

THE EUROPEAN UNION

50 YEARS YOUNG

Jean-Claude Trichet

Our single currency, the euro, would not have been possible without a very powerful historical will to unify our continent, reunite the European family and consolidate peace and prosperity after the Second World War, the destruction of Europe and the Holocaust. As Jean Monnet writes in his memoirs, commenting on the project to create the European Coal and Steel Community in 1950: "Through the sharing of primary resources and the setting up of a new High Authority [today's European Commission]... this proposal will lay the first foundations for a European federation preserving peace on the continent."

Is there today a better symbol of a peaceful European unity and friendship than a single currency shared by 13 countries and 317 million fellow citizens and a single market across the whole continent?

After the visionary initiative of Monnet, the most important milestone of European integration was the Treaty of Rome, signed 50 years ago. The choice of Rome was symbolic. For a long time, the "Eternal City" symbolised a united Europe held together by a *pax romana* established by force. In 1957, the first six European countries turned their backs on their tragic past and voluntarily pooled parts of their national sovereignty into a supranational European body, laying the ground for a *pax europaea* established by the rule of law. The EU can proudly point to the differences between the world then and the world now.

Europe's successes were achieved only thanks to the political vision, leadership and determination of the people that built it. The Treaty of Rome itself was the first unlikely achievement. We should not forget the downbeat atmosphere of the negotiations 50 years ago, after the plans for European political and military union were rejected in 1954. In such a climate, the transfer of core state powers to European bodies, which the creation of a common market entailed, was hugely controversial. Yet, three years later, this epoch-making Treaty was signed.

Not should we forget the level of fear that the dismantling of trade barriers generated in business communities and national bureaucracies, as they realised that the wall of protection against foreign competitors would be torn down. Yet, by 1968, we had a customs union. In the next decade of oil shocks and economic difficulties, the economic policy responses of different European countries varied wildly. Europe seemed incapable of moving forward together. Yet, in 1986, a new Treaty (the Single European Act) jolted new life into the freedom of movement of people, goods, services and capital and the internal market was born.

Today, the internal market helps almost half a billion people to prosper. It significantly stimulates trade between member states and is a major contributor to growth and jobs. When asked what the EU means to them personally, one citizen in two referred to the freedom to move, live and work anywhere in the EU.

Europe has achieved even more than the founding fathers of the Rome Treaty could have hoped for. From six, the EU has grown to 27 member states and more countries would like to join. This is unsurprising, as membership has also brought prosperity. Ireland is a shining example: its GDP per capita rose from 61 per cent of the EU average when it joined in 1973 to 125 per cent by 2004. Democracy and prosperity is now spreading to Europe's southern and eastern borders, replacing dictatorships and poverty. Already, one ex-communist country, Slovenia, has joined the single currency area.

The EU has also moved into new policy areas, such as foreign policy and police and judicial affairs. Closest to my heart, Europe has crowned its single market with a single currency. Originally, the Rome Treaty did not mention monetary union. This was because Europe was part of the Bretton Woods global system of fixed exchange rates. The system's collapse in the 1970s seriously threatened the process of economic integration in Europe. However, Europe's leaders rose to the challenge and eventually established Economic and Monetary Union, with a single currency and an independent European Central Bank, with a clear mandate of price stability as its primary objective.

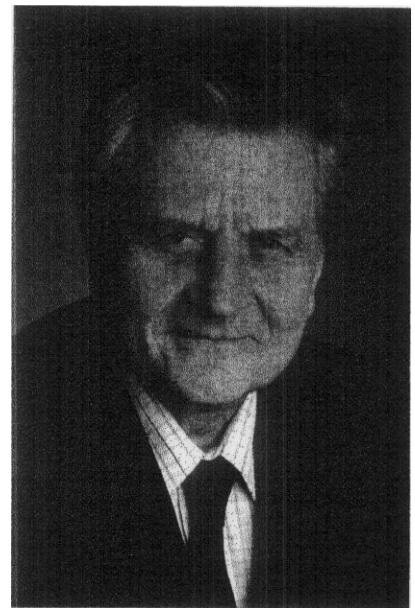
I vividly remember the scepticism of 15 years ago when we were negotiating the euro's creation. Yet, today, our 317 million fellow citizens of the euro area walk around every day with a little piece of Europe in their pockets and enjoy a level of price stability, which

previously had been achieved in only a subset of the eurozone countries. This price stability is a direct social benefit to all, in particular the most vulnerable, who have no way to protect themselves against inflation.

The single currency has also bolstered Europe's resilience to external shocks. Living under the same roof gives us more solid shelter against turbulence coming from outside. We will never know how a Europe without the euro would have weathered external shocks such as 9/11, the burst of the high-tech bubble or the oil shock. Under the roof of the euro, we had no intra-European turbulence.

The euro not only protects against outside threats; it is a dynamic factor for the domestic economy. It has increased price transparency and competition, and boosted trade within the euro area. The ECB's credibility has allowed the solid anchoring of inflationary expectations, which in turn has brought a tremendous decrease in the cost of borrowing. This has helped investment and economic growth and boosted employment in the euro area. In the eight years since the euro's introduction, more than 12 million jobs have been created in the euro area, compared to significantly less than three million in the preceding eight years.

These achievements are real and momentous. And they are not mere historical facts: They continue to generate prosperity and stability today. However, the world does



not stand still. This is no time for complacency. The economic challenges are daunting. The extraordinary advances of science and technology, together with the rapid development of emerging countries in the globalised economy, call on all continents to reform to take advantage of the new state of the world. To prosper in the next 50 years as much as we have in the last 50, Europe needs to take a big step up the knowledge ladder, reinforce training and education, promote research and development, and achieve the full integration of highly flexible goods, services and financial markets, while fostering job creation through open and dynamic labour markets.

On March 25, Europe's leaders celebrated the EU's 50th birthday in Berlin. The location is highly symbolic. For several decades, Berlin – more than any other city – exemplified the artificial division of the European continent. In 50 years, Europe has journeyed from political disarray and economic disorder to a high degree of economic and monetary integration and has become the world's brand-leader in peaceful political cooperation. The people of Europe can be proud of this metamorphosis. Surmounting all difficulties, leaders with vision, setting up solid institutions, have moved Europe ever forward.

For our future, I am confident. Our continent is not made of "old Europe" and "new Europe" divided by a virtual curtain. Europe is both old and new. It has the wisdom of a 2,000-year experience and the energy of a 50-year entity, which is extremely young in historical terms.

I am confident Europe will not underestimate the rapidity of the pace of progress in science and technology, the speed of the economic development of the emerging countries, the acceleration of the historical changes of which enlargement itself is such a marvellous illustration.

I am confident Europe will continue to engage more and more resolutely with the indispensable way of reforms to speed up the creation of jobs and ensure growth and prosperity.

I am confident Europe will surmount its present political difficulty as it has done in the past. After all, the Rome Treaty itself was born from the failure of the political and defence project of 1954.

The European Union can count on the ECB, on its executive board, on its governing council and staff and on the full monetary team of Europe, which includes all the national central banks of the Eurosystem, to be an anchor of stability and deliver price stability, as required by the Treaty. Thanks to price stability and its credible delivery over the medium and long term, the ECB will continue to pave the way for sustainable growth, prosperity and active job creation.

Mr Trichet is the president of the European Central Bank.

