



EUROPEAN CENTRAL BANK

Jean-Claude TRICHET

President

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Mr Paolo Cirino Pomicino  
Member of the Committee on Economic and Monetary  
Affairs  
European Parliament - Altiero Spinelli building / 12E/209  
Rue Wiertz  
B-1047 Brussels

24 November 2004

Dear Mr Cirino Pomicino,

Thank you for your letter dated 7 October 2004. I would like to reply to your questions as follows:

1) As regards the large and growing US current account deficit, I believe that a gradual and smooth correction of this deficit would be facilitated considerably by an increase in the savings rate in the US economy, implying both a reduction in public dissavings and an increase in personal savings.

As regards exchange rates, I should like to reiterate what was said during the last meeting of G7 Ministers and Governors. We stressed in particular that "excess volatility and disorderly movements in exchange rates are undesirable for economic growth". In addition, as I myself have said recently and repeated on a number of occasions, "recent sharp and brutal moves in the exchange rate between the euro and the US dollar are unwelcome".

I also believe that Europe could contribute to the gradual adjustment of global imbalances by enhancing its growth potential, which, in turn, requires continued progress in the implementation of structural reform measures.

2) With respect to your second question on international policy co-ordination, I should like to underline that there are several institutions and fora in which finance ministers and central bank governors have frequent and thorough exchanges of views on a broad range of economic policy issues. Over the past months, discussions at the IMF as well as among Finance Ministers and Central Bank Governors of the G7, G10 and G20, have allowed for an effective and informed exchange of views on current policy challenges, including global imbalances.

With kind regards,

*Best personal regards.*