

INTRODUCTION

The rapidly developing process of creating a unified market in Europe is being closely monitored at every political and economic level. This is to be expected, since the European Community (EC) represents one of the most important economic and financial regions of the industrialized world. The EC's population of 323 million compares with 272 million in North America and 123 million in Japan. The combined GNP of the EC was US\$4.7 trillion in 1988, compared to US\$5.3 trillion for the United States and Canada, and nearly US\$3 trillion for Japan (Table 1). This considerable economic strength is being enhanced by governments lifting the remaining barriers to a unified market and by harmonizing legislation.

Europe 1992 has three objectives. The first is to achieve a free flow of

capital; this has almost been accomplished. The second is to have a single market for banking and financial services. The third is a longer-term objective, with wide-ranging implications: to attain economic and monetary union.

These objectives complement one another. A single banking market would make no sense without free movement of capital. At the same time, the Single Market will give a far greater scope to this newfound freedom, and free circulation of capital will make monetary union even more desirable.

These objectives have existed from the inception of the European Community. The difference now is that they are close to being fulfilled.

TABLE 1

The EC, U.S. and Japan: A Statistical Comparison, 1988
(US\$)

	<u>European Community</u>	<u>United States</u>	<u>Japan</u>
Gross National Product (billions of dollars)	4 725	4 800	2 850
Population (millions)	325	245	125
Income Per Capita (U.S. dollars)	14 550	19 500	23 100
Merchandise Trade* (billions of dollars)	720	670	380
Merchandise Trade* (per cent of GNP)	24	9	13

Source: Union Bank of Switzerland.

* Sum of exports and imports excluding inter-Community trade.