

THE EUROPEAN CONVENTION

THE SECRETARIAT

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COVER NOTE

from	Secretariat
to	The Convention
Subject :	Contribution from Mr. Elmar Brok, member of the Convention “EPP Essentials on Economic Governance”

The Secretary-General of the Convention has received the contribution annexed hereto from Mr. Elmar Brok, member of the Convention.

**EPP Essentials
on
Economic Governance**

**Contribution to the Convention by Mr. Elmar Brok MEP
on behalf of the EPP Convention Group**

Adopted at the EPP Convention Group Meeting
in Palma de Mallorca,
18 May 2003

1. **Sound public finances** is and must remain a fundamental principle of economic policy in the Union. The EPP therefore reiterates its request – already put forward as an amendment – to include this objective (currently referred to in Article 4(3) of the EC Treaty) at a prominent place among the Union objectives in Article 3 of the Constitution. For the EPP, it is not sufficient to mention this guiding principle for all Union policies only in Part III, in the special title on economic and monetary policy.
2. **Coordination of economic policies and of employment policies** in the Union must continue to take place by means of guidelines and recommendations, while leaving the principal responsibility in these areas to the Member States (see Articles 98, 99 and 125-128 of the EC Treaty). However, the EPP supports a consistent and synchronised procedure for the already existing multilateral surveillance of national economic and employment policies, to take place under the supervision of the Council and the Commission.
3. The EPP sees **no need for incorporating the open method of coordination into the Constitution**. The open method of coordination should continue to be used where the Union may take supporting action or where national policies are coordinated. It shall be implemented by means of guidelines. For this purpose, guidelines could be mentioned among the legal instruments available under the Constitution, alongside recommendations.
4. **The role of the European Commission should be strengthened** in the multilateral surveillance of economic policies and of sound public finances in the Member States. Therefore, the Commission should be given the right to issue itself recommendations under

the present Article 99(4) of the EC Treaty, as well as to send an early warning to a Member State under the Stability and Growth Pact. In addition, the Commission should take the decision whether an excessive deficit exists in a Member State (at present Article 104(6) EC Treaty).

5. With regard to the status of the **European Central Bank (ECB)**, the EPP considers the following points to be essential:

- The **mandate of the ECB** (primary objective of price stability) and its institutional, functional and financial **independence** must be taken over as such and unchanged into the Constitution. These are the corner-stones of monetary union agreed at Maastricht and form the foundations of the successful development of the euro.
- The **status of the ECB** must not be changed in the Constitution. Under the present EC Treaty, the ECB is not an institution, but a *sui generis* body, or an independent specialised organisation. The ECB must therefore not be listed among the Union institutions in Article 14 of the Constitution. Instead, a new Article 14a should be added which reads:
“The monetary policy of the Union is entrusted to the independent European Central Bank (ECB). The European Central Bank shall govern and carry out its functions through the European System of Central Banks (ESCB), which shall be composed of the ECB and the national central banks of the Member States.”

Under this condition, Article 21, as proposed by the Convention Praesidium, essentially could remain the same (see however the EPP amendments submitted in this respect). The Title of IV should be changed from “The Union Institutions” into “The Union’s Institutions, Organisations and Bodies”.

- The Constitution shall only allow for **amendments to the constitutional provisions on the ECB** through a constitutional amendment procedure which requires ratification by all Member States. Prior to such amendments, the ECB must always be consulted (see the present Article 48(2) EU Treaty). Amendments which are exceptionally possible under a simplified amendment procedure (see the present Articles 105(6) and 107(5) of the EC Treaty) must continue to require the assent of the European Parliament and unanimity in the Council; they are of a constitutional nature and – in the case of Article 105(6) - even allow for a transfer of competences to the Union level.

6. The **Eurogroup** must continue to meet as an informal body. However, to make its existence publicly known, the EPP would accept that the Eurogroup is recognised in a Protocol attached to the Constitution. Such a Protocol should underline the informal nature of the Eurogroup as well as its function to prepare the position of Euro area Member States in subsequent meetings of the Ecofin Council, which shall remain competent to take all Council decisions with regard to economic matters. The Eurogroup may appoint a Chairman to conduct its meetings; the term of such Chairman may be decided by the Eurogroup itself and must not be laid down in the Protocol.
7. The Constitution must allow for **a more efficient representation of the Euro area in international economic and monetary organisations and fora** (such as IMF or G-8). For this purpose, the present Article 111(4) EC Treaty – which has never worked in practice - needs to be amended, as also recommended by the Convention Working Group “Economic Governance”. The EPP therefore calls for entrusting, directly by the Constitution, external representation in economic matters to the Commission – acting under a mandate conferred to it by the Council/the Eurogroup – and in monetary matters to the ECB. Both shall keep the Parliament and the Council regularly informed about these matters.
8. In view of forthcoming enlargement, the important and powerful **Economic and Financial Committee (EFC)** – see the present Article 114 EC Treaty - is in urgent need of reform. The EPP suggests to provide for the following composition of the EFC in the Constitution (Part III): 3 Members from the Commission, 3 Members from the ECB, 1 Member from each Member State.
9. The EPP asks for a move to **qualified majority for all indirect taxes which have an impact on the the proper functioning of the internal market.**