



EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

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European Parliament  
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**Questions related to the European economic strategy regarding China's monetary policy**

Dear Mr Rivellini,

Thank you for your letter raising the issue of the European economic strategy regarding China's monetary framework, which was passed on to me by Ms Bowles, Chair of the Economic and Monetary Affairs Committee (ECON), under cover of a letter dated 21 October 2010.

The euro area has a shared interest in a strong and stable international financial system, as excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. Concerning emerging market economies that have current account surpluses and insufficiently flexible exchange rates, the international community agrees – as reiterated at the G20 summit in South Korea – that moving towards more market-determined exchange rate systems and enhancing exchange rate stability to reflect underlying economic fundamentals is in the interests of the economies concerned and of the international community. Therefore, the ECB welcomed the decision of the People's Bank of China on 19 June 2010 to further reform the exchange rate regime of the renminbi and to enhance the flexibility of the renminbi exchange rate.

In this context, let me emphasise that the G20 framework for strong, sustainable and balanced growth constitutes a significant step towards further involving all systemically important countries in international policy cooperation. This framework provides a promising mechanism to foster collective action at the global level. To reach the goal of stronger, more sustainable and balanced growth, the ECB deems it important that G20 members implement fully their commitments within this framework.

Yours sincerely,