

“Welcome to the Euro” conference,

Ljubljana 15 January 2007

- Keynote address by the President of the Eurogroup -

We have gathered on this 15 January 2007 in Ljubljana to mark the day where the *tolar* is for ever consigned to the history books and where the euro becomes the new currency of Slovenia.

We have also gathered in Ljubljana today to pay tribute to the courage of the Slovenian people. Since the dramatic days in June/July 1991, Slovenia has accomplished a remarkable journey. It has become an independent state, it has rebuilt and reformed its institutions and its economy, it has become a member of the European Union and Nato, and now – for the second time in less than half a generation – it introduces a new currency.

The people of Slovenia have accepted many sacrifices in exchange for a promise of a better and more prosperous future. This patience has been rewarded and Slovenia has every reason to be proud of how much has been achieved in so little time.

In this respect, Slovenia’s recent achievements mirror the spirit, the commitment and strong convictions of the architects of the new Europe whose memories are looming large on the 50th anniversary of the signature of the Treaty of Rome and the 15th anniversary of the signature of the Maastricht Treaty.

However, unlike the Slovenian people who are today proudly celebrating this milestone in its history, many people elsewhere in Europe are growing

increasingly complacent about the European project and the European ideal and there is even a worrying tendency to turn the back on some of the great achievements of the European project.

This tendency does not stop before the euro.

Since its creation in 1999, the euro has proven to be a massive success, even exceeding the expectations of the biggest optimists.

Proof – if needed – is provided for instance by our presence here today. A few years ago, nobody would have believed that in 2007, the euro area would be composed of 13 countries, with numerous others actively preparing for entry.

In the eight years of its existence, the euro has effectively safeguarded the prosperity of the citizens of the people of the euro area.

It has shielded its citizens from the most adverse consequences of economic and political turbulences worldwide: 9-11, the Iraq war or the Asian currency crisis to mention but a few.

By reducing transaction costs and increasing predictability, the euro has been good for business.

By guaranteeing low and stable inflation as well as access to credit at historically low interest rates, the euro has protected purchasing power and contributed to raise the living standards of its citizens.

However, the pervasive tendency to use Europe as a scapegoat to draw away attention from the shortcomings of national policies does also affect the euro. Despite the many tangible benefits that the euro has brought to them, the citizens do not love the euro and many still revel in nostalgia about their former currencies.

It is therefore crucial that we intensify our collective efforts to explain to the citizens what the euro can do for them, and to caution them against asking the euro to perform where it simply cannot deliver. In short, we must come to terms with the implications of living in Euroland.

First and foremost, living in Euroland implies the necessity for a much closer coordination of economic policies among the member states of the euro area, as the implementation (or absence of it) of policies at the national level may have consequences for the euro area as a whole.

Second, living in Euroland implies that there is a premium on responsible economic policymaking. Conversely, the inability or unwillingness to address structural weaknesses of our economies in a rigorous and timely manner is likely to cause greater adjustment stress.

Thirdly, living in Euroland necessitates that we fully understand the potential and the limits of a single monetary policy and the euro exchange rate. The European Central Bank can deliver low and stable inflation. It cannot use the interest rate to permanently increase growth and employment. In the absence of structural policies, attempts to use monetary policy to stimulate growth have ever only led to one thing, namely higher inflation. Regarding the exchange rate, many of us also still nervously remember the anxieties and even the hardship caused by the currency

realignments that took place periodically before the creation of the euro. These beggar-thy-neighbour policies were never a remedy for economic problems of a structural nature, if anything, the opposite is the case. Furthermore, in today's global economy, there are clear limits to the effectiveness of exchange rate policies.

Thus, living in Euroland implies that we do not take the advantages of the euro for granted, that we act responsibly at the national level and that we are not making excuses for inaction by looking for scapegoats. Living in Euroland implies that we act decidedly, collectively and courageously. To the founders of the euro, to those countries that have recently adopted the euro, to those that are preparing for the euro and to the future generations, we owe it that we do not lack the courage of their and our convictions.