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The
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 Final Compliance Report

17 November 2014 to 1 October 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	No Compliance	Work in Progress	Full Compliance
Argentina	-1		
Australia			+1
Brazil	-1		
Canada			+1
China			+1
France		N/A	
Germany		N/A	
India			+1
Indonesia			+1
Italy		N/A	
Japan			+1
Korea			+1
Mexico			+1
Russia			+1
Saudi Arabia	-1		
South Africa	-1		
Turkey	-1		
United Kingdom			+1
United States			+1
European Union			+1
Average		+0.41	

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.”³⁸⁷ 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.”³⁸⁸ At the 2010 Seoul Summit, G20 leaders agreed to the Seoul Action Plan, which provided for a move towards more market-determined exchange rates.³⁸⁹ At the 2011 Cannes Summit, G20 leaders considered exchange rate volatility as “a risk to growth and financial stability” and renewed their Seoul

³⁸⁷ G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 25 September 2009. Access: 19 January 2015. <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

³⁸⁸ The G20 Toronto Summit Declaration, G20 Information Centre (Toronto) 27 June 2010. Access: 19 January 2015. <http://www.g20.utoronto.ca/2010/to-communique.html>.

³⁸⁹ The G20 Seoul Summit Leaders Declaration, G20 Information Centre (Toronto) 12 November 2010. Access: 19 January 2015. <http://www.g20.utoronto.ca/2010/g20seoul.html>.

Summit commitment to avoid persistent exchange rate misalignments and to refrain from competitive devaluation.³⁹⁰ 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 (RMB), continue to reform its exchange rate regime, and to increase the transparency of its exchange rate policy.”³⁹¹ In St Petersburg, the commitment was renewed in virtually the same form.³⁹²

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.³⁹³

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.³⁹⁴ 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).

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 through 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

³⁹⁰ Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All, G20 Information Centre (Toronto) 4 November 2011. Access: 19 January 2015. <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>.

³⁹¹ G20 Leaders Los Cabos Declaration, G20 Information Centre (Toronto) 19 June 2012. Access: 19 January 2015. <http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html>.

³⁹² 2013 St Petersburg G20 Leaders' Declaration, G20 Information Centre (Toronto) 6 September 2013. Access: 19 January 2015. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>.

³⁹³ Floating exchange rate, NASDAQ. Access: 19 January 2015. <http://www.nasdaq.com/investing/glossary/f/floating-exchange-rate>.

³⁹⁴ Currency Wars Evolve With Goal of Avoiding Deflation, Bloomberg 22 October 2014. Access: 19 January 2015. <http://www.bloomberg.com/news/2014-10-22/currency-wars-evolve-with-goal-of-avoiding-deflation.html>.

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).³⁹⁵

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.³⁹⁶ 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.³⁹⁷

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.

Australian dollar exchange rate has been determined by market forces since 12 December 1983, when the Australian Government floated the national currency.³⁹⁸

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

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.

Brazil 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 51% and 42% against the USD and the Euro respectively.³⁹⁹

The government tries to prevent the real from market-determined fluctuations caused by economic difficulties in the county and the US monetary policies. For instance, on the 9 March Brazil sold the equivalent of USD 98.3 million of currency swaps as part of a plan to offer as much as USD 100 million a day

³⁹⁵ 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. Access: 7 April 2015.

http://www.bcra.gov.ar/pdfs/polmon/ObjetivosBCRA_2015.pdf.

³⁹⁶ Peso argentino seguirá tendencia bajista regulada por Banco Central: presidente banco, Thomson Reuters Argentina 25 February 2015. Access: 7 April 2015. <http://ar.reuters.com/article/topNews/idARL1N0VZ2LS20150225>.

³⁹⁷ Fallo a favor de la AFIP: la justicia condena a un exportador que no ingresó divisas, El Diario de la AFIP 17 November 2014. Access: 7 April 2015. <http://www.dialogofiscal.gob.ar/judiciales/exportadorDivisas.aspx>.

³⁹⁸ Australia's prime ministers timeline, National Archives of Australia. Access 18 May 2015.

<http://primeministers.naa.gov.au/timeline/results.aspx?type=pm&pm=Robert%20Hawke>.

³⁹⁹ Banco Central do Brazil. Access: 22 October 2015. <http://www4.bcb.gov.br/pec/taxas/port/ptaxnpesq.asp?id=txcotacao>

until at least March 31 in order to support the real and limit import price increases. It rolled over contracts worth USD 356.2 million.⁴⁰⁰

On the 24 March, Brazilian Central bank President Alexandre Tombini told lawmakers that the sale of swaps supporting the currency fulfilled policy makers' objectives, while adding that extending the maturities of existing hedges is appropriate in the short and medium term.⁴⁰¹

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.

September 1998 was the last time when the Bank of Canada intervened in foreign exchange markets to affect the movements in the Canadian dollar exchange rate.⁴⁰²

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

China: +1

China has fully complied with the commitment on macroeconomic policy.

Since the beginning of the monitoring period to 22 April 2015 the yuan exchange rate against the euro rose by 16%⁴⁰³, and the yuan rate against the dollar fell by 1,2%⁴⁰⁴.

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 RMB exchange rate formation mechanism. The SAFE will allow the market to play a more crucial role in the RMB 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

⁴⁰⁰ Brazil Real Leads Global Declines as Court Blocks Rousseff Probe, Bloomberg 9 March 2015. 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>

⁴⁰¹ Brazil Scales Back Currency Support as Real Sinks to 12-Year Low, Bloomberg 24 March 2015. 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>

⁴⁰² 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

⁴⁰³ <http://ikurs.org/CNY-EUR.html>

⁴⁰⁴ Historical Rates for the Chinese Yuan Renminbi, Board of Governors of the Federal Reserve System 20 April 2015. Access: 22 April 2015. http://www.federalreserve.gov/releases/h10/hist/dat00_ch.htm

payments and create a favorable environment for the development of China's foreign-related economy and finance.⁴⁰⁵

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.⁴⁰⁶

On 5 March 2015, 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 nation will also keep the RMB exchange rate at an appropriate and balanced level and allow it to float more freely⁴⁰⁷, 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.⁴⁰⁸

On 24 July 2015, the State Council released a policy document, which indicated that the flexibility of the Renminbi exchange rate would be enhanced to keep it stable and at an adaptive and balanced level.⁴⁰⁹

On 11 August 2015, People's Bank of China published the statement on improving the quotation of the middle exchange rate of RMB against the U.S. dollar. This was described as an important step of the market-oriented reform of the RMB exchange rate formation mechanism enabling the RMB exchange rate to operate according to the more market-oriented rules in the future.⁴¹⁰

On 9 September 2015, Premier Li Keqiang at the Summer Davos Forum in Dalian stated that the government of China had no intention to boost exports by devaluing the yuan. He said that lately many currencies have slipped sharply against the US dollar. It's the international market trend that led China to make a minor adjustment in the central parity system.⁴¹¹ Li Keqiang also stressed that China improves the quotation regime of the RMB central parity in order to make the exchange rate more market-oriented. There is no basis for continued depreciation of the RMB, and the rate will be kept basically stable at a reasonable and balanced level.⁴¹²

⁴⁰⁵ Transcript of the SAFE Press Conference for Quarter Four of 2014, the State Administration of Foreign Exchange 6 January 2015. Access: 21 April 2015. http://www.safe.gov.cn/wps/portal/lut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwP30FAnA8_AEBc3C1NjI3czl_1wkA48Kgw8gY4gKOBvp9Hfm6qkfF2dpqjo6liABQXMys!/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfSENEQ01LRzEwT085RTBJNkE1U1NDRzNMtDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/state+administration+of+foreign+exchange/safe+news/80e8378046d55a66a2d9a2df84a4806f

⁴⁰⁶ China's central bank vows prudent policies in 2015, the State Council of the People's Republic of China 9 January 2015. Access: 21 April 2015. http://english.gov.cn/news/top_news/2015/01/10/content_281475037038521.htm

⁴⁰⁷ Highlights of government work report, the State Council of the People's Republic of China 5 March 2015. Access: 21 April 2015. http://english.gov.cn/premier/news/2015/03/05/content_281475066011469.htm

⁴⁰⁸ 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. Access: 21 April 2015. http://www.npc.gov.cn/englishnpc/Special_12_3/2015-03/19/content_1930758.htm

⁴⁰⁹ Yuan given more flexibility to boost exports, the State Council of the People's Republic of China 25 July 2015. Access: 21 October 2015. http://english.gov.cn/policies/policy_watch/2015/07/25/content_281475153899563.htm

⁴¹⁰ Official from the Department of Foreign Investment Administration of the MOFCOM Comments on the Influence of Improving the Quotation of the Middle Exchange Rate of RMB against the U.S. Dollar, Ministry of Commerce of China 17 August 2015. Access: 21 October 2015. <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201508/20150801093104.shtml>

⁴¹¹ Transcript of Premier's meeting with Chinese and foreign business representatives at Summer Davos, the State Council of the People's Republic of China 10 September 2015. Access: 21 October 2015. http://english.gov.cn/premier/speeches/2015/09/10/content_281475186726322.htm

⁴¹² Li Keqiang Holds Dialogue with Domestic and Foreign Entrepreneur Representatives Attending Summer Davos Forum, Ministry of Foreign Affairs of China 10 September 2015. Access: 21 October 2015. http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1296316.shtml

On 22 September 2015, Chinese President Xi Jinping at the welcoming dinner hosted by local governments and friendly organizations in the United States stated that China would stick to the purpose of the reform to have the exchange rate decided by market supply and demand and allow the RMB to float both ways, and this position would not be changed by the recent fluctuation in the stock market or the foreign exchange market.⁴¹³

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: Not Applicable

France's exchange rate policy is determined at the supranational level by the European Central Bank. Thus, the national government has no jurisdiction to affect the exchange rate of the euro, and France's compliance with this commitment cannot be assessed.

Analyst: Vitaly Nagornov

Germany: Not applicable

Germany's exchange rate policy is determined at the supranational level by the European Central Bank. Thus, the national government has no jurisdiction to affect the exchange rate of the euro, and Germany's compliance with this commitment cannot be assessed.

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 increased by 6.28% and the rate to the euro fell by 5.53% (as of 11 October 2015).⁴¹⁴

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 doesn't take actions aimed at targeting the particular exchange rate, and RBI interventions are aimed solely at reducing volatility.⁴¹⁵

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 INR 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 foreign institutional investors inflows, a

⁴¹³ Full text of President Xi Jinping's speech on China-U.S. relations in Seattle, Ministry of Agriculture of China 24 September 2015. Access: 21 October 2015. http://english.agri.gov.cn/news/dqnf/201509/t20150924_26553.htm

⁴¹⁴ Reference Rate Archive, Reserve Bank of India. Access: 11 October 2015. <http://www.rbi.org.in/scripts/ReferenceRateArchive.aspx>.

⁴¹⁵ Edited Transcript of Reserve Bank of India's Post Policy Conference Call with Media, Reserve Bank of India 3 February 2015. Access: 7 April 2015. http://rbi.org.in/scripts/bs_viewcontent.aspx?id=2964.

reduction in current account deficit, political stability, India's forex reserves increase, improvement in macro-economic indicators and other factors, which are not governmental actions.⁴¹⁶

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

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 Matinkhina

Indonesia: +1

Indonesia has fully complied with the commitment on macroeconomic policy.

Indonesia has moved toward a more market-determined exchange rate and exchange rate flexibility.

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 USD in the fourth quarter of 2014 is explained by the USD "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."⁴¹⁷ 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. However, Bank Indonesia applied market interventions to address uncertainty in the market, which could trigger macro and financial system instability. 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.⁴¹⁸

Indonesia has refrained from competitive devaluation of its currency.

Indonesia 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

Italy: Not applicable

Italy's exchange rate policy is determined at the supranational level by the European Central Bank. Thus, the national government has no jurisdiction to affect the exchange rate of the euro, and Italy's compliance with this commitment cannot be assessed.

Analyst: Andrei Sakharov

⁴¹⁶ 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. Access: 7 April 2015. http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=943.

⁴¹⁷ 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>.

⁴¹⁸ 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>.

Japan: +1

Japan introduced a free floating exchange rate system in February 1973.⁴¹⁹ 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.⁴²⁰

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

On average, the KRW has strengthened against the USD and JPY during the compliance period. Temporary drops in the KRW exchange rate are explained by the general strengthening of the US currency against other currencies and changes in expectations of the market participants, rather than any actions taken by the central bank.⁴²¹

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 Shelepon

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.⁴²²

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

⁴¹⁹ Floating Exchange Rates: The Lessons of Recent Experience. Société Universitaire Européenne de Recherches Financières. BRILL, 1976

⁴²⁰ Exchange Rate System, Bank of Korea. Access date: 1 June 2015. <http://www.bok.or.kr/broadcast.action?menuNavild=690>.

⁴²¹ Foreign Exchange Market Trends(2015.Q2), Bank of Korea 27 July 2015. Access date: 21 October 2015. http://www.bok.or.kr/down.search?file_path=/attach/eng/634/2015/07/1437986658419.pdf&file_name=FX+Market+Trends%282015.Q2%29.pdf.

⁴²² FOREIGN EXCHANGE MARKET (EXCHANGE RATES), Bank of Mexico. Date of assess: 23 February 2015. <http://www.banxico.org.mx/portal-mercado-cambiarior/foreign-exchange-markets--exc.html>.

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.⁴²³

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 16.8162 (as of 2 October 2015).⁴²⁴ The euro-peso exchange rate also changed: from 16.9523 (as of 18 November 2014) to 18.7702 (as of 2 October 2015).⁴²⁵ The Mexican peso has depreciated against the US dollar at the average rate of other emerging economies.⁴²⁶

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, Bank of Mexico announced everyday USD 200 million proposal at lowest exchange rate at public sales.⁴²⁷ On 11 March 2015, Bank of Mexico announced an everyday USD 52 million proposal without minimum price at public sales. On 30 July 2015, it announced an everyday USD 200 million proposal at lowest exchange rate at public sales for the period from July 31, 2015 to September 30, 2015.⁴²⁸ On 28 September 2015, this measure was extended up to November 30, 2015.⁴²⁹ However, these measures were aimed at providing liquidity rather than influencing the exchange rate.⁴³⁰

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, Russian central bank 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

⁴²³ 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/%7BBBFFC8CF-878C-DB90-16EC-D9A45554060A%7D.pdf>.

⁴²⁴ Exchange rates and auctions historical information, Bank of Mexico. Date of assess: 21 October 2015.

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

⁴²⁵ Tipos de cambio respecto a otras divisas. Euro, Bank of Mexico. Date of assess: 21 October 2015.

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

⁴²⁶ The Mexican economy: the need for differentiation, 2 October 2015. Bank of Mexico. Date of assess: 21 October 2015.

<http://www.banxico.org.mx/publicaciones-y-discursos/discursos-y-presentaciones/presentaciones/%7B1C381AD5-FBAA-15A1-C056-46ABC8407A52%7D.pdf>

⁴²⁷ 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-cambiaria/comision-de-cambios/%7B3356C133-B2B2-2A30-AE8F-ECFCCE139288%7D.pdf>.

⁴²⁸ La Comisión de Cambios refuerza las medidas preventivas para proveer liquidez al mercado cambiario. Date of assess: 22 September 2015. <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/politica-cambiaria/comision-de-cambios/%7B43867211-75CF-0FA5-7958-0AE8848BC56F%7D.pdf>.

⁴²⁹ La Comisión de Cambios extiende las medidas preventivas para proveer liquidez al mercado cambiario. Date of assess: 22 September 2015. <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/politica-cambiaria/comision-de-cambios/%7BCEB92764-AA59-621D-9A0A-7B969B6C51CA%7D.pdf>.

⁴³⁰ 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-cambiaria/comision-de-cambios/%7BF0793066-927C-5B11-5180-E6905D18B4B1%7D.pdf>.

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.⁴³¹

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.⁴³² 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’.⁴³³

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.

The Saudi riyal exchange rate has remained pegged to the USD at a fixed rate since mid-1986.⁴³⁴

On 25 August 2015, deputy governor for research and international affairs at the Saudi Arabian Monetary Agency Ahmed al-Kholifi declared that the country remains committed to keeping the riyal pegged to the USD despite the drop in oil prices.⁴³⁵

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 Shelepov

South Africa: –1

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

From 16 November 2014 to 1 October 2015 South African rand’s exchange rate to the US dollar decreased by about 22%.⁴³⁶

⁴³¹ 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.

⁴³² 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.

⁴³³ Monetary Policy Report No.2 June 2015, Russian Central Bank. http://www.cbr.ru/eng/publ/ddcp/2015_02_ddcp_e.pdf.

⁴³⁴ 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>.

⁴³⁵ Saudi Arabia Remains Committed to Dollar Peg, The Wall Street Journal 25 August 2015. Access date: 21 October 2015. <http://www.wsj.com/articles/saudi-arabia-remains-committed-to-dollar-peg-1440525056>.

⁴³⁶ USD /ZAR exchange rate. Yahoo Finance.

[http://finance.yahoo.com/echarts?s=ZAR%3DX+Interactive#{\"customRangeStart\":1416085200,\"customRangeEnd\":1443646800,\"range\": \"custom\", \"allowChartStacking\": true}](http://finance.yahoo.com/echarts?s=ZAR%3DX+Interactive#{\).

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. 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 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 TRY against foreign currencies.

Turkey has used its exchange rate devaluation for competitive purposes.

In the period of 16 November 2014 — 19 October 2015, the indicative exchange rate⁴³⁷ of the TRY to the USD increased from 2.24 to 2.89.⁴³⁸ The rate to the EUR in the same period changed from 2.79 to 3.28, reflecting the TRY depreciation.⁴³⁹

On 4 February 2015, Turkish economy minister Nihat Zeybekci declared that TRY 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.⁴⁴⁰

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.

⁴³⁷ Determining the Indicative Exchange Rates, Central Bank of Turkey. Access: 27 April 2015.

<http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MARKETS/Foreign+Exchange+and+Banknotes+Markets/Determining+the+Indicative+Exchange+Rates>.

⁴³⁸ Exchange Rates (Daily), Central Bank of Turkey. Access: 21 October 2015.

<http://evds.tcmb.gov.tr/fame/webfactory/evdpw/rpt/46713.html>.

⁴³⁹ Exchange Rates (Daily), Central Bank of Turkey. Access: 21 October 2015.

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

⁴⁴⁰ Turkish Economy Minister: Weaker lira might be beneficial, Anadolu Agency 4 February 2015. Access: 27 April 2015.

<http://www.aa.com.tr/en/economy/460705--turkish-economy-minister-weaker-lira-might-be-beneficial>.

According to the Bank of England, it has conducted no interventions for the purposes of influencing the GBP exchange rate since 1992.⁴⁴¹

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

Since 17 November 2014 till 20 October 2015, the effective exchange rate index of the GBP (2005=100) has increased from 86.4 to 91.74 showing the strengthening of the GBP against the basket of other currencies.⁴⁴²

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 United States dollar exchange rate is market-determined; the U.S. Treasury and the Federal Reserve do not target any particular level for the exchange rate.⁴⁴³

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.^{444,445,446447448449}

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: +1

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

⁴⁴¹ 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.

⁴⁴² Effective exchange rate index, Sterling (Jan 2005=100), Bank of England. Access date: 21 October 2015. <http://www.bankofengland.co.uk/boeapps/iadb/fromshowcolumns.asp?Travel=NixIRxSUX&FromSeries=1&ToSeries=50&DAT=RN&G&FD=16&FM=Nov&FY=2014&TD=21&TM=Oct&TY=2015&VFD=Y&html.x=17&html.y=13&CSVF=TT&C=IIN&Filter=N>.

⁴⁴³ How does the foreign exchange value of the dollar relate to Federal Reserve policy? Board of Governors of the Federal Reserve System. Access: 22 April 2015. http://www.federalreserve.gov/faqs/economy_12763.htm.

⁴⁴⁴ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 16-17 December 2014. Access: 5 May 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20141217.htm>.

⁴⁴⁵ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 27-28 January 2015. Access: 5 May 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150128.htm>.

⁴⁴⁶ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 17-18 March 2015. Access: 5 May 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150318.htm>.

⁴⁴⁷ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 28-29 April 2015. Access: 1 October 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150429.htm>.

⁴⁴⁸ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 16-17 June 2015. Access: 1 October 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150617.htm>.

⁴⁴⁹ Minutes of the Federal Open Market Committee, Board of Governors of the Federal Reserve System 28-29 July 2015. Access: 1 October 2015. <http://www.federalreserve.gov/monetarypolicy/fomcminutes20150729.htm>.

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.⁴⁵⁰

On 22 January 2015, the European Central Bank (ECB) announced an expanded stimulus program amounting to EUR 60 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.⁴⁵¹

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.⁴⁵²

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.⁴⁵³

On 4 May 2015, Vice-President of the ECB Vítor Constâncio did not confirm that the depreciation of euro is the result of currency wars and said that exchange rates reflect the economic situation in the world.⁴⁵⁴

On 10 June 2015, Member of the Executive Board of the ECB Benoît Cœuré stated in that the ECB does not seek to influence the euro's exchange rate and that the depreciation of the euro was just the result of the differences in positions in the economic cycle and monetary policies of the EU and the US.⁴⁵⁵

On 8 July 2015, in the report on "The international role of the euro" the ECB concluded that the euro's nominal effective exchange rate depreciated by 10% in the 12 months to May 2015. The influence of this depreciation on the euro's international use was analyzed in the report, and no signs of competitive devaluation of the currency can be found there.⁴⁵⁶

The EU maintains a market-determined exchange rate and exchange rate flexibility; and depreciation of the euro is not considered to be aimed at competitive devaluation. Thus, the EU has been awarded a score of +1.

Analyst: Andrey Shelepov

⁴⁵⁰ 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. Access: 18 April 2015.

http://ec.europa.eu/europe2020/pdf/2015/amr2015_en.pdf

⁴⁵¹ Aggressive ECB Stimulus Ushers In New Era for Europe, The Wall Street Journal 22 January 2015. Access: 18 April 2015.

<http://www.wsj.com/articles/ecb-announces-stimulus-plan-1421931011>

⁴⁵² Interview with Mario Draghi, President of the ECB, European Central Bank 2 January 2015. Access: 18 April 2015.

https://www.ecb.europa.eu/press/inter/date/2015/html/sp150102_1.en.html

⁴⁵³ 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. Access: 18 April 2015.

<https://www.ecb.europa.eu/press/key/date/2015/html/sp150417.en.html>

⁴⁵⁴ Interview with Vítor Constâncio, Vice-President of the ECB, conducted by Marcel de Boer and Saskia Jonker, European Central Bank 29 April 2015. Access: 10 October 2015. <http://www.ecb.europa.eu/press/inter/date/2015/html/sp150504.en.html>

⁴⁵⁵ Interview with Benoît Cœuré, Member of the Executive Board of the ECB, conducted by Marie Dancer, La Croix, European Central Bank 10 June 2015. Access: 10 October 2015. <http://www.ecb.europa.eu/press/inter/date/2015/html/sp150610.en.html>

⁴⁵⁶ Diverging monetary policy cycles impact international use of the euro, European Central Bank 8 July 2015. Access: 10 October 2015. <http://www.ecb.europa.eu/press/pr/date/2015/html/pr150708.en.html>