

**EUROPEAN
COMMUNITY
INFORMATION SERVICE**

236 Southern Building, Washington 5, D.C.
Telephone-NAtional 6-5070-----

Suite 808, The Farragut Building,
Washington 6, D.C.
Telephone: 296-5131

COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

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COMMON MARKET COMMISSION OFFERS PROPOSALS FOR STRENGTHENING
MONETARY AND FINANCIAL POLICY OF COMMUNITY

WASHINGTON, D.C., July 1 -- The Common Market Commission today presented to the EEC Council of Ministers in Brussels proposals for measures to coordinate monetary and financial cooperation in the Community.

The Commission proposed:

1. Creation of a committee of central bank governors.
2. Enlargement of the role of the Monetary Committee.
3. Creation of a budget policy committee.

In its presentation, the Commission noted an increasing interdependence between national monetary policies and the integration process leading to a Community economic policy. The integration process, the Commission said, would be compromised if the monetary policy of one member country deviated in its principles and major lines from that of its partners.

It is therefore, the Commission said, in the common interest of the member countries to inform themselves mutually of measures they intend to take in the field of monetary policy and to examine together these measures.

The Commission said that each important decision in the field of international monetary relations should also be preceded by consultations among the member countries.

It underlined the necessity of reinforcing the cooperation between governmental authorities responsible for monetary and financial policy, as well as between the central banks. To achieve this, the Commission recommended systematic consultations

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preceding important decisions in the domain of policy of the central banks, of financial policy, and of external monetary policy.

Council of Ministers to Assure Coordination

It is up to the Council of Ministers, the Commission said, to assure coordination of the general economic policies of the member states.

The Commission suggested that the Council meet, if possible, in January of each year and hold a discussion on the over-all economic policy of the member states, with the ministers of finance, the ministers of economic affairs, and the governors of the central banks participating.

The Commission's proposals are in accordance with Article 105 of the Rome Treaty and are based on recommendations it made to the Council last October in its "action program" for the second stage.

The Commission noted that in formulating its recommendations it had relied on experience already acquired, in pragmatic fashion, in the Monetary Committee and in informal meetings which have already taken place between ministers of finance and governors of central banks of the member states.

Three Major Proposals Outlined

1. Creation of a committee of governors of central banks of the EEC

The committee would follow the monetary situation in each member country. The Monetary Committee's advice, which is already provided to the Council and the Commission, would be made available to the governors' committee.

The governors' committee would consult on the general principles and major policy lines of central banks -- notably on questions of credit, money markets, and foreign exchange markets.

It would also have regular exchanges of information on principal measures of central banks and would examine such measures before their adoption by national authorities, if possible.

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The committee would be composed of central bank governors or their representatives. The Commission said that it considered participation by a Commissioner desirable and that the president of the Monetary Committee could be invited to participate.

As a meeting place for the governors' committee the Commission suggested Basel, Switzerland, or Brussels (or possibly another seat of the EEC), the meeting to be held once a year.

The committee would decide on its own rules and secretariat, and the Commission would want to have the authority to call the committee together if it considered it necessary.

2. Revision of statute of Monetary Committee

The Commission recommends that the Council modify the statute of the Monetary Committee, mandating the committee to organize, when needed, prior consultations on all decisions of member states in the field of international monetary relations, notably:

- a. the general functioning of the international monetary system.
- b. recourse by a member state to the International Monetary Fund.
- c. participation in important support actions in behalf of non-member countries by national monetary authorities or through international organizations.

The Commission also asks the member states to agree to consult before any modification of the parity of their currencies.

3. Cooperation in the field of budget policy: creation of a Budget Policy Committee

The Commission stated that it believes that major lines of budget policy should be discussed in the Community context before being adopted by any member state.

This, said the Commission, could be accomplished in the existing Community examination of economic budgets. (These budgets are established each year for the

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following year according to uniform procedures and eventually will be consolidated into a Community economic budget.)

The examination of state budgets would include: total envisaged receipts and expenditures; examination of receipts by categories of taxes, direct and indirect; and separation of total expenditures as among spending by administration, transfers, capital subsidies, government investments, and loans and advances.

Exchanges of view, said the Commission, would take place in a Budget Policy Committee, to be created by the Council.

The committee would be composed of representatives of member states and of the Commission, each state and the Commission naming a full member and a deputy member.

The Commission would coordinate the work of the Budget Policy Committee with that of the Monetary Committee and of the Business Cycle Committee.