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ΕΜΒΑΡΓΟ **ΑΝΑΚΟΙΝΩΣΗ ΓΙΑ ΤΟΝ ΤΥΠΟ • INFORMAZIONE ALLA STAMPA • MEDEDELING AAN DE PERS**

Brussels, 22 June 1990

ADDRESS BY COMMISSIONER ABEL MATUTES :

THE ROLE OF THE ECU IN EASTERN EUROPE

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EC Commissioner Abel MATUTES addressed today the ECU Banking Association Conference in Prague, on "The ECU in the context of the EC-Eastern Europe relationship".

Mr MATUTES stressed that, in the longer term, the countries of Central and Eastern Europe have a vital interest in a strengthened European Community which will act as a pole of economic and monetary stability. The creation of an Economic and Monetary Union in the EC can only have beneficial effects in Eastern Europe.

Commissioner Abel MATUTES addressed today in Prague a Conference organized by the ECU Banking Association (EBA) about the role of the ECU in the developing relations between Eastern and Western Europe.

The EBA is an association of 81 banking institutions from EC Member States whose aim is to promote the use of the ECU.

In his address, Mr MATUTES covered three issues: the present situation of the EC; Central and Eastern Europe as seen from an EC perspective; and the relevance of European Economic and Monetary Union (EMU) and the ECU.

Excerpts from his address:

One of the major merits of the European Community is that it has been the architect of its own economic reforms and the engineer of its own social progress.

Over the years, through Community policies and funding, we have been able to fundamentally restructure our agricultural sector, our steel-making and ship-building sectors, our textile industry.

At the same time, we have been able to reduce disparities between the richest and the poorest regions of Europe, to foster research and high-tech activities, to improve the training and know-how of our workforce, to exchange university students and professors, etc.

While doing so, we have accumulated a wide-ranging expertise on the conduct of economic changes. This know-how is at the disposal of our partners.

We feel that the European Community has acted as a pole of attraction for the peoples of Central and Eastern Europe. It has provided a framework for combined efforts of restructuring and adjustment resulting in healthy growth. Through its own experience, the European Community has also shown that it is quite possible for different countries to share in economic advancement without losing national identity.

As it stands now, the European Community is already a major economic and political partner for the countries of Central and Eastern Europe. As it will stand tomorrow, the European Community could well become, by the beginning of the next millennium, the nucleus of a vast region of one billion inhabitants.

Needless to say, the overthrow of totalitarian systems in Central and Eastern Europe and the march towards political pluralism, free and fair elections, competitive market economies, has been the subject of immense rejoicing in the European Community.

We must pay tribute to the determination of the peoples of Central and Eastern Europe and to the vision of their new leadership.

On the economic side, we of course are in full support of the reforms presently undertaken to move towards market economies.

But two things should be clear on everybody's mind: these reforms will have to be deep and they will imply sacrifices.

As a matter of fact, these reforms will need to touch on every element of former centrally planned economies if Western levels of efficiency are to be attained. They will have to be deep and fundamental. There is no "third way" which does not discard the central planning system.

Similarly, rigour and discipline are in order if the countries of Central and Eastern Europe want to tap the international financial market and to attract private investment.

In the modern world, private investment brings with it technology, know-how and market expertise. But there is strong competition for it.

Similarly, I would urge Central and Eastern European countries to carefully chart their recourse to international borrowing in order not to repeat the mistakes of the past 15 years when excessive external borrowing - linked with interest rates fluctuations and poor debt management - led to major disruptions for debtor countries and commercial banks alike.

There too, sound budgetary and fiscal policies, as well as comprehensive reform packages and careful debt management policies are in order.

A strengthened European Community is a vital element for a balanced development in Europe.

The Economic and Monetary Union will imply one single monetary policy and one single monetary institution - which we call EuroFed - which would have at its disposal all the necessary instruments of monetary policy-making.

The EMU will add considerable strength to a European Community which for a long time been based only on trade and now, with the Single Market, is being based on total market integration.

In the longer term, the countries of Central and Eastern Europe as a whole - have a vital interest in a strengthened European Community which will not only act as a Single Market and as a partner in an open multilateral trading system, but also as a pole of economic and monetary stability.

In my view, the creation of Economic and Monetary Union in the European Community can only have beneficial effects for Eastern Europe. Boosting growth in Western Europe and eliminating exchange rate fluctuations, it will allow the adjustments which have to take place in Eastern Europe to happen against a much more favourable background than their key partner countries.

As the EC Commission and its President, Jacques Delors, have often said, an economic and monetary union requires a common currency for economic, psychological and political reasons. The ecu has the potential to become the common currency.

There is no reason why Community trade should continue to be denominated in dollars. Nor is there any reason why the countries of Eastern Europe should not use the ecu. In this respect, it is encouraging that the EC loan to Hungary was denominated in ecu and that the capital of the new European Bank for Reconstruction and Development will be in ecu. Similarly, it is significant to see that the ecu has been selected as the operating currency for large joint ventures by EC corporations in the Soviet Union.

Both the EC Commission and the European Parliament have taken the view that the single currency should be adopted as soon as possible, that exchange rates are fixed and that this currency should be the ecu.

For the countries of Central and Eastern Europe, currencies and exchange rate policy will play an extremely important role in economic reform. They are the key to efforts to open their economies to the rest of the world and to the influence of world prices. Also a convertible currency and price stability are essential elements for healthy growth and for the emergence of a vigorous private sector. Some of these countries have already decided to take the path of currency convertibility.

Furthermore, since the links between our two areas are bound to strengthen, the relevance of the ecu will increase. Central and Eastern European countries should therefore take a keen interest in the ecu as a trading currency and as a point of reference for exchange rate policies.

A key practical step forward, which I invite you to take as a result of your conference, is to devise the means for a better flow of information about the ecu.