1. Macroeconomic: Exchange Rates

Commitment [#29]

"We affirm our commitment to move more rapidly to enhance exchange rate flexibility to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies…"

Los Cabos Summit Final Declaration

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina	-1		
Australia			+1
Brazil	-1		
Canada			+1
China		0	
France			+1
Germany			+1
India		0	
Indonesia			+1
Italy			+1
Japan	-1		
Korea		0	
Mexico			+1
Russia			+1
Saudi Arabia		0	
South Africa			+1
Turkey		0	
United Kingdom			+1
United States			+1
European Union			+1
Average Score		+0.45	

Background

At the 2009 Pittsburgh Summit, G20 leaders committed under the G20 Framework for Strong, Sustainable, and Balanced Growth to "undertake monetary policies consistent with price stability in the context of market oriented exchange rates that reflect underlying economic fundamentals."[4]

At the 2010 Toronto Summit leaders vowed to further enhance exchange rate flexibility, particularly in emerging markets, and declared "Market-oriented exchange rates that reflect underlying economic fundamentals contribute to global economic stability."[5]

[4] G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 24-25 September 2009. Date of Access: 7 December 2012. http://www.g20.utoronto.ca/2009/2009communique0925.html.

[5] The G20 Toronto Summit Declaration, G20 Information Centre (Toronto) 27 June 2010. Date of Access: 7 December 2012. http://www.g20.utoronto.ca/2010/to-communique.html.

At the 2010 Seoul Summit, G20 leaders agreed to the Seoul Action Plan, which promoted a move towards more market-determined exchange rates.[6] The average compliance score of the exchange rate commitment during the Seoul compliance cycle was 0.25. The commitment had the third lowest rate of compliance of all commitments profiled by the G20 Research Group during the Seoul compliance cycle.[7]

At the 2011 Cannes Summit, leaders agreed that "exchange rate volatility creates a risk to growth and financial stability" and renewed their Seoul Summit commitment to avoid persistent exchange rate misalignments and to refrain from competitive devaluation.[8]

At the 2012 Los Cabos Summit, leaders renewed the commitment from the Cannes Summit, and welcomed the commitment by China to, "allow market forces to play a larger role in determining movements in the Remnimbi (RMB), continue to reform its exchange rate regime, and to increase the transparency of its exchange rate policy."[9]

Commitment Features

This commitment requires G20 members to avoid devaluing their currencies and to allow the value of their currency to be determined by market forces. Countries generally devalue their currencies in order to increase exports and boost growth and domestic employment. The commitment calls for an end to "currency wars" in which countries devalue their currencies and commits G20 members to promoting policies that enhance exchange rate flexibility.

Market-determined exchange rate or a floating exchange rate: An exchange rate that is determined by market forces with minimal government or central bank interference affecting the value of the currency. In a pure float there is no government or central bank intervention at all in the foreign exchange market, leaving the value of the currency subject entirely to market forces.

Devaluation: Reduction in the value of the domestic currency relative to foreign currencies.

Competitive devaluation: The phenomenon wherein countries intervene in the market to aggressively devalue their currencies, often by enacting or introducing policies that exert a strong downward pressure on the currency, usually with the intent of increasing their exports to address a balance of payments deficit or to increase domestic employment.

In an economic downturn, countries often engage in practices intended to stimulate economic growth. A subsidiary effect of some growth-stimulating policies can be the exertion of a downward pressure on the national currency. These policies, if they are not intended to purposely lower the value of the national currency to increase exports, should first and foremost be interpreted as attempts to stimulate growth and not as attempts to competitively devalue the currency. Such circumstances need to be examined thoroughly on a case-by-case basis.

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[6] The G20 Seoul Summit Leaders Declaration, G20 Information Centre (Toronto) 12 November 2010. Date of Access: 7 December 2012. http://www.g20.utoronto.ca/2010/g20seoul.html.
[7] 2010 Seoul G20 Summit Final Compliance Report, G20 Information Centre (Toronto) 6 November 2011. Date of Access: 7 December 2012.
http://www.g20.utoronto.ca/compliance/2010seoul-final/index.html.
[8] Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All, G20 Information Centre (Toronto) 4 November 2011. Date of Access: 7 December 2012.
http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html
[9] G20 Leaders Statement: Los Cabos Summit, G20 Information Centre (Toronto) 18-19 June 2012. Date of Access: 7 December 2012.
http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html

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 refrains from competitive devaluation of its currency.
+1	Member makes progress in moving toward a more market-determined exchange rate AND refrains from competitive devaluation of its currency.

G20 Research Group Chair: Ava-Dayna Sefa
Co-director of Compliance: Krystel Montpetit
Lead Analyst: Nanayaa Appenteng

Argentina: -1

Argentina has not complied with its commitment of moving toward a market-determined exchange rate and refraining from competitive devaluation of its currency.

Since the 2012 Los Cabos Summit, the Argentine government has continually extended its control on the foreign exchange market and imports, leading to a slow depreciation of its official currency rate and multiple currency rate system, including black market rate and credit and debit purchase rate. Although the Argentine government has attempted to help exporters through slowly depreciating the peso, the tense control on foreign currency, especially U.S. dollar, has resulted in the peso being overvalued in comparison to the market-determined rate.

On 4 January 2013, with official exchange rate of central bank being ARS4.9255 to USD, the black market rate in Buenos Aires reached ARS7.03 to USD.[10] Besides, the spread between the official and black market exchange rates increased from 40 per cent in the beginning of 2013 to over 90 per cent in early May 2013, before returning to 60 per cent as of July 2013.[11]

Furthermore, since September 2012, the Argentine government has extended its currency control to include a 15 per cent tax on offshore debit and credit card transactions and online purchases. The Argentine government requires banks to provide information about their clients' domestic and offshore credit card and debit card transactions in order to extend foreign exchange controls[12]. This tax continues to limit demand for foreign currency and thus exert control on peso exchange rate.

The Argentine government needs to control its foreign currency reserve to pay off debts and imports. Although the peso is not competitively devaluated against other currencies, the exchange rate of the peso has been depreciating at a faster rate than last year. However, the official rate is still significantly higher than the black market rate[13]. Possible solutions are all costly: either by

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[10] Argentina Bonds Mixed, Stocks Rise Led by Energy Companies, Wall Street Journal (Buenos Aires) 4 January 2013. Date of Access: 4 January 2013. http://online.wsj.com/article/BT-CO-20130104-710440.html

[11] Meanwhile, In Argentina The Black Market Dollar Exchange Has 17,000 Facebook Likes. Business Insider 18 June 2013. Date of Access: 27 June 2013. http://www.businessinsider.com/argentina-black-market-dollar-exchange-2013-6

[12] Argentina Extends Forex Controls. The Wall Street Journal (Buenos Aires) 3 September 2012. Date of Access: 4 January 2013. http://online.wsj.com/article/SB10000872396390444301704577629183770220686.html

[13] Argentina currency policy creates multi-headed monster. Reuters (Buenos Aires) 12 September 2012. Date of Access: 4 January 2013. http://www.reuters.com/article/2012/09/12/us-argentina-economy-idUSBRE88B1GD20120912

reducing government expenditure or devaluate peso to its market-determined rate. Yet Argentine government has shown no sign of any solution.[14]

For these reasons, Argentina has been awarded a score of -1 for its failed commitment to move forward to a market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Donghao Rao

Australia: +1

Australia has fully complied with its commitment to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility. Specifically Australia has avoided persistent exchange rate misalignments and refrained from competitive devaluation of currencies.

Although Australia's economic growth over the past year was "below trend"[15] as predicted, the Board reported on 4 June 2013 that the cash rate had remained unchanged at 2.75 per cent since their 7 May 2013 statement. Furthermore, the Board reduced the cash rate by 25 basis points to 2.50 per cent on 7 August 2013. The exchange rate depreciated but still "[remained] high"[16] despite export price declines. At a historical high, the Australian dollar has experienced relatively little change over the past 19 months[17].

On 4 December 2012, Australian Governor Glenn Stevens' Reserve Bank of Australia (RBA) statement recalled a slightly reduced cash rate by 25 basis points to 3 per cent.[18] The Reserve Bank of Australia's November 2012 Monetary Policy report stated that the Australian dollar had "depreciated against the euro"[19] by approximately 5 per cent since August 2012.

A media release on 2 October 2012 released an inflation rate that met its target.[20]

Australia has thus been awarded a score of +1 for fully complying with its commitments toward market-determined exchange rate systems and exchange rate flexibility.

Analyst: Leah Bae

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[14] Argentina's war on US dollars is backfiring on its central bank—to the tune of $9 billion. QUARTZ 26 June 2013. Date of Access: 27 June 2013. http://qz.com/97783/argentinas-war-on-us-dollars-is-backfiring-on-its-central-bank-to-the-tune-of-9-billion/

[15] Monetary Policy Decision, Reserve Bank of Australia (Sydney) 4 June 2013. Date of Access: June 26, 2013. http://www.rba.gov.au/media-releases/2013/mr-13-12.html

[16] Monetary Policy Decision, Reserve Bank of Australia (Sydney) 4 June 2013. Date of Access: June 26, 2013. http://www.rba.gov.au/media-releases/2013/mr-13-12.html

[17] Monetary Policy Decision, Reserve Bank of Australia (Sydney) 7 May 2013. Date of Access: June 26, 2013. http://www.rba.gov.au/media-releases/2013/mr-13-10.html

[18] Monetary Policy Decision, Reserve Bank of Australia (Sydney) 4 December 2012. Date of Access: 5 January 2013. http://www.rba.gov.au/media-releases/2012/mr-12-36.html

[19] International and Foreign Exchange Markets, Reserve Bank of Australia (Sydney) November 2012. Date of Access: 5 January 2013. http://www.rba.gov.au/publications/smp/2012/nov/html/intl-fx-mkts.html

[20] Monetary Policy Decision, Reserve Bank of Australia (Sydney) 2 October 2012. Date of Access: 5 January 2013. http://www.rba.gov.au/media-releases/2012/mr-12-30.html

Brazil: -1

Brazil has not complied with its commitment to move more rapidly to enhance exchange rate flexibility and refrain from competitive devaluation of its currency.

On 29 May 2013, the Brazilian Central Bank raised its target-lending rate by 50 basis points on to 8 per cent and said on 25 July that it will eliminate reserve requirements for short dollar positions held by local banks, two decisions aiming at supporting the local currency.[21]

On 22 November 2012 in a congressional hearing, Brazil Central Bank President Alexandre Tombini stated that a weaker real was supporting Brazilian manufacturers' competitiveness against foreign rivals. Furthermore he recalled that the Central Bank could intervene in the currency market when necessary.[22] In a practical way, on 18 December 2012, Central Bank announced that financial institutions were required to collect reserve requirements on short dollar positions above USD3 billion instead of the previous USD1 billion threshold.[23] And on 26 December 2012, the real jumped 1.5 per cent to 2.0491 per USD1 after the Central Bank intervened to stem the currency's drop. To do so, the Central Bank sold USD1.8 billion of currency swaps and committed to lending a maximum of USD2 billion in foreign-exchange credit lines in order to prevent the real from rising beyond two per dollar.[24]

On 24 October 2012, Brazilian Finance Minister Guido Mantega acknowledged that Brazil was actively implementing policies to control the level of its exchange rate to curb foreign inflows and protect its industry's export markets. "For us the ideal is a floating currency, without manipulation, (…) but if the whole world is going to manipulate their exchange rates, we will too." Mr Mantega said. "Our system is a dirty float, like everyone's,"[25] he added.

On 10 October 2012, Finance Minister Guido Mantega reacted to the third round of quantitative easing pursued by the Fed explaining that the real was well placed to resist the American stimulus. More specifically he advocated taxes on financial transactions measures such as the Tax in Financial Operations (IOF) and the country's record-low interest rates as "lines of defense" erected by the Brazilian government. Commenting the possibility of dollars inflows he said, "I don't think that a lot will enter, because the Brazilian economy is protected, defended, with

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[21] Brazilian Real Rises for Fourth Day as Capital Controls Removed, Bloomberg (New York) 26 June 2013. Date of Access: 27 June 2013. http://www.bloomberg.com/news/2013-06-26/brazilian-real-rises-for-fourth-day-as-capital-controls-removed.html

[22] Mantega Says Brazil's Real Still Not at 'Satisfactory' Level Bloomberg (New York) 23 November 2012. Date of Access: 28 December 2012. http://www.bloomberg.com/news/2012-11-23/mantega-says-brazil-s-real-still-not-at-satisfactory-level-2-.html

[23] Brazil Real Gains as Hamilton Says Depreciation Stokes Inflation, Bloomberg (New York) 20 December 2012. Date of Access: 29 December 2012. http://www.bloomberg.com/news/2012-12-20/brazil-swap-rates-fall-on-slower-inflation-outlook-real-rises.html

[24] Brazil Real Rises Most Among World Currencies on Intervention, Bloomberg (New York) 26 December 2012. Date of Access: 3 January 2012. http://www.bloomberg.com/news/2012-12-26/brazil-real-rises-most-among-world-s-currencies-on-intervention.html

[25] Brazil admits tight hold over exchange rate, Financial Times (New York) 24 October 2012. Date of Access: 21 December 2012. http://www.ft.com/cms/s/0/3185f656-1dfa-11e2-8e1d-00144feabdc0.html#axzz2HYqrvaSW

measures such as the IOF."[26] Thus he highlighted the legal barriers to a free currency market in Brazil.

On 4 July 2012, Brazilian Finance Minister Guido Mantega suggested the option of competitive devaluation at a conference of industrial leaders declaring, "I don't think anyone is complaining about our exchange rate policy and I don't see why we shouldn't devalue our currency if our competitors do the same." Mr. Mantega's comments followed Brazilian Central Bank Director Aldo Mendes' statement on 3 July 2012 in which he said that the government could devalue the real to support the Brazilian industry.[27]

Brazil failed to fulfill its commitment to move toward a more market-determined currency and refrain from devaluation of its currency. Thus Brazil has been awarded a score of -1.

Analyst: Alain Sebban

Canada: +1

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

On 15 February 2013, Canadian Finance Minister Jim Flaherty reiterated countries' commitment to the G20 commitment on market-determined exchange rates and stressed concerns over currency wars. Flaherty stated, "We must send a signal by being unequivocal and united in our support for market-determined exchange rates and our opposition to protectionism.[28]

On 12 February 2013, Canadian Central bank Governor Mark Carney said, "If we were to try to control the level of our exchange rate, we would have to start to close what is one of the most open and effective capital markets, money markets, in the world, in order to be successful.[29]"

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

Analyst: Nanayaa Appenteng

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. In the past two years, China has implemented a series of reforms in the financial market. However since the Los Cabos

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[26]Brazilian Real Protected Against Fed Policy, Mantega Says, Bloomberg (New York) 10 October 2012. Date of Access: 20 December 2012. http://www.bloomberg.com/news/2012-10-10/brazil-s-real-guarded-against-u-s-monetary-policy-mantega-says.html

[27]Brazil Real Weakens on Expectations of Exchange-Rate Targeting, The Wall Street Journal (New York) 4 July 2012. Date of Access: 20 December 2012. http://online.wsj.com/article/SB10001424052702303962304577507403659991334.html

[28] Growth Possible With Fiscal Discipline-Canada. Reuters. 15 February 2013. Date of Access: 15 February 2013. http://www.reuters.com/article/2013/02/15/g20-canada-idUSL5N0BFB2E20130215

[29] Canada joins G7 tough pledge against currency wars. Financial Post. 12 February 2013. Date of Access: 14 February 2013. http://business.financialpost.com/2013/02/12/canada-joins-g7s-tough-pledge-against-currency-war/

Summit in June 2012, the Chinese government has yet to take further actions in its fiscal market reforms.

At the onset of his 10-year-term, President Xi Jinping announced that he will maintain a prudent monetary policy and a proactive fiscal policy in 2013. The president proposed to carry out further reforms and to increase flexibility of the renminbi as part of China's long-term policy. In addition, China is seeking to increase the use of the renminbi in international trade and finance[30].

On 3 June 2013, the People's Bank Governor Zhou Xiaochuan stated that China will not competitively depreciate its currency and that it is a good time to promote interest rate reform.[31]

On 17 April 2013, the People's Bank Deputy Governor Gang Yi stated that the time had come to widen the trading ban of the renminbi again. On the following day, the People's Bank made a statement that "conditions were ripe to further open up China's capital account"[32]. The Central Bank let the renminbi appreciate by 2.36 basis points between April 12 to 17, setting record highs.

On 22 March 2013, China signed a currency swap agreement with Australia for RMB200billion or AUD30billion. This is regarded as a step towards boosting the renminbi's international profile[33].

On 8 January 2013, the renminbi climbed to a 19-year high. The renminbi advanced to 6.2255 per USD according to the China Foreign Exchange Trade System. Since the end of the Los Cabos Summit when the renminbi was valued around 6.3557, the renminbi has appreciated by 0.1302[34].

On 28 December 2012, the People's Bank of China announced that it will allow companies located in the special economic zone of Shenzhen to borrow renmimbi from banks in Hong Kong. The cross-border renminbi loan will increase the use of the currency in the international market.[35]

On 21 December 2012, China announced that it will increase the movement of the exchange rate appropriately to handle the latest round of measures by the global central banks. Furthermore

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[30] China Plans Making Yuan More Flexible After Global Easing, Bloomberg, 21 December 2012, Date of Access: 13 January 2013. http://www.bloomberg.com/news/2012-12-20/china-plans-yuan-flexibility-after-global-easing-xinhua-says.html

[31] China Will Not Competitively Depreciate Yuan, PBOC's Zhou Says, Financial Market News, 3 June 2013, https://mninews.marketnews.com/index.php/china-will-not-competitively-depreciate-yuan-pbocs-zhou-says?q=content/china-will-not-competitively-depreciate-yuan-pbocs-zhou-says

[32]Analysis: Chinese strong talk on yuan reform masks policy quandary, Reuter, 26 April 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/04/26/us-markets-china-yuan-idUSBRE93P19120130426

[33] China signs $31bn currency exchange deal with Australia, BBC, 22 March 2013, Date of Access: 28 June 2013 http://www.bbc.co.uk/news/business-17471095

[34] Yuan Rises Toward 19-Year High on Optimism Reforms to Draw Funds, Bloomberg, 8 Jan 2013, Date of Access: 13 January 2013. http://www.bloomberg.com/news/2013-01-08/yuan-rises-toward-19-year-high-on-optimism-reforms-to-draw-funds.html

[35]China approves cross-border yuan loans in pilot zone near Hong Kong, Reuter, 27 December 2012, Date of Access: 13 January 2013. http://www.reuters.com/article/2012/12/28/china-yuan-cross-border-idUSL4N0A203R20121228

China announced that it will ensure reasonable monetary-based growth and keep sufficient liquidity to allow businesses to obtain loans[36].

The renminbi is now considered to be close to equilibrium level. However, further widening of the renminbi trading band has yet to be proposed.

Thus China has been awarded a score of 0 for partial compliance. Most specifically it receives 0 for making substantial progress in moving towards a more market-determined exchange rate without yet fully complying with this first element of the commitment. It however fully complies with the second consideration, i.e. refraining from competitive devaluation of its currency.

Analyst: Hiroyuki Ito

France: +1

France has fully 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 European Union prohibits the devaluation of currencies thus France is unable to engage in the process without risking its membership in the organization. The European Central Bank (ECB) manages the foreign exchange reserves and can intervene in foreign exchange markets to influence the exchange rate of the euro.[37]

On 5 November 2012, in a Communiqué of G20 Finance Ministers and Central Bank Governors, France and other members of G20 agreed to continue working towards the commitments made in the Los Cabos Action Plan and declared, "We reiterate our commitments to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies. (…) We reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability. (…) We have also made progress in strengthening our Accountability Assessment framework by agreeing on a set of measures to inform our analysis of our fiscal, monetary and exchange rate policies."[38]

On 6 January 2013, French Finance Minister Pierre Moscovici said in an interview on France Inter, a French radio station, that he will meet Chinese authorities to discuss currency exchange rates issues and reiterated France's commitment towards monetary dialogue within G8 and G20. French Minister Moscovici declared, "We shouldn't be passive and we should be part of the monetary dialogue within the groups we are together with China and Japan like the G8 or the

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[36] Yuan Has Biggest Weekly Gain in Two Months on Recovery Signs, Bloomberg, 21 December 2012, Date of Access: 13 January 2013. http://www.bloomberg.com/news/2012-12-21/yuan-set-for-biggest-weekly-gain-in-two-months-on-recovery-signs.html

[37]Euro, New York Times Topics (New York) 5 February 2011. Date of Access: 27 December 2012. http://topics.nytimes.com/top/reference/timestopics/subjects/c/currency/euro/index.html?scp=1&s per cent20q=italy per cent20currency per cent20devaluation&st=cse

[38]G20 Information Center, Communiqué of Meeting of G20 Finance Ministers and Central Bank Governors (Mexico City) 5 November 2012. Date of Access: 23 December 2012. http://www.g20.utoronto.ca/2012/2012-121105-finance-en.html

G20." "An overvalued euro is not in our interest if we wish to be able to reindustrialize the country,"[39] he added.

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

Analyst: Alain Sebban

Germany: +1

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

Germany is a member of the European Union, the economic and political alliance of 27 European member states. The European Union prohibits the devaluation of currencies thus Germany is unable to engage in the process without risking its membership in the organization. The European Central Bank (ECB) manages the foreign exchange reserves and can intervene in foreign exchange markets to influence the exchange rate of the euro.[40]

The Greek debt crisis is the major threat for euro zone since 2010 and Germany has vowed to help Greek stay in euro zone on 24 August 2012[41]. Chancellor Merkel of Germany has also ceded some ground by agreeing to direct refinancing of banks in the negotiation on Italy and Spain situation on 29 June 2012[42]. Besides, Germany has benefited greatly from the common currency union: Germany's labour costs have fallen by more than 15 per cent against the average labour costs of all the countries using the euro, and about 25 per cent against those of the troubled nations on the periphery.[43] The common currency contributes to boosting German exports as well, through wage advantage instead of competitive exchange rate.[44] The euro currency union has crucial value for the German economy and Germany has taken effort to maintain the stability of the euro currency and to prevent future misalignments.

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[39]French Finance Minister: Will Discuss Currencies With Chinese Leaders, The Wall Street Journal (New York) 6 January 2013. Date of Access: 7 January 2012. http://online.wsj.com/article/BT-CO-20130106-700723.html

[40]Euro, New York Times Topics (New York) 5 February 2011. Date of Access: 27 December 2012. http://topics.nytimes.com/top/reference/timestopics/subjects/c/currency/euro/index.html?scp=1&s per cent20q=italy per cent20currency per cent20devaluation&st=cse

[41] Merkel Vows to Help Greeks Stay in Euro Zone, New York Times Global Business with Reuters (Berlin) 24 August 2012. Date of Access: 3 January 2013. http://www.nytimes.com/2012/08/25/business/global/german-chancellor-pledges-support-for-gree ce.html

[42] Germany Cedes Some Ground in Steps to Bolster Euro, New York Times Europe (Brussels) 29 June 2012. Date of Access: 3 January 2013. http://www.nytimes.com/2012/06/30/world/europe/european-leaders-move-toward-deals-for-spain -and-italy.html

[43] Why Germany Will Pay Up to Save the Euro, New York Times Economics Scene (New York) 26 June 2012. Date of Access: 27 June 2013. http://www.nytimes.com/2012/06/27/business/economy/why-germany-will-pay-up-to-save-the-euro.html?pagewanted=all

[44] Rand is still volatile on poor outlook, Business Report (Cape Town) 11 October 2012. Date of Access: 4 January 2013.http://www.iol.co.za/business/business-news/rand-is-still-volatile-on-poor-growth-outlook-1.1 400539 - .UOnO928TGwg

Thus Germany has been awarded a score of +1 for fully complying with its commitment of moving towards market-determined exchange rate and refrain from competitive devaluation of its currency.

Analyst: Donghao Rao

India: 0

India has partially complied with its commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency. India has refrained from competitive devaluation of the rupee and has committed to move towards a truly market-determined exchanged rate by addressing the structural causes of a weak rupee, i.e. large current account and fiscal deficits as well as high inflation, instead of artificially propping up the currency with monetary policy.

On 23 January 2013, Indian Finance minister P. Chidambaram made note of the progress in the stabilization of the rupee. He explained that the Indian rupee, which had weakened by 3 per cent against the dollar in 2012 after falling 16 per cent in the previous year, "appears to have stabilized somewhat," but India needed to keep working to improve investor confidence. "Instead of trying to set the rupee right, we should address the underlying causes, three of which are India's large current-account and fiscal deficits and high inflation…Once these are under control, once these begin to moderate, you will find that the rupee volatility also comes down sharply," he said.[45]

On 8 October 2012, Indian Finance Minister P. Chidambaram reiterated governments' commitment to keep the momentum of reform unabated and claimed a moderate success in stabilizing the exchange rate.[46]

On 28 June 2012, Prime Minister of India Manmohan Singh expressed his concern with, "the way the exchange rate is going, investor sentiment is down and capital flows are drying up." He also added, "in the short run we need to revive investor sentiment, both domestic and international."[47]

Thus India 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.

Analysts: Nanayaa Appenteng and Sunil Madan

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[45] India Minister Tells Europe to Get Its Act Together. Wall Street Journal. 23 January 2013. Date of Access: 11 February 2013.
http://online.wsj.com/article/SB10001424127887323539804578259681361492450.html?mod=googlenews_wsj

[46] FM justifies reforms, claims success in stabilizing rupee. First Post Economy. 8 October 2012: Date of access 26 December 2012.
http://www.firstpost.com/economy/fm-justifies-reforms-claims-success-in-stabilising-exchange-rate-482863.html

[47] India PM Singh: Revive economy's animal spirit. BBC News Online. 28 June 2012. Date of access: 26 December 2012.
http://www.bbc.co.uk/news/world-asia-india-18621699

Indonesia: +1

Indonesia has fully complied with its commitment to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility. Indonesia has avoided persistent exchange rate misalignments and refrained from competitive devaluation of currencies.

On 13 June 2013, the Central Bank of Indonesia reported that the rupiah, on average, had depreciated by 0.36 (mtm) per cent to Rp9.758 per US dollar. The Central Bank of Indonesia credits this pressure with the "][repositioning] of financial assets from emerging markets"[48] coupled with expectations of possible federal monetary policy adjustment.

The Central Bank of Indonesia released plans to "[redenominate] the rupiah in 2014 to simplify payments"[49] and to prevent further inflation. The Indonesian Bank's Department of Economic and Monetary Statistics revealed on 5 December 2012 that DHE data was increasing in quality. Bank Indonesia's "ability to monitor exporter compliance with the DHE regulation"[50] reached 90 per cent in total export value for domestic foreign exchange banks. Bank Indonesia's 12 November 2012 report maintained a BI rate of 5.75 per cent[51] for the twelfth consecutive month. Bank Indonesia also implemented various policies for a balance of payment "that leads to a sustainable level to support the momentum of the national economy."[52]

Thus Indonesia has displayed full compliance of moving more rapidly toward market-determined exchange rate systems and exchange rate flexibility. Indonesia has been awarded a score of +1.

Analyst: Leah Bae

Italy: +1

Italy has fully complied with its commitment to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility. Specifically, Italy has avoided persistent exchange rate misalignments and refrained from competitive devaluation of currencies.

The European Union (EU) prohibits the devaluation of currencies. Through the EU's decentralized implementation,[53] the European Central Bank (ECB) implements policies for national central banks to transact. As a member of the European Union, Italy cannot devalue its currency and maintains a free float. The ECB's report on 6 December 2012 stated that interest

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[48] BI Rate Raised by 25bps to 6.00%, Bank Indonesia (Jakarta). 13 June 2013. Date of Access: 27 June 2013. http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_150913_dkom.htm

[49] Indonesian Central Bank Plans to Redenominate Rupiah in 2014, Bloomsberg Businessweek. 14 December 2012. Date of Access: 5 January 2013. http://www.rba.gov.au/media-releases/2012/mr-12-36.html

[50] Reports of Foreign Exchange Flows (LLD) and Export Proceeds (DHE) Improving, Bank Indonesia (Jakarta). 5 December 2012. Date of Access: 5 January 2013. http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_144212.htm

[51] BI Rate Maintained at 5.75 per cent, Bank Indonesia (Jakarta). 12 November 2012. Date of Access: 5 January 2013. http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_144512.htm

[52] Bank Indonesia and Government Coordinated Measures to Overcome Increasing Current Account Deficit, Bank Indonesia (Jakarta). 8 October 2012. Date of Access: 5 January 2013. http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_142912.htm

[53] ECB Monetary policy implementation, European Central Bank (Frankfurt). Date of Access: 5 January 2013. http://www.ecb.europa.eu/mopo/intro/operational/html/index.en.html

rates on "marginal lending facility and deposit facility" were to remain unchanged at 0.75, 1.50, and 0.00 per cents[54].

Italy has been awarded a score of +1 for fulfilling compliance of moving towards market-determined exchange rate systems and exchange rate flexibility.

Analyst: Alain Sebban

Japan: -1

Japan has failed to comply with its commitment to enhance exchange rate flexibility: it has not refrained from competitive devaluation, thus moving away from a market-determined exchange rate.

On 19 June 2013, the Bank of Japan Governor stated that the "merit of monetary policy is flexibility. We will adjust monetary policy in an appropriate manner if the real economy changes."[55]

On 11 June 2013, the Bank of Japan Governor Hiroki Kuroda made a statement that the central bank will consider extending the duration of its fixed-rate market operation in the future if necessary to stem any possible spike in bond yields.[56]

On 4 April 2013, the Bank of Japan announced that it will aim to double the monetary base over the next two years through purchasing of long-term bonds. In addition, the Bank of Japan stated it "will achieve 2 per cent inflation" to beat the two decades of deflation[57]. After the announcement, the yen weakened from JPY92.91 to 1USD to JPY95.20. The yen marked a 4-year low of JPY103.74 to 1USD on 17 May 2013.[58]

On 6 February 2013, Takehiro Sato of the Bank of Japan announced that he would continue to seek ways to indirectly influence exchange rates through monetary policy. "By easing monetary policy through increased asset purchases ... the Bank of Japan is aiming to lower interest rates and make the yen less attractive as a safe-haven currency"[59]

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[54] ECB Press Release, European Central Bank (Frankfurt) 6 December 2012. Date of Access: 5 January 2013.
http://www.bancaditalia.it/media/comunicati_bce/com_bce/2012/06-12-2012/pr-121206.en.pdf

[55] BOJ's Kuroda says will shift policy if economy changes, Reuters, 19 June 2013, Date of Access: 28 June 2013http://www.reuters.com/article/2013/06/19/us-japan-economy-boj-idUSBRE95I04U20130619

[56] BOJ's Kuroda: will consider steps to calm JGB market if needed, Reuters, 11 June 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/06/11/japan-economy-boj-idUST9N0CH0AK20130611

[57] Q&A: What has the Bank of Japan done?, Financial Times, 4 April 2013, Date of Access: 28 June 2013.
http://www.ft.com/intl/cms/s/0/59a810ee-9cfb-11e2-88e9-00144feabdc0.html#axzz2XVUCjGXe

[58] Japan's Abe targets income gains in growth strategy, Reuters, 5 June 2013, Date of Access: 28 June 2013.
http://www.reuters.com/article/2013/06/05/us-japan-economy-arrow-idUSBRE95400R20130605

[59] BOJ's Sato says still seeking ways to influence yen rates, Reuters, 6 February 2013, Date of Access: 11 February 2013. http://www.reuters.com/article/2013/02/06/us-japan-economy-boj-idUSBRE91505S20130206

On 22 January 2013, the Bank of Japan for the first time set a 2 per cent inflation target and agreed to open-ended asset purchases. This aims to alleviate deflation, which will also have the effect of weakening the yen[60].

On 10 January 2013, new Japanese Prime Minister Shinzo Abe announced JPY10.3trillion (USD116billion) economic stimulus package which aims to lift Japan's GDP by 2 per cent and create 600,000 new jobs. Following the announcement, the yen weakened as far as JPY89.35 to the USD, reaching its lowest point against since June 2010.[61]

On 28 December 2012, Japanese Minister of Finance Taro Aso announced that the Japanese government was considering purchasing foreign-government bonds to weaken the yen and to boost its economy.[62]

Thus Japan has been awarded a score of -1 for not complying with its commitment to refrain from competitive devaluation and to move toward a market-determined exchange rate.

Analyst: Hiroyuki Ito

Korea: 0

Korea has partially complied with its commitment to move more rapidly toward market-determined exchange rate systems and to exchange rate flexibility. Korea has made progress in avoiding persistent exchange rate misalignments as well as refraining from competitive devaluation of currency.

In January 2013, the Bank of Korea engaged in an arrangement with the People's Bank of China so that the "funds of won-yuan currency swaps"[63] could be used in trade settlements.

From December 2012 onwards, the ratio of ceilings on foreign exchange forward positions to equity was reduced from 40 to 30 per cent and 200 to 150 per cent for domestic and foreign banks respectively[64]. The Bank of Korea did this as a precautionary measure against volatility caused by a predicted increase in foreign in-and-outs.

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[60] Win some, lose some, The Economist, 26 January 2013, Date of Access: 11 February 2013. http://www.economist.com/news/finance-and-economics/21570710-bank-japan-tests-limits-shinzo-abes-eaconomic-power-win-some-lose

[61] Japan unveils Y10.3tn stimulus package, Financial Times, 11 January 2013, Date of Access: 11 February 2013. http://www.ft.com/intl/cms/s/0/a165b562-5b92-11e2-9d4c-00144feab49a.html

[62] Japan Rebuke to G-20 Nations May Signal Moves to Weaken Yen, Bloomberg, 31 December 2013, Date of Access: 11 February 2013. http://www.bloomberg.com/news/2012-12-31/japan-rebuke-to-g-20-nations-may-signal-more-moves-to-weaken-yen.html

[63] Bank of Korea: Monetary Policy Reports (Seoul) 28 May 2013. Date of Acccess: 28 June 2013. http://www.bok.or.kr/contents/total/eng/boardView.action?boardBean.brdid=12046&boardBean.rnum=1&menuNaviId=628&boardBean.menuid=628&boardBean.cPage=1&boardBean.categorycd=0&boardBean.sdt=&boardBean.edt=&boardBean.searchColumn=&boardBean.searchValue=

[64] Bank of Korea: Monetary Policy Reports (Seoul) 28 May 2013. Date of Acccess: 28 June 2013. http://www.bok.or.kr/contents/total/eng/boardView.action?boardBean.brdid=12046&boardBean.rnum=1&menuNaviId=628&boardBean.menuid=628&boardBean.cPage=1&boardBean.categorycd=0&boardBean.sdt=&boardBean.edt=&boardBean.searchColumn=&boardBean.searchValue=

The Bank of Korea adjusted its base rate of 3.25 per cent by 0.25 in July 2012 while maintaining its Aggregate Credit Ceiling Loans interest rate at 1.50 per cent.[65]

In response to a deteriorating global economy, Korean authorities have begun to monitor more closely its foreign bank branches to ensure flexibility and have aided in the "establishment of the inter-agency Foreign Exchange Market Stabilization Committee"[66] They have however refrained from taking active action to exert downward pressure on the Korean won.

Thus Korea has been awarded a score of 0 for partially complying with its commitment to move towards a market-determined exchange rate. Korea has been recognized for working toward exchange rate flexibility.

Analyst: Lea Bae

Mexico: +1

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

Mexico has a floating exchange rate system with a Banco de Mexico that is committed to allowing market forces to determine the exchange rate[67].

On 18 January 2013, the peso depreciated after the Central Bank of Mexico announced that it could cut interest rates if inflation continues to cool and the economy loses steam. The bank's decision to keep interest rates flat at 4.5 per cent reduced investors' appetite for the Mexican peso, which fell half a percent to 12.6565 per 1USD.[68]

On 26 October 2012, the Central Bank of Mexico kept interest rates flat at 4.5 per cent. Banco de Mexico has not raised interest rates since 2008 and this policy stance has pushed the peso into positive territory as markets moved to price in the chance of rates rising sooner than expected[69].

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

Analyst: Nanayaa Appenteng

Russia: +1

Russia has complied with its commitment on moving toward a more market-determined exchange rate.

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[65] Bank of Korea: Monetary Policy Reports (Seoul) 23 November 2012. Date of Access: 5 January 2013. http://www.bok.or.kr/contents/total/eng/boardView.action?boardBean.brdid=11525&boardBean.rnum=1&menuNaviId=628&boardBean.menuid=628&boardBean.cPage=1&boardBean.categorycd=0&boardBean.sdt=&boardBean.edt=&boardBean.searchColumn=&boardBean.searchValue=

[66] IMF: Korea Confronts Global Headwinds with Strong Fiscal Position, 19 September 2012. Date of Access: 5 January 2013. http://www.imf.org/external/pubs/ft/survey/so/2012/car091912a.htm

[67] Foreign Exchange Rates. Banco de Mexico. Date of Access: 5 January 2013. http://www.banxico.org.mx/portal-mercado-cambiario/foreign-exchange-markets--exc.html

[68] Mexican peso drops as central bank warns of rate cut. Reuters. 19 January 2013. Date of Access: 19 January 2013. http://www.reuters.com/article/2013/01/18/markets-latam-forex-idUSL1E9CICX020130118

[69] Mexico Central Bank Holds Rates Steady-May Rise Soon. Reuters. 26 October 2012. Date of Access: 5 January 2013. http://www.reuters.com/article/2012/10/26/mexico-economy-idUSL1E8LQ4RM20121026

On 1 November 2012, the Russian Central Bank Board of Directors approved the Guidelines for the Single State Monetary Policy in 2013 and for 2014 and 2015. According to the Guidelines "the Bank of Russia will continue gradually increasing the exchange rate flexibility in the next three years and intends to abolish operational benchmarks for the level of the exchange rate in its exchange rate policy and to switch to a floating exchange rate by 2015."[70]

Russia has refrained from competitive devaluation of the ruble.

From 20 June 2012 to 20 June 2013 Russian ruble exchange rate to the US dollar increased by 0.6%[71] and by 5% to the euro.[72]

According to the Guidelines for the Single State Monetary Policy, in 2012 the Russian Central Bank implemented "exchange rate policy under the managed floating exchange rate regime, not impeding exchange rate developments determined by economic fundamentals."[73]

Russia has taken measures to move toward a more market-determined exchange rate and refrained from competitive devaluation of its currency. Thus Russia has been awarded a score of +1.

Analyst: Mark Rakhmangulov

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.

Specifically Saudi Arabia has failed to follow a market-determined exchange rate system but has refrained from competitive devaluation of its currency.

Since Saudi Arabia has followed a fixed exchange rate regime since 1986 (USD1 = SAR3.75)[74], it has not moved toward a more market-determined exchange rate nor has it engaged in competitive devaluation.

Thus Saudi Arabia has been awarded a score of 0 for failing to move toward a more market-determined exchange rate, but for refraining from competitive devaluation.

Analyst: Krystel Montpetit

South Africa: +1

South Africa has fully 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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[70] Guidelines for the Single State Monetary Policy in 2013 and for 2014 and 2015, Bank of Russia 1 November 2012. http://www.cbr.ru/eng/today/publications_reports/on_13-eng.pdf.

[71] RUB/USD Basic Chart, Yahoo! Finance. Date of Access: 2 April 2012. http://finance.yahoo.com/q/bc?s=RUBUSD=X&t=1y.

[72] RUB/EUR Basic Chart, Yahoo! Finance. Date of Access: 2 April 2012. http://finance.yahoo.com/q/bc?s=RUBEUR=X&t=1y.

[73] Guidelines for the Single State Monetary Policy in 2013 and for 2014 and 2015, Bank of Russia 1 November 2012. http://www.cbr.ru/eng/today/publications_reports/on_13-eng.pdf.

[74] International Economics, Historical Exchange Rate Regime of Asian Countries (Hong Kong) Chinese University of Hong Kong, 2000. Date of Access: 4 February 2013. http://intl.econ.cuhk.edu.hk/exchange_rate_regime/index.php?cid=21

South Africa has a floating exchange rate system with South African Reserve Bank generally staying out of the market and allowing market force to determine the exchange rate[75].

The exchange rate of the South African rand has been very volatile since June 2012. The primary causes of this volatility are foreign investments in South African assets and government bonds, which have caused large capital inflows or outflows.[76] The inclusion of South Africa in the Citibank World Government Bond Index has caused large inflows to its debt market, exerting influence on its exchange rate.[77]

South Africa has not competitively devalued its currency. Although the South Africa Reserve Bank monetary policy committee cut the bank's repo rate by 0.5 per cent in July 2012, there is very low chance of a further rate cut by market expectations.[78] Furthermore the monetary policy committee made this cut mainly to stimulate the economy and to prevent larger current account deficit instead of to seek competitive advantage on exports.

Although the South Africa Rand to US Dollar exchange rate has been showing a falling trend throughout last year, this is mainly due to the quantitative easing programs released by US central bank, which leads to currency devaluation in most emerging countries.[79]

Thus South Africa is awarded a score of +1 for its full commitment to move toward a more market-determined exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Donghao Rao

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. Since the Los Cabos Summit in June 2012, Turkey has refrained from competitively devaluing its currency but the Turkish Central Bank has adjusted its interest rate in order to sustain the value of the Turkish lira, not fully fulfilling its commitment to move toward a market-determined exchange rate.

On 11 June 2013, the Turkish Central Bank has acted to support the weakening lira. The central bank also stated that it planned short-term extra policy-tightening steps through open market

[75] Exchange Rate Policy, South Africa Reserve Bank (Cape Town). Date of Access: 4 January 2013. http://www2.resbank.co.za/internet/Glossary.nsf/0/6e77f482c063ea5742256b430031f732?Op enDocument

[76] Rand is still volatile on poor outlook, Business Report (Cape Town) 11 October 2012. Date of Access: 4 January 2013.http://www.iol.co.za/business/business-news/rand-is-still-volatile-on-poor-growth-outlook-1.1 400539 - .UOnO928TGwg

[77] Bank's rate decision helps the rand, Business Report (Cape Town) 21 September 2012. Date of Access: 4 January 2013. http://www.iol.co.za/business/markets/currencies/bank-s-rate-decision-helps-the-rand-1.1387 791 - .UOnPGW8TGwg

[78] Rand plunges as exports drop, Business Report (Cape Town) 16 November 2012. Date of Access: 4 January 2013. http://www.iol.co.za/business/markets/commodities/rand-plunges-as-exports-drop-1.1424541 - .UOnPKG8TGwg

[79] South African Rand to US Dollar (ZAR/USD) Exchange Rate – Rand falls over Mandela health concerns and USD strength, Future Currency Forcast 24 June 2013. Date of Access: 27 June 2013. http://www.futurecurrencyforecast.com/south-african-rand-to-us-dollar-zarusd-exchange-rate-rand-falls-over-mandela-health-concerns-and-usd-strength/19980

operations and it would intervene directly in the foreign exchange market if needed[80]. In the following day, the lira started to reverse its recent underperformance[81].

On 16 May 2013, the interest rates were lowered by 50 basis points each in a bid to stimulate the economy and keep the lira from rising due to aggressive monetary easing elsewhere around the world[82].

On 3 April 2013, the Turkish Central Bank made a statement that it could make a "measured" cut in its one-week repo policy rate if the real effective exchange rate of the lira exceeds 120 on an index measuring the weighted average of domestic prices relative to those of trade partners.[83]

On 26 March 2013, the Turkish Central Bank made a statement that the upper limit in its one-month repo auction would be 1 billion lira between 27 March 2013 and 16 April 2013.[84]

On 19 February 2013, the Turkish Central Bank announced it would provide between TRY0.2-6.5 billion in funding. It also noted that the upper limit in its one-month repo auctions would be TRY2.5 billion until 26 March 2013.[85]

On 22 January 2013, the Turkish Central Bank announced that it will adjust the short-term interest rate in order to contain the risks on financial stability while continuing with macro-prudential measures.[86] The Turkish Central bank reduced the overnight lending and borrowing rates by 25 basis points each to 8.75 per cent and 4.75 per cent respectively.[87]

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[80] Turkey's central bank acted to support the lira on Tuesday and Turkish debt insurance costs rose, as markets - looking past data on faster economic growth - took fright at fresh police and protester clashes in Istanbul, Reuters, 11 June 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/06/11/us-turkey-cbank-tightening-idUSBRE95A0DA20130611

[81] The Turkish lira continued to firm on Thursday in the wake of central bank action to stabilize markets, although gains were limited by uncertainty about the effectiveness of the ruling AK Party's bid to quell anti-government protests, Reuters, 13 June 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/06/13/us-turkey-markets-idUSBRE95C0EL20130613

[82] Central bank raises forex required reserves, reserve option rules, Reuters, 16 May 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/05/16/turkey-cbank-idUSL6N0DX2OM20130516

[83] Turkey's real exchange rate 119.95 in March: central bank, Business Recorder, 4 April 2013, Date of Access: 28 June 2013 http://www.brecorder.com/markets/fxmm/europe/113770-turkeys-real-exchange-rate-11995-in-march-central-bank.html

[84] Turkey's central bank said on Tuesday it would provide between 0.2-6.5 billion lira in funding via its daily repo auctions until April 16, Reuters, 26 March 2013, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/03/26/turkey-rates-funding-idUSI7N0AJ02R20130326

[85] Turkey's central bank said on Tuesday it would provide between 0.2-6.5 billion lira in funding via its daily repo auctions until March 26, 19 February 2013, Reuters, Date of Access: 28 June 2013 http://www.reuters.com/article/2013/02/19/turkey-cbank-funding-idUSI7N0AJ01720130219

[86] Decision of the Monetary Policy Committee No2013-01, Central Bank of the Republic of Turkey, 22 January 2013, Date of Access: 9 February 2013. http://www.tcmb.gov.tr/yeni/announce/2013/ANO2013-01.pdf

[87] Turkish Yields Rebound From Record Low as Rate Cut Bets Pared, Bloomberg, 8 February 2013, Date of Access: 9 February 2013. http://www.bloomberg.com/news/2013-02-08/turkish-yields-rebound-from-record-low-as-rate-cut-bets-pared.html

On 18 December 2012, the Turkish Central Bank lowered its benchmark interest rate for the first time in 16 months to a record low in a bid to spur economic growth and halt an appreciation of the lira[88].

In response to the rise of lira, the Turkish Central Bank cut its overnight lending rate from 9.5 per cent a year to 9 per cent while keeping its one-week repo and its overnight borrowing rate unchanged at 5.75 per cent and 5 per cent respectively on 20 November 2012.[89]

On 5 November 2012, the credit rating agency Finch upgraded the Turkish debt to investment grade[90]. As result, the value of Turkish lira rose shapely and the ISE 100 index in Istanbul climbed 1.8 per cent to a record high.[91]

On 18 September 2012, Turkey has reduced its interest rates by 150 basis points to 10 per cent[92] in response to lower-than-forecasted inflation and slowing economic growth.

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: Hiroyuki Ito

United Kingdom: +1

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

On 13 October 2012, in an IMF statement on behalf of the United Kingdom, Chancellor of the Exchequer George Osborne reaffirmed G20 recommendations towards a more market-determined exchange rate when he declared, "Emerging market economies must implement their own structural reforms to facilitate a move away from external sources of growth towards stronger domestic demand, particularly consumption. Greater exchange rate flexibility and financial deepening will also help to facilitate this shift. (…) I look forward to discussions with colleagues in Tokyo on how the membership can effectively deliver a concerted, coordinated policy response to these policy challenges."[93]

On 9 July 2012, British Secretary to the Treasury Mark Hoban stated that "All European Union member states require open capital markets to support our corporations. Ultimately a global

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[88] Basci Cuts Turkey Rate First Time in 16 Months to Record Low, Bloomberg, 18 December 2012, Date of Access: 9 February 2013. http://www.bloomberg.com/news/2012-12-18/basci-cuts-turkey-rate-first-time-in-16-months-to-record-low.html
[89] Turkey's interest rate balancing act, Financial Times, 20 November 2012, Date of Access: 9 February 2013. http://blogs.ft.com/beyond-brics/2012/11/20/turkeys-interest-rate-balancing-act/#axzz2KPM3PhoE
[90] Guest Post: interest cut could follow Turkish credit upgrade, Financial Times, 6 November 2012, Date of Access: 9 February 2013. http://blogs.ft.com/beyond-brics/2012/11/06/guest-post-interest-rate-cut-could-follow-turkish-credit-upgrade/#axzz2KRZmpIEN
[91] Turkish Lira Jump after Fitch Upgrade, The Wall Street Journal, 5 November 2012, Date of Access: 9 February 2013. http://online.wsj.com/article/SB10001424052970204349404578100423535697346.html
[92] Turkey: Running a monetary maze, Financial Times, 18 September 2012, Date of Access: 9 February 2013. http://blogs.ft.com/beyond-brics/2012/09/18/turkey-running-a-monetary-maze/#axzz2KRa4XdAD
[93]International Monetary and Financial Committee, Statement by George Osborne Chancellor of the Exchequer, H.M Treasury (United Kingdom) 13 October 2012. Date of Access: 20 December 2012. http://www.imf.org/External/AM/2012/imfc/statement/eng/gbr.pdf

reserve currency like the euro or the dollar can only maintain its international standing if it can freely be traded and cleared beyond the 17 Eurozone members, across the world."[94] Thus the British Financial Secretary to the Treasury went on to reiterate the importance of moving towards a more market determined exchange rate and refraining from competitive devaluation of currencies regarding the euro and dollar, which can be considered as a policy target for the Sterling Pound as well.

No instance of quantitative easing (QE) was registered for the United Kingdom since the Los Cabos Summit on 18-19 June 2012.

Therefore, the United Kingdom has moved toward a market-determined exchange rate and has refrained from competitive devaluation. It thus receives a score of +1.

Analyst: Alain Sebban

United States: +1

The United States has fully complied with its commitment to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility. Specifically the United States has fully refrained from competitive devaluation of its currency.

On 15 February 2013, U.S. Treasury Undersecretary for International Affairs Lael Brainard reiterated the United States' position on competitive devaluation of its currency. She stated that G20 nations "must bring their exchange-rate frameworks into alignment so that we grow together and avoid a downward spiral of beggar-thy-neighbor policies."[95]

On 25 January 2012, the US Federal Reserve stated that it does not plan to increase interest rates until 2014. Following this announcement, the dollar fell sharply in markets.[96]As of the date of this publication, interest rates remain in a target range of zero to 0.25 per cent.[97]

No instance of quantitative easing (QE) was registered for the United States since the Los Cabos Summit on 18-19 June 2012.

The United States has thus been awarded a score of +1 for fully complying with its commitments.

Analyst: Nanayaa Appenteng

European Union: +1

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

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[94]Speech by Financial Secretary to the Treasury, Mark Hoban MP; Banking union in the eurozone (Brussels) 9 July of 2012. Date of Access: 21 December 2012. http://www.hm-treasury.gov.uk/fst_speech_090712.htm

[95] Brainard Reiterates U.S Policy on Competitive Devaluations. Bloomberg. 15 February 2013. Date of Access: 17 February 2013. http://www.bloomberg.com/news/2013-02-15/brainard-reiterates-u-s-stance-against-competitive-devaluations.html

[96] Fed not to raise US interest rates until late 2014. BBC News. 25 January 2012. Date of Access: 15 February 2013. http://www.bbc.co.uk/news/business-16733461

[97] Fed Keeps US interest Rates on Hold. BBC News. 30 January 2013. Date of Access: 17 February 2013. http://www.bbc.co.uk/news/business-21266287

On 4 July 2013, the European Central Bank announced that it would keep its main interest rate low, i.e. 0.5 per cent, "for an extended period of time."[98] ECB President Draghi also said that extensive discussions had taken place about a further possible interest rate cut. The euro fell steeply on the news that interest rates could be further lowered; falling 0.8 per cent against the dollar to USD1.2903 before rebounding to USD 1.3141 as of 23 July 2013.[99]

On 2 May 2013, the European Central Bank cut its main interest rate by a quarter percentage point to a record low 0.50 per cent as a response to a drop in euro zone inflation below its target level as well as rising unemployment.[100]

On 7 February 2013, ECB President Draghi addressed concerns regarding a currency war by stating that he didn't believe exchange rates were being deliberately managed lower. Instead he explains, "they are more the effect of macroeconomic policies that are meant to revamp economies […] if these policies produce consequences on the exchange rates that do not reflect the G20 consensus (on avoiding competitive devaluations), we will have to discuss this," he added[101].

On 6 December 2012, the European Central Bank left interest rates unchanged, holding off on further stimulus despite European economies being mired in recession. Following the rate-setting governing council's decision to hold rates at 0.75 percent, Central Bank President Mario Draghi reiterated that the bank's mandate was to "target inflation- or maintain price stability- and not the exchange rate." However, he added: "we want to see if this appreciation is sustained and if it alters our assessment of price stability.[102]"

On 5 July 2012, the European Central Bank cut its main interest rate to a historic low. European Central Bank President Mario Draghi said policymakers "had unanimously decided to cut the central bank's main policy rate by a quarter of a percentage point to 0.75 percent, pushing the rate under 1 per cent for the first time[103].

Thus, the European Union has been awarded a score of +1 for policy actions taken to support a market driven exchange rate and to refrain from competitive devaluation of its currency.

Analyst: Nanayaa Appenteng

[98] ECB says rates to stay low for extended period, BBC News (London) 4 July 2013. Date of access: 23 July 2012. http://www.bbc.co.uk/news/business-23181876

[99] ECB says rates to stay low for extended period, BBC News (London) 4 July 2013. Date of access: 23 July 2012 http://www.bbc.co.uk/news/business-23181876

[100] ECB cuts interest rates, open to further action. Reuters. 2 May 2013. Date of Access: 15 June 2013. http://www.reuters.com/article/2013/05/02/us-ecb-rates-idUSBRE94100520130502

[101] Draghi move fuels currency war fears. Financial Times. 7 February 2013. Date of Access: 13 February 2013. http://www.ft.com/cms/s/0/981f3812-7117-11e2-9d5c-00144feab49a.html - axzz2L43kR660

[102] European Central Bank leaves interest rates unchanged at record lows. Fox News. 6 December 2012. Date of Access: 7 February 2013. http://www.foxnews.com/world/2012/12/06/european-central-bank-leaves-interest-rates-unchanged-at-record-lows/

[103] ECB Cuts Interest rates to historic low. Financial Times. 5 July 2012. Date of Access: 5 January 2013. http://www.ft.com/cms/s/0/077c9f4a-c67a-11e1-963a-00144feabdc0.html - axzz2L43kR660