

COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS
OF THE MEMBER STATES
OF THE EUROPEAN ECONOMIC COMMUNITY

Basle , 6th July 1989

FOLLOW-UP TO THE EUROPEAN COUNCIL'S DECISIONS
RELATING TO ECONOMIC AND MONETARY UNION

The attached note presents some considerations which could be used by the Chairman to introduce the topic. It seems desirable, at this stage, not to suggest a detailed work programme but to provoke an open exchange of views among Governors on the follow-up to the European Council. Indeed, the Governors may have differing views which should be discussed before a work programme, which sets out the main issues, priorities, timetable and working procedures, is prepared. In addition, the Governors may wish to take into consideration remarks made by the Ministers of Finance on the follow-up to Madrid at their lunch on Monday 10th July, and on which the Chairman of the Committee could briefly report.

Secretariat

FOLLOW-UP TO THE EUROPEAN COUNCIL'S DECISIONS
RELATING TO ECONOMIC AND MONETARY UNION
(Note for the attention of the Presidency)

In the Conclusions of the Presidency of the European Council of 26th/27th June 1989, it is stated that "the European Council asked the competent bodies (the ECOFIN and General Affairs Councils, the Commission, the Committee of Central Bank governors and the Monetary Committee):

- a) to adopt the provisions necessary for the launch of the first stage on 1st July 1990;
- b) to carry out the preparatory work for the organisation of an inter-governmental conference to lay down the subsequent stages; that conference would meet once the first stage had begun and would be preceded by full and adequate preparation."

I. WORK TO BE CARRIED OUT BY THE COMMITTEE OF GOVERNORS

1. Adoption of the provisions necessary for the launch of the first stage

Although the above-mentioned conclusions do not specify the contents of the first stage, there seems to be no doubt in the mind of the European Council that the first stage should contain the elements proposed in the Delors Committee Report on economic and monetary union in the European Community. According to this report, the first stage "would aim at greater convergence of economic performance through the strengthening of economic and monetary policy co-ordination within the existing institutional framework". For the Committee of Governors, two areas are especially relevant:

- strengthening of monetary co-operation in the Committee of Governors;
- involvement of the Committee of Governors in the wider framework of economic policy co-ordination.

1.1. Strengthening of monetary co-operation in the framework of the Committee of Governors

The proposals made in the Delors Report both formalise the present functions and organisation of the Committee of Governors and add some new elements; in particular, the following:

- consultation in advance of national decisions on the course of monetary policy, such as the setting of annual domestic monetary and credit targets;
- formulation and possibly publication of opinions to individual governments and the Council of Ministers on policies that could affect the internal and external monetary situation in the Community, especially the functioning of the EMS;
- submission of annual reports on the Committee's activities and on the monetary situation of the Community to the European Parliament and the European Council;
- introduction of the majority rule for opinions which, however, would not be binding;
- the creation of three sub-committees with a greater research and advisory role than those existing hitherto;
- the provision of permanent research staff to the three sub-committees.

The implementation of these new elements raises not only organisational questions but also legal aspects. In the latter context, the Delors Report proposes that the 1964 Council Decision defining the mandate of the Committee of Governors should be replaced by a new Decision; the Committee will have to participate actively in its preparation to ensure that the legal aspects do not contradict the status of the Committee of Governors and the autonomy and flexibility of its work. In the same legal field, the Committee should also be involved in the preparations of the new procedure which would replace the 1974 Council Decision on economic convergence.

1.2. Involvement of the Committee of Governors in the wider framework of economic policy co-ordination

The Delors Report states that the task of economic policy co-ordination should be the primary responsibility of ECOFIN, but due account should be taken of the views of the Committee of Governors. The proposal that the Chairman of this Committee should participate in appropriate Council meetings reflects to some extent the existing

situation. It is worth mentioning that the Chairman of the Committee has been invited by M. Bérégovoy, current President of the ECOFIN Council, to take part in the forthcoming meeting of this Council on 10th July 1989 during which a restricted session (in principle for each country the Minister, the central bank Governor and an adviser) will be devoted to the discussion of the economic convergence in the Community (see communication from the Commission), or in other terms to carry out the multilateral surveillance exercise. The French Presidency is planning a second "surveillance exercise" in the autumn with the participation of all Governors.

2. Preparation of the inter-governmental conference

The Committee of Governors will also play an important role in the preparation of the inter-governmental conference which would lay down the subsequent stages of the Economic and Monetary Union. This preparation is therefore less urgent than that of the first stage and the Governors should give priority to the first stage.

II. PROCEDURE

It would be advisable to ask the Committee of Alternates to prepare work for the Governors. The Committee of Alternates could start its work in September and present an interim report to the Governors for the November meeting so that the Governors would be in a position, if necessary, to present some considerations before the European Council in December.

Work by the Alternates should concentrate on the technical and legal aspects of those issues relating to the activities of the Committee of Governors in the first stage as well as on the ways to ensure the parallelism between economic and monetary aspects. At the same time or somewhat later, the Alternates may draw up a list of the items to be examined in connection with the preparation of the inter-governmental conference.

For the time being, it does not appear to be necessary to give mandates to the groups of experts but both chairmen would participate in the work of the Alternates.