The international monetary and financial system – a European perspective:

Moving towards a multipolar financial system

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A more multipolar world driven by long-term trends and integration
Financial crisis demonstrated global interdependence

Financial crisis, starting as a housing bust in the US, demonstrated clearly how integrated the world is

- Spillovers not only via economic channel, but also via financial transmission channel and confidence effects
- Financial capital flows and monetary stability policy have a global dimension
- Close cooperation between policy makers is essential to preserve the current highly flexible international monetary system
Financial crisis affected institutional setup of global governance: G7 vs. G20

Starting in 2008-2009: Shifts in international institutional landscape to address crisis, for example:

- G20 elevated to Leaders level, now key global forum
- Creation of FSB
- Tripling of IMF resources
Example of China: taking on a larger role

*Increased role for China in the region / world through, for example:*

- Silk road and OBOR initiatives
- New forum / institutions (BRICS: NDB + AIIB)
- Internationalisation of the RMB / inclusion into the SDR basket
- Active stance in global governance: G20 Presidency 2016
Economic cooperation and coordination remain key

• *Fragile and uneven recovery calls for action*
  using all policy tools, to foster strong, sustainable and balanced growth (G20 FWG)

• *Strengthening the stability and resilience of the IMS*
  improving IMFs tool kit, a more effective cooperation with regional safety nets (G20 IFA, IMF)
Can G20 continue to take the lead in shaping the policy response?

*Operationalising the three-pronged strategy a challenge*

Agreement that monetary policy cannot alone do the job, but then what... With different outlook and 'ideological differences' for the role of fiscal policies ongoing, the focus is on

- Composition and efficiency of public finances and on
- Structural reforms
Ex 1: improving the composition of public finances

Making sure that:
1. Public money is spent on the most growth-friendly items.
2. Any given expenditure is efficient.
Ex 2: improving the efficiency of public finances

The example of expenditure in education (Pisa score)
Ex 3: fostering a stronger delivery of structural reforms → 2% more GDP

Full and timely delivery of our agreed reforms and progress towards the G20 "2-in-5" growth ambition
Ex. 4: EU has a sizeable firewall and experience that can be of use

*Nominal amount after 14th review quota increases and NAB rollback, assuming that quota payments of all members have been completed.
EU and IMF cooperation at work

- Joint financial assistance
- Joint negotiations of programme design and conditionality
- Joint missions, mutual consultations on programme documents, and coordinated communication
- Joint monitoring of implementation
THANK YOU

• ECFIN brief: The G20 and the EU: A Win-Win Game

• Regular statements by EU representative at IMF or G20 meetings, e.g. by Commissioner Moscovici at the 2016 'Spring meetings':