Niklaus Blattner: Three nations, two currencies, one economic area

Speech by Mr Niklaus Blattner, Vice-Chairman of the Governing Board of the Swiss National Bank, at the Freiburger Montags-Gesellschaft, Freiburg im Breisgau, 6 June 2005.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).

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The Upper Rhine EuroRegion comprises Baden, the Südpfalz region, Alsace and Northwestern Switzerland. In what shape is the economy in this region? Is it as dynamic as we would like? Are the national borders that transect the region a handicap or have we come to accept them? What are the implications of the fact that the region has two currencies?

Firstly, the Upper Rhine EuroRegion is economically sound. This is due not least to the capital goods sector and the pharmaceutical/chemical industry, with the latter ensuring high added value in Northwestern Switzerland in particular. However, the Upper Rhine EuroRegion does not rank among the very best in Europe. While its level of economic added value is perfectly acceptable, its growth in recent years has been significantly lower than that in other regions. The region's situation is, therefore, no different to that of many other economic areas in Continental Europe.

Secondly, cross-border integration in the Upper Rhine EuroRegion is high. The diversity of the economic interrelationships between the national regions is reflected in the brisk trade in goods, capital flow and free movement of persons. It is clear from this economic integration that the fear of the region's borders considerably compromising economic development cannot be confirmed. Rather, the diminishing, relative importance of intra-regional foreign trade and intra-regional cross-border direct investment is due more to globalisation and the ensuing increase in the influence of Eastern European and Asian economies than to weakening ties within the Upper Rhine region.

Thirdly, the most notable aspect of the relationship between the region's two currencies since the introduction of the euro in 1999 is its stability. That does not mean, however, that the issue of Switzerland's ascension to the EU is of no consequence. Having its own currency allows Switzerland to conduct an independent monetary policy that is tailored to suit its needs.

Finally, the economic policy can help the region thrive further by removing remaining hurdles, such as those in the labour market and in the exchange of goods and services (Cassis de Dijon principle). A well-integrated economic region is the key to a prosperous future.

“Three nations, two currencies, one economic area” - the title of the paper - not only describes the reality, it also maps out the way forward.