

# EUROPEAN PARLIAMENT



*s e s s i o n d o c u m e n t s*

ENGLISH EDITION

23 March 1998

A4-0117/98

## REPORT

on improvements in the functioning of the Institutions without modification of the Treaties - making EU policies more open and democratic

Committee on Institutional Affairs

Rapporteur: Mr Fernand Herman

DOC\_ENRR\349\349539

PE 225.909/fin.

- |   |   |
|---|---|
| • Consultation procedure<br>simple majority   | *** Codecision procedure (first reading)<br>simple majority   |
| **I Cooperation procedure (first reading)<br>simple majority  | ***II Codecision procedure (second reading)<br>simple majority to approve the common position;<br>majority of Parliament's component Members to adopt a declaration of intended<br>rejection of the common position, and amend the common position or confirm its rejection |
| **II Cooperation procedure (second reading)<br>simple majority to approve the common position;<br>majority of Parliament's component Members to reject or amend the common position | ***III Codecision procedure (third reading)<br>simple majority to approve the joint text<br>majority of Parliament's component Members to reject the Council text   |
| *** Assent procedure<br>majority of Parliament's component Members to give assent<br>but simple majority under Articles 8a, 105, 106, 130f and 228 EC                               |   |

DA

DE

EL

EN

ES

FR

IT

NL

PT

FI

SV

Doc 107

## CONTENTS

	<u>Page</u>
Procedural page .....	3
A. MOTION FOR A RESOLUTION .....	4
B. EXPLANATORY STATEMENT .....	8
<u>Annex:</u> Preliminary draft interinstitutional agreement between the European Parliament, the Council and the European Commission on provisions relating to the coordination of national economic policies .....	15
Opinion of the Committee on Economic and Monetary Affairs and Industrial Policy on the improvements in the functioning of the Institutions without modification of the Treaty .....	17

At the sitting of 15 November 1996 the President of Parliament announced that the Committee on Institutional Affairs had been authorized by the Conference of Presidents to submit a report on improvements in the functioning of the Institutions without modification of the Treaty.

At the sitting of 1 October 1997 the President of Parliament announced that the Committee on Budgets had been asked for its opinion and, at the sitting of 14 January 1998, that the Committee on Economic and Monetary Affairs and Industrial Policy had been asked for its opinion.

The Committee on Institutional Affairs had appointed Mr Herman rapporteur at its meeting of 29 May 1996.

It considered the draft report at its meetings of 25 November 1997, 1 December 1997, 26 January 1998, 3 February 1998, 26 February 1998 and 16 March 1998.

At the meeting of 16 March 1998, it decided to consider the report in two parts owing to the need to adopt the sections relating to EMU contained in this first part before 2 Mai 1998.

At that last meeting it adopted the motion for a resolution by 21 votes to 3.

The following were present for the vote: De Giovanni, chairman; Lucas Pires, Corbett and Berthu, vice-chairmen; Herman, rapporteur; Aglietta, Anastassopoulos, Bonde, Barros Moura, Brinkhorst, Cardona, Cederschiöld, Duhamel, Frischenschlager, Hager (for Vanhecke), Izquierdo, Lööw (for Dury), Mendez de Vigo, Paasilinna (for Barton), Schäfer, Spaak, Spiers, Tsatsos and Voggenhuber.

The opinion of the Committee on Economic and Monetary Affairs and Industrial Policy is attached. The Committee on Budgets decided not to deliver an opinion.

The report was tabled on 23 March 1998.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

**A**  
**MOTION FOR A RESOLUTION**

**Resolution on improvements in the functioning of the Institutions without modification of the Treaties - making EU policies more open and democratic**

**The European Parliament,**

- having regard to its resolutions of 7 April 1992<sup>(1)</sup> and 19 November 1997<sup>(2)</sup> and on the outcomes of the Maastricht and Amsterdam Intergovernmental Conferences,
- having regard to its resolution of 10 December 1996 on participation by citizens and social players in the Union's institutional system<sup>(3)</sup>,
- having regard to the working document of the Committee on Economic and Monetary Affairs and Industrial Policy on democratic accountability during the third stage of EMU (PE 223.946),
- having regard to its other resolutions in which it has called for a reinforced role for the European Parliament, including by means of interinstitutional agreements, in a number of EU policy areas where the European Parliament is not formally consulted,
- whereas the democratic deficit is one of the reasons for discontent with the Union,
- whereas democratic control is not being ensured in certain areas, either by the national Parliaments or by the European Parliament,
- having regard to Rule 148 of its Rules of Procedure,
- having regard to the report of its Committee on Institutional Affairs and the opinion of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0117/98),

**Practical action to reduce the democratic deficit after the Maastricht and Amsterdam Intergovernmental Conferences**

1. Considers it to be unacceptable that there are EU policy areas in which powers of democratic control have been taken away from national parliaments and have not been replaced by scrutiny by the European Parliament, especially Economic and Monetary Union, but also including the common commercial policy, agreements stemming from the EURATOM Treaty, agricultural policy, fisheries policy, development cooperation policy, competition policy and Community implementation of collective agreements negotiated between the social partners;

---

<sup>(1)</sup> OJ C 125, 18.5.92, p. 81.

<sup>(2)</sup> See minutes of 19 November 1997, pp. 64-90.

<sup>(3)</sup> OJ C 20, 20.1.1997, p. 31.

2. Regrets the failure to ensure appropriate Treaty changes in these respects at the Amsterdam IGC, and calls for this failure to be compensated, at least for the period until a future IGC, by arrangements that ensure that the European Parliament is properly informed and adequately involved in the development of these policies, with a view to strengthening democratic control in those areas and making Community action more effective and transparent;
3. Believes that the conclusion of interinstitutional agreements is the most appropriate way to achieve this objective of reinforced democratic control at EU level;
4. Believes that the 1998 ad hoc procedure on agricultural expenditure must be continued and argues that the structure and procedure of the ad hoc procedure should be formalized by a new interinstitutional agreement, which should reflect the latest developments in the procedure;
5. Considers that improvements in the political functioning of Parliament itself are needed in order to make it more open, effective and lively and to enhance the dialogue between the Institutions, and asks its Committee on the Rules of Procedure to submit appropriate proposals;

#### **Economic and Monetary Union**

6. Considers that Economic and Monetary Union poses major questions of democratic accountability which have been further accentuated by the recent addition of the Stability and Growth Pact, and have not in any way been compensated by the Amsterdam Treaty, and by the compromises reached on employment at the Amsterdam and (special) Luxembourg European Councils, to which concrete expression must be given;
7. Regrets that previous European Parliament attempts to secure an interinstitutional agreement in this area have not been followed through;
8. Considers it now to be essential to tackle the twin issues of democratic accountability of the European Central Bank and of wider consultation procedures as regards EU-level coordination of national economic policies;
9. Believes that the European Parliament should be fully informed and be given the chance to inform the Council and the European Central Bank of its analyses and preferred courses of action as regards general and strategic policy aspects of EMU and in particular as regards consistency between the broad economic policy guidelines, monetary policy and employment policies;
10. Calls, in this context, for the Council to enter into negotiations for a new interinstitutional agreement providing for more systematic procedures as regards the European Parliament contribution to the setting of the broad economic policy guidelines pursuant to Article 103(2), multilateral surveillance pursuant to Article 103(3) and (4) and the excessive deficit procedure pursuant to Article 104c;
11. Submits the attached draft inter-institutional agreement (see Annex) as an initial basis for discussions with the Council and Commission;

### International agreements

12. Regrets that its role in the field of external economic policy, notably the fact that the European Parliament is not even formally consulted on agreements based on Article 113, has not been improved by the Amsterdam Treaty, especially considering the role Parliament has as an arm of the budgetary authority;
13. Calls, in consequence, for the European Parliament to be given more systematic information concerning the separate phases of preparation, adoption and implementation of negotiating guidelines for external agreements, and as to how the negotiations themselves are proceeding;
14. Believes that better information also needs to be provided to the European Parliament on proceedings within the Article 113 committee;
15. Again expresses its concern about the undemocratic nature of the EURATOM Treaty, and that the European Parliament is not being consulted on certain international agreements stemming from the EURATOM Treaty, such as the Accession Agreement to the Korean Peninsula Energy Development Organization (KEDO);
16. Calls for an interinstitutional agreement for the European Parliament to be formally consulted on all international agreements falling under the EURATOM Treaty;
17. Considers that, in view of the fact that in international fisheries agreements important budgetary implications are always involved, Article 228(3), second subparagraph, of the Treaty, which requires the assent of Parliament, should always apply;

### Social policy: collective agreements between the social partners

18. Believes that an important institutional problem is posed by the fact that decisions provided for in Articles 118a and 118b of the EC Treaty on social agreements of such significance as those on parental leave and on part-time work can be taken without the European Parliament being consulted or even informed;
19. Calls for an interinstitutional agreement to redress this situation in such a way that the European Parliament is involved in consultations from the outset by providing for it to receive all the relevant texts and to be given more information by the Commission as to the progress of negotiations, and also to be given the opportunity to express its views when the Council has to take a decision pursuant to Article 118b.

### Competition policy

20. Calls for the Commission to formally undertake to send the European Parliament all draft Commission implementing proposals in the field of Community competition policy, such as draft block exemptions pursuant to Article 85(3) of the Treaty and Commission initiatives taken pursuant to Article 90(3) of the Treaty affecting public undertakings;
21. Further calls for the regular information meetings already organized by the Commissioner for Competition with the members of the European Parliament's relevant committee to become a matter of standard practice for the future;

22. If a decision cannot be reached by way of the normal procedure, insists on an agreement between the European Parliament, the Commission and the Council on codes of conduct in the field of fiscal policy;
23. Instructs its President to forward this resolution to the Commission, the Council and the parliaments and governments of the Member States.

## **B**

### **EXPLANATORY STATEMENT**

#### **Introduction**

After submitting a working document (PE 224.333), which has been debated twice, your rapporteur has drawn from it an initial series of conclusions on our method of working and the next steps we should take.

1. Experience has shown that, for the most part, institutional improvements yielded by successive amendments to the Treaties have not so much been the result of negotiations at the interinstitutional conference as represented the sanctioning of established practices, either by means of interinstitutional agreements or following Court of Justice decisions, or by more extensive use of existing procedures so as to widen existing breaches.

It has also been noted that Parliament has acquired new powers as a result more of a gradual evolutionary process (transition from consultation to cooperation, from cooperation to codecision and from codecision to simplified codecision, and from consultation to the assent procedure) than of intermittent major advances.

The proposals set out below draw heavily on this approach, which is certainly more modest and less spectacular but would appear to be more effective in the long term. They require more time and patience, however, whereas the changes under way in the world and the imminence of enlargement may require Europe to adapt more quickly.

2. Your rapporteur's proposals are moreover part of a set of parallel initiatives which are the subject of separate reports by our and other committees: the Aglietta report on committology, the Anastassopoulos report on a uniform electoral procedure, the Theato report on the improvement of budgetary control and the Randzio-Plath report on democratic scrutiny of the ECB.

It must be ensured that these various initiatives retain overall consistency as regards the achievement of the same objectives.

Owing to the demands of the timetable for introducing EMU and the need to examine the other problems in greater depth, your rapporteur is submitting an interim report now, containing proposals designed to deal with the most urgent problems.

3. In the initial working document (PE 224.333) a number of ideas were put forward under two main headings, firstly improving the functioning of EU institutions and bodies and secondly making existing EU policies more open and democratic. It now appears essential to consider these two main sets of issues within a different time frame. Your rapporteur's ideas for improving the functioning of EU institutions and bodies, and in particular the Council, Commission, Parliament and decentralized EU agencies and bodies (this latter issue perhaps unduly neglected within the Committee on Institutional Affairs) will require further detailed examination within the Committee on Institutional Affairs, including the holding of one or more public hearings, before a final set of proposals can be put forward. On the other hand, the issue of democratic accountability of Economic and Monetary Union, the single most important component under the heading of making existing EU policies more open and

democratic, is one that requires more urgent treatment, and one on which it is highly desirable for the European Parliament to express its views before the key decisions are taken at the third stage of EMU in May 1998. The main purpose of this interim report, therefore, is to make proposals on this subject and, in particular, to prepare the ground for a possible interinstitutional agreement on closer involvement of the European Parliament in procedures for economic policy coordination within the European Union.

4. At the same time, your rapporteur has also taken the opportunity to make some proposals aimed at making a number of other existing EU policies more open and democratic, such as international economic policy, agriculture, social and competition policy and also agreements and initiatives based on the EURATOM Treaty. At a later stage your rapporteur intends to make other proposals aimed at improving the functioning of EU institutions and bodies in advance of further institutional changes.

#### **Strengthening democratic accountability of EMU**

5. The potential advantages of EMU are very great, and ensuring that it is successfully established is, along with enlargement, one of the two great challenges currently facing the European Union. Understandably, the EMU process has been the central concern of the Parliament's Committee on Economic and Monetary Affairs and Industrial Policy and of its Monetary Sub-Committee. Nevertheless, the institutional implications of this process are also very great. The EMU component of the Maastricht Treaty was well prepared, with central bankers playing a vital role, but unfortunately this was not matched by the component of the Treaty dealing with political union, which was negotiated on a much more "ad hoc" basis. Such elements as the primacy of monetary stability and the independence of the European Central Bank were thus justifiably established by the Maastricht Treaty, but the institutional consequences, and the mechanisms for ensuring democratic accountability, were insufficiently thought through.
6. During the negotiations leading up to the Amsterdam Treaty, there was broad agreement that the EMU provisions of the Maastricht Treaty should not be touched in any way, with the result, for example, that the cooperation procedure has only survived in this area. The more serious result, however, was that democratic accountability has not been reinforced as regards EMU, even though a strengthening of overall democratic control at EU level was originally meant to be one of the "leitmotifs" of the Amsterdam IGC. Moreover, the "growth and stability pact", which was negotiated in parallel with the IGC, established complementary new obligations to those in the Maastricht Treaty, the wider institutional implications of which were not examined.
7. The European Parliament has been concerned with this important set of issues ever since the conclusion of the Maastricht negotiations. In its resolution of 7 April 1992 (OJ C125/81 of 18.5.92) on the results of the intergovernmental conferences<sup>(1)</sup>, the European Parliament said that one of the major shortcomings in the new Treaty was that it failed (para. 2(b)) "to provide any economic policy authority with adequate democratic legitimacy to counterbalance the autonomous monetary policy authority of the European Central Bank ..." and deplored (para 9) "the fact that when economic policy-making takes effect, the scope for parliamentary

---

(<sup>1</sup>) Based on the Martin/Herman report, A3-0123/92).

influence will suffer at national and European level, since national parliaments will lose their ability to discipline national governments because the Council will act by a qualified majority, while the European Parliament will only be notified after the event". The European Parliament then went on to call (in para. 11) for an interinstitutional agreement on some of the key EMU-related issues on which a democratic deficit was apparent, such as the excessive deficits procedure, international agreements concerning monetary or foreign exchange regime matters, mutual assistance procedures and the assessment of convergence programmes.

8. This resolution was subsequently followed-up by the Parliament. There was an exchange of letters between then Parliament President Baron and Commission President Delors on information to be provided by the Commission in the context of multilateral surveillance, and this led to regular briefings by the responsible Commissioner to members from Parliament's Economic Committee.
9. Efforts, however, to obtain a broader based interinstitutional agreement concerning the implementation of Economic and Monetary Union were less successful. The European Parliament's then delegation to the interinstitutional conference appointed three of its members as "explorers"<sup>(1)</sup> to see if such an agreement could be negotiated. Contacts were held with the Council presidency in autumn 1994, but little or no progress was made. Since this failure, the problem has become even more serious, with the failure of the Amsterdam IGC to address this issue and with the establishment of the new growth and stability pact.
10. The time has now come to redress this situation, and to establish more systematic procedures for involvement of the European Parliament in monitoring EMU without waiting for formal changes to be negotiated in a subsequent intergovernmental conference.
11. The two main issues which need to be addressed are firstly, the democratic accountability of the European Central Bank and secondly, wider consultation procedures as regards EU-level coordination of national economic policies.
12. Ensuring greater democratic accountability for the ECB but without compromising its independence is of key importance, but your rapporteur will not put forward detailed proposals in this regard since the issue is covered in the parallel report from the Economic Committee on democratic accountability in the third phase of EMU<sup>(2)</sup>, on which your rapporteur is submitting a specific opinion<sup>(3)</sup>. In this context, your rapporteur has made the following proposals. Firstly, Parliament ought to be able to secure the conclusion of an agreement with the ECB under which the ECB's senior officers would undertake to make known in advance what their targets were over the following twelve months in terms of monetary stability, interest rates and economic growth, even though this might mean that a judgment was made as to the attainment of these targets in the light of certain well-defined conditions over which the ECB would have no influence. Secondly, any such agreements with the ECB ought to confirm the undertakings entered into and honoured by the EMI's senior officers towards Parliament with regard to the regular provision of information and the frequency of meetings within the Subcommittee on Monetary Affairs.

---

(1) Mr von Wogau, Ms Randzio-Plath and Mr Herzog.

(2) Rapporteur Ms Randzio-Plath (PE 223.957/A).

(3) Draft text is contained in PE 225.296.

13. In addition, your rapporteur also put forward the idea, based on an actual precedent in the New Zealand Central Bank, that the level of the remuneration of the ECB's senior officers be affected by the extent to which any stated targets in terms of monetary stability, interest rates and economic growth were attained. This idea has been criticised largely because of its unfamiliarity, but in your rapporteur's view this is an interesting idea which is worthy of further exploration.
14. On the second issue, procedures relating to the coordination of national economic policies, the essential complement to policy on monetary stability, your rapporteur believes that a proper interinstitutional agreement is now required. This would provide for more systematic procedures as regards the European Parliament contribution to the setting of the broad economic policy guidelines pursuant to Article 103(2), multilateral surveillance pursuant to Article 103 ((3) and (4)) and the excessive deficit procedure pursuant to Article 104(c). With this objective in mind, your rapporteur submits a draft interinstitutional agreement which is attached to the draft motion for a resolution above.
15. Your rapporteur understands that there is hesitation at British Presidency level as to pursuing the possibility of such an interinstitutional agreement and that more informal procedures are to be preferred, such as reinforced informal contacts between the European Parliament and the Council at sufficiently early stages in the process leading up to adoption of the broad guidelines of the economic policies of the Member States. In the view of your rapporteur, such informal procedures will not be sufficient, and strenuous efforts should be made to convince the Presidency to change its mind on this question.
16. In addition to the above issues, your rapporteur would like to raise a couple of other points at this stage. Firstly, the Luxembourg Summit made headway with the notion of more concerted coordination of national economic policies and, more particularly, employment policies. Parliament ought also to be able to be consulted on these issues beyond what is already laid down in Articles 109q and 109s. Here, too, an undertaking to consult ought to be negotiated with the other institutions concerned. Secondly, the President of the Economic and Financial Committee, which will replace the Monetary Committee as of January 1999, ought to be able to continue what has been the practice to-date, i.e. meetings with the European Parliament's relevant committee whenever there is a change of Presidency or once every six months.

#### International agreements

17. Another area where the democratic deficit has been particularly obvious has been as regards international agreements and the common commercial policy. Quite apart from the variable and utterly untransparent role for the European Parliament that is foreseen in Article 228-3 of the Treaty, the European Parliament is not even mentioned, and thus not formally consulted on Article 113 agreements, in spite of the fact that this is an area of traditional Community rather than inter-governmental competence.
18. This situation has not been improved in any way as a result of the Amsterdam Treaty. The absurdity of the situation as regards Article 113, for example, was shown by the fact that the Irish Presidency draft text extending the scope of Article 113 to services envisaged

consultation of the European Parliament as regards agreements involving services, but not as regards other types of agreement.

19. Since no Treaty change has proved to be possible in this area, it is essential that the European Parliament's role be improved by other and more informal means<sup>(1)</sup>. Firstly, it will be essential to ensure that the European Parliament be given more systematic information in the separate phases of preparation, adoption and implementation of negotiating guidelines for external agreements. Secondly, the rapporteur and/or chairman of the relevant committee should be systematically informed as to how the negotiations are proceeding and perhaps, in the case of very important agreements, should be given the opportunity to observe the negotiations within the EU delegation. Thirdly, much better information should be provided to the European Parliament on proceedings within the Article 113 committee.

### **EURATOM Treaty**

20. There is a serious democratic deficit arising from the lack of provision for parliamentary consultation in the EURATOM Treaty. Repeated calls by Parliament to revise this treaty - a resolution on the integration of the ECSC and EURATOM treaties into the EEC Treaty dates from 16 January 1992 - were ignored in both inter-governmental conferences. Lack of adequate parliamentary involvement under the EURATOM Treaty was sharply criticized in Parliament's resolution of 24 April 1997 on the agreement for peaceful nuclear cooperation between the European Atomic Energy Community and the United States of America: "Demands that the Commission and Council introduce greater democracy by putting right the current non-involvement of Parliament in the EURATOM agreements with USA, Russia, Argentina, Japan and the Korean Energy Development Organization (KEDO), as well as other future EURATOM agreements with third countries" (para 3).
21. This call by Parliament was totally and immediately ignored by both Commission and Council. Just a few weeks after this resolution the Commission forwarded to Council a proposal for a Council decision approving the conclusion by the Commission of an agreement on terms and conditions of the accession of the European Atomic Energy Community (EURATOM) to the Korean Peninsula Energy Development Organization (KEDO). This agreement was based on Article 101 of the EURATOM Treaty, which does not mention consultation of the European Parliament. Nothing, however, need have prevented the Commission recommending, or the Council deciding, to consult Parliament in any case, especially in the light of the abovementioned resolution, which specifically referred to KEDO.
22. The Accession Agreement to KEDO was signed in September 1997 without any parliamentary involvement, despite the importance of the agreement for the EU's foreign policy. The Committee on Foreign Affairs, Security and Defence Policy is currently drawing up a report on the agreement, having had its own specific calls for parliamentary consultation ignored. Funds for KEDO have been placed in the reserve, so if Parliament's opinion on the agreement is negative, the EU will be unable to pay its annual subscription to KEDO, which guarantees it a seat on the Executive Board.

---

<sup>(1)</sup> As called for, for example, in the European Parliament's resolution of 12 March 1993 on the conclusion and adaptation of interinstitutional agreements based on the Roumeliotis report, A3-0043/93.

23. Given that Parliament's wish for revision of the EURATOM Treaty is currently out of the question, the way to proceed to remedy this particular democratic deficit is to strike an interinstitutional agreement, along the lines of the 1997 one providing for consultation on the basic choices for the Common Foreign and Security Policy, with Council and Commission agreeing to formally consult Parliament on all international agreements falling under the EURATOM Treaty, despite the absence of any treaty obligation to do so. One way of encouraging Council and Commission here could be to block all funds to KEDO, and all funds for any future international agreements under the EURATOM Treaty, until there is such an interinstitutional agreement!

### Social policy

24. Another area where an interinstitutional agreement appears necessary is that regarding collective agreements between the social partners as originally provided for in Articles 3 and 4 of the social agreement, but now incorporated directly in the Treaty in Articles 118a and 118b of the Amsterdam Treaty<sup>(1)</sup>. An important institutional problem is posed in these cases, in that significant social agreements can be negotiated (such as on parental leave and on part-time work), but without any kind of role for the European Parliament, all this in a field where co-decision is becoming the normal rule.
25. The European Parliament has raised this issue on several occasions in the past<sup>(2)</sup>. More recently it was also expressly mentioned in paragraph 12 of the European Parliament's resolution on the Amsterdam Treaty of 19/11/97 which expressly called "in the area of social policy" for "the European Parliament to be kept informed of negotiations between management and labour".
26. Your rapporteur believes that any new interinstitutional agreement in this field needs to cover the following points:
- (i) pursuant to the European Parliament's Amsterdam resolution above, the European Parliament needs to be given more information by the Commission, firstly by being sent all texts submitted to the social partners by the Commission both at the initial and latter stages, and secondly by being regularly informed of the progress of negotiations between the social partners;
  - (ii) when the Council has to take a decision pursuant to Article 118b the European Parliament should also be given the opportunity to give its views.

### Competition policy

27. Another specific problem of openness and democratic accountability is posed by competition policy, where the Commission has an extremely powerful role and where the European Parliament's role has been very limited and with very few formal consultations. The European Parliament's main contribution has been its annual resolution reacting to the Commission's Annual Report on Competition Policy. In addition the European Parliament has been

---

(<sup>1</sup>) Renumbered Articles 138 and 139.

(<sup>2</sup>) For example, in two Reding reports (A3-0091/94 and A3-0269/94).

informally involved in consideration of a number of draft block exemptions and also Commission actions taken pursuant to Article 90(3) of the Treaty affecting public undertakings. In some of these cases the European Parliament has drawn-up a resolution, in others its contribution has taken the form of a letter from the relevant European Parliament committee chairman to the Commissioner for competition policy. Finally, the latter has organised a number of informal meetings with MEPs.

28. Your rapporteur would make two proposals in this regard:
- (i) the Commissioner should formally undertake to send the European Parliament all draft Commission implementing proposals in the field of Community competition policy (this has not always occurred in the past);
  - (ii) the regular informal meetings already organised by the responsible Commissioner should become a matter of standard practice for the future.

### **Concluding remarks**

29. The above issues that have been raised by your rapporteur are clearly by no means exhaustive. There are, for example, a number of other areas, and in particular common foreign and security policy and police and judicial cooperation in criminal matters, where the European Parliament's role is still unsatisfactory and needs to be reinforced. These latter, however, are policy areas of such broad scope that they merit separate treatment within the European Parliament.
30. Nevertheless, if progress can be made on the issues identified in the present report, a number of important steps forward will have been taken.

**Preliminary draft interinstitutional agreement  
between the European Parliament, the Council and the European Commission  
on provisions relating to the coordination of national economic policies**

General provisions

- A. The purpose of this agreement is to implement the various procedures for the coordination of national economic policies in the context of economic and monetary union.
- B. This agreement is aimed at ensuring a proper balance as regards participation by the Community's institutions in the coordination of national economic policies.

Procedure for setting out the broad guidelines of economic policy (Article 103(2) of the Treaty)

- C. The Commission shall forward to the European Parliament and the Council a recommendation on the broad guidelines of the economic policies of the Member States. The European Parliament shall debate the proposed broad guidelines and adopt an initial resolution, which shall be forwarded to the Council. The Council shall formulate a draft for the broad guidelines of the economic policies of the Member States and of the Community and, taking into account the resolution of the European Parliament, shall report on its findings to the European Council.
- D. The President of the Council shall appear before the responsible committee of the European Parliament in order to inform it of the conclusion reached by the European Council on the broad guidelines of the economic policies of the Member States and of the Community. The European Parliament may organize a second debate in order to assess the content of the recommendation in relation to its initial resolution and shall, if necessary, adopt a second resolution.

Multilateral surveillance procedure (Article 103(3) and (4) of the Treaty)

- E. The Commission shall forward to the European Parliament and the Council reports on economic developments in each of the Member States and on the consistency of national economic policies with the broad guidelines and, where it is established that the economic policies of a Member State are not consistent with the broad guidelines or that they risk jeopardizing the proper functioning of economic and monetary union, its recommendations. The European Parliament shall debate the Commission's recommendations and adopt an initial resolution, which shall be forwarded to the Council.
- F. If the Council establishes that the economic policies of a Member State are not consistent with the broad outlines, it may, taking into account the resolution of the European Parliament, make the necessary recommendations to the Member State concerned.

- G. The recommendations shall be made public. The President of the Council shall appear before the responsible committee of the European Parliament in order to inform it of the recommendations adopted. The European Parliament shall assess the content of the recommendations in relation to its initial resolution and shall, if necessary, adopt a second resolution.

Excessive deficit procedure (Article 104c of the Treaty)

- H. The Commission shall forward to the European Parliament and the Council the reports drawn up as part of its monitoring of the development of the budgetary situation and of the stock of government debt in the Member States as well as the opinions formulated in cases of an excessive deficit or of the risk of such a deficit. The European Parliament shall debate these reports and opinions. In cases of excessive deficits, it shall adopt an initial resolution, which it shall forward to the Council before a decision is adopted.
- I. The Council shall decide whether an excessive deficit exists in a Member State and, taking into account the resolution of the European Parliament, shall make recommendations to the Member State concerned with a view to bringing that situation to an end within a given period.
- J. The President of the Council shall appear before the responsible committee of the European Parliament in order to inform it of the recommendations adopted. The European Parliament shall assess the content of the recommendations in relation to its initial resolution and shall, if necessary, adopt a second resolution.
- K. The recommendations adopted by the Council shall be made public where no effective action has been taken in response to the recommendations within the period laid down.
- L. If a Member States persists in failing to put into practice the recommendations of the Council, in spite of the notice given by the Council pursuant to Article 104c(9), and if the Member State concerned does not adopt measures for the reduction of the deficit, the Council may, after giving the European Parliament an opportunity to deliver its opinion on the measures envisaged, decide to apply one or more of the sanctions provided for in Article 104c(11).
- M. The President of the Council shall appear before the responsible committee of the European Parliament in order to inform it of the decisions taken pursuant to Article 104c(11) of the Treaty. It shall also inform it of any derogation from some or all of the decisions taken.

Final provisions

- N. The content of this agreement may not be amended without the consent of all the signatory institutions.

18 March 1998

**OPINION**  
(Rule 147)

for the Committee on Institutional Affairs

on the improvements in the functioning of the Institutions without modification of the Treaty (report by Mr Herman)

Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman: Mrs Christa Randzio-Plath

---

**PROCEDURE**

At its meeting of 17 December 1997 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mrs Randzio-Plath draftsman.

It considered the draft opinion at its meetings of 2-3 March and 18 March 1998.

At the last meeting it adopted the following conclusions by 49 votes to 1, with 2 abstentions.

The following took part in the vote: von Wogau, chairman; Katiforis, Garosci and Secchi, vice-chairmen; Randzio-Plath, draftsman; Areitio Toledo, Argyros (for Carlsson), Arroni, Berès, Billingham, Boogerd-Quaak (for Cox), Camisón Asensio (for de Brémond d'Ars), Cassidy (for Christodoulou), Caudron, Alan John Donnelly, Elliott (for García Arias), Ettl (for Kuckelkorn), Fayot, Filippi (for Fourçans), Gallagher, Glante, Glase (for García-Margallo y Marfil), Harrison, Hendrick, Herman, Imbeni, Kestelijn-Sierens, Kuhne (for Miller), Langen, Lindqvist (for Larive), Lukas, Lulling, Thomas Mann (for Hoppenstedt), Mather, Metten, Murphy, Paasilinna, Pérez Royo, Rapkay, Read, Riis-Jørgensen, Rübig, Sisó Cruellas (for Ilaskivi), Stevens (for Konrad), Svensson, Theonas (for Ribeiro), Thyssen, Torres Marques, W.G. van Velzen (for Peijs), Watson, Wibe and Wolf (for Soltwedel-Schäfer).

There are several important issues concerned with the responsibilities of this Committee that have remained completely unchanged in the Treaty of Amsterdam, but which raise major concerns concerning democratic accountability. Many decisions in the field of economic and monetary issues can be taken either with the European Parliament only being informed afterwards or without the European Parliament having any formal role at all in the matter. With the start of the third phase of Economic and Monetary Union on 1 January 1999, the European Parliament must be granted a greater role in many of the issues concerned, in particular on the establishment of the broad economic guidelines (Article 103.2 of the Treaty on European Union), the procedure concerning multilateral surveillance (Article 103.3-4 of the TEU), the excessive deficit procedure (Article 104c of the TEU), the assessment of convergence as well as in the field of democratic accountability of the future European Central Bank.

With the start of EMU, the future ESCB and the ECB will conduct a single monetary policy for all the Member States taking part in European monetary union. There will also be greater coordination

of the economic policies of the Member States taking part in the third phase, as agreed in the Luxembourg summit in December 1997. Therefore, democratic accountability in these areas must be ensured also at the European level. The European Parliament as the only directly elected institution at this level, is the most appropriate body to achieve a greater role in this context. One way of implementing more involvement of the European Parliament is through the negotiation of a new inter-institutional agreement between the European Parliament, the Council and the Commission in the above-mentioned areas. Other ways of ensuring this would include regular oral and written briefing procedures, receiving "ex ante" information and more regular invitations for the ECOFIN ministers and the ECB Executive Board to inform the members of Parliament's Committee responsible.

Parliament's participation in discussion of the major issues of economic policy is underdeveloped. Public acceptance and approval of European-level decision-making and coordination can be increased by means of interinstitutional agreements to enhance such participation. This applies just as much to Articles 102a, 103 and 104c as to innovation, industrial and fiscal policy.

## **CONCLUSIONS**

The Committee on Economic and Monetary Affairs and Industrial Policy calls on the Committee on Institutional Affairs, as the committee responsible, to incorporate the following conclusions in its report:

1. Calls, in this context, for participation by Parliament in all procedures under the heading of economic union, in the form of an interinstitutional agreement with the Council and Commission or in the ensuing legislative procedure, that deal with economic cooperation and coordination, the basic aspects of employment policy and the excessive deficit procedure (Articles 102a, 103 and 104;

### **Other policy areas**

2. Considers that there is a need for an investment, innovation and taxation pact at EU level, to be agreed between the European Parliament, the Commission and the Council;
3. Insists on an agreement between the European Parliament, the Commission and the Council on codes of conduct in the field of fiscal policy;