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Rapid Information Note

Subject: Council and Commission statements and debate on Economic and Monetary Union

A lengthy and detailed debate on the progress of negotiations on Economic and Monetary Union took place in Parliament on 23 October, following statements by President-in-Office Winn KOK and President DELORS. The debate was closed by Vice-President CHRISTOPHERSEN. The chief parliamentary preoccupations to surface concerned: the imbalance with economic and social cohesion; the degree of economic convergence and the definition of conditions for transition to Stage III; the linked point of the possibility of a "two-speed" system; flexibility and discipline over budgetary deficits; assuring parliamentary information and accountability.

Maastricht, Mr KOK pointed out, was just seven weeks away, and many major decisions remained to be taken. After painstaking consultation and the search for a largest possible consensus, the Dutch Presidency would present a new draft non-paper in the last week of October. The informal Apeldoorn ECOFIN Council had achieved broad consensus on Stage II: no cession of monetary authority; stress on economic and monetary convergence (all Member States should now be completing the groundwork for Stages II and III); creation of a European Monetary Institute (EMI) to coordinate monetary policy, overview the EMS and prepare the ECU. Before the end of 1996 the Commission and the EMI would report to ECOFIN which would in turn report to the European Council on the preparedness for transition to Stage III. Mr KOK stressed that although convergence criteria would be objective, deliberations would not be mechanical and based on three guiding principles of no veto, no obligation, and no arbitrary exclusion. Derogations would be foreseen for those Member States unable to participate immediately in Stage III, but their ultimate entry would be judged by the same objective criteria. Member States unable to cede full monetary authority to the European Central Bank (ECB) would have no vote.

A number of major political issues were addressed at the latest (7 October) IGC, still others remained. How would reference values be addressed in the Treaty and its preambles? How would excessive budgetary deficits be curtailed. There was agreement the ECU should be strengthened but two schools of thought; either frozen in its current composition or irrevocably

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Copy: Members of the Commission
Directors General

linked to the strongest currency in the basket. On institutional issues there was clear linkage with the Political Union IGC, and much fleshing out to be done on the constitution of the ECB and its links with the other Community institutions and above all the Parliament. A system of subtle checks and balances would need to resolve the balance between democratic control and ECB independence, and the EMU IGC could not answer all these questions. There was no consensus among Member States over executive decisions and the role of the European Parliament. The Presidency would make proposals but these inevitably would be disliked. Similarly, the Commission's right of initiative would have to be safeguarded, but the ECB might have to share that right in certain circumscribed circumstances.

President DELORS underlined four points: the parallelism between economic and monetary union; the conditions for transition to the final stage; the conception of the transition between the first and third stages (Stage II and the role of the ecu); the institutional schema. Certain delegations had heavily emphasised the importance of parallelism. A fully independent ECB with its considerable powers would face governments responsible for macro-economic policy. President DELORS called for a substantial economic counterpart, both in macro-economic policy cooperation, and in the consistency of budgetary and competition policies. But balance should not be restricted to money, on one hand, and public deficits on the other. Could the same criteria be used to judge the deficits of a mature economy and that of a developing country? President DELORS called for a global, not solely arithmetical appreciation of deficits; i.e. qualitative and not purely quantitative criteria. The ensemble of economic policy instruments should be considered.

The transition to the final stage presented similar problems. Should there be only objective criteria or, in the spirit of the Rome Council, more general considerations? In calling for political considerations to be taken into account, President DELORS was reassured by the knowledge that transition to the final stage would take place by qualified majority. The simplest solution for those countries requiring a transitional period would be for them to appoint a non-voting member to the governing board of the ECB.

President DELORS insisted that the first stage, already begun, should be characterised by strong convergence, hence Vice-President CHRISTOPHERSEN's plan for convergence programmes. The Commission favoured a relatively brief Stage II during which the ECB would be established before effectively taking up its powers. This solution had however not met with the agreement of some Member States and the compromise solution of a European Monetary Institute had been preferred. While doubting its usefulness, President DELORS could accept the idea as long as it was a true institution (with statutes and aims written into the Treaty) capable of contributing to the transition to Stage III, and not a substitute for the Committee of Central Bank governors. The Commission shared Parliament's view that much remained to be done in strengthening the ecu in the world money markets. The Commission favoured freezing the ecu at the beginning of Stage II.

Lastly, in the context of the institutional schema, President DELORS envisaged pluri-annual orientations on economic and social development by the European Council, with finance ministers replacing foreign ministers, and Parliament debating the orientations before final decisions were taken. The Commission would keep its right of initiative, and the Parliament would be informed and consulted on all matters. President DELORS felt that the cooperation procedure should be applied to each legislative text in the economic and monetary domain.

Mr METTEN (SOC/NL) emphasised economic and social cohesion and warned against restrictive economic criteria for the transition to Stage III. Broader political criteria should be included and redistributory mechanisms established. The current negotiations revealed a serious imbalance, with concentration on monetary aspects and negligence of economic policy. There was a lack of democratic accountability in the structure as currently envisaged. The Socialist Group was in broad agreement with the consensus that had emerged from Apeldoorn, but the fact that so few Member States currently seemed likely to be able to meet the convergence criteria raised the question as to whether multilateral surveillance was working. The Group preferred the "no-devaluation" option for the ecu.

Mr GISCARD D'ESTAING (LIB/F) pointed out that in a Community likely to be more diverse through impending enlargements, economic and monetary union could be, through economic discipline and political innovation, a powerful unifying factor. Mr GISCARD D'ESTAING made four recommendations: respect the envisaged timetable; make the EMI into the embryo of the future ECB; progressively give the ecu the characteristics of a European money; and ensure that no veto could block the passage to the third stage. On the ecu, he pointed out that the two options mentioned by Mr KOK were not choices but complementary; an ecu in which the percentages were frozen would still require a further decision to register only future re-valuations and no devaluations.

Mr BEUMER (EPP/NL) called for the greatest possible EMI autonomy in Stage II; that the ecu should be the sole money; that Parliament should enjoy co-decision powers on economic orientations, recommendations to Member States, and the governors of the ECB.

Mr PATTERSON (ED/UK) expressed the hope that the United Kingdom government, whatever its political composition, would see the logic of not losing its vote and pay the price of a "first class ticket", a "price" it could increasingly afford.

Mr HERMAN (EPP/B) found current non-paper drafts for the transition to Stage III unacceptable because the let-out clause would erode the ecu's credibility. He found it unacceptable that one Member State should be able to hold the others hostage. He warned against creating a new intergovernmental economic power structure that would "slide" monetary union out of the Communit orbity. He expressed fears that the EMI would be but a fig leaf for the Central Bank governors.

Mr SPECIALE (GUE/I) warned against the dangers of creating two speeds, underlined unresolved problems such as fiscal policy, criticised the lack of emphasis on economic and social cohesion, agreed on the need to give the EMI real substance and on the importance of true convergence in Stage I.

In a debate lasting three hours in all and involving 30 more speakers the chief recurrent themes were: fears about the effects of monetary union and hence calls for economic and regional policies; fears about the criteria for the transition to Stage III and hence calls for the elaboration of more general political considerations on convergence; arrangements for budgetary deficits; ensuring parliamentary control.

Closing the debate, Vice President CHRISTOPHERSEN insisted that all Member States must prepare for Stages II and III, but he agreed with Mr PATTERSON that participation in the process itself brought about convergence. The criteria were not static; rather, it was a matter of enough countries moving in the right direction at the right speed. The

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Commission was preparing a programme to encourage and promote the use of the ecu and would be making proposals after Maastricht. He stresed that there was no inherent contradiction between economic convergence and social cohesion and reminded Parliament that strengthening economic and social cohesion was on the agenda of the political union IGC. He reassured Parliament of the Commission's wish to see Parliament's role enhanced.

Having voted down several Green Group amendments, Parliament adopted a resolution by a large majority. The resolution, a copy of which is annexed, welcomes the consensus reached at Apeldoorn while underlining unity of the Community institutions and calling for enhanced parliamentary control, reluctantly accepts the concept of an EMI provided it enjoys sufficient autonomy and substantial powers, and recommends a number of measures and conditions to be met during Stage II. The resolution also contains several clauses devoted to the transport and tourism volets of the IGCs.

Annex: Resolution as voted.

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J.F.

8. ECONOMIC AND MONETARY UNION

B3-1712/91

RESOLUTION

on the proposal of the Netherlands Presidency of the Council to the Intergovernmental Conference on Economic and Monetary Union

The European Parliament,

- having regard to its resolutions of 16 May 1990[1], 10 October 1990[2] and 14 June 1991[3] on Economic and Monetary Union,

- having regard to the final declaration of 30 November 1990 of the Conference of Parliaments of the European Community in Rome,

- having regard to the conclusions of the European Councils, in particular those of 27 and 28 October 1990 and 14 and 15 December 1990,

- having regard to the proposals presented by the Commission, the national governments and the Dutch Presidency on the draft treaty for the establishment of Economic and Monetary Union,

A. whereas the preamble to the EEC Treaty contains an undertaking by the Member States to strengthen the unity of their economies and ensure their harmonious development,

B. whereas the credibility of Economic and Monetary Union will depend on its contribution to the general improvement of the well-being of the peoples of the Community,

C. having regard to the lack of progress in economic convergence due to failure to use the instruments provided for multilateral surveillance,

Institutional aspects

1. Recalls its resolutions of 10 October 1990 and 14 June 1991 in which it states that, in order to ensure the progressive realization of Economic and Monetary Union, the requisite measures in the monetary sphere (emission of the ECU, the statutes of the European Central Bank, etc.) and in the economic field (economic and social cohesion, the multiannual economic policy guidelines, etc.) must respect the unity of the Community institutions and involve the participation of the European Parliament on an equal footing with the Council;

2. Recalls that, in accordance with the above resolutions, appointments to the Board of Directors of the Central European Bank must receive the assent of the European Parliament;

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[1] OJ No. C 149, 18.6.1990, p. 66
[2] OJ No. C 284, 12.11.1990, p. 62
[3] Minutes of that date, Part II, Item 3

3. Stresses the principle of concurrent development of Monetary Union and Economic Union and the need for significant progress in the social field and on the environment;

4. Calls for the decision-making procedure to apply the following three principles for the transition to the third phase:

   (a) no Member State may be forced to take part against its will,

   (b) no Member State may oppose the transition to this phase but certain Member States may, where they so request and taking account of their specific situation, be granted longer time-limits enabling them to meet the conditions of EMU,

   (c) no Member State may be excluded from taking part in the third phase provided it undertakes to accept all the relevant obligations laid down on the basis of jointly agreed criteria;

5. Welcomes the consensus reached at Apeldoorn to abandon the idea of a two-speed Economic and Monetary Union proposed by certain parties;

<u>The transitional period</u>

6. Approves the conclusions of the European Council of 27 and 28 October 1990 regarding a short transitional period commencing on 1 January 1994 during which the European Central Bank would be created; the fully operational state of the Bank should mark the beginning of the third stage of EMU;

7. Could accept the creation of a European Monetary Institute during the second phase if it proves impossible to establish a Central Bank rapidly, provided that such an institute were given sufficient autonomy and independence to prepare for the entry into force of the future European Central Bank and that it assumed the tasks relating to the completion of the second phase, namely, promotion of the ECU, prudential supervision of banks, coordination of exchange-rate policies in respect of third currencies and the proper functioning of the internal payments system;

8. Believes that during the transitional period the following objectives should be actively pursued:

   (a) full involvement of the European Parliament in decision-making,

   (b) real and nominal convergence of the economic development required to ensure that the advantages of Economic and Monetary Union will be accessible on an equitable basis to all the countries and regions of the Community,

   (c) the achievement of a common accord on national accounting conventions necessary for the operation of Phase 3, such as definitions of budgetary deficits and public debt,

   (d) a procedure based on majority decisions, based on jointly agreed transparent and objective criteria, for ascertaining the existence of this convergence before going on to the final stage,

(e) continuity between the present ECU and the single currency by means of a programme to encourage the use of the ECU involving measures aimed at eliminating administrative, legal and technical barriers and through the non-devaluation of the ECU in respect of the strongest Community currency;

(f) the implementation of economic cohesion policies and social policies which must become a fundamental element of the reform of the Treaties and to which strong stimulus will have to be given in future,

(g) the decision by all the Member States to accord their own national banks the necessary autonomy to facilitate monetary convergence at European level;

9. Will not be able to approve the results of the Intergovernmental Conference on EMU if these diverge significantly from Parliament's positions as set out in its resolutions of 10 October 1990 and 14 June 1991, in particular as regards democratic control;

Transport and Tourism Policy

10. Recalls its resolution of 22 November 1990 on the Intergovernmental Conferences in the context of the European Parliament's strategy for European Union[1] which proposes a number of amendments to the Treaty in the field of transport, notably the application of joint decision-making in all areas and Community powers to adopt positive measures in the field of transport safety, structural policy (to promote the competitiveness of undertakings) and transport infrastructures by setting up a common fund, a Community maritime shipping register and a European civil aviation authority;

11. Considers that such proposals constitute a minimum prerequisite for pursuing the objectives of a common transport and tourism policy and calls on the Intergovernmental Conference on Economic and Monetary Union to adopt such proposals;

12. Recalls the decisions contained in its resolutions of 13 December 1990 on a Community tourism policy and the European Year of Tourism (1990)[2] and of 11 June 1991 on the common transport policy[3] seeking to include a Community tourism policy in the Treaty;

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13. Instructs its President to forward this resolution to the parliaments and governments of the Member States, the Intergovernmental Conferences and the Commission.

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1 OJ No. C 324, 24.12.1990, p. 219

2 OJ No. C 19, 28.01.1991, p. 238

3 Minutes of that date, Part II, Item 6