

Jean-Claude Trichet: Welcome remarks for the Euro-Mediterranean Seminar

Welcome remarks by Jean-Claude Trichet, President of the European Central Bank, at the Euro-Mediterranean Seminar, Eurosystem and Mediterranean country national central banks, Naples, 14-15 January 2004.

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Your Eminence, Minister for European Affairs, Members of the Italian Parliament, President of the Region, Mr Mayor, distinguished guests, fellow governors, ladies and gentlemen,

I would like to welcome you most warmly to this first Euro-Mediterranean Seminar of central banks. I am particularly happy to see so many governors here from central banks of non-euro area Mediterranean countries, who are joining colleagues from Eurosystem national central banks.

This seminar marks the will of the Eurosystem to pursue a regular and active dialogue with the national central banks of Mediterranean countries. It is also a good example of the fact that the Eurosystem acts as a team: in this spirit, we asked the Banca d'Italia to host the seminar and I would like to thank Governor Fazio for having accepted, for having co-organised the seminar with the ECB and, of course, for choosing Naples. There is hardly any other place in Italy, or even in Europe, more suited to serve as the location of this meeting. From its foundation by Greek settlers to the city of today, Naples has retained the imprint of the successive cultures that emerged in Europe and the Mediterranean basin. This makes it a unique site indeed.

Our meeting here in Naples is both a real novelty and a sign of continuity.

As you are all aware, there are a number of meetings and fora, which bring together representatives of Mediterranean countries and the EU to discuss economic and financial issues. These meetings take place as part of the Barcelona process, which was initiated in 1995 to foster cooperation between the northern, southern and eastern shores of the Mediterranean in various spheres. As you know, it comprises the EU and 12 partner countries in the Mediterranean. So far, however, central banking issues have not played a prominent role in this framework, and central bankers from the two regions do not have a multilateral platform for an exchange of views.

This high-level seminar, and the preceding workshop that was held in Frankfurt in October last year, are not formally part of the Barcelona process. They are events initiated by central banks for central banks. They fill a gap in the network of institutional relations with and within the Mediterranean, and I am convinced that these events will very usefully enrich and complement the dialogue on economic, monetary and financial issues.

Although this pan-Mediterranean dialogue between central banks is new, the very concept of Eurosystem relations with central banks around the globe is not. Therefore, this seminar marks the continuity of the will of the Eurosystem to value international contacts and exchanges of views with other central banks. As a distinctive feature of our international relations, we would very much like to establish regional networks of central bank contacts, and to share our experiences within such networks to the extent that they are relevant to the specific region. In this spirit, the ECB has organised, together with several Eurosystem national central banks, high-level meetings with central bank governors of the 12 acceding and accession countries, and with Latin American and East Asian central banks. And we are already planning similar events with other neighbouring economies, such as Russia.

Against this background, let me briefly explain what motivated the Eurosystem to turn its view to our southern neighbours and to take the initiative to organise this seminar and the preceding workshop:

- First, when looking at the region, the close economic and financial links and interdependencies that exist between the southern and eastern Mediterranean and the EU are striking. The close economic and financial links, which will be reviewed in depth in the first session of this seminar, are not least a legacy of the region's history and geography. Many people expect these links to intensify in the future, particularly as a result of Association Agreements with the EU and the ambitious objective of creating a Euro-Mediterranean Free Trade Area by 2010. In addition, with Cyprus and Malta joining the EU in May 2004, and in view of Turkey's status as a candidate country – with a decision by the EU Heads of State or Government on the opening of accession negotiations expected in

December this year – links with the EU's Mediterranean neighbours have become more important.

- Second, the Mediterranean region faces severe economic challenges. High unemployment, in some cases combined with poverty, is probably the most pressing one. While being rarely below 10% in any country, unemployment rates are above 20% in some countries, which also results in migratory pressures. A weakness in attracting foreign direct investment (FDI) to the region is obvious. Despite the geographical proximity, less than 2% of EU FDI goes to the Mediterranean region, compared with 4.4% in the 12 acceding and accession countries, 7.8% in South-East Asia, and 10% in Latin America. The extremely low level of intra-regional economic integration is also striking – on average only 5% of Mediterranean countries' external trade is intra-regional trade. I believe strongly that addressing these challenges is not only in the interest of each of the economies concerned. It would also help to create the conditions for peace, stability and prosperity in this region, which are so important for the whole Mediterranean area and for Europe as a major Mediterranean partner.

In my view, such economic and financial links and challenges have a central banking dimension, given central banks' crucial role in macroeconomic management and their involvement in the financial sector. This central banking dimension has definitely grown with the introduction of the euro as the single currency in 12 EU Member States. It seems only natural that the euro should have an impact on Mediterranean countries given the economic and financial ties and the geographical vicinity of the two regions. This impact may therefore be one of the exciting, overarching issues in this seminar, which will be discussed in the session on economic and financial relations and in the subsequent ones on exchange rate policies and the financial sector.

More generally, exchanging our experiences on monetary policy and financial sector stability would be of great value, all the more taking into account the fact that Mediterranean countries and their economies are highly heterogeneous. Among the issues that are worth reflecting on in a regional context, I see two issues that are of particular interest in the region: first, the variety of exchange rate regimes that have been applied over the past few decades in the region and their impact on macroeconomic stabilisation, where substantial progress has been made; and second, the experiences with regard to the sequencing of capital account liberalisation and financial sector development.

In this context, the Eurosystem felt it was worthwhile to organise this high-level seminar. We were also encouraged by a series of bilateral visits over the past two years between our staff and central bank counterparts from the region. Particularly encouraging was the workshop preceding this seminar in Frankfurt last October, which all participants described as a highly interesting and valuable experience. These extensive activities over the past two years have laid the groundwork for today's seminar, both in terms of analytical preparation and the establishment of bilateral relations between our central banks. I would like to take this opportunity to thank all those in our partner institutions throughout the whole Mediterranean region who have helped to develop and realise this Euro-Mediterranean central bank dialogue, who have driven work on this project forward, and without whom this event here, today could not have taken place.

So what are the objectives of this seminar from our point of view?

- First, it should be a platform for an exchange of views between central banks of the Mediterranean region and central bankers of the Eurosystem. This seminar should enhance the Eurosystem's knowledge of the economies of our Mediterranean neighbours, and provide the central banks of the region with an opportunity to become more familiar with the Eurosystem.
- Second, this seminar is not a one-off event. We see the potential for regular and active dialogue in the region. Therefore, it is also an opportunity to elaborate on the main features of future cooperation.
- Third, but by no means least, this seminar offers a unique opportunity to strengthen professional and personal relationships between all central bankers of the region. Part of the region is haunted by conflicts, which impact the economies. All the more reason, I believe, for us as central bankers to develop professional relations and encourage active and constructive dialogue.

I would like to encourage all of us to make the best use of this opportunity by participating actively in the seminar with frank, open contributions. I look forward very much to our discussions.

Thank you.