

# European Central Bank

## PRESS RELEASE

### 6 December 2002 - Genval seminar on the EU accession process

The fourth annual central bank seminar on the European Union (EU) accession process, jointly organised by the Nationale Bank van België/Banque Nationale de Belgique and the European Central Bank (ECB) took place in Genval, near Brussels, on 5 and 6 December 2002. The seminar was attended by representatives of the ECB, the national central banks of the euro area and the central banks of the countries negotiating accession to the EU (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia).

Participants were welcomed by the President of the ECB, Mr. Willem F. Duisenberg, and the Governor of the Nationale Bank van België/Banque Nationale de Belgique, Mr. Guy Quaden. At the seminar, the Eurosystem was represented by Mr. Tommaso Padoa-Schioppa, member of the Executive Board of the ECB in charge of international and European relations, as well as the deputy governors of the central banks in the euro area. For the accession countries, the meeting was attended by the respective governors and another high-level representative.

The purpose of the seminar was to exchange views on important central banking issues ahead of accession and thereby prepare a smooth integration of the accession countries' central banks into the European System of Central Banks (ESCB) and eventually the Eurosystem. The seminar focused on exchange rate issues in the accession process, financial stability and the role of central banks, as well as the infrastructure of the ESCB and Eurosystem.

1. Exchange rate issues in the accession process: the prospect of EU enlargement with a sizeable group of countries will focus policy-makers' attention on exchange rate issues. Upon accession to the EU, countries are expected to intensify preparations for full participation in Economic and Monetary Union (EMU). This process will include, at some point, joining the exchange rate mechanism (ERM II). A general policy challenge will be to find a balance between exchange rate discipline on the one hand and sufficient adjustability of the exchange rate to accompany the transition process on the other. In this context, it was discussed in particular how to use ERM II not simply as a "waiting room" before joining the euro, but as a meaningful framework to deal with the challenges related to further nominal and real convergence.

Virtually all accession countries have witnessed appreciating real exchange rates during the last decade as a result of the catching-up process. While a continuous real appreciation is not necessarily a macroeconomic problem in itself, participants pointed out that, if not matched by productivity gains, it could erode external competitiveness.

Looking ahead, many accession countries expressed an interest in joining ERM II upon or soon after EU entry. At the same time, it was also stressed that the optimal time to join the mechanism and eventually adopt the euro could vary from country to country. In this context, the benefits of using the ERM II framework for some years before joining the euro area were discussed.

2. Financial stability and the role of central banks: while participants considered the financial systems in the accession countries as generally sound, the lower degree of financial intermediation in most accession countries compared with that of the euro

area was highlighted. Foreign ownership was regarded as conducive to financial stability, but also required adequate cross-border co-operation among supervisory authorities. Participants said that central banks should continue to play a key role in banking supervision.

3. Selected issues on the evolution of the infrastructure: following accession, the ESCB will be enlarged and the prospect of an expanding Eurosystem will become more concrete. At the same time, the present Eurosystem infrastructure is evolving in some areas, such as the TARGET payment system. Against this background, participants held a preliminary exchange of views on some of the infrastructural aspects for the central banks involved.

The next high-level central bank seminar on the EU accession process will take place in Paris in late 2003.

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