

EUROPEAN PARLIAMENT

# Working Documents

198<sup>3</sup>-198<sup>4</sup>

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2 March 1984

DOCUMENT 1-1493/83

## Report

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

on the state of convergence, with particular reference  
to the interdependence of all policies

Rapporteur: Mr P. von BISMARCK

PE 89.090/fin.  
Or. De.



By letter of 28 September 1982, the Committee on Economic and Monetary Affairs requested authorization to draw up a report on the economic convergence of the Member States.

By letter of 14 October 1982, the committee was authorized to report on this subject.

On 16 February 1983, the Committee on Economic and Monetary Affairs appointed Mr von BISMARCK rapporteur.

On 14 October 1983 the European Parliament referred a motion for a resolution by Mr Adonnino on the convergence of economic policies (Doc. 1-847/83) to the Committee on Economic and Monetary Affairs as the committee responsible. At its meeting of 28-30 November 1983, the committee decided to include this motion for a resolution in the scope of its own-initiative report.

At its meetings of 24-25 January 1984 and 22 February 1984, the committee considered the draft report. It adopted the motion for a resolution as a whole on 22 February(\*) by 12 votes to none, with 5 abstentions.

The following took part in the vote: Mr J. Moreau, chairman; Mr von Bismarck, rapporteur; Mr Beazley, Mr Bonaccini, Mr Franz, Mr Giavazzi, Mr Herman, Mr Leonardi, Mrs Tove Nielsen (deputizing for Mr Delorozoy), Mr Nordmann, Sir Brandon Rhys Williams, Mr Rinsche (deputizing for Mr Ingo Friedrich), Mr Rogalla (deputizing for Mr Schinzel), Mrs Theobald-Paoli, Mr Wedekind (deputizing for Mr Müller-Hermann), Mr Welsh and Mr von Wogau.

This report was tabled on 27 February 1984.

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

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(\*) The committee decided in the course of the same meeting that the explanatory statement should be presented orally.



11. to recognize completion of the internal market with regard to the free movement of persons and goods and the right to provide services, the complete liberalization of the movement of capital and the resolute harmonization of research, transport and energy policy, with account being taken of the reports drawn up on these subjects by the Committee on Economic and Monetary Affairs, as the supremely important task in the field of convergence, and to adopt specific and binding deadlines for its achievement, particularly in the field of tax harmonization;
12. to press for completion of the European Monetary System, which is of vital importance for economic convergence, having regard to Parliament's resolutions, in particular the political conditions for setting up an autonomous central authority responsible for control of the money supply and an appropriate uniform interest rate policy;
13. to work actively for convergence and take the necessary action of a structural nature, which is essential to create readiness on the part of all members of the member governments, national parliaments and senior civil servants to do likewise and, in so doing, to make sacrifices in the area of national traditions, habits and even sovereign rights;

to implement, by means of the appropriate joint act, the proposal repeatedly made by the Council since 1972 to convert relations within the Community into a European union so as to demonstrate publicly the irreversibility of the integration process, thus finally creating the common perspective needed for further convergence, not only in the economic sphere;

#### Making citizens into allies

14. Resolves in the future to do greater justice to its main current task of establishing common positions likely to receive majority support on the Community's medium- and long-term objectives by providing the people and their national parliaments with adequate information, and to this end to make the appropriate preparations for an ad hoc committee to be set up by the new Parliament to be elected on 18/17 June, the task of which will be to suggest to Parliament by 31 December 1984 appropriate ways and means of fulfilling Parliament's urgent obligations in this area;
15. Instructs its President to forward this resolution to the Council, the Commission and the Parliaments of the Community's Member States.

7. that until such time as the Community is able to develop and apply the will for a common economic policy and has become a foreign and security policy partner or ally of international stature and on an equal footing, in all conflict situations there is bound to be an imbalance in foreign trade as well, with significant and largely negative consequences for the internal market;

8. that the way the Community has fallen behind in the field of modern technology, one of the most serious consequences of the lack of convergence, will in the medium and long term lead to a greater migration of scientific talent to other parts of the world which offer better opportunities for scientific or industrial careers;

9. that the decline in our competitiveness will consequently acquire its own momentum, making it even harder to reverse as time goes by;

III. Calls on the Council, therefore to assume its full responsibility for convergence and

10. to face up to its treaty obligations by implementing the decisions taken by Community institutions, particularly:

(a) the proposal made on several occasions by the Council since 22 March 1971, in detailed and explicit resolutions, that the most important economic policy decisions should be taken at Community level and that as a result the necessary powers should be transferred from national level to the Community (see OJ No. C 28/1, 27 March 1971),

(b) the decisions taken by the Council on 22 March 1971 concerning budgetary policy which stated that upper and lower limits for the key features of public budgets were to be established at Community level as an effective means of combating one of the main causes of inflation, the excessive burden on the national economies of an over-expansive budgetary policy;

(c) the Directive on stability, growth and full employment in the Community adopted by the Council as long ago as 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,

3. that the Council of Ministers, the intermittent 'quasi-government' of the EC which is all that currently exists, has not fulfilled this essential role in the past mainly as a result of the principle of unanimity which, in violation of the Treaties, it has employed since 1966 and will be unable to fulfil this role in future either as its members, owing to their dependence on national parliaments, are guided more by the often quite illusory national interests of the countries which they represent than by the shared, long-term objectives of the Community;
4. that these shortcomings have been exacerbated rather than overcome by the practice of passing on urgent decisions from the Council of Ministers to the European Council;
5. that if this practice, which prevents decisions from being taken in due time, continues progress towards convergence will be held up still further and tasks which can only be mastered centrally will remain unperformed, particularly
  - a uniform, coordinated, planned medium-term economic and social policy which strikes a balance between freedom, prosperity and social justice,
  - the continuation and timely completion of the European Monetary System, which will involve trespassing on the powers of the Member States, and
  - the opening up of the internal market so that it becomes a genuine home market;

What has been achieved is threatened with destruction

II. Emphasizes very forcefully

6. that persistent lack of progress towards convergence in the field of economic policy, if it continues, must lead to a further fall-off in the competitiveness of the European economy world-wide and thus reduce the prospects of recovery on the labour market which, currently aggravated by the trend in interest rates in the USA, will further diminish the propensity to invest in the Community among both domestic and external investors (see footnote);

- K. whereas it is part of its main role in encouraging convergence in the field of economic and social policy to reveal unclear objectives and the misuse or failure to make use of scope for intervention, and to present these aspects for debate while illustrating, highlighting and taking account in its comments of the causal interrelationships between foreign, security, economic, financial and social data, concepts and measures,
- L. whereas these reciprocal effects will be felt even more in future because of the accelerating division of labour accompanied by the emergence of new industrial production areas, in Asia for example, and the ever greater interdependence of world trade,
- M. whereas the time factor is important in a way which has clearly not been recognized by all member governments in that some, if not all, Community objectives could become unattainable unless they are pursued in the future with more sense of perspective and determination, using appropriate decision-making procedures which offer greater prospects of tangible results at the proper time,

The most important economic and social policy objectives are being seriously jeopardized

- I. Notes, with great concern for the Community's most urgent economic and socio-political objectives,
1. that the Community, as a major economic area, is headed for a severe crisis because of the lack of progress in convergence, because its attempts to integrate, in order to make harmonious use of its productive strength, have so far been insufficient and it is equipped with decision-making structures inadequate to the tasks that face it;
  2. that the economic and social system established in the Treaties has not operated satisfactorily so far and will be unable to do so in future, since a social market requires State authority to ensure the essential basic conditions (free general market, free markets in goods, services and capital, stable currency, free, fair and effective competition, etc.) and to guarantee confidence in its permanency, which is the main prerequisite for an optimum investment and labour market policy;



- E. whereas in recent times the convergence which is needed to preserve what has been achieved and to accomplish what has not has lost its momentum or even, in some areas, come to a complete standstill,
- F. whereas this is largely due to the fact that the agreement of all Member States on the direction which the Community should be taking has not been secured, so that there are not only differing attitudes to the provision of funds for the implementation of Community objectives or the transfer of sovereign rights to the Community, but also increasingly frequent differences in the degree of loyalty shown by member governments to the existing treaties,
- G. whereas the citizens of Europe, including the majority of Members of their national Parliaments, know almost nothing about the state of European unification, the content of the Treaties and the institutions created by them, the way they function and, in many respects, do not function, and the real as well as the merely ostensible reasons for mistakes or lack of action, and therefore have virtually no influence on the 'European' decisions made by their governments,
- H. whereas the first essential step in overcoming the present lack of progress towards convergence is to recognize and analyse its causes,
- I. whereas the rights and obligations vested in the Commission, as the central authority under the Treaty of Rome, have been curtailed as a result of certain practices and pressure tactics used by member governments and adopted by the Council,
- J. whereas the European Parliament is obliged, as the prime representative of the people of the Community, to endeavour to establish common policy objectives and to this end to consider time and again which overall objectives best serve the people and which combination of means is best suited to attain these, and on principle cannot allow itself to be prevented by the outdated views of individual groups or individual Member States from raising the question of fresh, reformulated objectives which take better account of new insights,

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 state of convergence with particular reference to the interdependence of all policies

The European Parliament,

- having regard to motion for a resolution (Doc. 1-847/83),
- having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-1493/83),
- A. whereas there is a danger that the almost complete stagnation in convergence or greater integration will delay considerably, perhaps forever, the achievement of the most fundamental objectives of the Community,
- B. whereas the interdependence which exists between all fields of policy, particularly foreign, security, economic, financial and social policy, has considerable and often unknown effects on the further development of convergence,
- C. whereas convergence is taken to mean the integration of the disparate parts of the European Community into a politically viable and thus permanent union, as stated in the Council Decision of 21 October 1972,
- D. whereas the Treaties of Rome and Paris and the later accession of a further four States, the merger of the three Communities - the Atomic Energy Community, the Coal and Steel Community and the EEC - to form the European Community, the direct election of a European Parliament, the establishment of a European Monetary System and the countless small steps that have been taken have done a service that would have been unimaginable 30 years ago to the peace, security and welfare of 270 million Europeans as well as to the interests of their neighbours and allies, even if much still remains to be done,

MOTION FOR A RESOLUTION - DOCUMENT 1-847/83

tabled by Mr ADONNINO, Mr GIAVAZZI and Mr von BISMARCK

on behalf of the Group of the European People's Party (CD Group)

pursuant to Rule 47 of the Rules of Procedure

on the convergence of economic policies

The European Parliament,

having regard to:

- the provisions of Art. 145 of the Treaty which authorizes the Council to ensure coordination of the economic policies of the Member States and assigns to the Commission the task of making proposals for the attainment of this objective,
- the decision of the Council (No. 74/120 EEC) of 18.2.1974 on the achievement of effective convergence of the economic policies of the member countries,
- the declarations made on many occasions by the Heads of State and Government of political commitment to the objective of harmonizing the economic policies of the member countries,

whereas:

- no decision has been taken by the Council of Ministers on putting into effect the guidelines laid down at the summit meetings of the Heads of State and Government,
- the Commission has never considered effectively applying the procedure laid down by the afore-mentioned Council Decision No. 74/120 EEC,

1. Invites the Commission to explain why it has not thought fit to apply in full the procedure for monitoring and intervention in order to attain 'a high degree of convergence' and has not vigorously denounced any significant deviation from the guidelines drawn up on a country-by-country basis and the failure on the part of the governments concerned to act in accordance with the decisions agreed on by the Community institutions;
2. Calls on the Commission to assume or be clearly assigned by the Council responsibility for ensuring compliance on the part of the Member States with the guidelines on economic policy which they themselves unanimously decide within the Council;

3. Calls furthermore on the Commission to advocate a readjustment of the rules governing the EMS, in particular Article 3(6) of the resolution of 5.12.1978 adopted by the European Council with a view to introducing binding principles of a more precise and effective nature for the convergence of economic policies which is an essential condition for the smooth functioning of the European Monetary System;
4. Urges the Commission to demonstrate clearly the conformity of any proposal it makes with the primary objective of the convergence of economic policies and to engage the responsibility of the Council towards this end.