Considers the G20 to be a key forum for global cooperation, but also underlines a lack of representativeness; stresses that actions for global institutional coordination should be carried out through the IMF;

Global prudential governance

16. Stresses that the lack of cooperation among financial supervisors facilitated the spread of the financial crisis and worsened its effects;
17. Recommends an enhanced macro-prudential dialogue, with a focus on the Atlantic dialogue, even-handed implementation of the Basel III package and further discussions on widening the scope of supervision to non-bank financial institutions;

Role and challenges of the EU

18. Stresses the positive effects of a stronger economic governance framework in the EU and the euro area for global cooperation and coordination;
19. Stresses the role of the new European Stability Mechanism as a regional monetary fund; states that close cooperation with the IMF will benefit both parties;
20. Calls on the Commission to submit a proposal on how to improve the EU's internal decision-making procedure as regards external representation in the area of economic and financial affairs;
21. Underlines that full participation in the global economy is crucial for Europe in order to take advantage of all its opportunities;

22. Instructs its President to forward this resolution to the Council and the Commission.