

## Willem F Duisenberg: The euro as a catalyst for European integration

Speech by Dr Willem F Duisenberg, President of the European Central Bank, on the occasion of the conference "One money, one Euregional market", Maastricht, 6 February 2002.

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Dear Governor of the Province of Limburg, Dear Mr. Mayor, Dear Rector Magnificus of Maastricht University, Dear Dean of the Faculty of Economics and Business Administration, Honoured speakers, Ladies and Gentlemen,

It is a great honour for me to receive the biennial prize of the Faculty of Economics and Business Administration of Maastricht University, and to deliver a short address at this conference today; a conference organised on the eve of the tenth anniversary of the Treaty on European Union, better known as the "Treaty of Maastricht". I should also like to thank the speakers for their kind words. Sometimes it was even difficult to recognise myself in them.

I should like to note today, on the eve of the Treaty's anniversary, that the establishment of Economic and Monetary Union and the introduction of the euro would not have been possible without this Treaty. Hence, allow me to say that I accept this prize also on its behalf. Indeed, together with the Treaties founding the European Communities, the Maastricht Treaty is one of the most important and visionary legal texts in the history of European integration. It has delivered tangible proof – the euro – of the vision and ambition of the founding fathers of the European integration process, which continues to bring the people of Europe closer together by fostering economic integration. The importance of "Maastricht" for the process of monetary integration in Europe has also inspired the Governing Council of the ECB to hold one of its two yearly meetings outside Frankfurt in this city. The Governing Council will meet tomorrow in the very place where – in December 1991 – the European Council concluded the negotiations on the Maastricht Treaty.

I should also like to compliment Maastricht University and the City of Maastricht on the research project, initiated by them, focusing on the impact of the introduction of the euro on Euregional integration. Indeed, the border regions of Europe have often been the testing grounds of the European integration process. They have also played a key role in initiating and promoting that process.

One of the important conclusions – in my view at least – of the research project "one money, one Euregion" is that the introduction of the euro might act as a catalyst for further European integration in other policy areas. There are two reasons for this.

First, the introduction of the euro has increased the transparency of prices between countries and regions. I am referring not only to the prices of goods and services, but also to other nominal factors which influence the price-setting process, such as taxes. This increased price transparency will trigger more cross-border trade and commerce and, hence, competition. However, people will then realise that the Single Market is not perfect yet. For instance, even if people in Maastricht see that it is cheaper to buy a car in Germany, they are not allowed to do so without paying taxes to the Dutch authorities. That the Single Market still has room for improvement is also evident from the results of your research projects. Regulatory, administrative and legal impediments to trade, commerce and the mobility of labour still exist, such as different tax regimes, or so-called exclusive distribution agreements, still allowed by the Treaty. These impediments surface especially in cross-border trade and commerce between the border regions within the euro area. Indeed, it is interesting to note that the introduction of the euro – one reason for which was to 'crown' the establishment of the Single Market – will help to identify those areas in which the Single Market has not yet been completed.

Second, a currency is a very important symbol of national sovereignty. If the governments of the euro area voluntarily give up their national currency – as they have done – and if citizens of the euro area acknowledge the economic benefits of using one single currency in an enlarged economic area, these citizens will start asking themselves why it is possible to have a single currency, but not to eliminate other barriers between the countries of the euro area. In other words, European integration might become more of a "bottom-up" process, initiated by the citizens of Europe, and less a of "top-down" process driven by politicians and experts, which it is has been so far.

Hence, the introduction of the euro will probably give new impetus to the initiatives taken in the 1980s to establish a single market. This means the elimination of more obstacles to cross-border activities, and – at the same time – either harmonisation or "mutual recognition" of standards, in order to avoid

undesirable competition between regions and countries. The well-known textbook example is undesirable tax competition, the so-called "race to the bottom". In addition, completing the Single Market would be a welcome contribution to structural reform in the euro area and the European Union. Speeding up the process of structural reform as well as deepening reforms are the key challenges facing the European Union. Only through reforms aimed at improving the functioning of the market mechanism will it be possible to bring the potential level of growth in the Union to a structurally higher level.

I should like to emphasise that although the euro will probably act as a catalyst for further European integration, this does *not* necessarily imply that further European integration is a prerequisite for a well-functioning monetary union. The current framework – laid down in the Maastricht Treaty – has so far proved to work well and will continue to do so in future.

A key element of the institutional framework is the Stability and Growth Pact. The Pact provides a solid foundation for sound fiscal policies in individual countries as well as in the euro area as a whole. The ECB strongly supports the European Commission in its sustained effort to apply the rules of the Pact and exert peer pressure on governments, irrespective of the size of the countries in question. In addition, I am – of course – particularly happy with the Treaty provisions regarding monetary policy. They provide the ECB and the national central banks of the euro area with a clear mandate – to maintain price stability – and clear independence from third parties to achieve this objective. In this way, the drafters of the Maastricht Treaty have taken into account the experiences of, especially, the 1970s and early 1980s and the empirical research carried out in this area, which clearly show that the best contribution a central bank can make to economic growth and welfare is to maintain price stability. I can assure you that some people in this room – in particular Hans Tietmeyer and Cees Maas – fought like lions for this "monetary statute".

Ladies and gentlemen, I should now like to bring my remarks to a conclusion. The European Central Bank and the city of Maastricht have something very important in common. Both will forever be associated with the euro, our single currency. The decision of the Maastricht University and the city of Maastricht to initiate the research project "One money, one Euregion" and to organise this conference, as well as the hospitality of the city of Maastricht in receiving the Governing Council of the ECB, also bear witness to this city's continued interest in the euro.

Thank you for your attention.