

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-822/82

Report

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

on the proposal from the Commission of the European Communities to the Council (Doc. 1-818/82 - COM(82) 677 final) concerning the adoption of the annual report on the economic situation in the Community and establishing economic policy guidelines for 1983

Rapporteur : Mr G. RUFFOLO

By letter of 29 October 1982 the Council of the European Communities requested the European Parliament, pursuant to Article 4 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Community, to deliver an opinion on the proposal from the Commission to the Council concerning the adoption of the annual report on the economic situation in the Community and establishing economic policy guidelines for 1983.

The President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs as the committee responsible.

At its meeting of 21 and 22 September 1982, the Committee on Economic and Monetary Affairs appointed Mr Giorgio Ruffolo rapporteur.

It considered the Commission's proposal and the motion for a resolution at the meeting of 29 October 1982 and adopted the motion for a resolution unanimously with thirteen abstentions.

The following took part in the vote: Mr J. Moreau, chairman; Mr Hopper, vice-chairman; Mr Beazley, Mr Bonaccini, Mr I. Friedrich, Mr de Goede, Mr Herman, Mr Leonard, Mr Lezzi (deputizing for Mr Ruffolo), Mr Linkhor (deputizing for Mr Mihr), Mr Newton Dunn (deputizing for Miss Forster), Mrs T. Nielsen (deputizing for Mr Delorozoy), Mr Papantoniou, Mr Perchero (deputizing for Mr Schwartzenberg), Mr Poniridis (deputizing for Mr Caborn), Mr Prag (deputizing for Sir Brandon Rhys Williams), Mr Purvis (deputizing for Mr de Ferranti), Mr Rogers, Mr Sieglerschmidt (deputizing for Mr Schinzel), Mr Van Rompuy, Mr Wagner, Mr Wedekind (deputizing for Mr Schnitker), Mr Welsh, Mr Von Wogau and Mr Ziages (deputizing for Mr Walter).

The explanatory statement will be delivered orally by the rapporteur.

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council concerning the adoption of the annual report on the economic situation in the Community and establishing economic policy guidelines for 1983.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities (COM(82) 677 final),
 - having been consulted by the Council, pursuant to Article 4 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community (Doc. 1-818/82),
 - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-822/82),
1. Finds that the Commission's report contains an accurate and exhaustive analysis of the present economic crisis, regarded as being, no longer as in the years past merely cyclical but also structural;
 2. Subscribes to the assessment that prospects for the 1980s are overshadowed by the threat of a prolonged phase of stagnation due to greater vulnerability of the European countries to external shocks (oil, financial crises, geopolitical events) and greater structural rigidities in the economic and social spheres;
 3. Notes that the repeated predictions of recovery made in past years by the Commission and other international bodies have now given way to a more realistic assessment in which a situation of stagnation is forecast for this year and the next;

4. Finds that 1983 can be expected to be the fourth year of stagnation, a 1% trade growth being achieved only if an upswing occurs in the second half of the year through a possible further reduction in inflation and in interest rates together with a rebuilding of stocks; and in particular that:
 - factors stimulating economic growth will, in any case, remain weak and uncertain: the financial crisis in developing countries associated with the financial crisis in the international banking system and the running-down of the OPEC surplus will keep prospects for world trade poor (a possible increase of 2.2%);
 - there will be, on the average, an appreciable improvement in the inflation and external debt situation for European countries, but divergences in this respect will still remain very significant;
 - finally, unemployment will increase, reaching 12 million in the second half of 1983;
5. Notes that the conjunctural causes (high interest rates, rising dollar, oil shocks), while they do not fully account for the crisis, can now no longer be easily reversed because of the increasing effect of expectations and the fact that continuing recession has introduced new rigidities into European economies (as, for example, growth of assistance to households and to enterprises);
6. Considers that a solution to the present crisis must be found through a lasting change in structural relationships and that it is urgent to provide undertakings with a climate favourable to the development of productive investment which can alone enable the competitiveness of our European economies to be improved, the decline of our industries to be halted and the employment situation accordingly improved;
7. Points out that in a crisis situation, the return to full employment is inconceivable without a return to economic growth sustained at a high level through a lasting reduction in the inflation rate and a better balance of external trade and public finance;
8. Stresses, therefore, the need to reconcile higher employment levels, less inflation and a good external balance with the highest possible growth rate;

9. Points out that both blindly deflationary macro-economic policies and policies based on the encouragement of consumption do not enable this aim to be attained because the fundamental need is to promote employment through growth based on investment and external demand in a climate of monetary stability and respect for external balance;
10. Agrees with the Commission's report on the need to deal with the crisis by coordinating macro-economic strategy with structural policies; and by coordinating short-term measures with medium-term policies;
11. Stresses, however, the need to direct economic policy measures in a more specific and convincing manner towards the fundamental objective of halting the dramatic increase in unemployment and restoring the ability of the economic system to develop employment;
12. Is of the opinion that the Commission's proposals relating to short- and medium-term economic policy must not only be approved with this end in view but also supported with the maximum commitment on the part of the European Parliament through representations to the national governments and parliaments;
13. Considers in particular that the Commission, as the guardian of the Treaties, must show a firmer commitment in its efforts to obtain from the Council and the Member States genuine coordination and further convergence of their respective economic policies in conformity with the broad guidelines laid down in its document and more specifically in line with the guidelines defined by it in its communications to the Council on industrial policy, research policy, energy policy, investment policy etc.;
14. While supporting, as regards medium-term structural policies, many of the points made in the Commission's report, believes that it is also necessary to spell out the underlying strategy and to add a number of other recommendations;
15. Believes that the underlying strategy should be directed simultaneously towards measures to reduce the present rigidity in the economic structure of the countries of the Community and measures to promote actively employment and growth;

16. Believes in consequence that for the medium term, economic policy should concentrate on the following areas:
- measures to assist the adaptation of industry to modern technological and competitive development;
 - measures to improve the way in which public finance can contribute to economic restructuring;
 - measures to improve the operation of the labour market;
17. Believes therefore that the twin objectives of a lowering of inflation and of interest rates should be diligently pursued by the Member States according to their particular circumstances;
18. Agrees in particular, as regards measures designed to reduce structural rigidity, on the need:
- to reduce, by encouraging competition, intermediate costs and profits arising from monopoly positions;
 - to re-examine the social security systems which were designed in a macro-economic context of high growth, adjusting the volume of public expenditure devoted to social welfare and directing it more specifically towards helping the hardest-hit categories and towards programmes for retraining workers and creating new job opportunities instead of simply subsidizing unemployment;
19. Believes in the need to improve the level of professional training and retraining. Supports with particular conviction the proposals put forward by the Commission and approved by the Council which reaffirm the principle of the guarantee that all young people leaving school should be able either to continue their studies, or receive vocational training or acquire experience of working life.
- Considers that, in their professional training programmes, the Member States should orient young people towards sectors which have a promising future and avoid embarking upon systematic support policies which will not provide a long term solution to the unemployment problem;
20. Is disturbed by the development in recent years of a 'hidden' (or informal) economy which clearly signifies a growing disparity between the results of the play of market forces and all the constraints imposed by the different levels of authority. Considers that the necessary reduction in these disparities involves a reorientation of

public intervention to allow greater freedom of initiative and to give economic agents greater responsibility;

21. Considers that recovery of competitive and growth potential by the European economies requires:
- rigorous action by the Commission against any attempt to re-nationalize the domestic markets,
 - a systematic policy to restrain all production costs and remove excessive administrative or bureaucratic obstacles,
 - a broadly-based effort of restructuring to develop technologically advanced sectors of industry, the services sector and, above all, the telematics industry;

Short-term policy measures

22. Takes note, as regards short-term measures, of the Commission's recommendations to countries in which the financial imbalance is less severe, and to countries whose economies still manifest considerable monetary and financial disequilibrium;
23. Supports these recommendations, both where, in respect of the first group of countries, they call for lower interest rates and a budgetary policy which does not fully eliminate the increased deficit caused by recession; and where they stress the need, as regards the remaining countries, for rapid reduction of the high inflation rate and of the heavy external deficit by means of monetary containment and financial discipline;
24. Stresses, nevertheless, that the present decision-making machinery within the Council is not capable of ensuring genuine convergence of the Member States' economic policies and will therefore diminish the scope and effectiveness of the revitalization policies pursued in the first group of countries and may well increase the need for restrictive intervention in the second group;
25. Requests, in this connection, that the Commission make greater use of the power of recommendation granted to it under Art. 11 of the Council

Decision of 18 February 1974¹ where a Member State is pursuing economic, monetary and budgetary policies departing from the guidelines laid down by the Council;

Preservation and development of the internal market

26. Is convinced that the preservation and development of the European domestic market is a vital prerequisite if the present difficulties are to be overcome;
27. Warns the Member States against protectionist measures which will further hamper the free movement of goods and capital between the Member States;
28. Advocates on the contrary concerted action to open the domestic market, particularly in sectors which have an assured future, since the present persisting fragmentation of the Community into ten partial markets is an obstacle to investment and detrimental to the competitiveness of European companies;

European Monetary System

29. Notes that the European Monetary System, as it presently functions, does not provide either an adequate buffer against the fluctuations of the dollar or an instrument capable of ensuring a minimum of co-ordination in the economic policies of the countries which belong to it; it rather constitutes a mechanism for co-ordinating exchange rate adjustments in response to persisting inflation differentials;
30. Stresses that the EMS cannot in itself bring about sufficient convergence of the economies of the Member States while greater convergence will not automatically lead to a monetary system which functions satisfactorily; believes on the contrary that these two factors are interdependent and progress towards completion of the EMS will only receive the assent of the Member States if the necessary central political partnership for a central autonomous monetary authority can gradually be created; it is becoming essential to transform the ECU into a genuine payment instrument thus preparing for the transition to a new phase of the EMS enabling the latter to become a genuine European currency;

¹ See OJ L 63, 5.3.74

31. Regrets that, in the absence of effective and operative instruments, such as the European Monetary Fund and the ECU, the recommendations for convergence contained in the Commission's report are in danger of remaining, as has been the case heretofore, a dead letter;
32. Deplores the Council's inaction and the Commission's timidity in the face of a Community issue of such decisive importance and reaffirms its profound conviction that no strategy for coping with the crisis can achieve satisfactory results without an adequate degree of convergence of economic policies; points out at the same time that this cannot be achieved without creating genuine and effective instruments of Community control, such as those envisaged in the initial proposals for the European Monetary System; considers that the Community must give evidence of a creative and above all competitive spirit by setting up an ambitious programme for revitalization and development;
33. Is concerned, with regard to recent currency changes, that the speed of such changes - apart from reducing the efficiency of any regulation of the monetary system as a whole - may prove harmful to traditional currents of trade in agricultural produce and to farmers' incomes;
34. Instructs its President to forward this resolution to the Council and the Commission.