

Commentary

BUFFIN PARTNERS INC.

ECONOMIC INVESTMENT AND ACTUARIAL RESEARCH

The European Union

Fifty years ago, six European nations were signatories to the Treaty of Rome that established the European Economic Community. Today there are twenty-seven nations that are members of the successor European Union. Over the last five decades, much has been accomplished in Europe in the area of social and economic policy, trade, regional development, security, peace and political stability, as well as the adoption of a single currency unit. An important feature of the European Union was established by the formation of the European Commission which is the controlling body within the European Union with its single appointed representative from each member nation. The European Council, which consists of the leaders of the governments of the member nations, is the guiding political body that influences the direction of the European Union. The Council of Ministers, which is the main law-making body within the EU, comprises various national ministers of the member nations. The Council operates in several different functional areas, including: General Affairs and External Relations; Economic and Financial Affairs; Agriculture and Fisheries; Justice and Home Affairs; Employment, Social Policy, Health and Consumer Affairs; Competitiveness; Transport, Telecommunications and Energy; Environment; and Education, Youth and Culture.

The European Union owes much to the visionary leadership of Jean Monnet. Born in Cognac in 1888, Monnet experienced the ravages of two wars in Europe in the twentieth century that resulted in his absolute determination that the European nations must unite in the common interests of peace and survivorship. Monnet was appointed Secretary-General of the League of Nations upon its creation in 1919 at the age of thirty-one, holding that influential position until 1923. He was subsequently a prominent interna-

tional banker involved in international financial affairs, aiding in the economic recovery of Central and Eastern Europe, and he was also an advisor to China. He went to live in London in 1939 as war broke out in Europe. In the 1940's he was a key advisor to President Roosevelt and influenced wartime policies of the US, Britain and the French National Liberation Committee. In a famous 1943 speech, Monnet set forth his vision for a united Europe: "There will be no peace in Europe if the states rebuild themselves on the basis of national sovereignty, with its implications of prestige politics and economic protection; the countries of Europe should be able to guarantee prosperity and social development for their peoples and must therefore form a federation or a European entity that will make them into a common economic unit." Monnet designed and implemented the national development plan for the revival of the French economy under General Charles de Gaulle. In 1950 he advised the French and German governments in the formation of the European Coal and Steel Community. His tireless efforts and dedication to his vision of a united Europe eventually led to the formation of the European Union, the Common Market, the European Monetary System, the European Council and the European Parliament.

Today, the European economy is strong; in 2006 its GDP grew by 2.9%; unemployment has fallen with more than 12 million new jobs created since 1998. Although the days of Germany's *wirtschaftswunder* and France's *les trentes glorieuses* that characterized the great post-war economic revivals in Western Europe, are in the past, the outlook for European economic growth and prosperity is favorable. The creation of the euro zone and the adoption of the Lisbon Agenda are factors that have contributed

to Europe's growth and gains in competitiveness. The Lisbon Agenda sought to achieve a status for Europe as a competitive and dynamic knowledge-based economy, with economic reforms, deregulation of labor and product markets, and increased emphasis on research and development activities. The German economy is experiencing a strong uptrend and three Nordic economies, Denmark, Finland and Sweden, are among the world's most competitive economies. The euro has proven to be very effective in producing increased international trade within Europe. But much remains to be done to bring the European economies up to their full potential. The Maastricht Treaty set guidelines for various economic measures, including limits on national budget deficits as a percentage of GDP, but several nations have not managed their economies in accordance with the requisite guidelines. Germany has succeeded in controlling unit labor costs, but Spain has been running large current account deficits. Italy has many unresolved economic challenges including management of a public debt that is the largest in Europe as a percentage of GDP. Nevertheless, the European economy is currently growing at a faster rate than that of the United States and the euro has appreciated very significantly over the last five years against the value of the US dollar from a rate of 89 cents in 2002 to a current value of \$1.37, representing an appreciation of no less than 54 per cent.

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