

MONETARY SOVEREIGNTY, CENTRAL
BANKS AND MONETARY INTER-
DEPENDENCE

Ajri Begu
Governor of PBK

Integrative processes have taken a path of no return. A satisfying political awareness pro-integration has been developed. It is fascinating, but true that citizens of ex-communist countries have more confidence in integrative processes than those of other countries which are supposed to play a primary role or a more direct role in these processes. Assuming that this confidence is not false, then countries of the region where this conference is being held should try to exploit the existing attitude.

Historically, people have dreamt of having power over money. Whoever was in possession of money was also in possession of the realms of life. Monetary sovereignty is one of the main pillars of national economies. Many sovereigns have speculated, have taken advantage, have risen and have fallen for this kind of dominion. Money cannot handle sovereignty, because it is sovereign by

definition! One who does not know this logic and does not understand these laws can make temporary profits, however in the end that one will have to pay back with interests. In fact, it is the citizens who pay the interests. People pay by getting poorer and the sovereigns receive moral, political and sometimes penal punishment.

It was not by accident that I mentioned the abuse with monetary sovereignty. This tendency has always followed money closely. Stabilized democracies and economies do not witness this relationship, however things are different for new democracies. The ten-year experience of ex-communist countries reveals examples of outraging abuses with monetary sovereignty. More or less it happened in all countries. All these happen at a time when neighboring countries in Europe have voluntarily given up their respective national monetary sovereignty in order to join a common currency, EURO.

Euro harmonizes the monetary sovereignty and the role of central banks. It is the symbol of monetary inter-dependence of countries that embraced it, but not only of these.

In view of a common currency, banking industry and market acquires new impulses. On the other hand, Euro should be considered as a by-product of internationalization of financial activities, of capital market integration and of large transactions which have generated new inter-banking relationships. Thus, common currency interacts with global processes.

In the second year of the third millennium, it is a currency that will play the integrative role, while I have the courage to call the Euro zone countries a single 'financial state' or 'currency state'. In this millennium, United Europe provides us the example and the model of future integration, instead of military and violent integration.

As I mentioned previously, this part of Europe has developed a kind of pro-integration awareness. Drawing a parallel between Europe and Euro, almost all countries approve of the idea of European Integration. As far as currency issues are concerned, most of these countries (specially their citizens) are willing to give up their national currencies, unless national pride is too strong. Being unconfident of their national currencies, citizens prefer to keep their savings in stronger foreign currencies. Kosovo and Montenegro have adopted a foreign currency as their national

currency (German Mark). The reason is the same for two countries: to be protected from currency misuse.

Monetary integration cannot take place without political integration however, adoption of common currency cannot precede them, while political integration is very difficult to happen in this part of Europe. But it is not impossible. This is the right time to take actions energetically and to exploit the pro-integration attitude. Obviously, politicians and citizens can see hope in this. Europe should offer a project where anyone can see the perspective. The best protection from the "sick" is healing and not insulation. Frontal, legislative, technical and financial assistance is necessary for all the countries willing to join United Europe through regional integration. If such a global project and respective conditionality would be initiated and assuming that conditionality would be met, I do not see any reason for the countries of this region (but also of other similar regions) to refuse it.

They say that currency is the best reflection of a country. If political agreements on regional integration would take place, they should start with currency. I think that a common currency Euro-A, in which A- stands for "associated", can have the same function as Euro in Euro zone. Euro-A can be fixed against Euro exchange rates same way as Bosnia-Herzegovina has done with German Mark. The name EURO-A is not casual. On the contrary, it underlines the perspective for the future. European Central Bank would have to offer support and all the necessary assistance till Euro-A fuses with the real Europe. In this case, national banks would have to give up monetary sovereignty and delegate responsibility to a Regional Central Bank under the supervision of ECB.

The advantages of common currency would be numerous. Banking industry and financial markets of countries that would accept this currency would grow, new possibilities for capital allocation and employment would emerge, economic and financial transactions would be performed more easily and less costly, opportunities for joint investments would increase and in the end financial stability would be achieved.

Adoption of a common currency should come after the implementation of a set of laws. These laws affect also other aspects of life and consequently, these countries will be compatible not only among themselves, but also with Europe.

Euro-A is the best project we can offer to Europe and at the same time Europe should view this project as the most worth it to invest in.

This is an idea, a dream, but after all, everything starts from dreams.