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INTERVIEW DE M. LE GOUVERNEUR PAR LE JOURNAL JAPONAIS MAINICHI

1/ Joint intervention in the foreign exchange markets by the ECB, FED and the Bank of Japan has defended the euro against further depreciation. However, the euro is still hovering near its lowest level at under 90 cents. Some market participants have said that the intervention will only have a temporary effect and that in the medium term the euro will fall again.

How does Mr Trichet see the euro's future and does he think that the ECB will be able to ensure that the euro recovers?

It is the conviction of the ECB Governing Council that the present external value of the euro does not reflect the economic fundamentals of the Eurozone.

We consider, with our President Wim Duisenberg, that a strong euro is in the interest of Europe. This view is shared by all members of the Governing Council. It sums up our position.

2/ The Federal Reserve Board participated in the joint action to support the euro. However, the Secretary of the US treasury has said « The strong dollar is in the interests of the US ». Many foreign exchange market traders therefore doubt that the US will intervene to support the euro again if it dips in value in the future.

Does Mr Trichet think that the cooperative structure of the G7 countries will function to support the euro again if intervention is once more required in the future ?

In this matter, we only need to refer to the precise terms of the communiqué issued by the G7 countries in last September in Prag : the G7 countries stated that they « have a shared interest in a strong and stable international monetary system : at the initiative of the European Central Bank, the monetary authorities of the United States, Japan, United Kingdom and Canada joined with the European Central Bank on Friday, September 22, in concerted intervention in exchange markets, because of the shared concern of Finance Ministers and Governors about the potential implications of recent movements in the euro for the world economy ». This communiqué speaks by itself and there is nothing to add to it.

3/ Mr Trichet has pointed out that factors such as higher oil prices are pushing up the inflation rate in the euro zone. However, some economic figures show that German economic growth is slowing and German officials argue that any interest rate hike will, in fact, prove to be an obstacle to sustainable growth in the euro zone.

What does Mr Trichet think about the argument put forward by these German officials ?

I have never seen any such statement of "officials" anywhere in Europe. In any case we have to take account of the full body of the 300 million inhabitants of the Eurozone.

4/ Denmark has held a referendum on the euro. The Danes chose to reject the euro. In the wake of Denmark's decision, some economists say that the credibility of the euro could be damaged and it could trigger a further fall in the euro.

What does Mr Trichet think about the result of the Danish referendum ? How does he think the foreign exchange markets will react to the Danish decision in the medium term, not the short-term ?

The Eurosystem has taken note of the decision taken by the Danish electorate in the referendum of 29 September 2000. Simultaneously the Danish authorities are fully committed to keeping the Danish krone in the European exchange rate mechanism and within the existing narrow bands. Thereby, the result of the referendum will not affect the very close and fruitful co-operation between Danmarks Nationalbank and the Eurosystem.

5/ Denmark's rejection of the euro could delay the entry of both the UK and Sweden. It could also affect the future expansion of the euro into applicant countries such as Poland and Hungary.

Does Mr Trichet think that the euro will be credible even if the UK does not choose to participate ?

Without the UK, the eurozone represents an area of 293 million inhabitants today, and 304 million within a month when Greece will join in, with a monetary policy based on a stability-oriented strategy, managed by the independent Eurosystem. This represents a major economic area whose single market with a single currency is particularly promising and is already a great success.

As regards the UK, Sweden and Denmark, I would like to stress that these countries are unanimously and warmly welcome in the euro area. It is up to them to decide...

6/ The Euro-zone governments, especially the French government, insist that the Euro-zone must have a harmonized financial regulation system.

Does Mr. Trichet think that this idea could work or will it raise fears among small countries that they will lose their financial sovereignty ?

European financial systems have already accomplished impressive progress towards more integrated and efficient structures.

Concerning the regulatory area, harmonization in the basis of a decentralized system is certainly the key. The authorities seek to further enhance the operation of the single market principles, in line with the Financial Action Plan and with the principle of subsidiarity.

I am firmly convinced that strengthened co-operation between all interested national authorities is the right tool for enhancing the degree of integration of European financial systems. The Report on Financial Stability adopted this year by the Economic and Financial Committee (an advisory body of the ECOFIN Council) indicated that, to deal with an increasingly integrated European financial market, present institutional arrangements based on national competence and co-operation are adequate provided co-operation between national authorities is strengthened.

7/ The euro-zone governments want to play a bigger role in determining policy for the euro and want to set inflation targets for the ECB.

Does Mr Trichet think that this could lead to serious friction developing between governments and the ECB ?

Euro-zone governments have never expressed such views to set inflation targets. There is no friction at all between governments and the independent ECB. In any case the treaty of Maastricht is very clear and guarantees the full independence of the Eurosystem.

8/ The Bank of Japan recently abandoned its 'zero interest' policy and raised interest rates. Many Japanese politicians criticized this change because the Japanese economy is still in the early stages of recovery.

Does Mr Trichet think that the BOJ's monetary policy is correct or does he think that the decision to raise interest rates was taken too early?

The Bank of Japan is an independent institution. It is an experienced and wise institution that is better than any other body in the position to assess the Japanese monetary and economic context and to choose the right time to act. It has a long standing tradition of wisdom and I have no doubt that the decision it has taken has been carefully drafted.