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Commission Memorandum to the Council on the co-ordination of economic policies and monetary co-operation within the Community

(Submitted on 12 February 1969)

SECRETARIAT OF THE COMMISSION

COMMISSION MEMORANDUM TO THE COUNCIL ON THE CO-ORDINATION OF ECONOMIC POLICIES AND MONETARY CO-OPERATION WITHIN THE COMMUNITY

On 5 December 1968 the Commission submitted to the Council a Memorandum "on appropriate policy in the Community on current economic and monetary problems". In accordance with the conclusions of this Memorandum, the Council, at a meeting on 12 December 1968, "recognized the need for fuller alignment of economic policies in the Community and for an examination of the scope for intensifying monetary co-operation". The object of the present Memorandum is to clarify the Commission's position on these two points.

I. Continuity of Commission recommendations

1. The Commission of the European Communities must point out first of all that the steps advacated in this Memorandum are in line with the policy which the Commission of the European Economic Community worked out and advocated over a period of several years.

The main lines of this policy were set out in Chapter VIII (Monetary policy) of the "Memorandum of the Commission on the Action Programme of the Community for the Second Stage", of 24 October 1962, and in the Commission's publication "Initiative 1964" of 30 September 1964.

In the 1962 Memorandum, the Commission of the European Economic Community affirmed that the co-ordination of the Member States' policies "would be incomplete, and therefore possibly ineffective, if no comparable action were taken in the field of monetary policy". It recommended, among other things, the creation of a number of procedures for prior information and consultation, the establishment of a common position with regard to external monetary relations, and the negotiation of an agreement laying down "the extent of the obligations ... with regard to mutual aid under the Treaty".

2. In February 1968 the Commission of the European Communities submitted a Memorandum on Community action in the monetary field at the conference of Finance Ministers in Rome. This was done with the greatest discretion in view of the nature of the problems to be dealt with. The Commission suggested that the Committee of Governors of Central Banks and the Monetary Committee might examine the following questions:

(i) The possibility of Member States undertaking to make no change in their currency parities, except by common accord; parity changes would not be ruled out completely, but as they are a matter of common interest under the Treaty of Rome, this would involve first considering the possible impact on the Community and seeking alternative solutions if neeessary;

(ii) The elimination, for the currencies of the Member States, of day-to-day fluctuations around the parities, and the adoption of identical ranges of fluctuation in respect of non-member countries, not only to facilitate commercial and financial relations within the Community, but also to make possible a common position for the Member States should non-member countries adopt floating exchange rates;

(iii) The setting up, as part of the Community, of mutual assistance machinery under Articles 108 and 109 of the Treaty, for example in the form of a multilateral network of mutual credit rights which the institutions concerned could use when needed;

(iv) The definition of a European unit of account which would be used in all fields of Community action requiring a common denominator.

The Commission of the European Communities also recommended that, while strengthening their internal monetary solidarity, the member countries should declare their readiness to respect and uphold the principles of the international monetary system as established in international agreements concluded since the end of the Second World War, and to contribute to the effective operation of this system through concerted action.

3. The Commission observes that it was not before the Finance Ministers' Conference in Rotterdam on 9 and 10 September 1968 that the Monetary Committee was given a mandate to continue its work, in co-operation with the Committee of Governors of Central Banks, on progress to be made in the field of monetary relations in the European Economic Community.

In the meantime, there were many developments, and events occurring in November 1968 led the Commission to refer to the Council and submit proposals. The Commission considers that the disturbances of 1968 and the dangers which will threaten the future of the Community if no action is taken compel its institutions to define their position clearly. The Commission, which the Treaty entrusts with responsibilities for the Community, would be failing in its duty if it did not inform the Council of its concern and submit its opinions on problems facing the Community in all fields relating to the life of the Community.

4. In this respect, the Commission would like to express its appreciation of the Interim Report by the Monetary Committee of 15 January 1969, which it has just received.

The Commission fully endorses the Committee's general remarks on co-ordination of economic policies. It also welcomes the remarks in the Report on the improvement and consolidation of prior consultation procedures and on the improvement of information facilities. It also notes with particular satisfaction that in this respect the approach adopted in the report has much in common with that of the Commission's Memorandum to the Council of 5 December 1968.

The Commission has noted that the Monetary Committee intends to study the question of the range of fluctuation in exchange rates, to which the Commission had drawn attention in its Memorandum of February 1968.

It is the Commission's view that extending the range of fluctuation of the exchange rates of the currencies of member countries would raise serious problems for the common agricultural policy and for trade relations in the Community, and would be a threat to the progressive unification of the markets.

The Commission is well aware that the elimination of the ranges of fluctuation would raise technical difficulties and would restrict the Member States in their pursuit of an independent monetary policy. However, it does not regard the technical difficulties as insurmountable; and it feels that the harmonization of economic and monetary policies in the Community will account to a great extent for the objection referring to the independence of national policies in the monetary field. The Commission is determined to make clear its views, on all these points, within the Monetary Committee, as the incertainties underlying them makes detailed study more important than ever.

II. The present state of the Community and its requirements

5. At the present time the Community is an original and complex entity, consisting of both national and Community elements. The rate of integration has not been the same in all fields. The particularly rapid expansion of intra-Community trade (the proportion of exports to other member countries has risen from one third of total exports in 1957 to nearly half in 1968) has increased the interdependence of the member countries. Although this is very advantageous to their individual growth, at the same time it renders the business activity and payments equilibrium of each member country more vulnerable to business fluctuations in neighbouring EEC countries. While the solution to the problems raised by this situation does not lie in a single economic policy, for which the necessary political, psychological and economic conditions are not yet fulfilled, it is not to be found in a mere juxtaposition of independent national policies either.

At the Community's present stage of development, the economic policies of the Member States can no longer be considered without reference to the "Community phenomenon", which has ceased to be a marginal factor. Thus, certain measures to which the Member States have resorted in the past can no longer be applied in a customs union. Others are no longer as effective as they were, as some companies, especially those which are active in two or more countries of the Common Market, can often avoid the effects of certain national measures as a result of the development of financial administration techniques and the speed of modern means of communication. For measures taken in isolation on the national level to be effective now, they must be more severe than they used to be. They hit harder the economy of the country which takes them and are more damaging to the economies of its partners than before the establishment of the Common Market. Only concerted action can prevent this and enable the size of the Community to be properly exploited.

6. This is not surprising. Only those ignorant of the true nature of modern economies can believe that a multinational Community could be organized solely on the bases of a customs union for manufactures, a common agricultural policy, and some measures of harmonization, notably in the tax field.

The free movement of goods and services in a customs union in the 20th century has only very little in common with the regional free trade of the second half of the 19th century. The developed economies, which now form a customs union, are strongly influenced and guided by the economic policies of the individual States and by the action of large units, which develop their own strategy; there is a danger that incompatibility between these policies and between these strategies will become a threat to the existence of the customs union.

With regard to the common agricultural policy, experience has shown that its implications go beyond the primary sector alone and affect such things as the general level of prices, public finance, and currency exchange relations between Member States.

Tax measures adopted by Federal Germany and France in November 1968 also show clearly that there can be no lasting harmonization of indirect taxation unless economic policies are better co-ordinated to reduce imbalances.

7. Therefore the Community cannot stop at the point which it has now reached. Either, under the pressure of diverging forces which are already apparent, it will — paradoxically — allow its unity to slacken at the very time when the tariff union has been achieved after much effort, and when the upsurge in technological progress is steadily enhancing the benefits of a large single market; or, by achieving sufficient alignment of the national economic policies within the existing institutions, the Community will consolidate and develop the results obtained so far to the benefit of all the member countries, with a view to faster growth and the more efficient allocation of available economic resources.

Thus, the Community has a choice of vital importance to make, and it must lose no time in tackling the problem if it is to avail itself of opportunities remaining open before serious instability sets in and forces undesirable solutions on it.

The convergence of the member countries' medium-term aims is of prime importance.

8. When it submitted the draft for the First Medium-term Economic Policy Programme to the Council, the EEC Commission drew attention to the existence of "gaps and inconsistencies" in national projections and the need to "press ahead with the efforts that are needed if the future is to be better prepared". Although certain technical and political difficulties remain, it is now possible to fix more precisely the degree of convergence which the general guidelines of the member countries' medium-term policies must comply with to ensure mutual compatibility.

The main medium-term objectives which the member countries should work out together concern production and employment growth rates, prices, the current accounts and the equilibrium of the overall balance of payments. These basic objectives are closely interrelated and should be settled simultaneously.

9. With regard to production and employment growth rates, the differences in growth potential between the member countries preclude the fixing of the same objectives for all, and suggest that for each country objectives should be sought which take into account its own potential and those of its partners, which ensure better use of productive resources throughout the Community, and which maintain the relative balances between the member countries. In this case, each member country could achieve faster growth than if growth were determined as a function of purely domestic factors.

As far as prices are concerned, substantial disparities between medium-term guidelines are likely to cause serious imbalances in the Common Market. In this field, there is less room for disparities than in that of growth. Without insisting on strict uniformity, which the differences in the economic structures and the social situations do not allow, a limit should be fixed for each member country beyond which prices should not be allowed to rise, taking into account intra-Community relations and the Community's relations with the rest of the world.

Finally, for the current account and the overall balance of payments, as for prices (and for the same reasons), the member countries should work our objectives involving incompatibilities neither within the Community nor in its relations with outside.

10. Concerted agreement on realistic, mutually-consistent medium-term objectives will not remove the need for the member countries to monitor economic trends carefully. Uncertainties in diagnosing and forecasting, the difficulty of achieving exactly the right economic policy "mix", and unforeseeable accidents resulting from internal or external developments necessitate an annual review of the conditions governing the achievement of the proposed objectives, so that the policies of the Member States may be adjusted if necessary.

11. Concerted agreement on the Member States' medium-term guidelines will not be successful unless the States pursue joint short-term economic policies related to these guidelines. Here again, this does not mean adopting identical policies in every member country, but ensuring that the policies are sufficiently mutually consistent when studied at the level of the Community as a whole to prevent the development of the various economies departing from the guidelines laid down for the medium term.

There is a need, therefore, to increase the co-ordination of current economic and financial policies to forestall short-term imbalances early enough and under the most favourable conditions for all the Member States, and to combat them as effectively as possible should the need arise. In a multi-national area which is moving towards integration and whose tariff policy towards non-member countries is quite moderate, it is much more important to forestall imbalances than in a national economy having no close links with outside. It is in the common interest to avoid or to correct an imbalance as quickly as possible, even if it is limited to only one country, such is the risk of it having a contagious effect on the whole Community. It is also advisable to discuss jointly the steps to be taken to make sufficient allowance for reciprocal influences, and to prevent the policies which are adopted from thwarting each other or setting off chain reactions. Recent experience shows that certain Community countries have too often relied on economic revival in another member country to be the main stimulant to their own expansion; it also shows that too low an estimate of the rate of growth in one Member State can affect the policies of other Member States.

12. Even if the co-ordination proposed in this Memorandum worked effectively, it would not preclude unforeseen accidents. No Community Member State is immune to such occurrences, which could quickly jeopardize its external financial position.

In such circumstances, there is a serious risk for the Community that the State affected will resort to unilateral safeguard measures. Steps of this kind should be avoided, not only because of the growth losses which they inflict on the Community as a whole, but also because they upset the production, sales and investment plans of firms in the member countries, and because they shake confidence in the irreversibility of progress towards a single market for goods, services and factors of production.

In this respect, there is no doubt that procedures for consultation and joint action are necessary, but they are not enough. The Commission believes that is indispensable for a Member State in difficulty to be able to obtain from its partners in the Community, at the crucial moment and without delay, the funds which will help it to cope with its difficulties without imperilling the operation of the Common Market. These facilities will not be enough in themselves to correct the imbalance, but it will allow the country receiving it to take the necessary steps under better conditions.

13. The payments surpluses of all the Member States might explain, if not justify, the failure of the Community to take an interest in these problems in recent years. It also seems that the size of the reserves of the member countries has led them to think that they could each cope with a disequilibrium by drawing on their gold and currency reserves, and to some this seemed likely to favour a better distribution of international monetary reserves. But experience has shown that the surplus position in any member country can change radically in short periods, that a country's reserves can dwindle very quickly, and that the policies which have to be introduced to stem the loss of reserves and then restore them to a more satisfactory level affect freedom of transactions and the rate of growth in both country with the imbalance and the Community as a whole.

14. The Treaty makes specific provision in Article 108 for "mutual assistance" between Member States. No use was made of this facility when a balance of payments crisis affected a member country a few years ago. It was applied more recently after clumsy and complex procedures; but its main aspect was not monetary or financial; and it was not able to prevent the application of safeguard measures.

In the light of recent developments, the Commission considers it desirable to set up machinery in the Community for monetary co-operation which would operate as part of the medium and short-term economic policy objectives drawn up jointly and whose purpose would be to prevent imbalances becoming worse rather than to remedy the effects of crises once they had broken out.

15. It may be inquired whether it is necessary to set up such machinery, considering that there already exists international machinery for monetary co-operation such as the network of bilateral short-term facilities between the central banks of the Community and non-member countries. It should be observed that the arrangements available under the international systems have so far not been successful in warding off crises. There is also reason to believe that any improvements which may be made to them are not likely to be completely successful without effective co-ordination of the economic policies of the countries taking part.

In the view of the Commission, the establishment of Community machinery is justified by the fact that the Member States are linked together by a customs union and by common or co-ordinated economic policies: it is therefore reasonable that these States, considering their obligations to each other and the advances advocated in co-ordinating their economic policies, should make the necessary arrangements for granting each other mutual support within their association. The Community as such should, by virtue of its very existence, be the first multinational body to be informed of the problems of a Member State and to come to its aid in certain conditions.

There is nothing to prevent the Community's own machinery being linked to the existing machinery for international monetary co-operation, and Community action forming part of international action, if necessary. The argument that recent experience shows that the amount of resources to be mobilized is more than the Community countries alone can find is unconvincing. Firstly, the six countries have large reserves. Secondly, the very large amounts needed to cope with recent crises were needed because cure is always more difficult than prevention. Preventive action would not require such large repeated aids as those which have had to be granted in certain cases.

It should also be noted that if external circumstances were to lead to the introduction of special exchange relations between the currencies of member countries, it would be necessary to set up Community machinery.

This machinery should be ready for prompt use so that the Member State which used it could take the appropriate economic policy measures whilst maintaining freedom of exchange in the Community. It should be available for use whenever and as soon as the situation calls for it.

Finally, care should be taken to ensure that the machinery does not encourage the authorities to choose the easy way out when tackling problems. It should not only form part of a clearly-defined system of co-ordinating the economic policies as described above, but should also be adaptable, so that the necessary adjustment procedure would not be deferred.

III. Measures needed

As recalled in Chapter I, the Commission has on several occasions in the past suggested what should be done to strengthen the Community's economic and monetary cohesion. It reaffirms, in particular, the content of its Memorandum of February 1968. However, in its view, the present situation calls for the urgent concerting of the medium-term economic policies, fuller concerting of the short-term economic policies, and Community machinery for monetary co-operation.

A. Concerting the medium-term economic policies

16. In accordance with the Council's decision of 15 April 1964, the first two medium-term economic policy programmes set out the main aims of the economic policies which the Member States and the institutions of the Community intend to follow. However, there is still much to be done to "ensure the co-ordination of the policies", as this decision requires.

Therefore, after consulting the Medium-term Economic Policy Committee, the Commission proposes to lay before the Council a Memorandum on the problems raised for the Community by the prospects in the member countries in the next few years for the trend of production and employment, prices, the current account and the overall balance of payments. The Commission suggests that the Council should consider appropriate decisions in the early Autumn of 1969.

17. After consulting the Medium-term Economic Policy Committee, the Council should also take the necessary measures for improving the synchronization of the national programmes and strengthening the links between them. It is regrettable from the point of view of approximating the economic policies that the periods chosen by the various member countries for drawing up their medium-term projections and programmes do not coincide.

18. The Commission also feels that more light should be thrown on the structural problems facing each country in its growth and stability policy, and that the Medium-term Economic Policy Committee should put in hand preliminary research to prepare solutions which would be co-ordinated at the Community level in line with the general lines of the medium-term programmes, and which could, if necessary, use Community facilities created by the Treaties.

B. The co-ordination of the short-term policies

19. The Commission considers that the most important step to be taken with regard to the short-term economic policies is the tightening-up and the more effective application of consultation procedures prior to the final adoption of economic measures planned by the Member States.

20. Such consultations have already taken place in the Monetary Committee, in accordance with the Council's decision of 8 May 1964 on co-operation between Member States in international monetary relations. The declaration of 8 May 1964 by the representatives of the Governments of the Member States provides for such consultations prior to any modification in the exchange parities of one or more Member States. Such consultations are also instituted by the Council's decision of 8 May 1964 on co-operation between the Central Banks of the Member States.

21. In accordance with the Council's decision of 4 March 1960 on the co-ordination of the short-term economic policies of the Member States, the Governments of the Member States are obliged to inform the Commission of the main features of any of their plans that are likely to affect the short-term economic situation of the Member States. The implementation of the Council's decision would allow Community consultation procedures to be instituted swiftly.

Hitherto, prior consultations on internal economic and financial policy measures have not always taken place in good time. They must therefore be made more systematic in the various Committees set up for this purpose by the Treaty and by the special decisions taken by the Council in 1960 and 1964 (Monetary Committee, Short-term Economic Policy Committee, Budget Policy Committee, Committee of Governors of Central Banks). The Commission has noted that "the Monetary Committee intends to devote the first item on its agenda at each meeting to a discussion of problems and prospects in monetary and economic policy. This discussion, which will be based on fuller and more rapid information, will be opened by either a representative of a State or the Commission".'

There is a particular need for the States' draft budgets to be discussed in future not merely in the Budget Policy Committee — as at present — but at a meeting between ministers responsible for economic policy and financial policy. This meeting would be limited to the general aspects of the drafts, that is, the trend of the very large expenditure and revenue items, and the impact of this on economic growth and stability, calculated with particular reference to medium-term objectives. The Budget Policy Committee could collect the technical data required for the work of the ministers concerned.

To secure the introduction of the co-ordination procedures referred to above, the Commission recommends that the Council adopt a decision, on the lines of that of 8 May 1964 on international monetary relations, which would stipulate compulsory prior consultations in short-term economic policy (see the annexed draft decision).

22. To facilitate the co-ordination of the short-term economic policies, the Commission believes that the exchange of information on the trend of the economic situation in the Member States should be improved, and this will entail uninterrupted progress in regard to statistics, and increased efforts in methods of analysis. In this respect, the Commission draws attention to the Council's Recommendation of 28 July 1966 on the adoption of certain measures to improve statistics on current

trends. The Commission will report to the Council as soon as possible on the implementation of this recommendation and, after consulting the Short-term Economic Policy Committee and the Monetary Committee, will propose measures for speeding up work in this field.

23. The co-ordination of the economic policies of the Member States, and particularly the correction at the right moment of deviations from the guiding lines laid down for development, would be made much easier by the introduction of a system of early warning indicators. These should be selected in such a way as to reveal as swiftly as possible the danger of significant deviations from the basic objectives. As soon as these indicators rose above a certain level, an examination of the situation in the country concerned would have to be put in hand at Community level. Such a system was set up last year on an experimental basis, and there was close cooperation between the Commission, the Monetary Committee, and the Short-term Economic Policy Committee. The experiments carried out in this field are to be put to good use as soon as possible.

C. Community machinery for monetary co-operation

24. The machinery which the Commission wishes to see set up should ensure short-term monetary support and allow medium-term financial assistance for a Member State. For this purpose, an agreement would be concluded between the member countries to set up a system which would work as follows:

25. Short-term monetary support

(i) Each participant country would undertake to make available to the others funds not exceeding a given ceiling;

(ii) An agent could be appointed for the technical implementation of the provisions of the agreement; [1]

(iii) Any participant country could activate the system by simply applying to the other countries taking part in the agreement; the amount of each participant's debt to the others following the application of the system would not be allowed to exceed a certain ceiling;

(iv) The ceilings for amounts committed and borrowed would be fixed by agreement between the participants;

(v) Any sum applied for by a participant country would be financed by the others in proportion to each country's share in the total amount committed or still available, less the ceiling of the commitments of the deficit country. However, at the request of one of the participant countries, the agent, with the agreement of the others and within the limits of each one's commitment ceiling, could alter the proportions fixed;

(vi) A participant country could not be obliged to contribute to a financing operation within the system if he were himself in debt with the system;

[1] An *ad hoc* agreement could be concluded for this purpose with te BIS.

(vii) Any use of the system by a participant country should be followed as soon as possible by consultation in the appropriate Community bodies. The purpose of this consultation would be to determine, in the light of an examination of the situation in the country aided, the measures called for by this situation from both the country concerned and the other member countries. Failing an agreement on the steps to be taken by the deficit country, this country may not be indebted to the system for more than three months. If agreement is reached, the short-term aid could be renewed for a fixed period or medium-term financial assistance could be granted, according to the situation in the deficit country.

26. Medium-term financial assistance

(i) If the examination procedure set in motion by use of the system under the conditions set out in Paragraph 25 above were to lead subsequently to the conclusion that the situation in the country in question required a medium-term loan, the Commission would recommend the Council, after consulting the Monetary Committee, to grant such a loan.

(ii) The conditions under which this medium-term assistance would be granted would be determined by the resources which could be mobilized in the medium term from more extensive sources than the EEC, and by other circumstances.

(iii) Considering among other things the terms of sub-paragraph b) above, it is not necessary to stipulate ceilings for borrowing, as it is for the machinery described in Paragraph 25. It would, however, be advisable to establish ceilings for commitments contributed to the operation of this machinery, and these ceilings would be valid for a limited period and subject to revision.

27. The general outlines of this machinery, which have just been described, are in accordance with the principles which the Commission fellows in the monetary field:

1) A close link should be established between a stronger co-ordination of the economic policies and the implementation of Community machinery for monetary co-operation.

2) At the Community's present stage of development, monetary co-operation between Member States needs to be consolidated on the lines indicated in the Treaty of Rome.

3) The machinery for Community monetary co-operation is not a substitute for machinery for international monetary co-operation, but, in the form in which it is designed, it can fit into the international machinery without difficulty. In particular, it in no way affects the member countries' obligations to international monetary institutes.

28. Finally, the Commission points out that in studying the problems facing the Community in the economic and monetary fields, and in seeking solutions to these problems, it has taken into consideration the possibilities of the Community being enlarged.

The proposals submitted by the Commission would not impede on enlargement of the Community, and therefore could not be considered undesirable in this respect. The concerting of the economic policies, consultation procedures, and machinery for monetary co-operation can be very useful "welcoming structures", and would in any case be even more necessary to an enlarged Community than to a Community of Six.

Conclusion

The Commission asks the Council to:

(i) Hold a discussion at the beginning of Autumn 1969 on the prospects in the member countries in the next few years for the trend of production, employment, prices, the equilibrium of the balance of current payments and the equilibrium of the overall balance of payments.

(ii) Adopt a decision, the draft of which is annexed to this memorandum, on consultations over short-term economic policy.

(iii) Decide before the end of the transitional period to set up machinery for monetary co-operation in the EEC along the lines indicated above.

The Commission hopes that when the Council examines these proposals it will bear in mind the lessons learnt from recent events, and the ever more inexorable progress of the Community.

ANNEX

DRAFT DECISION BY THE COUNCIL ON THE CO-ORDINATION OF THE CURRENT ECONOMIC POLICIES OF THE MEMBER STATES

THE COUNCIL,

Having regard to the Treaty establishing the European Economic Community, particularly Article 105, paragraph 1, and the first sub-section of Article 145;

Having regard to the recommendation by the Commission;

Considering that, owing to the increasing interpenetration of the economies of the Member States, it is necessary to secure a close co-ordination of their internal and external current economic policies, and that for this purpose it is particularly important to hold the necessary consultations in good time;

Considering that the current economic policies should take into account the medium-term economic objectives worked out jointly;

Considering the powers of the Monetary Committee, the Short-term Economic Policy Committee, and the Budget Policy Committee in regard to the economic policies, as defined by their statutes or by the Council's decisions;

Considering that it is necessary to extend and make more systematic the procedure for consultation prior to the Member States adopting important decisions, measures and statements on current economic policy, when these could have a significant influence on the economies of the other member countries;

Considering the Monetary Committee's interim report of 15 January 1969, which lays down the outlines of such a consultation procedure and points out the need for greater co-ordination between the work of the Monetary, Short-term Economic Policy, and Budget Policy Committees;

Considering that it is necessary to specify the terms of this procedure on the basis of an Opinion rendered by the Monetary Committee;

DECIDES THAT :

Article 1

Prior consultations shall take place on important decisions, measures and statements by a Member State in the field of current economic policy, when these will affect the economies of the other Member States and concern such matters as :

(i) The trend of prices, incomes and employment;

(ii) Overall budget policy;

(iii) Tax changes liable to be felt at the frontiers.

Article 2

These consultations shall take place in the Monetary Committee, the Short-term Economic Policy Committee, and the Budget Policy Committee. The appropriate procedures shall be specified when the Monetary Committee has rendered an Opinion.

Article 3

The Member States shall not adopt the decisions, measures and statements mentioned above until after the consultations provided for in Article 1, unless circumstances dictate otherwise.