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REPORT

of the Committee on Economic and Monetary Affairs and Industrial Policy

on Economic and Monetary Union

Rapporteur : Mr F. HERMAN

- A : MOTION FOR A RESOLUTION -

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Or. FR

A Series: Reports - B series. Motions for Resolutions, Oral Questions. - C Series Documents received from other Institutions (e g. Consultations)

*	= Consultation procedure requiring a single reading	**II	= Cooperation procedure (second reading) which requires the votes of the majority of the Members of Parliament
**I	= Cooperation procedure (first reading)	***	= Parliamentary assent which requires the votes of the majority of the current Members of Parliament

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By letter of 27 September 1989 the Committee on Economic and Monetary Affairs and Industrial Policy requested authorization to draw up a report on Economic and Monetary Union.

At the sitting of 12 February 1990 the President of the European Parliament announced that the committee had been authorized to report on this subject and that the Committee on Regional Policy and Regional Planning and the Committee on Budgets had been requested to deliver opinions.

At its meeting of 1 February 1990 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Herman rapporteur.

At the sitting of 16 May 1990 the European Parliament adopted an interim report (Doc. A 3-99/1990).

At its meetings of 16 and 17 July 1990 and 19, 20 and 21 September 1990 the committee considered the draft report.

At its meeting of 20 September 1990 it adopted the motion for a resolution with 3 votes against.

The following took part in the vote : Beumer, chairman; Herman, rapporteur; P. Beazley, Bernard-Reymond, Cassidy, Colom I Naval, Cooney (for Friedrich), Cox, Cravinho, De Piccoli, Domingo (for Speciale), de Donnea, Donnelly, Dury (for Fuchs), Ernst de la Graete, Falconer (for Barton), Fitzgerald (for Lataillade), Glinne (for Mihr), Hoff, Hoppenstedt, Izquierdo Rojo (For Bofill Abeilhe), Lulling, McCartin (for Gallenzi), Merz, Metten, Patterson, Peter (for Ford), Pinxten, Porto, Read, Riskaer Pedersen, Rogalla, Sboarina, Sisò Cruellas, A. Smith, Stevens, Titley, Tongue, Van Hemeldonck, van der Waal and von Wogau.

The opinion of the Committee on Budgets is attached; the opinion of the Committee on Regional Policy and Regional Planning will be published separately.

The report was tabled on 25 September 1990.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A

MOTION FOR A RESOLUTION

on Economic and Monetary Union

The European Parliament,

- having regard to its resolution of 16 May 1990 on the interim report of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A 3-99/90),

- having regard to Rule 121 of the Rules of Procedure,

- having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinions of the Committee on Budgets and the Committee on Regional Policy and Regional Planning (Doc. A3-223/90),

A. whereas the preamble to the EEC Treaty contains an undertaking by the Member States to ensure the harmonious development of their economies by reducing the differences existing between the various regions in the Community and the backwardness of the less-favoured regions,

B. whereas the Single Act stresses the need to reinforce economic and social cohesion,

C. whereas the credibility of Economic and Monetary Union will depend on its capacity to bring about a general improvement in the wellbeing of the nations of the Community, including the attainment of the goals outlined above,

1. With a view to the establishment as rapidly as possible of an Economic and Monetary Union between all the Member States of the Community, submits to the participants in the Intergovernmental Conference convened for that purpose for their consideration the amendments that should be adopted to the Treaty of Rome, and in particular to Article 102a thereof as regards Monetary Union and Articles 103, 104 and 105 as regards Economic Union, without prejudice to any other modifications which may be necessary, especially with regard to Title V of the Single European Act and the Community budgetary provisions.

Title II of the Treaty

ECONOMIC AND MONETARY POLICY[1]

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[1] The participation of Parliament in the legal process outlined in this report in respect of Articles 102a to 105 and 130a to 130e shall be on the same lines as those proposed by the Martin report for the joint decision-making procedure.

With regard to the appointment procedures (see Article 10) the procedure specified in this report shall be applied.

Article 102a

ECONOMIC AND MONETARY UNION

In order to ensure the convergence of Economic and Monetary policies which is necessary for the further development of the Community, Member States shall strengthen their cooperation in the framework of the Community in accordance with the objectives of Article 104.

In this connection, the Council shall, acting by a qualified majority on a proposal from the Commission and with the assent of the European Parliament, adopt measures to phase in Economic and Monetary Union.

Article 102b

Article 1

The Community shall adopt measures to phase in Economic and Monetary Union over a period ending on 31 December 1995.

However, after deliberations in the European Council and in accordance with the procedure laid down in Article 2, certain Member States may be granted, at their request and in the light of their specific situation, longer time-limits for the adoption of certain provisions relating to Monetary Union.

Monetary Union shall imply the circulation of a single currency, the conduct of a single external and internal Monetary policy and the establishment of a European system of central banks, including an autonomous European Central Bank.

Article 2
ECU

The monetary unit of the Community shall be the ECU. Its legal status and the conditions and procedures for its issue shall be governed by regulation of the Council, acting by a qualified majority on a proposal from the Commission and after receiving the assent of the European Parliament acting by an absolute majority of its members.

Article 3
The European Central Bank

The European Central Bank, a public institution constituted under Community law and enjoying legal personality and financial autonomy, shall be governed by the statutes adopted in accordance with the procedure laid down in Article 2.

It shall issue ECUs under the conditions laid down by the same procedure. In each of the Member States the Bank shall enjoy the widest legal capacity granted to legal persons under national law.

Article 4
Basic tasks

Within the framework of the objectives of economic and social policy laid down by the Council and Parliament, the European Central Bank shall implement an internal and external monetary policy the objective of which is monetary stability.

It shall manage exchange rates and foreign exchange reserves in accordance with the guidelines laid down in cooperation with the Council.

It shall ensure the smooth functioning of currency markets and payment systems.
To that end, it shall contribute to the smooth functioning of financial markets.

Article 5
Related tasks

In addition to the basic tasks provided for in the preceding article, the Bank shall:

1. Coordinate the supervision of credit institutions having their seat or branch in the Community. It shall interpret and implement the relevant Community legislation.

2. Implement agreements binding on the Community in the monetary and credit sphere. It shall be involved in the conduct of external relations in its sphere of activities. By decision of the Council, subject to the assent of Parliament, the Bank may be authorized to conclude agreements binding on the Community in the monetary sphere. The Bank shall represent the Community in international monetary organizations.

3. Advise the Commission on any legislative proposals which that body may make concerning monetary, banking or financial matters.

The Bank may deliver opinions to any Community or national authority on matters falling within its sphere of responsibility.

4. Collect information and compile statistics, either from national or Community authorities or international bodies, or directly from economic operators, in the areas falling within its sphere of responsibility.

5. Undertake any other task allotted to it under Community law.

Article 6
Autonomy of the European Central Bank.

The Bank shall act independently. It may not request or receive instructions from Community institutions, national governments or any other body.

Pursuant to its task of maintaining monetary stability, the Bank shall be required to observe the economic and social policy guidelines drawn up by the Community institutions in accordance with the objectives laid down in the Treaty.

Article 7
Decisions of the Bank

In the performance of its tasks, and in accordance with the stipulations of this Treaty, its statutes or any other act of Community legislation, the Bank shall take general or specific decisions which shall be binding in all respects and directly applicable.

The general decisions shall be published in the Official Journal of the European Communities. The other decisions shall be notified to the public authorities and economic operators to whom they are addressed.

Without prejudice to the sanctions applied in the Member States, the Bank shall impose appropriate, non-penal sanctions in the event of any violation of its decisions in accordance with the conditions laid down by Community law.

The arrangements laid down by Articles 190 to 192 of the Treaty establishing the EEC in respect of regulations, directives and decisions of the institutions shall be applicable to the decisions of the Bank.

Article 8
Cooperation between central banks

The Bank shall take the necessary steps to organize cooperation between the central banks of the Member States.

National central banks shall be subject to the authority of the Bank to the extent required by the latter's exercise of its powers in the monetary sphere.

The Bank may make the actions taken by national central banks in this sphere subject to its prior agreement in accordance with rules which it shall determine.

The Bank shall take the measures needed to ensure compliance by national banks with Community requirements in respect of matters falling within its sphere of responsibility. All appropriate information shall be forwarded to it.

The Bank may delegate the performance of certain tasks to one or more national central banks in accordance with conditions which it shall lay down.

The Bank shall ensure that expenses incurred by national central banks in meeting obligations in pursuance with the provisions of this article are covered.

Article 9
Organs of the Bank

The Bank shall be chaired by a Governor responsible for day-to-day management.

The Bank shall be administered by a Board of Directors.

The basic guidelines shall be laid down and the general decisions taken by a Governing Council which may delegate specific powers to the Board of Directors.

Article 10
The Governor and the Board of Directors

The Board of Directors shall be chaired by the Governor. It shall comprise, in addition to the Governor, the Deputy Governor and between three and five Directors. The duration of their terms of office, the conditions governing the performance of their duties and the sanctions penalizing failure to comply with these conditions shall be laid down in the Statutes of the Bank. The Board shall be appointed as follows. The Commission shall make a proposal having received the opinion of the Bank, which shall remain confidential. Prior to being forwarded to the Council, the proposal must receive Parliament's assent. If Parliament gives its assent to the appointment, the Council may act by a qualified majority. If Parliament does not give its assent, a fresh procedure shall be initiated. For the initial appointments, the opinion of the Bank shall be replaced by that of the Committee of Central Bank Governors.

Article 11
Governing Council of the Bank

The Governing Council of the Bank shall comprise the members of the Board of Directors along with the central bank governors from the Member States of the Community and the Director-General of the Luxembourg Monetary Institute.
It shall be chaired by the Governor of the Bank.

Decisions of the Governing Council shall be adopted by a majority of the votes of the Central Bank Governors, each of whom shall have one vote.

The Governing Council of the Bank shall take decisions on the basis of proposals from the Board of Directors, which it may also amend.

The Governing Council may only make amendments to a proposal by the Board of Governors subject to the agreement of the Board acting by a majority decision, the Governor having the casting vote.

Article 12
Judicial review

The actions of the Bank shall be subject to review by the Court of Justice in accordance with the conditions governing the review of the legality of acts of the Community Institutions and, in the event of failure to act, by Articles 173, 175 and 177 of the Treaty establishing the EEC.

The liability arrangements applicable to the Bank shall be those laid down by Article 215 of the EEC Treaty.

Article 13
Interinstitutional cooperation

The Commission shall appoint a delegate authorized to participate in the deliberations of the Governing Council of the Bank.

The delegate may put questions to the Governing Council. He shall express the opinion of the Commission. He shall not take part in votes.

The Governor of the Bank shall each year submit a report to Parliament on the accomplishment of the Bank's tasks and on policy for the coming year in the light of Community economic policy.

Parliament may invite him to comment on this report in plenary. The Governor shall be heard by the committee responsible of the European Parliament on a half-yearly basis, or whenever a hearing is justified by important events.

Article 14

The capital of the Bank, the procedures for its subscription, the list of subscribers and the distribution of profits shall be laid down in the Statutes.

Article 15
Privileges and immunities

With regard to privileges and immunities, the arrangements enacted for the institutions of the Communities by the Protocol on the Privileges and Immunities of the European Communities shall apply to the European Central Bank itself, the members of its organs and its staff and the persons participating in its work.

The Bank shall be solely liable, where appropriate, solely to taxes levied by the Community.

Article 16
Phasing-in of Monetary Union

Following deliberations in the European Council, the measures to phase in Monetary Union during the transitional period shall be adopted in accordance with the procedure laid down in Article 2.

The Statutes of the Bank shall lay down the conditions for the gradual transfer and remuneration of the reserve assets of national central banks.

Article 17
Cooperation Agreements

States which are not members of the European Community may enter into cooperation agreements with the European Central Bank.

Title II of the Treaty, Chapter II

ECONOMIC UNION (comprising Articles 103 to 105 as amended)

Article 18

Article 103 of the Treaty shall read as follows:

1. Member States shall regard their conjunctural policies as a matter of common concern and as falling within the Community's terms of reference.

2. Without prejudice to any other procedures provided for in this Treaty, the Council may, acting by a qualified majority on a proposal from the Commission, and with the assent of Parliament, decide upon the measures appropriate to the situation.

3. The Commission shall submit to the Council an overall proposal with a view to providing the Community budget with the own resources required :

- to bring about financial equalization by means of earmarked allocations in accordance with the objectives laid down in Article 130a of the EEC Treaty;

- to stabilize the economy as a whole.

With a view to correcting macroeconomic imbalances, the Community shall be granted a restricted borrowing ceiling which shall not exceed the volume of Community investments.

The overall proposal shall embrace all proposals made for the levying of Community taxes.

4. If Parliament gives its assent to the overall proposal, the Council shall act by a qualified majority. If not, the Council shall act unanimously.

The relevant measures shall come into force at the latest by the end of the first phase of Economic and Monetary Union.

Article 19

Article 104 of the Treaty shall read as follows :

1. Each Member State shall pursue the economic and social policy needed to ensure the smooth functioning of Economic and Monetary Union while taking care to maintain a high level of employment, a stable level of prices and a high degree of social and regional cohesion in the Community, thus making it possible to reconcile a viable Economic and Monetary Union with ecologically sustained economic development.

2. The economic and social cohesion of the Community referred to in Title V shall be a fundamental element of the construction of Economic and Monetary Union in such a way that both the Member States and the Community shall conduct and coordinate their economic policies so as, in addition, to attain the objectives laid down in Article 130a to e through ensuring an equitable spread of the welfare gains arising from the implementation of common policies, the internal market and Economic and Monetary Union.

Article 20

Article 105 of the Treaty shall read as follows:

With a view to facilitating the achievement of the objectives set out in the previous article, the Member States shall agree to establish three new specific instruments for cooperation:

1. On the basis of a global assessment of economic trends in the Community and its Member States, the Commission shall propose guidelines for multiannual economic policies. These guidelines shall set general economic objectives for the Community and shall indicate the means for achieving them. Reference shall be made to public finance policies, labour market trends and national structural policies.

These guidelines shall be submitted to Parliament and ratified by a majority decision in Council if Parliament delivers its assent, or by a unanimous decision of the Council if Parliament withholds its assent. Parliamentary assent shall be delivered by the European Parliament acting by an absolute majority of its Members.

2. To ensure compliance with these guidelines, the system of multilateral surveillance of economic policies introduced by Council Decision 90/141/EEC shall be extended to all aspects of economic policy which have a direct impact on the functioning of the Economic and Monetary Union and shall be strengthened by appropriate means of exerting pressure, including conditional recourse to the mechanism provided for in Paragraph 3.

Under this system, the Member States shall undertake to refrain from financing budget deficits and shall deny the national authorities any privileged access to the capital markets for the placement of public securities. They shall also agree that, in the event of excessive imbalance, the national debt of an individual Member State shall not be eligible for any unconditional guarantee from either the Community or another Member State. They shall also undertake to comply with any recommendations issued by the Commission and the European System of Central Banks concerning their indebtedness in a third currency.

3. In the event of major economic difficulties, or if the convergence of economic policies requires certain Member States to implement adjustment measures which exceed their normal capacities, the latter may have recourse to a separate financial support mechanism which may take the form of either a subsidy from the Community budget or loans from a Community financial instrument. The conditions and procedures for this support shall be determined by the Council, on a proposal from the Commission consistent with the multilateral surveillance of the budget deficit.

Article 21

All Community legislation necessary for the completion of Economic and Monetary Union shall henceforth be subject to the procedure laid down in Article 100a; this includes fiscal harmonization and the free movement of persons.

Article 22

The system of Community own resources and the financial responsibilities of the institutions must be adjusted in line with the requirements of Economic and Monetary Union. The Commission may propose new own resources and, after Parliament has given its assent, acting by an absolute majority of its Members, the Council of Ministers may adopt them by a unanimous decision. Community loans shall in future be entered in the budget and subject to the approval of the two arms of the budgetary authority. Following the completion of Monetary Union and the issuing of a single currency, the financial benefits deriving from the privileged status of an international reserve currency shall accrue to the Community budget.

Article 23

Article 130a of the Treaty shall read as follows :

In order to promote real as well as nominal economic convergence and its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.

In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions.

Article 24

Article 130b of the Treaty shall read as follows :

Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 130a. The implementation of the common policies, of the internal market and of Economic and Monetary Union shall take into account the objectives set out in Article 130a and in Article 130c and shall contribute to their achievement. The Community shall support the achievement of these objectives by the action it takes through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section, European Social Fund, European Regional Development Fund), the European Investment Bank and other appropriate financial instruments and means.

Article 25

Article 130c of the Treaty shall read as follows :

Such funds, as referred to in Article 130b, are intended to help redress the principal regional and social imbalances in the Community.

Article 26

Article 130d of the Treaty shall read as follows :

Once the new treaty (on Economic and Monetary Union) enters into force and as it prepares to enter the final stage of Economic and Monetary Union, the Council, acting by a qualified majority and with the assent of the European Parliament, which shall act by an absolute majority of its component members, on a comprehensive proposal from the Commission, shall decide on the budgetary and financial measures and instruments necessary to contribute to the achievement of the objectives set out in Articles 18 to 22 and 130a to 130e.

Article 27

Article 130e of the Treaty shall read as follows :

After adoption of the decision referred to in Article 130d, implementing decisions relating to the structural Funds and other appropriate financial instruments shall be taken by the Council, acting by a qualified majority on a proposal from the Commission and with the assent of the European Parliament,which shall act by an absolute majority of its component members.

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2. Instructs its President to forward this resolution to the Commission, the Council and the Member States.