

MEMORANDUM

The Centre for Economic Policy Co-ordination (CEPC)

1. Principle governing the management of the Economic Union

(a) Areas of responsibility

- management of the internal market: updating of the harmonisation directives, competition policy, monitoring of systems of aid, etc.,
- definition and execution of common policies, in their regional, structural and cyclical dimensions,
- cohesion among economic policies and implementation of a Community budget of limited size, but macro-economically significant, set in the general context of the development of public revenue and expenditure.

(b) Application of the basic principle of subsidiary status. ^{in which there are} Consequently, in the area of public revenue and expenditure, mixed competences and, as already mentioned, a Community budget limited to the financing of common policies. The counterpart of this is a need for greater cohesion among economic policies conducted at national level.

(c) Definition and maintenance of a fair balance between co-ordination through rules fixing a set of objectives and constraints and discretionary co-ordination adapted to a particular economic situation. Co-ordination to be horizontal (between member countries and the Commission in the Council) and vertical (between a member country and the Commission). There remains the difficult question of sanctions to ensure the desired cohesion in practice.

2. The tasks: to define a strategy for growth and employment with stability and cohesion.

(a) Define medium and short-term macro-economic policy approaches, bearing all their implications, including social ones, in mind.

- (b) Set, on the basis of these policy approaches, a multi-year framework for national and Community budgetary policies.
- (c) Administer common policies so as to achieve the common objectives and in particular improve economic and social cohesion.
- (d) Set, in close consultation with the monetary authority, and negotiate the Union's exchange rate policy.

3. Instruments

- (a) The proper functioning of the Union will depend first and foremost on the effectiveness of the co-ordination and monitoring procedures. Guidelines will be established, recommendations adopted and decisions taken at Community level whenever they serve to ensure the proper functioning of the internal market, the effectiveness of common policies and improved co-ordination of national policies, etc.
- (b) Direct financial instruments: adjustment of Community resources and expenditure; enlargement of the Community's borrowing/lending capacity.
- (c) Selective adaptation of Community policy instruments to the actual development of both the European economy and the national economies.
- (d) With regard to international economic co-operation, adoption of negotiating mandates to permit the Community to act effectively as a single body.

4. Institutional arrangements

- (a) What is the reason for ^{because} this concept of a "Centre for Economic Policy Co-ordination"? It is ~~that~~ neither the system of ^{parallel} institutions nor the substance of the Union's economic powers ^{points} ~~points~~ to any institutional change. The ESCB possesses a non-permanent policy-making body and an executive. The Council and the Commission constitute the corresponding economic bodies. Moreover, what is needed above all is to construct a framework to strengthen the coherence and effectiveness of national policies. Effectiveness requires, however, that decisions be taken by a qualified majority.
- (b) Strengthening of the involvement of the European Parliament and national parliaments in the co-ordination process. Thus, in addition to its budgetary powers, the European Parliament would be consulted in advance on both the medium-term and short-term stance of policy.
- (c) Establishment of appropriate and regular relations between the CEPC and the ESCB. Participation of the President of the Council and the President of the Commission in meetings of the Board of the ESCB and of the President of the ESCB in meetings of the Council. Recommendations to the Council by the ESCB. Assessment of the policy mix by the Council, on the basis of a report from the Commission.
- (d) The Council and the Commission would submit a report each year to the European Council and the Parliament on the functioning of the Economic and Monetary Union.