



Jean-Claude Trichet looks back on 50 years of the EU

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Europe's Greatest Achievement

By Jean-Claude Trichet

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

Europe's successes were achieved only thanks to the political vision, leadership and determination of the people that built from the ruins of the Second World War 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."

After Monnet's initiative, the most important milestone for European integration was the Treaty of Rome, signed 50 years ago this Sunday. The choice of Rome was symbolic. For a long time, the "Eternal City" symbolized 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 Europea* established by the rule of law. The Union can proudly point to the differences between the world then and the world now.

The Treaty of Rome was an unlikely achievement. We should not forget the downbeat atmosphere of the negotiations coming just after 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. Nor should we forget the level of fear that the dismantling of trade barriers generated in business communities and national bureaucracies, as they realized 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 inside the bloc, and the so-called Internal Market was born.

Today, the internal market helps almost half a billion people to prosper. It significantly stimulates trade between EU 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 Union.

Europe has achieved even more than the founding fathers of the Treaty of Rome could have hoped for. From six, the EU has grown to 27 members; 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% of the EU average when it joined in 1973 to 125% 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 Union has also moved into new 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 seventies 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 skepticism 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 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 euro-area 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 out-

side 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.

David Gothard
 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 globalized 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, whilst fostering job creation through open and dynamic labor markets.

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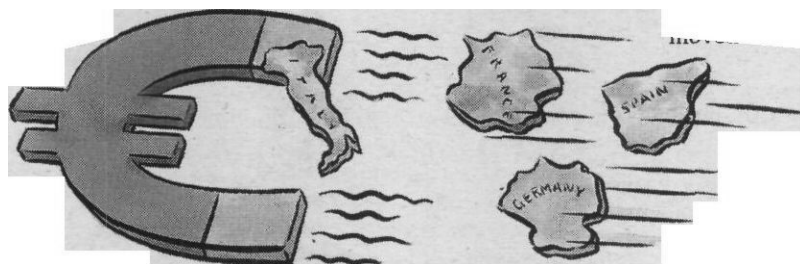
On Sunday, Europe's leaders will celebrate the EU's 50th birthday in Berlin. The

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'm 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 2000 year experience and the energy of a 50 year entity, which is extremely young in historical terms. 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. And I am confident Europe will surmount its present political difficulty as it has done in the past.

The European Union can count on the ECB to be an anchor of stability. Thanks to the credible delivery of price stability over the medium and long-term, the bank will continue to pave the way for sustainable growth and active job creation.

Mr. Trichet is president of the European Central Bank.



Peace, a single market and a single currency.