

RESOLUTION OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES

of 22 March 1971

on the attainment by stages of economic and monetary union in the Community

THE COUNCIL OF THE EUROPEAN COMMUNITIES
AND THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES,

Having regard to the final communiqué of the Conference of Heads of State or Government held on 1 and 2 December 1969 at The Hague, and in particular point 8 in which they expressed their wish to see the Community develop into an economic and monetary union through the implementation of a phased plan;

Having regard to the joint conclusions of the interim report¹ of the Group set up by the Council Decision of 6 March 1970 under the chairmanship of Mr Pierre Werner, President and Minister of Finance of the Luxembourg Government, which were adopted by the Council at its 116th meeting on 8 and 9 June 1970², namely that:

- The ultimate objective, as laid down by the Conference of Heads of State or Government, appears to be one that can be attained within the present decade, provided that it continues to enjoy the political support of the governments;
- economic and monetary union means that the main economic policy decisions will be taken at Community level and therefore that the necessary powers will be transferred from the national to the Community level. The adoption of a single currency could be the final stage of this union, ensuring the irreversibility of the process;
- throughout the process, action will have to be taken simultaneously and progressively on a number of fronts. Certain measures will require amendment of the Treaty of Rome, and the preparatory work for this should therefore be completed during the first stage. However, the existing provisions already allow substantial progress to be made;
- the first stage should begin on 1 January 1971 and be completed within a specified period; practical considerations suggest that a three-year period would be appropriate. This stage will be devoted to increasing the effectiveness of the instruments employed by the

Community and to taking the first steps in establishing the Community's identity within the international monetary system;

- the first stage should not be considered as an end in itself; it cannot be dissociated from the overall process of economic and monetary integration. It should, therefore, be embarked upon with determination to attain the ultimate objective;
- this first stage should include a strengthening of consultation procedures by methods yet to be determined; the budgetary policy of Member States should be conducted in accordance with Community objectives; some degree of fiscal harmonization should be carried out; monetary and credit policies should be closely coordinated and the capital markets further integrated;
- the Community should progressively adopt common standpoints in its monetary relations with third countries and international organizations; in particular, it should not avail itself in matters of exchange rates between Member States of any arrangements which might lead to a weakening of the international exchange system;

Having regard to the suggestions put forward by the Group in its final report, and sharing the views expressed on the factors which are essential for the existence of an economic and monetary union and on the results of such a union in terms of economic policy;

Recognizing the profound political significance which the attainment of economic and monetary union has for the Community and its Member States;

Desiring to reaffirm the irreversible nature of the action which Heads of State or Government have decided to take for the creation of an economic and monetary union;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament,

¹ OJ No C 94, 23.7.1970, p.8.

² OJ No C 136, 11.11.1970, p.19.

HAVE ADOPTED THIS RESOLUTION:

I

In order to achieve simultaneously within the Community a satisfactory rate of growth, full employment and stability, to correct the structural or regional imbalances arising therein and to strengthen the Community's contribution to international economic and monetary cooperation and thereby to achieve a Community enjoying stability and growth, the Council and the Representatives of the Governments of the Member States express their political will to establish an economic and monetary union, during the coming decade, in accordance with a plan by stages beginning on 1 January 1971.

The steps to be taken must be such that, at the conclusion of this process, the Community will:

1. Constitute an area within which persons, goods, services and capital may move freely and without distortion of competition, without, however, giving rise to structural or regional imbalances, under conditions permitting economic activity to expand on a Community scale;
2. Form a single currency area within the international system, characterized by the total and irreversible convertibility of currencies, the elimination of margins of fluctuation of exchange rates, the irrevocable locking of parities – all of which are essential preconditions for the creation of a single currency – and including a Community organization of the Central Banks;
3. Possess such powers and responsibilities in economic and monetary matters as will enable its institutions to administer the union. To this end the requisite decisions on economic policy shall be taken at Community level and the necessary powers shall be conferred upon the institutions of the Community.

Powers and responsibilities shall be distributed between Community institutions on the one hand and Member States on the other in accordance with what is necessary for the cohesion of the union and for the effectiveness of Community action.

The institutions of the Community shall be put in a position to exercise their responsibilities in economic and monetary matters efficiently and with speed.

Community policies pursued within the framework of the economic and monetary union shall be subject to debate and control by the European Parliament.

The Community organization of the Central Banks shall, within its field of responsibility, assist in achieving stability and growth within the Community.

The principles set out above shall be applied to the following:

- the internal monetary and credit policies of the union;
- monetary policy towards the outside world;

- policy with regard to the unified capital market and capital movements to and from third countries;
- budgetary and fiscal policies as related to the policy of stability and growth; as regards budgetary policy proper, the margins within which the essential elements of public budgets as a whole should lie, in particular the variation of their amount, and the size, mode of financing and use of balances, shall be determined at Community level;
- the structural and regional measures which are also necessary, as part of a properly supported Community policy, to promote the balanced development of the Community and resolve the major problems.

II

As progress is made towards the ultimate objective Community instruments shall be created as necessary to replace or to supplement national instruments.

The measures to be taken in each sector shall be interdependent, each reinforcing the other; in particular, progress towards monetary union must be accompanied by parallel progress in the alignment and ultimate unification of economic policies.

III

In order to attain these objectives, the Council and the Representatives of the Governments of the Member States agree to set in motion from 1 January 1974 a series of measures to be carried out during a first stage lasting three years:

1. Acting on a proposal from the Commission, the Council shall lay down such provisions for strengthening the coordination of short-term economic policies as will make coordination really effective, in particular by making more intensive and widespread use of the obligatory prior consultation procedures. This coordination of short-term economic policies shall take into account the guidelines under the medium-term economic policy programmes.

To this end the Council has agreed that, acting on a proposal made by the Commission after consultation with both sides of industry through the Economic and Social Committee or by other means, it will lay down the broad outlines of economic policy at Community level and quantitative guidelines for the essential elements of public budgets.

To facilitate coordination of economic policies the Council has agreed that, acting on a proposal from the Commission and after obtaining the opinions of the Committees concerned, it will take the necessary measures for progressive harmonization of the instruments of economic policy, and in particular for the synchronization of national budgetary procedures.

2. In order that effectively free movement of persons, goods, services and capital and progress in interpenetration of economies may be achieved at a faster rate,

the Council, acting on a proposal from the Commission and having regard to the need to preserve a balance, shall decide on measures concerning:

- Community rules determining the uniform basis for assessing the value added tax within the meaning of the Decision of 21 April 1970¹ on the replacement of financial contributions from the Member States by the Communities' own resources;
- the harmonization of the scope, basis of assessment and the mode of levying excise duties, in particular those which have an appreciable influence on trade;
- the harmonization of those kinds of tax which are likely to have a direct influence on capital movements within the Community, in particular the taxation of interest from fixed-interest securities and dividends;
- the further harmonization of the taxation of companies and firms;
- the progressive extension of duty-free concessions granted to private individuals crossing frontiers within the Community.

Before the end of the first stage the Council shall examine the results of research on the alignment of rates of value added tax and excise duties and the proposals of the Commission in this field.

3. With a view to encouraging the free movement of capital, the Council, acting on a proposal from the Commission, shall:

- adopt a Directive laying down procedures for progressive liberalization whereby issues of securities on the capital market will be authorized without discrimination and abolishing any differential treatment in the introduction on the market of securities issued by residents of other Member States;
- establish a procedure for the progressive coordination of the policies of Member States in respect of capital markets.

4. In order to reduce, by means of regional and structural measures, any tensions that could prejudice the ultimate attainment of economic and monetary union, the Council, acting on a proposal from the Commission, shall decide on the measures necessary for a first step towards resolving the most urgent questions, bearing in mind the directions contained in the third medium-term economic policy programme, and in particular by providing the Community with the necessary means under the treaties in force.

5. With a view to strengthening the coordination of the monetary and credit policies of Member States, the Council has agreed that:

- more stress shall be laid in the Monetary Committee and the Committee of Governors of Central Banks on obligatory prior consultation;

- the Central Banks shall be invited, within the limits of their powers and several responsibilities, to coordinate their policies in the Committee of Governors of Central Banks, while observing the guidelines for general economic policy issued by the Council;
- the Monetary Committee and the Committee of Governors of Central Banks shall work closely together in the harmonization of the instruments of monetary policy.

6. The Council has agreed that the Community shall progressively adopt common standpoints in monetary relations with third countries and with international organizations; in particular, it shall not avail itself in matters of exchange rates between Member States of any arrangements which might lead to a weakening of the international exchange system.

7. The Council and the Member States shall invite the Central Banks of Member States, from the beginning of the first stage and on an experimental basis, to hold exchange rate fluctuations between the currencies of Member States within margins narrower than those resulting from the application of the margins in force for the US dollar, by means of concerted action with respect to that currency.

The Council has agreed that, depending on circumstances and on the results obtained in the harmonization of economic policies, further measures may be taken, consisting of a transition from a *de facto* to a *de jure* system, of intervention in the currencies of Member States and of successive reductions in the margins of fluctuation between the currencies of Member States. The Committee of Governors of Central Banks shall report twice yearly to the Council and to the Commission on the effect of the concerted action by the central Banks on the exchange market, and whether there is a need for further measures in this field.

8. The Council shall invite the Monetary Committee and the Committee of Governors of Central Banks to draw up, in close collaboration and by 30 June 1972 at the latest, a report on the organization, functions and statutes of a European Monetary Cooperation Fund, to be integrated at a later stage into the Community organization of the Central Banks provided for in Section I (2), with a view to the possible establishment of this Fund during the first stage, if the results obtained in reducing margins and aligning economic policies so justify. They shall submit this report to the Council and to the Commission.

9. In order to promote the harmonious implementation of the plan for economic and monetary union and, above all, to ensure that economic measures keep sufficiently in step with monetary measures, the monetary provisions, that is to say those of Section III (7) and (8), and the mechanism for medium-term financial assistance shall be operative for five years from the beginning of the first stage. After agreement has

¹ OJ No L 94, 28.4.1970, p. 19.

been reached to proceed to the second stage, the provisions mentioned above shall continue in force.

IV

The Council takes note that the Commission will submit to it before 1 May 1973:

- an assessment of the progress made during the first stage, given that coordination of economic policies and progress in monetary matters within the Community must proceed in parallel;
- a report, drawn up in collaboration with the advisory committees concerned, on the redistribution of powers and responsibilities between the institutions of the

Community and the Member States which, particularly in the fields of conjunctural policy, monetary and credit policy, and budgetary policy, may be necessary for the efficient functioning of an economic and monetary union.

The Council and, where appropriate, the Representatives of the Governments of the Member States, acting on a proposal from the Commission, shall, before the end of the first three-year stage, adopt measures which will lead, after transition to the second stage, to the attainment of full economic and monetary union:

- either on the basis of the existing provisions of the Treaty;
- or on the basis of Article 235 of the Treaty;
- or on the basis of Article 236 of the Treaty.