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G20 Research Group
at Trinity College at the Munk School of Global Affairs in the University of Toronto
with the
International Organisations Research Institute
at the National Research University Higher School of Economics, Moscow
present the

2014 Brisbane G20 Summit Interim Compliance Report

17 November 2014 to 1 March 2015

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“The University of Toronto ... produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit ... I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what.”

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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3. Macroeconomics: Exchange Rates

2014-136: We reiterate our commitment to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, and avoid persistent exchange rate misalignments.

G20 Brisbane Action Plan

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina	-1		
Australia			+1
Brazil	-1		
Canada			+1
China			+1
France	-1		
Germany	-1		
India			+1
Indonesia	-1		
Italy	-1		
Japan			+1
Korea			+1
Mexico			+1
Russia			+1
Saudi Arabia	-1		
South Africa	-1		
Turkey	-1		
United Kingdom			+1
United States			+1
European Union		0	
Average		+0.05	

Background

The issue of exchange rates flexibility has been on the G20 agenda since the establishment of the forum, and commitments to move toward more market-determined exchange rate systems have been reiterated at almost each G20 summit.

At the 2009 Pittsburgh Summit, G20 leaders committed under the G20 Framework for Strong, Sustainable and Balanced Growth to “undertake monetary policies consistent with price stability in the context of market oriented exchange rates that reflect underlying economic fundamentals.”²⁶⁶ At the 2010 Toronto Summit leaders decided to further enhance exchange rate flexibility, particularly in emerging markets, and mentioned that “market-oriented exchange rates that reflect underlying economic fundamentals contribute to global economic stability.”²⁶⁷ At the 2010 Seoul Summit, G20 leaders agreed to the Seoul Action Plan, which provided for a move towards more market-

²⁶⁶ G20 Leaders Statement: The Pittsburgh Summit, 25 September 2009. Date of Access: 19 January 2015. <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

²⁶⁷ The G20 Toronto Summit Declaration, 27 June 2010. Date of Access: 19 January 2015. <http://www.g20.utoronto.ca/2010/to-communique.html>.

determined exchange rates.²⁶⁸ At the 2011 Cannes Summit, G20 leaders considered exchange rate volatility as “a risk to growth and financial stability” and renewed their Seoul Summit commitment to avoid persistent exchange rate misalignments and to refrain from competitive devaluation.²⁶⁹ At the 2012 Los Cabos Summit, G20 leaders reiterated their exchange rates commitment and welcomed the commitment by China to “allow market forces to play a larger role in determining movements in the renminbi, continue to reform its exchange rate regime, and to increase the transparency of its exchange rate policy.”²⁷⁰ In St. Petersburg, the commitment was renewed in virtually the same form.²⁷¹

Commitment Features

This commitment requires G20 members to allow the value of their currencies to be determined by market forces. At the same time, commitments on exchange rates flexibility in the G20 documents always go along with promises to refrain from competitive devaluation and not to target exchange rates for competitive purposes. Refraining from competitive devaluation is one of the aspects of flexible exchange rate regime.

Market-determined exchange rate or a floating exchange rate is an exchange rate that is determined by market forces with minimal government or central bank interference affecting the value of the currency. In a pure float there is no government or central bank intervention at all in the foreign exchange market, leaving the value of the currency subject entirely to market forces.²⁷²

Competitive devaluation, or currency war, is a policy involving measures taken by national governments to decrease the value of their currencies in order to increase exports, boost growth and domestic employment, or avoid deflation.²⁷³ Thus, competitive devaluation can be considered as an action aimed against the market-determined exchange rate goal. Given the focus on competitive devaluation G20 leaders have made in their previous communiqués, special attention should be paid to the assessment of members’ actions in this area.

The commitment calls for actions to ensure the formation of market-determined exchange rate systems. G20 members should achieve this goal through refraining from interference with the price of their currencies, including attempts to use exchange rates for competitive purposes (competitive devaluation).

²⁶⁸ The G20 Seoul Summit Leaders Declaration, 12 November 2010. Date of Access: 19 January 2015.

<http://www.g20.utoronto.ca/2010/g20seoul.html>.

²⁶⁹ Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All, 4 November 2011. Date of Access: 19 January 2015.

<http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>.

²⁷⁰ G20 Leaders Los Cabos Declaration, 19 June 2012. Date of Access: 19 January 2015.

<http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html>.

²⁷¹ 2013 St Petersburg G20 Leaders' Declaration, 6 September 2013. Date of Access: 19 January 2015.

<http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>.

²⁷² Floating exchange rate, NASDAQ. Date of Access: 19 January 2015.

<http://www.nasdaq.com/investing/glossary/f/floating-exchange-rate>.

²⁷³ Currency Wars Evolve With Goal of Avoiding Deflation, Bloomberg 22 October 2014. Date of Access: 19 January 2015. <http://www.bloomberg.com/news/2014-10-22/currency-wars-evolve-with-goal-of-avoiding-deflation.html>.

Scoring Guidelines

-1	Member does not make progress in moving toward a more market-determined exchange rate.
0	Member makes some progress in moving toward a more market-determined exchange rate and exchange rate flexibility, but fails to refrain from competitive devaluation of its currency.
+1	Member makes progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including refraining from competitive devaluation of its currency.

Argentina: -1

Argentina has not complied with the commitment on macroeconomic policy.

No Argentinean measures to move toward a more market-determined exchange rate and exchange rate flexibility have been registered during the compliance period.

In December 2014, the Central Bank of Argentina published a document comprising its primary objectives for 2015. The document states that the central bank will keep making interventions into the foreign exchange market, therefore preventing Argentinean economy from being affected by exchange rate shocks (that are extremely possible due to high volatility of the Argentinean peso to the US dollar).²⁷⁴

On 25 February 2015, the Central Bank of Argentina reported that the Argentinean peso will maintain its downward trend against the dollar under the bank's control to prevent unwanted oscillations. It was also mentioned, that the government continues to control the foreign exchange market by limiting imports and authorizing all currency purchases.²⁷⁵ The governmental regulation of currency markets is demonstrated by a case in court against an exporter that did not pass the currency from exports to the government in accordance with the law.²⁷⁶

No actions taken by Argentinean government has have been registered during the compliance cycle. Thus, it is awarded a score of -1.

Analyst: Anton Markov

Australia: +1

Australia has fully complied with the macroeconomic policy commitment.

The exchange rate for the Australian dollar has been determined by market forces since 12 December 1983, when the Australian government floated its national currency.²⁷⁷

No information on direct government or reserve bank intervention affecting the exchange rate of Australian dollar has been registered during the monitoring period.

²⁷⁴ Objetivos y planes respecto del desarrollo de la política monetaria, financiera, crediticia y cambiaria para el año 2015, Banco Central de la República Argentina. December, 2014. Date of Access: 7 April 2015. http://www.bcra.gov.ar/pdfs/polmon/ObjetivosBCRA_2015.pdf.

²⁷⁵ Peso argentino seguirá tendencia bajista regulada por Banco Central: presidente banco, Thomson Reuters Argentina 25 February 2015. Date of Access: 7 April 2015. <http://ar.reuters.com/article/topNews/idARL1NOVZ2LS20150225>.

²⁷⁶ Fallo a favor de la AFIP: la justicia condena a un exportador que no ingresó divisas, El Diario de la AFIP 17 November 2014. Date of Access: 7 April 2015. <http://www.dialogofiscal.gob.ar/judiciales/exportadorDivisas.aspx>.

²⁷⁷ Australia's prime ministers timeline, National Archives of Australia. Date of Access 18 May 2015. <http://primeministers.naa.gov.au/timeline/results.aspx?type=pm&pm=Robert%20Hawke>.

During the compliance period Australia has refrained from competitive devaluation of its currency and its exchange rate is market determined. Thus, it has been awarded a score of +1.

Analyst: Andrei Sakharov

Brazil: -1

Brazil has not complied with the commitment on macroeconomic policy. It has failed to take measures to move toward a more market-determined exchange rate and exchange rate flexibility.

During the compliance period the Brazilian real weakened by 22.5 and 9.5% against the US dollar and the euro respectively.²⁷⁸

The government tries to prevent the real from market-determined fluctuations caused by economic difficulties in the country and the US monetary policies. For instance, on the 9 March Brazil sold the equivalent of USD98.3 million of currency swaps as part of a plan to offer as much as USD100 million a day until at least March 31 in order to support the real and limit import price increases. It rolled over contracts worth USD356.2 million.²⁷⁹

On the 24 March, Alexandre Tombini, President of the Central Bank of Brazil, told lawmakers that the sale of swaps supporting the currency fulfilled policymakers' objectives, while adding that extending the maturities of existing hedges is appropriate in the short and medium term.²⁸⁰

No facts of Brazilian actions aimed at competitive devaluation of its currency have been registered during the compliance period.

No Brazil's progress in moving toward a more market-determined exchange rate has been registered during the compliance cycle. Thus, it is awarded a score of -1.

Analyst: Sergey Burok

Canada: +1

Canada has fully complied with the commitment on macroeconomic policy.

The last time the Bank of Canada intervened in foreign exchange markets to affect the Canadian dollar's foreign exchange rate was in September 1998.²⁸¹

During the compliance period Canada has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it has been awarded a score of +1.

Analyst: Vitaly Nagornov

²⁷⁸ Banco Central do Brazil. Date of Access: 1 April 2015.

<http://www4.bcb.gov.br/pec/taxas/port/ptaxnpesq.asp?id=txcotacao>

²⁷⁹ Brazil Real Leads Global Declines as Court Blocks Rousseff Probe, Bloomberg 9 March 2015. Date of Access: 1 April 2015. <http://www.bloomberg.com/news/articles/2015-03-09/brazil-real-drops-to-10-year-low-as-court-blocks-rousseff-probe>

²⁸⁰ Brazil Scales Back Currency Support as Real Sinks to 12-Year Low, Bloomberg 24 March 2015. Date of Access: 1 April 2015. <http://www.bloomberg.com/news/articles/2015-03-24/brazil-s-tombini-says-in-no-hurry-to-reduce-currency-swap-volume>

²⁸¹ Intervention in the Foreign Exchange Market, Bank of Canada 2012. Access Date: 12 May 2015. http://www.bankofcanada.ca/wp-content/uploads/2010/11/intervention_foreign_exchange.pdf

China: +1

China has fully complied with the commitment on macroeconomic policy.

Since the beginning of the monitoring period to 22 April 2015 the renminbi exchange rate against the euro rose by 16%,²⁸² and fell by 1.2% against the dollar.²⁸³

On 6 January 2015, at the press conference of the China State Administration of Foreign Exchange (SAFE) on policies during the fourth quarter of 2014, director of the Comprehensive Department at the SAFE Wang Yungui mentioned that the People's Bank of China and the SAFE will continue to promote the marketization reform of the renminbi exchange rate formation mechanism. The SAFE will allow the market to play a more crucial role in the exchange rate formation mechanism, enhance monitoring of cross-border capital flows, and develop the foreign exchange market to gradually achieve a basic equilibrium in the balance of payments and create a favourable environment for the development of China's foreign-related economy and finance.²⁸⁴

On 9 January 2015, China's central bank declared that "it will continue with its prudent monetary policies in 2015 with better coordination of tight and loose monetary measures and proper fine-tuning." It will use various tools to maintain the reasonably rich liquidity in the bank system, support the real economy and facilitate structural adjustment. Financial reforms will be boosted, including reforms on interest rates, the yuan exchange rate formation system and foreign exchange management.²⁸⁵

On 5 March 2015, Chinese Premier Li Keqiang delivered the government work report during the opening meeting of the third session of China's 12th National People's Congress at the Great Hall of the People in Beijing. He said that China would continue to implement proactive fiscal policy and prudent monetary policy in 2015, while noting policy flexibility to sustain economic growth. The country will also keep the exchange rate at an appropriate and balanced level and allow it to float more freely,²⁸⁶ while keeping it basically stable at an appropriate, balanced level. China will also allow the pricing of more debt products of financial institutions to be market-based and improve the central bank's framework of adjusting interest rates.²⁸⁷

²⁸² <http://ikurs.org/CNY-EUR.html>

²⁸³ Historical Rates for the Chinese Yuan Renminbi, Board of Governors of the Federal Reserve System 20 April 2015. Date of Access: 22 April 2015. http://www.federalreserve.gov/releases/h10/hist/dat00_ch.htm

²⁸⁴ Transcript of the SAFE Press Conference for Quarter Four of 2014, the State Administration of Foreign Exchange 6 January 2015. Date of Access: 21 April 2015. http://www.safe.gov.cn/wps/portal/lut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwP30FAnA8_AEBc3C1Njl3czi_1wkA48Kgw8gY4gKOBvp9Hfm6qfkF2dpqjo6liABQXMys!/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfSENEQ01LRzEwT085RTBJNkE1U1NDRzNMTDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/state+administration+of+foreign+exchange/safe+news/80e8378046d55a66a2d9a2df84a4806f

²⁸⁵ China's central bank vows prudent policies in 2015, the State Council of the People's Republic of China 9 January 2015. Date of Access: 21 April 2015.

http://english.gov.cn/news/top_news/2015/01/10/content_281475037038521.htm

²⁸⁶ Highlights of government work report, the State Council of the People's Republic of China 5 March 2015. Date of Access: 21 April 2015. http://english.gov.cn/premier/news/2015/03/05/content_281475066011469.htm

²⁸⁷ Full text: Report on China's economic, social development plan, the National People's Congress of the People's Republic of China 5 March 2015. Date of Access: 21 April 2015. http://www.npc.gov.cn/englishnpc/Special_12_3/2015-03/19/content_1930758.htm

During the compliance period China has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it has been awarded a score of +1.

Analyst: Svetlana Nikitina

France: -1

France has not complied with the commitment on macroeconomic policy.

There is no information about any recommendations of French authorities to the European Union entities concerning more market-determined exchange rates.

In fact, on 16 March 2015, French Foreign Minister Laurent Fabius said that the good exchange euro/dollar rate should be parity. He said that the euro was “not too strong, but too expensive.”²⁸⁸

During the compliance period France has not made progress in moving toward a more market-determined exchange rate and exchange rate flexibility. Thus, it has been awarded a score of -1.

Analyst: Vitaly Nagornov

Germany: -1

Germany has not complied with the commitment on macroeconomic policy.

Germany has taken no measures to move toward a more market-determined exchange rate and exchange rate flexibility.

Germany is a member of the eurozone, thus, the German government has no jurisdiction to determine the exchange rate of the euro. Currency policy in the eurozone is carried out at the supranational level by the European Central Bank (ECB). But there is no information about any actions or proposals by German experts in the ECB concerning more market-determined exchange rates and their flexibility.

Germany has used its exchange rate devaluation for competitive purposes.

The exchange rate of the euro to US dollar has fallen by 14.4% over the period of monitoring (from 17 November 2014 till 21 April 2015).²⁸⁹ Such dramatic devaluation is likely to be the result of the expanded asset purchase program (also known as quantitative easing).²⁹⁰ According to it, combined monthly asset purchases of the ECB should reach the amount of EUR60 billion. The implementation of the program can be confirmed by the history of the ECB's open market operations.²⁹¹ Apart from purchasing bonds, there was another tool which affected the exchange rate significantly. According to the long-term interest rate statistics of Germany, a stable decreasing trend

²⁸⁸ Fabius: le bon taux de change euro-dollar est "celui de la parité". Date of Access: 22 2015. <http://www.lefigaro.fr/flash-eco/2015/03/15/97002-20150315FILWWW00220-fabius-le-bon-taux-de-change-euro-dollar-est-celui-de-la-parite.php>

²⁸⁹ EUR vs. USD exchange rate, European Central Bank. Date of Access: 21 April 2015. <https://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-usd.en.html>

²⁹⁰ ECB Announces Expanded Asset Purchase Programme, European Central Bank 22 January 2015. Date of Access: 21 April 2015. https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html

²⁹¹ History Of All ECB Open Market Operations, European Central Bank. Date of Access: 21 April 2015. https://www.ecb.europa.eu/mopo/implement/omo/html/top_history.en.html

of the interest rate can be noticed (from November 2014 to March 2015 the rate fell down by 49 percentage points).²⁹²

On 18 April 2015, Bundesbank President Jens Weidmann in a joint press conference with Finance Minister Wolfgang Schäuble admitted that the euro's depreciation was certainly playing a role by making German products more competitive and tending to boost exports. The German firms' export surpluses, according to him, were the consequences of the ECB's quantitative easing program.²⁹³

No Germany's progress in moving toward a more market-determined exchange rate has been registered during the compliance cycle. Thus, it is awarded a score of -1.

Analyst: Sergei Titov

India: +1

India has fully complied with the commitment on macroeconomic policy.

During the period under review the exchange rate of the rupee to the US dollar fell by 1.01% and the rate to the euro increased by 13.96% (as of 16 April 2015).²⁹⁴

India has taken measures to move toward a more market-determined exchange rate and exchange rate flexibility.

On 3 February 2015, Reserve Bank of India (RBI) Governor Raghuram G. Rajan stated that India has taken actions aimed at targeting the particular exchange rate, and RBI interventions are aimed solely at reducing volatility.²⁹⁵

On 27 February 2015, RBI Executive Director Shri G. Mahalingam at the India Treasury Summit in Mumbai announced that during the last (for that moment) two decades the rupee exchange rate was determined by the market forces. He also noticed that Indian strategy of exchange rate management comprised the regulation of capital flows without targeting the exchange rate at any level. Besides, the director emphasized the recent relative sustainability of the rupee, which he explained by continuous fii — foreign institutional investors — inflows, a reduction in current account deficit, political stability, India's forex reserves increase, improvement in macroeconomic indicators and other factors, which are not governmental actions.²⁹⁶

No facts of Indian actions aimed at competitive devaluation of the national currency have been registered during the compliance period.

²⁹² Long-Term Interest Rate Statistics For EU Member States, European Central Bank. Date of Access: 21 April 2015. <https://www.ecb.europa.eu/stats/money/long/html/index.en.html>

²⁹³ Weidmann: Do Not Artificially Weaken German Competitiveness, Deutsche Bundesbank 20 April 2015. Date of Access: 21 April 2015. http://www.bundesbank.de/Redaktion/EN/Topics/2015/2015_04_20_weidmann_do_not_artificially_weaken_german_competitiveness.html?startpageId=Startseite-EN&startpageAreaId=Teaserbereich&startpageLinkName=2015_04_20_weidmann_do_not_artificially_weaken_german_competitiveness+334946

²⁹⁴ Reference Rate Archive, Reserve Bank of India. Date of access: 7 April 2015. <http://www.rbi.org.in/scripts/ReferenceRateArchive.aspx>.

²⁹⁵ Edited Transcript of Reserve Bank of India's Post Policy Conference Call with Media, Reserve Bank of India 3 February 2015. Date of Access: 7 April 2015. http://rbi.org.in/scripts/bs_viewcontent.aspx?Id=2964.

²⁹⁶ Some Thoughts on Forex Markets in India (Keynote address delivered by Shri G. Mahalingam, Executive Director, Reserve Bank of India on February 25, 2015 at the India Treasury Summit in Mumbai), Reserve Bank of India 27 February 2015. Date of Access: 7 April 2015. http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=943.

India has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it is awarded a score of +1.

Analyst: Anastasiia Matiukhina

Indonesia: -1

Indonesia has not complied with the commitment on macroeconomic policy.

Indonesia took no measures toward a more market-determined exchange rate and exchange rate flexibility during the compliance period.

According to the central bank of Indonesia, the rupiah depreciated against the US dollar in 2014 but appreciated against the currencies of other leading trading partners. Rupiah depreciation against the dollar in the fourth quarter of 2014 is explained by the dollar's "appreciation against nearly all global currencies after the release of improved US economic data as well as the planned hike to the Fed Fund Rate."²⁹⁷ The trend of the rupiah depreciation continued in 2015. Indonesian central bank implemented measures to keep the rupiah stable, including market interventions as well as purchasing government bonds in the secondary market. Keeping the stability of the rupiah at the exchange rate that is in line with its fundamental will remain one of the central bank's objectives in future.²⁹⁸

Indonesia has refrained from competitive devaluation of its currency.

No Indonesia's progress in moving toward a more market-determined exchange rate has been registered during the compliance cycle. Thus, it is awarded a score of -1.

Analyst: Andrey Shelepov

Italy: -1

Italy has not complied with the macroeconomic policy commitment.

Italy is in the eurozone, with the euro as a currency. The Bank of Italy is an integral part of the eurosystem and performs in accordance with the rules set by the decision-making bodies of the European Central Bank (ECB). ECB monetary policy is characterized by regular open market operations, targeting short-term interest rates, liquidity and longer-term financial sector refinancing.²⁹⁹

On 22 January 2015, the ECB announced the expanded asset purchase program, under which the combined asset purchases will amount to EUR60 billion per month until at least September 2016. According to the ECB this program was designed to fulfill its price stability mandate.³⁰⁰ This move

²⁹⁷ Monetary Policy Review - January 2015, Central Bank of Indonesia 27 January 2015. Access date: 17 April 2015. <http://www.bi.go.id/en/publikasi/kebijakan-moneter/tinjauan/Pages/Monetary-Policy-Review-January-2015.aspx>.

²⁹⁸ Monetary Policy Review - March 2015, Central Bank of Indonesia 31 March 2015. Access date: 17 April 2015. <http://www.bi.go.id/en/publikasi/kebijakan-moneter/tinjauan/Pages/Monetary-Policy-Review---March-2015.aspx>.

²⁹⁹ Open market operations, European Central Bank. Date of access 19 May 2015. <https://www.ecb.europa.eu/mopo/implement/omo/html/index.en.html>.

³⁰⁰ ECB announces expanded asset purchase programme, European Central Bank 22 January 2015. Date of access 19 May 2015. https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html.

can be regarded as an instance of competitive devaluation as it affected the exchange rate of euro.³⁰¹ However, no direct Italian involvement in this action can be identified.

Despite the involvement in the decision-making process of the ECB's Governing Council, no facts of Italian government bodies' actions, which can be regarded as competitive devaluation, have been registered.

No facts of Italy's actions aimed at moving towards more market-determined exchange rate have been registered.

During the compliance period Italy has refrained from competitive devaluation of its currency but took no action to move towards a more market-determined exchange rate. Thus, it has been awarded a score of -1.

Analyst: Andrei Sakbarov

Japan: +1

Japan introduced a free-floating exchange rate system in February 1973.³⁰² No facts of Japan's central bank interventions aimed at the exchange rates of the national currency have been registered during the compliance period.

Japan has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it has been awarded a score of +1.

Analyst: Vitaly Nagornov

Korea: +1

Korea has fully complied with the commitment on macroeconomic policy.

Korea has taken measures to move toward a more market-determined exchange rate and exchange rate flexibility.

According to the Bank of Korea, since December 1997 the country's exchange rate system has been based on the free-floating won.³⁰³

No facts of Korean actions towards competitive devaluation of its currency have been registered during the compliance period.

Although the won's exchange rate to the US dollar and yen slightly dropped during the compliance period, this fact is expected mainly by the general strengthening of the US currency against other

³⁰¹ Devaluation and discord as the world's currencies quietly go to war, The Guardian 25 January 2015. Date of access 19 May 2015. <http://www.theguardian.com/business/2015/jan/25/devaluation-discord-currencies-war-quantitative-easing>.

³⁰² Floating Exchange Rates: The Lessons of Recent Experience. Société Universitaire Européenne de Recherches Financières. BRILL, 1976

³⁰³ Exchange Rate System, Bank of Korea. Access date: 1 June 2015. <http://www.bok.or.kr/broadcast.action?menuNavild=690>.

currencies and changes in expectations of the market participants, rather than any actions taken by the central bank³⁰⁴

Korea has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it is awarded a score of +1.

Analyst: Andrey Sheleпов

Mexico: +1

Mexico has fully complied with the commitment on macroeconomic policy.

Since 1994 exchange rate in Mexico is determined by market forces (floating exchange rate/free float regime) in accordance with the Foreign Exchange Commission's decision.³⁰⁵

On 21 April 2015, Deputy Governor of the Bank of Mexico Manuel Sánchez informed that "Mexico uses a floating exchange rate regime. The policy emphasis has been on the creation of deep spot and forward foreign exchange (FX) markets, as well as on enhancing the liquidity of the domestic bond market. Mexico's currency market is the most liquid among those of all emerging economies ... in cases of extraordinary market volatility and particularly amid low liquidity, the country [Mexico] sometimes uses marginal rule-based FX intervention, mostly as a way to send a signal of confidence to market participants."³⁰⁶

Since the Brisbane Summit the exchange rate between the US dollar and the Mexican peso changed insignificantly: from 13.5445 (as of 18 November 2014) to 15.3834 (as of 24 April 2015).³⁰⁷ The euro-peso exchange rate also slightly changed: from 16.9523 (as of 18 November 2014) to 16.6371 (as of 24 April 2015).³⁰⁸

In December 2014 and March 2015 in the context of continued international financial markets volatility Mexican Exchange Commission (Comisión de Cambios) adopted the additional preventive measures aimed at providing liquidity to foreign exchange market. On 8 December 2014, the Bank of Mexico announced everyday USD200 million proposal at lowest exchange rate at public sales.³⁰⁹ On 11 March 2015, it announced an everyday USD52 million proposal without minimum price at public

³⁰⁴ Foreign Exchange Market Trends(2015.Q1), Bank of Korea 24 April 2015. Access date: 1 June 2015. http://www.bok.or.kr/down.search?file_path=/attach/eng/634/2015/04/1429608207175.pdf&file_name=FX+Market+Trends%282015.Q1%29.pdf.

³⁰⁵ FOREIGN EXCHANGE MARKET (EXCHANGE RATES). Date of assess: 23 February 2015.

<http://www.banxico.org.mx/portal-mercado-cambiario/foreign-exchange-markets--exc.html>.

³⁰⁶ Understanding macroprudential instruments and their impact. 21 April 2015. Date of assess: 26 April 2015.

<http://www.banxico.org.mx/publicaciones-y-discursos/discursos-y-presentaciones/discursos/%7BBBF8C8CF-878C-DB90-16EC-D9A45554060A%7D.pdf>.

³⁰⁷ Exchange rates and auctions historical information. Date of assess: 26 April 2015.

<http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CF373§or=6&locale=en>.

³⁰⁸ Tipos de cambio respecto a otras divisas. Euro. Date of assess: 26 April 2015.

<http://www.banxico.org.mx/tipcamb/otrasDivAction.do?idioma=sp>.

³⁰⁹ La Comisión de Cambios adopta medidas preventivas para proveer liquidez al mercado cambiario en caso necesario. Date of assess: 5 April 2015. <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/politica-cambiar/comision-de-cambios/%7B3356C133-B2B2-2A30-AE8F-ECFCCE139288%7D.pdf>.

sales. However, these measures were aimed at providing liquidity rather than influencing the exchange rate.³¹⁰

During the compliance period Mexico has refrained from competitive devaluation of its currency and its exchange rate is largely market-determined. Thus, it has been awarded a score of +1.

Analyst: Elizaveta Safonkina

Russia: +1

Russia has fully complied with the commitment on macroeconomic policy.

Russia has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility.

On 10 November 2014, the Central Bank of Russia abolished the exchange rate policy mechanism through cancelling the permissible range of the dual-currency basket ruble values (the so-called operational band) and regular interventions on and outside the borders of this band. The new approach did not provide for complete abandonment of foreign exchange interventions, which still can be implemented in case of financial stability threats. However, the ruble exchange rate is now determined mainly by market forces.³¹¹

Russia has refrained from competitive devaluation of its currency.

Despite the depreciation of the ruble against major foreign currencies, data on the central bank currency interventions shows that the amount of foreign currency sold during the compliance period exceeds that purchased, implying that the activities of the central bank were generally aimed at supporting the ruble exchange rate.³¹² For instance, in May 2015, in order to replenish international reserves the Central Bank of Russia took a decision to conduct foreign currency purchases in the domestic foreign exchange market from May 13. It was emphasized that “these operations do not seek to maintain the ruble exchange rate at a certain level and will be conducted in such a way that the impact on the ruble exchange rate dynamics is minimized.”³¹³

During the compliance period Russia has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it has been awarded a score of +1.

Analysts: Andrey Shelepov and Mark Rakmangulov

Saudi Arabia: -1

Saudi Arabia has not complied with the commitment on macroeconomic policy.

³¹⁰ La Comisión de Cambios adopta medidas preventivas adicionales para proveer liquidez al mercado cambiario. Date of assess: 5 April 2015. <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/politica-cambiaría/comision-de-cambios/%7BF0793066-927C-5B11-5180-E6905D18B4B1%7D.pdf>.

³¹¹ On parameters of Bank of Russia exchange rate policy, Bank of Russia 10 November 2014. Access Date: 15 June 2015. http://cbr.ru/eng/press/PR.aspx?file=10112014_122958eng_dkp2014-11-10T12_26_04.htm.

³¹² Data on the Bank of Russia currency interventions (monthly), Bank of Russia June 2015. Access Date: 15 June 2015. http://cbr.ru/eng/hd_base/default.aspx?prtId=valint&pid=idkp_br&sid=ITM_40998.

³¹³ Monetary Policy Report No.2 June 2015, Russian Central Bank. http://www.cbr.ru/eng/publ/ddcp/2015_02_ddcp_e.pdf.

The Saudi riyal exchange rate has remained pegged to the US dollar at a fixed rate since mid 1986.³¹⁴

No Saudi Arabian progress in moving toward a more market-determined exchange rate has been registered during the compliance cycle. Thus, it is awarded a score of -1.

Analyst: Andrey Shelepon

South Africa: -1

South Africa has failed to comply with the commitment on macroeconomic policy.

From 16 November 2014 to 31 May 2015 South African rand's exchange rate to the US dollar increased by about 10%.³¹⁵

However, no specific actions aimed at stimulating the rand exchange rate flexibility have been registered during the compliance period.

South Africa has failed to make any concrete progress in moving toward a more market-determined exchange rate and exchange rate flexibility, although refraining from competitive devaluation of its currency. Thus it has been awarded a score of -1.

Analyst: Lyudmila Tarasenko

Turkey: -1

Turkey has not complied with the commitment on macroeconomic policy.

No facts illustrating Turkish move toward a more market-determined exchange rate and exchange rate flexibility have been registered during the compliance period.

The Central Bank of the Republic of Turkey is responsible for taking necessary measures in order to protect the value of the lira and establish the exchange rate regime determining its parity against gold and foreign currencies jointly with the government. According to the central bank, under the current monetary policy it executes spot and forward purchase and sale of foreign currencies, foreign exchange swaps and other derivatives transactions in order to determine the value of the Turkish lira against foreign currencies.

Turkey has used its exchange rate devaluation for competitive purposes.

From 16 November 2014 to 29 April 2015, the indicative exchange rate³¹⁶ of the lira to the US dollar increased from 2.24 to 2.66.³¹⁷ The rate to the euro in the same period changed from 2.79 to 2.93, reflecting the lira depreciation.³¹⁸

³¹⁴ Speech by His Excellency the Governor of SAMA to the Workshop on: "Economic Policies and Prominent Challenges Facing the Saudi Economy to Achieve Sustainable Development", Saudi Arabian Monetary Agency 8 February 2015. Access date: 18 May 2015. <http://www.sama.gov.sa/en-US/News/Pages/News20150208.aspx>.

³¹⁵ USD/ZAR exchange rate. Yahoo Finance. [http://finance.yahoo.com/echarts?s=ZAR%3DX+Interactive#{"customRangeStart":1416085200,"customRangeEnd":1433019600,"range":"custom","allowChartStacking":true}](http://finance.yahoo.com/echarts?s=ZAR%3DX+Interactive#{).

³¹⁶ Determining the Indicative Exchange Rates, Central Bank of Turkey. Date of Access: 27 April 2015. <http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MARKETS/Foreign+Exchange+and+Bank+notes+Markets/Determining+the+Indicative+Exchange+Rates>.

³¹⁷ Exchange Rates (Daily), Central Bank of Turkey. Date of Access: 27 April 2015. <http://evds.tcmb.gov.tr/fame/webfactory/evdpw/rpt/46713.html>.

On 4 February 2015, Turkish economy minister Nihat Zeybekci declared that lira devaluation should be considered before deciding in favour of a tight monetary policy. He mentioned that “a competitive currency rate is positive for exports as well as for the Turkish economy as a whole” and many countries have already allowed their currencies to lose value in order boost their exports and stimulate the economy.³¹⁹

No Turkey’s progress in moving toward a more market-determined exchange rate has been registered during the compliance cycle. Thus, it is awarded a score of –1.

Analyst: Nadezhda Sporysheva

United Kingdom: +1

The United Kingdom has fully complied with the commitment on macroeconomic policy.

The UK has taken measures to move toward a more market-determined exchange rate and exchange rate flexibility.

According to the Bank of England, it has conducted no interventions for the purposes of influencing the exchange rate for the pound since 1992.³²⁰

No facts of UK’s actions towards competitive devaluation of its currency have been registered during the compliance period.

Since 17 November 2014 till 27 April 2015, the effective exchange rate index of the pound (2005=100) has increased from 86.4 to 91.06 showing the strengthening of the pound against the basket of other currencies.³²¹

The UK has made progress in moving toward a more market-determined exchange rate and exchange rate flexibility, including through refraining from competitive devaluation of its currency. Thus, it is awarded a score of +1.

Analyst: Andrey Shelepov

United States: +1

The United States has fully complied with the commitment on macroeconomic policy.

The US dollar exchange rate is market determined; the US Treasury and the Federal Reserve do not target any particular level for the exchange rate.³²²

³¹⁸ Exchange Rates (Daily), Central Bank of Turkey. Date of Access: 27 April 2015.

<http://evds.tcmb.gov.tr/fame/webfactory/evdpw/rpt/46199.html>.

³¹⁹ Turkish Economy Minister: Weaker lira might be beneficial, Anadolu Agency 4 February 2015. Date of Access: 27 April 2015. <http://www.aa.com.tr/en/economy/460705--turkish-economy-minister-weaker-lira-might-be-beneficial>.

³²⁰ Statistical Release. UK official holdings of international reserves. March 2015, UK Government 2 April 2015. Access date: 17 April 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/420567/Reserves_Statistical_Release_March_2015.pdf.

³²¹ Effective exchange rate index, Sterling (Jan 2005=100), Bank of England. Access date: 17 April 2015.

<http://www.bankofengland.co.uk/boeapps/iadb/fromshowcolumns.asp?Travel=NIXIRxSUX&FromSeries=1&ToSeries=50&DAT=RNG&FD=16&FM=Nov&FY=2014&TD=27&TM=Apr&TY=2015&VFD=Y&html.x=17&html.y=13&CSVF=TT&C=IIN&Filter=N>.

During the period under review the US Federal Open Market Committee reported of no interventions in foreign currencies for the Federal Reserve System's account.^{323,324,325}

No new quantitative easing programs have been announced during the compliance period; the last quantitative easing (QE3) was ended in 2014.

The United States has refrained from influencing exchange rates, including from competitive devaluation of its currency. Thus, it has been awarded a score of +1.

Analyst: Tatiana Lanshina

European Union: 0

The European Union has partially complied with the commitment on macroeconomic policy.

The EU monitors the euro exchange rate. On 28 November 2014, the European Commission stated that when the three-year average is considered, the real effective exchange rate has depreciated in most EU countries, but has remained within the indicative thresholds in each of them.³²⁶

On 22 January 2015, the European Central Bank (ECB) announced an expanded stimulus program amounting to EUR60 billion a month in asset purchases in an effort to revive the eurozone's economy. As a result, the euro weakened to 11-year lows.³²⁷

On 2 January 2015, ECB President Mario Draghi answered the question whether ECB was encouraging euro depreciation to bring down the price of European exports. He said that ECB was not regulating the exchange rate though it is important for price stability and growth. He explained that weaker than expected recovery and higher than expected unemployment contributed to a weak exchange rate.³²⁸

On 17 April 2015, talking about negative inflation in the euro area Draghi said that the ECB would continue to closely monitor the risks to the inflation outlook and, in this context, the Governing Council will focus in particular on the exchange rate among other issues.³²⁹

³²² How does the foreign exchange value of the dollar relate to Federal Reserve policy? Board of Governors of the Federal Reserve System. Date of Access: 22 April 2015. http://www.federalreserve.gov/faqs/economy_12763.htm.

³²³ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 16-17 December 2014. Date of Access: 5 May 2015.

<http://www.federalreserve.gov/monetarypolicy/fomcminutes20141217.htm>.

³²⁴ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 27-28 January 2015. Date of Access: 5 May 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150128.htm>.

³²⁵ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 17-18 March 2015. Date of Access: 5 May 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150318.htm>.

³²⁶ Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee, European Commission 28 November 2014. Date of Access: 18 April 2015. http://ec.europa.eu/europe2020/pdf/2015/amr2015_en.pdf

³²⁷ Aggressive ECB Stimulus Ushers In New Era for Europe, The Wall Street Journal 22 January 2015. Date of Access: 18 April 2015. <http://www.wsj.com/articles/ecb-announces-stimulus-plan-1421931011>

³²⁸ Interview with Mario Draghi, President of the ECB, European Central Bank 2 January 2015. Date of Access: 18 April 2015. https://www.ecb.europa.eu/press/inter/date/2015/html/sp150102_1.en.html

³²⁹ Statement by Mario Draghi, President of the ECB, prepared for the thirty-first meeting of the International Monetary and Financial Committee, European Central Bank 17 April 2015. Date of Access: 18 April 2015. <https://www.ecb.europa.eu/press/key/date/2015/html/sp150417.en.html>

The EU maintains a market-determined exchange rate and exchange rate flexibility; however, some signals of using competitive devaluation of its currency have been registered. Thus, it has been awarded a score of 0.

Analyst: Andrey Shelepov