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2100 M Street Northwest, Suite 707, Washington D.C. 20037 • Telephone: (202) 296-5131

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THE COMMON MARKET MAPS STRATEGY FOR ECONOMIC UNION

WASHINGTON, D.C., November 4 -- Common Market authorities have recommended an average growth rate of 5 - 5.5 per cent over the next five years for its member states (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands) and have suggested that annual price increases be kept to 2.5 - 3 per cent.

These recommendations were made in the draft medium-term economic policy program released by the Commission of the European Communities in Brussels on October 29, and submitted to the Council of Ministers for final approval.

The medium-term economic policy program, for the first time, includes quantitative objectives for the main economic indicators -- growth rate, price development, level of unemployment, and external balance. Member states have been asked to keep within specific limits in each of these areas so that the economic development of each of the Six will be toward greater compatibility. The program also includes recommendations for structural action within the Community.

Hard Figures Fixed as Goals

The plan covers a five-year period (1970-75) and is a basic part of a set of measures to be taken by the Community to achieve full economic and monetary union during the coming decade. (The "Werner plan" for economic and monetary union by the end of the 70's was released October 22.) The medium-term policy was prepared by a special committee composed of governmental officials of the Six, with the permanent participation of the Commission. It is the third such program prepared by the Community.

The introduction to the plan said that the Six were forced to recognize that the serious currency problems encountered by the member states in 1968 and 1969 were largely due to their divergent economic policies. The present medium-term economic policy program, by setting goals for compatible economic development among the member states, is intended to avoid such situations in the future.

The central theme of the plan is one of balanced growth, regarded as indispensable to meet growing demand, to realize full employment and social readjustments, and to contribute effectively to the development of the Third World. Consequently, the program establishes that the Community's 5 - 5.5 per cent growth rate of the past 12 years (second only to Japan's growth rate) should be maintained.

Following is the breakdown of calculated growth rate in each of the member states for the 1970-75 period:

Germany	4.3 - 4.8 %
France	5.4 - 5.9
Italy	5.7 - 6.2
Netherlands	4.5 - 5.0
Belgium	4.3 - 4.8
Luxembourg	3.0 - 3.5
Community	5.0 - 5.5 %

The general rate of price increase of the Community -- considered the key indicator -- should be kept at a level of 2.5 to 3 per cent over the 1970 - 1975 period. Here again brackets are slightly different according to the individual countries (Germany, 2 - 2.5 per cent; France, 2.5 - 3 per cent; Italy, 2.5 - 3 per cent; Netherlands, 2.8 - 3.3 per cent; Belgium, 2.8 - 3.3 per cent; Luxembourg, 2.3 - 2.8 per cent.)

The document noted that these price increase limits were realistic given the fact that there is apparently no way to assure absolute price stability and, at the same time, maintain a satisfactory level of economic activity and employment. The program indicates that this strategy should be maintained even if the international price trend exceeds 3 per cent. It further said that a coordinated policy to moderate prices in the Community would, because of the large share of the Six in world trade, exert a moderating influence in international price trends.

These Community guidelines do not imply an increase in unemployment, the document said. The preparation of the medium-term plan showed that measures to curb unemployment depend much more on structural action than on an increase of overall demand. The document pointed out that the unemployment figure given should not be taken as an objective, nor as a minimum. They simply reflect the levels of unemployment that, under the given circumstances, would be considered satisfactory. Following are the figures: Germany, 0.8 per cent; France, 1.5 per cent; Italy, 3.0 per cent; Netherlands, 1.3 per cent; Belgium, 1.7 per cent; Luxembourg, negligible.

The external balance which gives the net real resources transferred outside the Community countries, is another economic indicator. It shows the relation between internal and external economic development, and reflects the development levels of each country as well as the degree of price stability in comparison with their main trading partners.

The medium-term external balance of each member state is the basis for the following estimates for the 1970-75 period, expressed as a percentage of the gross national product at current prices:

Germany, 1.7; France, 1.0; Italy, 0.5; Netherlands, 1.0; Belgium, 0.5; Luxembourg, 0; Community, 1.0.

The program recommends, for each country separately and for the Community as a whole, what measures should be taken in order to:

- regulate overall demand
- improve economic structure.

For proper regulation of overall demand, the instruments of economic policy -- mainly monetary and budgetary measures -- should be harmonized by preliminary and compulsory consultations among the member states, the report said.

Structural measures were summarized under three headings:

o Consolidation of the internal market of the Community: improvement of the free movement of goods, persons, services and capital; allowing enterprises to adapt themselves to a larger market, for instance, by adapting national competition rules to Community needs, by liberalizing public procurement procedures, and by promoting technological progress.

o Promotion of new activities: through a better coordination of the regional policies of the member states and through an active employment policy dealing with professional education and readjustment.

o Greater efficiency of financial intervention at the Community level: mainly through a clear definition of priorities.

In its conclusion, the medium-term economic policy program stressed that the next few years will be of considerable importance in the Community's history. The Community will hardly be able to afford repeated shocks comparable to those it endured in 1969 at the peak of its monetary crisis. The third medium-term economic policy program therefore is not only a draft of technical and economic legislation but an expression of the political determination of the Community and the member states governments to achieve the Community's goals.

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