

Brussels, April 9, 1965.

re: P-33/65

EEC'S MEDIUM-TERM ECONOMIC POLICY COMMITTEE COMPLETES
FOURTH WORKING SESSION.

EEC's Committee on medium-term economic policy today ended a working session on the economic development of the Community over the next five years. This session was the fourth since the Committee was set up in December 1964.

Acting under EEC Council decisions of April 1964, this Committee has the task of drafting a medium-term economic programme for the years 1966-1970, to permit coordination of Member states' and Community policies. Full details of the Committee's work so far and future plans are given in the attached information memo.

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INFORMATION MEMO

Work of the Medium-Term Economic Policy Committee

The Medium-Term Economic Policy Committee, set up by Council Decision of 15 April 1964, has just ended its fourth working session. Once its members had been appointed by the Governments of the Member States and the Commission, the Committee held its first meeting on 11 December 1964. It elected as chairman M. Langer, State Secretary in the Federal German Ministry of Economic Affairs, and M. Massé, Commissaire général au Plan in France, and M. Brouwers, Secretary-General of the Netherlands Ministry of Economic Affairs, as vice-chairmen.

Preliminary draft of a medium-term economic programme

The principle^a task given to the Committee by the Council was the preparation of a preliminary draft for a medium-term economic programme; this programme will outline for the next five years the economic policies of the Member States and the Community's institutions and will thus facilitate co-ordination. In accordance with its instructions, the Committee began work on the programme immediately it had been set up. It expects to complete the preliminary draft and to submit it to the Commission by the end of the year. The programme will cover the years 1966-1970. To start with, it will be limited to certain matters of prime importance. Later it will, in accordance with the instructions from the Council, be extended during the annual review and adjustment which will be made in accordance with the Council's decision.

General aspects of medium-term economic policy

The members of the Committee agreed to begin their study of medium-term economic policy by examining those government activities which have a decisive effect on long-term growth and the structure of the economy. For the reasons given below, these long-term examinations of economic policy will in future be more necessary than ever.

- (a) In the majority of member countries the general conditions for expansion have changed considerably in recent years and consequently greater efforts are needed to achieve optimum growth;

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- (b) Considerations of structural policy by region and sector are gaining importance because of the progress of integration and its increasing impact on the structure of demand and production;
- (c) The preparation of government budget forecasts calls for guidance on general economic development over longer periods;
- (d) The progressive liberalization of trade between member countries involves increasingly close co-ordination of their economic policies and a fuller exchange of information on the way their economies are developing.

Medium-term economic policy must play a part in creating optimum conditions for future economic expansion and in co-ordinating structural policy measures as part of economic development, so that the most favourable conditions may be established for improving the general standard of living. This means in particular that in each country medium-term budget policy should aim at balanced expansion of revenue and expenditure. The purpose of medium-term economic policy is to make it possible to harmonize growth policy and structural policy throughout the Community in such a way that harmonious integration and a common stabilization policy can be pursued.

For this purpose exact figures and analyses will be necessary; They will mainly be the fruit of the work of the Group of Experts on medium-term forecasts. In accordance with a decision of the Council of Ministers, however, the recommendations made in the programme will not include quantitative targets.

The Committee's field of study

In the light of these aims, the Committee has drawn up a provisional list of points and problems to be studied as part of a medium-term programme. While aware that not all these points can be covered by the first programme, the Committee has considered it useful to have such a list, even in the form of a preliminary draft subject to amendment. The list contains the following headings:

- I. Basic objectives and problems of medium-term economic policy;
- II. General analysis of the conditions and opportunities for economic growth; conclusions reached by the Group of Experts on medium-term forecasts;
- III. Harmonized development of conditions of production (mainly employment and vocational training policy, policy on competition, investment policy, and policy on the promotion of scientific research and technical progress);

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- IV. Trends and aims in incomes and finance (mainly: trend of public expenditure, priorities and finance; trend of incomes; saving and the financing of investment);
- V. Structural policy at regional and sector level;
- VI. Economic relations with the rest of the world.

Content of first programme

In the preliminary draft of the first programme the Committee does not intend for the moment to give more than an overall picture of objectives and problems. This broad picture will be supplemented by an analysis of the conditions of growth and structural development in the member countries and in the Community. In view of their urgent nature the programme will also deal with certain aspects of medium-term policy relating to the labour market, to employment and vocational training policy, and with problems concerning public expenditure, in particular infrastructure investments.

Preparation of first programme

The Committee concentrated on discussion of an "Interim report on the prospects of economic development in the EEC until 1970" drawn up by the Group of Experts on medium-term forecasts. In the light of this discussion the Group will re-examine the report and submit a revised version during the summer.

In order to obtain an overall view of the foreseeable development of government budgets until 1970, the Medium-Term Economic Policy Committee asked the Budget Policy Committee for information on the trend of the main budget aggregates from 1960 to 1964 and from 1965 to 1970. The analysis of budgets by categories of expenditure will throw light, in particular, on the amount devoted to infrastructure investment. The Budget Policy Committee agreed to supply the information requested by the end of May.

The labour market and employment policy have already been discussed. It was apparent that in this sphere the conditions of medium-term growth would undergo far-reaching changes and that it is consequently necessary to study all measures capable of improving both the quality and the quantity of the manpower available. In this connection the Committee has already had an initial discussion on training, following an address by M. Levi Sandri, Vice-President of the EEC Commission. In co-operation with experts from the Governments and the Commission the alternate members of the Committee will now go ahead with the study of the labour market and employment policy, and these matters will be discussed again shortly by the main Committee.

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The Committee's methods and working parties

In order to speed up consultations on the many complex problems of medium-term economic policy, the Committee has asked the alternate members to meet regularly between Committee sessions. They will study specific points referred to them by the Committee and prepare the agenda for the following Committee meeting.

The Committee also decided to set up special working parties for certain subjects. These working parties, which are made up of experts from Governments and the Commission, will collaborate closely with the alternates. So far, the Committee has approved the terms of reference of a working party for structural policy by sectors and of another for incomes policy. These working parties will start by listing their objectives and the methods used in their particular fields.

Co-operation with other committees and institutions

Since the problems of medium-term economic policy cover vast areas, the Committee is endeavouring to co-operate closely with other committees operating at EEC level on the matters for which these other committees are responsible. The Committee also considers that it would be useful to have regular contacts with the Economic and Social Committee. While the Economic and Social Committee retains the prerogative of making an official statement on the draft programme when it is submitted, the Committee is nevertheless of the opinion that regular contacts will facilitate the preparation of the draft programme.

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