european community PRESS RELEASE

EUROPEAN COMMUNITY INFORMATION SERVICE

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

NEWS BACKGROUND

FOR RELEASE SUNDAY A.M.

February 7, 1971

COMMON MARKET FACES DECISION ON ECONOMIC AND MONETARY UNION

WASHINGTON, D.C. February 7 -- Tomorrow may see whether the Common Market can agree on a plan for full economic and monetary union of the six member states -- Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

The European Communities' Council of Ministers will meet Monday in Brussels to discuss the plan for economic and monetary union drawn up last year by a working party under the chairmanship of Luxembourg Prime Minister Pierre Werner.

The Werner Group worked out a transition plan: the first stage was to begin "as soon as possible" (it was hoped, by January 1) and last for up to three years. The complete union, possibly including a common currency, was to be achieved by the end of this decade.

The Commission of the European Communities accepted the Werner Group proposals; but the ministers of the Six, due to existing political differences among the member countries, were unable to reach a decision at their first attempt on December 14, 1970. Their main disagreement was on whether a commitment had to be made at the outset about the total project or only about the first stage. There were also differences of opinion as to what system should be adopted for decision-making (an old clash over supranational institutions), and whether the Rome Treaty establishing the Common

Market had to be amended and, if so, when.

Final decisions were kept in abeyance until the Council's first meeting this February -- tomorrow. In the meantime, German Chancellor Willy Brandt and French President Georges Pompidou met, discussed these differences and the political future of the Common Market.

Tomorrow, the results of these preparatory discussions and the details of a working plan for economic and political union should be known.

What is at Stake

An economic and monetary union would require certain institutional reforms and it would have to be decided which organizations would be responsible for the development of Community policy.

An economic decision-making body and common central banking system are regarded as essential. The Werner Group stressed the political importance of such a development and expressed belief that an economic and monetary union would stimulate the development of political union.

Medium-term economic targets would have to be fixed at Community level for economic growth, employment, price stability, and balance-of-payments equilibrium. In the future, the Community, and not the separate national governments, would have to lay down the guidelines for economic policy.

The Werner Report listed the consequences of an economic and monetary union:

- Community currencies would be freely convertible among one another, without fluctuations and under fixed parity conditions, so that national currencies could eventually be replaced by one Community currency.
- There would be a unified capital-market policy among the member states.
- There would be a common monetary policy vis-a-vis the rest of the world worked out by the Community.
- The main items of national budgets would be set by the Community, particu-

larly any change in their value or the method of financing any deficit or using any surplus.

- Regional and structural policies would no longer be the exclusive tasks of the member countries.
- Systematic and regular consultation between employers and unions would be provided for at the Community level.

Why an Economic and Monetary Union?

The economic and monetary union under dicussion is not new. It is a logical evolution of the European Economic Community. Monetary developments in 1968 were proof of the need for a joint monetary policy. Then, French devaluation and German revaluation shook the common agricultural market; only the introduction of complicated bridging regulations managed to save it. The lack of a common monetary policy produced not only internal disadvantages for the Community; the maintenance of different national policies also meant that, vis-a-vis non-member countries, the Community was unable to defend effectively its independence and its common interest, particularly in international monetary matters.

The growing involvement of the national economies with that of the Community-- particularly as internal tariffs are abolished -- has had the result of reducing their instruments controlling economic activity and national economic policy. This loss of economic freedom for the member countries has, so far, not been compensated for by an expansion of the powers of the Community institutions. Attempts to harmonize economic policy at Community level have frequently resulted only in general recommendations, without concrete and binding terms of reference.

A further consequence of the lack of a common economic and monetary policy has been that the liberalization of capital movement and the achievement of freedom of establishment have been hindered. In other sectors, too, the lack of a common policy and the maintenance of national legislation

and practices have prevented balanced development within the Community.

Finally, not only economic necessity but also the politics of integration demand a transition to common decision-making in the whole field of economic and monetary policy.

The Aims of the Union

The creation of the economic and monetary union is fully expected to enhance the prosperity of the Community and improve the Community's contribution to the economic and monetary stability of the world.

The union would further spur the free movement of goods, services, persons, and capital without distorting competition. Imbalances in economic structures or individual regions would have to be avoided and Community policy would aim at reducing existing regional and social disparities. The policy also would aim at achieving satisfactory growth, a high level of employment, and price stability.

# # #