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PRESS RELEASE

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FOR IMMEDIATE RELEASE

COMMON MARKET ECONOMIC AND MONETARY UNION PLAN RELEASED

WASHINGTON, D.C., October 22 -- The Common Market has released a plan for full economic and monetary union, possibly including a common currency, by the end of the Seventies.

The Council of Ministers of the European Communities, meeting in Luxembourg on October 19, made public the text of the Plan known as the "Werner Report" after Luxembourg Prime Minister Pierre Werner, chairman of the Committee that prepared it.

Attached is a translation of the conclusions presented in the report. They outline the main features of the plan. January 1, 1971 is the date urged for the beginning of the first stage. Some background information on the events leading up to the plan follows.

The Imperative for Monetary Union

Before a monetary union is put into effect, the Common Market Treaty must be amended; now it provides only for economic union. In the monetary field, the Treaty provides merely for "mutual monetary assistance," a form of cooperation which proved too cumbersome to be useful in times of monetary crisis. And there have been crises.

In 1964, only four years after the Common Market began functioning, and four years before the completion of customs union, its members had their first serious bout with inflation. Through their trade balances, it spread quickly from member country to member country. In trying to dampen inflation, the Six found that measures applied by one member quickly affected all. Their limited interdependence had already given the overall Community economy a life of its own. A member country could no longer act alone with any certainty of achieving what it had set out to do.

As the autonomy of national economic policy makers decreased, economic planning became more difficult. Attempts were made to coordinate economic policies, but a basic element for success was missing. This was the setting of quantitative targets for the main national economic indicators, decided upon and synchronized at the Community level. Despite the weakening of the member states' control over their individual economies, the powers of Community institutions were not reciprocally increased.

The currency crises of 1968 helped convince the Six that differences in their growth policies could jeopardize all by shaking common policies, especially for trade, agriculture, and capital movements. In addition, if sharp differences in their growth rates persisted, monetary upheavals could occur at any time.

Finally, on February 12, 1969, the Commission, the Community's policy initiator, sent to the Council of Ministers a memorandum pointing out that to preserve the Community's achievements, the Six would have to complete their economic union and add monetary union to the goals set forth in the Treaty.

Prepared under the direction of Commission Vice President Raymond Barre, the memorandum contained a recommended course of action:

o coordination of the member countries' medium-term economic policies

o coordination of their short-term economic policies

o creation of machinery for short- and medium-term monetary aid to a member country in balance-of-payments difficulties.

Plan Requested at The Hague Summit Conference

The plan for achieving a full economic and monetary union in stages, as the Commission had advised in its memorandum, was formally requested last December in The Hague at the summit meeting of the Community members' heads of state or government. In the communique issued after the meeting, the Six (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands):

> "... reaffirmed their readiness to further the more rapid progress of the later development needed to strengthen the Community and promote its development into an economic union. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that ... a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary cooperation should depend on the harmonization of economic policies," and "... agreed to arrange for the investigation of the possibility of setting up a European reserve fund in which a joint economic and monetary policy would have to result."

These words marked the member governments' political acceptance of the Commission's recommendations.

Points Still Unsettled

Of the points mentioned in the Barre memorandum, only two have not been settled:

o the third Medium-term Economic Policy Program, which includes quantitative guidelines for the main economic indicators and recommendations for structural action.

o arrangements for Medium-Term monetary support of a member country with balance-of-payments difficulties lasting more than two years.

On October 15, the medium-term economic policy draft was completed. After the Commission's approval, it goes to the Council for a decision.

The Werner Committee has urged adoption of this policy before the end of this year, so that the first stage of the plan for economic and monetary union can begin on January 1, 1971.

By defining an "acceptable" rate of inflation in numerical terms, enactment of the Medium-Term Economic Policy Program would clear the way for agreement on arrangements for medium-term monetary support, complementing the short-term arrangements activated in February. These monetary aid systems would disappear once the Six had achieved full monetary and economic union.

If the Werner Committee's suggestions are followed, monetary and wider economic powers will be transferred to the Community and the Six will have a "European Reserve Fund," operating in much the same way as the Federal Reserve System. If they do not have one currency, the solution favored by the Werner Committee for practical as well as psychological reasons, the relationships between their currencies will at least be fixed.

After a favorable response to a preliminary report from the Werner Committee last June, the Council of Ministers now must decide if it will follow through with a favorable decision.

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CONCLUSIONS OF THE WERNER REPORT

The Council [of Ministers of the European Communities] on June 8-9 accepted the conclusions presented in the Group's interim report. The Group suggests that the Council endorse the contents of this report and approve the following conclusions:

A. Economic and monetary union is an objective that can be achieved during this decade, since the member states have the political will, expressed solemnly at the conference in The Hague, to achieve this objective. This union should ensure the Community's internal growth and stability and by making the Community a center of stability, enhance its contribution to world economic and monetary stability.

B. Economic and monetary union means that the main economic policy decisions will be made at Community level, and that the necessary powers will therefore be transferred from the national level to Community level. The transfer of responsibilities and the creation of corresponding Community institutions represent a process of basic political significance which entails steady growth in political cooperation. Thus, economic and monetary union emerges as a catalyst for the development of the political union which it cannot do without in the long term.

C. Monetary union implies, within it, the full and permanent convertibility of currencies, the elimination of margins of fluctuation in their exchange rates, the permanent fixing of their relations to parity, and the complete freeing of all capital movements. Within the monetary union, the national monetary tokens could be maintained, but political and psychological considerations militate for the adoption of a single currency which would guarantee the permanence of this undertaking.

D. On the institutional level, in the last stage, two Community bodies are indispensable: a center of decision for economic policy and a Community system of central banks. These institutions, while keeping the responsibilities that are proper to them, will have to have the power to make binding decisions and to work for the achievement of the same objectives. The center for economic decision will be politically responsible to a European parliament [with full parliamentary powers].

E. Throughout the entire process, as progress is made, Community instruments will be created to take over or to complete the national instruments' work. In every field, activities undertaken will be interdependent and will reinforce each other. In particular, monetary unification will have to be related to parallel progress in the correlation, then the unification, of economic policies.

F. Setting a precise and rigid timetable for the whole plan in stages does not now seem possible. Some flexibility must be kept so that modifications can be made in the light of experience acquired during the first stage. Particular stress should thus be put on the first stage, for which a set of concrete measures is presented. Decisions on the details of later stages and on the future timetable will have to be made at the end of the first stage.

G. The first stage will begin January 1, 1971, and will last three years. In addition to the actions approved by the Council in its June 8-9 decision, the following measures should be adopted.

1. Consultations before acting in the economic or monetary field will be obligatory; they will increase the work of Community bodies, particularly the Council and the Commission, as well as the Committee of Central Bank Governors. These consultations will deal primarily with medium-term economic policy, growth policy, budgetary policy, and monetary policy.

2. The Council will meet at least three times a year to adopt, on the basis of a Commission proposal, the general lines of economic policy at

Community level and the quantitative guidelines for the main items in the public budgets. Once a year, in the fall, recommendations for the Community's economic policy will be made in an annual report on the Community's economic situation. This report will be sent to the European Parliament and to the Economic and Social Committee; the member governments will bring it to the attention of the national parliaments.

3. To assure the effectiveness of the Council's work and to attain adequate coordination, arrangements will have to be made so that high level representatives of the governments and central banks can rapidly convene. These representatives could also hold prior consultations.

4. Before the adoption of the Community's general economic guidelines, consultations will take place between the Commission and the "social partners" [representatives of organized management and labor] by means of procedures still to be determined.

5. The member states will conduct budgetary policy in accordance with Community objectives. To this end, within the setting of the Council meetings mentioned in Paragraph 2, above, a Community review will be made before the governments adopt their final budgets. The national budgetary procedures will be synchronized. In the fiscal field, the harmonization mentioned in this report [harmonization of the value-added tax rate, taxes on capital movements, corporate taxes] will begin, and the integration of capital markets will be intensified.

6. The Committee of Central Bank Governors will play a more and more important role in coordinating monetary and credit policy. In particular, it will define the Community's general policy lines in this field. It will be able to address opinions and recommendations to the member countries' central banks and opinions to the Council and the Commission.

7. To strengthen the Community's solidarity on exchange rates, for a

trial period starting at the beginning of the first stage, the central banks are invited to keep exchange rate fluctuations between their currencies within narrower margins than the ones that apply to the dollar. As required by circumstances and the results of the harmonization of economic policies, additional measures could be taken. These measures would consist of moving from a system that exists in fact into a system existing under law, applicable to interventions in Community currencies and to successive narrowing of the margins of fluctuation between Community currencies.

8. Exchange rate activities will be facilitated by the intervention of an "agent" who would keep statistics and give out information and opinions.

9. Rapid harmonization of the instruments of monetary policy is necessary. That is why preparatory work in this field should be started as soon as possible.

10. The necessary revisions in the Rome Treaty to allow the achievement of full economic and monetary union should be started in time, during the first stage.

11. In the terms of Article 236 of the Rome Treaty, an intergovernmental conference will be convened, before the end of the first stage, in time to adopt the Treaty revisions necessary for the achievement of full economic and monetary union. The Council will hold a special meeting to assess progress made during the first stage and to set a program for specific action for the following years.

H. During the second stage, the activities undertaken during the first stage will be continued on a number of fronts and in more exacting forms: setting global economic guidelines; coordinating growth policies through monetary and credit policy and budgetary and fiscal policy; adopting Community structural policies; integrating capital markets, and eliminating progressively fluctuations in the rates of exchange between the member countries' currencies.

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The Group hopes that the Council will approve the suggestions made in this report and that it will, on the basis of a Commission proposal, make the necessary arrangements to carry out this plan in stages, and before the end of the year those necessary to begin the first stage on January 1, 1971.

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