

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

3 June 1981

DOCUMENT 1-256/81

Report

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

**on the restructuring of economic and monetary policies in connection
with the Council decision of 30 May 1980**

Rapporteur: Mr G. GIAVAZZI

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On 11 July 1980 a draft motion for a resolution (Doc. 1-319/80) on the restructuring of economic and monetary policies in connection with the Council ~~conclusions of 30 May 1980, tabled by Mr DIANA and others pursuant to~~ Article 25 of the Rules of Procedure was referred to the Committee on Economic and Monetary Affairs as the Committee responsible and to the Committees on Agriculture, Budgets and Regional Policy and Regional Planning for their opinions.

The Committees on Agriculture and Regional Policy and Regional Planning subsequently decided not to draw up opinions on the above motion for a resolution.

The Committee on Economic and Monetary Affairs appointed Mr GIAVAZZI as rapporteur at its meeting on 23 September 1980.

The Committee considered the draft report at its meetings of 14-15 April 1981 and of 13-14 May 1981.

At its meeting of 22 May 1981 the Committee adopted the motion for a resolution by 11 votes in favour with four abstentions.

Present: Mr de Ferranti, acting Chairman; Mr Giavazzi, rapporteur; Mrs Baduel Glorioso, Mr Beumer, Mr Bonaccini, Mr Carossino (deputising for Mr Piquet), Miss Forster, Mr Franz, Mr I. Friedrich, Mr Hopper, Mr Leonardi, Mr Markozanis, Mr Nyborg, Mr Orlandi (deputising for Mr Ruffolo), Mr Walter.

The opinion of ~~the~~ Committee on Budgets will be published separately

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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 restructuring of economic and monetary policies in connection with the Council decision of 30 May 1980

The European Parliament,

- having regard to the mandate given by the Council to the Commission on 30 May 1980,
 - having regard to the motion for a resolution on the restructuring of economic and monetary policies in connection with the Council **conclusions of 30 May 1980 (Doc. 1-319/80)**,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Budgets (Doc. 1-256/81),
1. Stresses that all the aspects and implications of the opportunity provided to the Commission by the mandate conferred upon it should be fully exploited, in particular in the situation of **extreme** difficulty facing the Community;
 2. **Points to the need for careful review of the decision-making processes of Community bodies, in order to improve the present poor ratio of effort expended to results and to eliminate the impediments to the proper exercise of their activities, the main purpose being to transform the Community into a place where decisions are taken in good time rather than one where decisions are put off by endless discussions;**
 3. **Hopes that once the mandate is fulfilled the Parliament and the Council will take timely and decisive action to follow up these initiatives and provisions which reflect the very problems which inspired the granting of the mandate in the first place;**
 4. **Believes that it is necessary that in view of the nature and importance of the subjects covered by the mandate Parliament should be effectively involved, according to due process, in the activities undertaken on the basis of that mandate;**

A - Analysis and interpretation of the mandate

5. Draws particular attention to the fact that both the wording of the mandate and the objectives which it sets can only be correctly interpreted as an invitation to put forward proposals relating to the overall restructuring of Community policies rather than simply correcting individual national positions in purely budgetary terms but nevertheless stresses that there is also a need to find a budgetary solution to prevent unacceptable situations arising in the immediate future;

6. Points out, on the other hand, that a restrictive interpretation would only have the effect of further delaying steps to solve the problems which were among the main reasons for the granting of the mandate; and this in the meantime would further aggravate the present lack of cohesion within the Community and weakening of its position abroad;
7. Notes, consequently, that the execution of this mandate must be concerned particularly with finding policies and measures both within and outside the budget framework, which will make it possible to improve the efficiency and competitiveness of the Community through a genuine 'qualitative leap' aimed at achieving the objectives of greater development, balance and stability set by the Treaties (Treaty of Rome, Article 2);

B - Policies which could be followed to meet the requirements of the mandate

8. While recognizing the existence of real difficulties inherent in the historical process of formation of the Community and in its structures, stresses the fact - frequently mentioned in the past - that the continuous absence of a process of greater convergence of the structures and the economies of the Community prevents it making real progress as a Community towards the above-mentioned objectives of greater balance and stability;
9. Believes that progress in this direction cannot be achieved unless greater importance is given to the principle of 'internal and external' solidarity understood as a shared commitment to progress towards a more efficient complete Community, in the common interest; and believes furthermore that to this end the measures to be taken should be timed in such a way and should have such an effective impact on public opinion and the power to correct existing structures and arrangements that they signal a new stage for the Community - although progress will necessarily have to be made in stages;
10. The following objectives must be pursued: better implementation of existing policies; a rational development of common policies; a restructuring and strengthening of the Community budget; close attention to the timing and synchronization of intervention so as to prevent unacceptable situations arising for individual Member States;
11. As regards better implementation of existing policies
Believes:
 - (a) that it is essential that these policies be applied in their entirety and that the delays which still exist in the passing of legislation for their implementation should be eliminated; that the main obstacles placed by states in the way of the implementation of Community directives should be removed; and that individual measures should be implemented correctly,

- (b) that within individual policies those elements which tend to accentuate rather than reduce disparities and imbalances between regions and sectors should be corrected in order to ensure that these policies contribute to greater convergence of the economies, and to facilitate the process of enlargement of the Community;
- (c) that as regards the review of the machinery and respect for the principles of the common agricultural policy - stipulated in the mandate - particular attention should be paid to overcoming the structural imbalances which still exist between the various types of agriculture and to the need to make the machinery of the policy compatible with variations in the rates of inflation and fluctuations - albeit within the limits of the EMS - in exchange rates within the Community,
- (d) that greater stress should now be laid on the process of harmonization of the various policies through a general framework to be laid down by Community rules;

12. As regards the rational development of common policies:

- (a) believes that policy decisions should be made particularly in the light of the ability of individual policies to meet common requirements; to provide balance in the economic and social situation of the Community and of the individual Member States; to direct the economies of the Member States to Community ends; to make the response to competition from foreign economies a matter for the Community; to make the Community pursue an external economic policy of appropriate weight and quality,
- (b) indicates the following key points for development to be pursued within the framework, and subject to the criteria, set out in points (c) and (d) below:
 - social policy; energy and research policy; industrial policy; transport policy; regional policy,
- (c) believes that these policies can be particularly effective if they are set within a framework of:
 - concertation of national economic policies,
 - strengthening the internal market,
 - adequate development of common external policies,
 - the development of monetary policy and the strengthening and extension of the EMS,

- (d) believes it nevertheless essential to the development of these policies that they be viewed from a global, Community point of view; that the means allocated be suitable and adequate; that there be a concentration of efforts and that the decisions and programmes be centred on the Community; that the approach to imbalances in structures be designed to correct them rather than merely palliate their effects, that the timing of action be related to the requirements in individual sectors, that particular sensitivity should be shown to the social problems in the Community, that careful consideration be given to employment policy especially for young people, and that these policies should be judged on their ability to correct regional imbalances;

13. As regards the Community budget:

- (a) stresses the fact that this resolution is designed to point out only some of the requirements to be met by the budget, without going into the details of how the budget itself is to be restructured or what shape it should take,
- (b) hopes nevertheless that the size and structure of the budget will measure up - albeit progressively and in a realistic, pragmatic way - to the need for practical implementation of suitable overall Community policy rather than vice versa,
- (c) believes that changes in the structure and size of the budget to adapt it to real needs must be carried out sufficiently rapidly, while keeping agricultural spending under control and strengthening the development of other policies which may act as a counterbalance...
- (d) believes that greater control of agricultural spending - without compromising a suitably adapted agricultural policy - and the increase in own resources subject to the above-mentioned control, are essential if the structure and size of the budget are to be adjusted in the desired manner provided that at the same time Community policies are developed in the context of both an overall plan for restoring structural balance and a transfer of a number of tasks and charges from the Member States to the Community,
- (e) feels that even bearing in mind the satisfactory results already achieved it will be particularly desirable for the policy of Community loans to be strengthened - including interest rate reductions for investments directed towards structural balance and avoiding inter-state measures not in keeping with Community projects; there should also be a strengthening of the link between aid from the Community budget and the obligation to follow the Community economic policy objectives on the part of those receiving aid, in order to maximize the effect of the Community budget,

(f) reaffirms its previous indications of the need for annual budgets to be situated within multiannual programmes which make it possible to take greater account of the large-scale development needs of the Community;

14. As regards the timing and synchronization of intervention so as to prevent unacceptable situations arising for individual Member States:

- (a) believes that a careful analysis of the question of timing in Community intervention is decisive; continuing delays in the various corrective measures and measures to restore balance and in particular in reviving Community solidarity aggravate rather than prevent 'unacceptable' situations for individual Member States,
- (b) believes it necessary that Community measures be carefully synchronized and that their success in restoring balance be analysed,
- (c) believes lastly that the provisions taken to intervene in individual cases of Member States in the Community should have at least the following characteristics: they should be conditional (that is to say strictly linked to the purpose for which they were adopted); they should be temporary (with clearly and strictly determined expiry dates); that they should be compensated (that is to say that their subsequent effects or that other simultaneous provisions should strengthen Community cohesion at least to the same extent that the special case has weakened it);

15. Instructs its President to forward this resolution together with the report to the Council and the Commission.

EXPLANATORY STATEMENTThe mandate of 30 May 1980: analysis, interpretation and difficulties of application(I) Analysis of the mandate

1. The mandate given by the Council to the Commission is based on the express statement that 'the Community is pledged to resolve the problem of the imbalances between the Member States by means of structural changes'.
2. This task must be performed on the basis of four rules:
 - 'the examination ... (of) the development of Community policies';
 - it must not call into question the common financial responsibility for these policies which are financed from the Community's own resources;
 - it must not call into question the basic principles of the common agricultural policy;
 - the examination must aim 'to prevent the recurrence of unacceptable situations' for any Member State.
3. The whole mandate must be carried out taking into account, besides, the conclusions adopted by the Council (in its composition of Ministers of Economic Affairs and Finance) at its meeting on 11 February 1980 which included reference to the 1% VAT own resources ceiling.

(II) Interpretation of the mandate

4. The wording of the mandate has suffered from the attempt to reconcile aims which are difficult to combine in a single policy. This characteristic may be explained by the fact that the mandate is the result of a compromise reached with great difficulty but it is one which certainly does not help clarify the instructions contained in the mandate or assist in carrying it out most effectively.
5. Nevertheless, the mandate must be interpreted unambiguously if it is to be meaningful and effective.

The mandate can not be interpreted restrictively as merely a search for one or more budgetary techniques to resolve the imbalances between the Member States which have occurred with regard to their respective contributions to the Community budget, but rather as a request to submit proposals concerning, instead, the overall restructuring of Community policies.

6. This kind of interpretation springs above all from the actual wording of the mandate

This wording:

- stipulates that solutions must be found by means of 'structural changes' only;
- stipulates in addition that the examination must concern the 'development' of Community policies;
- makes the whole purpose of the mandate not to create unacceptable situations for any Member State (not just to restore the balance as regards the contributions of the Member States).

It would be very difficult to achieve these aims by applying a restrictive interpretation of the mandate itself.

7. Any restrictive interpretation would make the mandate totally ineffective

It is an established fact that the inadequate progress of the Community towards the necessary greater convergence of the economies:

- gives rise to the continued existence of the concept of a fair return;
- hinders the development of concertation and thus of monetary union;
- impedes the expansion of the Community (owing to the serious consequences which may be the result of this for some Member States);
- hampers the development of common external policies (commercial or other).

Interpreted restrictively the proposal for 'structural changes' would not be effective in putting an end to this situation, which prevents the attainment of the objectives of development, balance and stability enshrined in the Treaties (Article 2 of the Treaty of Rome). On the other hand, the need for a 'qualitative leap' is clear (though appropriately phased and adjusted to needs which are realistically interpreted).

8. The situation in the Community does not allow of delays in the implementation of corrective measures

The tendency for the disparities and inconsistencies between the objectives of national economic policies to increase, the simultaneous weakening in the application of Community policies and the fact that negotiations take place between Member States rather than on a Community level, all bring about an increase in the process of internal disintegration in the Community and the weakening of its contractual power and its political weight in relation to the countries outside it.

It is likely that this delicate and worrying situation will worsen with time if the Community does not take it upon itself to put into effect measures which are appropriate, effective and timely.

(III) Difficulties to be overcome in fulfilling the mandate as indicated above

Considerable difficulties of various kinds are encountered in fulfilling the mandate in the manner indicated above. These stem from factors which are both internal and external to the Community, in other words:

9. Difficulties which are due to the situation in and structure of the Community

These difficulties may be factors of a political nature - such as the current delicate state of international relations, or of a more strictly socio-economic nature, such as the slump which the international economic cycle is going through and the growing complexity of economic relations between Europe, the United States and Japan.¹

10. Difficulties caused by the situation in and the structure of the Community

These difficulties may also be caused by factors of a mainly political nature, such as the differences in the political outlook of the various Member States with regard to the extent and limits of Community action, or of an institutional nature, such as the disagreements concerning the powers of the Community institutions and their unsatisfactory functioning, or of an economic nature, such as the inability of Community measures (also, but not only, owing to an insufficient budget) to direct the economies of the Member States towards the attainment of the objectives which the Community has set itself.

Policies which could be followed to meet the requirements of the mandate

(I) General considerations

11. Careful examination of the various considerations and proposals relating to the objective of the mandate (or connected with it) put forward either by the Committee on Economic and Monetary Affairs, or by other committees within the institutions, or committees set up for individual issues, or else by the Parliament, will provide information valuable for the purpose of carrying out the mandate.

In the working document annexed (see also footnote 1 and Annex A) extensive reference is made to these proposals.²

¹ See in this connection recently the Communication from the Commission to the Council on the economic and social situation in the Community (COM(81) 95 final of 11 March 1981)

² In the working document (Annex A) reference is made to the issues dealt with most recently by the Committee on Economic and Monetary Affairs connected with the subject of the mandate; in addition, various proposals on these subjects submitted by degrees at different times and in different forms are referred to briefly, in particular the Marjolin Report, the MacDougall Report, the De Ferranti proposal on resources transfer based on job flow, proposals for a tax on energy imports from countries outside the Community; financial equalization between the Member States within the framework of the Community budget referred to in the resolution of the Parliament of 15 November 1979 (Official Journal No. C 309, p.34), proposals for new own resources, referred to recently in the resolution of the Parliament of 9 April 1981 (the Spinelli resolution), proposals for the strengthening of the Community loan policies, the proposal for a fund for industrial innovation (the Delarozoy report), the proposal for a European Development Organization (Ruffolo), the proposal for a revolving fund, primarily for the benefit of Mediterranean countries, and proposals relating to measures concerning the infrastructure, and so forth.

Having said this, several ideas are put forward without intending to go into the merits of specific solutions coming within particular spheres of responsibility.

12. In the search for policies to achieve the objectives of the mandate it is necessary to bear in mind the fact that progress towards more balanced development between the Member States must take into account a particularly complex state of affairs. This situation reveals itself in a potentially divisive rather than cohesive trend amongst the regions of the Community, chiefly owing to historical reasons, different socio-economic circumstances and great variations in structure and regional planning.

The effect of the rules of the common market on structurally diverse situations makes the relative differences worse, even if there is a general basic improvement, where those rules are applied without being accompanied by a global Community-inspired policy or by the full and positive application of the common provisions to each activity as a whole (at least those which are economic).

13. The corrective to this situation can only be to apply the principle of Community solidarity correctly and realistically understood provided that there is the belief that progress towards a more complete Community is irreversible and in the common interest.

14. This situation cannot fail to bring about a need for time-limits for implementation related on the one hand to the difficulties to be overcome in harmonizing and adjusting structures and attitudes which are still so profoundly different and on the other to the need to avoid in the interim imbalances which may jeopardize, rather than facilitate, the final improvement.

15. Community measures must therefore accelerate and not delay the process of transforming the structures to achieve greater balance. They must have sufficient impact on the formation of public opinion to correct gradually the existing natural differences in attitude. Finally, they must take into account the need for structural changes to correct far-reachingly the state of several regions of the Community which are particularly at a disadvantage, since without that correction it is useless to hope for balanced and lasting general development.

In connection with these general considerations it seems appropriate to mention the following points:

(II) Better implementation of existing policies

16. The first point is the need for existing policies to be fully applied,

eliminating the delays, which are still considerable, in the adoption of the necessary legislation for their implementation, removing the chief obstacles to the implementation of existing directives, and carrying out properly the individual tasks (to this end the following are relevant: the re-examination, with a view to its correction, of the relationship between the decision-making bodies in the Community, the elimination of technical barriers, a more effective and flexible customs policy and greater transparency, etc).

17. The second point should be to reconsider those aspects of individual Community policies which at present tend to accentuate rather than to lessen the disparities between the various regions of the Community. In this connection the basic principles of the mechanisms governing the Common Agricultural Policy must clearly be carefully reviewed, as required by the mandate. This must be done with special attention to the objective of overcoming the structural imbalances between the various types of agriculture. Particular attention should be paid to those mechanisms which should make the Common Agricultural Policy compatible with the variations in the rates of inflation and the fluctuations in exchange rates which, although now controlled and concerted to a greater extent within the European Monetary System, still persist in the Community.

18. The third point is the further extension of Community provisions, which should be as general and flexible as possible but binding as to the essentials within which the individual policies of the Member States may be set and find a common reference point (in particular on the issues of harmonization of legislation and taxation, freedom of movement, the equivalence of professional qualifications, etc.).

(III) The rational development of common policies

19. It seems necessary to start with a brief look at some general criteria which should govern the choice of such policies, in other words:

- their ability to meet common needs upon which the development of the Community as a whole depends;
- their stabilizing effect on the economic and social situation in the Community;
- their effectiveness in directing the economic policies of the Member States towards Community objectives;
- their settled purpose to make up the time lost by the Community in relation to the economies of the large regions outside the Community and to defend the competitiveness of the Community;
- their influence in enabling the Community to pursue an external economic policy which is of weight and quality to match its intrinsic potential.

20. Individual policies

(a) energy and research policies

The importance and priority of these policies has been stated many times. As there is clearly agreement on their role it is only necessary to put them into effect by making available the necessary funds and effectively co-ordinating national policies within a Community concept of the problems and requirements.

(b) regional and social policy

By means of appropriate restructuring, these policies should be able to compensate for existing imbalances due chiefly to the different effects of the application of the rules of the common market to different situations by placing sufficient funds at their disposal and by directing their course increasingly to the correction of the different structural situations. For this purpose it seems appropriate to concentrate efforts more intensely and to centre the decisions and spending programmes on the Community.

(c) industrial policy

This should be achieved by the following means: the creation of a common policy for the protection of general interests, the taking of steps at a Community level where they can be more usefully performed at that level, rather than nationally or between the Member States (especially in the field of advanced technology), the elimination of local or sectoral barriers to the improved performance of common activities, the encouragement of means to provide incentives for the reconversion of specific undertakings and for job mobility, without creating situations which will distort free competition, the fixing of a common standard of treatment for sectors in conjunctural difficulties and, as a whole, the paying of special attention to the problems of employment and to the need to maintain the competitiveness of the Community structures of production.

(d) employment policy

Any progress in Community action will also bring about lasting improvements in the employment situation; however, a specific policy must be devised more effectively with regard to the unemployment of young people which is a common problem in various forms in many European countries - its causes and solutions are interrelated and complex, reaching beyond the labour market and affecting particularly educational policies and hence schools, universities and occupational training.

(e) transport policy

This sector, besides being expressly mentioned in the Treaties (Article 3 of the Treaty of Rome), is particularly suitable for action to co-ordinate national policies and for cautious but effective measures to change progressively territorial situations which form a particular obstacle to greater Community equilibrium.

(f) concertation of national economic policies

This should be carried out by developing a common model for medium-term national plans which is to be taken on the one hand as the basis and on the other as the implementation of the Community plan and which, though remaining extremely flexible and sensitive to the different circumstances and requirements, avoids divisive trends and practices which may jeopardize the approach to greater general equilibrium.

21. The development of common external policies

These should be able to meet the request for such policies which is put to the Community, at times to a greater extent than expected, and which it can now satisfy.

The implementation of these policies, in the commercial and in the wider sense, may have a two-fold effect, both that of strengthening the political willingness of the Member States to work out a Community role and that of developing the joint administration of resources, solving problems of the Community as such and those of the countries outside it.

22. The development of the common monetary policy: strengthening and completion of the European Monetary System

It must be stressed that greater convergence of the economies is a requirement for, rather than a result of, the strengthening and completion of the European Monetary System for Community purposes.

Progress in this convergence is however also essential to actual survival of the European Monetary System (and cannot be postponed).

Decisions of an essentially political nature must be taken in this context to strengthen and complete it, taking into account the necessary technical timing but also the dangers inherent in delay, particularly when such delays slow down steps which it would be possible to put into effect speedily.

One of the chief problems to be faced from this point of view is, as is well-known, the concertation of policies in relation to the dollar. The need for progressive and planned elimination of the main obstacles to the free movement of capital is closely linked to the development of the European Monetary System and a more complete and effective common monetary policy. This should also be carried out in implementation of the principles enshrined in the Treaties.

(IV) The Community budget

23. It is not considered necessary to go into the problems of the structure of the budget, which has already been the subject of special investigations and on which the Parliament has also given its views, especially with regard to the adaptation of own resources¹.

However, it seems that the following considerations should be stressed:

24. The size and structure of the budget should measure up, albeit progressively and in a realistic, pragmatic way, to the need for practical implementation of suitable overall Community policy rather than vice versa.

25. The changes in the size and structure of the budget to adapt it better to real needs must be carried out sufficiently rapidly.

It is almost universally believed that to bring about these changes greater control of agricultural spending should be accompanied by an increase in own resources and the relieving of the burdens on national budgets by a transfer of tasks to the Community. This is intended as a whole not to jeopardize but only to correct the destabilizing effects of existing policies, particularly the agricultural policy, to make the size of the budget reasonable and effective for the development of Community policies either by restructuring it or by increasing own resources, so as, in addition, to achieve sufficient consensus; as regards this, the need for interdependence and hence the necessary relationship between the various measures (review, increase in resources and transfer of tasks) must be stressed.

26. Related to the above-mentioned changes in the budget the loans policy, which has already been appropriately pursued, should be widened in scope, taking special care to pursue uniform objectives.

Measures relating to interest rates, even though to be used prudently, should be a factor to be taken into full account as being clearly effective in facilitating measures for the establishment of greater balance.

¹ See the resolution of the European Parliament on the European Monetary System as an aspect of the international monetary system (Official Journal No. C 117 of 12 May 1980 (the Ruffolo report on behalf of the Committee on Economic and Monetary Affairs))

In this connection measures taken by individual Member States or agreements between States which are not in keeping with overall Community policy should be avoided.

27. It should be possible to cope at least partially with the unavoidable limits of the Community budget (even if it is restructured and strengthened) either by striving to make the maximum use of resources or by putting the emphasis on the functions of the budget as a co-ordinating and balancing factor in the policies of the Member States, choosing the ways in which the funds available are used on the basis of those requirements; with this in mind it should be possible to avoid mere transfers of sums to the Member States and to put the emphasis, instead, on measures which are based on a direct Community policy to meet the need to restore economic and social equilibrium¹.

28. In order to implement the objectives referred to in points 25, 26 and 27 above in a co-ordinated manner, it seems necessary for the annual Community budgets to be situated within multiannual programmes with suitable features, scope and length which take into account the necessary conditions relating to size and timing.²

(V) Synchronization of timing and the prevention of unacceptable situations arising for any Member State

29. It is essential to analyse very carefully the importance of the time factor. Persistent delays in decisive measures for the revival of effective Community action, especially in restating the principles of internal and external solidarity and in adapting the measures concerned to these principles, may cause irreparable damage.

30. The Community measures must be carefully synchronized overall in order to avoid emphasizing imbalances rather than the Community's approach to greater equilibrium.

31. A realistic analysis of the situation leads to the conclusion that, despite this, in the process of restoring equilibrium it is impossible to avoid the fact that in the short term in individual countries, regions or sectors, imbalances will continue to exist and will require special measures.

¹ In this connection see the De Ferranti motion for a resolution for a point of view of special interest on job mobility (Doc. 1-84/81)

² See the resolution of the Parliament (Balfour report) concerning convergence and budgetary questions (Doc. 1-136/80/rev.)

32. In order to prevent the creation of unacceptable situations in such circumstances it will probably be impossible to avoid completely measures which are technically advisable in each case, even if they may be questionable from the point of view of strict Community principles.

33. It is however considered to be essential that such measures should not harm the progress of the Community taken in the wider general context and that consequently they should have at least the following characteristics: they should be conditional (in other words strictly linked to the specific purpose for which they were adopted); they should be temporary (with clearly and strictly determined expiry dates); they should be compensated (in other words their subsequent effects or other simultaneous provisions should strengthen Community cohesion at least to the same extent that the special case has weakened it).

Introduction

1. The mandate given to the European Commission is to examine the development of Community policies with a view to making structural changes which would help to avoid "unacceptable" situations such as that faced by the United Kingdom in 1980 being repeated in the future. Any such review, however, may not call into question "the common financial responsibilities for these policies which are financed from the Community's own resources, or the basic principles of the Common Agricultural Policy". (1)
2. The mandate is thus a very broad and somewhat ambiguous one which must be carried out in a very short time frame. This working paper seeks to outline some of the major issues that will have to be examined in the course of fulfilling the mandate, in order to lay a framework for a Parliament contribution to this debate.

The nature of the debate

3. A number of constraints and problems are immediately apparent in tackling this mandate.
4. The first problem is what is implied by an "unacceptable" situation for an individual Member State. While non-budgetary aspects of Community membership have great impacts (and non-budgetary aspects of the mandate will have to be given great emphasis) and although the small absolute size of the budget (0.8% of the weighted GDP of the Community) compared to national budgets is often pointed out, it is clear that these "unacceptable situations" refer to net deficits of individual states with regard to the Community budget.

(1) Council conclusions of 30 May 1980 - OJ C.158 - the mandate given the Commission is contained in paragraph 7 of these conclusions.

5. Looking at the current situation of specific countries, those of the United Kingdom and of Germany give rise to particular concern. While the United Kingdom's problem has been mitigated in the short term it is clearly not just one of a short term nature but is due to the underlying structure of the United Kingdom's economy when matched with the current structure of the Community budget and the system of own resources. While its contributions to the budget may decline as a proportion of the total, as a result of greater commercial integration with other Community countries (with less imports from third countries) its receipts are likely to remain low, while a high percentage of the Community budget still goes to agriculture. The British "problem" is thus likely to continue, to a greater or lesser degree, for some time to come, fuelling the already strong anti-Community feelings in the country.
6. An "unacceptable" situation may also develop for the Federal Republic of Germany, as it increasingly becomes the paymaster of the Community. Although its economic strength makes it inevitable that it will be the largest contributor in the future this is still likely to ensure a greater hesitance on the part of Germany to support major new Community initiatives with budgetary implications.
7. Other countries, of course, have had general or specific grievances. Italy, for instance, has consistently claimed that the structure of the Common Agricultural Policy has discriminated against its own agricultural interests and that more emphasis should be put on Mediterranean products, as well as a strengthening of the Regional and Social Funds.
8. A political problem of another kind is posed by those countries which have tended to be net beneficiaries from the Community budget, who, to put it mildly, would be reluctant to see their favourable positions being undermined in the future.

9. All these factors will have to be examined by the Commission, which has been specifically asked in the terms of the mandate to take into account "the situation and interests of all Member States". While the implications of this are not clear it is nevertheless evident that the debate over the British contribution has brought the concept of "juste retour" even more to the forefront in the process of Community decision-making. To maintain a Community-wide perspective in light of these national situations and interests will be difficult indeed.

10. Constraints are apparent on all sides if one examines the different ways in which the problem can be mitigated. In budgetary terms measures can be taken on the revenue or expenditure side:

11. - on the revenue side reverting to the old system of contributions or changing the basis of own resources by raising the VAT ceiling or providing for new own resources. The Commission's mandate specifically excludes a challenge to the principle of own resources which at any rate would be a severely retrograde step in Community terms. On the other hand, raising the VAT ceiling from 1% to say 2% in order to provide room for manoeuvre in the creation of new policies is looked at with reluctance and even hostility on the part of certain Member States. Any attempt to provide a progressive bias or neutrality in national contributions (the British in particular, have argued strongly that the present system is actually regressive in that some poorer countries have been paying disproportionately into the budget) raises the issue of how best to define a country's taxable capacity, for instance, whether to relate it to its total income or consumption. Furthermore, such attempts to introduce a progressive element (the Commission raised the possibility in their working paper "Financing the Community budget: the way ahead") would run into the problem already outlined above, of the more prosperous countries and the Federal Republic of Germany in particular having to make considerable sacrifices.

Other possible new sources of Community revenue, such as excise duties on cigarettes or alcohol, corporation tax, personal income tax or an energy tax, all discussed in the Commission's paper mentioned above, each pose major problems which will, however, have to be carefully examined.

12. - on the expenditure side the measures that could be taken include cutting back on certain existing policies (such as agriculture), expanding certain others (such as the regional and social funds) and creating entirely new ones.

Here again the Commission's mandate rules out a challenge to the basic principles of the Common Agricultural Policy which consumes the lion's share of the existing budget.

The implication then is that corrective action on the expenditure side must entail the expansion of other policies or the creation of new ones. And yet a number of countries who are committed to making public spending cuts within their own boundaries are extremely reluctant to see large new programmes at Community level. Furthermore, the prospects of Community enlargement must be considered in this context since this will put massive new demands on, for instance, the regional and social funds and probably divert resources away from countries such as the United Kingdom and Italy who have hoped to become major beneficiaries of those funds.

13. As for non-budgetary solutions, which will certainly also be necessary, a major political problem is evident. Even if the Community budget is extremely small in terms of national GDP's and national budgets any net contribution to the Community budget sticks out clearly, and in a country unsure of the benefits of Community membership like the United Kingdom helps to fan anti-Community sentiment. On the other hand the non-budgetary benefits are more intangible, especially during a period of economic recession.

14. And yet these non-budgetary benefits for individual Member States, of measures such as the gradual consolidation of the internal market, and the elimination of technical barriers to trade, need to be made far more explicit, as do the costs of cutting away these benefits, if apparent national sacrifices in terms of net budgetary contributions are to appear more acceptable to public opinion.
15. To summarise then a large number of problems and constraints need to be honestly faced in tackling the mandate of 30 May;
- the unclear nature of the mandate and the limits imposed both explicitly and implicitly on the terms of the review;
 - the small size of the Community budget, and the imbalance between agricultural and other expenditure;
 - the finite limit to own resources, their neutral and even regressive nature, Member States' apparent reluctance to increase them and, in particular, to raise the 1% limit;
 - the increasing tendency to call for "juste retour" and to call for a ceiling on individual Member States' net contributions, and possibly also for a ceiling on net receipts as well;
 - the strengthening of the economic recession and the consequent tendency to look on the Community with more suspicion than in the times of steady economic growth, the reluctance to create new Community policies at a time of national budgetary austerity;
 - the reluctance to concede further national sovereignty and the lack of confidence in the management and technical capacity of the Community institutions;
 - the lack of convergence between poorer and richer areas of the Community, the actual reinforcement of divergences between these regions;

- the existence of many different Community instruments and policies, all, apart from agriculture, of small size and piecemeal nature, often insufficiently coordinated with each other. The existence of separate Community treaties resulting, for instance, in the coal and steel industries being treated differently from other problem industries, and on a different budgetary basis;
- the process of enlargement, with its many implications;
- the intangible nature of the non-budgetary benefits of the Community, which are less evident to Community citizens than net budgetary contributions, however small the latter in relative terms;

16. The above may seem a gloomy analysis. It should not, however, lead to inaction, but act as a spur to formulate policies and actions aimed at giving a new sense of direction to the Community.

What should be done?

17. If the mandate is to be taken seriously a balanced package will have to be developed of budgetary (on both the revenue and expenditure sides) and non-budgetary measures. The issues raised are very broad. The next section of this paper brings out some relevant general considerations that have been underlined by the Committee on Economic and Monetary Affairs in its recent reports. The paper then goes on to list some of the specific proposals that have been made, recently and not so recently, by members of the Committee and by others, that are directly relevant to the mandate, and that need to be carefully examined at this stage.

General considerations emphasised in Committee discussions

18. Among the major general themes emphasised by the Committee have been the following:

- the need to promote convergence⁽¹⁾, meaningful progress towards which is clearly directly linked to the mandate;

(1) Emphasised particularly in the Balfour (Doc. 1-136/80/rev.) and Ruffolo (Doc. 1-63/80) reports.

- the term "convergence" may seem vague, and it may be helpful to distinguish between economic policy convergence and structural convergence ⁽¹⁾;
- structural convergence is needed to reduce the sectoral regional and national disparities within the Community, which, if anything, have intensified in recent years;
- the promotion of such convergence is distinct from and wider than the issue of balancing Member States' budgetary contributions, and the range of policies needed are wider than just budgetary policies;
- the budget remains, however, a vital Community instrument; nevertheless, if it is to be a more effective instrument in promoting convergence its size must be greatly increased, and secondly, there must be a much more balanced distribution of expenditure among the various sectors, with agricultural expenditure being brought under control and other counter-balancing policies strengthened and developed;
- In this context the Committee has strongly endorsed the Commission's recommendation that the amount of resources expended on structural and general investment policies within the Community should be significantly greater in the future than the rate of increase in the size of the Community budget as a whole. Furthermore, it has felt that the distributive effects of Community policies as between sectors, regions and countries should be a more important criterion in the future in reviewing the value of existing policies. The need to strengthen longer term planning within the budgetary process has also been pointed out;

One area to which more Community resources need to be devoted is industrial cooperation:

(1) Ruffolo report

- the need for industrial strategies at Community level has been underlined by the Committee in a number of contexts, notably in its discussions of steel, textile and shipbuilding questions, the automobile industry and the new information technologies. Such strategies should thus help to promote the restructuring of industries in crisis, strengthen the competitiveness of industries facing an intensified commercial challenge from third countries and foster the development of the industries of the future. Again, the measures taken should be a mix of budgetary and non-budgetary measures;
- one theme which has had particularly strong support from the Committee has been the need to encourage mobility and retraining and the development of new skills, in order to provide the smoothest possible transition between contracting and growing industries. This is an area where a much greater Community involvement would seem appropriate;
- a further such area to which more resources might be devoted is support of research and development at Community level;
- the need to provide support for small and medium sized industries has been a persistent theme of Committee discussion;
- the need to consolidate regional policy, and to further the development of social policy, has also been emphasised, as has the central need to look at these and other Community policies within an integrated rather than piecemeal context;
- the Committee has also called for much greater use to be made of the mechanism of Community loans, possibly reinforced by making judicious use of interest rate subsidies to be provided for in the budget;
- finally, on the non-budgetary side, the Committee has put great emphasis on the importance of economic policy convergence. Greater coordination of Member States' economic policies is vital, even if domestic political sacrifices are involved. Greater cooperation in the field of monetary policy, and the further development of the European Monetary System have been particularly called for by the Committee.

Specific proposals

19. Over the last few years a number of specific proposals have been made to enlarge the scope of Community policies, with a view, in particular, of redressing structural and regional imbalances within the Community. A serious examination of the mandate will entail looking at some of these proposals in more detail. What follows is not a detailed appraisal of these proposals but a summary of their content. The list of course is not exclusive but illustrative of the range of proposals that have been made.
20. Certain relevant sets of proposals are not covered, as lying primarily outside the scope of the Committee on Economic and Monetary Affairs' competence, such as proposals to bring Community agricultural expenditure under control⁽¹⁾ or to increase or change the basis of own resources, though certain elements of this latter are discussed below in a broader economic context.
21. (i) Community unemployment benefits scheme (contained in "Report of the study group Economic and Monetary Union 1980" Brussels, March 1975, known as the Marjolin report after its chairman, a former vice-president of the Commission for economic and monetary affairs).⁽²⁾
22. This suggestion was put forward in the wider context of the group's proposals on practical steps towards an eventual economic and monetary union. The proposal was for a Community fund to be established as an independent administrative body directed with the participation of the social partners and financed by a contribution paid in part by employees and in part by employers, which would have to be clearly designated as being made to the fund.

(1) The Committee has, however, given an opinion on improving and strengthening the common agricultural policy (PE 70.875/fin.) Mr Moreau, draftsman, in which the need to promote greater convergence, and to establish an effective structural policy for the less-favoured agricultural regions, were both emphasised.

(2) Details in Marjolin report, page 35

"Each unemployed person registered at the national employment offices would receive as a first part of his payment a Community allowance which would be clearly visible as such. Within an initial period, this allowance could be fixed at a set amount....." (p. 35)

23. While a harmonization of national systems would be needed in the long run, the study group felt that the above proposal could be put into effect on a temporary basis without such harmonization, and allowing Member States considerable freedom to retain their present national schemes "which differ sharply as regards the institutions managing them, the levels of benefits paid and the way they are financed."⁽¹⁾
24. Among the key advantages of such a temporary and flexible scheme would be that it would "help to reduce structural and regional imbalances through transfers of income from areas with low structural unemployment to areas with high structural unemployment" and also that it would "help to give a visible expression to Community solidarity"⁽²⁾ by bringing individual citizens into direct contact with the Community.
25. The idea of a Community unemployment fund on these lines was subsequently supported in the MacDougall Report.
26. (ii) proposals put forward in the report of the study group on the role of public finance in European integration, the so-called MacDougall Report⁽³⁾.

(1) Op. Cit. Annex, page 2

(2) Op. Cit. Annex, pages 1 and 2

(3) Collection studies, Economic and Financial series No. A.13, Brussels, April 1977

27. This report is of central importance in any examination of the mandate and puts forward a number of important conclusions and proposals for further Community action. These are therefore presented in somewhat more detail than the others, since a number of subsequent proposals have drawn their inspiration directly or indirectly from MacDougall.
28. The report discusses the role of public finance in existing economic unions, in particular in cushioning short term and cyclical fluctuations and in regional redistribution. It points out, for instance, the very limited role played by regional policy, narrowly defined, when compared with what it terms as the "invisible redistribution" which takes place in true economic unions, where high incomes go with high tax payments and low incomes with high receipts of centrally provided services and transfer payments.
29. In this light the Community budget is an extremely weak mechanism for the promotion of convergence, being both far too small and badly structured. The report goes on to point out what might be achieved if the budget were increased from 0.7% of the gross product of the area as a whole (compared to overall national public expenditure in the Community of about 45%) to 20-25% as in the U.S.A. and the Federal Republic of Germany or to 5-7% of gross product, in the case of more limited federal expenditure. Most of the paper, however, is concerned with examining the consequences of much more limited expenditure of 2-2½% of gross product, in what it describes as a phase of "pre-federal integration" and it argues that a lot could be achieved even at this level. A number of central assumptions are made:

- that there is a strong case for Community involvement where this can achieve "economies of scale" (such as in aid or advanced technology) and where greater bargaining power vis-a-vis third countries can be attained;
- that policies promoting convergence are essential, in order to ensure that "the benefits of closer integration are seen to accrue to all" (page 14). Such "measures should make a start in reducing the inequalities in per capita incomes between the various parts of the area; the situation in the eight countries studied tends to confirm that this is a necessary part of economic union";

- that member governments are currently hostile to increases in overall expenditure at all levels. Appropriate courses of action, therefore, might be to concentrate
 - (i) on transfers of expenditure from national to Community levels, especially where economies of scale are possible,
 - (ii) to seek savings and greater efficiency in existing Community expenditures and to avoid unnecessary bureaucracy.

30. A number of specific proposals are then made, especially in the area of structural, cyclical, employment and regional policies where the report sees "the main need for substantial expenditure at Community level" (page 16). In this connection six suggestions are made:

- more Community participation than at present in regional policy aids (employment or investment incentives, public infrastructure, urban redevelopment);
- more Community participation than at present in labour market policies (including vocational training and other employment measures);
- a Community Unemployment Fund on the lines of that proposed in the Marjolin Report;
- a limited budget equalisation scheme for extremely weak member states to bring their fiscal capacity up to 65% of the Community average;
- a system of cyclical grants to local or regional governments that would depend upon regional economic conditions;
- a "conjunctural convergence" facility aimed at preventing acute cyclical problems for weak member states leading to increasing economic divergences.

The report went on to estimate that a 10 billion unit of account package on these lines could reduce inequalities in living standards between member states by about 10%

31. A number of conclusions in other areas were also reached:

- there might be scope for transfers of some 2-4 billion units of account from national to Community level in the field of aid, which would help in reducing administrative costs for recipient and donor countries and increasing the value of aid received by spreading the choice of procurement over a wider area" (page 15).
- that the case was not strong for significant Community involvement in social and welfare services, except for certain unemployment and vocational training measures;
- that in specific industrial sectors the amount of direct budgetary subsidies should not tend to become larger, but that much larger sums of parallel loan financing might be appropriate in some cases.

32. As for financing an increased budget, the report pointed out that potential revenue sources would "have to be evaluated by several criteria, notably their yield, their distributive characteristics and their economic functions, as well as administrative and political considerations"⁽¹⁾. It recommended an increase in the 1% VAT limit as the easiest option from an institutional and administrative point of view, but also felt that some element of progressivity might be built into any revised system. A Community corporation tax, or a Community participation in personal income tax, would not be feasible under present circumstances. One other possibility put forward, however, was 'a fiscal complement to the Community's Regional Fund subsidies', taking the form for instance of a "tax on new investment in regions fulfilling criteria that were the inverse of those used for eligibility for regional aids (e.g. centrally located agglomerations with labour shortages, high income levels, high levels of congestion, etc.)"⁽²⁾

(1) and (2) Op. Cit. page 65

33. (iii) Resource transfer based on job flow (proposal by Mr de FERRANTI)
(PE 69.878/rev.)

The core of this proposal is "that consideration be given to a resource transfer scheme whereby all Member States pay an agreed percentage of VAT into a fund and each Member State with below average GDP per capita will receive from the fund each month a sum proportional to the number of people who have joined the Unemployment Register plus the number of people who left the Register in that month."

For the fund to be effective a VAT rate of between $\frac{1}{4}$ and $\frac{1}{2}$ % would be necessary. The prime purpose of the fund would be to promote convergence and to underwrite schemes furthering job mobility.

(iv) Tax on energy imports from outside the Community⁽¹⁾

In the words of one of its recent proponents, this idea⁽²⁾ could help solve two problems together; "it would broaden the Community's financial base and redress the imbalance between Britain and the rest of the Community which threatens otherwise to return in 1982...." A possible quid pro quo would be that Britain might be able to give a commitment to allocate a certain proportion of North Sea oil production as a strategic reserve available to other EEC countries in the event of further disruption. Clearly, however, such a suggestion also faces severe economic and political objections.

(v) Financial equalization between the Member States within the framework of the Community budget

35. Point 7 of Parliament's resolution of 15 November 1979⁽³⁾ stated: "considers that a new and lasting system of financial

(1) Tentatively suggested on several occasions, for instance in a recent article by Michael Shanks, Times, 27 March

(2) Shanks

(3) on the communication from the Commission of the European Communities entitled "Convergence and Budgetary Questions" OJ C 309/34

equalization between the Member States within a Community framework of the Community budget - can effectively contribute to the furtherance of the efforts at convergence made through the common policies".

36. As mentioned above a limited scheme of this kind was proposed by the MacDougall Report, which discussed the whole subject of inter governmental grants or transfers. The idea is to improve the fiscal capacity of poorer states by bringing them up to a certain agreed level, enabling them to carry out adequate programmes without imposing much higher tax burdens, and while giving them continued flexibility in carrying out those programmes according to local preferences.
37. Systems of this kind are in force in Canada, Australia and in the Federal Republic of Germany. The German system contains three elements, a sharing between Lander of their part of the value added tax, by direct horizontal financial transfers from the richer to the poorer Lander ("Landerfinanzausgleich") and finally by supplementary federal grants ("Erganzungszuweisungen") bringing the poorer Lander up to a final total of around 97% fiscal capacity of the average of all Lander. So within the federal system there can be two types of such equalization, from the federal to the state level, and between states.
38. It should be noted that the Budgets Committee report on the Community's own resources⁽¹⁾ contains a section on redistribution through budgetary measures (draftsman: Mr Arndt) which provides arguments against such general purpose grants (not compatible with the Treaty concept of the Community, presupposes greater integration than actually exists, etc.) and concludes that the aim of distribution is best achieved by payments for quite specific purposes, such as regional policy. "Only a very extreme situation could justify a limited scheme of non-earmarked redistribution". It might be added, however, that general purpose grants may well be more politically acceptable in the current climate of member state opinion in that they will be of direct transparent benefit to the member state concerned.

(1) Doc. 1-772/80, rapporteur: Mr Spinelli

(vi) Proposals for new own resources

39. These are clearly within the primary competence of the Committee on Budgets, but are briefly discussed below in that some of the proposals have direct implications for the Committee on Economic and Monetary Affairs.
40. The report of the Committee on Budget on own resources⁽¹⁾ has not only recommended raising the ceiling on Community VAT but has also proposed (in paragraph 24 of its motion for a resolution) that "in order to introduce greater equity among the member countries in the Community tax system, it is necessary to apply a corrective mechanism to the VAT which in its present form contains no elements of progressivity". With a view to a reduction of economic disparities and per capita income inequalities it goes on to suggest (paragraph 26) the introduction of two weighting mechanisms, one weighting based on different gross domestic products of the Community Member States expressed in per capita purchasing power and a weighting based on the Member States' share of the Community's total population.
41. The idea of introducing a progressive element to Community own resources is one which has been frequently suggested in recent years and was put forward as a possibility by the Commission itself in its report "Financing the Community budget: the way ahead".⁽²⁾ This report made a comparison between estimated VAT contributions, of the Member States for 1979 and their estimated GDP's which showed that the present VAT base was regressive in some cases, bearing more heavily on Ireland, Luxembourg and the U.K. and less heavily on Italy. The Commission then recommended (page 19) that the overall impact of VAT could be corrected by a new revenue source offsetting this tendency, or by a corrective mechanism, which would bring the impact of revenues into line with a chosen indicator of taxable capacity. This clearly needs closer examination.

(1) Doc. 1-772/80, Op. Cit.

(2) Bulletin of the European Communities, Supplement 8/78

42. Furthermore, if the existing system of own resources is to be improved on and, in particular, if any new revenue sources are proposed, the Committee on Economic and Monetary Affairs will have to be closely involved, as harmonization of the fields of application and of the tax bases, as well eventually as some harmonization of the tax rates themselves, will be needed. This is not the occasion to study this issue in detail, but it is apparent even at a superficial glance that revenue sources such as cigarette duties, alcohol duties, corporation tax, personal income tax or energy taxes, all pose major problems, and may well lead to new distortions owing to very different national economic structures and consumption patterns.

(vii) Community loans

43. The idea of making much greater use of the mechanism of Community loans has been a common element in many recent reports, including the MacDougall Report and that of several reports of the Parliament. Specific proposals might well be made in this context.

(viii) Fund for industrial innovation

44. The Committee's draft report on industrial cooperation between the Member States⁽¹⁾ has proposed, inter alia, the creation of a fund for industrial innovation, whose objective would be to assist research in new technologies, to sustain industrial innovation and in general to assist European industry to face up to international competition. Such a fund, however, would have no role to play in the process of industrial restructuring for which other means would be more appropriate.

45. It should also be noted that the concept of an industrial Development Fund was recently put forward by a working party on industrial questions of the European Democratic Group (rapporteur: Sir David Nicolson).

(1) PE 66.688/rev. Rapporteur: Mr Delorozoy

(ix) European Development Organization (proposal by Mr RUFFOLO in a draft motion for a resolution on the economic policy of the European Community⁽¹⁾

46. Paragraph 4 of the draft motion suggests the creation of such a new institution which "would be able to play an active role in the practical implementation of policies to redress regional imbalances" and could:

- assist "governments and local authorities in identifying and devising specific development progress";
- organize "the provision of technical information and the transfer of technical and administrative know-how to less-developed regions";
- promote "entrepreneurial initiatives in those regions".

(x) Revolving fund, primarily for the benefit of Mediterranean countries belonging to the European Community

47. This idea has been put forward in a recent draft motion for a resolution (Doc. 1-620/80) and asks the Commission to elaborate proposals for the creation of a revolving fund, operating alongside the EEC's traditional regional policy, primarily intended for the Mediterranean countries with about 10% of the resources being used for severely under-developed regions elsewhere in the Community.

(xi) Infrastructure proposals

48. Further Community involvement in the promotion of relevant infrastructure projects could be particularly useful in the promotion of structural convergence between the Member States. The Channel Tunnel Scheme is a particularly striking scheme in this context. Infrastructure projects might well be among the prime beneficiaries of a greatly enlarged mechanism for Community loans.

49. The above proposals are merely some of those which merit closer examination in the context of the mandate, though it should also be emphasized that the creation of too many new and uncoordinated Community policies and instruments should also be avoided.

(1) Doc. 1-904/80

MOTION FOR A RESOLUTION (DOCUMENT 1-319/80)

tabled by Mr DIANA, Mr ADONNINO, Mr ARFE', Mr BARBI, Mr BETTIZA,
Mrs CASSANMAGNAGO CERRETTI, Mr CLINTON, Mr DAMSEAUX, Mr DILIGENT,
Mrs GAIOTTI DE BIASE, Mr GATTO, Mr MODIANO, Mr ORLANDI, Mr PININFARINA,
Mr RIPA DI MEANA, Mr TRAVAGLINI

pursuant to Rule 25 of the Rules of Procedure

on the restructuring of economic and monetary policies in connection
with the Council conclusions of 30 May 1980

The European Parliament,

considering

- that the Council, in the context of the agreement reached on 30 May 1980 to determine the 'appropriate net contribution' of the United Kingdom to the Community budget, decided to review the problem of Community expenditure in June 1981 on the basis of a proposal from the Commission;
- that, through the above decision, the Community has already begun to deal with the problem of a better distribution between the Member States of the effects of the process of integration, through the definition or strengthening of common policies designed to attain the objectives laid down in the Treaty of Rome;
- that the Community has the task of promoting, through the progressive harmonization of the economic policies of the Member States, a balanced development of production in the EEC and progressive convergence of the economies of the Member States;
- that the Treaty of Rome further provides for the application of special procedures enabling the economic policies of the Member States to be coordinated;
- the desirability of arranging in Parliament a detailed debate on the problem of integration and, in particular, on the process of attainment of economic and monetary union before the Commission draws up its proposals within the terms of reference given to it on 30 May;
- that the problem of economic integration cannot be considered solely in budgetary terms;
- that the assumption of a permanent limitation of the contributions of the Member States is unacceptable because it would call into question the very principle of own resources which constitute an acquired right of the Community;
- that recourse by the Member States to direct aids, particularly in the agricultural sector, would procure greater benefits for the countries with strongest economies;
- that the delay which has now built up in the process of restructuring the apparatus of industrial production has also held up development of the less favoured areas and the necessary restoration of regional equilibrium;

- that the economic disparities which exist between the Member States stem in part from internal imbalances between prosperous and under-privileged regions, even in the case of countries with strong economies, and that analogous disparities remain between the different sectors of activity although the objective of restoring economic balance cannot be attained unless these disparities are overcome;
 - that the necessary restoration of the balance of agricultural expenditure must not be allowed to have a negative impact on the economies of the structurally weaker or less highly developed areas, since agriculture is an important source of employment and of earnings for a high percentage of the active population;
 - that, furthermore, the degree of savings which could be achieved through stringent control of expenditure in sectors which are in structural surplus, will not be sufficient to defray the considerable financial charges needed to step up other necessary common policies;
1. Is of the opinion that the process of integration of the economies of the Member States must be carried out within the general context of economic and monetary policies in the Community;
 2. Stresses the need for the economic policies of the Member States to be compatible with the guidelines agreed within the Community;
 3. Believes that it is imperative to pursue without further delay common policies especially in the sectors of energy, transport and industrial restructuring while also strengthening the possibilities of attainment of the structural objectives capable of guaranteeing the development of the less favoured areas within the framework of a more incisive regional and social policy than that followed hitherto;
 4. Is of the opinion that the need to speed up the process of economic integration also involves a need to transfer greater powers and resources to the Community institutions for the purpose of attainment of the Treaty objectives;
 5. Instructs its President to forward this resolution to the Commission and Council of the European Communities.