

Introductory Statement for the Panel Discussion
on the Occasion of the Forum
10 Years of the European Economic and Monetary
Union

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Panel Discussion:

1992 - 2008: Has Europe lived up to expectations?

1. 10 years ago, on the occasion of the Special Session of the European Council , May 1-3, 1998, the final course for implementation of the Economic and Monetary Union was set. The determination of participating countries and of respective conversion rates completed preparations for the introduction of the European community currency. Up to this day, I am pleased to have played an important role in the creation of this European political leap. (At that time consultations of the Chiefs of Staff were lasting until midnight; alcohol and water for 2000 journalists were running low and tempers were on edge. Accordingly, news coverage next day on television and in the newspapers was quite negative.)
2. The actual foundation of the Monetary Union, - building upon the Delors Report – was laid down in the Maastricht Agreement. In 1997 this foundation received a supplemental reinforcement through the European Stability and Growth Pact.

3. 10 years after the final decision for the Euro, it is time to draw a first interim balance and give an answer to the question: Has Europe - have Maastricht and the currency of the Community - met their expectations?
4. The project Europe must not be narrowed down to merchandise trade, currency and exchange rates. Europe was and is predominantly a political project. The objective was and remains the creation of a new architecture of peace on the old continent through a close economic and political integration.
5. On an interim balance the assessment of the political results remains a mixed one. Since Maastricht important progress has been achieved. The number of member countries has risen to 27. With the Treaty of Nice, the Charter of Fundamental Rights and the Basic Treaty remarkable steps towards the consolidation of the Union have been undertaken. However, the shape of a common foreign and security policy has yet to be well defined. This is a necessity if Europeans are to play a politically influential role in the arena of world politics. This shortcoming of the EU became painfully visible during the Iraq crisis.

6. With regard to economic integration the interim balance distinctively shows that good progress has been made. The Euro is the monetary roof of the domestic market. Doing away with exchange rate risks has without doubt led to efficiency gains in the areas of external trading and direct investments. The Stability Pact has had substantial disciplinary effects thus leading to a new structure of stability. The merchandise markets and social systems have been under pressure from the Monetary Union to undertake structural reforms, but beyond this there is a need for action within the Euro region in general. Political reform is obviously showing signs of fatigue.
7. The European Central Bank has a high standing and its activities have been successful. Interest rates have reached the historically lowest level since introduction of the Euro. With an inflation rate of approximately two percent the Monetary Union has developed into a zone of stability. Ten years ago, I claimed: "The Euro will be as stable as the German Mark" and I was right. At the beginning, the decline of the external value did prompt concern. In the meantime, the exchange rate to the US-Dollar has soared, reaching such a high level that quite a few observers believe this could endanger exports from the Euro region.
8. The Euro has also contributed to integrating the financial markets. With establishment of the payment transactions system TARGET, the foundation was laid for uniform interbank exchange. The markets for bonds and shares have increasingly gained in importance and profoundness.

The European stock indexes are increasingly attracting

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interest. Implementation of Baron Lamfalussy's proposals definitely contributed to financial market promotion. The stability of the European bank system is ensured even though many institutes have been affected by the American mortgage crisis.

9. The Monetary Union was a successful response to the globalization of merchandise and financial markets. With a quota of more than 15 percent of the global economic product, the Euro region is the world's third largest economic area. The Euro has become an anchor of stability within the global finance system. This has proved not only true during the current global finance crisis, but also already during the weeks and months following the burst of the stock exchange bubble at the beginning of this decade. One quarter of the world currency reserves are held in Euro. In the long run, the Euro could develop into an equal competitor to the Dollar.
10. I am pleased that a monetary expert like Alan Greenspan openly acknowledges that his initial misgivings toward the Euro have largely been dispelled. In the introduction to the German edition of his autobiography, he writes:
„To my surprise the transition from 11 single currencies to a new community currency went smoothly. ...Attacks against their anti-inflation policy and attempts to curtail their power failed. ... It was an extraordinary accomplishment and I am up to this day amazed by what my European colleagues have built up.“

The following panel discussion will show whether and to what extent our Forum agrees with the appraisal of Alan Greenspan