1. Macroeconomy: Exchange Rates

Commitment [#40]:
"We will move toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals and refrain from competitive devaluation of currencies."

Seoul Summit Document

Assessment:

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina		0	
Australia			+1
Brazil		0	
Canada			+1
China		0	
France			+1
Germany			+1
India			+1
Indonesia		0	
Italy			+1
Japan			+1
Korea		0	
Mexico			+1
Russia			+1
Saudi Arabia		0	
South Africa		0	
Turkey		0	
United Kingdom			+1
United States			+1
European Union			+1
Average Score	+0.7		

Commitment Features:
This commitment requires G20 member states to avoid devaluing their currencies and instead to allow their markets to have more influence in setting their respective foreign exchange rates. Countries generally devalue their currencies in order to increase exports and domestic employment. The commitment calls for an end to a "currency war," in which countries devalue their currencies and commits the G20 members to promote policies that enhance exchange rate flexibility. Members pledged to be vigilant against excess volatility and disorderly movements in exchange rates.[6] During the Seoul Summit, G20 leaders agreed to the Seoul Action Plan, which promoted a move towards more market-determined exchange rates.[7]

[6] Asia-Pacific leaders promise to refrain from competitive currency devaluation, Japan Times (Kyodo) 15 November 2010. Date of Access: 25 January 2011. http://search.japantimes.co.jp/cgi-bin/nb20101115a1.html
[7] G20 Leaders Agree to Refrain from 'Devaluing' Currency, Business World (Seoul) 12 November 2010. Date of Access: 27 December 2010. http://www.businessworld.in/bw/2010_11_12_G20_Agree_To_Refrain_From_Devaluing_Currency.html

Market-determined exchange rate or a floating exchange rate: An exchange rate with no government or central bank action to keep it stable. In a pure or "clean" float there is no government or central bank intervention at all in the foreign exchange market, and determination of the exchange rate is left to market forces.[8]

Devaluation: Officially announced lowering in the value of the domestic currency relative to foreign currencies, usually as a means of correcting balance of payment deficit, at least temporarily.[9]

Scoring Guidelines:

-1	Member does not make progress in moving toward a more market-determined exchange rate AND does not refrain from competitive devaluation of its currency.
0	Member makes progress in moving toward a more market-determined exchange rate OR member refrains from competitive devaluation of its currency.
+1	Member moves toward a more market-determined exchange rate AND refrains from competitive devaluation of its currency.

Argentina: 0

Argentina has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Argentina has made progress in moving toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

The Argentine Central Bank's Inflation Report for the second quarter of 2011 notes, "the Central Bank of Argentina (BCRA) is implementing a monetary and exchange rate policy that, on the one hand, regulates the means of payment and seeks to reduce the exchange rate volatility and, on the other, promotes international reserves accumulation, with the purpose of deepening monetization levels and bank lending."[10] This policy involves the use of sterilization of capital inflows through the sale of bonds and other financial instruments; in the second quarter of 2011, the Argentine Central Bank sterilized over US 10.9 billion in funds to balance currency supply and demand.[11]

However, the second quarter Inflation Report also notes that the Argentine Central Bank has avoided using nominal appreciation of the peso to counterbalance inflationary pressure from rising commodity and food prices, due to potential macroeconomic consequences.[12] The report noted that Argentina, like many Latin American economies, faces a dilemma with respect to using monetary policy to counteract inflationary pressure, since increased interest rates might attract speculative and destabilizing capital inflows.[13]

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[8] John Black, Nigar Hashimzade, Gareth D. Myles. Oxford Dictionary of Economics. Oxford University Press US, 2009. Page 174.
[9] John Black, Nigar Hashimzade, Gareth D. Myles. Oxford Dictionary of Economics. Oxford University Press US, 2009. Page 115
[10] Inflation Report – First Quarter 2011, [Argentina] March 2011. Date of Access: March 30th 2011. http://www.bcra.gov.ar/index_i.htm → Click Inflation Report → Select: 2nd Quarter of 2011 → Click See.
[11] Inflation Report – First Quarter 2011, [Argentina] March 2011. Date of Access: March 30th 2011. http://www.bcra.gov.ar/index_i.htm → Click Inflation Report → Select: 2nd Quarter of 2011 → Click See.
[12] Inflation Report – First Quarter 2011, [Argentina] March 2011. Date of Access: March 30th 2011. http://www.bcra.gov.ar/index_i.htm → Click Inflation Report → Select: 2nd Quarter of 2011 → Click See.
[13] Inflation Report – First Quarter 2011, [Argentina] March 2011. Date of Access: March 30th 2011. http://www.bcra.gov.ar/index_i.htm → Click Inflation Report → Select: 2nd Quarter of 2011 → Click See

Thus Argentina has been awarded a score of 0 for partial compliance with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Nayma Hasan

Australia: +1

Australia has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 5 May 2011, the Reserve Bank of Australia (RBA) released a Statement on Monetary Policy. The central bank stated that further tightening of monetary policy is "likely to be required at some point for inflation to remain consistent with the 2-3 percent medium-term target." The RBA announced that it would prepare for the expected "challenging" economic environment by setting policy to ensure a continuation of the low and stable inflation that has made an important contribution to Australia's strong economic performance over the past two decades.[14] The RBA has kept the cash rate on hold at 4.75% since it was last raised by a quarter of a percentage point in November 2010.[15]

Thus Australia has been awarded a score of +1 for full compliance with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Ivana Jankovic

Brazil: 0

Brazil has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Brazil has partially fulfilled its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

Brazil adopted a floating exchange rate in 1999. Since then, Brazil's economy has grown rapidly and capital inflows have increased, leading to inflationary pressure as well as upward pressure on the Brazilian real, by some estimates up to 40% in the past two years.[16]

In a 16 April 2011 statement to the International Monetary and Financial Committee in Washington D.C., Brazilian Finance Minister Guido Mantega pointed to advanced economies' expansionary monetary policy and export-driven economic recovery plans as factors that lead emerging economies like Brazil to use capital controls to protect themselves from volatile capital flows and overvalued exchange rates.[17] Minister Mantega insisted that "Brazil, for one, is doing

[14] Statement on Monetary Policy: Overview. Reserve Bank of Australia. 3 February 2011. Date of Access: 10 April 2011. http://www.rba.gov.au/publications/smp/2011/may/pdf/overview.pdf

[15] Dollar higher, bonds weaker at noon. Herald Sun. 13 May 2011. Date of Access: 15 May 2011. http://www.heraldsun.com.au/business/australian-dollar/dollar-higher-bonds-weaker-at-noon/story-fn7j1bhl-1226055354369

[16] Brazil Imposes Tax to Restraint the Real, Financial Times (London) 29 March 2011. Date of Access 7 June 2011. http://www.ft.com/intl/cms/s/0/30d6e586-5a4b-11e0-8367-00144feab49a.html#axzz1Oc3ugGZE

[17] Statement by Mr. Guido Mantega Minister of Finance of Brazil On Behalf of the Constituency comprising Brazil, Colombia, Dominican Republic,Ecuador, Guyana, Haiti, Panama, Suriname and Trinidad and Tobago, International Monetary and Finance Committee (Washington) 14 April 2011. Date of Access 7 June 2011. http://www.imf.org/External/spring/2011/imfc/statement/eng/bra.pdf

and will continue to do whatever it thinks is necessary and adequate to its circumstances to face the challenges arising from large and volatile capital flows."[18]

In the past year, Brazil has taken active policy action to slow the appreciation of the real. On 29 March, the Brazilian government announced an increase – to 6% – in taxes on international bond sales and loans with average minimum one-year maturities.[19] In January 2011 The Brazilian central bank set reserve requirements for Brazilian banks' holdings of short dollar positions and also purchased dollars in foreign exchange markets for the first time in twenty-one months.[20]

Thus Brazil has been awarded a score of 0 for partial compliance with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Kenson Tong

Canada: +1

Canada has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 17 March 2011, the G7 Finance Ministers and Central Bank Governors released a statement to address the dramatic events in Japan. The finance ministers expressed solidarity with the Japanese people. In response to the movements in the exchange rate of the yen resulting from the tragic events, the authorities of the United States, the United Kingdom, Canada, and the European Central Bank announced that they would join with Japan, on 18 March 2011, in concerted intervention in exchange markets. They said, "As we have long stated, excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[21]

On 26 March 2011, Bank of Canada Governor Mark Carney presented at the Annual Meeting of the Inter-American Development Bank in Alberta. Governor Carney proposed a global code of conduct for capital flows. He said, "our long-term objective should be a well-functioning international monetary system that delivers sufficient nominal stability in exchange rates and domestic prices, with timely adjustment to shocks and structural change."[22]

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[18] Statement by Mr. Guido Mantega Minister of Finance of Brazil On Behalf of the Constituency comprising Brazil, Colombia, Dominican Republic,Ecuador, Guyana, Haiti, Panama, Suriname and Trinidad and Tobago, International Monetary and Finance Committee (Washington) 14 April 2011. Date of Access 7 June 2011. http://www.imf.org/External/spring/2011/imfc/statement/eng/bra.pdf

[19] Brazil Imposes 6% Tax on International Bonds Due to Curb Real Appreciation, Bloomberg (New York) 29 March 2011. Date of Access 7 June 2011. http://www.bloomberg.com/news/2011-03-29/brazil-imposes-6-tax-on-international-bond-sales-to-curb-real-s-advance.html

[20] Brazil Imposes 6% Tax on International Bonds Due to Curb Real Appreciation, Bloomberg (New York) 29 March 2011. Date of Access 7 June 2011. http://www.bloomberg.com/news/2011-03-29/brazil-imposes-6-tax-on-international-bond-sales-to-curb-real-s-advance.html

[21] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[21]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[22] Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

Governor Carney proposed a code of conduct for capital flows that included four elements: a clear objective to promote a sustainable and effective flow of private capital; a decision framework that recognizes that capital controls should not be the first option; principles to guide the design of temporary, targeted and transparent measures; and, recognition of the responsibilities of capital-exporting countries to monitor risks.

Thus Canada has been awarded a score of +1 for full compliance with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Ivana Jankovic

China: 0

China has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. China has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

On 27 May 2011 the United States Treasury Department of the Treasury released a Report to Congress on International Economic and Exchange Rate Policies, which included a report on Chinese exchange rate policy. The report noted that China has allowed the yuan to appreciate against the dollar roughly 9% in real terms since it announced its intention to do so before the Toronto G20 Summit in June 2010.[23] However, the report also noted "a more rapid pace of nominal appreciation would enable China to achieve the needed adjustment in the real value of its currency, while simultaneously reducing inflationary pressures in its economy."[24]

From 18-21 January 2011, President Hu Jintao met with United States President Barack Obama in Washington. The meeting produced the "China-U.S Joint Statement" which outlines several commitments by each country, including a commitment to build a comprehensive and mutually beneficial economic partnership. China committed to "continue to promote RMB exchange rate reform, enhance RMB exchange rate flexibility, and promote the transformation of its economic development model."[25]

China's central bank has recently used monetary policy to address rising inflation, indicating that it is willing to adopt a more flexible monetary and exchange policy. On 30 May 2011 the yuan traded at a record high rate for the third day in a row, indicating a potential new round of appreciation by Chinese authorities.[26] The yuan previously hit a 32-month high rate in March 2011.[27]

[23] Report to Congress on International Economic and Exchange Rate Policies, United States Treasury Department (Washington) 27 May 2011. Date of Access 7 June 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%20Final%205-27-11.pdf

[24] Report to Congress on International Economic and Exchange Rate Policies, United States Treasury Department (Washington) 27 May 2011. Date of Access 7 June 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%20Final%205-27-11.pdf

[25] China-U.S. Joint Statement (Washington). Ministry of Foreign Affairs of the People's Republic of China. 20 January 2011. Date of Access: 22 April 2011. http://www.fmprc.gov.cn/eng/zxxx/t788173.htm

[26] Yuan hits record high on central bank guidance, Reuters 30 May 2011. Date of Access 7 June 2011. http://www.reuters.com/article/2011/05/30/markets-china-yuan-midday-idUSL3E7GU09N20110530

[27] Yuan hits record high on central bank guidance, Reuters 30 May 2011. Date of Access 7 June 2011. http://www.reuters.com/article/2011/05/30/markets-china-yuan-midday-idUSL3E7GU09N20110530

Over recent months, China has introduced a number of additional measures as part of the incremental easing of restrictions on the convertibility of the renminbi and its use by foreigners: exporters are able to keep foreign exchange income offshore without converting it back into renminbi; and, under a pilot scheme announced by the People's Bank of China, mainland enterprises can conduct direct overseas investment using renminbi. At the same time, domestic banks are now required to maintain a minimum foreign exchange position set at the level held on 8 November 2010.[28]

However, Chinese officials have released statements that indicate that exchange rate reform will be gradual and in line with Chinese economic objectives. On 14 January 2011, Cui Tiankai, a vice foreign minister reiterated that China will not concede to foreign demands for faster gains in the yuan and will instead continue its gradualist approach to currency reform. Tiankai noted that, "reform of the exchange rate formation mechanism for the renminbi … is based on China's own developmental interests and needs, and is not in response to demands from another country."[29]

Thus China has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Kenson Tong & Ivana Jankovic

France: +1

France has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

France is a member of the European Union, the economic and political alliance of 27 European member states. The EU prohibits the devaluation of currencies thus France is unable to engage in the process without risking its membership in the organization.[30] The European Central Bank manages the foreign exchange reserves and can intervene in foreign exchange markets to influence the exchange rate of the euro.[31]

On 18 March 2011, France, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[32]

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[28] China Yuan Down Late After Central Bank Guides Currency Lower, The Wall Street Journal (Shanghai) 12 May 2011. Date of Access: 12 May 2011. http://online.wsj.com/article/BT-CO-20110512-706443.html

[29] China defends Yuan policy ahead of Hu's U.S. trip. Reuters (Beijing). 14 January 2011. Date of Access: 22 April 2011. http://www.reuters.com/article/2011/01/14/us-china-usa-hu-idUSTRE70D16E20110114

[30] Euro, New York Times Topics (New York). 5 February 2011. Date of Access: 27 February 2011. http://topics.nytimes.com/top/reference/timestopics/subjects/c/currency/euro/index.html?scp=1&sq=italy%20currency%20devaluation&st=cse

[31] Foreign Exchange Operations, European Central Bank (EU). Date of Access: 27 March 2011. http://www.ecb.int/ecb/orga/tasks/html/foreign-exchange.en.html

[32] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[32]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

On 18-19 February 2011, France hosted the G20 finance ministers and heads of the central banks of the G20 member states. During the meeting, President Nicolas Sarkozy reiterated France's commitment to market-determined exchange rates. President Sarkozy noted that his priorities as host of the 2011 G8 and G20 Summits include "moving toward more market-determined exchange rate systems, enhancing exchange rate flexibility to reflect underlying economic fundamental and refraining from competitive devaluation of currencies and assessing the state of global financial imbalances."[33]

Thus France has been awarded a score of +1 for complying with its commitment to move toward a market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Ivana Jankovic

Germany: +1

Germany has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 18 March 2011, Germany, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[34]

Germany is a member of the European Union, the economic and political alliance of 27 European member states. The EU prohibits the devaluation of currencies thus Germany is unable to engage in the process without risking its membership in the organization.[35] The European Central Bank manages the foreign exchange reserves and can intervene in foreign exchange markets to influence the exchange rate of the euro.[36]

Thus Germany has been awarded a score of +1 for complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Jason Li

India: +1

India has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

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[33] Nicolas Sarkozy's Speech to the G20 Ministers of Finances, French G8-G20 Presidency (Paris) 18 February 2011. Date of Access 7 June 2011. http://www.g20-g8.com/g8-g20/g20/english/for-the-press/speeches/nicolas-sarkozy-s-speech-to-the-g20-ministers.971.html

[34] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[34]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[35] Euro, New York Times Topics (New York). 5 February 2011. Date of Access: 27 February 2011. http://topics.nytimes.com/top/reference/timestopics/subjects/c/currency/euro/index.html?scp=1&sq=italy%20currency%20devaluation&st=cse

[36] Foreign Exchange Operations, European Central Bank (EU). Date of Access: 27 March 2011. http://www.ecb.int/ecb/orga/tasks/html/foreign-exchange.en.html

On 10 May 2011, Reserve Bank of India Governor Duvvuri Subbarao said that the exchange rate of the Indian rupee has been flexible over the past two years and that the central bank has not intervened in the currency market.[37] Governor Subbarao said that the RBI's policy of foreign exchange management has permitted the exchange rate to act as a buffer in that it depreciates to help the economy when it is weak and appreciate to reduce excess demand when it is strong. Governor Subbarao also stated, "the policy has also minimized the danger that foreign inflows would be attracted by 'one-way bets' on appreciation, or that domestic firms would borrow excessively from abroad without hedging their exposure."[38]

Governor Subbarao also affirmed that the choice to nurture a floating exchange rate is in India's "collective interests."[39] Further, the Reserve Bank of India vowed to "not be part of currency wars" and to have exchange rates "determined by market fundamentals."[40]

Thus India has been awarded a score of +1 for complying with its commitment to move toward a more market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Natasha Britto

Indonesia: 0

Indonesia has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Indonesia has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

The Bank of Indonesia's main functions are to maintain "a stable rupiah for goods and services, reflected by the inflation rate and also exchange rate stability against other foreign currencies, which is reflected by rupiah performance against other foreign currencies."[41] Since the Seoul Summit, the Bank of Indonesia has implemented several new policies intended to control short-term foreign capital flows, including placing limits on Indonesian banks' short-term external borrowing to no more than 30% of the banks' capital.[42]

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[37] India's Capital Inflow Concerns East, The Wall Street Journal. 10 May 2011. Date of Access: 20 May 2011. http://online.wsj.com/article/SB10001424052748703864204576314762448606074.html?mod=WSJ_topics_obama

[38] India's Capital Inflow Concerns East, The Wall Street Journal. 10 May 2011. Date of Access: 20 May 2011. http://online.wsj.com/article/SB10001424052748703864204576314762448606074.html?mod=WSJ_topics_obama

[39] India Will Not Be Part of Currency Wars, The Times of India (Mumbai) 25 February 2011. Date of Access: 15 March 2011. http://timesofindia.indiatimes.com/business/india-business/India-will-not-be-part-of-currency-wars-Subbarao/articleshow/7566505.cms.

[40] India Will Not Be Part of Currency Wars, The Times of India (Mumbai) 25 February 2011. Date of Access: 15 March 2011. http://timesofindia.indiatimes.com/business/india-business/India-will-not-be-part-of-currency-wars-Subbarao/articleshow/7566505.cms.

[41] Status of the Bank of Indonesia. Bank of Indonesia. Date of Access: 24 March 2011. http://www.bi.go.id/web/id/

[42] 2010 Economic Report on Indonesia, Bank of Indonesia (Jakarta) 6 May 2011. Date of Access 8 June 2011. http://www.bi.go.id/NR/rdonlyres/365FA82B-A53E-40C6-A609-436E8D5BB2AF/22918/ChapterIV1.zip

Thus Indonesia has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Gaston Alegre

Italy: +1

Italy has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Italy is a member of the European Union, the economic and political alliance of 27 European member states. The EU prohibits the devaluation of currencies thus Italy is unable to engage in exchange rate intervention without risking its membership in the organization.[43]

On 18 March 2011, Italy, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[44]

Thus Italy has been awarded a score of +1 for complying its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Irene Noemy-Magharian

Japan: +1

Japan has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 27 May 2011 the United States Treasury Department of the Treasury released a Report to Congress on International Economic and Exchange Rate Policies, which included a report on Japanese exchange rate policy. The report notes that "Japan maintains a floating exchange rate regime, but its authorities have intervened in the past, both individually and jointly with the G7 to counter disorderly conditions in the market. Japanese authorities recently have intervened twice in foreign exchange markets, once alone on September 15, 2010, and jointly with the G7 on March 18, 2011."[45]

On 18 March 2011, Japan requested assistance from G7 finance ministers to prevent undue appreciation of the yen in the wake of the earthquake and tsunami in early March. In response, G7 finance ministers organized a coordinated intervention in foreign currency markets to stabilize the yen. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly

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[43] Euro, New York Times Topics (New York). 5 February 2011. Date of Access: 27 February 2011. http://topics.nytimes.com/top/reference/timestopics/subjects/c/currency/euro/index.html?scp=1&sq=italy%20currency%20devaluation&st=cse

[44] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[44]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[45] Report to Congress on International Economic and Exchange Rate Policies, United States Treasury Department (Washington) 27 May 2011. Date of Access 7 June 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%20Final%205-27-11.pdf

movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[46]

The Bank of Japan continues to maintain a loose monetary policy, with interest rates ranging between 0 and 0.1. This policy is likely to continue until the current trend of low levels of inflation begins to improve. Furthermore, the Japanese central bank has engaged in USD265 billion in open market operations to calm markets since the earthquake and tsunami in early March. Japanese Minister of Finance Yoshihiko Noda has acknowledged that Japan's loose monetary policy could weaken the yen but this is not competitive devaluation but currency depreciation in response to underlying market conditions.[47]

Thus Japan has been awarded a score of +1 for complying its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Gaston Alegre

Korea: 0

Korea has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Korea has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

On 27 May 2011 the United States Treasury Department of the Treasury released a Report to Congress on International Economic and Exchange Rate Policies, which included a report on Korean exchange rate policy. The report notes that "Korea officially maintains a market-determined exchange rate, and its authorities intervene with the stated objective of smoothing won volatility."[48] The report also noted that the results of a 2010 IMF consultation with Korea indicated that the won was 5 to 20% undervalued relative to its real equilibrium level.[49]

Korean officials have actively intervened against appreciation of the won in the months since the Seoul Summit. In December 2010, Korea introduced a new tax on foreign borrowing by Korean

[46] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[46]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[47] Bank of Japan Adds 5 Trillion Yen Through One-Day Operation, Bloomberg Business. 16 March 2011. Date of Access: 20 March 2011. http://www.businessweek.com/news/2011-03-16/bank-of-japan-adds-5-trillion-yen-through-one-day-operation.html

[48] Report to Congress on International Economic and Exchange Rate Policies, United States Treasury Department (Washington) 27 May 2011. Date of Access 7 June 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%20Final%205-27-11.pdf

[49] Report to Congress on International Economic and Exchange Rate Policies, United States Treasury Department (Washington) 27 May 2011. Date of Access 7 June 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%20Final%205-27-11.pdf

banks in an effort to curb appreciation of the won.[50] Moreover, by March 10th 2011 Korean foreign reserves had hit a record value of US 296 billion.[51]

However, Korea has balanced its goal of curbing currency appreciation with policies targeting inflation. On 14 January 2011, the Bank of Korea followed Chinese, Taiwanese, and Thai central banks by raising interest rates by a quarter percent in an effort to address inflation.[52]

Thus Korea has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Gaston Alegre

Mexico: +1

Mexico has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 10 February 2011, Mexican Finance Minister Ernesto Cordero stated that, "in Mexico we respect the rules of the foreign exchange market. We do not intervene in it and we will remain like that… Mexico's exporting strength does not depend on our currency."[53] This comment was a response to complaints from Mexican exporters lobbying for a weaker peso. As Mexico continues to grapple with various economic challenges such as 'surging money inflows,' it continues to abide by free trade principles established in the North American Free Trade Agreement.. Specifically, NAFTA investment rules "prohibit the use of capital controls, based on the notion that the free trade market should rule the international financial system."[54]

On 21 March 2011, Cordero again reiterated Mexico's commitment to market-determined exchange rates when he stated that, "we're not intervening in the market… Mexico is opposed to capital controls."[55] In a report released on 17 March 2011 by the Credit Suisse Group, Chief Latin American economist Alonso Cervera wrote that, "Mexico will likely continue to stand out as a country that is unwilling to fight aggressively with current market forces."[56]

Cordero was present on 27 March 2011 at the Inter- American Development Bank annual meeting in Canada. The IADB is a unique bank whose shareholders include 48 countries

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[50] SKorea announces levy on bank foreign borrowing, Agence-France Presse 19 December 2010. Date of Access 7 June 2011. http://www.google.com/hostednews/afp/article/ALeqM5gBGVOBhG7Y0i-QNNZCk4Og1Eo9iA?docId=CNG.e152c6d2ed379078cb131dacb3e4b27a.6e1

[51] World Business Quick Take, Taipei Times. 4 March 2011. Date of Access: 20 April 2011. http://www.taipeitimes.com/News/biz/archives/2011/03/04/2003497295

[52] South Korea raises interest rates: Enter the "war on inflation, The Economist. 14 January 2011. Date of Access: 1 May 2011. http://www.economist.com/blogs/asiaview/2011/01/south_korea_raises_interest_rates

[53] Update 1- Mexico finance minister rules out FX intervention, Reuters (New York). 10 February 2011. Date of Access: 27 March 2011. http://www.reuters.com/article/2011/02/10/mexico-economy-cordero-idUSN1029338520110210

[54] Mexico's Hot Money Challenge, Epoch Times (New York). 6 March 2011. Date of Access: 27 March 2011. http://www.theepochtimes.com/n2/opinion/mexicos-hot-money-challenge-52467.html

[55] Mexico Considers Raising Frequency, Amount of Dollar Options, Cordero Says, Bloomberg (New York). 21 March 2011. Date of Access: 27 March 2011. http://www.bloomberg.com/news/2011-03-21/mexico-considers-raising-frequency-amount-of-dollar-options-cordero-says.html

[56] Mexico Considers Raising Frequency, Amount of Dollar Options, Cordero Says, Bloomberg (New York). 21 March 2011. Date of Access: 27 March 2011. http://www.bloomberg.com/news/2011-03-21/mexico-considers-raising-frequency-amount-of-dollar-options-cordero-says.html

(including Mexico) that seek creative poverty reduction policies through various developmental schemes in Latin America and the Caribbean.[57] During the meeting Cordero announced that "we [Mexico] haven't imposed any type of capital control, nor will we."[58]

Thus Mexico has been awarded a score of +1 for complying its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Irene Noemy-Magharian

Russia: +1

Russia has complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

On 12 November 2010, the Bank of Russia board of directors approved the Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013. According to this document, the Bank of Russia will scale down its intervention in the exchange rate determination process and prepare economic agents for floating exchange rate conditions. Moreover, the Central bank will not hamper the development of market-based exchange rate trends caused by fundamental changes in the economy.[59]

On 1 March 2011, the Russian Central bank widened the floating bad for its bi-currency basket to 5 rubles from 4 rubles and cut the maximum currency intervention volume within the floating band to USD600 million from USD650 million.[60]

Russian authorities have refrained from competitive devaluation of the ruble. From 1 November 2010 to 1 July 2011 Russian ruble exchange rate to the US dollar increased by 10.8%[61] and by 6% to the euro.[62]

On 23 December 2010, the Chairman of the Russian Central bank said that the Central bank interventions mechanism is designed only for preventing sharp fluctuations of the ruble's exchange rate.[63]

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[57] About the Inter-American Development Bank, Inter-American Development Bank (Washington). Date of Access: 27 March 2011. http://www.iadb.org/en/about-us/about-the-inter-american-development-bank,5995.html

[58] Mexico Finance Minister: Sees US Interest Rates Holding Steady, FoxBusiness (Calgary). 27 March 2011. Date of Access: 27 March 2011. http://www.foxbusiness.com/industries/2011/03/27/mexico-finance-minister-sees-rates-holding-steady/

[59] Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013, Bank of Russia (Moscow) 12 November 2010. Date of Access: 4 April 2011. http://cbr.ru/eng/today/publications_reports/on_11-eng.pdf.

[60] On Implementation of the Exchange Rate Policy of the Bank of Russia, Bank of Russia (Moscow) 1 March 2011. Date of Access: 4 April 2011. http://cbr.ru/Press/Archive_get_blob.asp?doc_id=110301_1813501.htm.

[61] RUB/USD Basic Chart, Yahoo! Finance. Date of Access: 4 April 2011. http://finance.yahoo.com/q/bc?s=RUBUSD=X&t=1y.

[62] RUB/EUR Basic Chart, Yahoo! Finance. Date of Access: 4 April 2011. http://finance.yahoo.com/q/bc?s=RUBEUR=X&t=1y.

[63] Interview of the Bank of Russia chairman Sergey Ignatiev to Kommersant Newspaper, Bank of Russia (Moscow), 23 December 2010. Date of Access: 4 April 2011. http://www.cbr.ru/search/print.asp?File=/press/press_centre/ignatiev_kommersant-23122010.htm.

Thus Russia has been awarded a score of +1 for taking measures to make its exchange-rate system more flexible, and has avoided competitive devaluation of the ruble.

Analyst: Andrey Shelepov

Saudi Arabia: 0

Saudi Arabia has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Saudi Arabia has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

On 16 February 2011, Muhammad Al Jasser, head of Saudi Arabian Monetary Agency, stated that the riyal has been pegged to the dollar, and will continue to remain that way as foreign exchange reserves are an important part of Saudi Arabia's countercyclical policy, and the government draws down on the reserves to increase spending when the economy faces a downturn.[64]

On the requirements set by the Supreme Council of the GCC countries [in Bahrain December 2000], Saudi Arabia continues to keep its currency pegged to the US dollar as an anchor, in preparation of creating a unified currency.[65]

Thus Saudi Arabia has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Nayman Hassan

South Africa: 0

South Africa has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. South Africa has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

South Africa's current exchange rate is determined by forces in the exchange market; this policy is supported by the South African Reserve Bank.[66] On 10 February 2011, South African President Jacob Zuma addressed the South African Parliament. In his speech, the President stated, "Concerns about the exchange rate have been taken to heart. Exchange rate control reforms…are being implemented."[67]

South African Finance Minister Pravin Gordhan followed up on the President's statement in the 28 February 2011 Budget Speech, where he outlined the policies announced and implemented by

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[64] Dollar peg serves Saudi Arabia well – c.bank governor, Reuters Africa (Oxford) 16 February 2011. Date of Access: 30 March 2011. http://af.reuters.com/article/energyOilNews/idAFLDE71F2KY20110216?sp=true.

[65] Saudi Arabian Monetary Agency – Forty Sixth Annual report (Saudi Arabia) August 2010. Date of Access: 29 March 2011. http://www.sama.gov.sa/sites/samaen/ReportsStatistics/ReportsStatisticsLib/5600_R_Annual_EN_2010_11_14.pdf

[66] IMF SA supports flexible exchange rates, BusinessLive. 24 November 2010. Date of Access: 27 March 2011. http://www.businesslive.co.za/southafrica/sa_markets/2010/11/24/imf-sa-rep-supports-flexible-exchange-rates

[67] State of the National Address by President Jacob Zuma, (Cape Town). 10 February 2011. Date of Access 27 March 2011. http://southafricahouseuk.com/documents/statnat.pdf

the South African Reserve Bank since October 2010 to protect the rand from destabilizing capital flows:

> "Recognising the impact of rand strength on the manufacturing industry, in particular, we announced measures in October to moderate the potential effect of capital inflows. Foreign exchange regulations were amended to permit greater foreign investment by South African institutions. Stepped up foreign exchange purchases by the Reserve Bank have partially offset upward pressures on the rand. As a result of these policy adjustments, and in line with shifts in investor sentiment globally, the rand depreciated from December 2010 to mid- February 2011 by about 10 percent against the US dollar, the euro and sterling."[68]

Gordhan also noted that rapid currency depreciation can be disruptive to macroeconomic stability and industrial capacity, and insisted that South African currency policy aims primarily to prevent exchange rate fluctuation.[69]

However, as recently as February 2011, South Africa, among other developing G20 nations such as Brazil, has continued to discuss advantages of competitive devaluation as means of continuing economic growth.[70] There appears to be a reversal of this position in late February 2011 as Brazil and South Africa contend that a stronger currency is useful in combating increasingly higher inflation rates.[71]

Thus South Africa has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Irene Noemy-Magharian

Turkey: 0

Turkey has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. Turkey has made progress toward fulfilling its commitment to move toward a market-determined exchange rate system and has refrained from competitive devaluation of its currency.

On 22 April 2011, Turkey's central bank governor Erdem Basci announced the bank's decision to keep Turkey's interest rate at a record low.[72]

On 28 April 2011, the central bank released a Summary of the Monetary Policy Committee Meeting. The central bank stated that Turkey's monetary policy would continue to focus on price

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[68] National Budget Speech, South African National Treasury (Pretoria) 28 February 2011. Date of Access 7 June 2011. http://www.treasury.gov.za/documents/national%20budget/2011/speech/speech2011.pdf

[69] National Budget Speech, South African National Treasury (Pretoria) 28 February 2011. Date of Access 7 June 2011. http://www.treasury.gov.za/documents/national%20budget/2011/speech/speech2011.pdf

[70] Has inflation put an end to currency wars? The Voice of Russia (Moscow). 2 March 2011. Date of Access: 27 March 2011. http://english.ruvr.ru/2011/03/02/46832615.html

[71] Currency wars retreat as fighting inflation makes emerging markets winners, Bloomberg (New York). 28 February 2011. Date of Access: 27 February 2011. http://www.bloomberg.com/news/2011-02-28/currency-wars-retreat-as-fighting-inflation-makes-emerging-markets-winners.html

[72] Turkish Central Bank Holds Rate at Record Low, The Wall Street Journal (Istanbul) 22 April 2011. Date of Access: 1 May 2011. http://online.wsj.com/article/SB10001424052748704071704576277040019296486.html?mod=googlenews_wsj

stability. It noted, "Strengthening the commitment to fiscal discipline and structural reform agenda in the medium term would support the improvement of Turkey's sovereign risk, and Thus facilitate macroeconomic and price stability." The report also went on the state that "sustaining the fiscal discipline will also provide more flexibility for monetary policy and support social welfare by keeping interest rates permanently at low levels." The report concluded by noting that the implementation of the structural reforms envisaged by the European Union accession process remains "to be of utmost importance."[73]

The central bank has moved to accelerate reserve accumulation to contribute to financial stability in order to "be able to adapt to the rapidly changing structure of capital flows."[74] Moreover, the central bank successfully terminated the fees of Turkish lira required reserves and effectively redrew "the operational structure of liquidity management[75] to direct capital inflows driven by global fiscal expansion to "investment instruments with longer maturities."[76] The objective was to "continue to implement the floating exchange rate regime in 2011."[77]

Thus Turkey has been awarded a score of 0 for partially complying with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Natasha Britto

United Kingdom: +1

The United Kingdom has complied with its commitment to move toward a more market-determined exchange rate system and to refrain from competitive devaluation of its currency.

The United Kingdom releases monthly press notices detailing movements in the UK's official holdings on international reserves, which consist of gold, foreign currency assets and International Monetary Fund assets. These reserves are used to intervene to support the Sterling and the Bank's monetary policy objectives. In its press notices for December 2010,[78] January 2011[79] and February 2011,[80] the Bank announced that no intervention operations were undertaken.

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[73] Summary of the Monetary Policy Committee. Central Bank of the Republic of Turkey. 28 April 2011. Date of Access: 28 April 2011. www.tcmb.gov.tr/yeni/eng/

[74] Monetary and Exchange Rate Policy for 2011, Central Bank of the Republic of Turkey (Ankara) 21 December 2010. Date of Access: 15 March 2011. http://www.tcmb.gov.tr/yeni/announce/2010/Mon_Exc_Pol_2011.pdf.

[75] Monetary and Exchange Rate Policy for 2011, Central Bank of the Republic of Turkey (Ankara) 21 December 2010. Date of Access: 15 March 2011. http://www.tcmb.gov.tr/yeni/announce/2010/Mon_Exc_Pol_2011.pdf.

[76] Monetary and Exchange Rate Policy for 2011, Central Bank of the Republic of Turkey (Ankara) 21 December 2010. Date of Access: 15 March 2011. http://www.tcmb.gov.tr/yeni/announce/2010/Mon_Exc_Pol_2011.pdf.

[77] Monetary and Exchange Rate Policy for 2011, Central Bank of the Republic of Turkey (Ankara) 21 December 2010. Date of Access: 15 March 2011. http://www.tcmb.gov.tr/yeni/announce/2010/Mon_Exc_Pol_2011.pdf.

[78] UK Official Holdings of International Reserves February 2011, HM Treasury (United Kingdom) 3 March 2011. Date of Access: 26 March 2011. http://www.hm-treasury.gov.uk/d/pn_26_11.pdf

[79] UK Official Holdings of International Reserves February 2011, HM Treasury (United Kingdom) 3 March 2011. Date of Access: 26 March 2011. http://www.hm-treasury.gov.uk/d/pn_26_11.pdf

[80] UK Official Holdings of International Reserves February 2011, HM Treasury (United Kingdom) 3 March 2011. Date of Access: 26 March 2011. http://www.hm-treasury.gov.uk/d/pn_26_11.pdf

On 18 March 2011, the United Kingdom, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[81]

Thus the UK was awarded a score of +1 for complying with its commitment to move toward a more market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Jason Li

United States: +1

The United States has fully complied with its commitment to move toward a more market-determined exchange rate system and to refrain from competitive devaluation of its currency.

The Treasury announced that in January 2011, the dollar declined by 1.1 against other major currencies and 0.3% against the OITP currencies.[82] The decline of the dollar was attributed to growing foreign economies. The Monetary Policy Report to the Congress, released 1 March 2011, also states the stabilization of Europe's financial situation as a reason for the dollar's weakening.[83]

On 25 February 2011, the Vice Chair of the Board of Governors of the Federal Reserve System, Janet L. Yellen, attended the University of Chicago Booth School of Business U.S. Monetary Forum. She said that monetary policies, namely to keep nominal interest rates low, deployed by the Federal Open Market Committee (FOMC) put "moderate downward pressure on the foreign exchange value of the dollar."[84]

On 26 April 2011, Treasury Secretary Timothy F. Geithner reiterated the United States' commitment to avoiding devaluation of the dollar. Secretary Geithner stated that the U.S is committed to a "strong dollar" and that it won't weaken its currency in an effort to gain an advantage over its partners. Secretary Geithner said, "Our policy has been and will always be, as long as at least I'm in this job, that a strong dollar is in our interest as a country…we will never embrace a strategy of trying to weaken our currency to try to gain economic advantage."[85]

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[81] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[81]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[82] Report to Congress on International Economic and Exchange Rate Policies, U.S. Department of the Treasury Office of International Affairs (United States) February 2011. Date of Access: 26 March 2011. http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20February%204%202011.pdf

[83] Monetary Policy Report to the Congress, Board of Governors of the Federal Reserves System (United States) 1 March 2011. Date of Access: 26 March 2011. http://www.federalreserve.gov/monetarypolicy/files/20110301_mprfullreport.pdf

[84] Unconventional Monetary Policy and Central Bank Communications, Board of Governors of the Federal Reserves System (United States) 25 February 2011. Date of Access: 26 March 2011. http://www.federalreserve.gov/newsevents/speech/yellen20110225a.htm

[85] Geithner Says U.S. Will Never Weaken Dollar to Gain an Advantage in Trade, Bloomberg. 26 April 2011. Date of Access: 29 April 2011. http://www.bloomberg.com/news/2011-04-26/geithner-says-u-s-will-never-weaken-dollar-to-gain-an-advantage-in-trade.html

On 27 April 2011, Federal Reserve Chairman Ben S. Bernanke said that the federal government has decided to end its USD600 billion bond-buying program. The economic support program is scheduled to end in June. However, the Federal Reserve announced that it would continue a separate aid program: it is reinvesting about USD17 billion/month in proceeds from its portfolio of mortgage securities to buy Treasury debt.[86]

On 18 March 2011, the United States, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[87]

Thus the United States has been awarded a score of +1 for its full compliance with its commitment to move toward a more market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Jason Li

European Union: +1

The European Union has fully complied with its commitment to move toward a more market-determined exchange rate system and refrain from competitive devaluation of its currency.

On 12 May 2011, European Central Bank Executive Board member Juergen Stark said Europe's recovery is strong enough to continue without additional support from governments and the region's central bank. He stated, "The economy no longer needs fiscal or monetary policy support … Growth is increasingly self sustaining and is broad based and the first quarter was significantly stronger than expected."[88]

On 18 March 2011, the European Union, as a member of the G7, agreed to intervene in global currency markets to prevent undue appreciation of the yen in an effort coordinated by G7 finance ministers to stabilize the Japanese economy in the wake of the earthquake and tsunami in early March. In a statement, G7 Finance Ministers declared, "excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will monitor exchange markets closely and will cooperate as appropriate."[89]

[86] Fed says $600B bond program to end in June, Associated Press (Washington) 27 April 2011. Date of Access: 29 April 2011. http://news.yahoo.com/s/ap/20110427/ap_on_bi_ge/us_federal_reserve

[87] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[87]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

[88] Stark Says Euro Economy No Longer Needs Fiscal, Monetary Support, Bloomberg. 13 May 2011. Date of Access: 13 May 2011. http://www.bloomberg.com/news/2011-05-13/stark-says-euro-economy-no-longer-needs-fiscal-monetary-support.html

[89] Statement of G7 Finance Ministers and Central Bank Governors. Bank of Canada. 17 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/statement-of-g7-finance/

[89]Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization, Proposes Global Code of Conduct for Capital Flows. Bank of Canada. 26 March 2011. Date of Access: 22 April 2011. http://www.bankofcanada.ca/2011/03/press-releases/governor-mark-carney-discusses-challenges/

Thus the European Union has been awarded a score of +1 for its compliance with its commitment to move toward a more market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Ivana Jankovic