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G8 Research Group  
at the Munk School of Global Affairs at Trinity College in the University of Toronto  
presents the

## **2013 Lough Erne G8 Summit Final Compliance Report**

18 June 2013 to 15 May 2014

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## 2. Macroeconomic Policy: Global Imbalances [45]

### Commitment:

“We reaffirm our commitment to cooperate to achieve a lasting reduction in global imbalances, which surplus and deficit countries must address.”

*2013 G8 Lough Erne Communiqué*

### Assessment:

Country	Lack of Compliance	Work in Progress	Full Compliance
Canada			+1
France			+1
Germany			+1
Italy			+1
Japan			+1
Russia			+1
United Kingdom			+1
United States			+1
European Union			+1
Average Score		+1.00	

### Background:

Global imbalances refer to the disparity in current account balances between countries. Resolving such imbalances refers to attempts to reduce the current-account surplus or current-account deficit a country may carry. Typically this entails surplus countries shifting to relying more on internal demand, and deficit countries shifting to focus on generating external demand.<sup>86</sup> Large, unsustainable global imbalances can have a profound destabilizing effect on the global economy, impeding international trade and investment by generating uncertainty in markets.<sup>87</sup> G8 leaders at Lough Erne stated their intentions to avoid any such vulnerabilities which could disrupt global economic recovery.<sup>88</sup>

At the 2009 L’Aquila Summit, the G8 acknowledged the importance of adjusting the global imbalance by “supporting strong internal demand in surplus countries and increasing savings rates in deficit countries through appropriate macroeconomic and structural policies.”<sup>89</sup>

Though it has made commitments regarding other aspects of the health of the global economy, not until Lough Erne 2013 did the G8 again pledge to reduce global imbalances.

### Commitment Features:

Specific mechanisms used to reduce imbalances will differ for each G8 member according to their current account status, and according to the specific conditions of their economic outlook. The

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<sup>86</sup> Kowalski, P. and M. Leshner, “Global Imbalances: Trade Effects and Policy Challenges”, OECD (Paris) 2011. Access Date: 5 December 2013. [http://www.oecd-ilibrary.org/trade/global-imbances\\_5kg22x55618n-en](http://www.oecd-ilibrary.org/trade/global-imbances_5kg22x55618n-en).

<sup>87</sup> Kowalski, P. and M. Leshner, “Global Imbalances: Trade Effects and Policy Challenges”, OECD (Paris) 2011. Access Date: 5 December 2013. [http://www.oecd-ilibrary.org/trade/global-imbances\\_5kg22x55618n-en](http://www.oecd-ilibrary.org/trade/global-imbances_5kg22x55618n-en).

<sup>88</sup> G8 Lough Erne Leaders Communiqué (Lough Erne), G8 Information Centre (Toronto)18 June 2013. Access Date: 5 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html#economy>.

<sup>89</sup> G8 Leaders’ Declaration: Responsible Leadership for a Sustainable Future (L’Aquila), G8 Information Centre (Toronto)8 July 2009. Access Date: 5 December 2013. <http://www.g8.utoronto.ca/summit/2009laquila/2009-declaration.html>.

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International Monetary Fund identifies two categories of rebalancing strategies, both internal and external.

Internal corrective adjustments will likely include fiscal consolidation, and efforts to improve the efficiency of public finance. Such measures would apply particularly to deficit countries like the U.S. and Japan.<sup>90</sup>

External adjustments for surplus countries can include structural reforms to stimulate internal demand, improving social safety nets, tax reform, reform of state-owned enterprises. External strategies for deficit countries may involve structural reforms aimed at improving competitiveness, like investing in human and physical capital, and technology enhancements.<sup>91</sup> Reducing tariffs for certain sectors could also rebalance for both deficit and surplus countries.<sup>92</sup> Members also have the option of adjusting exchange rates to improve growth, to depreciate in cases of deficit countries, and appreciate in cases of surplus.<sup>93</sup> With these mechanisms, members can shift the sources of their demand, to counteract the existing bias of their economy.

The Lough Erne Statement on the global economy also emphasized sustainable growth, sustainable recovery, and job creation. Therefore the commitment to correct global imbalances should not infringe on such efforts.

Full Compliance will be based on the ability of a member to make policy adjustments to reduce their own deficit or surplus, with strategies including but not limited to any of the aforementioned mechanisms. A score of Full Compliance will also indicate that the member has undertaken adjustments to global imbalances while not hindering domestic growth and economic recovery.

**Scoring Guidelines:**

-1	Member does not implement policies to reduce their own deficit or surplus.
0	Member implements policies which shift demand appropriately to address global rebalancing but does so at the cost of domestic growth and confidence.
+1	Member implements policies which shift demand appropriately to address global rebalancing while maintaining domestic growth and confidence.

*Lead Analyst: Emily Johnson*

**Canada: +1**

Canada has fully complied with its commitment to address global rebalancing and has abstained from introducing measures which impede domestic growth and confidence.

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<sup>90</sup> Imbalances and Growth: Update of Staff Sustainability Assessments for G-20 Mutual Assessment Process, International Monetary Fund (Washington, D.C.) September 2013. Access Date: 5 December 2013. <http://www.imf.org/external/np/g20/pdf/map2013/map2013.pdf>.

<sup>91</sup> Imbalances and Growth: Update of Staff Sustainability Assessments for G-20 Mutual Assessment Process, International Monetary Fund (Washington, D.C.) September 2013. Access Date: 5 December 2013. <http://www.imf.org/external/np/g20/pdf/map2013/map2013.pdf>.

<sup>92</sup> Kowalski, P. and M. Leshner, "Global Imbalances: Trade Effects and Policy Challenges", OECD- (Paris) 2011. Access Date: 5 December 2013. [http://www.oecd-ilibrary.org/trade/global-imbalances\\_5kg22x55618n-en](http://www.oecd-ilibrary.org/trade/global-imbalances_5kg22x55618n-en).

<sup>93</sup> Imbalances and Growth: Update of Staff Sustainability Assessments for G-20 Mutual Assessment Process, International Monetary Fund (Washington, D.C.) September 2013. Access Date: 5 December 2013. <http://www.imf.org/external/np/g20/pdf/map2013/map2013.pdf>.

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Canada has run a persistent current account deficit for the past four years.<sup>94</sup> Its domestic economy remains relatively strong, yet its exports are impeded by a drop in global demand.<sup>95</sup>

On 18 October 2013, the European Union and Canada announced concluded negotiations on the Comprehensive Economic and Trade Agreement (CETA), a major free trade agreement that will drop tariffs on several important sectors.<sup>96</sup> The agreement will increase bilateral trade by 20 per cent, stimulating Canada's dampened exports.<sup>97,98</sup> Upon implementation, 98 per cent of EU and Canadian tariffs will be removed immediately.<sup>99</sup> The agreement will not enter into force until ratified, a process which could take up to two years.<sup>100</sup>

For concluding negotiations aimed at reducing tariffs and boosting exports, and avoiding measures which would undercut growth, Canada is given a score of +1 for full compliance.

*Analyst: Kasra Behnampour*

### **France: +1**

France has fully complied with its commitment to reduce global imbalances.

France has run a current account deficit since the 1990s.<sup>101</sup>

In July 2013, French President François Hollande commissioned a study on French competitiveness under the direction of French businessman Louis Gallois.<sup>102</sup> On 5 November 2013, Gallois' recommendations were released. The recommendations underlined the need to slash French labour costs and redirect tax burdens away from corporations and on to households.<sup>103</sup>

On 3 July 2013 at the Berlin Conference, President Hollande committed to the implementation of the Youth Guarantee over the next two years.<sup>104</sup> The Youth Guarantee includes a commitment to supplying youth under the age of 25 with either "a job, continued education, an apprenticeship or a

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<sup>94</sup> Current Account Deficit Down, But Still 'Near Record', CBC (Ottawa) 28 February 2013. Access Date: 3 January 2014. <http://www.cbc.ca/news/business/current-account-deficit-down-but-still-near-record-1.1364787>.

<sup>95</sup> Current Account Deficit Down, But Still 'Near Record', CBC (Ottawa) 28 February 2013. Access Date: 3 January 2014. <http://www.cbc.ca/news/business/current-account-deficit-down-but-still-near-record-1.1364787>.

<sup>96</sup> Canada, EU unveil 'historic' free-trade agreement, Globe and Mail (Toronto) 18 October 2013. Access Date: 2 January 2014. <http://www.theglobeandmail.com/news/politics/eu-harper/article14924915/>.

<sup>97</sup> CETA: Canada-EU Free Trade Deal Lauded by Harper, Barroso, CBC (Ottawa) 18 October 2013. Access Date: 2 January 2014. <http://www.cbc.ca/news/politics/ceta-canada-eu-free-trade-deal-lauded-by-harper-barroso-1.2125122>.

<sup>98</sup> Staying on Track In an Uncertain World, Update of Economic and Fiscal Projections 2013, Department of Finance (Ottawa) 12 November 2013. Access Date: 2 January 2014. <http://www.fin.gc.ca/efp-pef/2013/efp-pef-01-eng.asp#s2>.

<sup>99</sup> Canada, EU unveil 'historic' free-trade agreement, Globe and Mail (Toronto) 18 October 2013. Access Date: 2 January 2014. <http://www.theglobeandmail.com/news/politics/eu-harper/article14924915/>.

<sup>100</sup> Canada, EU unveil 'historic' free-trade agreement, Globe and Mail (Toronto) 18 October 2013. Access Date: 2 January 2014. <http://www.theglobeandmail.com/news/politics/eu-harper/article14924915/>.

<sup>101</sup> Current Account Balance (% of GDP), Data, The World Bank (Washington, D.C.). Access Date: 1 January 2014. <http://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS>.

<sup>102</sup> France readies response to shock therapy industry call, Reuters UK Edition (London) 5 November 2013. Access Date 26 December 2013. <http://uk.reuters.com/article/2012/11/05/uk-france-competitiveness-idUKBRE8A415120121105>.

<sup>103</sup> France readies response to shock therapy industry call, Reuters UK Edition (London) 5 November 2013. Access Date 26 December 2013. <http://uk.reuters.com/article/2012/11/05/uk-france-competitiveness-idUKBRE8A415120121105>.

<sup>104</sup> EU Youth Guarantee, The Press and Information Office of the Federal Government of Germany (Berlin). 13 November 2013. Access Date 28 December 2013. <http://www.bundesregierung.de/ContentArchiv/EN/Archiv17/Reiseberichte/2013/2013-11-13-paris-jugendarbeitslosigkeit.html>.

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traineeship”<sup>105</sup> within four months of leaving formal education or becoming unemployed. Commitment to the Youth Guarantee exemplifies France’s efforts to global rebalancing via job creation and investments in human capital.

On 26 August 2013, French Minister of Economy and Finance Pierre Moscovici presented a motion to the French national assembly to reform the “Plan d’épargne en actions” (PEA).<sup>106</sup> The PEA is a national shared savings program meant to aid in the financing of small and medium sized businesses in France and contributes to national savings.<sup>107</sup> On 14 November 2013 the French National Assembly approved the reform.<sup>108</sup>

On 12 September 2013, President Hollande and Minister of Industry Arnaud Montebourg introduced a new industrial strategy aimed at reviving French industry through technological investment totalling EUR 3.5 billion.<sup>109</sup> Investment will primarily benefit France’s biotechnology, transportation and digital sectors.<sup>110</sup> Minister Montebourg promised to create 475,000 jobs and EUR 45 billion in revenues over the next ten years and increase French industrial competitiveness.<sup>111</sup>

On 25 September 2013, Minister of Economy and Finance Pierre Moscovici presented the 2014 budget. The 2014 budget featured a series of internal corrective adjustments focused on improving the efficiency of public finance.<sup>112</sup> The budget featured cuts in lower public spending totalling EUR 15 billion.<sup>113</sup> The Ministries of Defence and Finance faced job cuts totalling 13 123 jobs.<sup>114</sup> Public spending is set to be redirected towards the Ministry of Education, the Ministry of Health and the Ministry of Justice where Moscovici plans to create 11,000 jobs.<sup>115</sup> Furthermore, the tax credit for

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<sup>105</sup> EU Youth Guarantee, The Press and Information Office of the Federal Government of Germany (Berlin). 13 November 2013. Access Date 28 December 2013. <http://www.bundesregierung.de/ContentArchiv/EN/Archiv17/Reiseberichte/2013/2013-11-13-paris-jugendarbeitslosigkeit.html>.

<sup>106</sup> Réforme du PEA, Ministère de L’Économie et des Finances (Paris) 26 August 2013. Access Date 28 December 2013. <http://www.economie.gouv.fr/reforme-du-plan-epargne>.

<sup>107</sup> Réforme du PEA, Ministère de L’Économie et des Finances (Paris) 26 August 2013. Access Date 28 December 2013. <http://www.economie.gouv.fr/reforme-du-plan-epargne>.

<sup>108</sup> L’Assemblée approuve la création d’un PEA-PME, Le Figaro (Paris) 14 November 2013. Access Date 29 December 2013. <http://www.lefigaro.fr/flash-eco/2013/11/14/97002-20131114FILWWW00455-l-assemblee-approuve-la-creation-d-un-pea-pme.php>.

<sup>109</sup> France launches broad initiatives to improve industry, Radio France Internationale English (Paris) 13 September 2013. Date Accessed 27 December 2013. <http://www.english.rfi.fr/economy/20130913-france-launches-broad-initiatives-improve-industry-create-jobs>.

<sup>110</sup> France unveils 3.5 billion Euro plan for ‘third industrial revolution’, Euractiv (Brussels) 16 September 2013. Access Date 28 December 2013. <http://www.euractiv.com/innovation-enterprise/35-plan-third-industrial-revolut-news-530438>.

<sup>111</sup> France launches broad initiatives to improve industry, Radio France Internationale English (Paris) 13 September 2013. Access Date 27 December 2013. <http://www.english.rfi.fr/economy/20130913-france-launches-broad-initiatives-improve-industry-create-jobs>.

<sup>112</sup> Le Budget 2014: Cap sur la croissance et l’emploi, Ministère de L’économie et des Finances (Paris) 6 October 2013. Access Date: 27 December 2013. <http://www.economie.gouv.fr/files/plf2014-essentiel.pdf>.

<sup>113</sup> France unveils ‘unprecedented’ public spending cuts, The Telegraph UK (London) 25 September 2013. Access Date 27 December 2013. <http://www.telegraph.co.uk/finance/financialcrisis/10334453/France-unveils-unprecedented-public-spending-cuts.html>.

<sup>114</sup> France unveils ‘unprecedented’ public spending cuts, The Telegraph UK (London) 25 September 2013. Access Date 27 December 2013. <http://www.telegraph.co.uk/finance/financialcrisis/10334453/France-unveils-unprecedented-public-spending-cuts.html>.

<sup>115</sup> France unveils ‘unprecedented’ public spending cuts, The Telegraph UK (London) 25 September 2013. Access Date 27 December 2013. <http://www.telegraph.co.uk/finance/financialcrisis/10334453/France-unveils-unprecedented-public-spending-cuts.html>.

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competitive employment (CICE) will allow businesses to benefit from a 4 per cent decrease in labour costs.<sup>116</sup>

The 2014 budget presents a projected 19.6 per cent to 20 per cent tax increase on households.<sup>117</sup> Furthermore President Hollande's pension reform presented in July 2013 extends the contribution payment period required for a full pension.<sup>118</sup> It is projected that national revenue reaped from French households will increase by a total of EUR 12 million in 2014.<sup>119</sup>

On 29 December 2013, Hollande received approval from France's constitutional court to tax employees who earned more than EUR 1 million a year.<sup>120</sup> It was announced that firms would pay a 50 per cent tax on all wages above the EUR 1 million mark.<sup>121</sup> The measure may prove to be an impediment to the growth of industry.<sup>122</sup>

On 1 January 2014, Moscovici introduced the Tax Credit for Competitiveness and Employment "Le Crédit d'impôt pour la Compétitivité et l'Emploi- CICE." Corporate tax savings were raised from the previous 4% of payroll in 2013 to 6% of payroll as of January 2014. Moscovici predicted that this measure would result in a EUR20 billion relief in labor costs. By cutting the cost of labor, this tax credit is aimed at boosting French competitiveness by supporting enterprises.

On 10 February 2014, Hollande embarked on a three day US- Trip with a delegation of French high-tech entrepreneurs. The purpose of this mission was to fortify France- US cooperation in the high-tech industry and promote pro-business practices to support French entrepreneurial talent.

On 17 February 2014, at a meeting with France's top thirty business executives at Elysee Palace, Hollande announced that VAT and duty rules for firms would be streamlined. Hollande also pledged to phase out EUR30 billion in charges on companies by 2017 to bolster competitiveness.

On 26 March 2014, in a joint press conference with President Xi Jinping of the Republic of China, President Hollande reaffirmed France's commitment to rebalance foreign trade. Hollande emphasized the need to correct the trade deficit between France and China by "nurturing the trend of French exports to China." President Hollande also announced the creation of a Franco- Chinese joint investment fund. This was followed by the announcement of fifty investment agreements and contracts totaling EUR18 billion. These agreements are intended to spur "job creation and growth."

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<sup>116</sup> Impôts: qui va changer pour les entreprises et les collectivités, Le Monde (Paris), 31 December 2013. Access Date 31 December 2013. [http://www.lemonde.fr/politique/article/2013/12/30/impots-ce-qui-va-changer-pour-les-entreprises-et-les-collectivites\\_4341285\\_823448.html](http://www.lemonde.fr/politique/article/2013/12/30/impots-ce-qui-va-changer-pour-les-entreprises-et-les-collectivites_4341285_823448.html).

<sup>117</sup> François Hollande admits French taxes are 'too much' Financial Times UK edition (London) 18 September 2013. Access Date 26 December 2013. <http://www.ft.com/intl/cms/s/0/db16fde0-1f8f-11e3-aa36-00144feab7de.html#axzz2oqRLHFtv>.

<sup>118</sup> France's Hollande in tight spot on pension reform, Reuters UK (London) 21 July 2013. Access Date 27 December 2013. <http://www.reuters.com/article/2013/07/21/us-france-pensions-analysis-idUSBRE96K02U20130721>.

<sup>119</sup> Le Budget 2014: Cap sur la croissance et l'emploi, Ministère de L'économie et des Finances (Paris) 6 October 2013. Access Date: 27 December 2013. <http://www.economie.gouv.fr/files/plf2014-essentiel.pdf>.

<sup>120</sup> Communiqué de Presse, Pierre Moscovici, Ministre de l'Économie et de Finance (Paris) 29 December 2013. Access Date: 2 January 2014. <http://proxy-pubminefi.diffusion.finances.gouv.fr/pub/document/18/16672.pdf>.

<sup>121</sup> Communiqué de Presse, Pierre Moscovici, Ministre de l'Économie et de Finance (Paris) 29 December 2013. Access Date: 2 January 2014. <http://proxy-pubminefi.diffusion.finances.gouv.fr/pub/document/18/16672.pdf>.

<sup>122</sup> French Cleared to Impose Controversial Tax on Industry, Thompson-Reuters (New York) 31 December 2013. Access Date: 2 January 2014. <https://tax.thomsonreuters.com/media-resources/news-media-resources/checkpoint-news/tax-accounting-news/france-cleared-impose-controversial-millionaire-tax/>.

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France has undertaken internal adjustments to reduce its current account deficit, including fiscal consolidation, increasing the efficiency of public spending, and external strategies to improve competitiveness. France is awarded a score of +1 for full compliance.

*Analyst: Hadeer Shabeen*

### **Germany: +1**

Germany has thus far complied with its commitment to bridge the global imbalance gap.

In September 2013, Germany's long-running current account surplus became the largest in the world at EUR19.7 billion.<sup>123</sup> The European Commission has criticised the surplus, expressing concerns that it represents an untenable level of export-reliance, and that Germany is not acting enough to strengthen domestic demand.<sup>124</sup>

On 15 October 2013, Germany submitted its Draft Budgetary Plans to the European Commission in compliance with the 'Two Pack' reform.<sup>125</sup> The 'Two Pack' provides a schedule by which Member States must submit for approval and adopt their national budgets, in order to better coordinate budgetary policies in the common currency area.<sup>126</sup> The Draft Budget contained no new discretionary measures.<sup>127</sup>

On 13 November 2013, the European Commission determined to launch a detailed analysis of Germany's current account surplus, to ascertain whether it indicates a serious imbalance that could be harmful to the euro zone.<sup>128</sup> The Commission's President suggested that Germany should do more to strengthen its domestic demand.<sup>129</sup>

On 21 November 2013, Chancellor Angela Merkel denied that Germany's high trade surplus held danger for the euro area. Both the Chancellor and Bundesbank board member Andreas Dombret denied the idea that Germany should deliberately weaken its competitiveness.<sup>130</sup>

The Federal Statistical Office of Germany noted in December 2013 that while German exports fell by 0.2 compared to 2012, imports also declined, leading to a wider trade surplus.<sup>131</sup>

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<sup>123</sup> EU Starts Investigating German Current Account Surplus, Reuters US Edition (New York) 13 November 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/11/13/eu-germany-surplus-idUSL5N0IY2IJ20131113>.

<sup>124</sup> Germany Under Review Over Economic Rule in EU, BBC Business (London) 13 November 2013. Access Date: 2 January 2014. <http://www.bbc.co.uk/news/business-24922975>.

<sup>125</sup> Draft Budgetary Plans of Euro Area Member States, Economic and Financial Affairs, European Commission (Brussels) 15 November 2013. Access Date: 3 January 2014. [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/budgetary\\_plans/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/budgetary_plans/index_en.htm).

<sup>126</sup> Draft Budgetary Plans of Euro Area Member States, Economic and Financial Affairs, European Commission (Brussels) 15 November 2013. Access Date: 3 January 2014. [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/budgetary\\_plans/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/budgetary_plans/index_en.htm).

<sup>127</sup> Analysis of the Draft Budgetary Plan of Germany, European Commission (Brussels) 15 November 2013. Access Date: 3 January 2014. [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/pdf/dbp/de\\_2013-11-15\\_sw\\_d\\_en.pdf](http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/dbp/de_2013-11-15_sw_d_en.pdf).

<sup>128</sup> EU Starts Investigating German Current Account Surplus, Reuters US Edition (New York) 13 November 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/11/13/eu-germany-surplus-idUSL5N0IY2IJ20131113>.

<sup>129</sup> EU Starts Investigating German Current Account Surplus, Reuters US Edition (New York) 13 November 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/11/13/eu-germany-surplus-idUSL5N0IY2IJ20131113>.

<sup>130</sup> Bundesbank's Dombret defends German Trade Surplus, Reuters US Edition (New York) 22 November 2013. Access Date: 4 January 2014. <http://uk.reuters.com/article/2013/11/22/uk-germany-trade-bundesbank-idUKBRE9AL0J220131122>.



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On 16 January 2014, President of the Deutsche Bundesbank Dr. Jens Weidmann acknowledged that Germany's current account surplus near 7% of GDP was very high. He also expressed resistance to stimulating domestic demand in Germany, as it would not have significant impact on rectifying current account imbalances in the euro zone.<sup>132</sup> He noted that the competitiveness of the euro area as a whole needs to be improved in order to address imbalances.

On 17 March 2014, President Weidmann stated that increasing competition in Germany's services sector would help strengthen its domestic growth potential, but that Germany's surplus would still remain.<sup>133</sup>

On 2 April 2014 Chancellor Angela Merkel and the Cabinet approved a draft bill introducing a national minimum wage of EUR8.50, scheduled to be read in the Bundestag in June.<sup>134</sup> European Union Social Affairs Commissioner László Andor expressed hope that a nation-wide minimum wage could contribute to bolstering German domestic demand. Some economists point out that the three per cent increase would not improve household purchasing power by a significant amount.<sup>135</sup>

Chancellor Merkel approved a draft minimum wage increase aimed at generating relief for consumers, and stimulating growth which may improve domestic demand and reduce current account imbalances in the euro area. Germany is therefore awarded a score of +1 for full compliance.

*Analysts: Kriti Bhatt, Emily Johnson*

### **Italy: +1**

Italy has fully complied with its commitment to reduce global imbalances.

From mid-2011, Italy's current account deficit narrowed significantly, becoming a modest surplus in 2012, which persisted in 2013.<sup>136,137</sup>

On 19 September 2013 the Ministry of Foreign Affairs published "Destinazione Italia." This set of 50 measures was developed in order to stimulate foreign direct investment, and intended to boost the competitiveness of Italian companies.<sup>138</sup>

On 20 September 2013 the Ministry of Foreign Affairs published in their financial update for 2013 that net borrowing, absent of any new policies, could reach 3.1 per cent of the GDP. Italy's

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<sup>131</sup> German Exports Fall in 2013, but Trade Surplus Widens, Deutsche Welle (Berlin) 7 February 2014. Access Date: 8 May 2014. <http://www.dw.de/german-exports-fall-in-2013-but-trade-surplus-widens/a-17415592>.

<sup>132</sup> Address by Deutsche Bundesbank President Jans Weidmann at the Tagesspiegel DeutschlandAgora 2014, Deutsche Bundesbank (Berlin) 16 January 2014. Access Date: 15 March 2014. [http://www.bundesbank.de/Redaktion/EN/Reden/2014/2014\\_01\\_16\\_weidmann.html](http://www.bundesbank.de/Redaktion/EN/Reden/2014/2014_01_16_weidmann.html).

<sup>133</sup> Address by Deutsche Bundesbank President Jans Weidmann at the Tagesspiegel DeutschlandAgora 2014, Deutsche Bundesbank (Berlin) 16 January 2014. Access Date: 15 March 2014. [http://www.bundesbank.de/Redaktion/EN/Reden/2014/2014\\_01\\_16\\_weidmann.html](http://www.bundesbank.de/Redaktion/EN/Reden/2014/2014_01_16_weidmann.html).

<sup>134</sup> German Cabinet Approves National Minimum Wage Bill, Deutsche Welle (Berlin) 2 April 2014. Access Date: 8 May 2014. <http://www.dw.de/german-cabinet-approves-national-minimum-wage-bill/a-17536162>.

<sup>135</sup> Views Diverge Over Minimum Wage in Germany, Deutsche Welle (Berlin) 26 September 2013. Access Date: 3 January 2014. <http://www.dw.de/views-diverge-over-minimum-wage-in-germany/a-17117399>.

<sup>136</sup> Macroeconomic Imbalances: Italy 2013, European Commission (Brussels) April 2013. Access Date: 2 January 2014. [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2013/pdf/ocp138\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp138_en.pdf).

<sup>137</sup> Current Account Balance in Millions, OECD StatExtracts (Paris) 2 January 2014. Access Date: 2 January 2014.

<sup>138</sup> Destinazione Italia, Ministero Dell'Economia E Delle Finanze (Rome) 19 September 2013. Access Date: December 30 2013. [http://www.esteri.it/MAE/approfondimenti/2013/20130925\\_destinazioneitaliainglese2.pdf](http://www.esteri.it/MAE/approfondimenti/2013/20130925_destinazioneitaliainglese2.pdf).

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agreement with the Council of the European Union to keep its deficit-GDP ratio below 3 per cent reinforces the commitment made to reduce global imbalances at the Lough Erne Summit.<sup>139</sup>

The OECD has pointed out that Italy's labour force could profit investment in people's basic literacy and numeracy skills. The IMF noted that it lagged significantly in ease of doing business.<sup>140</sup> The IMF recommended a focus on improving competitiveness.

Thus, Italy has been given a score of +1 for their commitment to assist in reducing global imbalances.

*Analyst: Jennifer Commisso*

### **Japan: +1**

Japan has fully complied with its commitment to reduce global imbalances.

In October 2013, Japan's current account balance sank into deficit for the first time in nine months.<sup>141</sup>

On 12 December 2013, Prime Minister Abe and his cabinet passed a supplementary budget for the current fiscal year ending in March 2014.<sup>142</sup> The budget accounts for JPY 5.46 trillion in stimulus. It was engineered to offset the effects of a scheduled increase in the national sales tax beginning in April.<sup>143</sup>

The 2013 stimulus package includes several measures to increase competitiveness, including support for capital investments in technology, support for SMEs (small and medium sized enterprises,) and resources for development in overseas markets.<sup>144</sup> It also includes JPY 317.8 billion for the promotion of agriculture, forestry and fishing industries.<sup>145</sup>

The government will finance the stimulus through the sale of shares in Nippon Telegraph and Telephone Corp, in addition to unexpectedly high tax revenue from 2013.<sup>146</sup>

On 24 December 2013, the cabinet approved the draft budget for the fiscal year beginning in April 2014.<sup>147</sup> The budget includes a significant spending increase, rising over JPY 3 trillion more than the current fiscal year.<sup>148</sup>

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<sup>139</sup> Update of the Economic and Financial Document 2013, Ministero Dell'Economia E Delle Finanze (Rome) 20 September 2013. Access Date: 29 December 2013. [http://www.mef.gov.it/en/doc-finanza-pubblica/def/2013-2013/documenti/Update\\_of\\_the\\_2013\\_EFD\\_xOn-Linux\\_PROTETTO.pdf](http://www.mef.gov.it/en/doc-finanza-pubblica/def/2013-2013/documenti/Update_of_the_2013_EFD_xOn-Linux_PROTETTO.pdf).

<sup>140</sup> Analysis: Italy's Reform List Reflect Tough Test for Euro Zone, Reuters U.S. (London) 13 October 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/10/13/us-economy-eurozone-italy-idUSBRE99C02J20131013>.

<sup>141</sup> Fuel Costs Yield Deficit in Current Account, The Japan Times (Kyodo) 9 December 2013. Access Date: 3 January 2014. <http://www.japantimes.co.jp/news/2013/12/09/business/fuel-costs-yield-deficit-in-current-account/#.Usnxe2RDudA>.

<sup>142</sup> Japan approves \$53 billion extra budget to fund stimulus, Reuters U.S. Edition (New York) 12 December 2013. Access Date: 3 January 2014. <http://www.reuters.com/article/2013/12/12/us-japan-economy-budget-idUSBRE9BB06220131212>.

<sup>143</sup> Japan approves \$53 billion extra budget to fund stimulus, Reuters U.S. Edition (New York) 12 December 2013. Access Date: 3 January 2014. <http://www.reuters.com/article/2013/12/12/us-japan-economy-budget-idUSBRE9BB06220131212>.

<sup>144</sup> Outline of the FY2013 Supplementary Budget, Ministry of Finance Japan (Tokyo) 12 December 2013. Access Date: 4 January 2014. <http://www.mof.go.jp/english/budget/budget/fy2013/03.pdf>.

<sup>145</sup> Outline of the FY2013 Supplementary Budget, Ministry of Finance Japan (Tokyo) 12 December 2013. Access Date: 4 January 2014. <http://www.mof.go.jp/english/budget/budget/fy2013/03.pdf>.

<sup>146</sup> Japan approves \$53 billion extra budget to fund stimulus, Reuters U.S. Edition (New York) 12 December 2013. Access Date: 3 January 2014. <http://www.reuters.com/article/2013/12/12/us-japan-economy-budget-idUSBRE9BB06220131212>.

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The budget for the 2014 fiscal year includes over JPY 5 trillion in spending on education and medical research.<sup>149</sup> Major measures in education include investments in universities and new scholarships.<sup>150</sup>

The fiscal 2014 budget will be financed by high tax revenues from 2013 and revenue from the sales tax raise coming into effect in April.<sup>151</sup> However, 43 per cent of the budget will come from the issuance of new government bonds.<sup>152</sup> The reliance on borrowing to fund new stimulus is of some concern. If the new budget fails to stimulate demand, growth could be stymied by the higher sales tax, drying up future tax revenue.<sup>153</sup>

Japan's budget measures aimed at increasing competitiveness and investing in human and physical capital demonstrate a willingness to address its current account deficit and contribute to the reduction of global imbalances. For the present, these expenditures have not undermined growth and recovery. Japan is thus awarded a score of +1 for full compliance.

*Analyst: Emily Johnson*

### **Russia: +1**

Russia has fully complied with the commitment on global imbalances.

Russia has taken measures to address external imbalances.

On 1 July 2013, Russian Ministry of Industry and Trade launched the program of state support towards preferential car lending. The program provides for subsidies from the state budget to credit institutions that provide loans to individuals willing to buy new cars. This measure is aimed at stimulating domestic demand in the automobile sector.<sup>154</sup>

On 16 July 2013, Russian Prime Minister Dmitry Medvedev at his meeting with the representatives of iron and steel industries highlighted the necessity to stimulate demand for its products, including through the implementation of major infrastructure projects.<sup>155</sup>

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<sup>147</sup> Japan's Government OKs Record Budget Spending, Trims New Borrowing, Reuters U.S. Edition (New York) 23 December 2013. Access Date: 4 January 2014. <http://www.reuters.com/article/2013/12/24/japan-economy-budget-idUST9N0HP01M20131224>.

<sup>148</sup> Highlights of the Budget for FY2014, Ministry of Finance Japan (Tokyo) 24 December 2013. Access Date: 4 January 2014. <http://www.mof.go.jp/english/budget/budget/fy2014/01.pdf>.

<sup>149</sup> Highlights of the Budget for FY2014, Ministry of Finance Japan (Tokyo) 24 December 2013. Access Date: 4 January 2014. <http://www.mof.go.jp/english/budget/budget/fy2014/01.pdf>.

<sup>150</sup> Highlights of the Budget for FY2014, Ministry of Finance Japan (Tokyo) 24 December 2013. Access Date: 4 January 2014. <http://www.mof.go.jp/english/budget/budget/fy2014/01.pdf>.

<sup>151</sup> Cabinet OKs Record Budget for 2014, The Japan Times (Kyodo) 24 December 2013. Access Date: 3 January 2014. <http://www.japantimes.co.jp/news/2013/12/24/national/japans-cabinet-oks-record-95-88-tril-yen-fy-2014-budget/#.Usn8N2RDudA>.

<sup>152</sup> Cabinet OKs Record Budget for 2014, The Japan Times (Kyodo) 24 December 2013. Access Date: 3 January 2014. <http://www.japantimes.co.jp/news/2013/12/24/national/japans-cabinet-oks-record-95-88-tril-yen-fy-2014-budget/#.Usn8N2RDudA>.

<sup>153</sup> Cabinet OKs Record Budget for 2014, The Japan Times (Kyodo) 24 December 2013. Access Date: 3 January 2014. <http://www.japantimes.co.jp/news/2013/12/24/national/japans-cabinet-oks-record-95-88-tril-yen-fy-2014-budget/#.Usn8N2RDudA>.

<sup>154</sup> Russian Ministry of Industry and Trade Launched a Program of State Support to Preferential Car Lending from July 2013, Russian Ministry of Industry and Trade 17 July 2013. Access Date: 24 February 2014. <http://www.minpromtorg.gov.ru/industry/auto/247>.

<sup>155</sup> Meeting on the iron and steel industry, Russian Government 11 February 2014. Access Date: 24 February 2014. <http://government.ru/en/docs/10338>.

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On 6 December 2013, Russian Minister of Finance Anton Siluanov announced that the Government would revise the expenditures on implementing state programs and cut them in order to provide the mid- and long-term budget sustainability.<sup>156</sup>

On 11 February 2014, Russian Government approved a set of measures to encourage domestic demand for petrochemical industry products. The proposed measures aim “to encourage the introduction of road construction standards, the use of polymer-bitumen binders and to extend the service life of motorways.”<sup>157</sup>

At the same time, external imbalances is not a problem of current importance for Russia. Russia has run a current account surplus for a long time. However, it decreased by more than a half in January-September 2013, mainly due to the fall in the trade surplus and growth in the deficits of the balance of services.<sup>158</sup>

Russia has taken measures to address global imbalances during the compliance period and is awarded a score of +1.

*Analyst: Andrey Shelepov*

### **United Kingdom: +1**

The UK has fully complied with its commitment to lower global imbalances, earning a score of +1.

As of 20 December 2013, the UK’s current account deficit reached its highest level since 1989.<sup>159</sup>

On 26 June 2013, Chancellor of the Exchequer George Osborne announced the Spending Round 2013 statement, detailing government expenditures for April 2015 to April 2016.<sup>160</sup> The Spending Round focused on fiscal consolidation, reducing borrowing and reducing debt. It announced that savings of GBP 11.5 billion would be found in government budgets to continue the reduction in the deficit.<sup>161</sup> The statement included intentions to cut wasteful expenditures and the running costs of government departments.<sup>162</sup>

On 4 December 2013 the HM Treasury published the “National Infrastructure Plan 2013” which outlines the Top 40 investment projects in the UK’s infrastructure. This plan focuses on long-term

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<sup>156</sup> Russian Minister of Finance Speech to Journalists, Russian Ministry of Finance 6 December 2013. Access Date: 24 February 2014. [http://www.minfin.ru/ru/press/speech/printable.php?id\\_4=20548](http://www.minfin.ru/ru/press/speech/printable.php?id_4=20548)

<sup>157</sup> On approving measures to encourage domestic demand for petrochemical industry products, Russian Government 11 February 2014. Access Date: 24 February 2014. <http://government.ru/en/docs/10338>.

<sup>158</sup> Guidelines for the Single State Monetary Policy in 2014 and for 2015 and 2016, Central Bank of Russia 11 December 2013. Access Date: 24 February 2014. [http://cbr.ru/eng/today/publications\\_reports/on\\_14-eng.pdf](http://cbr.ru/eng/today/publications_reports/on_14-eng.pdf).

<sup>159</sup> UK deficit jumps to 24 year high ONS, The Guardian (London) 20 December 2013. Access Date: December 27 2013. <http://www.theguardian.com/business/2013/dec/20/uk-trade-deficit-share-gdp-ons>.

<sup>160</sup> Spending Round 2013—Speech, United Kingdom Government (London) 26 June 2013. Access Date: 6 January 2014. <https://www.gov.uk/government/speeches/spending-round-2013-speech>.

<sup>161</sup> Spending Round 2013, United Kingdom Government (London) 26 June 2013. Access Date: 6 June 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209036/spending-round-2013-complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf).

<sup>162</sup> Spending Round 2013, United Kingdom Government (London) 26 June 2013. Access Date: 6 June 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209036/spending-round-2013-complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf).

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investments in roads, railways, energy, telecommunications, and flood defenses. This document is the latest update from the UK's "National Infrastructure Plan" from October 2010.<sup>163</sup>

On 5 December 2013, Chancellor Osborne released the Autumn Statement.<sup>164</sup> It contained plans to reduce the main corporate tax rate by 20 per cent in 2015, an increase in science capital funding by GBP 500 million in 2014, and various measures to invest in education and skills funding.<sup>165</sup>

On 7 January 2014, The Prime Minister's Office and the HM Treasury published a new policy paper, "The Government's Long-term Economic Plan." The main goal of this new policy plan is to reduce the deficit to ensure long-term economic protection and lower mortgage rates.

For combining efforts to invest in human capital with fiscal consolidation measures, the UK has fully complied with its commitment to lower global imbalances, though addressing its own current account deficit. The UK is awarded a score of +1.

*Analyst: Jennifer Commisso*

### **United States: +1**

The United States has fully complied with its commitment to reduce global imbalances by implementing external adjustment strategies that prioritize the generation of external demand through increased foreign direct investment and trade.

The U.S. runs a consistent current account deficit.<sup>166</sup>

On 30 July 2013, President Barack Obama announced a plan to cut the corporate tax rate from 35 per cent to 28 per cent while giving manufacturers a preferred rate of 25 per cent.<sup>167</sup> Obama maintained the excess revenues reaped from this tax restructuring would be used for the purposes of job creation. This proposed plan was meant to ease congressional deadlock that has impeded the realization of necessary tax reforms to supplement external adjustment strategies.<sup>168</sup> On the same date, Undersecretary of Commerce Francisco Sanchez lead a discussion on the Doing Business in Africa Campaign. Undersecretary Sanchez underlined the need to open and maintain channels of communication and trade with emerging economies in Africa, and to connect American buyers to international trade partners in sub-Saharan Africa.<sup>169</sup>

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<sup>163</sup> National Infrastructure Plan, United Kingdom Government (London) 4 December 2013. Access Date: December 27 2013. <https://www.gov.uk/government/collections/national-infrastructure-plan>.

<sup>164</sup> Autumn Statement, GUnited Kingdom Government (London) 5 December 2013. Access Date: 4 January 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263942/35062\\_Autumn\\_Statement\\_2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263942/35062_Autumn_Statement_2013.pdf).

<sup>165</sup> Autumn Statement, United Kingdom Government (London) 5 December 2013. Access Date: 4 January 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263942/35062\\_Autumn\\_Statement\\_2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263942/35062_Autumn_Statement_2013.pdf).

<sup>166</sup> Current Account Deficits: Is There a Problem? Finance and Development, IMF (Washington, D.C.) 28 March 2012. Access Date: 1 January 2014. <http://www.imf.org/external/pubs/ft/fandd/basics/current.htm>.

<sup>167</sup> Obama offers 'grand bargain' on the corporate tax rate, infrastructure, Reuters U.S Edition (New York) 30 July 2013. Access Date: 27 December 2013. <http://www.reuters.com/article/2013/07/30/us-usa-obama-idUSBRE96T0F820130730>.

<sup>168</sup> Obama offers 'grand bargain' on the corporate tax rate, infrastructure, Reuters U.S Edition (New York) 30 July 2013. Access Date: 27 December 2013. <http://www.reuters.com/article/2013/07/30/us-usa-obama-idUSBRE96T0F820130730>.

<sup>169</sup> Senior Obama official leads discussion on trade and investment with Africa, United States Department of Commerce (Washington, D.C.) 30 July 2013. Access Date: 27 December 2013. <http://trade.gov/press/press-releases/2013/senior-obama-official-leads-discussion-on-trade-and-investment-with-africa-073013.asp>.

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On 27 August 2013, the U.S Department of Commerce allocated USD 1.9 million to non-profit industry organizations to stimulate exports, create jobs, and bolster competitiveness.<sup>170</sup> U.S Secretary of Commerce Penny Pritzker expects this initiative to generate USD 426 million over the next three years.<sup>171</sup>

On 20 September 2013, Under Secretary of Commerce Francisco Sanchez announced a cyber security infrastructure trade mission to Saudi Arabia and Kuwait.<sup>172</sup> This trade mission is part of President Obama's greater export initiative. It aims to make optimal economic use of U.S technical expertise abroad — a sector that the U.S has become very reliant on.<sup>173</sup>

On 8 October 2013 U.S Secretary of Commerce Penny Pritzker announced three new clean — energy contracts between the United States and Indonesia totalling nearly USD 360 million.<sup>174</sup> The clean energy contracts served to strengthen the U.S-Asia-Pacific trading relationship.<sup>175</sup>

On 17 October 2013, the U.S International Trade Administration (ITA) implemented organizational changes in an effort to enhance client services.<sup>176</sup> The four business divisions that once comprised the ITA were streamlined into functionally aligned units: Global Markets, Industry and Analysis, and Enforcement and Compliance.<sup>177</sup> New ITA organization was undertaken with the purpose of

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<sup>170</sup> U.S commerce department awards \$1.9 million to stimulate exports, create jobs, The United States Department of Commerce (Washington, D.C.) 27 August 2013. Access Date 27 December 2013. <http://www.commerce.gov/news/press-releases/2013/08/27/us-commerce-department-awards-19-million-stimulate-exports-create-job>.

<sup>171</sup> U.S commerce department awards \$1.9 million to stimulate exports, create jobs, The United States Department of Commerce (Washington, D.C.) 27 August 2013. Access Date 27 December 2013. <http://www.commerce.gov/news/press-releases/2013/08/27/us-commerce-department-awards-19-million-stimulate-exports-create-job>.

<sup>172</sup> Obama official to lead cyber security infrastructure trade mission to Saudi Arabia and Kuwait, The United States Department of Commerce (Washington, D.C.) 20 September 2013. Access Date 27 December 2013. <http://trade.gov/press/press-releases/2013/obama-official-to-lead-cybersecurity-infrastructure-trade-mission-to-saudi-araia-and-kuwait-092013.asp>.

<sup>173</sup> Obama official to lead cyber security infrastructure trade mission to Saudi Arabia and Kuwait, The United States Department of Commerce (Washington, D.C.) 20 September 2013. Access Date 27 December 2013. <http://trade.gov/press/press-releases/2013/obama-official-to-lead-cybersecurity-infrastructure-trade-mission-to-saudi-araia-and-kuwait-092013.asp>.

<sup>174</sup> United State and Indonesia announce nearly \$360 million of new clean- energy contracts, The United States Department of Commerce (Washington, D.C.) 8 October 2013. Access Date 27 December 2013. <http://www.commerce.gov/news/press-releases/2013/10/08/united-states-and-indonesia-announce-nearly-360-million-new-clean-ene>.

<sup>175</sup> United State and Indonesia announce nearly \$360 million of new clean- energy contracts, The United States Department of Commerce (Washington, D.C.) 8 October 2013. Access Date 27 December 2013. <http://www.commerce.gov/news/press-releases/2013/10/08/united-states-and-indonesia-announce-nearly-360-million-new-clean-ene>.

<sup>176</sup> International trade administration implements organizational changes to offer better client services, The U.S Department of Commerce (Washington, D.C.) 17 October 2013. Access Date: 28 December 2013. <http://trade.gov/press/press-releases/2013/international-trade-administration-implements-organizational-changes-to-offer-better-client-serviecs-101713.asp>.

<sup>177</sup> International trade administration implements organizational changes to offer better client services, The U.S Department of Commerce (Washington, D.C.) 17 October 2013. Access Date: 28 December 2013. <http://trade.gov/press/press-releases/2013/international-trade-administration-implements-organizational-changes-to-offer-better-client-serviecs-101713.asp>.

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“improving operations and delivery of services to help American businesses win globally by providing clearer points of contact for private sector clients.”<sup>178</sup>

On 31 October 2013, President Barack Obama announced the United States’ first ever federal initiative to attract foreign direct investment to create U.S jobs.<sup>179</sup> This initiative enhanced the SelectUSA initiative launched by the Obama Administration in 2011. The mandate of the SelectUSA campaign was expanded to outline a role for the federal government in helping regional, state and local economic development organizations attract investment.<sup>180</sup> Furthermore, President Obama announced the creation of global teams led by U.S ambassadors in 32 countries.<sup>181</sup> Selected ambassadors are to serve as trade coordinators to encourage foreign direct investment.

On 26 February 2014, President Obama proposed a USD10 billion new freight project. This project aims to enhance multimodal freight infrastructure in the United States vis-à- vis collaboration with the State, local and private sectors. These infrastructural proposals are intended to strengthen America’s exports and trade.

On 4 March 2014, U.S Secretary of Commerce Pritzker released a fiscal budget request that centred around the priorities of “ promoting trade and investment, spurring innovation and fueling the data-driven economy.” The request included a proposed USD680 million to support the National Institute of Standards and Technology (NIST) laboratories. It is hoped that NIST funding can stimulate research in advanced manufacturing, forensics, and cybersecurity This data-oriented approach is key to American competitiveness.

Externally oriented growth strategies created to increase external demand and counteract the United States’ current import bias, coupled with enhanced federal support in the realms of trade and investment demonstrate commitment to reducing global imbalances. These measures have not yet had a negative impact on domestic confidence. The U.S. is therefore awarded a score of +1 for full compliance.

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*Analyst: Hadeer Shaheen*

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<sup>178</sup> International trade administration implements organizational changes to offer better client services, The U.S Department of Commerce (Washington, D.C.) 17 October 2013. Access Date: 28 December 2013. <http://trade.gov/press/press-releases/2013/international-trade-administration-implements-organizational-changes-to-offer-better-client-services-101713.asp>.

<sup>179</sup> President Obama to announce first- ever federal effort to attract job creating foreign investment to the United States, The White House Press Office (Washington, D.C.) 31 October 2013. Access Date 27 December 2013. <http://www.whitehouse.gov/the-press-office/2013/10/31/president-obama-announce-first-ever-federal-effort-attract-job-creating->

<sup>180</sup> President Obama to announce first- ever federal effort to attract job creating foreign investment to the United States, The White House Press Office (Washington, D.C.) 31 October 2013. Access Date 27 December 2013. <http://www.whitehouse.gov/the-press-office/2013/10/31/president-obama-announce-first-ever-federal-effort-attract-job-creating->

<sup>181</sup> Barack Obama unveils plan to attract foreign direct investment, The Financial Times (London) 27 October 2013. Access Date: 27 December 2013. <http://www.ft.com/intl/cms/s/0/e3ad9d9c-41f4-11e3-9d3c-00144feabdc0.html#slide0>.

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## European Union: +1

The European Union is awarded a score of +1 for fully complying on its commitment to reduce global imbalances.

The European Union's current account surplus is recorded at EUR 5 billion higher than the surplus in the third quarter of 2012.<sup>182</sup>

One of the chief reasons for the European Union's large and persistent surplus is Germany's buoyant surplus, which as of September 2013 became the largest in the world.<sup>183</sup> Surpluses and deficits in the Euro zone are closely interconnected, owing to cross-border trade, and surplus of a large economy like Germany has a strong impact.<sup>184</sup>

On 13 November 2013, the European Commission announced it would launch a detailed analysis of Germany's current account surplus, to ascertain whether it indicates a serious imbalance that could be harmful to the euro zone.<sup>185</sup> Germany's surplus is in excess of 6 per cent of the GDP, a rate which puts Germany in violation of one of the European Commission's new rules regulating economic imbalances.<sup>186</sup> Commission President Jose Manuel Barroso expressed concerns that Germany's high exports are preventing struggling E.U. members from developing their own exports.<sup>187</sup>

For its efforts to review the German surplus and issue measures to balance the current accounts of the EU members to ensure recovery, the European Union is awarded a score of +1 for full compliance.

*Analyst: Emily Johnson*

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<sup>182</sup> EU28 Current Account Surplus 5.6 bn Euro, Eurostat (Brussels) 6 December 2013. Access Date: 5 January 2014. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-06122013-AP/EN/2-06122013-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-06122013-AP/EN/2-06122013-AP-EN.PDF).

<sup>183</sup> EU Starts Investigating German Current Account Surplus, Reuters U.S. Edition (New York) 13 November 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/11/13/eu-germany-surplus-idUSL5N0IY2IJ20131113>.

<sup>184</sup> Commission Publishes Report on Current Account Surpluses in the EU, European Commission (Brussels) 18 December 2014. Access Date: 5 January 2014. [http://europa.eu/rapid/press-release\\_MEMO-12-1002\\_en.htm](http://europa.eu/rapid/press-release_MEMO-12-1002_en.htm).

<sup>185</sup> EU Starts Investigating German Current Account Surplus, Reuters U.S. Edition (Brussels) 13 November 2013. Access Date: 2 January 2014. <http://www.reuters.com/article/2013/11/13/eu-germany-surplus-idUSL5N0IY2IJ20131113>.

<sup>186</sup> European Commission Launches Review of Germany's Export Surplus, The Guardian (London) 13 November 2013. Access Date: 6 January 2014. <http://www.theguardian.com/world/2013/nov/13/germany-export-surplus-european-commission-review>.

<sup>187</sup> European Commission Launches Review of Germany's Export Surplus, The Guardian (London) 13 November 2013. Access Date: 6 January 2014. <http://www.theguardian.com/world/2013/nov/13/germany-export-surplus-european-commission-review>.