



EUROPEAN CENTRAL BANK  
EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI

President

Ms Rodi Kratsa-Tsagaropoulou  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 7<sup>th</sup> May 2013

L/MD/13/287

**Re: Your letter**

Dear Ms Kratsa-Tsagaropoulou,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 11 March 2013.

The ECB trusts in the affirmation by G7 Finance Ministers and Central Bank Governors at their meeting on 12 February 2013 of the “longstanding commitment to market determined exchange rates and to consult closely in regard to actions in foreign exchange markets, [...] that [their] fiscal and monetary policies have been and will remain oriented towards meeting our respective domestic objectives using domestic instruments, and that [they] will not target exchange rates, [...] that excessive volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability [and that they] will continue to consult closely on exchange markets and cooperate as appropriate”. This view is also reflected in the G20 communiqué of 19 April 2013 in which G20 Ministers and Governors solemnly pledged that they would “refrain from competitive devaluation” and “not target [...] exchange rates for competitive purposes, and [...] will resist all forms of protectionism and keep [...] markets open”.

Central banks around the world are responding to the particular challenges of their economies. Recent monetary policies by various central banks can be seen as efforts to improve the effectiveness of monetary policy in line with their respective monetary policy mandates.

The exchange rate is not a policy target for the ECB, but it is an important element as far as economic growth and price stability are concerned. We conduct our monetary policy in full pursuit of our primary objective of price stability over the medium term. In assessing the risks to price stability, the ECB takes into account a wide range of indicators, including those covering external economic developments, such as the current account or the exchange rate. Should risks to price stability emerge, the Governing Council of the ECB stands ready to counter them as it has demonstrated in the past.

The ECB supports the commitment of G20 Ministers and Governors to resist all forms of protectionism and keep markets open. The removal of trade barriers via multilateral or bilateral trade agreements not only has a meaningful positive impact on trade flows, but is also a source of economic growth and job creation. Preferential or bilateral trade agreements need to be shaped in a way that is consistent with and supportive of the multilateral agenda, hence also facilitating multilateral negotiations.

Yours sincerely,

[signed]

Mario Draghi