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Extract from Vice-President Haferkamp's Statement at the
debate in the European Parliament on the transition to
the Second Stage of the Economic and Monetary Union

Strasbourg, 13 December 1973

The Council is at present considering the Commission's proposals for the further development of the economic and monetary union. The decisions it will take must be measured against the objectives which the Council has set itself and which were confirmed by the Heads of State or Government.

Rather more than a year ago, in October 1972, the Heads of State or Government agreed that "the necessary decisions should be taken in the course of 1973 so as to allow the transition to the second stage of the economic and monetary union on 1 January 1974 and with a view to its completion not later than 31 December 1980". They thereby confirmed a conclusion reached by the Council in its Resolution of 22 March 1971, in which it described the establishment of the economic and monetary union as an objective "that can be attained within the present decade, provided that it continues to enjoy the political support of the Governments". The same Council Resolution states that: "The steps to be taken must be such that, at the conclusion of this process, the Community will:

1. constitute an area within which persons, goods, services and capital may move freely and without distortion of competition, without, however, giving rise to structural or regional imbalances, under conditions permitting economic activity to expand on a Community scale;
2. form a single currency area within the international system, characterised by the total and irreversible convertibility of currencies, the elimination of margins of fluctuation of exchange rates, the irrevocable locking of parities - all of which are essential preconditions for the creation of a single currency - and including a Community organisation of the Central Banks;
3. possess such powers and responsibilities in economic and monetary matters as will enable its institutions to administer the union. To this end the requisite decisions on economic policy shall be taken at Community level and the necessary powers shall be conferred upon the institutions of the Community."

What this means is that from 1980 the Community is to form a single economic entity. Since the Council Resolution, a third of the time allotted for attainment of the economic and monetary union has gone by. Accordingly, the Commission, in its report to the Council of 28 June 1973, has already stated that: "The deadlines laid down can be met only if the political undertakings are followed by speedy and concrete measures". The Commission has submitted to the Council the necessary proposals for these speedy and concrete measures. The aim of the proposal is:

1. to remedy the shortcomings of the first stage of the economic and monetary union, and
2. to make clear that, by embarking on the second stage, the Community is taking a further important step on the road to economic and monetary union.

The discussions held up to now have shown that at present the Council is obviously willing to accept only some of the Commission's proposals, namely:

1. the proposal to set up an Economic Policy Committee;
2. continuous prior consultation on all important measures of economic policy;
3. the directive to promote stability, growth and full employment (with one important exception).

The Council is obviously not at present ready to accept:

1. obligatory prior consultation in the event of currency changes, in the form proposed by the Commission;
2. The introduction of some of the measures provided for in the directive to promote stability, growth and full employment, concerning taxation policy and budgetary policy in all the Member States;
3. all of the measures proposed by the Commission to make the European Monetary Co-operation Fund an effective institution for Community monetary policy.

In this connection I must mention in particular that

- the Council has so far not been prepared to give the Fund the administrative structure necessary for its tasks;
- it is not prepared to begin pooling the Central Banks' monetary reserves in this Fund;
- it is not prepared to decide on reorganising the system of short-term monetary support, as proposed by the Commission.

The Commission proposals already accepted by the Council are certainly of considerable importance, but they will represent a definite qualitative step towards economic and monetary union only when the proposals not yet accepted are implemented. If the objectives specified by the Heads of State or Government and by the Council itself are to be attained by 1980, we must be prepared to transfer large parts of national economic and monetary policies to Community policy, or at least to align them on this Community policy. Significantly enough, there is hesitation in accepting just those Commission proposals which are intended to put this principle into practice. One example of this is that the instrument of taxation policy has been taken out of the stability directive. Another example is the hesitation over proposals concerning the Monetary Fund.

But we cannot enter the second stage of economic and monetary union without a closer and firmer alignment of national short-term economic, taxation and budgetary policies on Community policy. Nor can we move towards a Community monetary system and at the same time leave co-operation between the Central Banks to run along the same old lines. In short, we cannot in the long term demand full autonomy in economic policy and at the same time proclaim economic and monetary union. We have only seven more years in which to attain the objective - repeatedly stated and solemnly confirmed -- of "Economic and monetary union by 1980". It is impossible to postpone any longer the decisions required by the indispensable qualitative change from national to Community policy. In its session next week the Council will not yet be able to reach all the necessary practical decisions. But it must assume the basic political commitment to take these decisions according to a fixed timetable in the course of next year. Only if it does that will there be a successful breakthrough to economic and monetary union. Only then can we keep to 31 December 1980 as the date for attaining this union. Only then are there prospects for the planned European Union to get off to a good start.