

ECONOMIC AND MONETARY AFFAIRS

THE EU'S ROLE IN INTERNATIONAL ECONOMIC FORA

BACKGROUND

The Committee on Economic and Monetary Affairs (ECON) has requested scientific input contributing to its work on an *Own Initiative Report* on the **EU's role in international economic fora** (2015/2060/INI). This leaflet gathers the workshop document (see [webstream](#)) and the nine studies prepared in this context for ECON. The studies provide factual information as background to this project; they also include policy recommendations to enhance the EU's role and the internal governance of the entities researched.

Following ECON's discussions, the European Commission has issued on 21.10.2015 a **Communication** COM(2015)602 *A roadmap for moving towards a more consistent external representation of the euro* and a **proposal** COM(2015)603 *for a Council Decision laying down measures in view of progressively establishing unified representation of the euro area in the International Monetary Fund*. Further developments can be followed via the European Parliament's **procedure file** for the report.

INSIDE

This leaflet provides a background and abstracts of studies prepared by the European Parliament's Policy Department on Economic and Scientific Policy.

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WORKSHOP AND PRESENTATION OF THE STUDIES

The Role of the European Union in International Economic Fora, *Proceedings of the Workshop*

The European Union, via its institutions and Member States, is participating in various standard-setting fora in the economic and financial area. Experts analysed the role of the EU in nine separate studies on selected international economic fora (G20, FSB, OECD, IMF, BCBS, IOSCO, IAIS, IASB and IOPS). In this workshop taking place on 17 June 2015 in Brussels, the authors discuss and inform ECON Members on the EU's role, representation and activities in these fora and present their core conclusions on these worldwide standard-setters with a special focus on transparency and accountability.



STUDIES ON INTERNATIONAL GENERAL FORA: G20, FSB, OECD, IMF

Fora Paper 1: The G20



This paper provides factual background information about the G20, the EU's role and representation therein, its accountability as well as the coordination and impact thereof. The G20 has played a key role in measures taken to overcome the economic and financial crisis and promoted rules to prevent a repetition of such a crisis. The high compliance rate of the EU in implementing these commitments highlights the importance of the legally non-binding G20 commitments. Yet, the G20 is an informal international body where executives from officials' up to leaders' level meet. As a body G20 lacks meaningful accountability mechanisms. Moreover the EU can hardly be held to account for its action at the G20 level. This study provides a thorough analysis of the G20 and EU's action at the



G20 level. It sets out the EU legal framework for the participation of the EU and its Member States in the G20. In applying a two-tier accountability framework it identifies accountability gaps and concludes with policy recommendations.

Fora Paper 2: The FSB



This paper on the Financial Stability Board (FSB) provides factual background information, the EU's role and representation, its accountability as well as the coordination and impact of the FSB. Key conclusions are that, despite the importance of the FSB, there is limited knowledge as to how it operates and is governed. Against this background, best efforts should be made towards an effective, inclusive, transparent and in particular accountable, EU-wide and global, regulation of the financial system. Within the current framework, there is more scope for coordination and communication amongst EU institutions regarding the decision-making process in the FSB. Moreover, over time, the current, 'soft law' approach of the FSB could evolve towards a formal Treaty based system, with a more



active role for the European Parliament, although the efficiency and effectiveness of the process ought to be prioritised.

Fora Paper 3: The OECD



This paper provides factual background information about the OECD, the EU's role and representation therein, its accountability as well as the coordination and impact thereof. Key conclusions are that, despite the particular importance the OECD gained during the financial crisis, there is limited knowledge as to how it operates and is governed. Although EU Member States constitute more than half of the OECD countries and the EU contributes substantially to the OECD budget on a voluntary basis, the ambiguous and out-dated status of the OECD deprives the EU from voting rights and budgetary oversight. The EU shall pay more attention to this 'policy pathfinder' OECD, including when its Member States' economic trends are being examined and when tailor-made advice is



given to EU Member States in economic distress, as well as on critical tax policy issues. Therefore, the EU could formalise its status, develop a consistent and comprehensive coordinated approach on OECD issues by overhauling its longstanding coordination mechanisms, and establish a regular, open and effective reporting intra-EU institutions, which could allow for parliamentary oversight.

Fora Paper 4: The IMF



This paper provides factual background information about the International Monetary Fund (IMF) as well as about the EU's relations with the IMF (both in terms of the IMF's role in the EU and the EU's role, representation and impact in the IMF). The paper focuses in particular on the impact of IMF-EU relations in the wake of the financial crisis and explores issues of accountability, transparency and options for increased legitimacy also in the context of the 'Troika' programmes across Europe, particularly in Greece. The strong influence of European policy-makers and institutions in the context of the 'Troika' programmes raise not only fundamental questions about the future of EU-IMF relations, but also about transparency, legitimacy and accountability of financial assistance programmes as



well as global and European global economic governance. The paper also considers wider reflections by non-EU members of the IMF on the more intensified involvement of the IMF in European affairs and provides ten concrete recommendations to members of the EP.

STUDIES ON SECTOR-SPECIFIC FORA: BCBS, IOSCO, IASB, IAIS, IOPS

Fora Paper 5: The BCBS



This paper forms part of a series of nine studies on the role of the European Union (EU) in International economic fora, prepared by Policy Department A at the request of the Committee on Economic and Monetary Affairs. It examines the set up and the functioning of the Basel Committee on Banking Supervision (BCBS), as well as the representation and the influence of the EU therein. The final section of the paper evaluates the compliance of the BCBS with the 'Recommendations for International Organizations' issued by the International Law Association.



Fora Paper 6: The IOSCO



The focus of this document is the role of the European Union in the International Organization of Securities Commission (IOSCO). The first part presents the role of IOSCO in the G20 new global financial architecture. The second part explains the representation of the Commission, ESMA and authorities of Member States. The third part discusses the influence of the IOSCO on EU legislation as well as the influence of the EU in developing IOSCO principles and standards. The last part presents recommendations designed to enhance the role of the EU in IOSCO.



Fora Paper 7: The IASB



This paper describes the structure and workings of the International Accounting Standards Board (IASB). International Financial Reporting Standards define the rules for corporate accounting and are set by a private standard setter: the International Accounting Standards Board (IASB). The EU has no formal role in developing these standards, but *de facto* endorses them *ex post*. This raises questions with regard to the overrepresentation of commercial interests in accounting regulation and the need to debate a stronger role not only for civil society actors but also for public entities such as regulators.



Fora Paper 8: The IAIS



This study provides factual background information about the International Association of Insurance Supervisors (IAIS), the Union's role and representation in IAIS, IAIS' accountability as well as its coordination and impact. A key conclusion is that the Union is well represented. As a result of both, commitment and investment, the European issues are well captured. Key concepts of the EU-originated Solvency II framework found their way worldwide and into IAIS standards and guidelines. A similar outcome in the area of International Capital Standards for insurance undertakings must be cautiously crafted. IAIS – and its European Members - stand at a crossroad in this regard. Therefore, these developments should be carefully monitored.



Fora Paper 9: The IOPS



This paper examines the International Organisation of Pension Supervisors (IOPS) and forms part of a series of nine studies on the role of the EU in international standard -setting bodies where the Member States and EU institutions have been active. The question is to what extent the increased role of such standard-setting bodies might limit the EU's leeway to independently shape policy. This report provides factual background information about IOPS, the Union's role and representation in this organisation, its accountability as well as its coordination and impact, and an evaluation of IOPS in view of the Rules for Accountability of International Organisations recommended by ILA. A key conclusion is that the role of the Union in IOPS is limited. A reconsideration of the Union's involvement would be necessary should IOPS increase its external footprint.



OVERVIEW

Member States and EU institutions have been active in international organisations leading to international standards and policy guidelines which have an effect on the ability of the EU to independently shape its own policy. Due to the economic and financial crisis, this has become very apparent over the last years, in particular in the financial services and monetary sector. For decades, international entities have shaped global standard setting and thereby influenced law making in many jurisdictions and fields, e.g. in banking, insurance and securities. As of 2008 the G20 has:

- i) set the legislative areas and standard setting agendas for a multitude of international entities, such as the Basel Committee, the IAIS, the IOSCO, the IASB, the IOPS, the OECD, the IMF, etc.), and
- ii) established the *Financial Stability Board* (FSB) which co-ordinates standard setters' work, reports to G20 on the work on standards, their implementation and compliance with the standards, and has own workstreams.

This continuous worldwide coordination of perceived necessary changes to the legal framework for financial actors was undertaken in order to establish a level playing field and avoid that financial actors could exploit loopholes and thus cause again financial havoc and burden on taxpayers. For the EU mainly the European Commission has been participating in these fora where policy discussions take place and international standards are being developed. In addition, (certain) Member States are members - or otherwise participate - in international fora side-by-side with the European Commission/ECB. It is not evident if, how and to what extent efficient coordination on the European interest (*'EU speaking with one voice'*) is achieved. However, in recent years it has become apparent that

- the governance of the European Commission's participation in international fora is rather opaque;
- there is a perceived lack of accountability, namely to the European Parliament;
- there is a general lack of transparency on the discussions which sometimes causes issues when implementing international standards into EU law.

The legal regime which governs the EU's role and representation in international fora is complex. In view of the growing actual or potential impact of such international standard setters on the content of national/EU law, it is paramount to have more clarity and a decisive view how this issue (the EU's role in international fora) should evolve and be dealt with in the future. The discussion thereon is aimed at striking a balance between the power of the EU (institutions) and the impact of international organisations.

The European Parliament has already looked intensively at the external representation of the euro area (see 2010/2099(INI), 2011/2011(INI)), and has commissioned a study on [External Representation of the Euro Area](#). However, the issue of the EU's role in international fora is not limited to economic and monetary governance and/or the euro area. Thus, the Economic and Monetary Affairs Committee (ECON) has decided to draft an own-initiative report on **'The EU's Role in the Framework of International Financial, Monetary and Regulatory Institutions and Bodies'**. This report should explore the broader relevant points in this context, including inter alia on the one hand, the effects of international standard setting on the EU's ability to independently determine its own policy approach and on the other hand, the EU's ability to effectively contribute to international standard setting. The ten studies presented in this briefing provide factual information as background to this project, and include policy recommendations for enhancing the EU's role and internal governance.

POLICY DEPARTMENTS

The five policy departments are responsible for providing - both in-house and external - high-level independent expertise, analysis and policy advice at the request of committees and other parliamentary bodies. They are closely involved in the work of committees which they support in shaping legislation on and exercising democratic scrutiny over EU policies. Policy departments deliver policy analysis in a wide variety of formats, ranging from studies and in-depth analyses to briefings and the Fact Sheets on the EU. This work serves a variety of purposes by feeding directly into the legislative work of a specific committee or serving as a briefing for delegations of members.

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MONTHLY HIGHLIGHTS

The *Monthly highlights* provide an overview, at a glance, of the on-going work of the policy departments, including a selection of the latest and forthcoming publications, and a list of future events. To receive this publication send an email to: Ep-policydepartments@ep.europa.eu

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