4-001

COMISIÓN ECONÓMICA Y MONETARIA

DIÁLOGO MONETARIO CON EL SR. DUISENBERG, PRESIDENTE DEL BCE

(de conformidad con el apartado 3 del artículo 113 del Tratado CE)

BRUSELAS, 12 DE JUNIO DE 2003

UDVALGET OM ØKONOMI OG VALUTASPØRGSMÅL

MONETÆR DIALOG MED WIM DUISENBERG, formand for ECB

(EF-traktatens artikel 113, stk. 3)

BRUXELLES, TORSDAG DEN 12. JUNI 2003

AUSSCHUSS FÜR WIRTSCHAFT UND WÄHRUNG

MONETÄRER DIALOG MIT HERRN DUISENBERG, PRÄSIDENT DER EZB

(gemäß Artikel 113 Absatz 3 des EG-Vertrags)

BRÜSSEL, DONNERSTAG, 12. JUNI 2003

ΟΙΚΟΝΟΜΙΚΗ ΚΑΙ ΝΟΜΙΣΜΑΤΙΚΗ ΕΠΙΤΡΟΠΗ

ΝΟΜΙΣΜΑΤΙΚΟΣ ΔΙΑΛΟΓΟΣ ΜΕ ΤΟΝ κ. DUISENBERG, ΠΡΟΕΔΡΟ ΤΗΣ ΕΚΤ

(σύμφωνα με το Άρθρο 113, παράγραφος 3, της Συνθήκης ΕΚ)

ΒΡΥΞΕΛΛΕΣ, 12 ΙΟΥΝΙΟΥ 2003

ECONOMIC AND MONETARY COMMITTEE

MONETARY DIALOGUE WITH WIM DUISENBERG, PRESIDENT OF THE ECB

(pursuant to Article 113(3) of the EC Treaty)

BRUSSELS, 12 JUNE 2003

COMMISSION ÉCONOMIQUE ET MONÉTAIRE

DIALOGUE MONÉTAIRE AVEC M. DUISENBERG, PRÉSIDENT DE LA BCE

(conformément à l'article 113, paragraphe 3, du Traité CE)

BRUXELLES, LE 12 JUIN 2003

COMMISSIONE PER I PROBLEMI ECONOMICI E MONETARI

DIALOGO MONETARIO CON WIM DUISENBERG, PRESIDENTE DELLA BCE

(conformemente all'articolo 113, paragrafo 3, del Trattato CE)

BRUXELLES, 12 GIUGNO 2003

ECONOMISCHE EN MONETAIRE COMMISSIE

MONETAIRE DIALOOG MET DE HEER DUISENBERG, VOORZITTER VAN DE ECB

(overeenkomstig artikel 113, lid 3 van het EG-Verdrag)

BRUSSEL, DONDERDAG 12 JUNI 2003

COMISSÃO ECONÓMICA E MONETÁRIA

DIÁLOGO MONETÁRIO COM O SR. DUISENBERG, PRESIDENTE DO BCE

(nos termos do artigo 113° (3) do Tratado (CE)

BRUXELAS, 12 DE JUNHO DE 2003

TALOUS- JA RAHA-ASIOIDEN VALIOKUNTA - KESKUSTELU RAHAPOLITIIKASTA EKP:N PUHEENJOHTAJAN DUISENBERGIN KANSSA

(EY:n perustamissopimuksen 113 artiklan 3 kohta)

BRYSSELISSÄ 12. KESÄKUUTA 2003

UTSKOTTET FÖR EKONOMI OCH VALUTAFRÅGOR

DISKUSSION OM VALUTAFRÅGOR MED ECB:S ORDFÖRANDE WIM DUISENBERG

(i enlighet med artikel 113.3 i EG-fördraget)

I BRYSSEL DEN 12 JUNI 2003

4-002

VORSITZ: CHRISTA RANDZIO-PLATH

(Die Sitzung wird um 9.35 Uhr eröffnet.)

4-003

Duisenberg, *ECB***. –** Mme Chairman, it is a pleasure for me to be here before your committee. I would like to start by briefly summarising the outcome of the governing council's reflections on our monetary policy strategy, as announced on 8 May 2002. I will then report on our assessment of current economic and monetary developments and on our recent monetary policy decisions.

After more than four years of conducting monetary policy for the euro area, we felt it would be useful to evaluate our monetary policy strategy in the light of past experience. Our discussion took stock of the public debate on our strategy, to which your committee has actively contributed, and of a series of studies undertaken by euro system staff. As a result of this thorough evaluation, the governing council confirmed the main elements of the strategy originally announced in 1998. However, we also recognised that some aspects of the strategy needed further clarification.

The governing council thus confirmed its definition of price stability as "a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%". It also confirmed that "price stability is to be maintained over the medium term". At the same time, the governing council clarified that in the pursuit of price stability the ECB aims at maintaining the inflation rate "below", but also "close to" 2% over the medium term.

This clarification underlines the ECB's commitment to provide - within the range of inflation rates compatible with price stability - a sufficient safety margin to guard against the risks of deflation. According to all evidence, this safety margin appears more than sufficient to cover other considerations as well, such as the possible presence of a measurement bias in the HICP index and the implications of structural inflation differentials within the euro area.

The focus for monetary policy on a year-on-year increase in the HICP of below, but close to, 2% is fully in line with past conduct. Moreover, it is also consistent with the markets' understanding of our past monetary policy, as reflected in long-term inflation expectations in the euro area since 1999.

The second important clarification concerns the two pillars, that is the roles of economic analysis and of monetary analysis, in assessing the risks to price stability. The economic analysis serves to identify short to medium-term risks to price stability. It includes an analysis of shocks affecting the euro area economy and projections of key economic variables. The monetary analysis focuses on the identification of the medium- to long-term trends in inflation in view of the close relationship between money and prices over extended horizons. This analysis mainly serves as a means of cross-checking, from a longer-term perspective, the indications coming from economic analysis. This clarification has also been reflected in a new structure for the communication of our monetary policy decisions since May.

Finally, to underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the governing council decided that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions, and amend the reference value when necessary.

Overall, I am confident that the clarifications provided will foster understanding of the monetary policy of the ECB. Let me now turn to our recent monetary policy decisions.

Starting then with our economic analysis, the first few months of this year were dominated by the uncertainty related to the escalation of geopolitical tension in the Middle East. This environment, which was also characterised by rising oil prices, was not beneficial for investment or, more generally, for economic activity in the euro area and at a global level. This picture was confirmed more recently by the release of data showing the stagnation of real GDP in the first quarter of 2003. Moreover, while oil prices have since fallen and financial markets stabilised, the survey evidence for April and May did not suggest an immediate improvement after the resolution of the conflict in Iraq. Accordingly, economic growth in the first half of 2003 is likely to have been very weak, and expectations for annual average economic growth for this year and for 2004 have had to be scaled down. This is also reflected in the euro system's staff projections contained in the June 2003 issue of the ECB's Monthly Bulletin which is published today.

Nevertheless, we expect a gradual strengthening of real GDP growth in the course of 2003, which should gather more pace next year. This outlook is underpinned by several factors. On the external side, the expected upturn in extra-euro area demand should compensate for the dampening effect of the appreciation of the euro

exchange rate. Evidently, the significant and rapid appreciation of the euro over recent months will dampen external price competitiveness. However, the current level of the euro's real effective exchange rate, and thereby the international price and cost competitiveness of euro area exporters, is very close to longer-term averages. Thus, when put into perspective, current euro exchange rate levels are in line with economic fundamentals and in line with the ECB's interest in a strong and stable euro.

In addition, the negative effects of the appreciation of the euro on aggregate demand should be mitigated by the positive effects on consumption stemming from the significant improvement in the terms of trade, also related to the decline in oil prices from the highs of early 2003. The associated decline in import prices should increase the real disposable income of euro area households. Furthermore, there are no significant imbalances in the household sector as a whole that would hinder a recovery in consumption. At the same time, the contribution of investment to growth is likely to remain modest, although an improvement in the global economic environment and the historically low level of interest rates should contribute to an upswing.

Downside risks to economic growth remain, however. Notably, risks stem from the past accumulation of macroeconomic imbalances outside the euro area, while there is also still uncertainty surrounding the economic impact of the SARS virus. A degree of uncertainty also remains as to the extent of the adjustment still needed in the euro area corporate sector to enhance productivity and profitability. A longer adjustment process could also have an impact on employment growth and thus private consumption.

Given this environment for economic growth, and taking into account the direct effects on inflation of the significant appreciation of the euro exchange rate, the outlook for price developments has become more favourable. Eurostat's flash estimate of the inflation rate for May was 1.9%. Annual inflation rates are expected to hover broadly around this level for the remainder of this year and to fall significantly in 2004. This assessment is based on the assumption of favourable import price trends, reflecting both oil price developments and the higher euro exchange rate, as well as on the expectation of lower domestic price pressure in the context of a moderate economic recovery. In particular, wage growth is expected to remain broadly stable. Coupled with productivity gains, this should result in a moderation of the rate of growth of unit labour costs.

In the context of our monetary analysis, we saw persistent, strong growth in the broad monetary aggregate M3. Consequently, the euro area economy has continued to accumulate liquidity significantly above the amount needed to sustain non-inflationary growth. There are, however, several considerations that counterbalance concerns that this ample liquidity will lead to inflationary pressures over the medium term. In particular, monetary developments continue to be fostered by portfolio shifts, reflecting a sustained preference on the part of investors for liquid and secure assets. This is also indicated by the fact that loans to the private sector increased at a much more moderate pace than M3. The perspective that economic activity will remain moderate also reduces the likelihood of excess liquidity giving rise to increased spending. Nevertheless, one has to bear in mind that monetary growth is also supported by the low level of interest rates. Therefore, monetary developments need to be and will be closely monitored with respect to their implications for price stability over the medium to long term.

Cross-checking the economic and monetary analyses in the context of our monetary policy strategy, we concluded at our governing council meeting on 5 June 2003 that the outlook for price stability over the medium term had improved significantly since our last decision to lower interest rates in March. As a result, we decided to reduce key ECB interest rates by 50 basis points. This decision aimed at maintaining inflation rates below, but close to, 2% over the medium term, providing some counterweight to the existing downside risks to economic growth. Looking ahead, we will continue to monitor carefully all factors relevant to our assessment of the risks to price stability in the euro area.

At this juncture, it may be particularly warranted to stress that monetary policy by itself cannot solve the problems underlying the weak growth and employment performance in the euro area. This calls for appropriate structural measures that address fundamental weaknesses and tackle urgent adjustment requirements. In this respect, sound fiscal policies have a great potential for fostering confidence and thereby supporting economic activity, even in the short term. The establishment of a well-designed medium-term reform strategy, with appropriate consolidation efforts in those countries currently struggling with fiscal imbalances, would make a major contribution in this direction. This should imply comprehensive and growth-friendly measures including, in particular, a courageous reform of the structure and level of public expenditure. Curbing spending growth would eventually also create further room for manoeuvre to address future pressure arising from population ageing and allow scope for future tax cuts. Procedurally, it is crucial to underpin the fiscal policy framework with a decisive and consistent implementation of the rules of the Treaty and of the Stability and Growth Pact, and rigorous monitoring and peer pressure amongst Member States.

Similarly, governments should now make progress in the field of structural reforms in the labour and product markets. This would not only increase the euro area's growth potential and enhance its ability to better withstand external shocks, but it would also eliminate a great deal of the uncertainty currently overshadowing long-term planning and perspectives. This, in turn, would also have positive effects over the shorter term. There can be no doubt that addressing long-standing structural problems will greatly enhance the current

attractiveness of the euro area for investment and could thereby provide an important stimulus for the economic recovery in the euro area.

4-004
Die Präsidentin. – Vielen Dank, Herr Duisenberg!

Wir werden jetzt unsere Sitzung mit Fragen und Antworten bis 11.30 Uhr fortsetzen. Ich möchte daran erinnern, dass wir heute um 11.30 Uhr die Abstimmungen durchführen.

4-005
Karas (PPE-DE). – Herr Präsident, Frau Vorsitzende, meine sehr geehrten Damen und Herren! Ich möchte Ihnen im Namen meiner Fraktion für die Klarheit und die Klarstellungen danken. Zum Ersten, weil man den Eindruck hatte, dass nur durch die Erwähnung, dass die Inflationsrate nahe 2% liegen kann, in den Medien sehr oft der Eindruck entstand, Sie hätten die Grunddaten und die Eckpfeiler Ihrer Politik verändert. Ich glaube, es war ganz wichtig, dass Sie darauf hingewiesen haben, dass die Struktur, die Frage der Strategie nicht in Frage gestellt wird, sondern dass Sie an den Eckdaten festhalten, und dass Sie die Eckdaten bestätigt haben. Das ist wichtig für die Stabilität, das ist wichtig für das Vertrauen, und das ist wichtig für die Kontinuität Ihrer Politik, obwohl Sie in den Nuancen, in der Argumentation, in der Kommunikation Ihren Spielraum erhöht haben.

Zum zweiten Punkt: Ich halte es für wichtig, dass Sie klargemacht haben, dass die Währungspolitik eine vernünftige Wirtschaftspolitik und die notwendigen Reformmaßnahmen nicht ersetzen kann, weil – die Frau Vorsitzende hat es bereits angeschnitten –, wenn die Wirtschaftsdaten trotz der Situation nach unten revidiert werden, die Begehrlichkeiten der Politik wachsen, was sogar so weit führen kann, dass man im Zusammenhang mit dem Verfassungskonvent die Frage des Status, der Rolle und der Definition der EZB politisiert. Ich halte es für ganz wichtig, dass wir klarstellen, dass die Währungspolitik die Wirtschaftspolitik nicht ersetzen kann, dass Strukturreformen dringend angebracht sind und dass wir auch nichts am Status der Unabhängigkeit der EZB und ihrer Rolle in Europa verändern wollen.

Meine Frage an Sie – das haben Sie nicht angeschnitten – betrifft das Verhältnis zu Amerika, also den Euro-/Dollarkurs, und den Erweiterungsprozess. Welche Auswirkungen haben diese beiden Faktoren nach Westen wie nach Osten auf die zukünftige Entwicklung der Wirtschaftspolitik und damit auch auf Ihre Analysen für die Währungspolitik?

4-006
Duisenberg, *ECB***. –** Thank you, Mr Karas, for the nod of agreement and confirmation of what I have said.

As far as your question is concerned, I do not foresee any impact of significance, if at all, emanating from the enlargement of the European Union to include 10 countries as from May next year. Taking into account the fact that the 10 new countries will, in the meantime, continue their process of convergence to economic performance in the euro area and that, altogether, they represent less than 5% of euro area GDP, I do not foresee an impact either on monetary policy strategy as such or on the relationship between the enlarged European Union - and, when it comes into being at a much later stage, an enlarged euro area - and the United States or other regions in the world.

4-007
Goebbels (PSE). – Monsieur le Président, dans une lettre au président Giscard d'Estaing, vous avez invité la Convention à inscrire la stabilité des prix au niveau des grands principes de l'Union. C'est un peu comme si on demandait à la République française de compléter sa devise "Liberté, égalité, fraternité" par "stabilité des prix". Ne vaudrait-il pas mieux spécifier, à l'article 105, paragraphe 1, du traité, que, bien sûr, l'objectif du Système européen des banques centrales doit rester la défense de la stabilité, tout en précisant que, par stabilité, on entend la lutte contre l'inflation et également contre la déflation?

Ensuite, il faudrait préciser ce que le Système européen des banques centrales entend par apporter son soutien aux autres politiques économiques de l'Union. Il ne suffit pas de garantir la stabilité des prix pour avoir une croissance économique en Europe et je crois que, sur ce sujet, vous êtes, depuis des années, en défaut de nous expliquer ce que les rédacteurs du traité d'Amsterdam ou de Maastricht ont voulu dire par cette seconde phrase de l'article 105, paragraphe 1. Voilà ma question, Monsieur le Président.

4-008
Duisenberg, *ECB***. –** When I wrote a letter to the President of the Convention we had some concern that price stability or, even, non-inflationary growth were not mentioned amongst the goals of the European Union in Part 1 of the Draft Constitution. Price stability is mentioned in Part 3 of the Draft Constitution. However, given that Part 1 is the core of the new Constitution, so to speak, it would be worthwhile to mention the goals of price stability and the pursuit of non-inflationary growth in that part of the text.

So far, also in subsequent drafts, this point has not been taken up by the Convention. There can be no doubt that the ECB takes its goals - namely to pursue price stability as a primary objective and, without prejudice to price stability, to foster the other economic goals of the Community - very seriously. It would have been our preference to mention this core goal of the European Union - namely pursuing non-inflationary growth, together with other matters such as low unemployment, equitable distribution of income, etc. - in the first part of the new Constitution. Otherwise there is no degree of difference of opinion in substance.

4-009
Goebbels (PSE). – Madame la Présidente, je viens de recevoir le texte écrit de l'intervention du président Duisenberg, où il nous explique la nouvelle stratégie de la Banque centrale européenne en matière d'inflation –

inflation tolérable, si j'ose dire. Cependant, il nous manque toujours une définition concernant les risques de déflation. Ne faudrait-il pas également définir ce que vous entendez par déflation?

4-010
Duisenberg, *ECB***. –** When we issued this clarification of our strategy - and the definition of our strategy remains unchanged, that is, to pursue a rate of inflation of below 2% - we added as a clarification that we would not only try to achieve inflation below 2% but also close to 2%. This was specifically to do away with this eternal debate about our being less vigilant in fighting deflation than inflation.

This means that we have a significant and adequate margin above 0% such that we need not be concerned with deflation at all. If, over the medium term, inflation approached figures close to 0%, that is, close to the borderline with inflation, that would certainly be interpreted by the Governing Council as a rate of inflation that was too low and we would undertake measures to get it back over the medium term in the direction of the 2% figure. So it does contain adequate, let me say, room for manoeuvre to fight deflation just as much as we would fight inflation if the forward-looking figures were to indicate that it was over 2%.

4-011
Goebbels (PSE). – Donc, une trop grande stabilité serait déflationnaire. Je veux dire qu'une inflation proche de zéro, c'est la stabilité absolue, ce qui serait déflationnaire.

4-012
Duisenberg, *ECB***. –** Yes, but we would avoid that: if it was adequately different from 0%, we would not be concerned, but we would only be satisfied if it was close to 2% - precisely to avoid deflationary sentiments developing amongst the public.

4-013
Huhne (ELDR). – I think that the ECB has - if I may say so from the point of view of my group, the Liberal group - made a great step towards clarifying its monetary policy goals. I am sure that will be, and has been, welcomed widely by those who follow these matters.

One further point of clarification - because as you know nothing is ever totally certain and matters of interpretation continue - concerning the relationship between these two words "below" and "close to": you say you are maintaining the inflation rate below but close to 2% over the medium term. Does that mean below and close to 2%? Or does it mean below but close to 2%, implying that you would also be prepared to see it close to but above 2%?

The key word, obviously, in the economic debate here, is symmetry. Can you confirm that you are pursuing a symmetrical inflation target, in the sense that you are as concerned about drifts below 2% as drifts above 2%?

On the same nexus of issues, you quite rightly speak of the ECB's commitment to provide, within the range of inflation rates compatible with price stability, a sufficient safety margin. What is the range of those inflation rates? How big is your buffer zone? How big is your margin of tolerance around 2%? Perhaps you could tell us about that.

4-014
Duisenberg, *ECB***. –** The answer to the first question is that the way we have now defined symmetrical as "below but close to" is almost a question of semantics. I would distance myself from your interpretation that we would be symmetrical if it were over 2% or that we would be as satisfied as we would be if it were close to but under 2%. If it were to remain, in the medium-term future, over 2%, we would see little room to make monetary policy more accommodating than in the past.

We specifically did not define a range, although we considered it, because we want to avoid being seen as targeting inflation towards a precisely defined range. We recognise that monetary policy in the short term cannot fine-tune the inflation performance of the euro area economy as a whole to an extent which would make a precise quantitative definition of a range sensible or viable.

4-015
Huhne (ELDR). – I am still not totally clear on this 2% business. Does that mean that 2% is a ceiling? So 2% is a ceiling?

4-016
Duisenberg, *ECB***. –** Not at the actual figures, but over the expected inflation rate, say $1^1/_2$-2 years from now.

4-017
Herzog (GUE/NGL). – Monsieur le Président, il y a eu des interprétations différentes concernant l'importance des changements apportés par votre réforme. Vous en donnez une interprétation qui, je crois, est conservatrice, tout en ménageant une ouverture dans le sens de la flexibilité.

Je voudrais vous poser deux questions. Concernant tout d'abord le problème des taux d'intérêt: est-ce que, dans votre stratégie de politique monétaire, votre réflexion sur l'utilisation des taux d'intérêt est en train d'évoluer? Ici même, vous avez dit, dans le passé, que cela n'avait pas d'importance pour les investissements, mais je vois que la mesure conjoncturelle récente a peut-être aussi une signification pour la future stratégie, c'est-à-dire que vous vous intéressez aux impacts possibles sur la croissance de l'Union européenne.

La deuxième question porte sur les critiques formulées à l'encontre de la politique monétaire selon lesquelles les mesures en matière de taux d'intérêt donneraient une prime à des pays qui ne sont pas forcément vertueux en matière de lutte contre l'inflation et pénalisent, en revanche, des pays où le taux d'inflation est bas. Avez-vous aussi une réflexion sur cet aspect de votre politique monétaire?

4-018

Duisenberg, *ECB***.** – We continue to think that, in technical terms, the elasticity of investment with regard to interest rates is very low and therefore the investment climate is mainly a matter of confidence - of keeping inflation expectations under control, so as to give the best possible signal to potential investors that our monetary policy will succeed in keeping prices stable, in line with our definition of price stability. This will allow investors to base their expectations on a stable, predictable economic environment so they may use, with some confidence, their expectations of the profitability of their investments in order to take positive decisions. Whether the rate of short-term interest rates, which we can influence, have a direct impact on investments is much less clear. Their impact is mainly indirect.

A lot of attention is being paid to the matter you raised in your second question - inflation differentials. In practice, the inflation differentials in the euro area are quite normal for such a large currency area with a market of more than 300 million people. It is quite normal to have inflation differentials, which may be significant, but which will correct themselves over time almost automatically. We will always have inflation differentials in a currency area as big as the euro area, just as they exist in the United States, which is a smaller area economically speaking. Such differentials will correct themselves and new ones will emerge.

Those countries which are now below or significantly below the euro area average will, over time, benefit from the competitive advantage they enjoy inside the euro area, which will then rectify this situation over time and almost automatically. This is therefore not a question of countries being penalised or advantaged. These things are quite normal and have to be accepted. At any rate, I can only repeat myself. This matter cannot be dealt with using monetary policy. If it is considered a problem, other elements of economic policy should be used.

4-019

Della Vedova (NI). – Signor Presidente, io ho molta fiducia nelle sue capacità e nella capacità delle banche centrali di governare l'inflazione; credo però che insistere troppo sul significato delle parole - questa soglia del 2 per cento - rischi di distogliere l'attenzione dai temi principali e più importanti per l'economia e per il futuro dell'Europa. Io credo che il taglio dei tassi abbia messo fine a un alibi per molti governi e per molti politici europei, quello cioè di addossare alla politica monetaria le responsabilità della cattiva congiuntura economica europea.

Nella sua relazione - e vengo alle due domande - lei ha insistito, giustamente, sulla necessità delle riforme strutturali. In particolare, lei ha parlato del livello e della struttura della spesa pubblica e della necessità di diminuire la spesa pubblica per i costi legati all'aumento dell'età, all'invecchiamento della popolazione e alla diminuzione delle tasse. In Europa si discute molto sull'opportunità di introdurre una *golden rule,* quindi di sottrarre gli investimenti al Patto di stabilità. Lei ritiene - credo di sapere la risposta ma mi piacerebbe sentirlo - che lo spazio per maggiori risorse per gli investimenti vada trovato aggiungendo *deficit* o riformulando l'attuale spesa pubblica? Seconda domanda, brevissima: si discute dell'euro forte, in qualche modo accusando gli americani della loro politica di dollaro debole che penalizza l'economia europea; secondo lei, esiste davvero la possibilità, da parte delle banche centrali, di fare una politica del cambio o dobbiamo accettare che i cambi fluttuino in conseguenza delle dinamiche dei mercati finanziari e dei mercati dell'economia reale?

4-020

Duisenberg, *ECB***.** – There is a lot of room for improving the quality of public investment, by redirecting it so as to use it more productively. I do not think there is room for higher deficits. We would be well advised to stick to the rules, agreed amongst ourselves, or at least agreed by our governments, of the Stability and Growth Pact. One of the aims of those rules is to allow us to cope with the problem of the rising costs of the ageing of the population. Such costs will be unavoidable and will put unavoidable upward pressure on government budgets, which will have to finance the pension and, in particular, the health-care needs of the population. We will have to face this problem sooner rather than later. That is why it is of the utmost importance to stick to those rules and that is why I put so much emphasis on it in my introduction.

If governments are serious about the commitment they made in Lisbon to make the European economy the most dynamic economy in the world over a period of 10 years, lifting growth rates to a potential of around 3% rather than the current average potential growth rate, which can be estimated as maybe 2% or just over 2%, they had better start taking action now. If they do not, they will not meet that objective.

Now the strong euro: I want to reiterate that the euro is currently at almost precisely the same level as the average calculated over the last 25 years. We calculated a long-term average for the euro exchange rate vis-à-vis the rest of the world since 1975 and we are virtually at that average level. The euro is certainly stronger than it was a year ago, but it is just as strong as it has been on average over the last 25 years.

One problem I cannot deny is that most of the countries in the fastest-growing parts of the world - in particular, Asia, and, more particularly, south-east Asia, including China - have an exchange-rate regime which links their currency to the dollar. An adjustment is bound to occur, over time, due to the unsustainable current account deficit of the United States. The fact that exchange rates in Asia are coupled to the dollar implies a policy for those countries, which will not meet the needs they would have if they had the same problems as the United States in rectifying this. Therefore, the burden of the unavoidable adjustment process will fall on Europe to a larger extent than otherwise would be the case. It is up to them to do something about their exchange-rate policies.

4-021

Blokland (EDD). – Mevrouw de Voorzitter, ik wil de heer Duisenberg van harte bedanken voor de verduidelijkingen die hij naar voren heeft gebracht. Ik denk dat dat heel erg nuttig was, juist omdat over een aantal zaken in de pers toch heel veel discussie is gevoerd en ook specialisten nogal wat opvattingen ten beste hebben gegeven over de beleidswijziging die zou hebben plaatsgevonden. Ik ben blij te horen dat ik dat goed geïnterpreteerd had en dat zo'n beleidswijziging niet heeft plaatsgevonden.

Ik wou toch nog even verder gaan over de definitie van prijsstabiliteit. Ik ben bang dat er toch een beetje de indruk ontstaat dat de Europese Centrale Bank prijsstabiliteit definieert als een inflatie beneden de 2%. Terwijl dat, als ik de tekst goed lees, naar mijn idee niet bedoeld is. Er zit namelijk een meetfout in de HICP-index en dat betekent dus dat de HICP-index beneden de 2% of dichtbij de 2% maar dan wel beneden de 2% moet blijven. Dat is dus de HICP-index. Dat is dus niet gelijk aan het inflatiepercentage behalve als we dat definiëren, maar dat zou wat onduidelijk zijn. Omdat we de inflatie meten met de HICP-index en we dat niet precies kunnen, krijgen we dus een onzuiverheid in het meetproces. Daarom zeggen we nu dat die HICP-index beneden 2% moet zijn. Dat betekent niet dat we stabiele prijzen hebben als die HICP-index 2% is, maar het betekent dat we meetfouten hebben. Als je dus een andere index zou ontwikkelen die beter en zuiverder de inflatie meet, dan zou het wel eens zo kunnen zijn dat die doelstelling van 2% omlaag gebracht moet worden. Ik weet dat er bij de centrale bureaus voor statistiek en ook bij de ECB natuurlijk voortdurend aan wordt gewerkt om die inflatie zo zuiver mogelijk te meten. Misschien kan de heer Duisenberg daar iets meer over vertellen.

4-022

Duisenberg, *ECB*. – We know there is a measurement bias over time and our analysis indicates that it is smaller than we originally thought. It is certainly smaller than that which is probably the case in the United States, for example.

I would hate to give precise figures because I do not have them. I would point out that Eurostat is continuously improving the quality of the HICP Index. If you want a figure then, in all likelihood, the measurement bias is smaller than one half of 1%. I say, "in all likelihood", because our history is simply too short to come up with more precise calculations. We need more information. I also want to point out that I noted with satisfaction that it is the intention of the UK Chancellor of the Exchequer to change, for this year's pre-budget, the inflation target he imposes on the Bank of England from the RPIX to the HICP Index, which is used in the rest of the European Union.

If you were to translate the current index used by the UK Government and the Bank of England, the RPIX, into an HICP figure, you would end up with a figure at or maybe just below the same 2% we are talking about. In that respect we are at least converging already. We are constantly working on it, but to define price stability as a rate of inflation of below 2% - that is how we define it, don't get me wrong on that - indicates that a margin of 2% over absolute price stability in Europe is more than adequate to cover the possible measurement bias which may be in the index.

4-023

Villiers (PPE-DE). – In the light of the announcements over the last week or so in the United Kingdom and, as now there will be no referendum on joining the euro before next spring at the earliest and it looks very unlikely that there will be any referendum before the next general election expected in 2005 or 2006, also in the light of a hardening of attitudes in the United Kindgom against joining the euro as demonstrated by a succession of opinion polls, perhaps you could comment on what you believe the prospects for the United Kingdom joining the euro are? Perhaps you could also give us your views as to whether concerns about the state of the economies in those countries which have abolished their national currencies, and about economic problems in those countries, are influencing opinion in the United Kingdom? Many of my constituents express to me their concern that they perceive very serious problems in euro land, particularly in Germany, and that is one of a number of reasons why they do not want to join the euro.

4-024

Duisenberg, *ECB*. – First of all, I regard the discussion in the United Kingdom and the statements made by the Chancellor of the Exchequer and the Prime Minister during the last couple of days as a domestic UK issue. I will not comment on that.

But on the whole, I am struck by the positive tone in which both the Prime Minister and the Chancellor have made it unequivocally clear that their long-term goal is that the UK should join the euro. But it was as if I heard a ghost from the past saying "yes, but only when the time is right". I regard that as positive.

The concern in the United Kingdom about the structural problems currently affecting the euro area is, on the one hand, understandable; on the other hand, it demonstrates once more how necessary it is to achieve structural reforms in the euro area. After all, the position is that the United Kingdom and also Sweden have gone through a process of structural adjustment, ten to fifteen years before most of the euro area economies even started on this process. For me, it demonstrates how important it is that we in the euro area also become serious about structural reform, a process which as I say is not finalised in the United Kingdom. But they were a good deal earlier than we were here in the euro area, and they are now benefiting from having started at an earlier stage.

4-025

Katiforis (PSE). – I have been waiting patiently to protest against the way you are conducting this debate. You know that it is the privilege of a Member to ask for an interruption in respect of procedural matters.

4-026

Die Präsidentin. – Herr Katiforis! Ich muss Sie unterbrechen. Dies ist eine Vereinbarung der Koordinatoren. Sie waren wegen der Konventsarbeiten lange nicht in diesem Ausschuss. Das hat nichts mit mir zu tun, das müssen Sie mit dem Sprecher Ihrer Fraktion besprechen, nicht mit mir!

4-027
Katiforis (PSE). – The coordinators overruled the standard rules of the Parliament and allowed no interuptions for procedural reasons. Do they have the power to do that? I am amazed at this way of conducting the debate, Madam President, about something that is already as dead as a lamb and as dry as a dry torrent. I am sorry, I did not interupt for fun or to annoy you. I interrupted because the President of the European Central Bank was saying something factually wrong. He said that the target of price stability is not included in the first part of the constitution. Well, the basic rules about the European Central Bank are in fact in the first part of the constitution, and price stability is one of the aims - the sole aim, actually. I am surprised that the President should make such a mistake. I simply wanted to correct it.

Now, proceeding to my question, has the Bank ever made a formal decision that price stability has been achieved and therefore that it can give support to other policy aims of the European Union? Connected with that, this new formulation of monetary policy close to 2% seems to suggest that you are not pressing downwards an already very deflationary economy. But close to 2% is not deflation. If we had real deflation, what could the Bank do? For example, would it push real interest rates below 0% and would you expect any effect on the economy if the Bank did that? Or is it only a fair-weather bank that can control inflation but can do nothing about deflation?

4-028
Duisenberg, *ECB***. –** On your first remark, you were right that price stability is mentioned in Article I-29. What we were after is to include price stability in the article where the goals of the Union are mentioned, that is, in Article I-3. Article I-3 says that the Union shall work for a Europe of sustainable development based on balanced economic growth with a social market economy aiming at full employment and social progress. We would have liked to include price stability there, so that it would say "based on balance economic growth and price stability" or balanced non-inflationary economic growth. That would have been our preference, but I understand the Convention is still meeting.

4-029
Katiforis (PSE). – But it is still in Part One of the constitution.

4-030
Duisenberg, *ECB***. –** Yes, but further on, and we would have wanted it in the first crucial ...

4-031
Katiforis (PSE). – We cannot be overly ambitious.

4-032
Duisenberg, *ECB***. –** We are not overly ambitious, but we are ambitious to avoid deflation.

So, to answer your second question: what could the Central Bank do if deflation had emerged? Deflation will not emerge and we are not fearful that deflation will become a matter of concern. That is talking about the current situation.

Were deflation to emerge in the future, we would have available our full - albeit limited - arsenal of both interest rates and operations in the money and capital markets - in other words, the options available to any central bank if that danger were to emerge. We are prepared, but are not about to use that arsenal because we do not see this danger materialising.

4-033
Μαρίνος (PPE-DE). – Κυρία Πρόεδρε, θα ήθελα να αναφερθώ σύντομα σε δύο ειδήσεις από το χθεσινό τύπο.

Υπάρχει μια ανακοίνωση της Ομοσπονδίας Ευρωπαϊκών Τραπεζών η οποία αναφέρει ότι τόσο μεγάλη συσσώρευση αρνητικών στοιχείων για ανάπτυξη στην ευρωζώνη ουδέποτε συνέβη κατά τη μεταπολεμική ιστορία. Ποια είναι η δική σας άποψη γι' αυτή την πρωτοφανή, θα έλεγα, τοποθέτηση η οποία δεν συμπλέει απολύτως με τα όσα μας είπατε, μολονότι είπατε ότι οι δείκτες θα πρέπει να διορθωθούν προς τα κάτω;

Δεύτερον, θα ήθελα να μας λέγατε ποια γνώμη έχετε για το επίσης προβαλλόμενο σχέδιο του Υπουργού Οικονομικών της Ιταλίας Tremonti για την οικονομική ανάπτυξη που προβλέπει χρηματοδότηση ευρωπαϊκών έργων δημόσιου χαρακτήρα αξίας 70 δισ. ευρώ με έκδοση ομολόγων. Αυτό το υιοθετείτε, θα έχει κάποια επίδραση στον πληθωρισμό και γενικότερα στην εξέλιξη της ευρωπαϊκής οικονομίας;

4-034
Duisenberg, *ECB***. –** First, I fear I must be rather reticent in my response to these two questions. I have not seen that statement so I am not prepared to comment on it. As to the statements by Mr Tremonti, I would point out that Mr Tremonti is about to take over the presidency of Ecofin and I would prefer to wait until he makes certain proposals and is in that powerful position.

4-035
Randzio-Plath (PSE). – Herr Präsident! Ich möchte doch noch einmal auf die deflationären Gefahren zurückkommen. Es mag sein, dass noch nicht die gesamte Eurozone davon erfasst ist, aber wir sehen in wichtigen Sektoren deflationäre Entwicklungen, insbesondere in den Bereichen Lebensmittel und Bau, was dazu führt, dass diese Firmen Probleme haben, das notwendige Kapital für Investitionen zu gerieren. Wir sehen auf der anderen Seite auch immer wieder das Problem, dass die Staaten, die eine geringe Inflationsrate haben, mit ihren Defiziten zu kämpfen haben, wir es jedoch zum Dogma erhoben haben, dass solide Finanzen – mit 3% festgemacht – das einzige Mittel sind, um auch

tatsächlich die Preisstabilität herzustellen, die wir herstellen wollen.

Haben bei Ihren strategischen Diskussionen derartige Fragen eine Rolle gespielt? Hat es auch eine Rolle gespielt bzw. wäre es nicht wichtig, dass die international einflussreichen Zentralbanken zu vergleichbaren Definitionen kommen? Oder hat diese Sorge oder auch dieses Interesse überhaupt keine Rolle gespielt? Haben Sie sich auch die Frage gestellt, ob es nicht richtiger wäre, wenn nicht die EZB, die eine Politik der Preisstabilität verfolgen sollte, sondern eine andere Institution die Ziele und die zahlenmäßigen Festlegungen vornehmen würde?

4-036

Duisenberg, *ECB***. –** As far as the problem of deflation is concerned and as far as it is a problem in the minds of some, I cannot but repeat that we have of course thoroughly analysed future trends in the euro area as a whole and, within that, in its component parts.

I repeat: we do not see a danger of inflation in the euro area developing over the medium term. Nor, I might add, do we even see any danger in component parts of our currency region.

I would remind you also, Madam Chairman, that in one increasingly important sector, the services sector, we still see rates of inflation, both currently and in the future, in the order of magnitude of between 2½% and 3% per year. That is one of the reasons why we are not scared by the prospect of the re-emergence of the deflation ghost.

As I understand your question, we have discussed certain harmonisation of definitions of price stability or an acceptable rate of inflation. We re-discuss it only for the euro area. As I have said, and noted with satisfaction, one potential future member of the euro area is also now moving towards that definition in the course of this year. But we did not and do not discuss it with authorities outside the euro area including the new countries which may become members of the euro area.

4-037

Randzio-Plath (PSE). – My question is why are you not discussing it with the American Central Bank? Also, who should give the definition of price stability? Are you persuaded that it is right that the central banks that have to pursue price stability should also give the definition of price stability?

4-038

Duisenberg, *ECB***. –** We do not discuss definitions, although in an analytical way we do with other central banks including, regarding your question, the Federal Reserve. We respect each other's autonomy in accepting the definition as it is formulated both here, in the United States of America or elsewhere. Here, where we have one currency area, we have to have one definition. I think for such a large currency area that is in itself adequate and gives no rise to misunderstandings.

Regarding your other question, the Treaty establishes that the ECB shall maintain price stability. The Treaty did not define price stability. We defined it for ourselves and made our definition public. So far the public has accepted it. For example, in countries that have an inflation target - let us mention again the United Kingdom - price stability is basically defined by the government, subject to parliamentary control. At the moment, price stability is, more or less, when inflation reaches 2½%. That is the inflation target that is being imposed on the national central bank, the Bank of England. It is a certain definition of the price index which is in a transitory phase because the United Kingdom will adopt the same definition as we have, the harmonised index of consumer prices and then its definition of price stability, but in the context of inflation targeting, will be around 2%. Then we will be at precisely the same level.

4-039

Randzio-Plath (PSE). – You are asking for price stability to be integrated into the constitution and if you define it as a political target, why should the ECB decide price stability?

4-040

Duisenberg, *ECB***. –** I am almost inclined to say: if the political authorities want to define it, let them do it. Let me leave it at that.

4-041

Langen (PPE-DE). – Herr Präsident! Ich möchte an die Frage der Vorsitzenden und ihre letzte Antwort anknüpfen. Ich halte es für absolut richtig, dass die Europäische Zentralbank hinsichtlich des Deflationsgeredes in der Europäischen Union darauf hinweist – Sie haben das eben getan –, dass es auch in Zukunft Inflationsunterschiede geben wird, dass sie notwendig sind und dass sie ein Teil des Anpassungsprozesses im Europäischen Binnenmarkt sind. Denn ich kann mich erinnern, als wir über den Binnenmarkt, über die Einführung des Euro gesprochen haben, da war klar, dass es in der Europäischen Union eine Anpassung auch des Preisniveaus geben wird und dass in einigen Mitgliedstaaten, die auf einem erhöhten Preisniveau mit mangelnden Strukturreformen arbeiten müssen, die Preise sinken und der Wettbewerbsdruck im Euroraum massiv zunimmt. Ich bin also entschieden Ihrer Meinung, dass überhaupt nicht von Deflation geredet werden kann, wenn in einem Mitgliedstaat der Europäischen Union oder in zwei oder drei die Preise sinken. Das ist ein für den Verbraucher und für die Wettbewerbsfähigkeit der Eurozone notwendiger Vorgang. Deshalb bitte ich darum, dass Sie bei Ihrer Position zu dieser Frage bleiben.

Zweitens: Sie haben heute mehr als sonst Mut bewiesen, indem Sie die Regierungen direkt angesprochen haben. Sonst haben Sie gesagt: Ich halte mich da raus. Heute haben Sie gesagt: Die Regierungen sollten sich endlich daran machen, etwas zu tun bei den Strukturreformen. Ich kann Sie dabei nur ausdrücklich unterstützen, denn die britische Entscheidung, zwar zu sagen: "Der Euro wird kommen, wir wollen beitreten, aber Europa ist

nicht weit genug, um uns aufnehmen zu können", ist doch bezeichnend für unser Problem. Wir haben Streiks in Österreich, Streiks in Frankreich, riesige Debatten in Deutschland, um nur einmal drei Länder zu nennen. Glauben Sie, dass die Regierungen der Mitgliedstaaten überhaupt in der Lage sind, die von Ihnen erkannten notwendigen Strukturreformen durchzuführen, oder muss der Anpassungsdruck noch größer werden?

4-042

Duisenberg, *ECB*. – Thank you for encouraging me to maintain the posture I have taken. I promise you I will. Of course, structural reforms, particularly for example in the area of pension systems and pension rights, are painful and they cause a lot of resentment; they do impinge on rights achieved over sometimes centuries by the population, and it has to be made clear to all of us, in particular to the people of Europe, that with the inevitable demographic developments, we will have populations everywhere in Europe where the majority of the people will for their income be dependent on the minority that is working. That is an unavoidable fact.

I do not deny that it is difficult. I do not deny that it will cause a lot of protests. But I encourage governments to make the people understand that it is unavoidable and that the adjustments have to be made. It is not a pleasurable task to make these adjustments materialise, and there will be a lot of protest and resentment, but there is no other way. The people have to understand this and in the end they will. In some countries they are further advanced than in other countries in understanding this but there is no alternative. The people will understand and if they do not, they will pay a price.

4-043

Bonnici (PPE-DE), *Observer*. – I would like to focus on the emerging role of the euro as an international reserve currency. There is no doubt that this is a positive factor. It has added, and in many ways it should add, to international financial stability. After all, the extensive use of the US dollar as an international reserve currency has long been regarded as a limitation in the stability of world financial markets.

In the past few months, many central banks, also including the euro area, have been readjusting their portfolios to include a bigger euro component and fewer US dollars. Similarly, in the bond market, there is a shift in favour of euro-denominated bonds. This strength, I suggest, is likely to place upward pressure on the euro.

My question is in three parts. Has the European Central Bank conducted any studies on this matter? If so, what is the impact of these shifts in the recent appreciation of the euro? Finally, is the European Central Bank ready to counter this increased demand with increased supply and thus help stabilise this upward pressure on the euro?

4-044

Duisenberg, *ECB*. – We are continuously making studies about the international role of the euro. But in essence, as I have previously stated, we are neutral. We neither encourage nor discourage the international use of the euro. That will be decided by the markets and we are neutral on this. Of course, in studying it, we are a young institution and data are coming in very belatedly, certainly not through any fault of our own. We are dependent here on institutions such as the BIS and, once a year, the IMF, as far as the international or the composition of international reserves of the various countries are concerned. As far as the euro as a component part of foreign reserves of third countries is concerned, we only have anecdotal evidence. We have the impression from such anecdotal evidence that, in many parts of the world, the share of the euro is increasing, but it is a slow process. We leave it at that. If there really are shifts going on - and there are - they are proceeding at a very moderate pace; and there is one factor I mentioned in an earlier phase of this debate, namely that there are quite a number of countries, including very large reserve holders in terms of total reserves, who have in one way or another linked their exchange rate to the dollar. Now in order to protect the value of their international reserves, they are inclined to invest in US treasury bills rather more aggressively in order to protect the value of their reserves and prevent them from falling in value if the value of the dollar were to fall. That is a force that is working in an opposite direction to the force working in the direction of greater diversification of international reserves. What the ultimate outcome will be, nobody knows. We will know more when currency relationships have stabilised to a greater extent than at present.

4-045

van den Burg (PSE). – I would like come back to the issues regarding the Convention that is taking place elsewhere in this building. I would like to ask some questions about your letter of 5 June 2003 addressed to the President of the Convention.

Firstly, you drafted a new Part 1, Article 29, in which you focus on the euro system and the independence of the European Central Bank. In your letter, you say you have not already assessed whether the bank should be a European institution or not. Have you made up your mind on this and what are the considerations?

My second point is on the question of external representation in Part 3: I would like to know what you think about the respective roles of the European Central Bank, the Commission and the Member States in external representation.

Finally, why have you not considered addressing the Convention on two other points, which were missing from your letter. The first is the issue of the decision-making structure? We recently had a debate about how to take decisions after the accession of more members to the euro zone. Have you considered establishing in the future a simpler body for formulating policy? The second is the issue of supervisory tasks. Last year we produced a report in which this committee and the Parliament called for an enabling clause to be introduced, to allow the ECB or another European body

to carry out prudential supervision at European level. What is your view on this?

4-046

Duisenberg, *ECB***. –** That is quite a number of questions and I will try to say something about them all.

First, the governing council has discussed whether the European Central Bank should become a European institution. To be quite honest, we are not quite sure what the implications would be if that were the case.

My personal opinion is that, as far as the public is concerned, the ECB is a European institution. I would find it strange if we were to be included in another category. I would have no problem whatsoever in being included in the list of European institutions, such as the European Court of Justice. There are some who fear that, if the Bank were a European institution, it would impinge on independence. Nobody in the world doubts that the European Court of Justice, which is a European institution, is independent. For that reason, I do not share that fear.

On external representation, we are of the opinion that, as far as the currency is concerned and in the context of international institutions and meetings, conferences about the currency, there is only one institution which can represent externally the euro - the European Central Bank. Of course, one complication is the IMF, where currency matters are frequently discussed, since, as you know, the membership of the IMF is made up of governments and not central banks. We are the only central bank in the world without a government. So we are not a member of the IMF. We have to find ways and means of making our voice heard. We are of the opinion that, as far as the currency is concerned, the European Central Bank or, I should say, the euro system, but I will come back to that, should be the external voice of the euro area.

I realise that our ideas on the concept of "euro system" have caused some confusion or even resentment in the Convention. Let me clarify this. Over the last five years, we have used the term euro system to mean the aggregation of the thirteen central banks, which make effectively up the system of central banks for the euro area, just as the Federal Reserve system is the system of central banks for the United States. The Federal Reserve system consists of the Federal Reserve Board and the twelve regional Federal Reserve banks in the United States. The euro system is the ECB, in a narrow sense, and the twelve national central banks of the euro area. I often compare this euro system with a wheel, where the ECB is the hub and the national central banks are the spokes. Together they form the wheel, but the wheel could not turn and the system could not function without the spokes or the hub. It is the euro system, that is the ECB and the twelve national central banks, which formulates and takes decisions on monetary policy and implements those decisions. However, the term "euro system", which is the central banking system of Europe, or of the euro area, does not even appear in the Treaty. We have tried to convince the Convention, so far unsuccessfully, to ensure the governing council is referred to as the highest decision-making body of the ECB, but also of the euro system, as far as monetary policy is concerned. We have made great efforts, not without success, to make the term understood by the public at large. We should now enshrine this term and the concept of having a central banking system consisting of a centre and, if you wish, a periphery, but an unavoidable and even necessary periphery, of national central banks, in the new constitution for Europe.

On banking supervision we have been very modest. When the Treaty was formulated, supervision was explicitly considered to fall under the principle of subsidiarity and was left to the national authorities. The only task that fell to the ECB was to foster the smooth operation of banking supervision in the various countries and to try to harmonise at a distance. It remains a national responsibility. I am aware that in this Parliament there seems to be a movement in the direction of a more European system. I note that with great interest but I also know my place!

On the last point regarding decision-making, it could not be simpler. Voting procedures in the governing council will have to be made workable in a governing council ultimately consisting of 31 members. As provided for by the Nice Treaty, we have developed a proposal - there were strict conditions attached, the most stringent of which was to ensure unanimity - which does justice to the various interests involved. We have maintained, and it was crucial, the one man - one vote principle, so the vote of Malta - but I see the representative of Malta has left in the meantime - has the same weight as that of the German member of the governing council. The only difference is the frequency with which the individual members would have a voting right. The five largest countries would have a voting right 80% of the time - but I stress not 100% of the time, so there will always be periods when a representative or a member does not have a voting right, no matter what country he comes from. The middle group of countries, about twelve or thirteen, have a voting right a little over 60% of the time and an equally large group of very small countries have a voting right around 30% of the time. We could not make it simpler than that.

I am almost inclined to challenge you to come up with a simpler system. I can certainly think of a simpler system, but not if, at the same time, I had to ensure unanimity.

4-047

Riis-Jørgensen (ELDR). – Fru formand, det var en lang og meget teknisk debat. Jeg er jo dansker og sådan mere "to the point", og jeg vil derfor gå direkte til spørgsmålet om udvidelsen. Nu har vi fået et flot ja i Polen her i weekenden, og selvom hr. Duisenberg siger, at økonomierne i udvidelseslandene ikke betyder så meget, så betyder de trods alt alligevel noget for os.

Jeg har et par spørgsmål til Dem omkring udvidelsen. For det første, hvordan vurderer De, at udvidelsen af EU til 25 medlemsstater vil påvirke EU's økonomi, herunder den økonomiske vækst og stabiliteten i EU; for det andet, hvornår regner De med, at de 10 nye lande kan begynde at deltage i euroen, og hvordan vurderer De overordnet de nye landes tilpasningsevne, herunder ikke mindst på arbejdsmarkederne i en fælles valuta sammenlignet med de nuværende euro-lande; for det tredje, er det nødvendigt med en toårig deltagelse i ERM-samarbejdet for lande, der i praksis - jeg understreger i praksis - har opfyldt kravet om fastkurspolitik gennem et "currency board arrangement", og endelig hvordan er mulighederne for at drage de økonomiske fordele ved udvidelsen for en af de nuværende 15 medlemsstater, hvis den står inden for eller henholdsvis uden for euroen?

Jeg håber på et klart svar på disse meget praktiske og korte spørgsmål omkring udvidelsen.

4-048

Duisenberg, *ECB***. –** These new countries, which I assume will all become members of the European Union in May 2004, will continue to engage in the process of convergence towards the average performance of the existing euro area. That will take time, but so far they have been very successful in doing that. They will enter or adopt the euro at different points in time. I want to remind you that before adopting the euro, they also have to be a member of ERM 2, as Denmark now is. They will probably be members of ERM 2 a couple or a number of years after becoming members of the European Union. All but one of the new countries have publicly stated that they want to become members of ERM 2 as soon as possible. Only the Czech Republic has said it will wait and may need more time.

In order to become a member of ERM 2, negotiations are necessary between the European Central Bank, the ministers of finance of the euro area and the national central banks and the ministry of finance of the new country, with the governor of the national central bank and the minister of finance of Denmark on the other side, since Denmark is the only other member of ERM 2. Those negotiations will settle the central parity in ERM 2 for that country. As to when that will take place, I cannot see that far ahead. I expect it to take place after I have left.

How long will that adaptation process last? That will depend on the country, as they are all in different positions. Do currency boards have any impact on this? It is a unilateral decision for each country to have a currency board and to allow the issuance of its national currency depend on its possession of euros. However, it is not a substitute for being a member of ERM 2.

I think I have answered all your questions, including your last question implicitly.

4-049

Herzog (GUE/NGL). – Monsieur le Président, je voudrais revenir sur la question des États-Unis et nous. On parle d'une éventuelle reprise américaine, même modérée, mais nous savons bien que cela s'accompagne d'une aggravation des déséquilibres, notamment de la balance des paiements.

Ce type de croissance américaine, déjà dans les années 1990, et encore aujourd'hui, a pour nous des conséquences qui ne sont pas seulement positives mais également négatives, en ce sens qu'il y a eu un prélèvement sur les économies européennes qui a contribué à la croissance américaine. Est-ce que cela n'est pas inquiétant pour l'avenir?

Ma question est donc celle-ci et elle sera double. D'abord, ne faut-il pas penser à des modes de coopération internationale visant à la réduction de ces déséquilibres? Le G8 n'a rien produit à cet égard. Cela ne vous préoccupe-t-il pas? Ensuite: est-ce que ces déséquilibres ne rendent pas plus nécessaire encore la capacité de l'Europe à se gouverner économiquement, concernant en particulier sa capacité d'action extérieure?

4-050

Duisenberg, *ECB***. –** A resumption of growth in the United States indeed also has its drawbacks on the developments of the European economy, but I would think that the advantages far outweigh these drawbacks. If there is a resumption of growth in the United States it will increase world demand, it will be beneficial for the entire world but, I admit, it will also exacerbate the existing problems of the huge balance of payments - or rather the current account deficit - of the United States. There, an adjustment process has to take place. On the other hand, we have to realise that, other than in the past, the openness of the European economy is somewhat larger than that of the United States: exports represent about 15% or 16% of our GDP compared to 12% of GDP in the United States. The impact of developments is rather more limited on our European economy than it used to be on the individual component parts of the euro area in the past. We are on our own. One complication, as I indicated earlier, is that whereas the adjustment has to take place in part by price adjustments - that is by exchange rates - so many countries in the world, and particularly in the fastest growing parts of the world, have linked their currency to the US dollar. It appears that they want to preserve that link at least for the time being, although there may be a tendency to partly move towards the euro as well, which might be beneficial for the euro area and might mitigate some of these pressures which may emerge.

As you indicated, there seems little inclination amongst the G8 to cooperate in further development. I see that and admit it. I am not present at the G8, but I know the attitudes on both sides of the ocean. I see little practical possibility to really cooperate or coordinate in the field of economic developments. We have to realise that we are on our own in Europe. We also have to realise that we are a factor not to be ignored in the world. We are strong and, at least economically, we are united.

4-051

Radwan (PPE-DE). – Herr Präsident! Wir haben hier immer wieder von Reformen gesprochen, und von diesen Reformen sprechen wir schon seit Langem. Wenn man sich jedoch die wirtschaftliche und politische Realität anschaut, geht es genau ins Gegenteil. Sie haben auch von den erwartenden Problemen der Rentenversicherung gesprochen.

Konkret hier zum Stabilitäts- und Wachstumspakt: Der Kollege Marinos hat Sie auf den italienischen Kollegen angesprochen, der jetzt mit Anleihen hantiert. In Deutschland wissen wir, dass wir die 3% erneut erreichen werden, und unsere französischen Freunde in Europa ignorieren den Wachstums- und Stabilitätspakt in dem Maße, dass sie über 3% Verschuldung noch eine neue Steigerung für den französischen Haushalt drauflegen. Mich würde schlicht und ergreifend einmal eine sehr kritische Würdigung dieses Sachverhalts interessieren – Sie waren ja heute als Zentralbankchef erfreulich kritisch, indem Sie auch gesagt haben, so habe ich Sie zumindest verstanden, dass die Regierungen den Lissabonprozess an sich gar nicht ernst nehmen. Somit werden wir dessen Ziele wohl verfehlen, außer es wird sich Dramatisches ändern.

Die zweite Frage ist: Wir arbeiten an einem integrierten Binnenmarkt für Finanzdienstleistungen. Um diesen Binnenmarkt für Finanzdienstleistungen zu realisieren und umzusetzen, wird man sich natürlich jetzt auch schon Gedanken machen, wie zukünftig die Aufsicht in diesem Europa erfolgen soll. Davon sind natürlich insbesondere auch nationale Zentralbanken tangiert. Wie sollte aus Ihrer Sicht denn das Modell einer integrierten Finanzaufsicht in Europa aussehen?

4-052

Duisenberg, *ECB*. – In the closing remarks of my introduction today, I believe I have said enough about what the ECB thinks about the Stability and Growth Pact. As in Eurogroup, ECOFIN and EFC meetings, I urge governments to stand by the Stability and Growth Pact and to exert maximum peer pressure on each other to observe the rules, and not without success.

After all, we must not forget that we are talking about twelve countries participating in the Stability and Growth Pact with the aim of balancing their budgets or even having a small surplus over the medium term. Eight of the twelve have already achieved that objective whilst four have not yet. Admittedly, three of the largest economies in Europe are amongst these four. I can assure you that neither the ECB, nor the eight others, will let the other four lose. The peer pressure will continue.

On the single market for financial services, it is a slow moving process but it is going forward and we think the market must be left to develop and to foster to the maximum extent possible a level playing field for all the institutions active on this market.

4-053

Della Vedova (NI). – Lei ha parlato, signor Presidente, delle riforme strutturali necessarie nei mercati del lavoro e dei prodotti. Vorrei chiedere che cosa pensa dello stato del mercato del credito, quindi del settore bancario europeo. Mi consenta infine di formularle i migliori auguri per il prossimo compleanno e di chiederle cosa farà il signor Duisenberg nei prossimi mesi.

4-054

Duisenberg, *ECB*. – Thank you for the very forward-looking congratulations. You asked, in respect of credit markets, whether we foresee a credit crunch - a limitation of credit - developing. We do not. Banks have become, and rightly so, a little more prudent in their credit activities and they are protecting their balance sheets. On balance, the banking sector in the euro area is still very healthy and strong, with a healthy balance sheet outlook. There are exceptions, of course, but we see no need to be overly concerned for the euro area banking sector as a whole.

4-055

Santos (PSE). – Senhora Presidente, serei muito rápido porque o tempo a isso obriga. Penso que nestas reuniões se fala muito de regras e pouco de escolhas e, portanto, para tentar trazer a discussão para o lado das escolhas, faria uma pergunta muito directa ao Senhor Presidente do Banco Central Europeu. E a pergunta é a seguinte: considera que a escolha da taxa de referência para a inflação de 2% foi a escolha adequada tendo em conta a taxa de crescimento potencial da economia europeia?

A segunda questão tem a ver com as reformas estruturais. Julgo que é perfeitamente pacífico entre nós que as reformas estruturais não estão a concretizar-se ao ritmo esperado. É verdade, como dizia há pouco o senhor deputado Karas, que a política monetária não pode substituir as reformas estruturais. Mas, não as podendo substituir, pode seguramente complementá-las ou facilitá-las. Gostaria de perguntar ao Senhor Presidente do Banco Central Europeu de que forma o Banco, enquanto instituição europeia, pode contribuir, ainda que pelo magistério da influência do estímulo, para forçar a realização das necessárias reformas estruturais?

4-056

Duisenberg, *ECB*. – Do we need a top target on inflation? At least that is how the question was translated. We have a top target. Our definition of price stability is the rate of increase in inflation of below 2% to which we have added "but close to".

The ECB gives its contribution to the debate on structural reforms, but only verbally. We do not have a direct responsibility for this matter but we are a full member of the EFC. We have a standing invitation to the meetings of the euro group, the role of which is to ensure dialogue between the governments on the one hand and the central bank on the other. We play our role in the ECOFIN meetings, at which, I can assure you, we constantly, and sometimes boringly, insist on the necessity for further structural reforms. We will bring forward ideas as and when we have them. We have many ideas, but they are different from country to

country and so we put them forward in closed or bilateral meetings rather than in open ones such as this.

4-057
Schmidt, Olle (ELDR). – Fru ordförande! Herr Duisenberg, det pågår en kampanj i Sverige inför folkomröstningen om huruvida Sverige skall gå med i eurozonen eller inte. Beslut kommer att fattas om några månader. Från nej-sidan används ofta Tyskland som ett exempel på bristerna med euron och problemen med en gemensam penningpolitik för samtliga tolv euroländer. Argumentet är att euron och tillväxt- och stabilitetspakten dels har försatt Tyskland i en djupare kris än nödvändigt, dels försvårat Tysklands möjligheter att ta sig ur problemen. Detta är ett av de tunga argumenten från de som vill att Sverige inte skall gå med i eurozonen.

Jag vill nu fråga er, herr Duisenberg, hur ni ser på detta samband. Min fråga är helt enkelt: Är det eurons fel att det går dåligt för Tyskland?

4-058
Duisenberg, *ECB*. – The euro, or membership of the euro zone, has nothing to do with the problems that Germany is going through. It is independent thereof. But as far as Sweden is concerned, may I point out once more that it is not a question of "if" but a question of "when" they join the euro, because unlike the United Kingdom or Denmark, Sweden does not have a derogation clause.

About the "when", I would only point out, if I may, to the Swedes, that we have in the past had severe external shocks: Iraq, oil prices, food scares and now a worldwide virus. There is one thing at least that the countries of the euro area have benefited from and that is that they no longer need worry about exchange rate fluctuations within the euro area, whereas a country like Sweden still has to worry. The impact of external shocks would be very different in the euro area as compared to Sweden. It would be very different for the countries of the euro area, who have no impact on their exchange rate vis-à-vis each other because they no longer have an exchange rate, whereas Sweden still has one. Sweden runs a risk which the other countries of the European Union do not have to fear.

4-059
Schmidt, Olle (ELDR). – Is it your advice, Mr Duisenberg, that on 14 September the Swedes should vote yes for stability and growth also in Sweden?

4-060
Duisenberg, *ECB*. – I refrain from giving them advice. The Swedes can think for themselves and they would come to the same conclusions.

(Olle Schmidt:"A helping hand".)

I do not know whether it is a helping hand that I would give if I said something about it. In the United Kingdom's case, I would give advice but certainly not a helping hand.

4-061
Randzio-Plath (PSE). – Herr Präsident! Sie haben gestern in einer Rede und in einer Äußerung neue Zinsträume gestoppt. Gibt es eigentlich in dem Werkzeugkasten der Europäischen Zentralbank auch Überlegungen, dass man Zinsreduktionen um mehr als 50 Basispunkte vornehmen könnte?

4-062
Duisenberg, *ECB*. – I am happy you asked this question because in the media recently there has been a lot of reflection and remarks about statements I would have made or interviews I would have given. I am happy to explain what happened.

At a press conference, after we had lowered our interest rates, I was asked one question which was literally: "Mr Duisenberg, now that you have lowered interest rates by 50 basis points, has this exhausted your room for manoeuvre?" My answer was - and I looked it up last night because I hoped you would ask this question and it is also on our website - "If the United States has room for manoeuvre with an even lower interest rate level than we have, then you can imagine we have not exhausted our room for manoeuvre". I gave no interview nor made any statement after that. However, this sparked a process of interpretation of this statement and some of the media made it appear as if I had given interviews. I made only one remark on Tuesday evening to a reporter who asked me the same question and I repeated the answer I gave last Thursday. I have added to it and I now think it is too early to start discussing and speculating about future interest rate moves. This was, and is, everything. I regret to say that in my opinion it is almost an example of "if there is no news then you make it up".

4-063
Randzio-Plath (PSE). – But you have not answered the question whether it is imaginable to reduce by more than 50 basis points in the theoretical and practical thinking of the Central Bank.

4-064
Duisenberg, *ECB*. – Everything is imaginable, but what matters is what we actually do.

4-065
Goebbels (PSE). – Monsieur le Président, vous aviez dit, dans votre introduction de ce matin, je vais d'ailleurs poursuivre en anglais pour vous citer, qu'il faut des réformes structurelles.

4-066
Goebbels (PSE). - "There is a need for structural reforms in the labour and product markets". The United States of America have carried out those structural reforms. Despite this factor, they have an unemployment rate of more than 6% now.

You said that there is a need to have sound fiscal policies. Obviously, the United States of America do not have sound fiscal policies, having a fiscal deficit of more than 5% and an additional external deficit of more than 5%; yet they still have more growth than we have. Is there something wrong with the theory?
4-067

Duisenberg, *ECB***. –** I do not think there is anything wrong with the theory. All those factors which you quoted are there, correctly so, but also the fact that, whilst they have not so much achieved structural reforms, they are far more flexible in their product and labour markets than we are in Europe. Adjustments therefore take place much faster than in Europe. What we need is more flexibility and they indeed now have an unemployment rate of 6.1% but Europe has an unemployment rate of between 8% and 9% and some countries even more. Although they are not doing well they are doing distinctly better than we are.

4-068

President. – Thank you very much, Mr Duisenberg. I am looking forward to the next monetary dialogue.

(The sitting was closed at 11.35.)