

## Jean-Claude Trichet: Remarks on the occasion of the European Banker of the Year Award

Speech by Mr Jean-Claude Trichet, President of the European Central Bank, at the Award ceremony organised by the Group of 20 +1, Frankfurt am Main, 17 November 2009.

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Mr Prime Minister,

Ladies and Gentlemen,

I am very pleased to be here again this year and to be paying tribute to Jean-Claude Juncker, Prime Minister of Luxembourg and President of the Eurogroup.

As regards the “European Banker of the Year” award, I warmly congratulate both Jean-Claude Juncker and the jury for this decision.

My main aim for today is to say how honouring Jean-Claude Juncker is a very good choice for many reasons. I have known Prime Minister Juncker for many, many years and we have cooperated ever more closely: first in the general European context; then through my association with the Eurogroup; and finally in the current crisis, where governments and central banks have stood shoulder to shoulder.

Let me briefly review Mr Juncker’s career and achievements. Born in the western part of Luxemburg, Mr Juncker studied law and earned his degree at Strasbourg University in 1979. A brilliant and dazzling rise followed: Mr Juncker became member of the government at the age of 28, first as Secretary of State and afterwards Minister for Labour. He was appointed Finance Minister at 35 and Prime Minister at 41. Throughout his career, Mr Juncker has been committed to Europe and participated in the birth of the Euro, being one of the major architects of the Maastricht Treaty. His European convictions came to the fore in 2005, when he submitted the Constitutional Treaty to referendum, putting his own premiership on the line.

With Luxembourg nestled between two large countries, Mr Juncker is a very visible representative of his country in the international arena. At the same time, he is widely appreciated as a very efficient behind-the-scenes negotiator on European issues, not least because he can see them from both the German and the French perspective. He once said – I quote here from the laudatory statement on the occasion of Mr Juncker being awarded the Charlemagne Prize in 2006 – that *“institutional life in Europe is a bit like life in the animal kingdom – a flea can drive a lion crazy, but there is no known example of a lion driving a flea crazy. That shows how important it is to find the right balance between great and small.”* This quote illustrates his strong belief in his country’s strategic role as a mediator alongside the larger European countries.

Beyond that, Jean-Claude Juncker is currently the longest serving prime minister in the EU. This testifies to his leadership and the trust that he inspires in people. He also appears to be immune to what academic literature has come to label “Juncker’s say”. On the need for structural reforms, he once remarked that *“we politicians know what to do, but what we do not know is how to get re-elected”*. Dear Jean-Claude, I imagine that many of your fellow heads of government look to you from time to time for guidance on how you have managed to succeed.

Praise for Mr Juncker must also pay tribute to his leadership skills – as President of the Eurogroup – during the current financial and economic crisis. Since 2005, Mr Juncker serves as the first permanent President of the Eurogroup. Under his leadership, the Eurogroup provided essential input to the concerted action plan adopted by the euro area Heads of

State or Government on 12 October 2008, which was a key step in designing a framework for an EU policy response.

In this context let me emphasise my appreciation for the full respect Jean-Claude Juncker has for the independence of the European Central Bank, which I qualified some years ago as the “fierce independence” of the central bank. As President of the ECB, I regularly attend, together with the Vice-President, the monthly meetings of the Eurogroup. Mr Juncker attends the meetings of the ECB’s Governing Council. The exchanges of views on these occasions help us, as policy-makers, to understand each others’ policy concerns while fully respecting each other’s responsibilities. I wish to take this opportunity to thank you, Jean-Claude, for the fruitful cooperation that we have enjoyed over the past few years.

There is yet another aspect I admire about Mr Juncker, and this is his mastery of language. La maîtrise des langues en Europe est primordiale, car l’enjeu et le grand défi européen c’est la création d’un sentiment collectif européen mais aussi et surtout pouvoir parler le même langage alors que l’on parle des langues différentes. C’est faire en sorte que, concrètement, les messages politiques soient entendus partout de la même manière quand bien même ils seront émis dans des langues différentes. Je me rappelle une pensée du philosophe Edgar Morin qui disait que “le génie européen n’est pas seulement dans la pluralité et dans le changement, il est dans le dialogue des pluralités qui produit le changement” (*Penser l’Europe*). C’est pourquoi Jean-Claude Juncker, avec sa parfaite maîtrise des langues, est bien placé pour être au coeur du dialogue des pluralités qui constituent l’universel européen.

Luxemburg ist ein Beispiel wie verschiedene Sprachen und Kulturen in einem Land harmonisch miteinander leben, sich gegenseitig befruchten und zu einer gemeinsamen Identität finden. *Lëtzebuergesch*, das zur deutschen Sprachfamilie zählt aber auch stark vom Französischen beeinflusst wurde, ist ein gutes Beispiel für diese kulturelle Synthese. In dieser Weise kann man Luxemburg als “pars pro toto” für ganz Europa sehen. Vielleicht aus diesem Grund war Luxemburg die erste Stadt, die zweimal zur “Europäischen Kulturhauptstadt” gekürt wurde.

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Given the current environment, I would also like to say a few words on the economic situation and recent developments.

As you will recall from the press conference that followed the Governing Council meeting of 5 November 2009, both pillars of our monetary policy strategy indicate that inflationary pressures over the medium term are low. Our assessment is therefore that the current stance of monetary policy, which encompasses both very low interest rates and a series of non-standard measures, remains appropriate. Monetary policy thus continues to support the availability of liquidity in the financial system and the recovery of the euro area economy. Having said this, improved conditions in financial markets imply that not all of our non-standard measures will be needed to the same extent as before.

The latest information and analyses are broadly in line with our expectations. While annual HICP inflation was slightly negative in October, it is expected to turn positive again in the coming months, and to remain at moderately positive rates over the policy-relevant horizon. At the same time, the latest information continues to signal an improvement in economic activity in the second half of this year. Although this outlook remains subject to a high degree of uncertainty, we expect the euro area economy to recover at a gradual pace in 2010. The monetary analysis confirms the assessment of low inflationary pressure over the medium term, as money and credit growth has continued to slow down. Against this background, the current rates remain appropriate, and we therefore decided to leave the key ECB interest rates unchanged.

Market expectations for inflation are in line with our assessment. In particular, medium to longer-term inflation expectations remain firmly anchored in line with our aim of keeping inflation rates below, but close to, 2% over the medium term.

Let me make one remark on exchange rates. I have repeatedly been on record in saying that I appreciate the statements made by the US President, the US Secretary of the Treasury and the Chairman of the Federal Reserve that a strong dollar is in the interest of the United States of America. I agree with this analysis entirely. I would add that I believe that the strength of the dollar within the set of floating currencies is in the interest not only of the United States, but of the entire international community. I noted with great interest the remarks made yesterday by Chairman Ben Bernanke at the Economic Club of New York. He said: "The Federal Reserve will continue to monitor these developments closely. We are attentive to the implications of changes in the value of the dollar and will continue to formulate policy to guard against risks to our dual mandate to foster both maximum employment and price stability. Our commitment to our dual objectives, together with the underlying strengths of the US economy, will help ensure that the dollar is strong and a source of global financial stability". This is a very important statement by my colleague, with whom I have a very good relationship. We are fully aligned in this analysis.

Thank you for your attention.