

THE EURO TEN YEARS ON

The Benefits:

A single currency with global outreach

**Dear President Trichet,
Dear Members of The Governing Council,**

We are currently celebrating an important milestone for European integration - the tenth anniversary of the European Central Bank, created on 1 June 1998 which was then followed by the introduction of the European single currency on 1 January 1999.

For European business, setting up the single currency - for 11 member states in 1999 becoming 16 with the addition of Slovakia in January 2009 - is an indisputable success. We are proud of the euro, which is the second most important currency in the world and continues to gain ground on the US dollar.



This international status is a strong asset for European companies in both their trade relations and in their access to the global capital pool. For instance, around 60% of euro-area exports with the rest of the world are billed in euros and close to 50% of international bonds and notes issued across the globe are denominated in euros (against 35% in US dollars).

Stimulating the internal market

There are also immense advantages domestically. Companies can operate in a market of 320 million people facing no exchange risks, fewer cross-border costs and more transparency. In addition, the euro has created a momentum towards financial market integration across the wider EU. Consumers might not always recognise it, but they have greatly benefited from monetary union, which has created an environment conducive to low inflation, significant job creation; and made the internal market a reality for ordinary citizens when travelling or shopping.

Providing stability in turbulent times

Companies also know that they can rely on a credible central bank to deliver price stability at favourable financing conditions. This credibility is a great advantage as it keeps long-term interest rates – those that matter most for the horizon of investment strategies – at lower levels than would otherwise be the case. This is why business strongly supports the independence and the mandate of the ECB. Having a single currency and a single monetary authority has also shown its relevance since the outbreak of financial market turbulence in August 2007, as decisive actions were taken to ensure sufficient levels of liquidity and avoid a deeper impact of the crisis for the real economy.

The Challenges:

Moving together towards higher competitiveness

Despite the indisputable successes, the growing divergences between euro-area countries competitiveness illustrates that not all countries have adjusted well to the new reality. Since 1998, countries like Italy, Spain or France have lost between 15% and 25% of their cost competitiveness vis-à-vis Germany or Austria.

Of course, it was clear from the very beginning that sharing a single currency and a single monetary policy between sovereign nations with different socio-economic structures and with limited coordination instruments would be challenging.

Use good times rather than bad ones to reform

With the disciplining role of financial markets significantly reduced, governments' tendency to delay budget consolidation and structural reforms has been a considerable burden on some member states' performance. The cost of inaction is also a collective one because difficulties in one country spread to others more easily in monetary union, through monetary, financial, and trade channels. This has been recognised in the area of fiscal policy within the framework of the Stability and Growth Pact, but implementation has been unsatisfactory, and interactions in other policy areas have hitherto received too little attention.

Moving economic governance forward

It is high time to reinforce coordination and peer review among all member states, and in particular between euro-area countries. Greater focus should be put on ensuring that budgetary - but also structural - policy orientations are discussed at sufficiently early stage in the national legislative process. Both the Commission and the Eurogroup must take full advantage of the new provisions of the Lisbon treaty when it comes to the economic governance of the euro area.

In the presence of major global economic transformations, it is also important that the euro area is appropriately represented at the international level, building on a stronger consensus among its members.

On their side, social partners must fully integrate their role in a well functioning, competitive and cohesive monetary union at all levels notably by ensuring that wage policies are flexible and responsive to the triple objective of price stability, high employment and high competitiveness.

Showing the way for future participants

Finally, the success of the euro will crucially depend on the effective integration of future participants, and notably of new member states which committed to joining the euro when entering the EU.

The so-called convergence criteria are important benchmarks to evaluate readiness to join the euro, but clearer guidance on structural reforms must be given in order to ensure sustainable growth and competitiveness in the euro area.

The business community stands ready to make its contribution to the debate!

Long Live the Euro!



Ernest-Antoine Seillière, President of BUSINESSEUROPE