



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09.11.1998  
COM(1998) 637 final

Proposal for a

COUNCIL DECISION

**on the Representation and Position Taking of the Community at  
International Level in the context of Economic and Monetary Union**

(presented by the Commission)

## Explanatory Memorandum

The introduction of the euro represents an extremely important event in the international monetary and financial system. With the euro, the European Community will have a monetary presence which corresponds to its economic and commercial weight in the world economy. To take full advantage of this new reality, the Community will need to speak with one voice in a broad range of international institutions and fora where issues are discussed and decided that may affect Economic and Monetary Union. This is not only essential for the Community, but also for its international partners.

The proposed Council decision provides that the representation of the Community at international level when economic and monetary issues are discussed would be undertaken by the Council with the Commission, and by the European Central Bank. This approach reflects the reality that economic, monetary and exchange rate policies are closely interrelated and are often discussed together. As the Council, the Commission and the ECB have specific competences in these policy areas at Community level, they should each participate in the representation of the Community at international level in a balanced way.

\*\*\*

As of the beginning of the third stage of EMU (1 January 1999), monetary and exchange rate policies concerning the euro will be exclusively a matter for the Community<sup>1</sup>. In addition, the Member States have, since the beginning of stage two, had to regard their economic policies as a matter of common concern and have had to co-ordinate them within the Council<sup>2</sup>. As of 1 January 1999, Member States have, moreover, the legal obligation to avoid excessive deficits and could be subject to sanctions under the terms of the Stability and Growth Pact<sup>3</sup>.

These changes will have consequences for position-taking and representation at international level, both with respect to relations between the Community and third countries and in international fora. Article 109(4) EC Treaty sets out procedures to determine the Community's position at international level for issues of particular

---

<sup>1</sup> Article 3a(2) EC Treaty.

<sup>2</sup> Article 103(1) EC Treaty; also Article 3a(1), which refers to the adoption by the Member States and the Community of an economic policy which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.

<sup>3</sup> Council Regulations (EC) 1466/97 and 1467/97 of 7 July 1997; Resolution of the European Council on Growth and Employment (Amsterdam, 16 June 1997) and on the Stability and Growth Pact (Amsterdam, 17 June 1997).

relevance to economic and monetary union and for deciding its representation in compliance with the allocation of powers laid down in Articles 103 and 105. Community representation will thus have to include both the monetary and the economic poles of EMU.

(On Article 1)

Article 1 sets out the general principle that will apply to Community representation in international relations in the context of Economic and Monetary Union (Part Three, Title VI, EC Treaty). It provides that the Community will be represented by the Council with the Commission, and by the European Central Bank (ECB).

The reasons to include the Council, the ECB and the Commission in the Community representation for the purposes of Article 109(4) EC Treaty are manifold.

When they met in Luxembourg in December 1997, the Heads of State and Government resolved that the Council and the ECB would carry out their tasks in representing the Community at international level in an efficient manner and in compliance with the allocation of powers laid down in the Treaty. They also resolved that the Commission would be involved in external representation to the extent required to enable it to perform the role assigned to it by the Treaty.

The Council, acting unanimously on a Commission proposal and after consulting the ECB, is to decide on Community representation at international level. This representation has to be in compliance with the allocation of powers laid down in Articles 103 and 105. The reference to Article 105 means that the ECB should be involved when monetary policy and foreign exchange operations are discussed at international level. The reference to Article 103 means that when economic policies are discussed, representation should reflect the obligation on the Member States to regard their economic policies as a matter of common concern and to co-ordinate these economic policies within the Council. In the co-ordination and surveillance process, as set out in Article 103(2) and following, the Council and the Commission have an active role in the preparation and adoption of the Broad Economic Guidelines and the monitoring of their implementation. The Council and the Commission also conduct the surveillance at Community level, as defined in Article 104c, of the budgetary policies of the Member States.

The need to associate the Council, the Commission and the ECB in the Community representation at international level also follows from Articles 109(1) and 109(2), which give the Commission and the ECB the right of initiative in the formulation of formal agreements, to be decided by the Council, on an exchange rate system for the euro in relation to non-Community currencies and in the formulation of such general orientations for exchange rate policy in relation to third countries which the Council may issue. Moreover, the Commission has a general obligation to ensure consistency in the external activities of the Community. This not only follows directly from Article

C of the Treaty on European Union<sup>4</sup>, according to which it is to share this obligation with the Council, but also from the fact that Article 109 only applies to Member States without a derogation (Article 109k(3)). Positions taken by the Council under Article 109 may, however, have repercussions on the other Member States, inter alia through the operation of ERM2. The Commission has a role to play in ensuring consistency between the interests of the two groups of Member States.

The Commission also needs to be fully associated in representation at international level as it must be able to prepare proposals for Council decisions on the Community position on issues of particular relevance to economic and monetary union.

For the purpose of Article 109(4), "international level" is defined as relations between the Community and third countries (including visits), proceedings in international organisations and in informal groupings (including their preparatory meetings).

#### (On Article 2)

Article 2 specifies the modalities for Council participation in representation at international level. In line with the practice in the "Euro-11" group, the Member States have acknowledged that this Council participation should be assumed by a Member State that has the euro as its currency. In those cases where the Member State that holds the office of President of the Council does not have the euro as its currency, participation for the Council in the representation of the Community at international level would be assumed by the Member State that is next to hold the office of President of the Council and has the euro as its currency.

The modalities of the participation of the two other institutions of the Community- the Commission and the ECB - in the international representation of the Community would be decided by the institution concerned in accordance with its statutes.

#### (On Article 3)

Article 3 provides that the Member States and the institutions of the Community that already participate in international fora are to take all steps needed to ensure that the Community is represented in accordance with Articles 1 and 2.

In the case of the G7 Finance and preparatory groups, the Member States in the G7 are to ensure with the other G7 Finance partners that this requirement is met. The Article also specifies that they may have to take further action to secure Community

---

<sup>4</sup> Article C EU Treaty:

"The Union shall be served by a single institutional framework which shall ensure the consistency and the continuity of the activities carried out in order to attain its objectives while respecting and building upon the *acquis communautaire*. The Union shall in particular ensure the consistency of its external activities as a whole in the context of its external relations, security, economic and development policies. The Council and the Commission shall be responsible for ensuring such consistency. They shall ensure the implementation of these policies, each in accordance with its respective powers."

participation in accordance with Articles 1 and 2 and that they have to report back to the Council and the Commission. A similar mandate is given in the case of meetings of G10 Finance Ministers and preparatory groups, where the Commission is already observer.

In the case of certain OECD meetings that discuss economic and financial matters, more specifically the Economic Policy Committee and its Working Parties, the Commission, which represents the Community as a full participant (but not member) under Protocol n°1 to the OECD Convention, is to include the ECB and, if it is not a participant in these meetings, the Member State as defined in Article 2, in the Community delegation.

#### (On Article 4)

While the general principles provided for in Articles 1 and 2 will represent the rule as soon as the decision enters into force in fora such as G7 Finance, G10 Finance, G22 and other informal groupings, institutional constraints may impede an immediate implementation in certain international organisations such as the IMF. Article 4, therefore, provides that the Member States and the institutions of the Community shall rapidly adopt and implement such temporary arrangements which, as closely as possible, comply with that principle. These arrangements could be amongst themselves or, where needed, with the organisation concerned.

In the specific case of the IMF, the Member States are to agree temporary arrangements amongst themselves and, if need be<sup>5</sup>, with the Fund to allow representatives of the ECB and the Commission to attend meetings of the IMF Executive Board at which issues of relevance to EMU are discussed. These arrangements could take the form of a Community "Observer Office" in the Fund that would be made up of the Commission and the ECB and that would work closely together with the Member State as defined in Article 2. In accordance with Article 5, this Member State and the Observer Office would co-operate to ensure that Board meetings, where issues of relevance to EMU were discussed, would be prepared well in advance both in the Economic and Financial Committee and among Executive Directors.

The decision also requires the Member States to enable the Community to attend and address meetings of the Interim Committee.

#### (On Article 5)

In accordance with Article 109c(2) EC Treaty, third indent, the Economic and Financial Committee is to contribute to the preparation of the work of the Council as regards Community positions at international level. Particularly as positions may have to be adopted at short notice, efficient procedures and communication tools should be

---

<sup>5</sup> Arrangements with the Fund would not be needed if the Member States were to agree to include representatives from the Commission and the ECB in one or more constituencies.

established linking the national "Ecofin" Ministries, the Commission, the ESCB and the EFC Secretariat. Co-ordination between representatives of the Community and the Member States at the meetings would be ensured by the Member State as defined in Article 2.

Proposal for a  
COUNCIL DECISION

on

**the Representation and Position Taking of the Community  
at International Level in the context of Economic and Monetary Union**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 109(4) thereof,

Having regard to the proposal from the Commission<sup>6</sup>,

Having regard to the opinion of the European Central Bank<sup>7</sup>,

Whereas Article 109(4) provides that the Council shall, on a proposal from the Commission and after consulting the ECB, acting unanimously, decide the representation of the Community in compliance with the allocation of powers laid down in Articles 103 and 105;

Whereas Article 109(4) provides that the Council shall, on a proposal from the Commission and after consulting the ECB, acting by qualified majority, decide on the position of the Community at international level as regards issues of particular relevance to economic and monetary union;

Whereas the European Council, when it met in Luxembourg on 12 and 13 December 1997, resolved that the Council and the European Central Bank would carry out their tasks in representing the Community at international level in an efficient manner and in compliance with the allocation of powers laid down in the Treaty; whereas the European Council also resolved that the Commission would be involved in external representation to the extent required to enable it to perform the role assigned to it by the Treaty;

Whereas the Commission needs to be able to prepare Council decisions on Community positions at international level;

Whereas the Council and the Commission have an important role in the co-ordination and surveillance of Member States' economic policies, in particular in the context of Articles 103 and 104c;

---

<sup>6</sup> .....

<sup>7</sup> .....

Whereas Article 109(1) provides that the Commission and the ECB have a right of initiative in the formulation of formal agreements on an exchange rate system for the euro in relation to non-Community currencies;

Whereas Article 109(2) provides that the Commission and the ECB have a right of initiative in the formulation of general orientations for exchange rate policy in relation to non-Community currencies;

Whereas economic, monetary and exchange rate policies are closely interlinked;

Whereas Article C of the Treaty on European Union provides that the Council and the Commission are to ensure consistency in the external activities of the Community;

Whereas positions on issues of particular relevance to economic and monetary union will have repercussions on the Member States that have not adopted the euro as their currency; whereas the Commission has a role to play in ensuring consistency between the interests of the two groups of Member States;

Whereas the ESCB is responsible for the definition and implementation of monetary policy and the conduct of foreign exchange operations;

Whereas Article 6(2) of Protocol (No 3) of the EC Treaty on the Statute of the European System of Central Banks and of the European Central Bank provides that the ECB may participate in international monetary institutions; whereas according to Article 6(3) this is to be without prejudice to Article 109(4);

Whereas for the purpose of Article 109(4), "international level" is defined as relations between the Community and third countries (including visits to these countries) and proceedings in international organisations and in informal groupings (including their preparatory meetings);

Whereas it is appropriate that the participation for the Council in the representation of the Community at international level in the context of Economic and Monetary Union is assumed by a Member State that has adopted the euro; whereas Heads of State and Government resolved in Luxembourg that the Ministers of the Member States participating in the euro area may meet informally among themselves to discuss issues connected with their shared specific responsibilities for the single currency; whereas according to the practice adopted in that group, meetings are chaired by the Member State that holds the office of President of the Council if that Member has adopted the euro as its currency; whereas, in the event that the Member State that holds the office of President of the Council has not adopted the euro as its currency, the next Member to hold the office of President of the Council and which has the euro as its currency chairs the meetings; whereas the same practice should be used for the participation for the Council in the representation of the Community at international level in the context of Economic and Monetary Union;

Whereas the principles on Community representation provided for in Articles 1 and 2 of this decision are to be fully implemented; whereas the Member States and the institutions of the Community will need to ensure that the appropriate steps are taken to this end;

Whereas Article 3 of this decision would, inter alia, apply to meetings at ministerial level of the G7 Finance and the G10 and their preparatory meetings and to certain meetings within the OECD; whereas certain Member States participate in those meetings; whereas the Commission is observer in G10 meetings and a full participant in the OECD; whereas Community representation, in accordance with the principle of Article 1, needs to be ensured;

Whereas the rules of international organisations may not allow for an immediate implementation of the principles set out in Articles 1 and 2;

Whereas, in those cases, arrangements will need to be implemented that meet as closely as possible that principle and that can be made operational as soon as possible after 1 January 1999;

Whereas those arrangements should be temporary;

Whereas the International Monetary Fund is a core organisation in the international monetary and financial system; whereas the IMF is an organisation whose members are states; whereas the Community is not represented in the Fund;

Whereas in the case of the IMF Executive Board, temporary arrangements are to ensure that Community positions can be expressed by the Member State as defined in Article 2 and that the Commission and the ECB can attend meetings where issues of relevance to EMU are discussed;

Whereas in the case of the IMF Interim Committee, temporary arrangements should ensure that the Council, the Commission and the ECB can attend and address the meetings, each in its field of competence;

Whereas Article 109c(2) provides that the Economic and Financial Committee shall contribute to the preparation of the work of the Council referred to in Article 109, without prejudice to Article 151; whereas the same Article provides that the EFC will keep under review the economic and financial situation of the Member States and of the Community and will report regularly thereon to the Council and to the Commission, in particular on financial relations with third countries and international organisations;

Whereas adequately protected communication tools would help in preparing positions, in particular positions which need to be taken at short notice;

Whereas, pursuant to Article 109k(3), Protocol (No11), paragraph 5 and Protocol (No12), paragraph 2, reference to the Member States in this decision shall, unless otherwise specified, mean the Member States which have adopted the euro;

HAS ADOPTED THIS DECISION:

*Article 1*

In the context of Economic and Monetary Union, the Community shall be represented at international level by the Council with the Commission, and by the ECB. This representation shall ensure that the Community speaks with one voice. International level shall refer to:

- relations between the Community and third countries;
- international organisations;
- informal groupings.

*Article 2*

The Council shall participate in the representation of the Community through the Member State that holds the office of President of the Council provided that Member State has adopted the euro as its currency. Should the office of President of the Council be held by a Member State that has not adopted the euro as its currency, the Council shall participate in the representation of the Community through the Member State that is next to hold the office of President of the Council and that has adopted the euro as its currency.

*Article 3*

The Member States and the institutions of the Community shall take all such steps that are necessary to ensure that the Community is represented at international level in accordance with the principles set out in Articles 1 and 2.

In particular:

- as regards G7 Finance meetings and preparatory groups, the participating Member States shall ensure that the Community is represented in accordance with the principles set out in Articles 1 and 2 and will take all such other steps as may, to this end, be necessary; they will report to the Council and the Commission accordingly;
- as regards G10 Ministerial meetings and preparatory groups, the participating Member States shall, in close consultation with the Commission, ensure that the Member State as defined in Article 2 and the ECB shall also participate in

representing the Community; they will report to the Council and the Commission accordingly;

- as regards meetings of the Economic Policy Committee and its Working Parties of the Organisation for Economic Co-operation and Development, the Community delegation will, in addition to the Commission, include the ECB and, if it does not already participate in such meetings, the Member State as defined in Article 2.

#### *Article 4*

Where the rules of a particular international organisation do not permit the immediate implementation of the principles laid down in Articles 1 and 2, the Member States and the institutions of the Community shall rapidly adopt and implement such temporary arrangements which, as closely as possible, comply with that principle.

In particular:

- as regards the IMF Executive Board, such temporary arrangements shall ensure that the Member State as defined in Article 2 is able to speak on behalf of the Community and that the representatives of the ECB and of the Commission are able to attend meetings at which issues of relevance to EMU are discussed;
- as regards the IMF Interim Committee, such temporary arrangements shall ensure that the Member State as defined in Article 2, the Commission and the ECB are able to attend its meetings throughout and are able to address such meetings, each in its own field of competence.

#### *Article 5*

For meetings at international level, the Member State as defined in Article 2 shall ensure that Member State and Community representatives fully co-ordinate with one another to ensure that the Community speaks with one voice.

In accordance with its task as regards the preparation of the work of the Council, the Economic and Financial Committee shall assist in the preparation of all Community positions on the basis of a proposal or any other contribution from the Commission.

For the purposes of preparing positions, in particular those called at short notice, a network of adequately protected communication tools will be set up between the Members of the Economic and Financial Committee.

*Article 6*

This decision is addressed to all the Member States. It shall enter into force on 1 January 1999.

Done at .....

For the Council,

ISSN 0254-1475

COM(98) 637 final

# DOCUMENTS

EN

01 06 09 11

---

Catalogue number : CB-CO-98-640-EN-C

Office for Official Publications of the European Communities

L-2985 Luxembourg