

第3回 国際通貨論 I
International Monetary Study I
The Way to the Euro (2)

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The integration of real economy precedes monetary integration. [Refer to the supplement to Chapter 1]

実体経済の統合が金融統合に先行

1. Five stages of economic integration 経済統合の5段階

- (1) Free trade area (FTA): EFTA, NAFTA, AFTA
(member's sovereignty is respected)
- (2) Customs union: EEC, Mercosur (common tariff to third countries)
- (3) Common market: European Single Market (free movement of production factors)
- (4) Economic union: EMU (economic policy is coordinated)
- (5) Complete economic integration (economic border disappears)

	Europe		World events
	Economic integration 統合段階	Economic conditions 景況	
50s	58 EEC starts	recovery from the war	
60s	68 customs union completed	boom	Vietnam war
70s	no progress	stagnation	oil shocks floating rate
80s	86 Single European Act 欧州統一議定書	from stagnation to boom	Reaganomics & Thatcherism
90s	93 single market 99 EMU	stagnation	Gulf war Asian crisis

2. EEC: Customs Union and Common Agricultural Policy

The Treaty of Rome, which established EEC, promoted integration of real economy (manufacturing, trade and agriculture), but not monetary economy.

(1) Customs union: major beneficiary W Germany

- >An important exception to the rule of multilateral free trade of GATT (now WTO)
- >Completed in July 1968 ahead of schedule
- >Expansion of trade and FDI (foreign direct investment) stimulated economic growth [See the supplement to Chapter 1, Table 2]

(2) Common Agricultural Policy (CAP): major beneficiary France

- >Completed by 1968
- >Protects the EC agriculture until now by heavy subsidy (2001 EU budget's largest expenditure with 46% share, cf. agriculture-GDP share 2%)
- >Mechanism: market intervention to support prices + import/export surcharge or subsidy + agricultural guarantee fund
- >Common prices were denominated in Unit of Account (UA 計算單位=1 US\$=0.888671 gram of gold)
- CAP required the “practical monetary integration.”

3. The Realization of the Single Market

単一市場の成立

(1) The background

- > Dramatic change of world economic circumstances in the 1970s: the protection of domestic industries had a priority over the common policy within EEC
 - > Early 1980s: euro-sclerosis (欧州硬化症 rigidity in labor and product markets) + euro-pessimism (欧州悲観主義 fear to fall behind US and Japan)
 - > An example of French protectionism: customs clearance of Japanese VTR only at Poitiers on the Loire River (1982)
- (Imagine that Japan limits the customs clearance of French wine only at Kawanaka-jima of the Chikuma River in Nagano prefecture!)

Jacques Delors wrote a prescription “competition” to the euro-sclerosis, displaying firm determination the “Single European Act (SEA)” to carry it out .

(2) The White Paper on Completing the Single Market

>To realize free movement of goods, labor, capital and services by 1993

>To remove 300 barriers by harmonization/mutual recognition among EC members

(a) Physical barriers: customs house 物理的障壁の除去

(b) Technical barriers: industrial standards and safety measures 技術的障壁の除去

(c) Fiscal barriers: VAT 15% in Luxembourg-25% in Sweden 財政的障壁の除去

(3) The Single European Act (SEA) of 1986

>To make the decision making process of EC smoother, the voting rule in the Council of Ministers was changed from the unanimous consensus to the qualified majority (特定多数決 62 out of 87 votes of 15 EC member states).

(4) The Single Market boom (1986-90)

	France		Germany	
	1983	1988	1983	1988
GDP	0.7%	4.5%	1.8%	3.7%
Inflation	9.6	2.7	3.4	1.2
Unemployment	8.3	10.0	7.9	7.6

(source : OECD "Economic Outlook")