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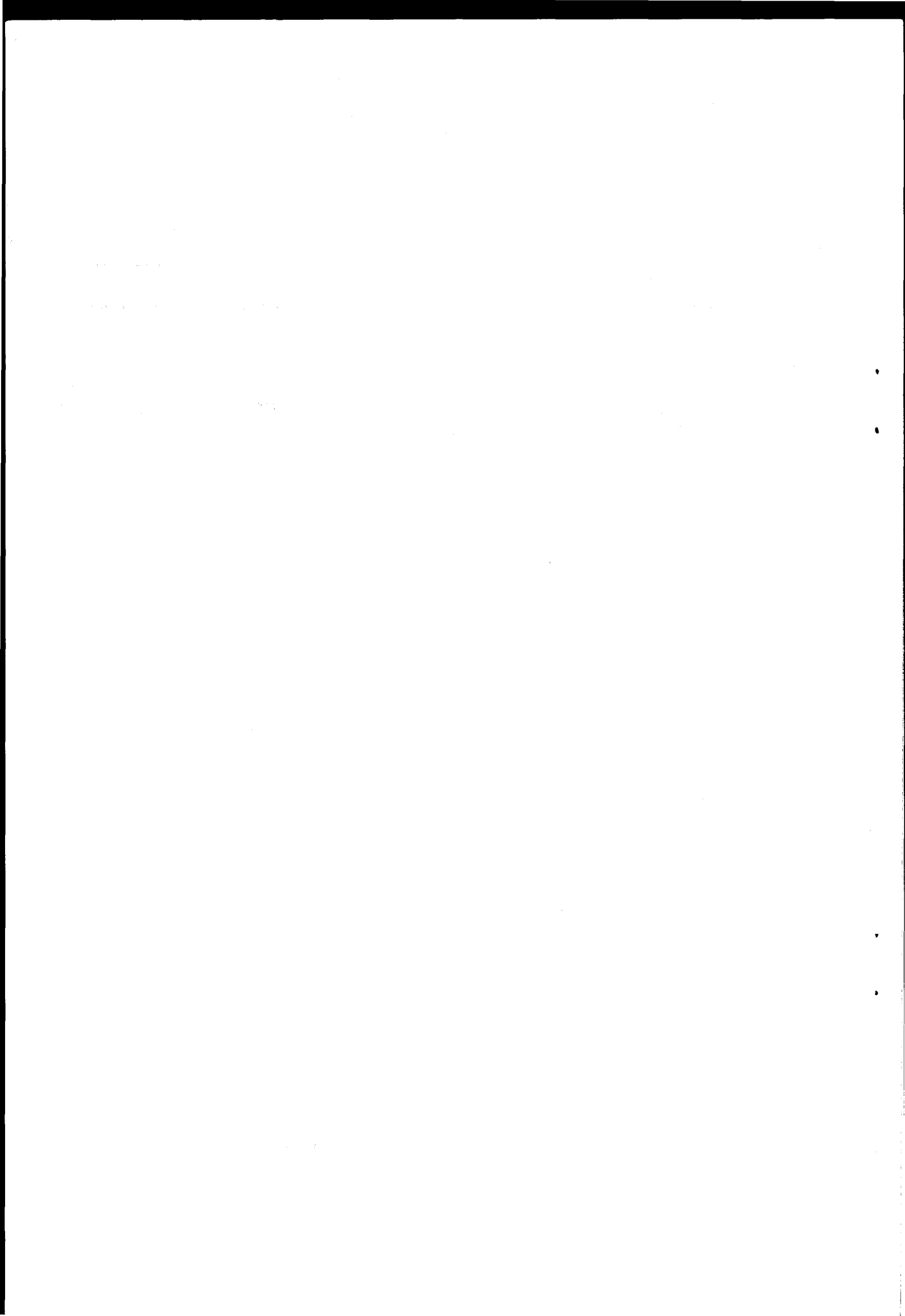
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THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM

(Mr F. BURGBACHER)

The result of three monetary crises in 1971, two the year after and two more in 1973 has been the, now undeniable, collapse of the Bretton Woods system. These crises have also had other consequences, some obvious and some more implicit, though no less important.

For example, the fixed parity system is undoubtedly no more; banks are no longer obliged to acquire dollars or third country currencies and no single currency can now be regarded as the pole star by which the monetary system takes its bearings.

Alongside these essentially technical consequences, there are some which are more specifically political in their implications: for example, the monetary upheaval has certainly convinced members that the Community itself needs strengthening - the joint float of Member States' currencies vis-à-vis the rest of the world and the further development of the monetary fund are the visible signs of the move in this direction.

The CD Group, represented by Prof. Friedrich BURGBACHER, expressed its opinion on all these problems in the European Parliament; it regards the strengthening of the monetary fund as a positive development, as Mr BURGBACHER explicitly stated in the parliamentary debate of 5 June: 'The European Monetary Fund is a necessary institution. It has already been said however that, in its present form it is not capable of solving European monetary problems. If the fund is to be effective, a great deal more of our currency reserves will have to be transferred to it and these will then naturally no longer be available for special drawing rights.'

One can only support the desire to include Britain, Ireland and Italy in the joint float and the same applies to the strengthening of the powers of the monetary fund. But it still has to be decided whether the fund should have completely autonomous status, independent of Government control, rather like the German Federal Railways, or whether it should be an instrument in the hands of the European institutions. I myself, and I think the majority of my political friends, incline to the view that the monetary fund should be completely independent, because experience has shown that independent central banks tend to encourage stability more than dependent ones. The question of burning interest to the peoples of our Community is not so much what we mean by monetary reform as what we mean by inflation, a situation which appears likely to continue. Even in 1973 the following factors impede the return to stability and any further progress towards monetary reform:

1. the increase in U. S. balance of payments rates, for example;
2. the foreign currency power of the multi-national companies;
3. the oil dollars already mentioned; there is every prospect that by the 1980's some 30 thousand million dollars a year will be passing into the hands of the countries of the Middle East if oil production continues as we foresee, and
4. deposit money. Deposit money is not bank-notes but credit newly created in bank dealings; and it is one of the reasons why money in circulation is increasing by some 20% while the gross national product has increased by only about 10%. But as long as the volume of money in circulation - whether in bank-notes or deposits - increases purchasing power, we obviously cannot get to grips with inflation, because with a rising business trend, with rising gross national product, with rising growth of national production (i.e. the gross national product) this volume of money will increase almost automatically and perhaps more than proportionately to the growth of other factors which determine purchasing power.

These are all questions which are still unsolved and may require measures which we cannot imagine today or are not bold enough to consider. This is often the case. Each person now thinks of his own interests. We must think of everybody and almost everybody will benefit if we return to really stable conditions.'

Monetary stability requires evidence of good-will not only from Europe but also, to a considerable extent, from the United States, once they have a balance of payments surplus, and the energy-producing third countries. Prof. BURGBACHER freely admitted that both political and economic difficulties arose in this field. 'It is being suggested that all measures which restrict trade should be abolished. We are certainly all in favour of free trade in a free world economy. May I nevertheless make an observation? I should like to illustrate it with an example which I consider particularly relevant. The question as to whether we should continue to tolerate disruption of the world economy and currencies created by the "oil-dollars" is one which requires closer investigation, particularly as this problem is becoming increasingly acute, in that the USA and Japan need to buy more oil from the Near East than was formerly the case. Here, in my opinion, we are faced with a serious alternative: either we do something about the situation, which can only mean restriction of consumption, or the oil-producing countries will restrict their supplies in which case the energy shortage in Europe and the free world will increase more rapidly than is otherwise to be feared at present.'

COMMITMENT TO A UNITED EUROPE*

(Mr L. GIRARDIN)

It has been said - and widely commented in the Press - that the Paris Summit Conference decided that European political, economic and social union was to be achieved by 1980. Leaving aside the statements contained in the official text, I cannot see that the Nine have taken any effective political decision to attain this objective. There is no doubt in my mind that the three positive results to emerge from the Summit were the decision to set up a European Monetary Cooperation Fund (a matter already decided in fact at Frascati), the decision to set up a Regional Development Fund (here it must be said that it was perhaps necessary to await the accession of countries with problems similar to our own before certain conclusions could be reached) and the commitment to a more vigorous social policy. These are the only precise and practical commitments mentioned in the Final Declaration and their accomplishment will not be enough to guarantee European union on schedule, i.e. by 1980.

The most disappointing thing about the Summit was that institutional issues were passed over and their solution once again postponed.

As Sicco Mansholt, former President of the Commission of the European Communities, once said, Europe is sick. It is still sick after the Paris meeting. The Summit has not brought about any change in its condition.

In 1975, as we all know, we shall have the first Community budget financed entirely from the Community's own resources, i.e. an independent budget without any contribution from the Member States. In the circumstances, and especially with 1975 so near, to be without a parliament endowed with adequate powers and, most important of all, elected by direct universal suffrage, seems to me, not least from the democratic point of view, to place us all in jeopardy.

In Paris the various governments represented did reach some decisions about the Community institutions: they decided to hold on for the time being to all the power they have enjoyed hitherto. In fact the Council of Ministers (i.e. representatives of national governments), and not the European Parliament, has been and will continue to be the Community's sole legislative body. The other institutions - in particular the Commission and the European Parliament - will be able to go on exerting their influence, but without any power of decision in institutional matters.

That is why we are convinced that everything hinges on the political resolve which has been expressed and which, we hope, will in due course be shown by Member States' governments. Perhaps all we can say for certain at this juncture is that European union, when it does come about, will not be as envisaged in the Final Communiqué: it will be neither a federation nor a confederation but something sui generis, possibly a political body that has no historical precedent.

Despite the reservations I have expressed so far, one thing is quite certain, namely that the Summit has solemnly declared a united Europe to be its ultimate goal. This has already been said on many occasions, but what is significant this time is that provision has been made for the participation of the Community institutions. I think this can be seen as a real guarantee. Consequently, we who are convinced Europeans, and especially those of us who are politicians (with the Christian Democrats in the vanguard) must continue to fight for a united Europe.

This is mainly a task for the political and social forces. It is unacceptable to us that it should be for the governments representing the Member States of the Community to influence Europe's decision-making bodies without being subjected to the critical appraisal of the majority and opposition parties in each country before they adopt their own positions.

A young people's and workers' Europe, and not just a businessmen's Europe, can, in my view, only be attained through elections to the European Parliament by direct universal suffrage. If France, the United Kingdom and - strangely enough - Brandt's Federal Republic are not in favour of direct elections at this juncture, we in Italy (as advocated in a petition submitted to the Senate by the Italian branch of the European Movement) must take steps, if need be on our own, towards securing the election of our delegates to the parliamentary assembly in Strasbourg, thus showing the way and trying to draw the other Member States into our wake.

Before bringing my remarks to a close, I should like to dwell on one aspect of the problems arising in connection with the ratification of the Brussels Treaty. In the Final Declaration issued at the Paris Summit the Member States stated that they regarded economic growth not as an end in itself but as a means of securing an improvement in the living standards of their peoples. I am convinced that this statement must be taken very seriously because at least we have arrived at a stage where the direct political resolve exists to progress towards an open social policy. We should seize the opportunity because unless we adjust European economic integration to social requirements we shall obviously only be lending

support to the view that man is the servant of the economy instead of the other way round. That is why we must make this effort and do everything we can at both the national and the Community level. We should see this as a new and greater challenge to the trade unions and social partners in the Community.

*Excerpt from the address given by Mr Luigi GIRARDIN, a member of the Christian-Democratic Group of the European Parliament, to the Italian Chamber of Deputies on the occasion of the ratification of the accession treaties.

SPECIAL DRAWING RIGHTS AND DEVELOPMENT AID

(Mr M. DEWULF)

One of the most important consequences of the collapse of the Bretton Woods monetary system has undoubtedly been a reduction in the importance of the dollar in the international system; the crises of the last three years have clearly shown that no national currency can any longer assume the burden and privilege of being the only reserve asset.

It does not seem desirable to return to the gold standard either since this system favours countries which produce the metal.

The solution seems to be to establish Special Drawing Rights, an artificially created international value, to settle balance of payments debts. A fair rate of interest, (adapted to the market), may be fixed for them, and they may be used to intervene on the currency markets as was the dollar at one time. Special Drawing Rights are in practice based on the covering capital of the monetary reserves of the Community states: about 150 thousand million u.a. are set aside to repay Special Drawing Rights in convertible currencies. Though this may be a good system, or at least the best replacement for the dollar as the base currency of the international system, it raises many problems.

Mr Maurice DEWULF pointed out that there was a danger of this new system affecting the Community's relations with developing countries. A new international monetary order will in fact be developed for the introduction of special drawing rights. It follows that developing countries will, by definition, only receive a very meagre share of this, precisely because they are poor. On the other hand we note that the traditional financial government aid to the benefit of developing countries is not increasing satisfactorily, not only when compared with our obligations, but also, chiefly, with an eye to the requirements of the developing countries. New financial means will therefore have to be made available for this international task.

At UNCTAD III pressure was mounted, partly on the initiative of the Community, for the international monetary fund to make a study of the problem concerning the link that should be

introduced between the institution of special drawing rights and international development aid.

By 'link' we mean the tie between the allocation of special drawing rights and international aid for development. Such allocation makes it possible, thanks partly to the interest payable, for actual goods to be transferred from the industrial countries to the developing countries. In exchange for this industrial nations will, however, obtain additional liquidity.

'We are therefore speaking not of monetary orthodoxy but of the financing of actual goods for developing countries. Coupled to this is the monetary condition that the industrial countries must obtain additional liquidity through the system of special drawing rights', said Mr DEWULF.

The allocation of special drawing rights must naturally remain subject to monetary criteria, but this does not detract from the fact that they must also be assessed according to the long-term requirement of the world economy for international liquidity.

Now what does this long-term requirement for international liquidity by the world economy amount to? Everyone will agree that one of the duties of the international Community is to express itself collectively on the formation of international fiduciary reserves. But it must, in fact, also express itself on the way these are used, so that common objectives can be achieved. Harmonious development at world level is one of these objectives, and special drawing rights are one of the mechanisms serving these objectives.

'The need should be recognized,' continued Mr DEWULF, 'for the European Community, as an important partner in the Committee of Twenty, to propose to the International Monetary Fund ways of establishing this link as soon as possible. It would not be acceptable for the European Parliament to lag behind in this area, in view of the fact that the Commission pronounced a long time ago in favour of this link. I understand that this link has already been accepted at ministerial level during the preparatory work of the Committee of Twenty. We must now choose an appropriate system.'

I feel personally', said Mr DEWULF in conclusion 'that we should opt for an organizational link, by which special drawing rights allocated to the industrial nations will be transferred to multilateral organizations for their current loans to developing countries.'

ACTIVITIES OF CD MEMBERS

- o Mr MARTENS put a written question to the Commission of the European Communities asking for details, based on the latest statistical data, of the cost of certain items of the common agricultural policy, both to the individual Member States and to the EAGGF.

- o Irregularities in the organization of the market in agricultural products in the EEC occur with unfortunate frequency. Mr FELLERMAIER asked the Commission whether Member States have made provision at national level for adopting measures, based on Community regulations, to supplement existing agreements with a view to preventing such irregularities.

- o All too often the European Parliament hears of Commission documents through press reports, instead of being informed directly or even through committee channels. Emphasizing the European Parliament's right of priority to such information, Mr NOTENBOOM and Mr SCHOLTEN asked the Commission for an explanation.

- o Referring to the world sugar agreement, Mr DEWULF asked the Commission to explain the Community position on negotiations on the new world sugar agreement to which the Commission has been invited.

THE IMPORTANCE AND INFLUENCE OF TRAFFIC INFRASTRUCTURES

by Luigi NOE *

From the moment the European Economic Community started up its activities the EEC Commission at the time expressed the view that joint planning was needed for transport projects requiring major investment. The European Parliament has always supported this view and has in fact extended it by recommending that not only the main lines of communication but also the gaps in the transport network at the Community's internal frontiers should be given priority treatment.

The Council of Ministers, however, whittled down the Commission's proposals for joint action in the field of transport infrastructures to a mere procedure for consultation. The result was 'Council Decision of 28 February 1966 instituting a procedure for consultation in respect of transport infrastructure investment.

This procedure for consultation, however, is proving increasingly inadequate as it does not really give the Commission any power to act.

Article 1 of the decision requires Member States merely to notify the Commission of 'investment projects of Community interest before they are carried out'. In the case of major investments such as Alpine tunnels even more than other transport investments, Community interest should begin to assert itself at a far earlier stage than just before the project's implementation. Obviously negotiations are much more difficult if they only start once a Member State has decided to make a certain investment.

In the event of a conflict of interests, which would only become apparent at this stage, the planning work sometimes of decades might have to be abandoned and started all over again.

A further indication of the inadequacy of the current procedure for consultation, and one which becomes particularly apparent in the case of Alpine crossings, is the fact that the Community cannot negotiate effectively with third countries by this process. Cooperation should begin at a far earlier stage, especially in the case of transport planning in Switzerland and Austria on which the Community is so dependent for a considerable part of its internal transport.

The fact that an inadequate procedure has become law does not, however, exclude the possibility of the Community applying a more effective procedure in special cases and, above all, must not prevent the Commission from drawing up an overall plan for the Alpine passes, bearing in mind that they affect the major lines of communication in France, Italy and Germany which often find themselves competing. This

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is an additional reason to intervene and contribute to a definite organization of competition between the various traffic links in the context of an overall plan based on accurately estimated costs and benefits to the whole economy, assessed in relation not only to transport but also to its effects on the general development of the Alpine region and regional development throughout the Community.

When viewed in this light it is clear that the question is not primarily one of undertaking particularly large expenditure to favour some areas but rather of intervening in the interest of the Community's entire regional structure.

The basic concept of the European Economic Community is the achievement of more rational production by creating a larger market. This involves larger enterprises and restructuring the European economic area. However, a larger market can only arise if trade is physically possible, i.e. if not only customs barriers but also traffic barriers are eliminated. The barrier presented to traffic by the Alps hampers the exchange of goods between the large areas of industrial concentration of the Community and Italy, the very country in the Community which lags furthest behind in development and prosperity and suffers most from structural unemployment. Although it is true that some of the smaller industries live off a local market and are thus not affected by transport costs, it is obvious that reduction in these resulting from improvement of Alpine routes would benefit the development of Italy as a whole. Such a favourable development south of the Alps would in turn open up new markets and create new incentives for further development of the economy north of the Alps.

It is the declared policy of the Community to transfer industries from zones of excessive concentration in the north-west, which attract an increasing amount of foreign labour, to the south, which still suffers from structural unemployment. That industry should be brought to the people and not people to industry, is the Community's motto.

But this policy too is hampered by the barrier of transport costs. A firm based in the north-west of Europe which contemplates setting up a branch in the Mediterranean area will have to take transport costs very closely into account in its plans. The more infrastructures are extended, the greater will be the savings in time and money and the more inclined firms will be to move to the south.

Such transfers of industry result not only in an exchange of goods but frequently also in intensive passenger traffic between the different branches of undertakings. The time factor is often a vital one for the journeys of engineers, skilled workers, accountants and auditors.

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For the tourist, too, time is a factor to be considered alongside cost. The increasing flow of tourists travelling south from northern countries in search of sun and recreation consists more and more of people with limited time at their disposal. The barrier presented by the Alps becomes an ever worsening problem, particularly when hour-long traffic jams become a regular occurrence during the peak holiday season.

However much the Community, as an outward-looking community, must bear in mind the welfare of neighbouring third countries, it is nonetheless clear that of all the Mediterranean areas which benefit alike from tourism and the relocation of industry, Italy is put at particular disadvantage by the barrier presented by the Alps. For all these reasons, the question of Alpine crossings is an important one for the Community's regional policy.

* Senator Luigi Noe' was born in Milan. A graduate in engineering and agriculture, his speciality is the hydro-electric sector, in which he has designed plant in Italy and South America. From 1961 to 1966 he was a member of the CD Provincial Committee in Milan; he was elected to the Senate in 1968. Until then, Senator Noe' was a director of Montedison. He is also President of ICEPS (Institute for economic cooperation with developing countries). He has been a member of the European Parliament since 1969.

