

Jean-Claude Trichet: Interview with *Weser-Kurier*

Interview with Mr Jean-Claude Trichet, President of the European Central Bank, in *Weser-Kurier*, Germany, conducted by Ms Annemarie Struß-von Poellnitz on 11 February 2011 and published on 13 February 2011.

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Weser-Kurier: Is this your first time in Bremen?

Trichet: Yes, indeed. I've been to Lübeck and Hamburg, but I'm really eager to get to know Bremen.

Weser-Kurier: In 1978 Bremen was the setting for the launch of the virtual single currency, the ECU. We've now had the euro for 12 years. Although most Germans accept the euro, they don't love it. Can you understand that?

Trichet: It is important to look at facts and figures. The euro is a stable and credible currency, and the European Central Bank is here to ensure that our currency serves its purpose well – namely ensuring price stability – for the German people and the 331 million citizens of the euro area as a whole. The euro has held its value remarkably well in the 12 years since it was launched, with an average annual inflation rate of below 2% (1.97% to be precise). That's better than anything achieved by the national central banks before the introduction of the euro. Our primary mandate is to maintain price stability, which we have done.

Weser-Kurier: But fears of inflation are currently increasing. According to the German figures for January, which have just been announced by the Federal Statistical Office, the inflation rate rose to 2%, compared with 1.7% in December. This worries people.

Trichet: The average annual inflation rate in Germany in the last 12 years has been 1.5%, which is even lower than the euro area average. I'll say it again: that's better than in the 50 years before the introduction of the euro. Of course, we're not the masters of the price of oil or other commodities. We've also witnessed large swings in the price of oil and other commodities in the past, mainly driven by strong demand from emerging economies. But people can rest assured that we'll continue to do everything in our power to avoid the second-round effects of external shocks, thereby ensuring price stability in the medium term.

Weser-Kurier: It's not just commodity prices, but also high debt levels in some euro area countries that are stoking fears of rising inflation.

Trichet: The ECB's job is always to guarantee price stability, however complex the circumstances are, even if some governments don't behave according to the agreed framework. That being said, if governments behave improperly, they put their own economies in danger, which could threaten financial stability. All governments must take their responsibilities within economic and monetary union seriously, in accordance with the Maastricht criteria and the Stability and Growth Pact. Some countries had probably forgotten this before the global crisis. In 2004 and 2005 Germany, as well as France and Italy, decided to weaken the rules. The Governing Council of the ECB fought against this weakening of the Pact. In the interest of the single currency, we need to insist on clear rules for the economic and fiscal policies of the individual countries in order to ensure the financial stability of the euro area as a whole. The bad experiences of the past demonstrate that we also need strict enforcement of the agreed rules.

Weser-Kurier: You point out that governments have committed to limiting public debt to a maximum of 60% of GDP. Germany has come through the crisis relatively well. Nevertheless, the national debt was over 75% in 2010. I won't even talk about Greece. Is 60% a realistic target?

Trichet: This requirement is not only in the Stability and Growth Pact, but also in the Treaty of Maastricht itself. We have to comply with the Treaty. Experience has shown how important it is that all euro area countries are creditworthy. This is why compliance with these criteria is essential in order to ensure sustainable growth and job creation. I'm not saying that's easy, but it's necessary in the long term.

Weser-Kurier: Do we need to improve the existing conditions?

Trichet: We need what we call a "quantum leap", a decisive step forward. We called for this even before the current crisis. The experiences of the crisis make it even more imperative for us to monitor countries' competitiveness and the correction of imbalances in the individual national economies.

Weser-Kurier: You call for a higher authority, a new system of mutual checks. Are Angela Merkel and Nicolas Sarkozy on the right track with their call for an "economic government"?

Trichet: If this proposal does mean that there is a strong political will to coordinate and monitor economic policies in the euro area, I'll firmly support it, because it's in line with what the ECB's Governing Council has consistently said. We'll see the results of the consultations undertaken by EU Council President Herman van Rompuy. But I expect this new initiative to lead to a strengthening of the legislation on economic governance which is now being examined by the European Parliament: we're calling for a major improvement compared with the governments' previous position, which the Governing Council of the ECB regarded as unsatisfactory.

Weser-Kurier: Will there be a majority in favour of it?

Trichet: Our message is crystal clear: we call on all those concerned to exercise their responsibility. And it's not just about words, but also deeds. Therefore, our strong message to the European Union is that monetary union, based on the euro, is working. The currency is credible and has been proven to maintain price stability. It's now time for economic union to work just as well. This wasn't the case in the past. This is why we need to strengthen the surveillance of economic policies.

Weser-Kurier: You recently said in a keynote speech in Tutzing: "Our judgement was sharpest at the height of the crisis." Are we already on the way back to business as usual?

Trichet: This is no time for complacency. The dangers and risks are permanent. Central banks have avoided a depression by acting quickly to make difficult decisions. Governments in industrialised countries have also taken very difficult decisions. This prevented a disaster that would have been worse than the Great Depression in the 1930s. To continue as before would be a great folly. I don't accept for one second the argument that we're back to business as usual. We now know how vulnerable the financial system was, and we must do everything possible to strengthen this fragile system in such a way as to prevent such events from happening in the future.

Weser-Kurier: You were awarded this year's Charlemagne Prize of Aachen for outstanding service to European monetary union. What does Europe mean to you?

Trichet: I've devoted a large part of my life to strengthening European unity, not least by promoting a single currency. In 1978 I was an adviser to President Valéry Giscard d'Estaing, who, together with the then German Chancellor Helmut Schmidt, made the decision to launch the European Monetary System. Since then I've worked in different ways and in different functions to realise the single currency, which is a milestone in the deepening of the European Union. As a result of these functions, I had the great privilege to contribute at critical junctions. These historic, major efforts, which began shortly after the Second World War, are of fundamental significance for European peace, stability and prosperity. I was extremely touched to be told that I would be receiving this year's Charlemagne Prize.

Weser-Kurier: Is there a special relationship between Germany and France?

Trichet: The friendship between Germany and France has played a historic role in creating a united Europe. This friendship needs to be put to the service of overall European unity, for all European nations. There are 27 countries in the European Union and now 17 in the euro area.

Weser-Kurier: You are about to enjoy cod and green cabbage at the Schaffermahl. Today is also the 85th birthday of Paul Bocuse, the inventor of "nouvelle cuisine". What does good food mean to you?

Trichet: I love good food and "nouvelle cuisine". I always like to discover something new. I'm sure I'll do just that at the Schaffermahl.