

CONCLUSIONS OF THE WERNER REPORT

The Council [of Ministers of the European Communities] on June 8-9 accepted the conclusions presented in the Group's interim report. The Group suggests that the Council endorse the contents of this report and approve the following conclusions:

A. Economic and monetary union is an objective that can be achieved during this decade, since the member states have the political will, expressed solemnly at the conference in The Hague, to achieve this objective. This union should ensure the Community's internal growth and stability and by making the Community a center of stability, enhance its contribution to world economic and monetary stability.

B. Economic and monetary union means that the main economic policy decisions will be made at Community level, and that the necessary powers will therefore be transferred from the national level to Community level. The transfer of responsibilities and the creation of corresponding Community institutions represent a process of basic political significance which entails steady growth in political cooperation. Thus, economic and monetary union emerges as a catalyst for the development of the political union which it cannot do without in the long term.

C. Monetary union implies, within it, the full and permanent convertibility of currencies, the elimination of margins of fluctuation in their exchange rates, the permanent fixing of their relations to parity, and the complete freeing of all capital movements. Within the monetary union, the national monetary tokens could be maintained, but political and psychological considerations militate for the adoption of a single currency which would guarantee the permanence of this undertaking.

D. On the institutional level, in the last stage, two Community bodies are indispensable: a center of decision for economic policy and a Community system of central banks. These institutions, while keeping the responsibilities that are proper to them, will have to have the power to make binding decisions and to work for the achievement of the same objectives. The center for economic decision will be politically responsible to a European parliament [with full parliamentary powers].

E. Throughout the entire process, as progress is made, Community instruments will be created to take over or to complete the national instruments' work. In every field, activities undertaken will be interdependent and will reinforce each other. In particular, monetary unification will have to be related to parallel progress in the correlation, then the unification, of economic policies.

F. Setting a precise and rigid timetable for the whole plan in stages does not now seem possible. Some flexibility must be kept so that modifications can be made in the light of experience acquired during the first stage. Particular stress should thus be put on the first stage, for which a set of concrete measures is presented. Decisions on the details of later stages and on the future timetable will have to be made at the end of the first stage.

G. The first stage will begin January 1, 1971, and will last three years. In addition to the actions approved by the Council in its June 8-9 decision, the following measures should be adopted.

1. Consultations before acting in the economic or monetary field will be obligatory; they will increase the work of Community bodies, particularly the Council and the Commission, as well as the Committee of Central Bank Governors. These consultations will deal primarily with medium-term economic policy, growth policy, budgetary policy, and monetary policy.
2. The Council will meet at least three times a year to adopt, on the basis of a Commission proposal, the general lines of economic policy at

Community level and the quantitative guidelines for the main items in the public budgets. Once a year, in the fall, recommendations for the Community's economic policy will be made in an annual report on the Community's economic situation. This report will be sent to the European Parliament and to the Economic and Social Committee; the member governments will bring it to the attention of the national parliaments.

3. To assure the effectiveness of the Council's work and to attain adequate coordination, arrangements will have to be made so that high level representatives of the governments and central banks can rapidly convene. These representatives could also hold prior consultations.

4. Before the adoption of the Community's general economic guidelines, consultations will take place between the Commission and the "social partners" [representatives of organized management and labor] by means of procedures still to be determined.

5. The member states will conduct budgetary policy in accordance with Community objectives. To this end, within the setting of the Council meetings mentioned in Paragraph 2, above, a Community review will be made before the governments adopt their final budgets. The national budgetary procedures will be synchronized. In the fiscal field, the harmonization mentioned in this report [harmonization of the value-added tax rate, taxes on capital movements, corporate taxes] will begin, and the integration of capital markets will be intensified.

6. The Committee of Central Bank Governors will play a more and more important role in coordinating monetary and credit policy. In particular, it will define the Community's general policy lines in this field. It will be able to address opinions and recommendations to the member countries' central banks and opinions to the Council and the Commission.

7. To strengthen the Community's solidarity on exchange rates, for a

trial period starting at the beginning of the first stage, the central banks are invited to keep exchange rate fluctuations between their currencies within narrower margins than the ones that apply to the dollar. As required by circumstances and the results of the harmonization of economic policies, additional measures could be taken. These measures would consist of moving from a system that exists in fact into a system existing under law, applicable to interventions in Community currencies and to successive narrowing of the margins of fluctuation between Community currencies.

8. Exchange rate activities will be facilitated by the intervention of an "agent" who would keep statistics and give out information and opinions.

9. Rapid harmonization of the instruments of monetary policy is necessary. That is why preparatory work in this field should be started as soon as possible.

10. The necessary revisions in the Rome Treaty to allow the achievement of full economic and monetary union should be started in time, during the first stage.

11. In the terms of Article 236 of the Rome Treaty, an intergovernmental conference will be convened, before the end of the first stage, in time to adopt the Treaty revisions necessary for the achievement of full economic and monetary union. The Council will hold a special meeting to assess progress made during the first stage and to set a program for specific action for the following years.

H. During the second stage, the activities undertaken during the first stage will be continued on a number of fronts and in more exacting forms: setting global economic guidelines; coordinating growth policies through monetary and credit policy and budgetary and fiscal policy; adopting Community structural policies; integrating capital markets, and eliminating progressively fluctuations

in the rates of exchange between the member countries' currencies.

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The Group hopes that the Council will approve the suggestions made in this report and that it will, on the basis of a Commission proposal, make the necessary arrangements to carry out this plan in stages, and before the end of the year those necessary to begin the first stage on January 1, 1971.

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