european community PRESS RELEASE
EUROPEAN COMMUNITY INFORMATION SERVICE
2100 M Street Northwest, Suite 707, Washington D.C. 20037 • Telephone: (202) 296-5131

October 22, 1970

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.

# # #