



JEAN-CLAUDE TRICHET

President of the European Central Bank

By the way, I find that we really *are* in a magic place. I would like to thank all of my Moroccan friends because it has been a great privilege to be here.

I'd like to make a few points in response to your question. First of all, the Central European Bank, for its part, has always firmly maintained that the Stability and Growth Pact is absolutely essential, in terms of the rules governing budgetary policy in Europe and most particularly in the eurozone. I want to emphasise that point.

As you know better than anyone, dear Thierry, I had to explain that in detail in my own country: when there's no political federation in a single-currency zone, there's no federal budgetary policy. It's absolutely essential to have good-conduct and surveillance rules for budgetary policies in a single-currency zone.

It wasn't easy. I must say we had to fight for several years to maintain, as firmly as possible, this framework of surveillance and compliance with rules of good conduct. At a certain point, in 2004-2005, the three largest countries in the eurozone were opposed and tried hard to change the system.

The crisis which just hit us – or, should I say – hit us in various forms over the past three years, particularly since mid-September 2008, powerfully revealed budgetary weakness worldwide.

Moreover, one of the paradoxes of the eurozone is that, when we consolidate our budgets, we're in a much better position than other major industrialised countries in terms of our annual consolidated deficit. Let me point out in passing – and this is not very well known – that we're clearly in a better position than the United States and Japan, to mention only two major industrialised countries, in terms of the annual consolidated deficit of the eurozone's 16 countries.

We face difficult problems given the number of advanced countries in the eurozone and the number of shortcomings – not only in the letter of the Pact but mainly in its spirit and implementation.

I think it's a powerful lesson – just as all the advanced and emerging countries are learning from the crisis, which is a sort of life-sized stress test on the new world which has been created. In the same way, Europe is learning a great deal from having to face this crisis and stress test, especially the eurozone, but I would say Europe as a whole.

So I have to say that the European Central Bank's Council of Governors sets great store by decisively strengthening governance, including the governance of budgetary policy – action which we would refer to as making a quantum leap. This issue is at the top of President Van Rompuy's agenda at the moment and was also a priority of the Commission, which made recommendations for substantially improving the governance of budgetary affairs.

We're also saying, and I believe the Council and the Commission agree on this point, that it's necessary to create far more extensive surveillance of macroeconomic policies, particularly their competitive aspects relating to the eurozone and imbalances. I'm mainly referring to internal and external imbalances, which are the mirror image of each other in terms of current account balance and the deficits which may be created in the zone.

So we see that governance must be powerfully strengthened for the future of Europe as a whole – meaning 27 States – and, much more particularly, the eurozone, which is a single-currency zone without being a political federation.



In the speech I gave to the organisation, I couldn't go into any detail because your time limits, Mr. President, are very tragic. Jacques Mistral told me, "Ten minutes, and not one more". I must confess that I needed 14 minutes or so, but I didn't have time to elaborate. I don't know if Joaquin is here; yes, I see him. We think we need to go further even though the Commission's proposals do go in the right direction.

Let's again consider the lessons of the current situation. We believe it's necessary to be even bolder. Now that the Commission has made its recommendations, in any case, we're going to have discussions with the Council and Parliament. We'll find out the consensus of the Van Rompuy Commission, which is meeting next Monday. It will give me an opportunity to say that we're still adhering to our consistent line of going as far as possible.

To sum up, in EU jargon and without changing the Treaty, we're talking about secondary legislation. We believe it's necessary to go as far as possible and take maximum advantage of the secondary legislation, both by strengthening budgetary surveillance and creating sanctions and also by strengthening surveillance of competitive imbalances and internal and external imbalances.