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European Communities

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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

**on the economic development of the Community in the first half of 1980
and the implementation of the Council's decision on convergence**

Rapporteur: Mr P. von BISMARCK

WASHINGTON
JULY 1980

By letter of 7 March 1980 the Commission of the European Communities forwarded to Parliament a communication from the Commission to the Council on the economic situation in the Community and improvement of the coordination of economic policies.

At its meeting of 10 March 1980 the Committee on Economic and Monetary Affairs considered this communication for the first quarterly meeting of the Council (Economic and Financial Affairs) in accordance with Article 2 of the Council's Convergence Decision of 18 February 1974, and decided to submit to Parliament at the July 1980 part-session and under the terms of reference received on 5 November 1979, a report on the economic situation.

On 20 May 1980 the Committee on Economic and Monetary Affairs appointed Mr von BISMARCK rapporteur.

On 5 June 1980 the committee examined the economic situation and adopted the motion for a resolution on 25 June 1980 by 12 votes to 4 with 1 abstention.

It was further decided to present the explanatory statement orally.

Present: Mr de Ferranti, acting chairman; Mr Deleau, vice-chairman; Mr von Bismarck, rapporteur; Mr Balfour, Mr Beazley (deputizing for Sir Rhys Williams), Mr Beumer, Mr Bonaccini, Mr Damseaux, Miss Forster, Mr Friedrich, Mr Herman, Mr Hopper, Mr J. Moreau, Mr Purvis (deputizing for Sir Peter Vanneck), Mr Rogers, Mr Schinzel and Mr Wagner.

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the economic development of the Community in the first half of 1980 and the implementation of the Council's Convergence Decision

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council (COM(80) 100 final and COM(80) 101 final),
- having regard to the economic development of the Community in the first half of 1980,
- having regard to the following trends noted by the Commission in the Community as a whole, although to a differing degree in the various Member States:
 - distinct acceleration of inflation,
 - deceleration of growth,
 - increasing unemployment,
 - rising consumer prices,
 - a further rise in energy prices because of continuing sharp increases in crude oil prices,
 - insufficient investment growth following years of under-investment,
 - a deteriorating competitive situation vis-à-vis third countries,
 - a widening gap between the economies of Member States,
 - public sector deficits remaining ominously high,
 - a deterioration in the balance of trade not only as a result of oil prices,
 - continuing coverage - for the time being - of the deficit on current account by running down currency reserves,
 - a further increase in the balance of payments deficit,
 - the Commission's assessment - scarcely a confident one - of the outlook for 1981, which is at present clouded by a number of imponderables,
- having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-288/80),

1. Notes that particularly where the economy is concerned, the Member States of the European Community have been and still are living beyond their means;
2. Maintains the basic points it made in its opinion on the Commission's report on the economic situation in 1979 and the outlook for 1980;
3. Stresses that failing greater monetary stability, neither the growth essential to full employment nor the conditions necessary for external economic equilibrium can be secured;
4. Regrets that, despite the Council decision of 18 February 1974, neither the unfavourable developments within the Community nor the changes in world economic indicators, which for years have been going against the Community, have prompted the governments represented in the Council to create the necessary decision-making structures or at least to grasp the opportunities offered by the Treaty for effective measures by majority decision;
5. Considers that the previously established coordination and consultation procedures in the area of economic policy are an inadequate response by the Community to the changing world economic situation; calls on the Commission to carry out the task of improving the coordination procedures as urged by Parliament in points 13 and 15 of its resolution of 17 November 1978¹;
6. Finds specific support for this view in the fact that the Community has so far been unable to decide on a coordinated energy policy and on effective energy saving measures and to develop the necessary capital market strategy to recycle the OPEC surpluses created by higher oil prices;
7. Considers that the political, economic and social disparities threatening the Community can only be reduced by decision-making structures that will more effectively meet the Community's objectives; that the Council, by doing nothing to deal with what is the most urgent task of all, will be left with the full responsibility for the further crises which will inevitably hit the Community.

¹ OJ No. C 296, 11.12.1978, p. 64

8. Calls for more intensive consultations between Council and Commission and between these two institutions and Parliament on economic policy matters; deplores that the Commission has not yet complied with points 16 and 19 of its resolution² calling for an improvement in the procedure for consulting the European Parliament;
9. Strongly criticizes the fact that the Council is apparently not even willing to take measures to secure the objectives³ laid out in the preambles to its own decision on the attainment of a high degree of convergence of economic policies⁴ and to its directive on stability, growth and full employment in the Community⁵;
10. Calls for fuller implementation of the directive on stability, growth and full employment and more effective cooperation between governments and the social partners;
11. Requests that the Commission submit a report stressing the drastic effect which index-linking has had on prices in some Member States;
12. Requests that the Commission submit to the Council a review of the political situation pointing out the consequences in the last ten years of the dilatory way it has set about achieving virtually all, and not simply the economic, objectives laid out in the Treaties;
13. Requests that in conjunctural and structural policy the Commission make full use of the opportunities afforded by the Treaty for short and medium-term measures;
14. Calls upon the Commission to state specifically in its annual report on the 1980 economic situation and the outlook for 1981 what steps it can take to exert a positive influence on short-term economic developments;
15. Calls for a list of measures guaranteeing the closer involvement of Parliament, in accordance with the objectives of the EEC Treaty and with Article 103, in particular, in framing a European conjunctural policy;

² OJ No. C 296, 11.12.1978, p. 65

³ which led to the Council's decision on economic and monetary union of 22.3.1971

⁴ OJ No. L 63, 5.3.74, p. 16

⁵ OJ No. L 63, 5.3.74, p. 19

16. Calls for a new, comprehensive, medium-term economic programme which takes into account the radically altered situation since 1976;
17. Warns against considering the European Monetary System as a secure achievement and stresses the point made in the Ruffolo report, that unless a central, largely autonomous authority (Monetary Fund) is soon set up, the European Monetary System cannot fulfil its purpose in the long run;
18. Calls on the Commission to realize that, in addition to observing and commenting on short and medium-term economic developments, its essential task is to put forward proposals that are not simply suited to what is politically expedient at the time, but properly designed to create an integrated market for the free movement of capital, goods and services under equal conditions of competition, thus creating one of the main conditions for completely free movement of persons;
19. Considers that the above requirements are borne out by the Commission's diagnosis of the 1980 economic situation approved by Parliament;
20. Instructs its President to forward this resolution to the governments and parliaments of the Member States.