# COUNCIL DECISION

**of 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**

(74/120/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 and 145 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas there can be no gradual attainment of economic and monetary union unless the economic policies pursued by the Member States henceforth converge and unless a high degree of convergence is maintained;

Whereas, for this purpose, the coordination procedures at present used must be substantially strengthened and improved; whereas, in particular, permanent consultation machinery must be instituted, covering both general economic policy and those policies for which the central banks are responsible in monetary matters;

Whereas such permanent consultation machinery must be supported by economic policy guidelines established at Community level; whereas such guidelines cannot be confined only to short-term policy, but must also cover medium-term policy; whereas no short-term action can suitably be implemented reconciling the development processes of nine national economies if it is not guided by and towards common objectives established over a longer period; whereas, consequently, medium-term guidelines are an indispensable instrument of a coherent short-term economic policy and thus a measure appropriate to such a policy;

Whereas monitoring of the implementation and effects of the national economic policies is necessary for the maintenance of consistency between these policies, so that any deviation from the guidelines adopted at Community level can be promptly corrected;

Whereas, in respect of currency exchange relations within the Community, the greater convergence of economic policies must be accompanied by specific and effective prior consultation machinery for any decision by a Member State relating to the conditions under which its currency is exchanged for the currencies of other Member States and of third countries,

HAS ADOPTED THIS DECISION:

*Article 1*

The Council shall set aside each month a specific day, chosen in advance, for meetings on economic and monetary matters. Within this framework, the Council shall hold three meetings yearly to examine the economic situation in the Community. On the basis of a communication from the Commission accompanied, where appropriate, by proposals for decisions, directives or recommendations, the Council shall adopt guidelines on economic policy which the Community and each Member State are to follow in order to achieve harmonious economic development.

*Article 2*

The first examination shall take place as soon as possible during the first quarter.

On this occasion, on a proposal from the Commission, the Council shall adjust the economic policy guidelines for the current year as required by economic developments.

The proposals from the Commission shall be accompanied by a summary account of the economic policy pursued in the preceding year and by five-year forecasts covering the main macro-economic variables.

*Article 3*

A second examination shall take place during the second quarter. On that occasion the Council shall lay down appropriate guidelines for the main elements of the preliminary economic budgets. Within this framework, quantitative guidelines for the draft public budgets for the following year shall be fixed before these budgets are finally adopted and shall cover developments in government expenditure and revenue, the nature and extent of budget surpluses and deficits and the way the latter are to be financed

or used. The guideline figures for the draft public budgets shall not be published at this juncture.

*Article 4*

A third examination shall take place towards the end of the third quarter. At this stage, the Council shall, acting on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, adopt an annual report on the economic situation in the Community and shall establish the guidelines to be followed by each Member State in its economic policy for the following year.

*Article 5*

As soon as this annual report has been adopted by the Council, Governments shall bring it to the attention of their national parliaments so that it can be taken into account during the debate on the budget.

*Article 6*

On the basis of the preliminary draft prepared by the Economic Policy Committee, the Commission shall at regular intervals and at least once every five years establish a draft medium-term economic policy programme whose purpose shall be, in the context of economic and monetary union, to facilitate and guide structural changes — sectoral, regional and social — and to ensure the convergence of overall economic policies.

The draft shall indicate those points on which it departs from the preliminary draft of the Economic Policy Committee.

The Commission shall forward the draft programme to the Council, which shall forthwith place it before the European Parliament and the Economic and Social Committee, for consultation.

The programme shall be adopted by the Council and by the Governments of the Member States.

By adopting the programme, the Council and the Governments of the Member States shall express their intention of acting, in the field covered by the programme, in accordance with the guidelines laid down therein.

Parallel to the adoption of the programme, the Council shall, where appropriate and on a proposal from the Commission, unanimously adopt any decisions, directives or recommendations necessary to achieve the objectives set out in the programme and to implement the measures for which it provides.

*Article 7*

Any Member State intending *de jure* or *de facto*, to change, discontinue or re-establish the parity, central rate or intervention points of its currency shall initiate a prior consultation.

The consultation procedures, which shall be secret and urgent, shall take place in accordance with practical rules adopted by the Council after receiving an Opinion from the Monetary Committee.

*Article 8*

In addition to the consultations which are held by the Monetary Committee and by the Coordinating Committee on Short-Term Economic and Financial Policies, the Central Banks shall be invited to promote by means of regular and frequent consultations, within the framework of the Council Decision of 22 March 1971 [1] on the strengthening of cooperation between the central banks of the Member States of the European Economic Community, the continual coordination of their monetary policies especially as regards the development of the money supply and bank liquidity, the conditions for granting credit and the level of interest rates.

*Article 9*

Standing consultations on the general economic policy measures envisaged by the Member States and on their conformity with the economic policy guidelines laid down by the Council according to the procedure laid down in Articles 1 to 5 shall take place within the coordinating group referred to in Title I, paragraph 2, of the Resolution of the Council and the Representatives of the Governments of the Member States of 21 March 1972 [2] on the application of the Resolution of 22 March 1971 on the attainment by stages of economic monetary union in the Community.

The Chairmen of the Economic Policy Committee, of the Monetary Committee and of the Committee of the Governors of the Central Banks shall, as appropriate, attend the meetings of the Group.

These meetings must involve prior consultation and cover the most significant measures being taken with a view to the convergence of economic policy within the Community.

The Group shall meet often enough to ensure the standing nature of the consultations, and in any event, at least once a month.

*Article 10*

Any Member State or the Commission may request consultations within the Council :

— if, in the course of the consultations referred to in Articles 8 and 9, it appears that any measure or decision contemplated by one or more Member States is the subject of serious reservations ;

[1] OJ No L 73, 27. 3. 1971, p. 14.
[2] OJ No C 38, 18. 4. 1972, p. 3.

— or if economic developments in a Member State constitute a considerable danger for other Member States or the Community as a whole.

The Council shall meet within eight days.

*Article 11*

Where a Member State is pursuing economic, monetary and budgetary policies departing from the guidelines laid down by the Council or entailing economic risks for the Community as a whole, the Commission may send a recommendation to the State concerned. Within 15 days of receipt of this recommendation, the Member State concerned shall provide the Commission with all the appropriate information.

The Commission or a Member State may request an emergency meeting of the Coordinating Committee on Short-Term Economic and Financial Policies and possibly an examination within the Council. The latter shall take a decision on the basis of proposals which the Commission shall submit to it, where appropriate.

*Article 12*

On the basis of a report submitted by the Commission, the Council shall examine once a year, at its meeting held in the first quarter, as provided for in Article 2 above, the application of this Decision and the conformity of the policies pursued with the objectives set. The Commission's report shall also be laid before the European Parliament.

*Article 13*

The following decisions are hereby repealed :

— the Council Decision of 17 July 1969 (1) on the coordination of short-term economic policies of the Member States ;

— the Council Decision of 16 February 1970 on the appropriate procedures for the consultation arrangements provided for in the Council Decision of 17 July 1969 ;

— the Council Decision of 22 March 1971 (2) on the strengthening of the coordination of short-term economic policies of the Member States of the European Economic Community.

*Article 14*

This Decision is addressed to the Member States.

Done at Brussels, 18 February 1974.

*For the Council*

*The President*

H. SCHMIDT

(1) OJ No L 183, 25. 7. 1969, p. 41.
(2) OJ No L 73, 27. 3. 1971, p. 12.