

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

28 June 1983

DOCUMENT 1-474/83

REPORT

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

on economic trends in the Community during the
first half of 1983 and the application of the
Council decision on convergence

Rapporteur: Mr A. BONACCINI

PE 85.150/fin.

By letter of 23 March 1983 the Commission of the European Communities forwarded to Parliament, for information, a communication to the Council on the economic situation of the Community and the coordination of economic policies.

On 14, 15 and 16 June 1983, the Committee on Economic and Monetary Affairs considered this communication, which allows the Council (Economic and Finance) to draw up its first quarterly report, pursuant to Article 2 of the Convergence Decision of 18 February 1974; it decided to submit to Parliament at its July 1983 part-session a report on the economic situation, within the framework of the mandate given to it on 15 November 1982 in preparation for Parliament's opinion on the 1982 economic situation and the outlook for 1983.

On 26 May 1983 the Committee on Economic and Monetary Affairs appointed Mr Bonaccini rapporteur.

At its meeting of 20/21 June 1983, the Committee on Economic and Monetary Affairs considered the report on the economic situation and adopted the motion for a resolution unanimously with 9 abstentions.

It also decided that the explanatory statement would be presented orally.

The following took part in the vote: Mr Moreau, Mr Hopper, Mr Deleau, Mr Beazley, Mr von Bismarck, Mr Bonaccini, Mr Key (deputizing for Mr Caborn), Mr Delorozoy, Mrs Desouches, Mr Carossino (deputizing for Mr Fernandez), Mr de Ferranti, Mr Franz, Mr I. Friedrich, Mr de Goede, Mr Leonardi, Mr Mihr, Mr Muller-Hermann, Mr Papantoniou, Sir Brandon Rhys-Williams, Mr Halligan (deputizing for Mr Rogers), Mr Nikolaou (deputizing for Mr Ruffolo), Mr Schinzel, Mrs Theobald-Paoli, Mr Welsh and Mr von Wogau.

The report was tabled on 22 June 1983.

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 communication from the Commission of the European Communities to the Council on economic trends in the Community during the first half of 1983 and the application of the Council decision on convergence

The European Parliament,

- having regard to the communication from the Commission (COM(83) 154 final),
 - having regard to the report by the Committee on Economic and Monetary Affairs (Doc. 1-474/83),
- A. whereas the main aim of this report is to update the analysis of the economic situation contained in the previous report,
 - B. whereas the guidelines for action and intervention contained in that report have not been implemented in practice by the decisions taken by the Council of Ministers, the European Council, or the Member States; this has highlighted a serious lack of unity and solidarity between the Member States, which the European Parliament has already criticized in the past,
 - C. whereas this approach has led to the appearance and accentuation of such difficulties as the need for frequent readjustments of monetary parities within the EMS or the impossibility, in the absence of a basic agreement, of respecting the timetable laid down by summit meetings,
 - D. whereas the ever-increasing interdependence between economic events at European and world level requires at the very least a high degree of convergence between the policies of the Member States and the major industrial powers of the West,

E. whereas, furthermore, restoring both the confidence of the European peoples in the Community institutions and the capacity for united action by the Member States is a central and vital factor for any macroeconomic initiatives to be taken by the EEC and for such initiatives to be effectively translated into specific and firm measures lower down the scale; at the present time, this confidence seems for various reasons to be faltering,

F. whereas the present situation of under-investment, and thus of unemployment, is a result of:

- external factors such as the wide fluctuations in exchange rates and high rates of interest, the disorganized state of the international monetary system, the serious debt situation faced by Third World countries and the serious consequences of this for the international financial system;

- internal factors such as the reduced viability of important sectors of industry (despite a number of improvements in 1982) following the decrease in the utilization of plant capacity and the increase in production costs, the insufficient mobility of production factors, the persistence of inadequately controlled budget deficits and the backwardness of sectors of European industry in adapting their productive apparatus to the changed international environment which reduces their competitiveness,

G. whereas in the present situation there is a particular need for a resolution which deliberately confines itself to proposing firm measures which can feasibly be taken in the next 6 - 12 months,

1. Notes that the uncertainty created by external factors and the poor results recorded in 1982 have continued to create difficulties and doubts as to the full recovery of the European economy;

2. Takes note of the forecast of slow growth - despite the drop in industrial production in some Member States - during the second half of 1983, due essentially to the increase in exports, restocking and a measure of support from public-sector demand; also notes the more favourable outlook for 1984 given by the Commission;
3. Notes that there has been a considerable improvement in the situation as regards inflation and external trade deficits in many European countries, although substantial differences still remain;
4. Notes that the overall level of employment will fall still further and that in 1983-1984 the number of unemployed in the Community will exceed 11.5% of the workforce, including almost 5 million young people below the age of 25;
5. Is of the opinion that, despite the limited prospects for growth, the negative factors and the uncertainties mentioned, there is a possibility - providing it is backed by a series of appropriate measures - of achieving a sound and gradual economic recovery, and thus of stopping or containing unemployment;
6. Again declares its support for the pursuit of mixed and balanced policies aimed both at stability (combatting inflation) and developing productive activities which, through orderly and stable growth, will pave the way for a real and lasting recovery in employment;
7. Notes the inadequacy, particularly as regards interest rates, of the outcome of the recent meeting in Williamsburg of the Heads of State or Government of the seven major industrialized countries of the West and representatives of the Community, but welcomes the summit's declared commitment to cooperation and resolves to make a positive contribution to the attainment of this goal;

8. Believes that in the short term the world economic order should be strengthened by:

- seeking a concerted international response to the problem of high interest rates, taking due account of the role played both by the American public deficit and inflationary wage expectations;
- promoting agreement or understanding on greater exchange rate stability on the basis of the findings of the working party set up following the Versailles summit;
- avoiding an increase and consolidation of protectionist trends and taking positive action to ensure the success of current employment programmes in the context of GATT and the OECD;
- helping to maintain a satisfactory flow of funds to the developing countries, both through the banking sector (notably by strengthening the IMF and the World Bank) and by means of public development aid and initiatives linked to the ACP-EEC Treaty - and to possible revisions to improve it - in order to help maintain international trade at an adequate level;

Economic situation of the Community

9. Considers in principle that the guidelines laid down in the last annual report, on which the European Parliament delivered an opinion,¹ are still valid;

10. Is convinced that it is particularly important for those Member States whose economies are still marked by a high degree of monetary and financial imbalance to remain firm and to seek to gradually curb inflation by means of monetary, budget and fiscal policies;

↑ - - - - -

11. Considers, however, that countries whose financial situation is more stable should attempt to reduce interest rates and follow less restrictive budgetary policies suitably geared to economic developments; by means of a joint effort, this would go some way towards offsetting external balance of trade deficits and promoting greater expansion, and thus the favourable development of employment;
12. Points out that the margin for manoeuvre enjoyed by these latter countries would be much wider if there were greater confidence in the ability of public authorities to control the structural deficits in their own budgets;
13. Stresses that it is particularly important for public aid to be channelled resolutely towards productive activities and to encourage the participation of risk capital; the credit policies of the Member States must be given the degree of flexibility necessary for this purpose;
14. Considers it vital for the revival of economic activities, the creation of new job opportunities and support for the less prosperous regions to go hand in hand with concerted action by the EEC, the Member States and the regional administrative authorities; in this connection recalls the proposals listed in the fourth indent of paragraph 17 of the report of 8 July 1982¹ on the economic situation: rapid programmes for new sources of energy and energy savings, interregional communication projects and urban transport systems, residential housing and the renovation of urban centres, the expansion of telecommunication systems and the development of information technologies;
15. Reaffirms once again the need for quicker, more closely coordinated and more incisive use of the Community structural funds for agriculture, of the Regional and Social Funds and the various Community loan mechanisms; stresses therefore the need to encourage public and private initiatives and corresponding programmes in the various Member States;

¹ -----
Doc. 1-421/82

16. Stresses that the Community's capacity for growth can be restored through:

- a regulatory fiscal framework favourable to the development of productive activities;
- extensive rationalization and restructuring, as part of an overall Community strategy designed to increase the competitiveness of European industry, through continual innovation of products and processes, so as to stimulate all the dynamic elements of the productive process, while respecting the needs of environmental protection;

17. Considers that the priorities for productive investment should be backed and accompanied by measures to support the incomes which are lowest at the present time;

18. Considers that the social partners in the Member States should be encouraged to negotiate the reduction, adaptation and reorganization of working hours, freely defining the scale of these measures and the levels of payment for them, so as to allow scope for the recovery of employment. The creation of new jobs must be achieved through the joint efforts of public and private initiatives, supported and financed also by the Community;

19. Lays special emphasis on the principle affirmed by the Council that all young people ending their compulsory education should be able to continue their studies or receive theoretical or practical vocational training. In this connection, stresses that if genuine employment opportunities are to be created, various measures must be taken to make the recruitment of young people advantageous for undertakings, and to adapt certain aspects of the labour market and its rules;

Internal market

20. Stresses that the historical legacy of national customs procedures, national laws affecting products and services offered in the market and all national actions which make it unnecessarily expensive to do business between Member States are substantially raising living costs, for Community citizens and reducing competitiveness;

21. Therefore requests the Council, as laid down by the European Council meeting in Copenhagen in December 1982, to make the necessary decisions and give priority to:

- (a) a Community, as opposed to separate national procedures for issuing certificates of compliance for goods imported into the Community thereby allowing the harmonization of laws programmed to proceed and removing the single most important barrier to internal trade;
- (b) improved information for standards formation;
- (c) a single administrative document for clearing lorries through frontiers leading to the adoption of a common data base for customs purposes and allowing lorries to pass frontiers without having to park;
- (d) the strengthening of appropriate procedures aimed at establishing free marketing of services and the movement of capital;

Convergence

22. Considers it essential in the interests of achieving greater convergence for the Commission to urge the Council and the Member States to coordinate national economic policies, in accordance with the various guidelines laid down in this resolution and in the communications concerning policy in the industrial, investment, monetary and budget sectors;

23. Considers in particular that the Member States should be invited to coordinate their efforts with a view to reducing national interest rates and thus the interest rates on the Community market;

24. Reiterates the request already made in paragraph 27 of the annual report on the economic situation for 1982, that the Commission should make greater use of the power of recommendation granted to it under Article 11 of the Council Decision of 1974,¹ in cases where one or more Member States are departing from the guidelines laid down by the Council;
25. Stresses the importance of defining economic and monetary policy guidelines within the framework of the fifth medium-term economic policy programme of the Community, in order to ensure consistency and solidarity in the longer term, and the reduction of differences between the regions and in the distribution of income; considers it important in this connection for the Commission to supplement its study with 'five year forecasts covering the main macro-economic variables' (Article 2, third paragraph, of the Council Decision of 18 February 1974 on the convergence of the economic policies of the Member States)¹;

European monetary system

26. Stresses its belief in the need to gradually complete the EMS and extend the use of the ECU, as a first step towards institutionalizing the EMS and creating a European Monetary Fund; this is vital, moreover, if the EEC itself is to acquire its full identity; as regards monetary policy, renews its request to the British and Greek Governments to become full members of the EMS;
27. Considers it vital, if the role of the ECU is to be further extended as the Commission desires, for steps to be taken, in particular, towards financial integration, by means of:

(a) public use of the ECU:

- use of the ECU in trade with third countries which have particularly close links with the EEC; this would help to extend the zone of stability of the EMS, increase the scope for the use and circulation of the ECU and reduce dependence on third currencies;

¹ OJ No. L 63, 5.3.1974

(b) private use of the ECU:

- presentation of a Community document defining and laying down the basic rules for the ECU;
- recognition of its status as a currency;
- progressive liberalization of capital flows expressed in ECU;

28. Stresses also the important stabilizing role which a wider use of the ECU could play in relation to the operation of foreign currency markets;

29. Calls on the Commission and the Council to prepare a report on the action taken on this resolution by the end of 1983;

30. Instructs its President to forward this resolution to the Council and the Commission.