Chapter 3

From the Common Market to the euro

In May 1945, at the end of the Second World War (1939-1945), Europe was in ruins. Fearing that such a tragedy could recur, politicians had the idea of creating a union of European States.

1950 The Schuman Declaration

On 9 May 1950, five years after the end of the war, France took what was to prove an historic initiative. The French Minister of Foreign Affairs, Robert Schuman, proposed pooling the production of coal and steel by France and Germany, under the control of a supranational high authority.
To commemorate that occasion, 9 May was officially declared Europe Day.
The Benelux countries and Italy gave their support to this proposal.
By signing the Treaty establishing the European Coal and Steel Community (ECSC), on 18 April 1951, these six countries together formed Europe of the Six.

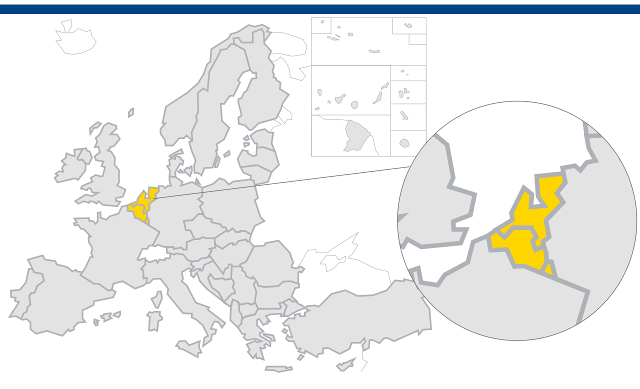
"World peace cannot be safeguarded without the making of creative efforts proportionate to the dangers which threaten it.
The contribution which an organized and living Europe can bring to civilization is indispensable to the maintenance of peaceful relations. (...) A united Europe was not achieved and we had war.
By pooling basic production and by instituting a new High Authority, whose decisions will bind France, Germany and other member countries, this proposal will lead to the realization of the first concrete foundation of a European federation indispensable to the preservation of peace. (...)

Extract from Robert Schuman's declaration for a European High Authority for Coal and Steel (9 May 1950)

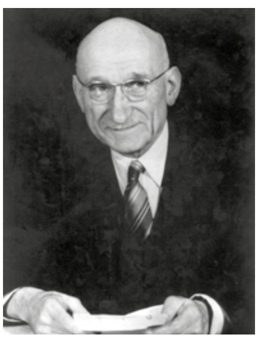
Signature of the Treaty of Paris (establishing the ECSC) on 18 April 1951

EUROPE FROM 1950 TO 2013

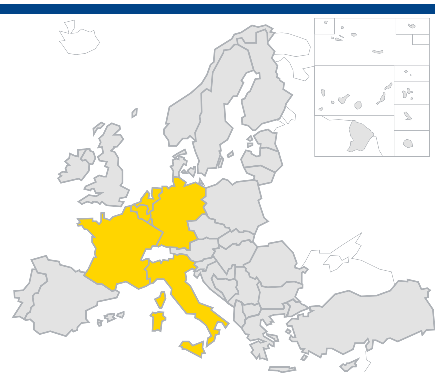
Benelux (1944)



Robert Schuman (°1886 – †1963)



Europe of the Six (18 April 1951)



1957 — The Treaties of Rome

Under the influence of prominent persons strongly in favour of the European idea (such as the Belgian Minister of Foreign Affairs, Paul-Henri Spaak, the Frenchman Jean Monnet, ex-president of the ECSC, and Walter Hallstein, German Secretary of State for Foreign Affairs), the six countries of "Little Europe" signed **the two Treaties of Rome** on 25 March 1957, creating:

- **Euratom** for the pooling of atomic production;
- the **Common Market** for opening up markets to all sectors of the economy.

These treaties provided for:

- A customs union within the Community.
- The introduction of a common tariff on imports.
- The free movement of people, goods, services and capital.
- Rules to ensure fair competition.
- The coordination of economic, social, monetary and fiscal policies.
- The construction of a common economic policy.

The Belgian Paul-Henri Spaak, who was the chairman of the preparatory committee for the Treaties of Rome, expressed his joy at the time of their signing, on 25 March, in the Hall of the Horatii and Curiatii, in the Capitol:

"I would like to try to moderate my joy and curb my enthusiasm, founded though they are on my conviction and my hope.

And yet, on 25 March 1957, if we succeed in continuing and completing the work in which we are taking a very important step forward today, this will be one of the greatest dates in European history...

In a minute, by our signatures, the Common Market and Euratom will come into being.

Signature of the Treaty of Rome on 25 March 1957 by Paul-Henri Spaak and J.Ch. Snoy d'Oppuers

Paul-Henri Spaak (°1899 – †1972)

Walter Hallstein (°1901 – †1982)

Jean Monnet (°1888 – †1979)

Committee of the Treaty of Rome

What does that mean ? So many things. And first of all the solemn affirmation of a profound solidarity between six peoples which, so often in the past, have been in opposite camps, facing each other on the battlefields, and which now are joining forces and uniting, through the wealth of their diversity, for the defence of the same human ideal... ”.

Bretton Woods and the IMF

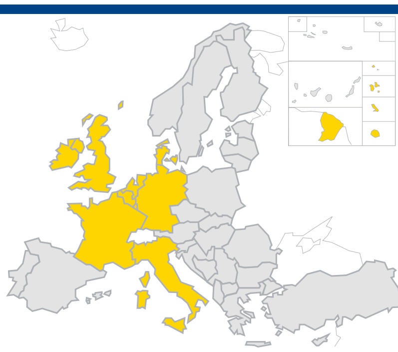
The Mount Washington Hotel in Bretton Woods, the venue for the monetary conference.

On 1 July 1944, when the war had not yet ended, an international monetary conference was held, on the invitation of the United States, in a town called Bretton Woods. The participating countries created the International Monetary Fund (IMF) – with Camille Gutt, the former Belgian Minister of Finance, as Its first Managing Director – and a new international monetary system. This consisted of a fixed parity between the dollar and gold. The member states undertook to maintain their exchange rates within a restricted range of fluctuation vis-à-vis the dollar.

In 1971, the convertibility of the dollar was gradually abandoned and it was subsequently decided to allow the dollar to float. The Bretton Woods agreements ceased to exist in 1973.

Camille Gutt (°1884 – †1971)

Europe of the Nine (1973)



Accession of United Kingdom, Ireland and Denmark

1970 The Werner Plan

Following the Hague conference of 1 and 2 December 1969, the European Council of Ministers called upon several representatives of the economic world to meet under the chairmanship of Pierre Werner, the then Luxembourg Prime Minister, in order to give thought to the various possible ways of creating an Economic and Monetary Union.

What did these experts advocate ?

- Total and irreversible convertibility of currencies ;
- Removal of the exchange rate fluctuation margins ;
- Irrevocably fixed parities ;
- The centralisation of monetary and credit policies ;
- Consolidation of policies concerning capital markets ;
- Community decisions concerning all public budgets.

The plan also emphasised the establishment of a Community System of Central Banks similar to the American Federal Reserve System.

The Council of Ministers, meeting in February and March 1971, translated the Werner Plan into a series of objectives to be achieved in 10 years :

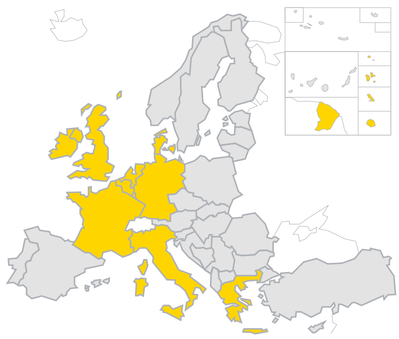
- Gradual reduction of the currency fluctuation margins.
- Coordination of short-term economic policies.
- Cooperation between central banks.
- Medium-term financial cooperation (financial assistance for any member country whose balance of payments shows a substantial deficit).

It proved impossible to implement these decisions in practice, owing to the ending of dollar convertibility (1971) and the first oil crisis (1973).

The European countries in fact reacted differently to the economic crisis and the resultant increase in inflation.
The famous "monetary snake" which was created in 1972, comprising a few of Europe's currencies, was far from successful.

Pierre Werner (°1913 – †2002)

Europe of the Ten (1981)



Accession of Greece

1979 The European Monetary System

At the instigation of Germany and France, with the Belgian Jacques van Ypersele de Strihou, then chairman of the EEC's Monetary Committee, playing a major role, discussions finally led to an agreement at the Brussels Summit, on 5 and 6 December 1978, to set up the European Monetary System (EMS).

The main aims of this EMS, launched in 1979, were:

- Stable exchange rates between the currencies.
- Solidarity between the member countries through a system of reciprocal credit.

The main innovation was the creation of the ECU (European Currency Unit).

What was the ECU?

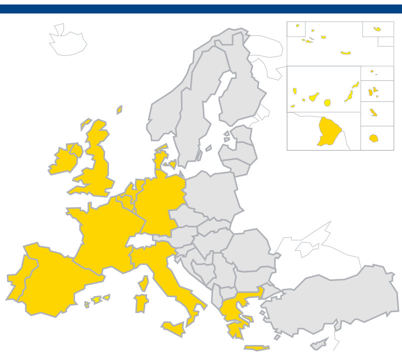
The ECU was a "basket" of European currencies whose composition reflected each member country's share in production of and trade in goods and services within the Community.
The composition of this "basket" was fixed but could be adjusted if necessary. At the end of 1994, its composition was frozen. The value of the ECU varied in accordance with the exchange rates of the currencies making up the basket.

1986 The Single European Act

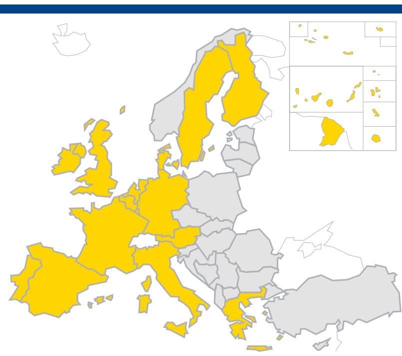
In February 1986, the Member States of the EEC put their signatures to a new treaty, called the Single European Act, giving new momentum to the extension of Community activities.


Single European Act

Europe of the Twelve (1986)


Accession of Spain and Portugal

Europe of the Fifteen (1995)


Accession of Austria, Finland and Sweden

The provisions adopted were as follows:

- Completion of a large internal market permitting free movement of people, goods, services and capital.
- Institutional improvements thanks to recourse to a qualified majority in the Council of Ministers for the adoption of most decisions concerning the internal market; increase in the powers of the European Commission and the European Parliament.
- Progress towards cooperation concerning foreign policy.

This treaty was regarded as an important step forward in European integration. It opened up the way to an Economic and Monetary Union.

1989 — The Delors Report

The Delors Report, presented in April 1989, advocated a European Economic and Monetary Union to be achieved in three phases:

1990-1993: consolidation of the single market and preparation of the Maastricht Treaty.
1994-1998: foundation of the European Monetary Institute, then the ECB; convergence of the economies and greater monetary cooperation.
1999: introduction of a single European currency.

1992 — The Maastricht Treaty

Signed on 7 February 1992, this treaty provides, among other things, for the creation of an Economic and Monetary Union.

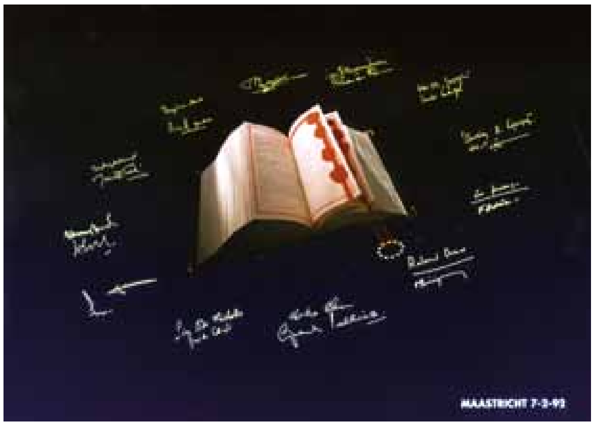
The national currencies were to be replaced by a single currency for those Member States which could provide proof of a sound economic and financial situation.

Jacques Delors (°1925)

Alexandre Lamfalussy (°1929)
President of the EMI from 1994 to 1997

Wim Duisenberg (°1935 – †2005)
President of the EMI in 1998 and of the ECB from 1998 to 2003

For the purpose of that assessment, convergence criteria such as a maximum limit on the budget deficit and the public debt, together with price stability, long-term interest rates and exchange rates were defined.
The treaty fixed the latest date for the introduction of the single currency at 1 January 1999.



The Maastricht Treaty, 7 February 1992

1994 — The European Monetary Institute

The European Monetary Institute (EMI), founded on 1 January 1994, was situated in Frankfurt. It was dissolved in 1998 when the ECB was set up.

It had two main tasks:

- To promote cooperation between the central banks and improve the coordination of monetary policy.
- To prepare for the establishment of the European System of Central Banks.

1995 — The Madrid Summit

At the Madrid Summit on 15 and 16 December 1995, the Heads of State and Government decided that the single currency would be called the euro. **At the same time, the actual scenario for the transition to the euro was defined.**

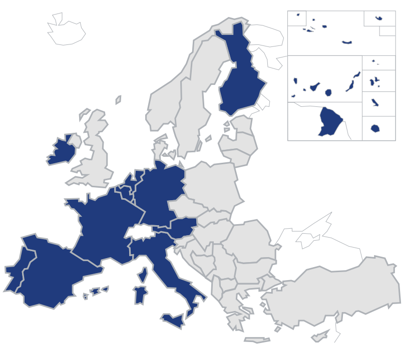
It was based on two pivotal dates:
1 January 1999: single monetary policy and official introduction of the euro, but only in cashless form (cheques, transfers, bank cards, etc.).
1 January 2002: placing of euro coins and notes into circulation.

1998 — The Brussels Summit

This was a crucial moment on the road to the euro. In Brussels (1-3 May 1998), the Heads of State and Government chose the countries which could participate in the Monetary Union.

Eleven countries, including Belgium, joined the euro at the start on 1 January 1999. They were the countries making up the original euro area.

The eleven countries of the euro area (1999)



Jean-Claude Trichet (°1942)
President of the ECB from 2003 to 2011

Mario Draghi (°1947)
President of the ECB since 2011

1999 Stage 3 of Economic and Monetary Union

The exchange rates of the participating currencies were irrevocably fixed. The euro area countries' central banks, which together with the ECB form the Eurosystem, began to implement a single monetary policy.
The euro was introduced as the legal currency, and the eleven currencies of the participating countries were subdivisions of it.

Until 2001, the euro existed only in book form (cheques, transfers, bank cards). Payments to tax and social security authorities could be made in francs or euros : there was no prohibition and no obligation concerning the use of the single currency.

2001

Greece adopted the euro in January 2001 and thus became the twelfth Member State of the euro area.

2002

On 1 January, the euro coins and notes were issued and the withdrawal of the Belgian franc began.
In Belgium, the euro/national currency dual circulation period ended on 28 February 2002.

2004

In May, ten new countries joined the European Union.
By adopting the ***acquis communautaire***, these countries undertook to join the single currency as soon as they had met the convergence criteria.

2007

Slovenia was the first new Member State from Central Europe to join the Eurosystem and, in 2007, became the thirteenth member of the euro area.
Bulgaria and Romania joined the European Union.

2008

Cyprus and Malta were the fourteenth and fifteenth countries to become members of the euro area.

2009

Slovakia became the first East European country to adopt the euro ; from then on, sixteen European nations shared the same currency.

2011

Estonia became the first Baltic state to adopt the euro and thus became the seventeenth member state of the euro area.

2013

Croatia joined the European Union as 28th member state.

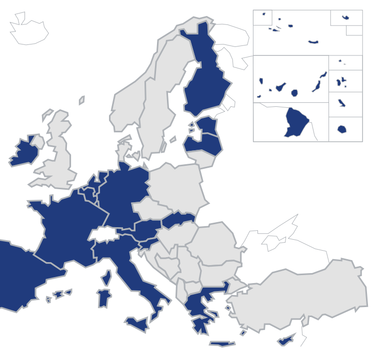
2014

Latvia adopted the euro and became the eighteenth member state of the euro area.

Europe of the Twenty-Eight (2013)

Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
United Kingdom

The eighteen countries of the euro area (2014)



Austria
Belgium
Cyprus
Estonia
Finland
France
Germany
Greece
Ireland
Italy
Latvia
Luxembourg
Malta
Netherlands
Portugal
Slovakia
Slovenia
Spain

The long march towards Economic and Monetary Union [1]

1950	Schuman Declaration
1951	Treaty of Paris (ECSC) (Belgium, France, Germany, Italy, Luxembourg, Netherlands)
1957	Treaties of Rome (EEC and Euratom)
1968	Entry into force of the Customs Union
1970	**Werner Report**
1972	**Creation of the "European monetary snake"**
1973	Accession of Denmark, Ireland and the United Kingdom
1979	**Creation of the European Monetary System**
1981	Accession of Greece
1985	White Paper on the completion of the internal market
1986	Accession of Spain and Portugal
1986	Single European Act
1989	**Delors Report**
1990	German reunification
1990	**First stage of Economic and Monetary Union** (liberalisation of capital movements; convergence programmes)
1992	**Maastricht Treaty**
1994	**Second stage of Economic and Monetary Union** (prohibition of monetary financing of governments; creation of the European Monetary Institute; convergence of the economies)
1995	Accession of Austria, Finland and Sweden
1995	**Madrid European Council** (name of the single currency; timetable)
1997	Treaty of Amsterdam
1998	Stability and Growth Pact
1998	**Brussels European Council** (decision on euro area members: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain; establishment of the ECB; announcement of conversion rates)
1999	**Third stage of Economic and Monetary Union** (adoption of the euro; single monetary policy)
2000	Treaty of Nice
2001	**Greece joins the euro area**
2002	**Putting into circulation of euro notes and coins and withdrawal of the national currencies**
2004	Enlargement of the European Union by the addition of ten new countries: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia
2007	**Slovenia joins the euro area** Enlargement of the EU to Bulgaria and Romania
2008	**Cyprus and Malta join the euro area**
2009	**Slovakia joins the euro area**
2009	Ratification of the Treaty of Lisbon
2011	**Estonia joins the euro area**
2013	Enlargement of the EU to Croatia
2014	**Latvia joins the euro area**

(1) The stages of monetary integration are in bold characters.

For more information

- Internet: www.ecb.int/euro/intro/html/map.en.html
  www.ecb.int/euro/intro/html/index.en.html
  ec.europa.eu/economy_finance/euro/world/outside_euro_area/index_en.htm
  ec.europa.eu/economy_finance/index_en.htm
- Information sheets: Economic and Monetary Union, p. 114
  The Maastricht Treaty, p. 115
  The Stability and Growth Pact, p. 116