COUNCIL DECISION

of 12 March 1990

on the attainment of progressive convergence of economic policies and performance during stage one of economic and monetary union

(90/141/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 (1),

Having regard to the opinion of the Economic and Social Committee (2),

Whereas the European Council, at its meeting in Madrid in June 1989, restated 'its determination to achieve progressively economic and monetary union as provided for in the Single Act'; whereas it decided that 'the first stage of the realization of economic and monetary union would begin on 1 July 1990'; whereas it stated that 'economic and monetary union must be seen in the perspective of the completion of the internal market and in the context of economic and social cohesion', and that 'its realization would have to take account of the parallelism between economic and monetary aspects, respect the principle of "subsidiarity" and allow for the diversity of specific situations';

Whereas progress towards economic and monetary union requires a high degree of convergence of economic performances between Member States through greater compatibility and closer coordination of economic policies; whereas such strengthening of economic policy coordination also contributes to the achievement of Community objectives, in particular to convergence at a high level of economic performance in the framework of monetary stability;

Whereas the achievement of the goals of the Single European Act, more especially the completion of the internal market, will require more effective policy coordination to the extent that it will increase the degree of economic and financial integration and reinforce competition and structural change and thus amplify the cross-border effects of economic policies;

Whereas pursuant to Article 102a of the Treaty, Member States are to take account of the experience acquired in cooperation within the framework of the European Monetary System and in developing the ecu and shall respect existing powers in this field; whereas the first stage of economic and monetary union should provide a sound basis for successful further development and sustainability;

Whereas the strengthening of coordination should rely on the political will to develop further the consensus on the broad economic policy approach; whereas progress in this coordination process calls for flexibility, subsidiarity and precise and appropriate commitments in decision-making as well as for learning by doing;

Whereas Council Decision 74/120/EEC 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 (3) and Council Directive 74/121/EEC of 18 February 1974 on stability, growth and full employment in the Community (4) shall be repealed,

HAS ADOPTED THIS DECISION:

Article 1

In order to help to achieve sustained non-inflationary growth in the Community, together with a high level of employment and the degree of economic convergence necessary for the success of stage one of economic and monetary union, in the perspective of the completion of the internal market and in the context of the economic and social cohesion, the Council shall undertake multilateral surveillance. In this context it shall apply the following principles; price stability, sound public finances and monetary conditions, sound overall balances of payments and open, competitive markets. It shall examine at least twice a year:

— the economic conditions, prospects and policies in the Community and its Member States,

— the compatibility of policies within Member States and in the Community at large,

— the external economic environment and its interaction with the economy of the Community.

Multilateral surveillance shall cover all aspects of economic policy in both the short- and medium-term perspectives.

(1) OJ No C 68, 19. 3. 1990.
(2) OJ No C 56, 7. 3. 1990, p. 47.
(3) OJ No L 63, 5. 3. 1974, p. 16.
(4) OJ No L 63, 5. 3. 1974, p. 19.

Article 2

The Council shall undertake multilateral surveillance in restricted sessions. It may authorize its President to make public the results of its deliberations.

Through learning by doing, multilateral surveillance should increasingly result in compatible policies, with precise and appropriate commitments by the Member States. In this context, the Council may make economic policy suggestions and upon a proposal of the Commission, issue economic policy recommendations.

Article 3

Multilateral surveillance shall focus on macroeconomic, microeconomic and structural policies; this surveillance will be conducted by the Council on the basis of reports and analyses submitted by the Commission. These shall include:

— indicators of economic performance and economic policies including monetary and budgetary policies, such as supply and demand trends, price and cost developments, employment, regional development, financial markets, public finance, monetary aggregates, interest rates, exchange rates and external imbalances,
— regular reports on national economic conditions, prospects and policies,
— periodic assessments of the economic situation of the Community and an annual report to review the economic outlook, the underlying economic policy orientations in the medium term and their interactions.

A review of budgetary policies will take place possibly ahead of national budgetary planning, and will focus particularly on the size and financing of budget deficits, as well as the medium-term orientation of budgetary policy, the aim being to reduce excessively high deficits and avoid monetary financing.

The Council's work on multilateral surveillance shall be prepared by the Monetary Committee, which for such purposes shall include, as experts, a representative of each Member State and of the Commission on the Economic Policy Committee. The chairmen of the Monetary Committee and the Economic Policy Committee shall attend the Council meetings at which surveillance is carried out.

Article 4

On a proposal from the Commission the annual economic report shall be adopted by the Council, after consulting the European Parliament and the Economic and Social Committee.

Article 5

When potential or actual economic developments in one or more Member States threaten the economic stability and cohesion of the Community, the Council shall undertake an examination of the economic situation. Such examination may result in the formulation of country-specific recommendations with a view to encouraging the necessary policy corrections.

Article 6

When events outside the Community threaten the economic stability and cohesion of the Community, consultation shall take place in the appropriate Community bodies to consider possible measures.

Article 7

In order to promote consistency between monetary and other economic policies, the chairman of the Committee of Governors of the Central Banks of the Member States of the European Community shall be invited to participate in the relevant Council meetings.

Article 8

The President of the Council and the Commission shall report regularly on the results of multilateral surveillance to the European Council and the European Parliament. Furthermore, the President of the Council may be invited to appear before the competent Committee of the European Parliament when the Council has made political recommendations.

Governments shall bring the results of the multilateral surveillance to the attention of their national parliaments so that it can be taken into account in national policy making.

Article 9

On the basis of reports submitted by the Commission, and after consultation of the Monetary Committee, the Council shall periodically examine the progress made in multilateral surveillance through the application of this Decision. This report shall also be transmitted to the European Parliament.

Article 10

Decision 74/120/EEC and Directive 74/121/EEC shall be repealed.

Article 11

This Decision is addressed to the Member States.

Done at Brussels, 12 March 1990.

For the Council

The President

A. REYNOLDS