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The
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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Contents

Preface 3
Executive Summary 4
Table A: 2013 Lough Erne Final Compliance Scores 7
1. Macroeconomic Policy: Global Demand [37] 8
2. Macroeconomic Policy: Global Imbalances [45] 23
3. Trade: Trade Deals [8] 37
4. Trade: Green Growth [54] 54
5. Trade: Africa Trade and Infrastructure [69] 60
6. Finance: Base Erosion and Profit Shifting [76] 71
7. Transparency: Corporate Transparency [87] 83
8. Transparency: Extractive Industries [97] 106
9. Crime and Corruption: Anti-Money Laundering [95] 119
10. Crime and Corruption: Stolen Asset Recovery [162] 131
11. Information and Communication Technologies [115] 138
12. Health: Deepening Impact on Malnutrition [136] 147
13. Climate Change: Climate and Clean Air Coalition [145] 164
14. Climate Change: Climate Finance [150] 182
15. Development: Country-Led Reforms [157] 189
16. Terrorism: Countering Violent Extremism [183] 205
17. Regional Security: Deauville Partnership [186] 216
18. Regional Security: Syria [198] 227

1. Macroeconomic Policy: Global Demand [37]

"We agreed to nurture the global recovery by supporting demand."

2013 G8 Lough Erne Communiqué

Assessment:

Country	Lack of Compliance	Work in Progress	Full Compliance
Canada		0	
France			+1
Germany		0	
Italy		0	
Japan			+1
Russia			+1
United Kingdom			+1
United States			+1
European Union		0	
Average Score		+0.56	

Background:

Due to the division of labour between G8 and G20 share of macroeconomic policy issues on the G8 agenda decreased. However, at the Camp David Summit at several separate commitments were made concerning macroeconomic issues: fiscal consolidation which focussed on government reforms to become fiscally responsible,[1] productivity through structural reforms, and investments in infrastructure[2] and public private partnerships.[3]

On 17 June 2013, the United Kingdom's Prime Minister's Office released a communiqué on the global economy working session.[4] During this discussion several key points emerged that form the mandate of what the G8 at the Lough Erne Summit describe as nurturing the global recovery: balancing importation and exportation issues through nurturing domestic industry, monetary policy focussed on price stability, restoring medium-term fiscal sustainability through making plans that are flexible enough to account for contingencies, and structural reforms to improve sustainable growth.[5] In other words, the G8 has commited to support the growth of the global economy through monetary and fiscal policies, which can take the form of a wide variety of policy initiatives.

Commitment Features:

Supporting demand in the economy implies taking stimulative measures in the framework of either monetary or fiscal policy.

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[1] 2012 Camp David G8 Summit Final Compliance Report p.7, G8 Research Group 20 May 2012. Access Date: 30 November 2013. http://www.g8.utoronto.ca/evaluations/2012compliance/index.html

[2] 2012 Camp David G8 Summit Final Compliance Report p.26, G8 Research Group 20 May 2012. Access Date: 30 November 2013. http://www.g8.utoronto.ca/evaluations/2012compliance/index.html

[3] 2012 Camp David G8 Summit Final Compliance Report p.46, G8 Research Group 20 May 2012. Access Date: 30 November 2013. http://www.g8.utoronto.ca/evaluations/2012compliance/index.html

[4] G8 Summit: communique on global economy working sessions, Prime Minster's Office (London) 17 June 2013. Access Date: 30 November 2013. https://www.gov.uk/government/news/g8-summit-communique-on-global-economy-working-session

[5] G8 Summit: communique on global economy working sessions, Prime Minster's Office (London) 17 June 2013. Access Date: 30 November 2013. https://www.gov.uk/government/news/g8-summit-communique-on-global-economy-working-session

Traditional measures to foster aggregate demand through fiscal policies include stimuli such as an increase in direct spending by government on goods and services and measures directed at households and businesses, namely, tax cuts and additional transfers to raise their incomes.

Monetary-side measures to boost demand are those associated with easing monetary policy. These include lowering interest rates or, in case of liquidity trap,[6] implementing unconventional expansionary monetary policies (quantitative easing).[7]

The G8 members' actions to comply with this commitment should include the combination of monetary and fiscal policies aimed at boosting aggregate demand in the economy.

Scoring Guidelines:

-1	Member does not take actions towards nurturing the global recovery through supporting demand
0	Member takes actions towards supporting demand through either monetary or fiscal macroeconomic measures.
+1	Member takes actions towards supporting demand through both monetary and fiscal macroeconomic measures.

Lead Analyst: Akbar Khurshid

Canada: 0

Canada has taken partial action towards its commitment to nurture the global recovery by supporting demand.

On 22 October 2013, Jim Flaherty, minister of finance, announced the passage of the Economic Action Plan 2013 Act, No. 2, implementing structural reforms to help create jobs and promote sustainable growth.[8] The Canadian government will spend over CAD 53 billion in investments, including over CAD 47 billion in new funding in support of local and economic infrastructure projects over 10 years under a new Building Canada plan starting in 2014–15.[9] CAD 225 million will be provided to expand and extend the temporary Hiring Credit for small businesses, allowing small businesses to reinvest in job creation and economic growth.[10] Under Economic Action

Plan 2013 Act, No 1, CAD 18 million was provided to the Canadian Youth Business Foundation to help young entrepreneurs grow their firms.[11]

Canada's Economic Action Plan 2013, aims to drive economic progress while reinforcing a flexible fiscal policy. The Act sets out a low-tax plan to eliminate the deficit and return to balanced budgets by 2015-2016.[12] Specifically, the Government of Canada will control direct program spending by

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[6] Liquidity Trap, Investopedia. Access Date: 25 February 2014. http://www.investopedia.com/terms/l/liquiditytrap.asp

[7] The Federal Reserve System Purposes and Functions, Federal Reserve System June 2005. Access Date: 25 February 2014. http://www.federalreserve.gov/pf/pdf/pf_2.pdf.

[8] Harper Government Focused on Job Creation and Economic Growth with Economic Action Plan 2013 Act, No. 2, Government of Canada (Ottawa) 22 October 2013. Access Date: 17 December 2013. http://www.fin.gc.ca/n13/13-137-eng.asp

[9] Budget 2013, Government of Canada (Ottawa). Access Date: 18 December 2013. http://www.budget.gc.ca/2013/doc/bb/brief-bref-eng.html

[10] Budget 2013, Government of Canada (Ottawa). Access Date: 18 December 2013. http://www.budget.gc.ca/2013/doc/bb/brief-bref-eng.html

[11] Canada Poised for Long-Term Prosperity With Passage of the Economic Action Plan 2013 Act, No. 1, Government of Canada (Ottawa) 10 June 2013. Access Date: 18 December 2013. http://www.fin.gc.ca/n13/13-085-eng.asp.

[12] Budget in Brief, Government of Canada 2013. Access Date: 17 December 2013. http://www.budget.gc.ca/2013/doc/bb/brief-bref-eng.html

federal departments, while maintaining the Government's commitment not to raise taxes or cut transfers to Canadians and other levels of government.[13]

Moreover, at the conclusion of a G20 ministerial meeting on 10 April 2014, Finance Minister Joe Oliver said Canada is committed to structural reforms to boost economic growth.[14] Oliver noted that the government plans to focus on boosting increased labour force participation by encouraging "underrepresented groups,"[15] such as aboriginal and older Canadians to join the workforce.[16]

On 28 March 2014, Finance Minister Joe Oliver welcomed the introduction of the Economic Action Plan 2014 Act, No. 1, which commits to implementing structural reforms to promote sustainable growth. The Government will foster job creation by investing CAD 11 million over two years and CAD 3.5 million per year to support the Labour Market Opinion process, to ensure Canadians are given the first chance at available jobs.[17] To strengthen Canada's labour market, Economic Action Plan 2014 pledges to further reduce barriers to the international and domestic flow of goods and services.[18] Economic Action Plan 2014 also focuses on supporting advance research and innovation to promote sustainable growth. For example, the Government will provide CAD 1.5 billion in funding over the next decade to help Canadian post-secondary institutions excel in research areas that create long-term economic advantages on a global scale for Canada.[19]

Furthermore, on 11 February 2014, Minister of Finance Jim Flaherty tabled Economic Action Plan 2014 with new measures designed to balance the budget. With no new taxes on Canadian families or businesses, Economic Action Plan 2014 projects that the deficit will decline to CAD 2.9 billion in 2014–15, after taking into account a CAD 3 billion annual adjustment for risk.[20]

Thus, Canada has been awarded a score of 0 for taking action through legislation to nurture the global recovery by passing structural reforms to promote sustainable growth and creating plans that foster flexible fiscal sustainability.

Analyst: Duja Mohanna

France: +1

France has fully complied with its commitment to nurture the global economic recovery by creating flexible fiscal policies and structural reforms designed to promote sustainable growth.

On 12 September 2013, French President François Hollande explained the framework and objectives of the "New Industrial France." Advancing in energy transition, ecological reformation and

[13] Budget in Brief, Government of Canada 2013. Access Date: 17 December 2013. http://www.budget.gc.ca/2013/doc/bb/brief-bref-eng.html.
[14] G20 finance ministers commit to block profit shifting, CBC News (Ottawa) 11 April 2014. Access Date: 18 April 2014. http://www.cbc.ca/news/business/g20-finance-ministers-commit-to-block-profit-shifting-1.2606885.
[15] G20 finance ministers commit to block profit shifting, CBC News (Ottawa) 11 April 2014. Access Date: 18 April 2014. http://www.cbc.ca/news/business/g20-finance-ministers-commit-to-block-profit-shifting-1.2606885.
[16] G20 finance ministers commit to block profit shifting, CBC News (Ottawa) 11 April 2014. Access Date: 18 April 2014. http://www.cbc.ca/news/business/g20-finance-ministers-commit-to-block-profit-shifting-1.2606885.
[17] Harper Government Creating Jobs & Growth While Returning to Balanced Budgets With Economic Action Plan 2014, No.1, Department of Finance Canada (Ottawa) 28 March 2014. Access Date: 16 April 2014. http://www.fin.gc.ca/n14/14-046-eng.asp.
[18] Budget 2014, Government of Canada. Access Date: 16 April 2014. http://www.budget.gc.ca/2014/docs/bb/brief-bref-eng.html.
[19] Budget 2014, Government of Canada. Access Date: 16 April 2014. http://www.budget.gc.ca/2014/docs/bb/brief-bref-eng.html.
[20] Minister of Finance Confirms Return to Balanced Budgets in 2015, Department of Finance Canada (Ottawa) 11 February 2014. Access Date: 15 April 2014. http://www.fin.gc.ca/n14/14-019-eng.asp.

technological innovation, the French Government hopes to build a sustainable domestic economy and to nurture the global economic recovery, while uncompromising the traditional French model.[21]

Moreover, on 17 July 2013, the French Prime Minister proclaims the implementation of "shock simplification" measures to help the French Government save EUR 3 billion of its budget. Assessing all governmental aids to private companies, the project aims to effectively manage France's budget and to gain public confidence.[22] Subsequently, the draft of the Finance Bill 2014 was also primarily designed to reduce government spending by EUR 15 billion.[23] The program aims to simplify businesses' life through three steps: (1) reduce the number of statutes for individual companies, (2) start a new business with one single document in one place and (3) employment check through TESE. On 9 January 2014, the French Government established the "Council of Simplification" to ensure progress of the Simplification Program and to create dialogue between the government and businesses.[24]

On 8 November 2013, the French Minister of Economy Pierre Moscovici and Minister for Small and Medium Business, Innovation and the Digital Economy Fleur Pellerin announced a new tactic to promote business capital investment in 2014. Through public funding, the program hopes to develop sustainable economic growth for France.[25]

In addition, on 29 November 2013, the French Prime Minister Jean-Marc Ayrault began work on a draft policy for adopting a "Silver Economy" in France. Through the pillars of anticipation, adaptation, and accompaniment due to the loss of independence, the project aims to mobilize French society. The Parliament will review the bill in 2014.[26]

Furthermore, on 4 December 2013, French President François Hollande declared France's new economic partnership with Africa in order encourage further global economic integration. Based on three major principles: (1) collocation, (2) transparency in the mechanisms of developmental aid and

[21] Présidence de la République: Accueil: Intervention du président de la République sur « la nouvelle France industrielle», Office of the President (Paris) 16 September 2013. Access Date: 19 December 2013. http://www.elysee.fr/declarations/article/intervention-du-president-de-la-republique-sur-la-nouvelle-france-industrielle/

[22] Portail du Gouvernment: Modernisation de l'action publique : le Premier ministre annonce 3 milliards d'euros d'économies et 200 mesures de simplification, Prime Minister's Portal (Paris) 17 July 2013. Access Date: 18 December 2013. http://www.gouvernement.fr/premier-ministre/modernisation-de-l-action-publique-le-premier-ministre-annonce-3-milliards-d-euros-

[23] Portail du Gouvernment: Un budget 2014 pour le retour de la croissance et de l'emploi, Prime Minister's Portal (Paris) 26 September 2013. Access Date: 20 December 2013. http://www.gouvernement.fr/gouvernement/un-budget-2014-pour-le-retour-de-la-croissance-et-de-l-emploi

[24] Portail du Gouvernment: Entreprises : les 50 nouvelles mesures du choc de simplication, Prime Minister's Portal (Paris) 22 April 2014. Access Date: 9 May 2014. http://www.gouvernement.fr/gouvernement/entreprises-les-50-nouvelles-mesures-du-choc-de-simplication

[25] Portail du Gouvernment: Un nouveau dispositive pour favoriser le capital investment d'entreprise, Prime Minister's Portal (Paris) 8 November 2013. Access Date: 18 December 2013. http://www.gouvernement.fr/gouvernement/en-direct-des-ministeres/un-nouveau-dispositif-pour-favoriser-le-capital-investissement

[26] Portail du Gouvernmet Lancement de la concertation sur le projet de loi d'orientation et de programmation pour l'adaptation de la société au vieillissement, Prime Minister's Portal (Paris) 29 November 2013. Access Date: 18 December 2013. http://www.gouvernement.fr/presse/lancement-de-la-concertation-sur-le-projet-de-loi-d-orientation-et-de-programmation-pour-l—0

(3) long-term commitment. The partnership will take place under the direction and the assistance of World Bank, African Development Bank and the French Developmental Agency.[27]

On 15 January 2014, the French Government has made changes on two types of tax credits: (1) Tax Credit for Competitiveness and Employment and (2) Tax Credit for Research, in order to further assist the growth and the competitiveness of French economy. The new rates aim to allow businesses to reduce non-wage labour costs and to support innovation and development.[28]

Presented at the annual European Semester, the National Reform Programme is a framework for the French Government to monitor and evaluate the strategy of "Europe 2020." Based on three principles: (1) to redress public finances, (2) to restore competitiveness, strengthen the growth of green economy and (3) to restore the labour market, France aims to recover the French economy through structural reforms.[29]

Subsequently, on 16 April 2014, the French Prime Minister Manuel Valls presented a detailed saving plan on spending between 2015 and 2017 to the Council of Ministers. The EUR 50 million saving plan focuses on three major objectives: (1) responsibility and solidarity, (2) restoring purchasing power, and (3) reducing deficit, in order to further promote and strengthen the economy and to create jobs, especially for seniors and youth.[30]

France is awarded a score of +1 for undertaking action towards nurturing the global economic.

Analyst: Freda Zhang

Germany: 0

Germany has partially complied with its commitment to take significant action to advance sustainable growth by promoting demand.

On 12 November 2013 Germany's trade surplus for the second quarter, that of EUR 45.9 billion, became a conspicuous target for the European Union (EU), and contradicts EU economic balance agreements.[31] In addition to the EU's threat of investigating Germany's fiscal imbalance, criticism from the United States and the International Monetary Fund stated that Germany's dependence on exports is hindering European Growth.[32] EU Economic and Monetary Affairs Commissioner Olli Rehn suggested that Germany must focus on boosting domestic consumption and fostering higher wages. Some German official rebuked, saying imbalances are aimed at members who were

[27] Présidence de la République: Accueil: Discours de clôture de la Conférence pour un nouveau modèle de partenariat économique entre l'Afrique et la France, Office of the President (Paris) 4 December 2013. Access Date: 18 December 2013. http://www.elysee.fr/declarations/article/discours-de-cloture-de-la-conference-pour-un-nouveau-modele-de-partenariat-economique-entre-l-afrique-et-la-france/

[28] Portail du Gouvernment: Aides aux entreprises : ce qui change en 2014, Prime Minister's Portal (Paris) 15 January 2014. Access Date: 9 May 2014. http://www.gouvernement.fr/gouvernement/aides-aux-entreprises-ce-qui-change-en-2014

[29] Portail du Gouvernment: Les grands axes du Programme national de réforme, Prime Minister's Portal (Paris) 23 April 2014. Access Date: 9 May 2014. http://www.gouvernement.fr/gouvernement/les-grands-axes-du-programme-national-de-reforme

[30] Portail du Gouvernment: Plan d'économies : les mesures détaillées Prime Minister's Portal (Paris) 16 April 2014. Access Date: 9 May 2014. http://www.gouvernement.fr/premier-ministre/plan-d-economies-les-mesures-detaillees

[31] Pressure Is on Germany to Narrow Its Trade Gap 12 November 2013. Access Date: 5 January 2014. http://www.nytimes.com/2013/11/13/business/international/germans-could-be-victims-of-their-own-success.html?_r=0

[32] Germany called to task on rising trade surplus 6 November 2013. Access Date: 5 January 2014. http://www.independent.ie/business/world/germany-called-to-task-on-rising-trade-surplus-29729767.html

insufficiently competitive, rather than those who are competitive.[33] According to the German Finance Ministry, "in light of the significant current account surplus, the government sees no grave weaknesses in competitiveness."[34]

Furthermore, German Chancellor Angela Merkel expressed opposition to the Eurozone, stating that the term austerity is synonymous with "balancing the budget."[35] The Deputy Leader for Merkel's Christian Democrats (CDU), Michael Fuchs also observed that, "in truth no one [European Union Members] is really saving anyway, they're just issuing less debt than before." European Commission President Jose Barroso responded asserting austerity is reaching its limits. Barroso argued that Germany's economy needs more flexibility and growth measures.[36]

However, on 19 December 2013, German Finance Minister Wolfgang Schaeuble confirmed that Germany was backing a EUR 55 billion resolution fund to aid struggling Eurozone banks, as well as cost-sharing procedures with France. Minister Schauble stated that the "establishment of the banking union is the most important element of the coming years."

Moreover, on 12 February 2014 the Federal Minister for Economic Affairs and Energy Sigmar Gabriel stated that the German economic trajectory is characterized by "stable and broad-based recovery," alluding to a speculated 1.8 per cent GDP domestic increase.[37] The development of Germany's labour market is expected to increase employment for 240 000 people. Gabriel proposed that Germany's growing dynamic domestic market will be far-reaching, stating that "We are thus coming closer to our goal of reducing the imbalances in the euro zone."

On 5 March 2014, The European Commission presented an in-depth review of Germany's economy, which highlighted some macroeconomic imbalances. In response, the Federal Government of Germany, in conjunction European partners, will abide to the rule of the reformed Stability and Growth Pact with ambitions to reduce economic imbalances.[38] Sigmar Grabriel stated that, "The German Federal Government supports the European Commission's resolute implementation of all procedures to co-ordinate the economic and financial policies in the European Union."

In addition, on 15 April 2014 a spring projection for Germany's economy suggests "broad-based and robust growth."[39] Some of the key points include: (1) gross fixed capital formation is predicted to increase by 4.1 per cent in 2014; (2) significant increases in income and employment; (3) and most importantly, imports are expected to increase disproportionately to exports — decreasing Germany's current account surplus. Gabriel said that, "The introduction of a uniform minimum wage and public

[33] Pressure Is on Germany to Narrow Its Trade Gap 12 November 2013. Access Date: 5 January 2014. http://www.nytimes.com/2013/11/13/business/international/germans-could-be-victims-of-their-own-success.html?_r=0

[34] Pressure Is on Germany to Narrow Its Trade Gap 12 November 2013. Access Date: 5 January 2014. http://www.nytimes.com/2013/11/13/business/international/germans-could-be-victims-of-their-own-success.html?_r=0

[35] Angela Merkel insists austerity measures aren't 'evil' as Eurozone turns against Germany. 24 April 2013. Access Date: 5 January 2014. http://www.express.co.uk/news/world/394375/Angela-Merkel-insists-austerity-measures-aren-t-evil-as-Eurozone-turns-against-Germany

[36] Germany Signals Austerity Leeway in Budget-Rule Flexibility 24 April 2013. Access Date: 5 January 2014. http://www.bloomberg.com/news/2013-04-24/germany-signals-leeway-in-austerity-with-budget-rule-flexibility.html

[37] The Social Market Economy Today - Stimulating Growth and Cohesion 2 February 2014. Access Date: 14 May 2014. http://www.bmwi.de/EN/Press/press-releases,did=626006.html

[38] Gabriel: Competitiveness and exports of German companies important for Europe 3 March 2014. Access Date: 14 May 2014. http://www.bmwi.de/EN/Press/press-releases,did=629018.html

[39] The German economy: "A broad-based upswing" (Federal Minister Gabriel) 15 March 2014. Access Date: 14 May 2014. http://www.bmwi.de/EN/Press/press-releases,did=637158.html

investment in education, research and infrastructure stimulate domestic demand and strengthen growth in Germany. We thus contribute to the reduction of imbalances and assume responsibility for Europe."[40]

Germany has been awarded a partial score of 0 for taking some actions to stimulate demand and promote balance economic growth.

Analyst: Michael Humeniuk

Italy: 0

Italy has partially complied with its commitment to nurture global recovery through demand.

On 4 September 2013, the Italian Ministry of Economy and Finance announced that the "Tobin tax" will be applied on equity trading at high frequency.[41] This tariff was applied in an effort to balance domestic and foreign consumption.

In addition, on 24 September 2013, the Ministry of Economy and Finance announced that EUR 20 billion through decree law 35 was allocated to local public administrations to pay off debts. So far EUR 11.3 billion have been allocated to pay creditors.[42]

On 29 October 2013, the Ministry of Economy and Finance announced that EUR 2.5 billion will be provided by the Treasury through decree law 102 for health debts, use in the Financial Stability Pact—contributions to finance European funds—and payments to municipalities so Italy can stabilize debts and maintain economic growth.[43] Under decree law 102 a further EUR 4.7 billion is left to be allocated. The ministry has set up a regular monitoring of the funds to ensure proper use.[44] Through decree law 102, domestic fiscal sustainability at all levels will be a more realistic and attainable goal.

Moreover, on 15 October 2013, the Italian government adopted the 2014 Stability Law reform which calls for EUR 12 billion in spending cuts for 2014 and EUR 3.7 billion in tax cuts for business. This will ensure that Italy's budget deficit will not be more than 3 per cent of GDP.[45] This policy package was invoked to maintain price stability during the current recession.

[40] Gabriel: safeguarding competitiveness, stimulating investment 15 March 2014. Access Date: 14 May 2014. http://www.bmwi.de/EN/Press/press-releases,did=635812.html

[41] TOBIN TAX: CLARIFICATION ON HIGH FREQUENCY TRADING (HFT) Ministero dell'Econmia e delle Finance (Rome). 04 September 2013. Access Date: 25 December 2013. http://www.tesoro.it/ufficio-stampa/comunicati/2013/comunicato_0149.html

[42] Compared to the detection of the beginning of the month (7.2 billion), the MEF a sharp increase in payments made by local debtors to creditors, having reached the 57% of the 20 billion allocated by DL 35. Ministero dell'Econmia e delle Finance (Rome). 24 September 2013. Access Date: 25 December 2013. http://www.tesoro.it/ufficio-stampa/comunicati/2013/comunicato_0167.html

[43] Match phase two due to DL 102/2013: being paid by the Treasury other 2.5 billion to the regions for the payment of debts and health by the COP more than 1 billion to municipalities. Ministero dell'Econmia e delle Finance (Rome). 29 October 2013. Access Date: 24 December 2013 http://www.tesoro.it/ufficio-stampa/comunicati/2013/comunicato_0198.html

[44] Match phase two due to DL 102/2013: being paid by the Treasury other 2.5 billion to the regions for the payment of debts and health by the COP more than 1 billion to municipalities. Ministero dell'Econmia e delle Finance (Rome). 29 October 2013. Access Date: 24 December 2013 http://www.tesoro.it/ufficio-stampa/comunicati/2013/comunicato_0198.html

[45] Arens, Mariane. Italian government adopts austerity budget. International Committee of the Fourth International (ICFI) 21 October 2013.Access Date: 25 December 2013. http://www.wsws.org/en/articles/2013/10/21/ital-o21.html

Additionally, on 18 December 2013, the Ministry of Economy and Finance announced a new municipal tax on services indivisible, Tasi, for first time homeowners will be reduced in 2014. The current tax with base rate, four per thousand, and basic reduction equals EUR 3.8 billion in expenses, but with Tasi at a base rate of one per thousand and no deductions EUR 1.7 billion will be extracted.[46] However, the bill is still pending approval in parliament and will only be feasible with a State Budget allocation of EUR 500 million. This bill has the potential to boost sustainable economic growth and price stability upon approval.

Italy has been awarded a score of 0 for distribution of funding and legislation reforms to maintain price stability and promote sustainable growth.

Analyst: Daniel Szulc

Japan: +1

Japan has fully complied with its commitments to nurture global recovery by promoting demand.

On 8 August 2013, the Cabinet approved a medium term fiscal plan which aims to halve the deficit to GDP ratio by halve from 2010 levels in 2015 and to have a surplus in 2010. The Japanese government plans to decrease the issuance of bonds, reduce expenditures, bring down the General Account's primary deficit by approximately YEN 4 trillion in both 2014 and 2015 to meet the target. This falls in line with Japan's commitment to creating a flexible fiscal policy as it will remove both future interest burdens.[47]

Additionally, on 5 December 2013, the Japanese Cabinet approved a YEN 18.6 trillion package in hopes of pulling the economy out of deflation. The Cabinet expect the measures to add one percentage point to GDP and create around 250,000 jobs. Prime Minister Shinzo Abe's speech, he said, "This [package] includes steps to boost capital expenditure for the future and ensure the economy stays in a positive cycle." The package also includes plans to boost competitiveness; assist women, youth and the elderly; accelerate reconstruction from the March 2011 earthquake and tsunami; and build infrastructure for the 2020 Tokyo Olympics. The Cabinet hopes the plan will create a positive economic cycle and bring Japan sustainable growth.[48]

Furthermore, on 20 December 2013, the Bank of Japan released a statement on monetary policy stating that it will continue quantitative and qualitative monetary easing aimed at the price stability target of 2 per cent. The Bank of Japan also stated they will increase Japanese government bond purchases to an annual rate of YEN 50 trillion, ETF purchases to an annual rate of YEN 1 trillion and J-REIT purchases to annual rate of YEN 30 billion.[49]

Similarly, on 7 April 2014, the Bank of Japan released a statement on monetary policy stating it will attempt to increase its monetary base by an annual pace of YEN 60-70 trillion. The Bank of Japan

[46] In 2014 no tax burden on primary. Ministero dell'Econmia e delle Finance (Rome). 18 December 2013. Access Date: 25April 2014. http://www.tesoro.it/ufficio-stampa/comunicati/2013/comunicato_0254.html

[47] Basic Framework for Fiscal Consolidation: Medium-term Fiscal Plan, Office of the Cabinet of the Government of Japan (Tokyo) 8 August 2013. Access Date: 20 December 2013. http://www5.cao.go.jp/keizai1/2013/20130808_medium_term.pdf

[48] Japan approves $182 billion economic package, doubts remain, REUTERS U.S Edition 5 December 2013. Access Date: 20 December 2013. http://www.reuters.com/article/2013/12/05/us-japan-economy-stimulus-idUSBRE9B408J20131205

[49] Statement on Monetary Policy, Bank of Japan 20 December 2013. Access Date: 20 December 2013. http://www.boj.or.jp/en/announcements/release_2013/k131220a.pdf

also announced they will continue monetary easing while aiming for a price target of 2 per cent. The Bank has reported an estimated CPI increase of 1.25 per cent.[50]

Thus Japan has achieved a +1 for creating pricing stability through monetary policy, creating a flexible fiscal policy and creating structural reforms designed to promote sustainable growth.

Analyst: Xi Xi (Edward) Xiao

Russia: +1

Russia has fully complied with its commitment to nurture the global recovery by supporting demand.

Russia has stimulated demand through monetary policy measures.

On 13 September 2013, Bank of Russia unified interest rates on one-week liquidity provision and absorption open market operations and introduced a key rate as the main indicator of its monetary policy. The unification provided for a cut in interest rates on the overnight loans and loans, secured by non-marketable assets and guarantees from 8.25% to 6.5%. Following this decision, Russian Central Bank announced that it would make the refinancing rate, which currently amounts to 8.25%, equal to the key rate by 1 January 2016.[51]

Russia has stimulated demand through fiscal policy measures.

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.[52]

On 12 November 2013, Russian Prime Minister Dmitry Medvedev instructed relevant ministries to make proposals on possible tax incentives aimed at boosting the tourist industry in the Russian Far East.[53]

On 12 December 2013, Russian President Vladimir Putin in his Address to the Federal Assembly highlighted several initiatives in the area of tax cuts and incentives for businesses. In particular, he supported the proposal that regional authorities could offer two-year tax holidays to new small businesses in the manufacturing, social and scientific sectors. He also announced that regions investing in industrial and technology parks and business incubators "will have the federal taxes paid by their resident companies returned for three years to the regional budgets in the form of inter-budgetary transfers" within the limits expenses for building relevant infrastructure. Finally, the President suggest creating special economic zones in the Far East and Eastern Siberia where non-extractive businesses will be provided with five-year exemptions for a number of taxes, as well as

[50] Bank of Japan's 8 April Monetary Policy Statement: Full Text, Bloomberg 7 April 2014. Access Date: 28 April 2014. http://www.bloomberg.com/news/2014-04-08/bank-of-japan-s-8-april-monetary-policy-statement-full-text.html
[51] On the system of Bank of Russia monetary policy instruments, Bank of Russia 13 September 2013. Access Date: 27 February 2014. http://cbr.ru/eng/press/PR.aspx?file=130913_135042eng_3.htm.
[52] 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: 27 February 2014. http://www.minpromtorg.gov.ru/industry/auto/247.
[53] Decisions resulting from the meeting of the Government Commission on the Socioeconomic Development of the Russian Far East, Government of Russia 12 November 2013. Access Date: 27 February 2014. http://government.ru/en/news/8051.

preferential insurance rates.[54] On 27 December 2013, he instructed the Government to develop amendments to legislation aimed at implementing the proposals from his address.[55]

Russia has taken actions towards supporting demand through both monetary and fiscal macroeconomic measures. Thus, it is given a score of +1.

Analyst: Andrey Shelepov

United Kingdom: +1

The United Kingdom has fully complied with its commitment to nurture the global recovery by promoting demand. The UK's main initiatives have centred on promoting investment, deregulation and balancing the national deficit.

On June 2013, the UK government released its strategic economic plan for Britain: "Investing in Britain's Future." Some of the key initiatives involve promoting investment to "repair and renew" the UK's infrastructure, through a public investment worth GBP 100 billion; investing in science and technology; and increasing access to finance for business "by offering strong incentives to banks and building societies to boost their lending," amongst these establishing a GBP 1 billion Business Bank to aid small businesses.[56]

The UK government also launched new investment schemes to increase investment management and the competitiveness of the UK. The main objective of these schemes is to make the UK "he leading centre for fund management in Europe."[57]

Additionally, on 9 September 2013 Chancellor George Osborne declared that the "British economy is turning a corner." He noted that to avoid mistakes of the past the government will employ its "new regulatory system to spot imbalances as they emerge, staying the course with the deficit reduction plan and following through with far-reaching economic and structural reforms." Osborne emphasized that one of the key areas to ensure the economic plan is sustainable is to "raise living standards," primarily by increasing personal allowances and offering low mortgage rates.[58]

Moreover, according to Michael Fallon, Minister of State for Business and Energy and Minister of State for Energy, deregulation and promoting economic growth are central priorities for the UK's economic reform. He explained that the government is reducing regulatory burdens on businesses to facilitate growth, promote innovation and open markets to create jobs, and this way forward economic recovery. Through deregulation the government aims to save business over GBP 215 million per year.[59]

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[54] Presidential Address to the Federal Assembly, President of Russia 12 December 2013. Access Date: 27 February 2014. http://eng.kremlin.ru/news/6402.

[55] Instructions on implementing Address to Federal Assembly, of Russia 27 December 2013. Access Date: 27 February 2014. http://eng.kremlin.ru/misc/6529.

[56] Achieving Strong and Sustainable Economic Growth, HM Treasury (London) 31 July 2013. Access Date: 10 January 2014.https://www.gov.uk/government/policies/achieving-strong-and-sustainable-economic-growth

[57] Government launches two new investment schemes boosting investment management industry, HM Treasury (London) 1 July 2013. Access Date: 10 January 2014. https://www.gov.uk/government/news/government-launches-two-new-investment-schemes-boosting-investment-management-industry

[58] Chancellor: British economy is turning a corner, HM Treasury (London) 9 September 2013. Access Date: 10 January 2014. https://www.gov.uk/government/news/chancellor-british-economy-is-turning-a-corner

[59] Deregulation and economic growth: priorities for government reform, Department for Business, Innovation & Skills (London) 11 November 2014. Access Date: 10 January 2014. https://www.gov.uk/government/speeches/deregulation-and-economic-growth-priorities-for-government-reform

Furthermore, during the Autumn Statement 2013 Speech, Chancellor George Osborne asserted that the UK is seeking "responsible recovery ... One where we don't squander the gains we've made, but go on taking the difficult decisions." He acknowledged that the Government still has to address the fact that business taxes remain high and exports too low and although disposable incomes are increasing, the effects of the financial crisis continue to affect cost of living for families. He nonetheless added that the economy is growing at a rate higher than anticipated and faster than France, Germany or even the United States. He further observed that unemployment is the lowest in seventeen years and is expected to decline to 7 per cent in 2015 and 5.6 per cent by 2018.[60]

Critics however have observed that the growth figures are not particularly "impressive" given than from 1997 to 2007 the UK economy grew by 3.7 per cent per annum and 2013 is expected to experience only one third of that growth rate. Another criticism highlights that the recovery plan is producing unbalanced growth; while the service sector is leading recovery, the manufacturing industry is lagging severely behind.[61]

In this speech Osborne also announced three new areas Britain will commit to improve the economy: (1) obtain Parliament support to update the Charter for Budget Responsibility in order to ensure the national debt continues to decline and balance public finances. (2) "Cap overall welfare spending," for example cut benefit packages to save GBP 19 billion a year. (3) Promote spending discipline to ensure fiscal credibility.[62] GBP 11.5 billion of savings would be found from government budgets to continue along Britain's path to deficit reduction. Another GBP 5 billion savings in the year 2015 to 2016 will come from ending "wasteful expenditure, transforming transactional and corporate services such as HR administration and IT support, and reducing the running costs of government." This is part of the government's efforts to "keep mortgage rates low for families and fix the banks, to deal with our debts, and to equip Britain to succeed in the global race."[63]

Furthermore, on 6 January 2014 Chancellor George Osborne outlined the "five components of the government's long-term economic plan to build a stronger, more competitive economy" for the year 2014: (1) cutting the national deficit; (2) reducing taxes for families; (3) creating jobs by supporting business; (4) cutting immigration and welfare; (5) providing education and skills. Osborne added that there would be further cuts of around GBP 25 billion between 2017 and 2018 and a GBP 12 billion cuts to welfare programs.[64]

In a speech delivered in Hong Kong on 20 February 2014, ahead of the G20 Finance meeting, Chancellor George Osborne declared that economic recovery is not secured. He added that countries cannot "rely on consumers alone for our economic growth, as we did in previous decades." Instead he emphasized the need to promote investments and exports.[65]

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[60] Chancellor George Osborne's Autumn Statement 2013 speech, HM Treasury (London) 5 December 2013. Access Date: 10 January 2014. https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2013-speech
[61] Expect a base rate rise as the UK economy shows all the signs of a strong recovery, The Telegraph (London), 1 September 2013. Access Date: 10 January 2014. http://www.telegraph.co.uk/finance/comment/10279318/Expect-a-base-rate-rise-as-the-UK-economy-shows-all-the-signs-of-a-strong-recovery.html
[62] Chancellor George Osborne's Autumn Statement 2013 speech, HM Treasury (London) 5 December 2013. Access Date: 10 January 2014. https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2013-speech
[63] https://www.gov.uk/government/news/spending-round-2013-next-stage-in-governments-plan-to-move-from-rescue-to-recovery
[64] https://www.gov.uk/government/news/chancellor-lets-finish-the-job
[65] 'Economic recovery is not yet secure', says Chancellor, UK Treasury (London) 20 February 2014. Access Date: 14 May 214.https://www.gov.uk/government/news/economic-recovery-is-not-yet-secure-says-chancellor

Subsequently, on 20 March 2014, George Osborne unveiled the 2013 budget "setting out how the government will take further action to secure the recovery and build a resilient economy." The budget sets out "radical" reforms. To reduce the deficit and control spending the UK government will cap the welfare budget. The government will further help British businesses by doubling the annual investment allowance to GBP 500,000 until the end of 2015, offering the best export finance in Europe and reducing energy costs.

Additionally, the budget aims to reduce taxes for families by increasing the level of the tax-free personal allowances, from GBP 10,000 to GBP 10,500 in April 2015; increase child support; and "help a further 120,000 households purchase a home by extending the Help to Buy: equity loan scheme to March 2020."[66] The measures outlined in the budget reinforce the Finance Bill 2014 which will "help households to work, save and plan, promotes growth, and ensures everyone pays a fair share of tax." Amongst these, reducing the starting rate of income tax on savings from 10 per cent to 0 per cent. This initiative will benefit over 1.5 million households.[67]

Moreover, on 2 April 2014, Prime Minister David Cameron announced income tax cuts that would benefit over 26 million people starting in 6 April 2014. This means that "the typical taxpayer is now paying about GBP 705 less income tax than they were in 2010 and someone who earns the national minimum wage working for around 30 hours a week will not pay any income tax at all. According to the Prime Minister, "A key part of this government's long-term economic plan is to cut taxes so that people can keep more of the money they earn and feel more financially secure."[68]

The United Kingdom has advanced multiple fiscal policies centred on deregulation and investment, and has committed some monies to nurture economic recovery, and has advanced tax-cut initiatives to ease monetary policy. The UK has thus been awarded a score of +1 for full compliance.

Analyst: Laura Correa Ochoa

United States: +1

The U.S. has fully complied with its commitment to nurture the global economy by supporting demand. It has made progress in supporting demand by the proposed Trans-Pacific Partnership (TPP), to support demand through monetary policy with quantitative easing, created a more flexible fiscal policy in the Bipartisan Budget Act, and promoted sustainable growth through monetary policy in the second phase of "Investing in Manufacturing Communities Partnership."

The U.S. has taken significant steps to nurture the global economy by supporting demand by reducing imbalances between imports and exports. The TPP is a proposed trade agreement and is currently being negotiated by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The potential members make up 40 per cent of the global economy and the White House has a strong desire to create a free trade area. On 10 December 2013 ministers gave up on meeting the goal of concluding the agreement in Singapore in the latest ministerial talks, but significant progress has been made, and the president announced

[66] Budget 2014: Key announcements, UK Treasury (London) 20 March 2014. Access Date: 14 May 2014.https://www.gov.uk/government/news/budget-2014-key-announcements
[67] Finance Bill 14 brings in new tax changes, UK Treasury (London) 27 March 2014. Access Date: 14 May 2014. https://www.gov.uk/government/news/finance-bill-14-brings-in-new-tax-changes
[68] Income tax cuts to benefit 26 million people from 6 April 2014, UK Treasury (2 April 2014). Access Date: 14 May 2014. https://www.gov.uk/government/news/income-tax-cuts-to-benefit-26-million-people-from-6-april-2014

that he will return to Asia in April.[69] A free trade agreement would mean increased exports for the U.S. as well as a contribution to the global economy.

Moreover, the U.S. has nurtured the global economy by supporting demand through monetary policy. On 19 June 2013, Federal Reserve Chairman Ben Bernanke stated his support for slowing down the program known as quantitative easing. The Federal Reserve currently buys USD 85 billion of bonds every month in order to push more money into the economy. Bernanke stated that if labor markets show traction, inflation would rise towards the target rate of 2.0. Other considerations include unemployment rates with a threshold of 6.5 per cent.[70]

On 31 July 2013 the U.S. Federal Reserve decided to halt the scaling back program due to bank lending as residential mortgage lending has dropped and commercial lending growth has slowed. The excess money going into the financial system that has increased from USD 2 billion to about USD 2.8 trillion and continues to support the economy by promoting demand through monetary policy, creating a suitable environment for investors.[71]

Furthermore, the U.S. has nurtured the global economy by supporting demand through creating flexible fiscal policy. On 10 December 2013, President Barrack Obama released a statement on the House's Passage of the Bipartisan Budget Act of 2013 following the government shutdown. This created more jobs thus supporting the economy and replaces a portion of spending cuts that harmed the economy known as "the sequester" and allowed for critical investments in areas such as scientific research.[72] The White house stated that the debt ceiling would need to be renewed in order to avoid a possible default to creditors, which would in turn harm the global economy.[73] The two year deal was passed to restore overall 2014 fiscal spending levels to USD 1.012 trillion.[74] This fiscal policy is intended to reduce U.S. deficit and contribute to the global economy.

In addition, the U.S. has nurtured the global economy by supporting demand through structural reforms designed to promote sustainable growth. On 5 December 2013, President Obama opened applications for phase two of "Investing in Manufacturing Communities Partnership," which seeks to leverage federal funds to help American communities become globally competitive manufacturing sites. This strategy will strengthen their ability to compete and in turn attract global manufactures. The USD 1.3 billion in federal funds and assistance being pledged will be designated to 12 communities with strategies and with completion will allow for global demand to increase.[75]

[69] White House: Transpacific Partnership 'remains a top priority for Obama', The Raw Story (Washington DC) 16 December 2013. Access Date: 18 December 2013. http://www.rawstory.com/rs/2013/12/16/white-house-trans-pacific-partnership-remains-a-top-priority-for-obama/

[70] Bernanke Offers Possible Timeline for Tapering, Fox Business 19 June 2013. Access Date: 18 December 2013. http://www.foxbusiness.com/economy/2013/06/19/fed-decision-on-tap/

[71] Analysis: Time to taper? Not if you look at bank loans, Reuters (Washington DC) 19 September 2013. Access Date: 18 December 2013. http://www.reuters.com/article/2013/09/19/us-usa-fed-banks-analysis-idUSBRE98I07B20130919

[72] Statement by the President on the Budget, Office of the Press Secretary (Washington DC) 10 December 2013. Access Date: 18 December 2013. http://www.whitehouse.gov/the-press-office/2013/12/10/statement-president-budget

[73] Bipartisan budget agreement passes crucial test in U.S. Senate, The Guardian (Washington DC) 17 December 2013. Access Date: 18 December 2013. http://www.theguardian.com/world/2013/dec/17/us-bipartisan-budget-deal-set-vote-senate

[74] U.S. Senate passes budget deal, focus shifts to spending, Reuters (Washington DC) 18 December 2013. Access Date: 18 December 2013. http://www.reuters.com/article/2013/12/18/us-usa-fiscal-idUSBRE9BF1FW20131218

[75] FACT SHEET: Attracting Manufacturing Investment in American Communities, Office of the Press Secretary (Washington DC) 5 December 2013. Access Date: 18 December 2013. http://www.whitehouse.gov/the-press-office/2013/12/05/fact-sheet-attracting-manufacturing-investment-american-communities

In regard to fuelling economic growth, an executive order was made on 19 February 2014 for initiatives to streamline the export and import process for America's businesses. This order calls for increased effort to develop trade processing infrastructure, such as the International Trade Data System (ITDS), to innovate regulatory control systems to reduce costs, and to further solidify commitment to technology by embracing innovation. This executive order insists on providing a sustainable trading environment for all.[76]

Thus, the United States has been awarded a score of +1 for taking partial steps to nurture the global economy by supporting demand.

Analyst: Farina Mendelson

European Union: 0

The European Union has been awarded a score of 0 for partially complying with their commitment to nurture the global economic recovery through demand. The EU as a whole has not proposed comprehensive structural reforms, but it is assisting certain member states achieve such reforms.

On 19 December 2013, the EU explained its new trade scheme taking effect on 1 January 2014. The goal of the new trade scheme is to focus on giving the least developed countries unrestricted access to EU markets, revoking benefits of free trade to certain countries,[77] which have successfully developed recently, and to balance EU zone import export issues.[78]

As concerns monetary policy, on 12 December 2013 the European Central Bank stated that monetary policy will continue to be loose since the economic recovery has not been completed, and will continue to be loose until the economy has stabilized.[79]

However, contrary to the commitment made by the EU, the European Central Bank believes that there should be no more fiscal consolidation for Europe, making it difficult to comply with the required fiscal policy component of the current commitment.[80] Instead, the EU focuses on investment to counterbalance the lack of EU wide fiscal policy and structural reforms and has shown legislative and policy action towards improving the efficacy of investments rendered.[81]

Other activity that can be associated with the EUs commitment, if only partially, includes its work in creating fiscally sound budgets in member states that have requested help. One example is Croatia, where the European Commission has taken steps to make use of the Excessive Deficit Procedure to restore fiscal balance to that nation state.[82] Other examples include the EU stepping in with financial

[76] Executive Order -- Streamlining the Export/Import Process for America's Businesses, Office of the Press Secretary (Washington DC) 19 February 2014. Access Date: 2 April 2014. http://www.whitehouse.gov/the-press-office/2014/02/19/executive-order-streamlining-exportimport-process-america-s-businesses
[77] EEPC: India's motor vehicle exports to EU to be hit from January, The Hindu Business Line (New Delhi) 3 December 2013. Access Date: 27 December 2013. http://www.thehindubusinessline.com/industry-and-economy/eepc-indias-motor-vehicle-exports-to-eu-to-be-hit-from-january/article5417980.ece
[78] Revised EU trade scheme to help developing countries applies on January 2014, European Commission (Brussels) 19 December 2013. Access Date: 27 December 2013.
[79] ECB To Continue with Easy Monetary Policy as Long as Needed to Boost Recovery, International Business Times (New York) 12 December 2013. Access Date: 27 December 2013. http://www.ibtimes.com/ecb-continue-easy-monetary-policy-long-needed-boost-recovery-while-latest-data-show-industrial
[80] ECB's Couere sees no need for more fiscal centralisation, Reuters (Frankfurt) 6 December 2013. Access Date: 27 December 2013. http://www.reuters.com/article/2013/12/06/ecb-coeure-idUSF9N0JL00120131206
[81] Cohesion Policy is the EU's Investment Policy, European Commission (Marseille) 5 December 2013. Access Date: 27 December 2013. http://europa.eu/rapid/press-release_SPEECH-13-1028_en.htm
[82] Croatia: Commission takes steps under the Excessive Deficit Procedure, European Commission (Brussels) 10 December 2013. Access Date: 27 December 2013. http://europa.eu/rapid/press-release_MEMO-13-1124_en.htm

assistance to assist Spain[83] and Portugal.[84] However as of 6 May 2014, EU banks are unwilling to lend as Eurozone deflation has stifled investment. Countries who are still vulnerable as the recovery takes hold include Greece, Cyrpus, Spain, Portugal, and France.[85]

Thus, the EU receives a score of 0 for comprehensively addressing its trade policy, partially addressing its fiscal and monetary policy, and tangentially addressing structural reforms in particular member states, with regards to supporting the global economic recovery through demand.

Analyst: Akbar Khurshid

[83] Statement by the EC and the ECB following the conclusion of the fifth review of the financial assistance programme for Spain, European Commission (Brussels) 16 December 2013. Access Date: 27 December 2013. http://europa.eu/rapid/press-release_MEMO-13-1153_en.htm

[84] Statement by the EC, ECB, and IMF on the Tenth Review Mission to Portugal, European Commission (Brussels) 16 December 2013 Access Date: 27 December 2013. http://europa.eu/rapid/press-release_MEMO-13-1158_en.htm

[85] EU economy to grow but still vulnerable: European Commission, Press TV (Brussels) 6 May 2014. Access Date: 8 May 2014.http://www.presstv.ir/detail/2014/05/06/361475/eu-economy-to-grow-but-still-vulnerable-european-commission/