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Currency Union Postponed

by Klaus Kwasniewski, Hamburg

The first approach towards a European Economic and Currency Union which is supposed to be realised by the end of this decade misfired at one of the recent meetings of EEC ministers in mid-December because of a veto by the French. France was prepared neither to agree with the alterations of the EEC Treaty deemed necessary for this purpose nor to vest new economic and monetary authority onto the EEC organs.

It is true, the fathers of the European Economic Community looked upon the Rome Treaty as no more than the instrument for the creating of a European customs union and not an economic and currency union. But there have been deliberations since the existence of the EEC to develop the Community beyond the phase of integration envisaged in the Treaty. The basic thought was that integration was a dynamic process that could not be halted or considered finalised at any given stage without seriously disturbing the economic equilibrium in the member countries. Particularly the example of the EEC agricultural market with its permanent imbalances and crises has shown that a perfect partial integration simply was not realisable in practice without a common economic and currency policy.

The Spirit of The Hague

At the Hague Summit Conference in December 1969 these deliberations were also adopted by the chiefs of government of the six EEC countries. They consequently decided that following the finalisation—though still incomplete—of the customs union a progressive plan for the establishment of an economic and currency union by 1980 should be drafted. But shortly after this Hague Conference there was a heated discussion in the Community about the appropriate way towards a European economic and currency union when attempts were made to give teeth to the decision taken at The Hague. The basic document, the Barre Memorandum, of February 1969 had not gone beyond the demands for a synchronisation of the member countries' medium-term con-

ception of the target, co-ordination of the short-term economic policy, monetary co-operation in the shape of short-term exchange support actions and medium-term financial assistance.

France and Belgium, as so-called monetarist countries, pleaded for the reducing of parity margins between their upper and lower points already during the first phase of the progressive plan in order thus to force the member countries to harmonise their subsequent policies. The Federal Republic of Germany, the Netherlands and Italy cast doubts on the effectiveness of such material compulsion and, as so-called economist countries, spoke in favour of a harmonisation of the national economies as a touchstone for deeper going monetary measures to be the first step. The report of a working committee under the chairmanship of the Luxembourg Prime Minister, Werner, instigated by the chiefs of government of the EEC countries and submitted to the Commission in October, was an attempt to end this dispute by a *pari-passu* strategy.

Lack of Political Will

France, however, by its non-willingness to validate the first step of the Werner-plan according to the Hague decision of January 1, 1971, proved that there is as yet insufficient political preparedness in that country for a renunciation of sovereignty rights in favour of the Community. At the same time also those found their opinion confirmed who never really believed that France had ever seriously intended to support the integration of the EEC into an economic and currency union and who had further believed that the demanded "monetarist" solution was merely meant to serve the screening of this aim. They therefore regard the wasted possibility of a big jump forward as a clear sign of the fact that the Community now has a long march in front of it. The years of sickness of EURATOM, mainly the cause of France's nationalistic ambitions, is one sad example to show how long this march might be and what consequences it might have.