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Report

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

on the Communication from the Commission to
the Council on the economic situation in the
Community, in accordance with Article 2 of the
convergence Decision of 18 February 1974
(COM(84) 108 final)

Rapporteur: Sir Brandon RHYS WILLIAMS

PE 90.046/fin.
Or En

By letter of 7 March 1984 the Commission of the European Communities forwarded to the European Parliament, for information, the Communication on the economic situation in the Community. This communication was referred to the Committee on Economic and Monetary Affairs.

On 21-22 March 1984 the committee appointed Sir Brandon Rhys-Williams rapporteur.

The committee considered the draft report at its meeting of 25-26 April 1984, and adopted it on that date by 11 votes to 4 with 4 abstentions.

The following took part in the vote: Mr Moreau (chairman), Mr Hopper (vice-chairman), Sir Brandon Rhys-Williams (rapporteur), Mr Adonnino (deputizing for Mr Macario), Mr Albers (deputizing for Mr Schinzel), Mr von Bismarck, Mr Bonaccini, Mr de Goede, Mr Delorozoy, Mrs Desouches, Mr Heinemann, Mr Herman, Mr Marchesin (deputizing for Mr Mihr), Mr Moreland (deputizing for Mr Beazley), Mr Müller-Hermann, Mrs Nikolaou (deputizing for Mr Wagner), Mr Papantoniou, Mr Welsh and Mr von Wogau.

The report was tabled on 2 May 1984.

The explanatory statement will be presented orally.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

C O N T E N T S

Page

MOTION FOR A RESOLUTION 5

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

MOTION FOR A RESOLUTION

on the communication from the Commission to the Council on the economic situation in the Community, in accordance with Article 2 of the Convergence Decision of 18 February 1974

The European Parliament,

- having regard to the Communication from the Commission to the Council (COM(84) 108 final);
- having regard to its resolution concerning the adoption of the annual report on the economic situation in the Community in 1983 and establishing economic policy guidelines for 1984¹;
- having regard to the need to update this latter resolution in the light of the Commission's recent Communications;
- having regard to the recommendations in its following recent resolutions:
 - (i) programme for European economic recovery and accompanying resolution of 7.3.1984 based on the report of the Temporary Special Committee on European Economic Recovery²;
 - (ii) resolution of 29.3.1984 on the state of convergence with particular reference to the interdependence of all policies³;
 - (iii) resolution of 13.2.1984 on the role and functions of the international financial institutions in the present monetary situation⁴;
 - (iv) resolution of 16.2.1984 on the consolidation and completion of the European Monetary System within the framework of the proposals made by the Commission of the European Communities in March 1982⁵;

¹ OJ No. C342 of 19.12.1983, p.66
² Doc. 1-1552/83
³ Doc. 1-1493/83
⁴ OJ No. C77 of 19.3.1984, p.14
⁵ OJ No. C77 of 19.3.1984, p.88

- (v) resolution of 16.2.1984 on financial integration in the Community¹;
 - (vi) resolution of 16.2.1984 on investment policy in the Community²;
 - (vii) resolution of 17.2.1984 on the creation of a European capital market³;
 - (viii) resolution of 9.4.1984 on the need to implement the internal European market⁴;
- having regard to the report by the Committee on Economic and Monetary Affairs (Doc.1-210/84);

1. Notes the Commission's revised forecast of a gain in Community GDP of two per cent in 1984 after three years of stagnation, but notes that the United States and Japan are expected to achieve more than twice that percentage increase;
2. Welcomes the Commission's estimate that world imports could increase in volume terms by five per cent in 1984 as against 1.7 per cent in 1983; but notes that the Community's share of world trade is likely to continue to diminish;
3. Notes the slowdown in the rise of monetary wages and salaries but fears that increases in the money incomes of those in work will still exceed the output of real wealth, thereby continuing the process of currency inflation and threatening a fall in the standards of living of pensioners, the unemployed and others dependent on transfer incomes;
4. Notes that the rate of increase in unemployment in the Community has been checked but endorses the Commission's opinion that unemployment remains the most worrying economic and social problem in the Community and notes that the number of unemployed as a percentage of the civilian labour force is expected to rise further to 11.0 per cent in 1984, while the corresponding figures for the United States and Japan are expected to fall to 7.0 per cent and 2.5 per cent;

1 OJ No. C77 of 19.3.1984, p.93
2 OJ No. C77 of 19.3.1984, p.96
3 OJ No. C77 of 19.3.1984, p.116
4 Doc. 1-32/84

5. Welcomes the Commission's estimate that investment intentions in manufacturing will recover in 1984 after a volume decline of three per cent in 1983 and may reach 4.7 per cent in 1984, but acknowledges the threat to investors' confidence which is posed by the likely continuance of high U.S. interest rates and considers that the Commission's forecast that gross capital formation in the Community should expand by a little over two per cent on average in 1984 is disappointing;
6. Notes the progress being made in bringing the performance of Member States closer in respect of external trade, budgetary management and the control of inflation but considers it still inadequate to create a climate of confidence for long term investment, and judges that it falls far short of what is required to enable the Community to attain its full economic potential;
7. Welcomes the degree of convergence which is resulting from the continued success of the EMS but regrets that progress towards the consolidation of monetary conditions in the Community is still not sufficient in itself to enable it to exert an appropriate influence for stability in the world economy and towards the revival of world trade;
8. Applauds the continued satisfactory achievement of the European Investment Bank in promoting the Community's investments, and particularly welcomes the expansion of the use of the New Community Instrument (the Ortoli facility) as an aid to longer-term finance of Community projects, but deplores the low level of achievement by the Community as a whole in regard to the extension of economic programmes over spans of time of more than a few years; notes that some Member States are still declining to make use of the New Community Instrument, and considers that the Community's institutions are unnecessarily handicapped by the limited dimensions of the Community's capital account;
9. Accepts the Commission's conclusions that the task of Member States' macro-economic policies against this background will be to organize conditions in which this improvement in economic performance and outlook can be consolidated into a balanced recovery of activity; considers, however, that the Commission's report is too complacent in view of the extent of the Community's economic shortcomings and gives too little detailed analysis of economic trends in Member States to judge the progress of Member States in implementing the economic policy guidelines adopted for 1984;

Recommendations

10. Calls on the institutions of the Community and the monetary authorities of the Member States to work more closely and positively to promote the restoration of world monetary order, and in particular to support the funding of the accumulated debts of developing countries;
11. Recommends that in the process of industrial reconstruction which the Community has to carry through, every effort must be made to enable the Community to improve its competitive position in world trade;
12. Insists once again that rapid progress must be made in dismantling the restrictions and non-tariff barriers to the circulation of goods and the provision of services within the Community, in order to achieve a genuinely free internal market;
13. Insists that the provision by Member States of cover for exchange risks, export credit guarantees, and export promotional devices should be put on a rational and uniform basis to prevent unbalanced competition in the Community export markets;
14. Calls on the Commission to study improvements to be made to the functioning of the monetary system in accordance with its resolution of 16.2.1984 on the consolidation and completion of the European Monetary System within the framework of the proposals made by the Commission of the European Communities in March 1982¹ and to study the ways in which the entry of sterling to the EMS could take place without adding to the forces which tend to create instability within the system; and in particular to work progressively for the removal of the remaining obstacles to the development of an integrated Community market for capital;
15. Welcomes the progress towards agreement by Member States on the terms for an increase in the Community's own resources for expenditure on current account, but hopes that the funds newly made available will be devoted to the promotion of the Community's aims and will not be used only to retard inevitable adjustments in the economies of Member States;
16. Emphasises again the need for greatly enhanced Community support for research into the new technologies, and to encourage their wider application throughout Community industry;

¹ OJ No. C77 of 19.3.1984, p.88, based on report by Mr Herman (Doc. 1-1251/83).

17. Draws attention to the need for common policies to achieve the above-mentioned objectives (data-processing, biotechnology, etc.);
18. Calls for accompanying Community measures in the fields of social policy and vocational training, to face up to the problems of youth unemployment, in particular, and unemployment in the worst affected regions and industries, and to help in the process of economic adjustment;
19. Recognising the difficulty for individual Member States in undertaking major public investment projects which extend across national frontiers, calls on the Commission once again to examine and to promote viable specific proposals for infrastructure investment projects, particularly in energy supply and transport facilities;
20. Accepts the Commission's claim that there is now increasingly broad consensus in the Community on the stance of economic policy, but deplores the fact that harmonization of taxation is proceeding far too slowly; notes that taxes are levied at different rates and under conditions which are incompatible with each other in all Member States and can be changed without consultation or warning, and that fiscal traditions, case-law and practice continue to create barriers along national frontiers which are contrary to the efficient functioning of the Community economy; reiterates its request for consultation of Member States before tax changes are made, as called for in its previous resolutions;
21. Requests the Commission, in anticipation of the entry of Spain and Portugal to the Community, to formulate proposals for promoting closer formal relationships between the Community's economy and those of Spanish- and Portuguese-speaking states in other continents;
22. Calls on the Commission to assist investment and business judgement by the regular publication of much fuller and more up-to-date information on a comparable basis on the performance of the economies of Member States, particularly in regard to the production and stocking of the main classes of goods, employment trends, commercial and monetary developments and the Community's performance in the world economy;
23. Recalls its suggestions that it would be worthwhile to introduce a convergence indicator¹ or else of a system of warning lights², such as

¹ para. 15 of the programme for European economic recovery, op. cit.
² para. 13 of its resolution on the consolidation and completion of the EMS, op. cit.

wages costs, inflation differentials, interest rates, budget deficits etc., which, like the divergence indicator in the EMS, would create a presumption of action by the Member States and an obligation for the Council to make recommendations; repeats, in this context, its past requests for the Commission to make greater use of the powers of recommendation conferred upon it by Article 11 of the Council Decision of 18.2.1974¹;

24. Records its dissatisfaction with the low level of cooperation between Member States in formulating their monetary, economic and fiscal policies, but recognises that in many instances the governments of the Member States are pursuing the commitments on which they were elected; stresses the extent of the danger to the economic achievements of the Community of separatist and protectionist trends, and trusts that the Community electors will continue to recognise the economic benefits to be gained through the achievement of European Union;
25. Instructs its President to forward this resolution to the Council and Commission.

¹ OJ L63 of 5.3.1974