

A Case for Rapid Euro Adoption

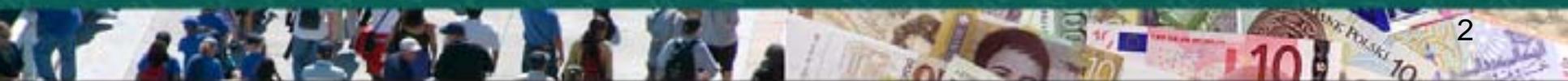
Sławomir Skrzypek

The Governor of the National Bank of Poland



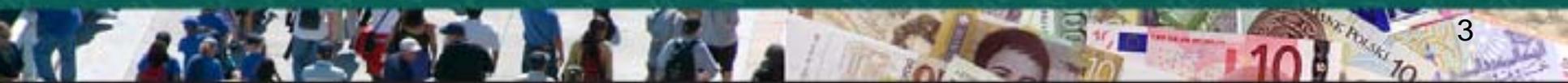
The issue of **rapid euro adoption** may be considered from three different time perspectives:

- **past** (experiences of the euro area members),
- **present** (euro blessing – stabilizing role of the euro as a global currency and actions taken by the ECB)
- **future** (growth potential as a key prerequisite to close the gap between the East and the West)



Past experiences - net balance of euro adoption

- Experiences of the euro area countries prove that a positive balance is not certain at every point in time.
- The net effect depends on structural reforms which enhance the ability to operate in the highly competitive environment of the euro area.
- Joining the EMU is a chance for an access to a deep and broad financial market, modern technology *via* trade and investment and a more stable environment.
- In spite of the fact that the euro was a very important factor in fostering economic growth, it is unable to ensure real convergence on its own.

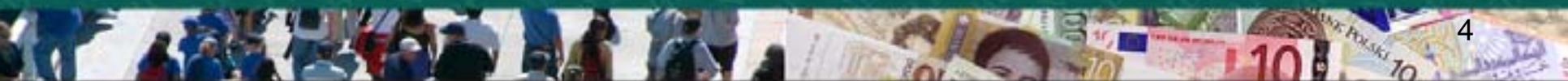


Euro Blessing

Europe and crisis

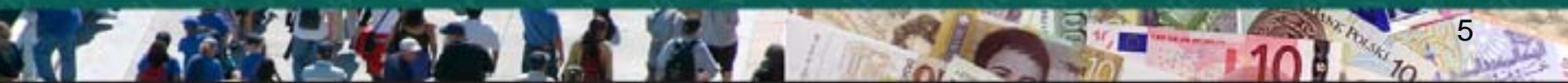
Generally, we can distinguish three groups of countries:

- Countries which are in Europe, but are not EU members (Ukraine, Iceland),
- Countries which are in the EU, but not in the euro area (Denmark, Sweden, Great Britain and the new EU Member States),
- Countries which adopted the euro.



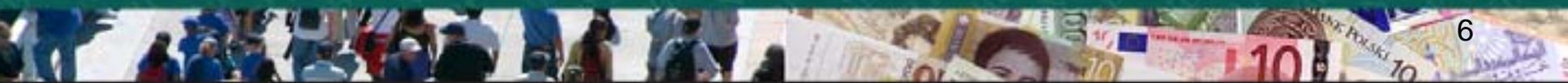
Euro Blessing

- Undoubtedly, the euro, as an international and credible currency, has played the role of an umbrella over the member states.
- However, some countries have been affected by various tensions and the financial crisis showed that it is not enough to have an international currency. The ability to maintain credibility is also very important.
- If a country is credible, the euro can strengthen its credibility. Otherwise, having an international currency can be of little benefit.



Euro Blessing

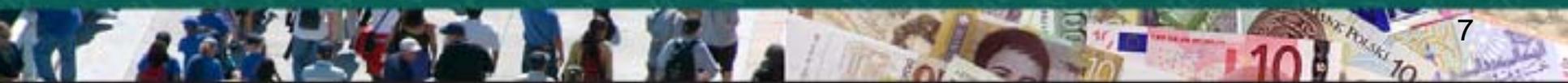
- The group of the NMS is highly heterogeneous. The most severe consequences of the crisis appeared in Hungary and Latvia, which received international (IMF) and ECB support.
- The worst situation is that of those countries that are not in the euro area or in the EU (Ukraine and Iceland). They cannot count on the umbrella of EU institutions and the common currency in every case.
- Concluding, it is very important to be a part of the EU and the euro area, but it does not fix every problem.



Rapid euro adoption

As fast as possible but in line with fundamentals

- Despite the fact that in the long run joining the monetary union can be a source of benefits, there is a lot of uncertainty in the short run related to financial turbulence and its repercussions for the real economy.
- The current economic situation undermines the ability to sustainable fulfillment of monetary and fiscal conditions.



Rapid euro adoption

As fast as possible but in line with fundamentals

- In an uncertain environment rapid euro adoption can mean gradual and consistent improvement of competitiveness and the ability to absorb shocks.
- Paradoxically, such a slow but certain path can be the fastest way to join the monetary union.
- In the case of rapid euro adoption we can experience “a short-term gain and a long-term pain”.

