

## Draft Council Resolution (30 October 1970)

**Caption:** On 30 October 1970, the European Commission submits to the Council a draft resolution on the implementation of the first stage (1971-1973) of European economic and monetary union.

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## Draft Council Resolution

*The Council of the European Communities,*

Having regard to the final communiqué of the Conference of Heads of State or Government in The Hague on 1 and 2 December 1969, and especially point 8, which indicates their resolve to bring about the development of the Community into an economic and monetary union by the implementation of a stage-by-stage plan,

Having regard to the conclusions of the 116th session of the Council of 8 and 9 June 1970 concerning the interim report of the Working Party set up under the chairmanship of Mr. Pierre Werner, Prime Minister and Minister of Finance in the Luxembourg Government, by decision of the Council on 6 March 1970,

Taking into account the suggestions put forward by this Working Party in its final report,

Being aware of the deep political importance for the Community and the Member States of which it is formed of the establishment of economic and monetary union,

Wishing to make irreversible the action which the Heads of State or Government have decided to undertake in order to create economic and monetary union,

Having regard to the Commission's draft,

Having regard to the Opinion of the Parliament,

*has adopted the following resolution:*

I. In order to assure growth, full employment and stability within the Community, to correct the structural and regional disequilibria which there appear and to strengthen the Community's contribution to international economic and monetary equilibrium, the Council is agreed to institute, during the current decade and on the basis of a plan beginning on 1 January 1971, the constituent elements of economic and monetary union.

The result of the measures taken shall be to enable the Community, at the end of this period:

(1) To constitute an area within which goods and services, persons and capital will move unhindered and without distortion of competition, although this will not create structural or regional disequilibria, and within which the legal, fiscal and financial organization will allow producers, dealers and consumers to operate at Community level;

(2) To form a monetary entity, representing a single unit in the international system, whose features are the total and irreversible convertibility of currencies, the elimination of fluctuations in exchange rates and the irrevocable establishment of parity ratios permitting the final adoption of a single currency, and governed by a Community system of Central Banks;

(3) To possess in the economic and monetary field the powers necessary for effective management of the union, subject to democratic control at Community level.

II. In order to achieve these objectives, the Council is agreed to put in hand, beginning 1 January 1971, a batch of measures to be implemented during a first, three-year, stage.

(1) The Council will fix, on a Commission proposal, the procedures to reinforce coordination of short-term economic policies and, especially, of budget policy, in the setting of the medium-term economic policy programmes;

- (2) The Council will adopt, on a Commission proposal, the necessary measures to lower tax barriers in the Community:
- (a) Alignment of the rates and basis of assessment of value added tax and excise duties;
  - (b) Harmonization of the fiscal system applicable to interest on fixed-income securities and dividends;
- (3) The Council, on a Commission proposal, will adopt measures to abolish all checks on individuals at intra-Community frontiers;
- (4) With a view to promoting the harmonization of company taxes, the Council, on a Commission proposal, will issue a directive to harmonize the bases of assessment of these taxes;
- (5) With a view to facilitating the free movement of capital, the Council, on a Commission proposal:
- (a) Will adopt a directive fixing the liberalization ceilings up to which issues of securities on the financial market of a Member State by residents in other member countries will be authorized without discrimination, and removing all discriminatory treatment for the introduction to the stock exchange of shares issued by a resident of another member country;
  - (b) Will establish a procedure coordinating Member States' policies in relation to the financial markets;
- (6) The Council is agreed to take the necessary measures, on a Commission proposal, and taking into account the guidelines in the third medium-term economic policy programme, to support the global regulation of the economy by action in the structural and regional fields;
- (7) With a view to strengthening coordination of Member States' monetary policies, the Council is agreed that the broad outlines in this field will be worked out jointly and, in order to achieve this, prior consultations and examinations will be intensified in the Monetary Committee and the Committee of Governors of the Central Banks. It invites these two committees to continue working in close collaboration on the harmonization of the instruments of monetary policy;
- (8) The Council is agreed that the Community must progressively adopt common positions in its monetary relations with third countries and international organizations; in particular it must not take advantage in exchange relations between member countries of any provisions allowing greater flexibility in the international exchange system;
- (9) In order progressively to attain a single exchange system for the whole Community, the Council invites the Central Banks of the member countries, on an experimental basis and from the beginning of the first stage, to limit the fluctuations in the exchange rates of their currencies to narrower margins than those resulting from the application of the margins in force for the dollar, this objective to be achieved by concerted action in relation to the dollar.

The Council is agreed that in view of the circumstances and the results noted in the harmonization of economic policies, it will be possible to take new measures which will consist in the passage from a *de facto* to a *de jure* régime, in interventions using Community currencies and in successive reductions in the margins of fluctuation between these currencies. The Committee of Governors of the Central Banks will report twice a year to the Council and the Commission on the progress of the concerted action of the Central Banks on the exchange market and on the advisability of adopting new measures in this field;

- (10) The Council invites the Monetary Committee and the Committee of Governors of the Central Banks to draw up in close cooperation, at the latest by 30 June 1972, a report on the organization and functions of a European Fund for monetary cooperation. This report will be addressed to the Council and to the Commission.

III. The Council takes note of the will expressed by the Commission:

- (i) To submit to it at the appropriate time the concrete proposals leading to the implementation of the first stage;
- (ii) To maintain regular consultations with the two sides of industry on the broad outlines of economic policy at Community level;
- (iii) To submit to it by 1 May 1973 a memorandum on progress in the achievement of economic and monetary union and on the measures to be adopted after the completion of the first stage, and to present a draft in accordance with Article 236 of the Treaty for those measures which could not be implemented on the basis of the existing Treaty provisions.