

Communication from the Commission on the Werner Plan (30 October 1970)

Caption: On 30 October 1970, the European Commission forwards to the Council a communication in which it declares itself to be largely in favour of the proposals set out in the Werner Report on the stage-by-stage implementation of European economic and monetary union.

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I. The Commission of the European Communities has studied with the greatest interest the report to the Council and the Commission concerning the establishment by stages of economic and monetary union in the Community, drawn up by the Working Party under the chairmanship of Mr Pierre Werner, Prime Minister and Minister of Finance in the Luxembourg Government.

The Commission considers that this report complies with the mandate which the Working Party received from the Council on 6 March 1970 and takes into account the guidelines which emerged from the exchange of views at the Council session of 8 and 9 June 1970.

It considers that the report provides an initial analysis of the fundamental choices to be made in the establishment by stages of economic and monetary union in the Community.

II. The Commission shares the views expressed in the report on the factors indispensable to the existence of an economic and monetary union and on the economic consequences implied by such a union.

It believes that the prospect opened up in The Hague by the Heads of State or Government is of fundamental political importance for the Community and that the establishment of the economic and monetary union will imply that progress is achieved in the field of political unification — mentioned, moreover, in point 15 of the Hague communiqué — at the same time as it will benefit from such progress.

The Commission further considers that the achievement of economic union and the establishment of monetary union will have to be accompanied by transfer to the Community of certain powers, previously exercised at national level, such transfer being limited to what is necessary for the cohesion of the union and for the effectiveness of Community action.

Policies decided on at Community level will have to be subject to democratic control by the European Parliament.

They will entail regular consultations with both management and labour.

The report finds that two organs will be indispensable to master economic and monetary policy within the union: a decision-making centre for economic policy and a Community system for the Central Banks. However, in both cases, the report limits itself to general guidelines and stresses the need for further, more detailed, study. The Commission notes that each of the two cases raises a different type of problem. On the one hand there are the problems of administering the monetary side of the union, where, among other things, the institution of a Community system for the Central Banks will be necessary. (The nature and special responsibilities of such a system will have to be determined.) On the other hand, there is the question of how the economic and monetary policy of the union is to be directed. In this respect, the real problem, in the Commission's opinion, is the transfer of the necessary powers and responsibilities to the Community institutions. It is impossible at present to prejudge how powers will be divided between the Community institutions on the one hand and between these and the national authorities of the Member States on the other. The Community institutions must in any case be in a position to work effectively and on a genuine democratic foundation.

III. The Working Party has not laid down a fixed and rigid time-table for the entire stage-by-stage plan; it has preferred to emphasize the concrete measures which would have to be taken during the first stage and has merely outlined in general terms the transition towards the final objective. In fact it felt that it was “necessary to maintain a measure of flexibility to leave room for any adaptations that experience acquired during the first stage may suggest”.

Moreover, the Working Party has not touched upon certain suggestions for later stages put forward in documents of the national governments or in the Commission memorandum of 5 March 1970. The Commission readily admits that the time-limit of one year fixed by the Hague communiqué for the

preparation of a stage-by-stage plan could hardly permit a thorough examination of all the basic problems which arise from the establishment of economic and monetary union. It therefore appreciates that the Working Party should have used the limited time available to determine what is to happen during the first stage, which would last three years.

As regards this first stage the Commission agrees in general with the conclusions of the report. It considers that the methods recommended for strengthening coordination of short-term economic policies represent the first step along the road towards the final objective in this field. It attaches special importance to the view expressed in the report on the gradual reduction of the range of fluctuation of currency exchange rates between member countries and to the recommendations made on the basis of the studies carried out by the Committee of Governors of the Central Banks.

However, it feels it must emphasize that structural and regional measures should occupy a more important position in the description of what is to happen in the first stage. These measures must be put in hand without delay in the Community if it is desired to reduce the strains which might compromise the eventual establishment of economic and monetary union. The Commission believes that these measures should be added to those envisaged for the first stage, with special attention to the guidelines laid down by the draft third medium-term economic policy programme recently submitted to the Council.

In addition, the free movement of goods, capital and persons and also the right to supply services in any Community country will have to be effectively guaranteed, so that it will be possible to create an industrial infrastructure and an internal market on a European scale.

The Commission does not believe it possible to make any detailed observations on the short section of the report dealing with the transition towards the final objective. For this purpose it is planned to set up a "European Fund for monetary cooperation² during the second stage and, if certain conditions are fulfilled, "it may well be possible to establish the fund in the course of the first stage". The Commission feels that this very important question deserves closer examination, which should be undertaken without delay on the basis of the report of the Committee of Governors of the Central Banks.

IV. The report on the establishment by stages of economic and monetary union states that, although all the measures to be taken during the first stage can be based on the provisions of the Treaty of Rome, certain of those which will be needed during the transition phase will require amendments to the Treaty; these should be prepared in good time during the first stage.

The Commission agrees that the Treaty of Rome will have to be amended to meet the requirements of the plan for the establishment of economic and monetary union. It believes, however, that the relevant changes will have to be determined in the light of progress to be made.

Before the first stage is completed the Commission, acting under Article 236, will present the proposals for the amendments to the Treaty needed to permit adoption of the measures to be taken later and which could not be implemented on the basis of the existing Treaty provisions.

V. The report is of primary importance to the Community institutions in working out the stage-by-stage plan ordered by the Heads of State or Government in The Hague. It makes clear, however, that important questions concerning both the ultimate goals and the transition towards economic and monetary union must still be studied in depth.

Nevertheless, the Commission feels that the ground has been cleared sufficiently for the Community to set in motion, early in 1971, the process leading to the gradual establishment of economic and monetary union.

The Commission, therefore, proposes to the Council that it adopt before the end of the current year:

(1) A resolution on the establishment by stages of economic and monetary union in the Community, in which the Council would express its political will to reach this goal during the present decade and would

agree for the period 1971-73 a programme of action as a first stage considered essential in the overall process of achieving economic and monetary union.

(2) Two initial decisions relative:

- (a) to strengthening coordination of short-term economic policies,
- (b) to greater collaboration between the Central Banks of the Community countries, by which the Council would forthwith launch the action programme mentioned above.

In this way, the Community would clearly demonstrate its intention, despite the difficulties inherent in the task, of attaining the objectives set for it in 1969 by the Heads of State or Government.