

Speech file

From Common Market to Economic and Monetary Union in Europe (+)

By Dr. Wolfgang Stabenow, Brussels

I.

1. A quarter of a century ago, the victors and the vanquished of World War II set out to seek a rational order for this world.

The horrors of the war that had just ended and of the dictatorship that had been defeated at heavy cost, coupled with fears of a renewed division of the world, lent great force to the idea that Europe should draw together.

But there was more to it than fear and horror. There was also a great deal of optimism, and this inspired the grand old man of the post-war years to start building a united Europe. It was this optimism, too, which underlay the idea, that emerged later, of a partnership between the United States of America and the united states of Europe.

Today, we often tend to look at the optimism of those days with no more than a feeling of melancholy reminiscence. Has it all been mere wishful thinking? I cannot give a clear-cut answer to this question.

I will endeavour to draw up a balance sheet of the situation and to outline the prospects. I shall concentrate on the essential aspects of the internal structure of the Community. I shall try and sketch the lines along which the Common Market is developing into an economic and monetary union.

(+) This paper is based on an address delivered by the author to the conference on "The Future of Europe" organised by the Center for European Studies at the University of Texas, Austin, on 15 April 1971.

The achievements made in the negotiations for British Membership and the recent events in the field of international monetary relations occurred after this paper was prepared but did not invalidate the argument. The agreements with Britain confirmed the optimism of the author - the monetary crisis by no means destroyed it.

2. So far, the dominant feature of integration has been the merger of the national economies of Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands. As you will know, no decisive progress has yet been made on the road to actual political integration.

Of late, we have nevertheless seen signs that an attempt is being made to coordinate the foreign policies of the Member States. But this is still a tender plant. It is too early yet to assess the practical consequences of the relevant decisions taken last December.

For the rest, decisive progress towards political union will probably be possible only after today's Community of the Six has become a Community of the Ten. I shall say a few words on the accession of Denmark, Great Britain, Norway and Ireland in a moment.

One thing, however, must be kept in mind: the European Community, i.e. the Economic Community, the Coal and Steel Community and the Atomic Energy Community, was conceived as a constituent part of wideranging political unification. In the Treaty of Rome (EEC Treaty), the parties expressly documented their determination to lay the foundations of an ever closer union among the peoples of Europe.

This political point of departure has not always stood out clearly in the maze of technical detail. The ups and downs registered so far in the process of integrating Europe have given rise to doubts about the political objective.

Developments can roughly be divided into three stages:

First, there were the pioneering years. They started with the establishment of the Coal and Steel Community in 1952, included the first years of the construction of the Common Market and of

Euratom, and ended with the breakdown of the first membership negotiations with Great Britain in 1963.

Second, there was the period of permanent crisis. It reached its peak in 1965 and 1966, when for several months work in the Council of Ministers was hamstrung by France. This meant that in practice the Community was largely unable to function. But even in this period of permanent crisis it was possible to complete the customs union and the common market in agriculture (1963).

Third, there has been the period of new drive and new hopes. It began at the end of 1969 with the Hague Conference of the Heads of State or Government of the Member States, and has seen the beginning of the membership negotiations and the beginnings of the move on to economic and monetary union.

3. Before I deal with the internal strengthening of the Community, let me say a few additional words on enlargement; the candidate countries have from the start given an assurance that they will accept the European integration treaties, and that they would take over Community law developed on the basis of these treaties. As far as further development is concerned, too, they would agree to the political options taken by the existing Community.

The negotiations are therefore on transition and adjustment. Here, the package is being put together piece by piece.

Agreement in principle has already been reached on the following points: the customs union for industrial products, content of the transitional period, application of the common commercial policy in dealings with the rest of the world, treatment of the African developing countries of the Commonwealth, the special problem of Hong Kong, and trade with India and Pakistan.

The particularly difficult issue of the adjustment of British agriculture to the common market in agriculture farm products still needs negotiating. A solution will also have to be found to the problems raised by British imports of dairy products from New Zealand. Difficulties are equally being experienced as regards integration of the Norwegian fishing industry into the common market.

The main stumbling block, however, may be the question of Great Britain's contribution to the Community budget. This problem is most acute in connection with the financing of the common agricultural policy.

There are, therefore, still enough subjects for negotiations, still a lot of potentially explosive issues.

In considering all this you must also bear in mind that one of the parties to the negotiations is a Community of states. This Community is still far from being a federal state. It is therefore subject to a process of political decision-making which is as delicate as it is complicated. In practical terms this means that the six Member States must first agree on a common position before they are able to negotiate with the outside world.

Nor must you forget that the treaty on the enlargement of the European Community requires ratification by ten national Parliaments.

II.

1. Turning to the further development of the European Community into an economic and monetary union, some order must be brought into the concepts and above all into their substance. Rather than keeping to definitions, agreed in the abstract, we shall take an empirical look at the mechanism of integration.

As we go on it will become clear that the idea of economic and monetary union is not a completely new proposition. It can already be discerned in the integration treaties, and has developed logically and automatically from the concept and actual development of the Common Market.

In dealing with the subject, let us concentrate on the European Economic Community. From the angle of our problem, the Coal and Steel Community and Euratom are only variations and offer some additional aspects.

The keynote of economic integration is the combination of the national economies of the Member States into a domestic market. The economic effects of national frontiers must be eliminated. The principle of division of labour and specialization must be given optimum scope. The merging of markets is intended to increase productivity and raise the standard of living.

To this end the Treaty of Rome makes available a wide range of economic policy instruments. Some of these are in the shape of self-executing rules. Others must be developed by the institutions of the Community on the basis of the powers conferred upon them under the Treaty. They take the form of regulations, directives and decisions issued by the institutions. As a rule, the Council adopts these legal instruments on the proposal of the Commission and after consulting the European Parliament and the Economic and Social Committee.

2. Under the Treaty of Rome, the internal development of the Community is to occur mainly in four different fields:

first, the basic economic freedoms of the Common Market must be safeguarded;

second, workable competition in the Common Market must be ensured;

third, common policies must be implemented in certain fields, particularly with a view to enabling certain economically and politically sensitive sectors to be integrated into the Common Market under special arrangements;

fourth, the general economic policies of the Member States must be progressively approximated and coordinated.

We shall see that in the first three fields the prime issue is the merging of the markets. Everywhere, however, there is already evidence of a changeover to uniform management of the six national economies, including in particular the monetary system and the structures. Progressive approximation and coordination of the general economic policies is the field which leads on to the economic and monetary union of the future.

3. Four economic freedoms form the hard core of the Common Market. They are free movement of goods, free movement of persons, freedom to supply services and free movement of capital.

These freedoms may be reduced to a formula which dominates the Treaty of Rome: no national of a Member State of the Community may be discriminated against on the ground of his nationality.

a. Free movement of goods implies both elimination of quantitative restrictions and dismantling of the customs barriers between the Member States. As a customs union, the Community has to apply a common external customs tariff.

The free movement of goods has been achieved.

b. Free movement of persons implies both freedom to move for workers in paid employment and freedom of establishment for independent entrepreneurs, including companies. Every national of a Member State may pursue an economic activity in other countries of the Community on an equal footing with the nationals of the State involved.

The free movement of workers has been achieved. The restrictions on freedom of establishment have since 1963 been eliminated progressively, industry by industry.

c. Freedom to supply services means that every national of a Member State may operate in other countries without being discriminated against, even if he continues to be established in his home country. Here, services are understood to comprise any gainful activity. The concept of services is therefore not confined to what the economist calls the tertiary field.

The introduction of freedom to supply services is advancing in parallel with the implementation of freedom of establishment.

d. Free movement of capital is as yet in its early stages. Here, full liberalization has foundered on the obstacles that derive from the currency differentials within the Community.

4. The efforts to safeguard workable competition take the shape of bans on restraining competition and also harmonization and alignment of statutory provisions in the various countries.

a. The ban covers certain government and private practices that are liable to distort competition in the Common Market and affect trade between Member States. They include state-aid and dumping on the one hand, restrictive agreements and abuse of market power on the other.