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## MOTION FOR A RESOLUTION

tabled by Mr MULLER-HERMANN, Mr KLEPSCH,  
Mr NOTENBOOM, Mr RIPAMONTI and Mr DESCHAMPS

on behalf of the Christian-Democratic Group

pursuant to Rule 25 of the Rules of Procedure

on the revival of economic and monetary union

D.2.1



## I Preamble

The proposal to establish an economic and monetary union made at the summit in the Hague in 1969 constitutes the most significant initiative in the process of Community integration. This objective must continue to be the focal point of the work of the Community's institutions.

The European Parliament has not missed a single opportunity of supporting efforts to achieve integration in economic and monetary fields. In particular, it has endorsed the Council's resolutions on the progressive realization of this union, as envisaged in the Werner Plan. It notes, to its regret, however, that despite the various proposals subsequently submitted by the Commission and despite the Tindemans report, insufficient progress has been made towards economic and monetary union. The same observation applies to the two Tripartite Conferences and the Fourth Programme on Medium-Term Economic Policy, which contains a large number of proposals, is associated only with the stage of realization.

The Community is at present contemplating further enlargement, a project which the European Parliament has endorsed on many occasions. It realizes that new responsibilities and considerable burdens will arise as a result of this enlargement, not only for the Community as a whole but for each individual Member State. In view of already existing Community problems and the specific problems of Member States the European Parliament feels that more progress should be made towards integration before any new Member States actually join the Community. The European Parliament therefore calls upon all the Community institutions to show a stronger sense of purpose by taking practical steps here and now to promote the achievement of European Union and in particular Economic and Monetary Union.

The European Parliament is alarmed to observe that the Community's economic difficulties, which are partly indicative of a state of crisis, are making the joint shaping of policies increasingly harder and encouraging countries to go their own way and adopt protectionist measures. This is contrary to the spirit and letter of the Rome Treaties. The European Parliament fully endorses the principles of a better international division of labour and a liberal trade policy based on fair reciprocal arrangements. It also urges that the Community make every possible effort in order to face the worldwide crises and to revive the economic growth in the world to provide specially the third world with adequate opportunities of development, in particular by ensuring that its markets remain accessible to products from third world countries. The European Parliament realizes that the pursuit of such a non-protectionist policy by the Community would make the restructuring of its economy to adjust to future requirements a matter of the highest priority.

Special efforts in the field of monetary politics are necessary regarding the common agricultural policy and in view of the special responsibility of the Community with its strong economic potential for the monetary order in the world.

In view of this twofold challenge the Community must recover its sense of unity and pursue a courageous and realistic policy. The European Parliament therefore welcomes the Commission's attempt in its 'Communication on the prospects for economic and monetary union' to the European Council of 5 and 6 October 1977 to revive economic and monetary union. It shares the Commission's view that the process of integration needs to be consolidated and vigorously continued.

The European Parliament therefore makes the following proposals in this resolution which relate to parallel action in the fields of economic and monetary policy. It hopes that the joint efforts of the Community's institutions will be crowned with more success in the future than in the past.

## II

### Towards a more positive policy for growth without inflation in the European Community

1. The declaration issued by the Heads of State and Government following their meeting in London on 11 May 1977 contains the following statement: 'Our most urgent task is to create more jobs while continuing to reduce inflation. Inflation does not reduce unemployment. On the contrary, it is one of its major causes.' In making this declaration the Community has set itself a clear joint objective. At the same time the content of the joint declaration provides justification for the assumption that common experiences will now lead to the drawing of common conclusions.

2. The European Parliament therefore calls on the Commission and the governments of the Member States to continue to combat inflation and to endeavour to maintain existing jobs and create new ones.
3. Community solidarity, so often invoked in the past, is faced with yet another test. The excessive imbalances within the Community must be purposefully eliminated if progress is to be made towards economic and monetary union. The European Parliament believes that this can be achieved only if the countries with fixed currencies and strong economic potential agree to aid measures and the transfer of resources and the countries with high rates of inflation and balance of payments deficits ensure, by making the necessary effort themselves, that this aid leads to their difficulties being overcome.
4. The European Parliament
  - Believes that only a policy which gives enough freedom to market forces will provide the dynamism necessary to create a climate conducive to renewed economic growth;
  - Sees a need for general policy measures of a regulative nature to enable industry, workers and consumers to plan for the future;
  - Points out that the recovery of investment necessary to check unemployment presupposes the re-establishment of a climate of confidence, a return to higher yields on capital and increased consumption;
  - Urges that efforts should be made to stabilize the production costs of undertakings and to boost productivity;
  - Recommends that demand should be purposively boosted but feels that all measures to reflate the economy, which may vary in scope and nature from one state to another, should be taken in a concerted global concept;
  - Recommends that specific incentives should be given to the tertiary sector and to small business, - specially by bringing technical know-hows to their disposition - which adjust easily to variations in demand, and by reason of its numerous independent forms in the Community, ensures variety and at the same time offers the individual an opportunity of personal fulfilment;
  - Feels that particular efforts should be made in development and research in industries of the future and to supply the necessary Community funds;

- Calls on the Council and Commission to make allowance for these requirements in framing the budgetary policy of the Community and that of the Member States, i.e. substantially to increase capital expenditure, especially in the economically weak regions, to increasing expenditure on development and research, to reduce the pressure of costs on industry by increasing investment capacity and profitability and by abandoning all measures which act as a disincentive to personal achievement.

5. The great strains placed on the social consensus by any form of self-discipline in any country are realistic only if they are accompanied by appropriate social compensation. Parliaments, and governments, workers and industrialists and their organizations must all be persuaded by

- broader participation in asset formation
- better training enabling workers to become more mobile
- the participation of workers in management decisions
- the humanization of working conditions and
- the extension and consolidation of social security systems

to take part in joint action to promote stability and safeguard jobs. All parties must realize that the reduction in the rate of inflation constitutes an effective means of increasing real incomes. Furthermore, governments of the Member States must make a contribution to the stabilization of costs by pursuing suitable fiscal policies.

6. The European Parliament feels it would be harmful if the Member States and the Community, which is itself heavily dependent on exports and, in view of its enormous economic potential, bears a large share of responsibility for development of the world economy, were to withdraw into a policy of protectionism.

In the opinion of the European Parliament

- the common external trade policy must be maintained and amplified;
- it is essential that the common external trade policy should, in accordance with the principle of reciprocity, bind all Member States of the General Agreement on Tariffs and Trade to uphold the principle of free access to markets and consequently to respect the role of competition as the main factor inducing greater prosperity. This implies the need for a non-protectionist trading policy towards both

developing countries and countries with other economic systems provided that comparable non-restrictive conditions are guaranteed by all parties concerned. The Community should use every opportunity provided within GATT to defend itself against dumping and discriminatory practices;

- it is of the utmost urgency, on account of the structural changes, which are evidenced for example in the current crisis in the Community's steel industry, textile industry and shipbuilding industry, that the Community define its position in the world, especially in the light of increasing competition from third world countries, and not retreat into a defensive sectoral policy;
- a comprehensive forward-looking industrial and commercial structural policy must be developed in order to facilitate the adjustment to future needs - which usually implies an increase in productivity - of economic sectors in danger and to encourage growth industries;
- expects the Commission, in the light of international fluctuations in demand and in the terms of competition, to produce an analysis of future prospects together with relevant conclusions.

### III

#### Towards a more positive policy to promote the integration of economic and monetary policies and the elimination of regional imbalances in the Community

7. The European Parliament, aware that in view of the divergent cost and price trends in the Member States it will be possible only in the long term to define a common economic policy for all Member States, calls on the Commission to implement the Council's 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' and the proposals from the Commission of 5 October 1977 (COM(77) 443 final) for the improved coordination of the economic policies of Member States of the European Community.

Therefore, for the guidance of all those involved in the economic process a coordinated Community definition of the objectives and general terms of national economic policies is indispensable. A useful foundation for this could be laid by introducing a standard forecasting system over a period of five years in each of the Community countries.

The European Parliament welcomes the Commission's idea, expressed in its document of 17 November 1977 (COM(77) 620 final), of carrying out an annual check on results and possibly making adjustments, within the

framework of a five-year action programme, in order to ensure that Community policy is brought into line with the necessary structural changes and that its objectives continue to be realistic.

All remaining obstacles to the creation of a uniform common internal market with complete freedom of movement for goods, services and capital should be eliminated. The European Parliament therefore calls for new efforts to achieve, by 1982,

- common company law
- common competition law to counteract an undesirable trend towards concentration and making mergers involving firms exceeding a given size subject to an approval procedure
- a far-reaching harmonization of taxation, especially Value Added Tax and
- a coordinated policy on the development of new energy resources and the more economic use of energy.

8. The European Parliament regrets that marked regional disparities still exist within the Community.

The European Parliament,

- Points out that this trend can only be halted by an effective regional policy conceived as a means of speeding up the development of particular regions and compatible with the industrial and commercial policy called for above;
- Recommends that in granting resources from the Social Fund greater account should be taken of regional policy considerations than hitherto especially to stimulate the enterprises in settling in structurally weak regions with a high rate of unemployment;
- Urges, therefore, that appropriations for the Regional and Social Funds should be increased and the activity of the European Investment Bank stepped up since this can specifically guarantee that the altogether welcome process of capital transfer will be effective;
- Considers it desirable for the European Investment Bank to mobilize more funds, through the recycling of capital, for regional development projects;
- Proposes that an institution should be set up - preferably alongside the European Investment Bank - to assist small and medium-sized undertakings by providing them with capital.



9. The European Parliament believes that the financial and budgetary policy of the Member States constitutes a crucial factor in the process of integration.

The European Parliament

- Advocates, therefore, the coordination of the Member States' budgetary policies, especially as regards the size of their deficits and their financing;
- Sees a need for agreement to be reached on the percentage of national income and revenue from the social security system which should go to the public authorities;
- Calls on the Council to ensure that jointly-established budgetary guidelines are attached to the draft budgets submitted to national parliaments;

IV

Towards a more positive monetary cooperation policy

10. A common monetary policy is essential if the lasting integration of the economic policies of the Member States is to be achieved.

The European Parliament takes the view that every time the governments of the Member States succeed in curbing inflation they are helping to avoid disturbances in the international monetary system and at the same time create favourable conditions for the realization of a common monetary policy enabling a lasting alignment of monetary parities.

The European Parliament

- Regards the continued existence of the currency snake, as the future cornerstone of monetary union, as absolutely essential;
- Is of course aware that a return to fixed exchange rates is no more than a distant prospect. The return to fixed exchange rates within the Community, however, is still a Community task which must not be neglected, especially in connection with the problem of farm prices;
- Considers it desirable for those Member States outside the snake and the Commission to be brought into the discussions held by those inside the snake with a view to closer alignment at a subsequent stage;
- Recommends that the Community should draw up a list of rules and obligations in the matter of foreign exchange policy which each of the Member States should eventually approve;

- Advocates further consideration of the Duisenberg proposals, which are based on the concept of rules governing floating and target zones for exchange rates;
- Urges that exchange rate policy should be regarded as a matter of common interest (Art. 107 EEC) and that it should be the subject of regular discussion - especially before any modification of exchange rates;

13. The European Parliament welcomes the decision taken at the last meeting of the Council of Finance Ministers to increase medium-term currency support and to extend the Community's power to negotiate loans. It urges that financial aid should be granted only on condition that the Member State adheres both to jointly-established general economic and monetary objectives and to specific instructions and that compliance with conditions is controlled more stringently in order thus to ensure greater convergence of economic policies.

11. The European Parliament is convinced that effective cooperation in monetary policy presupposes stricter supervision of Member States' money supply policies. Common principles and guidelines on money creation must gradually be defined and eventually made binding in order, principally, to prevent the inflationary financing of Member States' budgets.

The money supply should be allowed to expand at a rate reasonably consistent with the increase in production potential and with the unavoidable rate of inflation.

12. The European Parliament

- Calls for a new impetus for the European Monetary Cooperation Fund;
- States the principle that the monetary fund with Board of Directors must function independently but in the scope of the general economic policy;
- Urges that the monetary fund, which is administered by the governors of the central banks - acting independently in the context of general economic policy - establish priorities at Community level for monetary and credit policy, though harmonization need not initially be taken as far as complete standardization;
- Believes that this monetary fund should also be responsible for the clearing and coordination of intervention in the event of fluctuations of currencies of third countries;
- Urges the implementation of the Commission's proposals of 12 December 1974 which recommend the central coordination of Member States' monetary policies within the framework of the monetary fund.

#### IV Conclusions

14. The European Parliament's proposals are guided by the belief that the Community's difficulties - inflation, unemployment, stagnant growth and balance of payments deficits - can be overcome and at the same time positive progress - if only in stages - towards economic and monetary union can be achieved only by means of careful and forward-looking coordination of Community measures and not by a plethora of separate and independent actions.
  
15. The European Parliament sees no reason for the resignation and apathy which have become so widespread. However, the citizens of the Community, and in particular its young people, would be entitled to feel disappointed if the responsible Community institutions - especially before the forthcoming direct election of the European Parliament - were to slacken their efforts to put the necessary measures into effect. The European Parliament recommends the Council and Commission to supplement their political efforts with a special action programme designed to make the Community's citizens even more aware than hitherto of their increasing geographical mobility and showing how national frontiers have been overcome in everyday life.

