P7_TA(2011)0457

Global economic governance

European Parliament resolution of 25 October 2011 on Global Economic Governance (2011/2011(INI))

The European Parliament,

– having regard to the conclusions and agreements of the G20 summits of London, Pittsburgh, Toronto and Seoul,

– 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 11 May 2011 on 'the EU as a global actor: its role in multilateral organisations'[2],

– having regard to the continuous, relevant work of the Transatlantic Legislators' Dialogue (TLD) and the Transatlantic Business Dialogue (TABD),

– 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 (A7-0323/2011),

A. whereas the development of the world economy during the last decades generally has entailed increased growth and prosperity, although unevenly distributed, lifting millions of people out of poverty; meanwhile, the number of people still living in poverty and despair is unacceptably high; whereas social and economic inequalities between and within countries must be reduced; whereas Europe's fight against poverty must be one of the top priorities for the EU 2020 strategy;

B. whereas the US and Europe are currently still dealing with the worst effects of the worst international economic recession experienced since the Great Depression;

C. whereas the development of the global economy in recent decades has suffered from unsustainable imbalances;

D. whereas effective global economic governance would make it possible to minimise the negative impacts and correct the dangerous effects of globalisation, such as the rise in inequality or destruction of the environment;

E. whereas the emergence of new major players, in terms both of world trade and of economic growth, with China and India as frontrunners, in the world economy has had a profound

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1 Texts adopted, P7_TA(2010)0377.
2 Texts adopted, P7_TA(2011)0229.

impact and changed the economic landscape fundamentally, calling for trade reforms and convertible exchange rates;

F. whereas the imbalances of today are still caused primarily by a lack of competitiveness and private and public saving in the deficit countries, and high saving coupled with a lack of demand in the surplus countries, which today are greater in magnitude and whereas, in view of the high degree of globalisation and scale of capital flows, these imbalances make new demands on global governance and challenge the structures of existing institutional arrangements;

G. whereas the main element for rebalancing the global economy in broad terms is twofold: enhanced competitiveness and wide-ranging reforms fostering growth in deficit countries and the opening of markets and sound monetary policy in surplus countries;

H. whereas the first decade of functioning of the EMU has shown that responsible budgetary policy is one of the preconditions for minimising the impact of global financial and economic shocks;

I. whereas there is a multitude of international organisations designed to govern the world economy such as the IMF, World Bank, WTO, UNCTAD and the IFC, alongside the inter-governmental fora of the G7 and G20, of which the IMF and G20 are the most effective bodies, although both still need to be improved;

J. whereas global markets require global rules;

K. whereas the prevailing monetary arrangements led to substantial accumulation of foreign exchange reserves, particularly the US dollar, in some surplus countries, which in turn increased the supply of capital in deficit countries 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;

L. whereas the global economic crisis, which started in the financial sector, has now led to high levels of indebtedness in some of the leading world economic players including the US, Japan and the EU;

M. whereas the G20 has agreed in its Pittsburgh final declaration on a Framework for Strong, Sustainable and Balanced Growth that a new multilateral approach as a response to the crisis is urgently required;

N. whereas there has been global recognition of the role that some sectors of the financial industry played in contributing to the global financial crisis, demonstrating weaknesses in financial regulation, deepening of the sovereign debt crisis and a common understanding that the responsibility and transparency of the financial sector needs to be enhanced, including bearing a fair share of the costs caused by the crisis;

O. whereas the much mentioned current-account imbalances are a result of underlying structural imbalances in the domestic economies;

P. whereas the lack of coordinated and effective regulation and supervision of the global financial system led to weaknesses in the financial sector which subsequently exacerbated the vulnerabilities in the global economy;

Q. whereas the increased role and prominence of the G20 as a forum for informal political discussions at the highest global level is welcome; whereas the G20 as an institution lacks a legal basis and a permanent secretariat and has a weak governing structure especially in comparison with other international institutions such as the IMF and WTO;

R. whereas the current international monetary system has enabled several countries to proceed with competitive devaluation strategies which, together with the growing speculative transactions undertaken by powerful market stakeholders on exchange markets, have severely contributed to excess rate volatility and created significant risks for the exchange markets as well as international trade;

S. whereas the EU is not perceived as a strong actor in reshaping the international monetary and financial system because it does not speak with one voice, and because of the fragmentation of its external representation in international economic affairs;

T. whereas it is essential to ensure that economic and financial systems do not harm the real economy;

U. whereas, in accordance with the recommendations of the G20, the IMF has been assigned greater powers of supervision and surveillance of the global financial system, its financial resources have been increased and a thorough reform of its governance structure is under way;

V. whereas financial markets have evolved over the past decades to operate globally through IT-intensive processes and networks, and data standardisation has lagged behind, hindering market – and often even firm-wide – data aggregation, analysis and operations, and reducing the transparency of financial transactions;

Policy recommendations to address global economic governance

1. Stresses that global imbalances constitute a potential threat to financial and macro-economic stability, especially when excessive, in the leading economies and may have repercussions on other economies; taking this into account, notes that imbalances stemming from structural misalignments and a lack of competitiveness in the domestic economy should be addressed by both surplus and deficit countries, as these could also be a source of fundamental problems;

2. Stresses that the financial and economic crisis demonstrated that the inflow of capital as a result of global imbalances should be accompanied by responsible monetary policy and strong financial regulation and supervision;

3. Recognises the need for policy-makers around the world to continue working on solutions to reform global economic governance to help rebalance the world economy and avoid another slump; stresses that the reform of global governance should ensure that markets are embedded in a comprehensive institutional framework for them to function properly; estimates furthermore that one of the priority objectives of worldwide economic governance must be the creation of a favourable environment for long-term investment;.

4. Stresses the importance of responsible monetary policies; urges central banks of major economies to consider potential negative externalities, such as asset bubbles, carry-trade dynamics and financial destabilisation in other countries, when implementing conventional

or non-conventional measures;

5. Is aware that, ultimately, confidence in the strength of the underlying economy and the depth, transparency, sophistication and stability of its financial markets are the main determinants for which currencies are kept as reserves by third countries' central banks; stresses in regard to this that any currency that seeks to become a part of the IMF's Special Drawing Rights basket must be subject to full convertibility, and acknowledges that the composition of the IMF's SDR basket should reflect the relative importance of currencies in the world's trading and financial systems;

6. States that exchange rates should reflect underlying market fundamentals in order to enhance openness and flexibility and to facilitate economic adjustment, and therefore should not be managed or manipulated by national monetary authorities;

7. 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 and WTO Agreements;

8. Urges reconsideration of the use of 'Special Drawing Rights' (SDRs) as a possible replacement for the dollar as the world's reserve currency, which could help stabilise the global financial system; asks the IMF to explore further allocation as well as a broader use of Special Drawing Rights (SDR) in particular for the purpose of enhancing the multilateral exchange rate system;

9. Supports the work and commitments of G20 States to implement properly phased growth-friendly fiscal consolidation plans in the medium term while supporting domestic demand at a pace determined by each country's circumstances, pursuing appropriate monetary policies, enhancing exchange rate flexibility to better reflect underlying economic fundamentals, and undertaking structural reforms to foster job creation and contribute to global rebalancing;

10. Notes, however, that, otherwise, prospects at G20 level of correcting global imbalances so far seem limited;

11. Urges the World Trade Organization (WTO) to take an active role in identifying and addressing possible trade distortions in financial services caused by differing regulatory regimes;

12. Calls on the Commission to design a comprehensive mechanism, largely based on and strongly interlinked with WTO regulations, that would prevent the use of trade as a foreign-policy tool in a way contrary to internationally recognised democratic values, as reflected in the Charter of the United Nations;

13. Calls on the Commission to raise at the next EU-USA meeting of the Transatlantic Economic Council (TEC) the issue of mutual cooperation on supervision of commodity derivatives in line with existing transparency and market abuse regulation;

14. Calls on the EU to implement declarations by the G8/G20 summits, in particular with regard to subsidies for fossil fuels and agriculture, taking into account the OECD guidelines in this domain, and to food price volatility and commodities markets;

15. Calls on the Commission to revise its trade strategy with regard to strengthening south-

south trade and intra-regional trade in other parts of the world in order to decrease the vulnerability of many small economies and to contribute to the development of strengthened economic partners in the future;

16. Supports the establishment of a timetable for an action plan that will implement the G20 Framework for Strong, Sustainable and Balanced Growth;

17. Welcomes all initiatives for further discussion and cooperation on common global challenges but notes that many of the current fora, like the G20, are only for informal discussion, without legal basis or the attributes of international organisations in their decision-making processes or in the implementation and supervision of their decisions, and will as such remain weak as governing structures;

18. Notes that the consensus method of decision-making which characterises many of the global cooperation bodies does not encourage bold decisions to be taken and often leads to vague non-binding agreements; urges the global forum to emulate the EU's move away from exclusive reliance on unanimity;

19. 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, more formal and inclusive body with statutes and a secretariat, such as the IMF;

20. Welcomes steps agreed by the Summit meeting of G20 Finance Ministers in Paris on 19 February 2011 to measure imbalances by a set of indicators; 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;

21. Calls on the G20 to carry out on a regular basis a Mutual Assessment Process based on a G20 framework and the above indicators in order to provide policy options which will achieve strong, sustainable and balanced growth;

22. Underlines that financial actors operate on a global level and, from now on, considers that the coordination gaps in financial regulations need to be addressed to avoid allowing certain financial actors to take advantage of regulatory arbitrage;

Reform of the international monetary and financial system and its institutions

23. Stresses that the European Union must play a leading role in global economic reform to make international institutions more legitimate, transparent and accountable and that, to an ever greater extent, the European Union should act as one party in international economic affairs;

24. Calls for an EU seat in the IMF and the World Bank; calls for a more democratic IMF, including an open and merit-based election of its managing director, and a substantial increase in voting rights for developing and transitional nations;

25. Maintains that global economic governance must be sufficiently responsive, flexible and pragmatic to make it possible to establish which arrangements are the most suitable, depending on the circumstances and in accordance with the principle of subsidiarity;

26. Stresses that the European Union must play a leading role in global economic reform to

make international institutions and informal forums more legitimate, transparent and accountable;

27. Notes that these institutions and forums, in particular the G20, lack a certain parliamentary legitimacy at the global level, and consequently calls on them to involve parliaments in their decision-making processes; deplores the democratic shortcomings of some partners;

28. Notes the problems that may arise if the policies pursued by the various informal forums and international economic and financial institutions lack coherence; maintains that measures to promote global institutional coordination should be adopted via the IMF;

29. Underlines the need for a global understanding and a common approach regarding monetary policy, international trade, sustainable public finances and flexible currencies based on economic fundamentals; considers that the global economy should be characterised by open markets for the mutual benefit of all participants; underlines that high social and environmental standards are vital and must be developed in all regards; stresses that the IMF and WTO should be the core of such a process;

30. Urges members of the WTO to accede to multilateral trade agreements and to negotiate further international trade rounds aimed at a significant reduction of obstacles to international trade while ensuring a level playing field in all sectors, thus contributing to economic growth and development;

31. Believes that, in order to allow developing countries to obtain more benefits from trade and to ensure decent working conditions and decent wages for all workers, the EU has a strong interest in strengthening the ILO and in encouraging its participation in the work of the WTO and the monitoring of sustainability chapters linked to the GSP;

32. Calls on the Commission to redefine the EU trade and investment strategy to include the BRIC countries (Brazil, Russia, India and China) as future major trading partners with their own interest in a common global network of interlocked interests of socially and ecologically sustainable development;

33. Is of the opinion that Multilateral Development Banks should provide additional resources more effectively in order to target specific local needs, support long-term investments and consolidate local economies;

34. 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; calls for the IMF's intervention mandate also to be extended to risks arising from capital accounts;

35. Stresses the need to ensure that multilateral tax information exchange agreements incorporate automatic information exchange provisions and calls for action to strengthen the legal basis for OECD black-listing of non-cooperative jurisdictions, with a view to improving fiscal transparency and combating fraud and tax evasion; urges the Commission to propose by the end of 2011 a robust Country-by-Country Reporting Standard for cross-border companies, with the aim of enhancing transparency and access to relevant data by tax administrations;

36. Emphasises the importance of the international initiatives undertaken in the areas of accounting and audit standards;

37. Calls on the G20 leaders to without further ado conclude the discussions on the minimum common elements of a global financial transaction tax;

38. Considers the G20 to be a key forum for global consultation, notwithstanding the importance of other bodies, but notes that the G20 has a number of shortcomings as a global institution, including a lack of representation of small nations, a lack of transparency and democratic accountability, as well as a lack of a legal basis to make its decisions legally binding;

39. Encourages the IMF and G20 to seek, and act on, input and advice from global economies with low budget deficits and disciplined government expenditure;

40. Stresses that the euro area, in the context of debates on global monetary arrangements, needs to be considered as a single entity given its single currency and single exchange rate policy;

41. Urges the EU and its Member States to seek solutions to further improve coordination between the G formations and the UN system;

42. Calls for the establishment of an international board of central banks – comprised in the first place of the central banks of the EU, Japan, UK and US – with a mandate to coordinate monetary policy, to oversee financial supervision, and to extend and promote the SDRs as a global reserve currency;

43. Recommends that the IMF be strengthened politically with annual summits of the leaders of the countries represented in the Executive Board of the IMF; against this background, also encourages the Member States of the IMF to appoint persons from the most senior ranks of government to the Executive Board, so that it can take the lead as the forum for discussions and decisions regarding global economic governance;

44. Considers that it is necessary to increase the transparency of international capital flows, in particular by seeking to bring banking secrecy to an end;

Global financial sector governance

45. Stresses that the lack of cooperation among financial supervisors facilitated the spread of the financial crisis and worsened its effects; calls in this regard for the Union’s supervisory authorities to take the lead in building international cooperation and establishing best practices in financial regulation; also underlines that convergence towards a common financial regulatory framework between the US and the EU would be beneficial;

46. Notes that there is a need for the global implementation of reforms that improve the transparency and accountability of financial institutions;

47. Stresses that, although legislation designed to improve the regulation of some areas of the financial sector has been adopted in the world's financial centres, further reforms of rules and practices in the banking and shadow banking system are warranted;

48. Stresses the need to give European financial supervisory bodies a clear mandate to work in

close cooperation with their non-EU or international counterparts, as the European Systemic Risk Board (ESRB) does with the Financial Stability Board (FSB);

49. Stresses the need to combine micro- and macro-prudential supervision as part of a coherent, uniform approach;

50. Notes that the US and EU together account for almost 40% of global trade and almost 50% of global GDP and recommends an enhanced macro-prudential dialogue, with a focus on the Atlantic dialogue, thorough and even-handed implementation of the Basel III package and further discussions on widening the scope of supervision to non-bank financial institutions; calls for continued momentum behind reform of financial sector regulation to ensure that finance effectively supports stability and growth in the real global economy;

51. Respects the approach of the G20, WTO, Basel III and other multinational bodies whilst recognising the potential perils of over-regulation and regulatory competition;

52. Welcomes the establishment of the Global Economy Meeting of central bank governors under the auspices of the Bank for International Settlements (BIS), as a reference group for the organisation of cooperation among central banks;

53. Is concerned about the risk of fragmentation as a result of the variety of regulations affecting the activities of global financial players; calls, therefore, for a greater degree of integration between the mechanisms put in place in different sectors;

54. Recognises the role of the EIB in fostering growth through long-term investment;

55. Stresses the need to develop adequate criteria for identifying systemically important financial institutions, with the aim of avoiding ‘too big or too interconnected to fail’ institutions, and therefore to reduce systemic risk through the use of additional reserve and capital requirements as well as antitrust laws;

56. Calls on the Basel Committee on Banking Supervision to propose measures to ring-fence the retail banking activities of systemically important institutions and require them to be capitalised on a standalone basis;

57. Urges the Basel Committee on Banking Supervision to develop a standard model approach for calculating risk-weighted assets (RWAs) in order to accurately assess and compare banks’ exposures to credit and market risks;

58. Recommends the development of a suitable international infrastructure under the aegis of the IMF offering authorities and industry alike a unique source for standardised basic financial data as a technical enabler for international prudential tasks and safer and more efficient industry processes alike;

Reconfiguration of the international monetary system

Role and challenges of the EU

59. Stresses the positive effects of a stronger economic governance framework in the EU and the euro area for global cooperation and coordination;

60. Notes the great importance of strengthening and deepening the European Single Market not

only as an internal objective but also as a leading example for other trading blocs around the world;

61. Stresses the need for EU policies both in the agricultural and financial fields that help to avoid global shocks in the food supply and prices;

62. Stresses the positive effects of a stronger economic governance framework reinforcing the Stability and Growth Pact in the EU and the euro area for global cooperation and coordination;

63. States that 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;

64. Welcomes the creation of the four new European financial regulatory bodies, the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority, and the European Systemic Risk Board, and hopes that they will grow strong and effective;

65. Deems that the need to favour an international level playing field should not prevent the EU or other regional blocks and countries from strengthening regional arrangements aiming at fully using flexibility provided by WTO and other international standards in order to rebalance macroeconomic fundamentals and increase prosperity;

66. Calls on the EU to focus on decreasing its energy dependency in order to curb imported inflation and regain commercial balance with oil-producing countries;

67. Underlines the fact that the production of global public goods such as climate protection and the fulfilment of the Millennium Development Goals could be favoured by an EU qualified market access framework;

68. Calls on the Commission to submit a proposal on how to improve the EU's internal decision-making procedure to improve its coherence as regards external representation in the area of economic and financial affairs to ensure that the EU's representation is democratically accountable to the European Parliament, Member States and national parliaments;

69. Urges the G20 or WTO to explore the possibility of a global agreement for a carbon tax on imported products and services;

70. Recalls that, under Article 138 of the Lisbon Treaty, the euro area is supposed to introduce unified external representation; urges the Commission to put forward a legislative proposal to that effect;

71. Underlines that full participation in the global economy is crucial for Europe in order to take advantage of all its opportunities, and the best opportunity to do so as one unit;

72. Calls on the EU always to promote fair trade, democracy, human rights, decent working conditions and sustainable development in its trade policies, in accordance with the Lisbon Treaty, its internal agenda and the Millennium Development Goals;

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