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REPORT

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

on the deposit on imports into Italy

Rapporteur: Mr John PURVIS

1.5.2

PE 76.486/fin.

English Edition

On 10 July 1981 a motion for a resolution (Doc. 1-404/81) tabled according to Rule 47 of the Rules of Procedure by Mr. Bettiza and Mr. Irmer on the deposit on imports into Italy was referred to the Committee on Economic and Monetary Affairs as the Committee responsible.

At its meeting on 20-21 October 1981 the Committee on Economic and Monetary Affairs appointed Mr. Purvis as rapporteur.

The Committee considered the draft report at its meeting on 18-19 May 1982 and adopted it unanimously with 2 abstentions.

The following took part in the vote: Mr Moreau, Chairman; Mr Macario, Vice-Chairman; Mr Deleau, Vice-Chairman; Mr Purvis, Rapporteur; Mr Albers, Mr Beazley, Mr Bonaccini, Mr Caborn, Mr Carossino, Mrs Carettoni Romagnoli, Mrs Desouches, Mr Fernandez, Miss Forster, Mr de Goede, Mr Hopper, Mr Nyborg, Mr Papantoniou, Mr Rogalla, Mr Ruffolo, Mr Vergeer and Mr von Wogau.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement.

MOTION FOR A RESOLUTION

on the deposit on imports into Italy

The European Parliament,

A. having regard to the motion for a resolution (Doc. 1-404/81) tabled according to Rule 47 of the Rules of Procedure,

B. having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-285/82)

1. Welcomes the removal of the import deposit scheme before its scheduled expiry date but nevertheless considers that recourse to such measures, even temporarily, raises important questions of principle which should not be ignored;

2. Restates yet again most forcefully its total commitment to the removal of all restraints on the free movement of goods, services people and capital within the European Community, and suggests that the EMS should be developed to this end and in line with the Parliament's previous resolutions;

3. Notes the severe economic difficulties which persuaded the Italian authorities to introduce an import deposit scheme but regrets that unilateral measures were adopted without prior consultation, that these measures hindered the free movement of goods within the Community, and were contrary to the spirit of the Treaty of Rome;

4. Believes, therefore, that the first recourse of member states in difficulty should be to invoke Community assistance while they make the necessary adjustments; Calls on the Community institutions and all member states to assist individual states in temperary difficulty in a spirit of Community solidarity through such measures as the mutual assistance envisaged in Articles 108 and 109 of the Treaty, and through an enlarged and more flexible Community loan mechanism designed to support the balances of payments of Community member states.

5. Regrets that the import deposit scheme was not completely removed on 1 October 1981, as originally undertaken, regrets that the Commission acquiesced too easily in this extension contrary to its own previous position.

6. Expresses its deep concern at the proliferation of unilateral protectionist measures which could have disastrous implications for the internal market and for the European Community as a whole.

7. Urges the Commission, as guardian of the European Community and its treaties, to assert itself more forcefully in this area and to redefine with Member States effective and speedy procedures for dealing with difficulties of the type envisaged in Articles 108 and 109 of the Treaty of Rome, and having done so to uphold its position consistently without fear or favour.

8. Instructs its President to forward this resolution to the Commission, the Council and the governments and parliaments of the Member States.

B

EXPLANATORY STATEMENT

Background

1. On 27 May 1981 the Italian Government, citing the severe economic situation that it faced, took a decision to introduce a requirement for certain purchases of foreign currency to be subject to the establishment at an authorized bank of a non-interest bearing deposit frozen for 90 days, of an amount in Italian Lire equivalent to 30% of the lire value of the transaction. The expressed intention was for the measures to expire on 30 September 1981.

2. On 1 July 1981 the Commission issued a recommendation to the Government of Italy pursuant to paragraph 1 of Article 108 of the Treaty (1). While admitting that other factors, such as the rise in the value of the dollar contributed to Italy's balance of payments deficit the Commission considered "nevertheless that the difficulties stem primarily from insufficient control over the domestic economy during the opening months of this year". It then made a number of specific recommendations as to how the situation might be improved, and undertook to carefully monitor the application of the measures adopted. It ended by stating that "1 October, the date on which these holding measures must come to an end, fixes a maximum duration for their application and that efforts should be made to shorten this period."

Subsequently the Italian Government informed the Commission, in their letters of 31 August and 5 September 1981 of the initial measures taken to implement the recommendations.

3. The Italian Government then requested, however, that it be allowed to prolong the measures until 1 April 1982, subject to a number of modifications excluding certain products from the scope of the measures and reducing by steps the percentage of the deposit. The Commission agreed that immediate lifting of the measures would cause severe problems, and authorized, in its decision of 23 September 1981 (OJ L 290/50) the Italian Government to maintain the measures until 1 March 1982,

(1) Com (81) 1020 Fin.

with the percentage applicable to those transactions subject to a deposit being reduced to 25% on 1 October 1981 to 20% on 1 January 1982 and to 15% on 1 February 1982, and with certain agricultural products and non-ferrous metals being exempted from the deposit requirements as of 1 October 1981. In fact the Italian government rescinded the measures entirely in February 1982.

Observations

4. In examining measures of this kind three specific sets of questions need to be briefly examined$

- Are these measures contrary to the Treaty of Rome?
- What adverse effects have they had?
- What Community alternatives are there to the adoption of such unilateral measures?

5. The answer to the first question lies in a balancing of the general principles of the treaty providing for the free movement of goods against the limited deragations provided by Articles 108 and 109 of the Treaty. Article 108 lays down a procedure to follow when a Member State is in difficulties or is seriously threatened with difficulties as regards its balance of payments, whereby the Commission shall immediately investigate the situation of the Member States, and state what measures it recommends the State concerned to take. Subsequently, if the measures taken or suggested prove insufficient the Commission, after consulting the Monetary Committee, may recommend to the Council the granting of mutual assistance. Such assistance, which could, for instance, take the form of limited credits by other Member States, shall be granted by the Council acting by a qualified majority. Finally "if the mutual assistance recommended by the Commission is not granted by the Council or if the mutual assistance granted and the measures taken are insufficient, the Commission shall authorize the State which is in difficulties to take protective measures, the conditions and details of which the Commission shall determine."

Article 109 states that where a "sudden crisis" in the balance of payments takes place, and no mutual assistance decision by the other Member States is immediately forthcoming then "the Member State concerned may, as a precaution, take the necessary protective measures." These measures "must cause the least possible disturbance in the functioning of the Common Market and must not be wider in scope than is strictly necessary to remedy the sudden difficulties which have arisen." These measures must be notified to the Commission and the other Member States, and mutual assistance may be recommended by the Commission. Finally the Council may, by qualified majority, decide that the State concerned shall amend, suspend or abolish the protective measures.

The questions posed by the interpretation of these two articles are difficult to answer. How serious should the economic difficulties be before such derogations are permitted from the central principles of the treaty? What is the definition of a "sudden crisis"? Where is the dividing line to be drawn between measures which are appropriate to the scale of the problem and those which are "wider in scope than is strictly necessary?" Furthermore those provisions of the articles permitting council decisions by qualified majority pose delicate questions of national sovereignty.

As regards the justification for the recent Italian measures the Commission's recommendation, while agreeing to such measures being taken for a limited period, nevertheless expressed certain doubts when it stated that "the majority of Member States are showing balance of payments positions comparable to that of Italy and in certain cases the situation is even more serious."

The conclusion of the above analysis must be that the Italian measures are not necessarily contrary to the letter of the Treaty, but are clearly in breach of its spirit.

6. As regards the possible adverse effects of the measures these are hard to judge in detail. Certainly Community industry

has expressed considerable concern. On 4 June 1981 UNICE sent a telex (contained in PE 74.092/Ann 1) to the President of the European Parliament indicating its extreme concern at the introduction of the import deposit, and pointing out that "measures which affect the free movement of goods within the Community are not an appropriate way to resolve the difficulties which certain Member States are encountering in the field of economic and monetary policy".

More specifically the Belgian Rubber Industry Association has written to the Commission and to the Belgian and Italian governments, and has complained about severe adverse impacts and demanded exemption from the scope of the measures for certain rubber products. It has been pointed out that for these specific items Belgian exports to Italy declined over the period 1 June - 31 August 1981 by 61.7% in items and by 31.2% in value as compared to the corresponding period of 1980. New orders were 50% below normal and no Italian order was registered since June for hydraulic piping. (1)

7. The final set of questions posed above concerns the availability of alternative courses of action to unilateral measures, which as the Commission pointed out in its recommendation, runs the risk of provoking "protections and chain reactions."

The first need is for greater concertation between the Member States. At the very least there should have been prior consultation before the measures were adopted.

Secondly, and following on from greater concertation solutions should be sought at Community rather than unilateral level. Where really serious problems are encountered there should be mutual assistance as envisaged by the Treaty, or in the form of limited credits granted by other Member States. Furthermore the Community loan mechanism designed to support the balance of payments of Community Member States should be enlarged and made more flexible. The whole purpose of this mechanism set up originally in 1975, and whose reform was proposed by the Commission in 1980 , was to tackle difficulties

(1) cited in "Agence Europe", Saturday, 28 November 1981, p. 13.

of this kind.

Conclusions

8. The purpose of the above motion for a resolution is to underline a key point of principle, and to insist that the measures adopted really do end on 1 March 1982. The point of principle is that measures undercutting the free movement of goods within the internal market should be resisted wherever possible, and restricted to the most severe of cases. Unilateral measures should be replaced by Community concertation and the adoption of Community solutions.

Your rapporteur further notes that the Commission's recommendations of 1 July stated clearly that 1 October 1981 fixed a maximum duration for the application of these measures, and yet the Commission subsequently permitted their extension. This is to be regretted. A more detailed examination of the problems raised by measures of this kind should come in the framework of a subsequent Committee report on the functioning of the internal market.

The European Parliament itself should consider instituting a more speedy and effective method of dealing with any such situation that arises in future.

MOTION FOR A RESOLUTION Doc. 1-404/81

tabled by Mr Bettiza and Mr Irmer on behalf of the Liberal and Democratic Group pursuant to Rule 47 of the Rules of Procedure on the deposit on imports into Italy

The European Parliament,

- considering that the austere measures taken by the Italian Government to reduce its balance of payments deficit constitute a serious obstacle to the free movement of persons and goods within the Community,
- stressing the difficulties which the need to pay a deposit of 30% of the value of imports raises for importers and exporters and the risk of an extension of protectionism,
- considering the undertaking given to the European Parliament by the President of the Commission to reduce border formalities and transport checks,

1. Calls on the Italian Government to reduce to a minimum the products subject to a deposit and to restrict the application of the measure to a strictly limited period;
2. Calls on the Commission of the European Communities to consult with the Italian Government with a view to redressing the balance of payments deficit and supporting the lira;
3. Instructs its President to refer this resolution to the committee responsible so that it can draw up a report on this matter.