THE LONG ROAD TO THE EURO
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Cover: Poster «Happy birthday Euro»
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(Photography: Christof Weber)
Europe will be made by its currency or it will not be made at all

Jacques Rueff
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PREFACE

by the President of the European Parliament

The euro has now been in circulation for a decade, and the single European currency is having a difficult time, facing the challenges of the financial crisis in some Member States. Some political and financial figures and some economists have suggested that certain Member States might leave the euro, or even that the common currency might be abandoned altogether.

Luckily, other political figures, including preeminent heads of government, have confirmed, when speaking in the relevant institutional fora, that it is a major priority of the European Union and all Member States to keep the single currency, which is now an essential part of the European project.

This issue of the Cardoc Series, with which the European Parliament is celebrating the tenth anniversary, illustrates the underlying justifications for the euro and the story of its creation. It was a long and difficult story, linked to European and global monetary developments. They justify the existence of the euro not only as a step towards European integration, but also as an element of stability in the international monetary system. Even in the current situation, for certain Member States in particular, the euro acts as a buffer. What situation would we be in today if each Member State had to defend its national currency against turbulence by itself?

This fact should make those who would like to strike up the euro’s funeral lament think again. It should convince everyone that we absolutely need a strong stability pact and robust financial and decision-making procedures. As this document demonstrates, these are fundamental elements in the euro’s conception. In this context, writing the principle of the balanced budget into national constitutions is a very important step. In addition to creating legal limits to deficits and public debt, this will increase the credibility of the monetary union on the financial markets.

The single currency is an essential part of the European project. Without it, the European Union would have no future. The statement by a 1950s economist whose words are quoted in this document remains valid today: ‘l’Europe se fera par la monnaie ou ne se fera pas’. This is why everyone’s contribution is needed to face the current crisis. We are convinced that the euro is a common achievement and that, once the crisis is over, it will again encourage development in the European Union and its Member States. The European Parliament has always been conscious of the responsibility which a common currency entails, and is now willing to assume greater responsibility in order to restore public confidence in the euro.
By bringing out this issue of the Cardoc Series on the euro, the European Parliament is celebrating the anniversary of the first issue of banknotes and coins on 1 January 2002, after a long period of preparations which, as this document shows, began well before the Treaty of Maastricht and the Economic and Monetary Union for which that treaty provides.

The idea of a single currency was born in the early years of the Communities’ history, when only the European Coal and Steel Community existed. For many years, the idea existed only in the hopes of the most fervent Europeans. Nevertheless, it soon became clear that the alignment of monetary policies was a fundamental requirement for the common market, in order to ensure stable exchange rates, to avoid the perceived distortions of competition which exchange rate fluctuations bring about, and to ensure that Community contributions had the same value in real terms in all Member States. In this respect, it should be noted that it was the agricultural sector which most urgently needed instruments to compensate for exchange rate fluctuations.

However, there were always considerable difficulties and opposition which obstructed the integration of monetary policies and the creation of a single currency. The traumatic outcome of the 1970 Werner Plan is an example of this. The plan laid out the way towards, and the structure for, economic and monetary union, but was struck down by the 1971 monetary crisis caused by American decisions on the convertibility of the dollar. Only thirty years later were we to implement an economic and monetary union along the same lines.

This is not the place to review the first decade of the euro’s existence – thirteen years if you count the three years when the euro did not exist in physical form, but only for the purposes of accounting, financial transactions and payments. What should be noted is that, despite the ordeals it is going through because of the sovereign debt crisis, the euro is the second most important reserve currency in the world. It is thus a player in international economic and financial life and also the most tangible symbol of the European Union.

I hope that this document will provide useful information to those who wish to weigh up the advantages the euro has brought – not only in monetary terms, but also in terms of economic stability in the European Union and beyond.

This document also highlights the role of the European Parliament in bringing about monetary integration. Its role was to act as a stimulant. The euro was always widely supported across the Chamber, with divergences of opinion on the details, but this role has not always been sufficiently taken into account in economic texts on the single European currency.

February 2012
In keeping with its vocation as a European Parliament publication, this study is based mainly on parliamentary sources, resolutions and parliamentary debates published in the Official Journal, and the parliamentary reports and minutes of the Economic and Monetary Committee, which can be consulted at the Archive and Documentation Centre (CARDOC) in Luxembourg.

The document has six chapters, the first five of which illustrate chronologically the development of monetary integration, whilst the last, though it looks at the historical aftermath of the previous chapter, attempts to identify the practical aspects of a supranational currency, including by looking at the ECU.

The document is completed by an appendix, *Greece’s entry into the euro 1998-2001*, which discusses the first membership of the euro and offers points for reflection on the current situation.
1. From the Bretton Woods Agreements to the European Monetary Agreement

The 1944 Bretton Woods Agreements, which entered into force in 1946, were the first multilateral attempt to prevent the combined mechanisms of national exchange rate control and trade barriers, blamed for the Great Depression of the 1930s, from having the same terrible consequences again in future. The Bretton Woods Agreements set up a system of rules and procedures governing international monetary policy based on a gold standard, and it included fixed exchange rates, all pegged to the dollar, which was in turn pegged to gold, allowing only slight fluctuations. At the same time, the International Monetary Fund (IMF) was set up with the task of redressing the imbalances caused by international payments. The General Agreement on Tariffs and Trade (GATT), signed in 1947, completed the system by providing a multilateral framework for commercial exchanges.

However, in the immediate aftermath of the war, reconstruction commitments meant that many of the countries in the system did not use it, basing their foreign trade on bilateral agreements, of which there were approximately 200 in Europe by the end of the 1940s.

These agreements typically contained a bilateral line of credit which was determined in effect by how much the bilateral current account could deviate from zero, since deficits in excess of the specified bilateral credit line had to be settled in gold. Most European governments tried desperately to preserve their small gold holdings, using the arsenal of trade policy (quotas and high tariffs) to restrict imports from creditor countries unwilling to extend further credit. Settlement in gold was therefore avoided as much as possible.

This practice struggled in view of the European countries’ balance of payments deficits with respect to the dollar area, which created the ‘dollar gap’ phenomenon to which the European governments reacted in 1950 (with the prospect of a return to convertibility of currency) by setting up the European Payments Union (EPU) with the eighteen OEEC member states as members and with funding from the Marshall Plan. The EPU’s payment instruments were also used in Africa and Asia to avoid fluctuations in the exchange rates of convertible currencies, and the US accepted and encouraged them, clearly seeing them as a means of escaping the long period of bilateralism in trade relations.

The EPU mechanism was based on parity between the currencies of all the member states and a unit of account determined in grams of fine gold based on the value of

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2 Ibidem, p. 4.
3 Organisation for European Economic Cooperation, set up in 1948 to coordinate the use of the Marshall Plan. In 1960 it became the Organisation for Economic Cooperation and Development (OECD).
the dollar in gold. Each month the balance of the trade of each country with the other member states was calculated, and this was paid\(^4\) in gold or, for the part in excess of the maximum quota, which was allocated to each country at the rate of 15% of its foreign trade in 1949, in EPU credit units.

The mechanism was given greater flexibility by the creation, among other things, of a banking arbitration procedure, and was abolished in 1958 with the switch to the European Monetary Agreement, signed in Paris on 5 August 1955, signalling a gradual collective return to currency convertibility in Europe, made possible by the EPU. The European Monetary Agreement, which was managed by the Organisation for European Economic Cooperation (OEEC), set up a European Monetary Fund and a Multilateral Settlement System. The primary purpose of the fund was to

\[
\text{provide the Contracting Parties with credits in order to help them to withstand temporary overall balance of payments difficulties, where these would endanger the maintenance of their intra-European trade}^{5}.
\]

The purpose of the settlement system is defined as follows:

\[
The \text{Settlement System is designed to facilitate the settlement of transactions in the currencies of and between the monetary areas of the Contracting Parties by giving them interim finance and periodically providing for the settlement of their debts on conditions determined in advance and to help them meet the objectives and satisfy the conditions laid down in the preamble to this Agreement}^{6}.
\]

The Multilateral Settlement System functioned in the same way as that of the EPU, apart from two significant differences: payments were made in dollars and the system was optional, with the consequence that at the end of each reference period, each country could decide for itself whether to present its balance for settlement. The fact that it was optional was a consequence of currency convertibility, which (with some initial restrictions) allowed currencies to be traded on the exchange markets. Nevertheless, the System still had its uses for countries for which economic conditions made convertibility unappealing. Another role played by the System was to stabilise currencies: each country had to give the single rate, or the minimum and maximum rates, at which settlements should be made. As a result, the market exchange rate could not fluctuate outside the band dictated by the notified rates.

The European Monetary Agreement also had an effect on the monetary and budgetary policies of the member countries which, to maintain the monetary stability imposed by the Settlements System, had to exercise financial discipline. However, both the EPU and the European Monetary Agreement had to cope with the repercussions on exchange rates of the German trade surplus which, after an initial crisis in the German economy in 1950 and 1951, would continue without interruption until 1981, and was tackled within the European Monetary Agreement by increasing the maximum German trade

\[^{4}\text{With the operational management of the Bank for International Settlements.}\]

\[^{5}\text{Article 2(1) of the Agreement.}\]

\[^{6}\text{Article 8 of the Agreement.}\]
quota above which payment would occur, though it did not manage to impose on Germany more drastic measures to contain the surplus.

2. The idea of a single currency and the Treaty of Rome

During the same period in which the European Monetary Agreement was signed, the Messina Conference began the negotiating process that led to the Treaty of Rome, but the monetary question was absent from the debate, and from some of the declarations made by Paul-Henri Spaak (of whom we will say more later on in this section), we can deduce that the question of a single currency was deliberately left out of the negotiations at the request of at least one country, although a rather peremptory statement was attributed to the illustrious French economist Jacques Rueff: *Europe will be made by its currency or it will not be made at all*. Attention turned to the creation of a common market, and it was only sporadically and in a marginal way that the idea of a single currency was raised in an institutional context.

This happened during discussions within an ECSC Common Assembly working party on the work of the Intergovernmental Conference. It was in the midst of discussions about the creation of the common market and the steps to the removal of intra-Community customs tariffs, based on the report by Pierre Uri, a High Authority expert, that Henri-Guy Caillavet commented on how the removal of customs tariffs would affect prices in countries that, for the most part, did not have free market economies and wondered whether ‘to construct Europe and achieve a common market, we should start by drawing up a common monetary policy’. Pierre Uri, who in the May 1956 meetings appeared to act more as a representative of the Intergovernmental Conference’s committee of experts than as a High Authority official, declared that the idea of introducing a single currency was deceptive and that the chosen path was a gradual merging of the Member States’ economies. However, discussions between the Member States about monetary problems that could interfere with the common market were not excluded from the discussions. Pierre Uri’s answers did not seem pertinent to Gilles Gozard, who believed that the lack of provision for a single currency did not preclude the establishment of a body responsible for drawing up a monetary policy.

Paul-Henri Spaak expressed similar views to those of Pierre Uri, in a speech to the working party in his capacity as President of the Intergovernmental Conference. He came out against organisations with monetary competencies. This was a sensitive issue and was the subject of some of the safeguards requested by France: making provision for it could compromise the conclusion of the Treaties.

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7 D. Gros, N. Thygesen, *European Monetary Integration...* cit., p. 7, which sees the inability to apply pressure on countries with trade surpluses as a constant problem of the international monetary system.
8 Ibidem, p. 3.
9 This was the working party provided for by the Common Assembly resolution of 2 December 1954 and set up on 9 May 1955 to look at various questions. It went on to become the parliamentary contact of the Intergovernmental Conference, set up to follow up the Messina Conference and prepare the Treaties of Rome.
11 Ibidem, p. 7.
With Spaak’s declaration, discussion of a single currency was abandoned and it was not mentioned in the resolution adopted by the Common Assembly on European revival, or in the Treaty establishing the European Economic Community. However, the Treaty did regard economic policy as being of common interest, and stipulated that the Member States should collaborate on monetary policy in order, for each Member State, to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices.

This collaboration materialised in the setting up of the Monetary Committee provided for by Article 105 of the Treaty and consisting of one representative from each central bank and from each Finance Ministry, as well as two representatives from the Commission. In 1964 the Committee of Governors of the Central Banks of the European Economic Community was set up.

3. The Community and the money markets in the 1960s

In this decade, on the monetary front the European Community was faced with the problem of preventing exchange rate fluctuations from having serious repercussions on intra-Community trade and on the common agricultural policy; consequently, mainly for this purpose, it created a European unit of account (EUA), worth the same as the gold content of a dollar, which was the denomination used for agricultural prices converted into national currencies based on a ‘green’ exchange rate, determined by the Community itself. However, following the devaluation of the French franc in 1969, which will be discussed later on, prices of French produce fell on German markets, prompting demands for compensation by German farmers. The result of the ensuing negotiations was the passage to a complicated system of monetary compensatory amounts, consisting of export levies and subsidies to eliminate the effects of exchange rate fluctuations on the agricultural market.

The decade was generally a period of price stability and low unemployment but, especially towards the end of the decade and continuing into the early years of the next decade, several monetary crises found the Community to be wanting in competencies and instruments for intervention. As a result, the Member States that needed them had to look outside the Community.

The most significant episodes of monetary readjustment within the Community were the revaluation, by 5%, of the German mark and the Dutch florin in 1961, following decisions made by their respective national authorities without first consulting the other Member States (or even the IMF), the British revaluation in 1967 and two years

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13 ECSC COMMON ASSEMBLY – Resolution of 13 February 1957 on European revival, OJ 11.3.1957, p. 100. Monetary policy would nevertheless be discussed in the reports of the European Parliament’s Committee on Economic Affairs, underlining the close links that existed between it and economic policy, including on the basis of the provisions in the Treaty of Rome on the coordination of economic policies. See the report by the EP – Committee on Long-Term Economic Policy, Financial Affairs and Investments on Long-term economic policy, financial affairs and investments in the first general reports of the EEC and Euratom, Doc. 54/58. Rapporteur: Philippus C. M. van Campen.

14 Title II of the Treaty. The quotation in italics is from Article 104.

15 When in 1963 and the following year Italy had to cope with a serious balance of payments deficit, help came from the International Monetary Fund and the United States.
later, in August 1969, the hefty devaluation of the French franc (by 11.1%) followed by a 10% revaluation of the German mark\textsuperscript{16}. The cause was the increase in US interest rates in 1968, which had repercussions in Europe, putting the French franc under pressure in a period when France was struggling with high inflation. General de Gaulle refused to devalue, leaving his successor, Georges Pompidou, the task of carrying out the massive devaluation already mentioned. The revaluation of the German mark was also decided by the Brandt government after the elections in September 1969.

There were also signs of a gradual divergence of the Member States’ economies, and the idea began to take hold of a single currency as a means of making the European economy more uniform and strengthening it in relation to the outside world. 

*In 1962, a memorandum from the European Commission on the Community’s action programme during the second stage of monetary union included a chapter on monetary policy. It provided for the introduction, after the transitional period, of fixed exchange rates for the currencies of the six Member States\textsuperscript{17}.*

The European Parliament resolution concerning the coordination of monetary policies, which drew the outline and set out the basic requirements of a coordinated monetary policy\textsuperscript{18}, was not explicitly linked to the Commission’s memorandum; the resolution argued that, to begin with, harmonisation of the national instruments of intervention was not necessary, but that exchange rate variations must be preceded by consultations with the other Member States while, for balance of payments difficulties, all automatic granting of credits must be excluded.

In the long term, coordination was to give way to a common monetary policy, which was essential for European economic and political unity, and required the gradual introduction of a federal arrangement of the central banks. The resolution even mentioned the consequences of the potential membership of the United Kingdom, whose currency was a reserve currency.

*On 12 February 1969, Raymond Barre, Vice-President of the Commission with special responsibility for monetary affairs, tabled proposals for a mechanism designed to prevent currency crises and to support currencies in trouble. The Barre Plan called for the coordination of Member States’ economic policies and regular consultation on budgetary policy and fiscal measures directly affecting external trade\textsuperscript{19}.*

It also provided financial instruments to support Member States coping with short- or long-term currency crises. The Barre Plan was signed in July 1969, before the devaluation of the French franc. Almost at the same time as the revaluation of the German mark,

\textsuperscript{16} The United Kingdom, which was not yet a member of the EEC, also devalued the British pound in 1967.
\textsuperscript{17} CVCE www.cvce.eu Historical events > 1969-1979 Crises and revival > Economic and monetary cooperation > The European currency snake > The tunnel.
\textsuperscript{18} EP Resolution of 17 October 1962 concerning the coordination of monetary policies in the European Economic Community, OJ, 18.11.1962, p. 2664, following on from the report by the Economic and Financial Committee of the same title, Doc. 17/62. Rapporteur: Philippus C. M. van Campen.
\textsuperscript{19} CVCE www.cvce.eu Historical events > 1969-1979 Crises and revival > Economic and monetary cooperation >.
the government in Bonn was promoting a German initiative that went further than the Barre Plan, prefiguring a true single currency.

The initiative came primarily from the German Chancellor Willy Brandt. He suggested that over an initial phase EC Member States should jointly formulate medium-term objectives for the participants and aim to harmonize short-term policies; in a second phase, a monetary union of permanently fixed exchange rates could then be achieved. In this phase Germany would be prepared to transfer part of its international reserves to a common European institution\textsuperscript{20}.

Raymond Barre (1968), European Commission Vice President responsible for Economic and Financial Affairs and the Statistical Office

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4. The 1969 Hague Summit and the Werner Plan

This was the climate in which the Hague Summit of 2 December 1969 took place. In the context of a broader examination of the Community’s future, the summit tackled the subject of economic and monetary union, seen as part of a wider integration process characterised by stability and economic expansion. In this perspective, the Council drew up a plan for the introduction of monetary union in successive stages, in the wake of the Barre proposals. The key points of this union, set out in advance in the Summit’s conclusions, were the harmonisation of economic policies and the setting up of a European reserve fund.

The Minister of State (prime minister) of the Grand Duchy of Luxembourg, Pierre Werner, was asked to draw up a plan for monetary union and the related document, the definitive version of which was presented on 8 October 1970. Its basis is a pragmatic philosophy, clearly summarised by the opening lines of the chapter on the ultimate goal:

The Group has not sought to construct an ideal system in the abstract. It has set out rather to determine the elements that are indispensable to the existence of a complete economic and monetary union. The union as it is described here represents the minimum that must be done, and is a stage in a dynamic evolution which the pressure of events and political will can model in a different way.\textsuperscript{21}

Economic and monetary union was an area in which the freedom of movement provided for in the Treaties would be achieved without competitive distortions and without giving rise to regional disequilibrium. In particular, as far as the monetary aspects were concerned, though a preference was expressed for a single currency, the report set achievable objectives even with the national currencies still in place: total convertibility of currencies, elimination of margins of fluctuation in intra-Community exchange rates and complete freedom of movement of capital.

A monetary system defined in this way implied the transfer of powers from the Member States to the Community to the least extent possible to guarantee general equilibrium and the harmonisation of the instruments of economic policy.

It is indispensable that the principal decisions in the matter of monetary policy should be centralized, whether it is a question of liquidity, rates of interest, intervention in the foreign exchange market, the management of the reserves or the fixing of foreign exchange parities vis-à-vis the outside world. The Community must have at its disposal a complete range of necessary instruments, the utilization of which, however, may be different from country to country within certain limits. In addition, it will be necessary to ensure a Community policy and Community representation in monetary and financial relations with third countries.

and international organizations of an economic financial and monetary nature.

The Werner report, which analysed the implications of monetary union for the main Community policies, did not go into the institutional reforms necessary for monetary union in any detail, merely stating that the centre of decision for economic policy, which was not defined any more clearly than that but was probably seen as something other than the existing institutions, should be independent and capable of exercising a decisive influence on the Community’s general economic policy. However, the US Federal Reserve System was expressly mentioned as a model for the Community system for the central banks that would have to be created for monetary union, and this system would be preceded and prepared by a European Fund for monetary cooperation.

The report took the view that monetary union was achievable by the end of the 1970s, and set out the stages in it in accordance with the outline already given in the Barre Plan, but in greater detail.

The first stage, to begin on 1 January 1971, was the limitation by the central banks of fluctuations of the exchange rates between their currencies, to be achieved by means of concerted action in relation to the dollar; this limitation would be experimental at first, and would only become official later on. This action in relation to the dollar could be accompanied by financial support intervention on the Community currencies.

Ibidem, p. 11.
The second stage, which would also be temporary and for which no start date was given, was no different from the first stage in terms of the type of action, but differed in terms of the extent to which this action was compulsory.

The Werner Plan was supported by all the Member States with the sole exception of France, which was prepared to accept monetary cooperation only at intergovernmental level. This meant that the Commission’s proposals in execution of the Werner Plan were rejected by the Council in December 1970 and approved on 22 March 1971, only as regards the measures for completing the first stage, excluding the setting up of new institutions and making amendments to the Treaty.

The European Parliament gave its opinion on the Werner Plan in a resolution expressing some political considerations: firstly the requirement for a measure of alignment between monetary policies and economic, social, regional and structural policies. From an institutional point of view, Parliament considered that the Treaty should be completed before the end of the first stage and that, in particular, national and Community competencies should be specified and there should be democratic control over them by Parliament, which should be consulted on all important decisions concerning economic and monetary union.

More specifically, the European Parliament underlined the need for certain specific actions to be completed during the first stage:

- better coordination of short-term economic policies, particularly budgetary policies;
- the abolition of tax barriers within the Community, particularly bringing VAT rates and indirect taxes closer together;
- the abolition of border controls;
- freedom of movement of capital;
- regional and structural policy;
- the first steps in setting up an exchange system within the Community.

Parliament expressed its views once again on the consequent Council decisions in a second resolution welcoming them as far as the monetary question was concerned, and highlighting in particular the fact that margins of fluctuation between the Member States’ currencies had been set at 2.25%, with the prospect of further reduction until the margin was eliminated altogether. Parliament believed that the principles established by the Council on exchange rates represented the start of a common monetary policy that should not only play a positive role within the Community but should also have a stabilising effect on the international monetary system.

23 Although the Werner Plan contained no end date for the first stage or start date for the second, Gros and Thygesen (op. cit., p. 14) give 1973 as the planned end date for the first stage.


1. The international monetary crisis at the start of the 1970s

Even in its reduced version approved by the Council, the Werner Plan would never be implemented, overtaken as it was by the collapse of the international situation and by the monetary crisis that erupted in 1971 affecting the world economy, especially after Nixon declared on 15 August 1971 that the dollar would no longer be convertible to gold, effectively decreeing the end of the Bretton Woods system.

Since the beginning of 1971, the dollar had appeared to be undervalued in relation to the growing budget liabilities as a result of the Vietnam War, increased social costs during the Johnson presidency and the resulting inflationary impetus. In the spring of 1971, the German mark was pushed up in value against the dollar because of speculation, and the German Minister of the Economy and Finance, Karl Schiller, proposed concerted fluctuation between the currencies. This met with firm opposition from France, which feared that a revaluation of the French franc would damage exports and which wanted to maintain fixed parity via exchange rate controls. In response to this position, Germany and the Netherlands announced the temporary floating of their currencies in May 1971.

In August, with Nixon’s decision, the Bretton Woods system ceased to function, triggering a series of decisions: on 19 August, just four days after the US decision, the Benelux countries decided to keep the pre-existing margins of fluctuation between their currencies, and on 18 December, the Smithsonian Agreement was signed, preceded by an informal Franco-German agreement that had Nixon’s consent.

The Smithsonian Agreement was signed in Washington between the six Community Member States, Canada, Japan, the United Kingdom and the United States, and it fixed new parities, devaluing the dollar by 8% in relation to gold and widening the margin for fluctuation of the European currencies against the dollar to 2.25% in both directions (the ‘tunnel’). The consequence of this was that 9% fluctuation was possible between two Community currencies, a margin considered incompatible with the functioning of the common agricultural policy.

The Vice-President of the Barre Commission referred to the Smithsonian Agreement in a speech to Parliament as part of a wider presentation on the economic situation of the Community, highlighting its good and bad points and above all cautioning against considering the Washington Agreements as the solution to all the international monetary problems. Indeed, three problems remained unresolved. The first concerned the return to a degree of dollar convertibility, which could not be asked of the US, but even so some measures needed to be taken that would simultaneously enable the International

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26 According to Gros and Thygesen (op. cit., p. 14), the Werner Plan was based implicitly on trust in the Bretton Woods system.

Monetary Fund to operate normally. The second was the problem of financing the US balance of payments deficit, which could not be solved by means of a currency realignment or even by the foreseeable, but unquantifiable, reflux of capital to the United States. This left unresolved the problem of how to effect a balance of payments recovery: through the acquisition of dollars by the central banks or through international credit? The third problem was short-term capital movements, which had a destabilising effect, and responding to them by means of concerted policies at international level.

Quite apart from these specific problems, a more general, if not more fundamental, observation is called for: the realignment of currencies which has just been carried out will not in itself be sufficient to give the international monetary system a greater degree of equilibrium. The efficacy of parity changes depends on the stabilisation policies adopted in the countries concerned and, in the present case, on that followed by the country which is suffering from a fundamental disequilibrium in its balance of payments. On top of this, alterations of exchange rates have only a limited influence when the disequilibrium in the balance of payments is bound up with structural factors and attributable in some degree to exceptional, extra-economic factors. It is for this reason that certain difficulties will doubtless continue to be experienced in international monetary relations. Thus in the years ahead management of the international monetary system is likely to demand unremitting attention and close cooperation between national and international monetary authorities.

In such cooperation the present Community, and in the very near future the enlarged Community, can play a leading part.

Despite the internal difficulties which it has experienced during the past few months and which are due to concrete factors rather than to a lack of the will to cooperate within the Community, the Six have maintained throughout the recent international negotiations the attitude which was adopted by the Council last September and with which the United Kingdom has constantly associated itself.

The Washington Agreements clearly represent a success for this attitude, since the currency realignment embraces the dollar, as desired by the Community, and has been accompanied by abolition of the surcharge.

The Community has, however, contributed to the achievement of these Agreements by accepting sacrifices which cannot be underestimated. The extent to which the Six have agreed to revalue their currencies against the dollar is considerable...

Ibidem, pp. 48-49.
2. The European Parliament and the international monetary system

The European Parliament resolution\(^{29}\) which enthusiastically welcomed the Smithsonian Agreement, seeing it as essential to the normalisation of economic relations with the US and as the basis for achieving economic and monetary union, echoed this realist analysis of the situation and assertion of the Community’s role in the negotiations and henceforth in global currency management.

However, the more complex stance on the international monetary system taken by the European Parliament in the 1970s came two years later when the Washington Agreements had already proved themselves\(^{30}\):

- that balance of payments disequilibrium should lead to the alteration of currency exchange parity in the case of both balance of payments surpluses and deficits and that such alterations should be achieved also through sanctions;

- that Special Drawing Rights (SDRs) should have a dominant, if not exclusive, place in the composition of currency reserves, and that such rights should be issued only as required by the international monetary system\(^{31}\), in the long term prefiguring their use for intervention on the currency exchange markets;

- that the disruptive effects of international capital movements should be addressed by coordination of the interest rate policies of the major economic powers and by countries with balance of payments surpluses granting loans to countries with balance of payments deficits, through the monetary authorities being given greater powers, including administrative controls and the creation of dual exchange markets.

As far as Community integration on monetary affairs was concerned, it was necessary to give greater powers to and increase the room for manoeuvre of the European Monetary Cooperation Fund (EMCF) set up in 1973 and to abolish intra-Community controls on capital, while maintaining those on capital heading outside the Community.

3. The birth, life and death of the currency snake

The new international monetary equilibrium forced Europe to reconsider how currencies were managed within Europe in order to keep intra-Community exchange rates within set levels that took account of the parities with the dollar decided by the Smithsonian Agreement: this led to the ‘currency snake’, an agreement dated 10 April 1972 between the central banks, which cut by half the amount of fluctuation allowed between the Community currencies. Shortly after this agreement was made, the central banks of the three candidate countries due to join on 1 January 1973 – Denmark, the United Kingdom and Ireland – signed up (the latter with special status since it was integrated into the

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\(^{29}\) EP Resolution of 9 February 1972 on the economic situation in the Community at the beginning of 1972, OJ C 19, 28.2.1972, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 255/71. Rapporteur: W. Löhr.

\(^{30}\) EP Resolution of 5 June 1973 on the reform of the international monetary system, OJ C 49, 28.6.1973, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 60/73. Rapporteur: K. D. Arndt.

\(^{31}\) The accompanying report expressly rejected the UNCTAD proposal to use SDRs for development aid.
sterling currency area and therefore had to follow the United Kingdom as far as the snake was concerned).

The snake entered into force on 24 April 1972, the three candidate countries signed up to it on 1 May, and on 23 May Norway (at the time a candidate for EEC membership) joined. However, on 23 June, following a sterling crisis on the foreign exchange markets, the United Kingdom withdrew, thereby allowing its currency to fluctuate freely. In the meantime, fundamental differences between the participating countries persisted either because of their differing economic situations or because they took different approaches (liberal or interventionist) to exchange policy; in July, Germany, in conflict with its own liberal orientations, was forced to accept some controls on capital movements at the request of France, and Schiller, the German Minister of the Economy and Finance, resigned.

In February 1973 Italy withdrew, but the biggest difficulties began in March when the dollar was devalued by a further 10% and the US gave up on exchange rate intervention, bringing the short life of the tunnel to an end. Against this background, the monetary authorities of the snake agreed to allow their currencies to fluctuate together against the dollar: the exchange rates between the currencies would fluctuate within the snake, but the exchange rate with the dollar would not be restricted any longer by the tunnel, and
the German mark was revalued at intervals of a few months, first by 3% and then by 5.5%; the Dutch florin and the Norwegian krone were also revalued.

At the start of 1974, the tendency of the snake to split into two currency groups — the strong currencies (the three that had been revalued in 1973) and the weak ones (the other currencies, weakened by high inflation caused partly by a large increase in the price of crude oil) was affirmed.

France withdrew from the snake in January 1974, went back in in July of the following year, and withdrew again in March 1976. Despite the comings and goings of the French franc, the two years from 1974 to the spring of 1976 were relatively stable as regards exchange rates within the snake; outside it, the Italian lira and pound sterling, struggling with domestic inflation rates of 20%, drastically lost value on the currency markets.

In the spring of 1976 capital started to drain from the weak currency countries, causing France, as already mentioned, to leave the snake once again. Intervention by the Bundesbank to support the weak currencies increased, and criticism of this policy with Germany, which was having elections in the autumn, also increased. Afterwards, on 17 October, the ‘Frankfurt realignment’ took place, the first of several currency realignments within the snake to be agreed: the Danish krone was devalued by 6%, and the Dutch florin and Belgian franc were devalued by 2%. Further devaluations followed in 1977 and 1978, in particular of the Danish krone and (exactly two years after the Frankfurt realignment) the German mark (by 4%), the Dutch florin and the Belgian franc (both by 2%). The snake ended in 1979 with the introduction of the European Monetary System.

4. An attempt at reviving economic and monetary cooperation

Even while the currency snake was taking its first steps, efforts to achieve economic and monetary union were continuing and on 19 and 20 October 1972, preceded by a long and intense preparation phase, the Paris Summit Conference was held. The programme of the Summit Conference was ambitious because, in the words of French President Georges Pompidou in the letter of invitation to the Heads of State and Government, it would

…allow us to consolidate and pursue an economic and social development which over the last fourteen years the countries of the Six have enjoyed. We shall be able to define some new line of concerted action for our ten countries. It will also help us to make our contribution to solving the economic and monetary problems besetting the western world today, by means of decisions on practice or principle concerning our inter-Community relations\(^\text{32}\).

This was a broad plan that, specifically as regards economic and monetary union, followed in the wake of previous decisions on the Werner Plan, or at least the part of it that had survived the currency storms of 1971. The final declaration of the Summit Conference recounts the decisions adopted there, in particular the main one on the start

of the second stage of the Economic and Monetary Union, scheduled for 1 January 1974 and its complete realisation by the end of 1980, with parallel progress in the various fields of the Economic and Monetary Union.

In particular, as far as the monetary part of the union was concerned, it was decided that, as early as 1973, a European Monetary Cooperation Fund would be set up. The Member States also wanted to undertake joint action to reform the international monetary system, based on a lasting equitable order, and they announced the principles of this.33

The European Monetary Cooperation Fund (EMCF) was set up in April; the European Parliament nurtured great hopes for it, as shown by the resolution on the Commission proposal: Parliament expected the Commission report on the first short-term support measures for exchange rates to propose the deposit into the EMCF of part of the central banks’ reserves, and expressed the hope that the EMCF

…it would develop a system for intervening on the European currency markets in several currencies and would take the necessary measures to ensure the stability of European currencies against the other currencies of the world34.

The nine Member States were participants in the EMCF35, irrespective of whether their currencies were in the snake. The purpose of the Fund was to promote the proper functioning of the narrowing of the margins of fluctuation of the Community currencies, interventions in Community currencies on the exchange markets, and settlements between Central Banks leading to a concerted policy on reserves. Initially the Fund was given responsibility for the concerted action necessary for the snake to function, the multilateralisation of positions resulting from interventions by the Central Banks, and the administration of the very short-term financing of these interventions. The EMCF, which was to be run by the Bank for International Settlements (BIS), would never succeed in playing a significant role and in 1994 was integrated into the European Monetary Institute.

The Fund nevertheless represented for the supporters of monetary union the perfect reference point during the 1970s, and Parliament gave a certain amount of attention to it, as in the case of the Commission report on short-term monetary support and reserves, two questions Parliament had been looking at since its resolution of 15 March 1973. The European Parliament was on the whole satisfied with the report, which met its expectations and in particular indicated that the Central Banks should deposit one fifth of their reserves in the Fund, while taking the view that the creation of liquidities through the Fund’s operations should be limited. From a more political point of view, Parliament created a link between the strengthening of the Fund and Community

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competencies on economic matters, particularly those of the Commission. Two years later, having been consulted on an amendment to the EMCF regulation, Parliament emphasised the need for greater Community competencies:

believes, as before, that even in its new form, the Fund is not in itself sufficient for a common monetary policy if economic policy is not conducted in common and if the competencies of Community bodies in this area are not strengthened.

5. The European Parliament and monetary union in the 1970s

The currency snake does not appear to have been mentioned in the European Parliament resolutions of the 1970s. On the contrary, the first initiatives aimed at economic and monetary union were pursued mainly for their economic aspects and the positions taken on monetary aspects are limited and circumscribed, possibly because of a lack of progress with monetary union in the 1970s.

Between 1973 and 1978, sporadic and brief references to the international monetary situation are recorded in the annual resolutions on the economic situation in the Community, but a more complex treatment of monetary questions can be found only in a resolution on a Commission communication surveying the progress of the first stage in achieving economic and monetary union. The limited progress with monetary matters did not inspire Parliament to look more deeply at the matter, and it merely called for the protection of commercial transactions from exchange rate fluctuations, and appropriate measures to guarantee the Community’s economic operators reasonable conditions for exchange guarantees on short-term operations.

It was only in 1978, with the prospect of a European Monetary System being set up, that Parliament again looked specifically at the monetary question.

36 EP Resolution of 19 October 1973 on the report from the Commission of the European Communities to the Council on the adjustment of short-term monetary support arrangements and the conditions for progressive pooling of reserves, OJ C 95, 10.11.1973, p. 27, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 189/73. Rapporteur: K. D. Arndt.


38 Gros and Thygesen talk mercilessly of the disintegration of the efforts to move towards Economic and Monetary Union in 1973-74 in op. cit., p. 35.

39 EP Resolution of 5 July 1973 on the Communication from the Commission of the European Communities to the Council concerning progress with the first stage of economic and monetary union, the distribution of competencies and responsibilities between the Community institutions and the Member States necessary for the proper functioning of economic and monetary union, and the measures to be adopted in the second stage of this union, OJ C 62, 31.7.1973, p. 31, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 107/73. Rapporteur: B. Rhys Williams.
6. Other plans and proposals for a monetary system in the 1970s

Although the 1972 Paris Conference was the only attempt to revive monetary cooperation between the Member States before the three summits in 1978 that led to the European Monetary System\(^\text{40}\), between 1974 and 1977 three plans for monetary cooperation were presented that, though they were not followed up, are a testament to the vitality of the idea of monetary union, which survived the monetary storms of the decade.

The first initiative was the Fourcade Plan\(^\text{41}\) which was essentially a domestic economic policy plan aimed at stabilising the French economy, which was suffering at the time from high inflation (13.8% in 1974). However, the plan contains a chapter on European monetary cooperation, the purpose of which was to allow France back into the currency snake. It was based on greater use of currency support instruments, with an increase in credits and use of the European unit of account as the reference value for the snake. It was presented to the other Member States in September 1974, but was not given a favourable reception, even on the second attempt in May 1975.

The second initiative was the Duisenberg Plan\(^\text{42}\) which, like the French plan, came from a country that at the time was facing a deteriorating economic situation, with inflation at 10%. The main preoccupation apparent in the plan is the strong devaluation of the British pound and the Italian lira. The plan aimed to avoid an increase in the divergences both between the currencies within the snake and those outside it. It consisted of the creation of a Community framework of consultation and supervision of exchange rates based on the calculation by each country of a target zone for the fluctuation of its own currency. The plan did not demand positive action to keep currencies within their target zones, but it prohibited the adoption of policies that would have the opposite effect. The proposal was criticised, including from a technical point of view, and was rejected by Germany.

In 1977 the Commission, now with the UK’s Roy Jenkins as President, presented a plan at a time of particular difficulty for the Community because of deep differences between the Member States, specifically on monetary matters. The plan tried to link robust monetary cooperation, inspired in some respects by the Duisenberg Plan, with a significant increase in Community powers on fiscal matters with the prospect of the creation of a European currency, for which it developed the role of the European unit of account. Roy Jenkins explained the reasons for the plan, which was presented first to the Ecofin Council in November and then to the Brussels European Council in December 1977, in a speech to the European University Institute in Florence on 27 October 1977.

For the President of the Commission, the problems raised by the international economic crisis could not be solved by each country on its own, but only through a common currency issued by a European monetary authority; this currency could stabilise international monetary relations and make a major contribution to the fight against inflation and unemployment. It would also encourage the rationalisation of European industry. The single currency would also have a significant political function, allowing the Community to play an unprecedented international role.

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40 See the next chapter.
41 In 1974 Jean-Pierre Fourcade was the Minister of Economy and Finance in the first Chirac government.
42 Wim Duisenberg was the Dutch Minister of Finance in 1976, in the Joop den Uyl government. He went on to become the first President of the European Central Bank.
Essential to the success of the single currency was the strengthening of the instruments of regional policy, which were necessary to make sure that the single currency did not exacerbate the divide between the less-favoured regions and the stronger ones. Furthermore, an increase in the transfer of resources from the Member States to the Community would also be necessary, as would a transfer of powers concerning macroeconomic policy: those related to exchanges rates, reserves and the creation of money supply.\(^{43}\)

The part about the strengthening of Community powers on fiscal matters was considered excessive and was not followed up, but the Brussels European Council of 5

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\(^{43}\) This summary of Roy Jenkins’ speech is based on Mr Jenkins’ seven arguments in support of a European currency in CVCE http://www.cvce.eu Historical events > 1969-1979 Crises and revival > Economic and monetary cooperation >.
and 6 December 1977 agreed that the Community budget would be drawn up in units of account from 1978. More generally, the Commission’s plan was overtaken by the Schmidt-Giscard initiative presented at the subsequent Copenhagen summit in April 1978\textsuperscript{44}.

\textsuperscript{44} See the next chapter.
CHAPTER III
THE EUROPEAN MONETARY SYSTEM

1. The Franco-German initiative

Even after the Frankfurt realignment on 17 October 1976\textsuperscript{45}, the currency snake was an unbalanced instrument, in which Germany counted for two thirds of the Gross Domestic Product of the participating countries; the German currency was the only one with real international weight and the only one to participate easily in the snake. When the other partners had to cope with a monetary problem, they had the difficult choice between negotiating a realignment and taking domestic economic policy decisions to cope with the problem.

After the Frankfurt realignment a first group of Community Member States, those in the snake\textsuperscript{46} succeeded in controlling inflation and having good economic fundamentals. A second group, France, Italy, the United Kingdom and Ireland, which was part of the sterling currency area, instead had high inflation and significant balance of payments deficits, leading to the depreciation of their currencies outside the snake.

The economies of the Ten were therefore divergent and were not showing any signs that this might be reversed, frustrating any integration initiatives\textsuperscript{47}.

Against this background France\textsuperscript{48}, in addition to its serious inflation problems, had the problem of farmers urgently demanding the abolition of compensatory amounts. Stabilisation of exchange rates would bring down inflation and would allow these amounts to be abolished. Internally, France had been implementing a plan to stabilise its economy since 1976 (the Barre Plan), but it would be the stabilisation of exchange rates, especially against the German mark, and more generally against all the European currencies, that would provide significant support to the French economy. New and closer forms of monetary cooperation were needed to achieve this, and for these France needed to secure the support of Germany.

Germany\textsuperscript{49} was ravaged by terrorism and, despite relative economic stability, harboured concerns about the weakness of the dollar and the relative strength of its own currency, which was threatening the competitiveness of its industry, oriented as it was towards exports, with repercussions for employment levels. There was a cooling in its relations with the United States, especially on economic matters and in international organisations.

\begin{footnotesize}
\begin{itemize}
    \item[45] See Chapter II, section 3.
    \item[46] Belgium, Denmark, Germany, Luxembourg and the Netherlands.
    \item[48] In 1978 the French President was Valéry Giscard d’Estaing, who was half way through his term of office which began in 1974, and the French prime minister was Raymond Barre, who had been in the post since 1976 and whose term of office ended in 1981, coincidentally at the same time as the Presidency of Giscard d’Estaing. In 1978 the government’s majority increased in the parliamentary elections.
    \item[49] Following the 1976 federal elections the coalition between the liberals and socialists stayed in government with Helmut Schmidt as Chancellor.
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particularly the Organisation for Economic Cooperation and Development (OECD), and it was exposed to attack for its non-expansionary monetary policy.

More specifically, in the months before the Franco-German initiative (i.e. in the last quarter of 1977 and the first quarter of 1978), the German monetary authorities had to intervene massively to counteract the revaluation of the mark, which had increased in value over this period by 7%, sorely testing exchange rates with the other currencies in the snake.

In this context, Chancellor Helmut Schmidt saw monetary cooperation with the other Community countries as the way to achieve three things: to improve the exchange rate conditions for German exports, to reduce international pressure for a more expansionary German monetary policy and to give the Community greater weight in international organisations. He had in mind new forms of monetary cooperation, made more realistic by the currency market conditions and especially by the depreciation of the dollar, which had started to look like it was in serious economic and political danger.

To achieve what was to be the European Monetary System, Schmidt still had to overcome the hesitation of the Bundesbank, which was worried that French inflation could spread to Germany through monetary cooperation.

Based on these premises, a meeting took place between the leaders of France and Germany, which adopted a joint initiative on monetary cooperation between the Ten, an initiative which, as sometimes happens in international relations, was born from a personal understanding between two leaders who were strong in their respective
countries. Schmidt and Giscard d’Estaing presented a plan to the other heads of government for a European Monetary System during the Copenhagen Summit on 7 and 8 April 1978.

2. The Bremen European Council of 1978

It was the European Council in Bremen on 6 and 7 July 1978 that approved the general outline for the European Monetary System, and the System itself was ultimately approved at the European Council in Brussels on 4 and 5 December of the same year.

The basic idea of the European Monetary System, as inferred from the conclusions of the summit held in Bremen and especially Annex IV thereof, was a system for managing exchange rates that would be as strict as the snake which, as the four countries still in it in 1978 noted, would be entirely maintained. In reality, what was created was an even stricter system than the snake, since alterations to the reference exchange rates were not left to each of the participating Member States, like in the snake until the Frankfurt realignment, but had to be agreed in advance. At the heart of the system was the new European currency unit, the ecu, composed of a basket of European currencies, which would be used for settlements between the European central banks, while intervention to support the different currencies would be made in the national currencies. The establishment of a fund in ecu was also provided for, containing one fifth of the central banks’ reserves.

The adoption of the ecu as the reference value for currency fluctuations (a proposal that came particularly from France) pursued the political end of avoiding the dominance of the German mark and the practice of placing on Germany’s shoulders the burden of adjustment in the event, considered highly likely, of a further strengthening of its currency. The matter was discussed extensively, particularly between France, a committed supporter of the ecu’s centrality, and Germany, which did not want the job of protecting parity in the likely event of a revaluation of the mark and which, supported by Denmark and the Netherlands, maintained that the reference value was bilateral exchange rates. An initial compromise was reached at the meeting between France and Germany in September, where Giscard and Schmidt agreed to make intervention compulsory when two currencies reached the margin of fluctuation of their bilateral exchange rate. A further step, this time towards the French preference for the ecu, was taken by means of a ‘Belgian compromise’ in which the Monetary Committee established the calculation in ecu of the divergence indicator, which will be discussed in more detail later on.

50 Conclusions of the Bremen European Council: excerpt on monetary policy (6 and 7 July 1978) CVCE http://www.ena.eu Historical events > 1969-1979 Crises and revival > Economic and monetary cooperation > The European Monetary System > The creation of the EMS.

51 Belgium, Denmark, Germany, Luxembourg and the Netherlands.

52 Information about the proposal to adopt the ecu as the reference value for the System is given in D. Gros, N. Thygesen, Op. cit., pp. 44-46, which should be consulted for a more thorough understanding. Concerning the divergence indicator, see section 4 of this chapter.
3. Parliament’s position on the EMS after the Bremen European Council

The European Parliament gave a somewhat cool reception to the Bremen decisions in two resolutions\(^{53}\), which were probably the payback for its lack of involvement up to the presentation of the proposal for a regulation on the EMCF’s role in the fund provided for by the Bremen Summit. The first resolution, presented by a large and complex report, emphasised the economic ramifications of the monetary system, linking it with economic integration efforts:

6. emphasises that, to be viable and better still to lead to economic and monetary union, a European Monetary System must be backed up at once by national and Community economic policies that focus on stability and growth, aimed at promoting convergence of the Member States’ economies and reducing regional and social disparities, mainly by creating jobs in future industries: this requires that the European Monetary System is designed to tend towards exchange rate stability, not only through the development of credit mechanisms, anti-speculation measures and transfers of resources within the Community, all of which aim to strengthen Member States’ ability to cope with problems themselves, but also through the introduction of specific intervention measures.

These concepts were developed in the rest of the resolution which, looking more specifically at the new monetary mechanism, points out its omissions, putting them in a positive light with the prospect of the completion of complete monetary union:

9. emphasises that full monetary union, together with a single currency or with fixed parities for good, differs greatly from the transitional phase currently envisaged, in that, to be total, this union will require technical and political control of the money supply and of other macro-economic policies to be in the hands of reinforced central Community institutions under the control of the European Parliament and not of the national governments.

The second resolution held back from delivering a definitive opinion on the proposal for a resolution, which gave the EMCF responsibility for managing the ECU fund, regretting the lack of information received and reiterating concerns about the lack of connection between economic and monetary policies:

5. already specifies that, even with its new responsibilities, the Fund in itself is not sufficient for the success of the European Monetary System and for its development towards economic and monetary union unless a

common economic policy and convergent policies of the Member States are developed.

It was only in his speech to Parliament that the rapporteur, Pisani, stated unequivocally that the Committee on Economic and Monetary Affairs’ motion for a resolution, in which he underlined the importance of the above paragraph, constituted an agreement in principle, raising numerous questions that the Commission had not answered54.

4. The Brussels European Council of 1978

In Brussels, after the preparatory work done by the Council of Ministers, on 5 December 1978 the heads of state and government approved the resolution that created the European Monetary System, which entered into force on 1 January 1979. The declared aim, which had already been set down in the Presidency Conclusions55, was to make it the fundamental instrument of a strategy of growth in stability for the Community and of stabilisation of international economic and monetary relations.

Consistent with these premises the resolution56, which was mainly concerned with the initial phase57, announced a consolidation of the provisions on the European Monetary System after it had been running for two years. The resolution concerned in equal measure the eur, the exchange rate and intervention mechanism, the credit mechanism, international monetary relations and later developments of the system, as well as measures to support the weakest economies in the Community.

The value of the eur, initially the same as that of the European unit of account that existed at the time, was determined by weighting the currencies of the participating Member States. This weighting was checked and modified by common accord every five years or at the request of one of the Member States, when a currency was more than 25% from the last exchange rate attributed to it. Four functions were assigned to the eur: to be the denominator (numéraire) for the exchange rate mechanism, to serve as the basis for working out a divergence indicator, to be the denominator for intervention and credit operations and finally to serve as an instrument for settlement between the Member States’ monetary authorities.

The exchange rate mechanism consisted of a reference rate established against the eur, which determined the bilateral exchange rates of each currency with the other participants in the system. A margin of bi-directional fluctuation of 2.25% was established for each of the bilateral exchange rates. If this margin was reached, all the Member States participating in the system were obliged to intervene. The reference exchange rate was decided by common accord by the participating Member States and

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57 For the second phase, planned for two years later in 1981, see below in this section concerning the failure to establish the European Monetary Fund.
the Commission; finally, any major decisions would be adopted following consultations also with Member States not participating in the system.

A divergence indicator would trigger the obligation to intervene by the monetary authorities concerned, when the divergence had reached a threshold of 75% of the divergence margin, i.e. when a currency was revalued or devalued by 1.6875%\(^{58}\) compared with the bilateral exchange rate, and in such cases the resolution indicated which corrective measures should be applied and required that failure to use these measures would have to be justified to the other authorities.

The intervention was assisted by lines of short-term credit funded by the deposit of one fifth of the central banks’ reserves, which had already been agreed in Bremen. The proposal for a regulation had already been presented. The Brussels European Council resolution determined the amount as ECU 25 billion; ECU 14 billion of this was for short-term credit and ECU 11 billion was for medium-term credit, though the resolution did not concern itself with how this would be assigned.

The resolution also provided for the possibility that European countries with particularly close links with the Community could participate in the System and, without going into the details, it provided for the coordination of exchange policies towards currencies outside the EMS and consultation with the monetary authorities that managed them.

It also assigned the tasks involved in implementing the System, to the Council of Ministers, the Commission and the central banks, setting deadlines so that the EMS could enter into force by the start of 1979.

Lastly, for the purpose (not directly expressed) of encouraging all the Member States to participate in the EMS, the resolution set a reference framework for strengthening the economies of the less prosperous countries, inviting the Council of Ministers to strengthen the procedures for coordination on economic policies to encourage convergence and, having pointed out that economic development was primarily the responsibility of each Member State, it invited the Community institutions and the EIB to make loans on special terms available to the less prosperous Member States up to a value of one billion units of account over five years, provided that they joined the EMS.

However, the resolution of 5 December made one omission regarding the European Monetary Fund, on which the European Council had not been able to reach agreement. The failure to reach agreement is presented very diplomatically in point 1.4 of the resolution, as part of the second phase of the EMS, which also consisted of developing the use of the ECU:

\[\text{We remain firmly resolved to consolidate, not later than two years after the start of the scheme, into a final system the provisions and procedures thus created. This system will entail the creation of the European Monetary Fund as announced in the conclusions of the European Council meeting at Bremen on 6 and 7 July 1978, as well as the full utilisation of the ECU as a reserve asset and a means of settlement. It will be based on adequate legislation at the Community as well as the national level.}\]

\(^{58}\) \(2,25 \times 0,75 = 1,6875.\)
The reasons for this omission were firstly the firm conviction held by Germany that
establishing a European Monetary Fund could only be achieved by amending the
Treaty. The second reason was the desire to give the Fund specific functions of a central
bank or government, a desire to which once again Germany was firmly opposed. For
Germany, these functions would have been an obstacle to the possibility of setting up a
proper European central bank, independent of the governments, later on. Lastly, there
was the fear that the European Monetary Fund would create international liquidity.

Three countries, Ireland, Italy and the United Kingdom, did not announce their
participation in the EMS at the European Council, waiting until they had discussed
the matter in more detail internally. Italy joined on 12 December followed by Ireland
three days later. The United Kingdom, however, decided to remain outside, following
the evolution of the System sympathetically. The British Prime Minister, James
Callaghan, in his declaration at the end of the Council, saw the EMS as the prelude
to a new attempt to achieve greater stability with the involvement of other currencies,
particularly the dollar. The President of the Commission, Roy Jenkins, also judged the
system a limited success, at least when all nine Member States would be participating
in it, while the declarations made by Giscard d’Estaing and Schmidt showed greater
conviction. Giscard claimed that the initiative was a French idea and emphasised the
need to abandon compensatory amounts. Schmidt pointed out the benefits of the EMS
for economic growth and reducing unemployment.

5. Parliament’s position on the EMS after the Brussels European Council

One month after the resolution of 18 November 1978, Parliament gave a more
enthusiastic welcome to the outcome of the Brussels European Council. Its response
followed the debate on the German Presidency’s declarations on the European Council,
in which German Foreign Minister Hans-Dietrich Genscher, having explained the EMS,
announced that Italy’s reservations about participating in the system had fallen away,
and concluded on a hopeful note:

To be sure, the impulse to greater growth and stability would be stronger
and the advantage to the Community greater if all the Member States
could participate fully in the new system from the outset.

However, the decisive point is that the EMS is a Community system
decided by the European Council in which all the Community members
took part. All have committed themselves to a greater convergence of
economic policies with the aim of greater stability and growth.

59 According to the speech made by Roy Jenkins to Parliament during the debate on the EMS, Italian and Irish
reticence was due to the lack of availability of parallel aid. EP Debates – part-session of 13 December 1978,
OJ, Annex 237, p. 117.


The European Parliament resolution\textsuperscript{62} welcomed the EMS, which would contribute to the development of investment, growth and employment, but regretted that not all the Member States would belong to it\textsuperscript{63}. It also expressed the concern that the EMS, alongside its positive effects, would cause new disequilibriums, and to deal with these it called for greater convergence of national and Community economic policies. In view of this, it requested more money for the less prosperous countries.

The resolution that came 16 months later\textsuperscript{64} was fuller and more complex; it expressed satisfaction at the work done in the meantime by the Committee on Economic Affairs and at a more detailed accompanying report, and it looked in some detail at the issues of the first fifteen months of the system’s existence. The broadly positive verdict on the principle was accompanied by a few criticisms:

3. notes, however, that the EMS is still precarious and vulnerable in three fundamental respects: the failure to establish a genuine process of economic convergence and the inadequate coordination of the economic, financial and monetary policies of the countries involved, the inadequacy of the monetary and credit instruments and the lack of a coordinated policy with regard to the international monetary system and the dollar in particular.

Interestingly, the accompanying report was more critical than the resolution, considering reflection on the coherence of the system and on the technical description to have been inadequate because of circumstances and political interests (the Franco-German agreement), which significantly (and in some respects unjustifiably) accelerated the phase of entering into the agreements. The accompanying report saw a big difference between the idea that emerged from the Bremen European Conference, of the system as a stage in the process of economic integration, and the concept that emerged from Brussels, which had reduced the EMS to an agreement about exchange rates, and it commented on how the resolution of 5 December 1978 was rather hurried on the subject of the basic economic conditions needed for the success of the area of economic stability.

\textsuperscript{62} EP resolution of 13 December 1978 on the establishment of a European Monetary System, OJ C 6, 8.1.1979, p. 45 following the emergency motion for a resolution with the same title by M. Pisani on behalf of the Economic Committee, Doc. B-518/78.

\textsuperscript{63} On the date the resolution was approved, Italy had lifted its reservations, but Ireland had not yet done so and it was clear at that stage that the United Kingdom would not participate.

\textsuperscript{64} EP resolution of 17 April 1980 on the European Monetary System (EMS) as an aspect of the international monetary system, OJ C 117, 12.5.1980, p. 56, following on from the report of the same title by the Economic Committee, Doc. 63/80. Rapporteur: G. Ruffolo.
On the specific subject of economic policy convergence, there were significant differences in tone between the resolution and the report. The resolution, having identified the inadequacies and delays in the convergence process, expressed the hope that new common policies would emerge and the existing ones would be strengthened, mentioning agricultural and regional policy in particular; there would be an increase in Community resources to support the new policies; and there would be a multiannual Community programme aimed at achieving growth.

For its part, the accompanying report identified ambiguities and misunderstandings on the real meaning of convergence and the parallel measures, which were reflected in the divergence of views with which the Member States regarded the EMS:

21. Schematically, it can be said that the more prosperous countries understand convergence to be the discipline of an obligation of stability (in other words, the reduction of inflation); the less prosperous countries understand it to be the coordination of growth objectives in order to eliminate the risks of deflation that come with signing up to exchange rate agreements.

From this general observation, the report leads to a series of negative ramifications for the exchange rate agreement, its instruments and convergence, eventually stating that the EMS could become unstable and lead either to adjustment costs that are probably
unsustainable for the less prosperous countries or alternatively to a loosening of the system with frequent parity adjustments.

As far as the financial and monetary instruments were concerned, the resolution invited the European Council to complete the second phase by March 1981, as anticipated, involving the European Parliament in decisions, and emphasised the importance of establishing the Monetary Fund, which would fulfil the role of a central monetary authority with sufficient autonomy to exercise control over the euro-currencies. In this context the euru was to become a reserve and payment instrument in international trade:

19. is convinced that, with stronger economic cohesion between the countries involved (A) and the creation of common monetary policy instruments (B), the euru will be able to play an important part in restoring balance to the international monetary system; as an international reserve currency the euru could thus facilitate the recycling of the oil deficit by alleviating the increasingly serious debt problems of the developing countries; this should be accompanied by the reform of the international monetary system to enable the oil-producing countries to have a full share in its management – and in the related responsibilities – and to provide substantial financial support to the poorest countries.

6. The development of the European Monetary System (1979-1983)

In the course of its existence the EMS experienced periods of turbulence alternating with periods of relative stability.

The first four years (1979-1983) were turbulent, and included seven realignments. During this period, US monetary policy was restrictive and the dollar rates increased significantly, facing the other countries with the difficult choice between adjusting their own rates and devaluing their currencies. Inflation also increased because of an increase in oil prices, but also for other reasons.

In Europe public spending deficits were on the increase and economic policies were tending to diverge. In some countries, including France, attempts to combat recession were made by increasing public spending, while German public opinion expressed concern about inflation and public spending deficits; in 1982 Schmidt was replaced by Kohl with a new government. The first victim of this new state of affairs was the second phase of the EMS, which was postponed until better times, without a specific date.

The first realignment in September 1979 was a small one, and concerned the German mark and the Danish krone; its purpose was to adapt the exchange rates to the weakness of the dollar, but it came shortly before the reversal of US monetary policy, mentioned above. The second, in November of the same year, concerned only the Danish krone, for which the Copenhagen government requested a 5% devaluation to improve the country’s competitiveness. There followed a 16-month period in which the tensions over the mark that appeared in the final quarter of 1980 were tackled by market intervention, until the third realignment in March 1981 following a request by Italy, which was coping

65 This section and the next on the development of the EMS are based mainly on D. Gros, N. Thygesen, Op. cit., pp. 77-102, which should be consulted for a more thorough treatment.
with a big difference between its own inflation rate and that of the other Community countries, to devalue the lira by 6%.

The fourth realignment (on 5 October 1981) followed the change of government in France with the election of Mitterrand. In the third quarter of 1981, the increasing instability of the French franc was kept with great effort within the margins by massive interventions. A realignment followed, including a revaluation of the mark by 5.5% and a devaluation of the French franc by 3% with the involvement of the other currencies.

The fifth realignment (on 22 February 1982) was similar to the second: a devaluation request, for competitiveness reasons, of 12% for the Belgian franc, and of 7% for the Danish krone for the same reasons. These percentages were considered excessive and so a compromise was reached. The Belgian franc was devalued by 8.5% and the krone by 3%.

The French franc continued under pressure, and in June 1982 there was a sixth realignment, with a 4.25% revaluation of the German mark, a 5.25% devaluation of the French franc and a 2.25% devaluation of the Italian lira. In March 1983 the seventh realignment took place, involving all the currencies, though the main reason for it was once again the devaluation of the French franc against the German mark (by 8%).

This period is characterised by devaluations of the currencies of countries with high inflation against the German mark, which in fact played a pivotal role that the EMS had not anticipated. In two cases the realignments were at the request of countries whose currencies were relatively stable (Belgium and Denmark) but whose governments wanted to devalue for competitiveness reasons, which fell outside the scope of the system. The acceptance of these measures suggests that the governments believed unilateral intervention was in reality still possible, despite the discipline of the EMS.


The second period in the life of the EMS, from 1983 to 1987, was characterised by relative stability against the instability of the dollar, which reached its height in February 1985 only to fall again in the next two years.

Only two years after the seventh realignment, an eighth was necessary (on 22 July 1985), which consisted of an 8% devaluation of the lira against all the other currencies in the system, to cope with the serious situation in Italy where there was a constant increase in the budget deficit and the balance payments deficit and higher inflation than in any of the other countries participating in the EMS. The devaluation of the lira was accepted because of its revaluation in the previous period and because of assurances by the government in Rome that taxes would be increased to prevent the budget deficit increasing even more, instead of the adaptation of domestic policies that had not taken place.

The ninth realignment (on 7 April 1986) once again concerned the French franc, which was devalued by 6% against the German mark and the Dutch florin following a request made by the government in Paris to suspend the EMS margins to deal with pressure from the markets which, because of France’s new political situation, were counteracting...
the devaluation of the franc\textsuperscript{66} and had taken at least four currencies outside the margins of exchange with the franc.

The tenth realignment (on 4 August 1986) concerned the Irish punt, which had had a similar experience to the Italian lira before the eighth realignment: initially it had been revalued against the German mark, permitted by the fact that the external effects of its high inflation were offset by the fortunes of the British pound\textsuperscript{67}, which had been revalued since the start of the EMS; after 1981, it was devalued by 8% against all the other currencies, due to the devaluation of the pound sterling (by 20% in 1986).

At the start of 1987, the international monetary situation was difficult: in the last few months of 1986, the dollar had started to devalue again, making the general context turbulent and forcing the German mark up in value, while the French monetary authorities were not managing to contain the loss of value of the franc. Through the mutual recriminations of the French and German monetary authorities, the eleventh realignment was reached (on 12 January 1987), with the revaluation against all the other currencies of the German mark and the Dutch florin by 3% and of the Belgian and Luxembourg francs by 2%. This realignment was also important politically because, in the Ecofin Council that agreed it, the French Finance Minister Édouard Balladur presented a memorandum that was rather critical of the EMS. This was followed up by the start of a debate on the urgency of monetary union, which would revive it\textsuperscript{68}.


The five-year period from 1987-1992 was characterised by exceptional exchange rate stability due solely to intervention by the monetary authorities, with just one realignment. Nevertheless, the average inflation rate of the participating countries rose from 1% in 1986 to 4% in 1990, though in a group of seven countries inflation stayed very low and in 1989/1990 practically disappeared in Germany, to rise again in 1992 as an effect of unification. On the other hand, it was high in Italy and in the two countries that had joined the EMS in the meantime, Spain and the United Kingdom. Two groups of countries with very different economic situations were therefore defined.

The difference between their interest rates fell to around 2% in the countries in the first group, excluding Ireland. In 1989 Germany had a significant balance of payments surplus, which rapidly reduced in successive years, turning into a deficit of 1.2% of GDP in 1991. The deficits of the other countries were tending to reduce. Generally, it can be said that the eight countries in the EMS from the beginning were in a relatively solid position in their accounts with the outside world. Three countries, Italy, Belgium and Denmark had serious public spending deficits; Italy’s amounted to 10% of its GDP.

The dollar continued to fall, especially after the cash injection by the Federal Reserve to deal with the US stock market crash of 19 October 1987. In reaction, the mark rose in

\textsuperscript{66} With the National Assembly election, in which the centre-right had dominated, the government was now supported by a different majority from the one that had elected Mitterrand (in what was known as ‘cohabitation’).

\textsuperscript{67} The United Kingdom was Ireland’s largest trading partner.

\textsuperscript{68} See the first section of the next chapter for greater detail.
value and the French franc fell, only to rise again in November following a coordinated interest rate manoeuvre by the French and German monetary authorities.

At the end of the five-year period, in September 1992, another turbulent phase began on the foreign exchange markets, which lasted until July of the following year. At the start of this phase the dollar collapsed against the mark following a high interest rate rise by the Bundesbank in July to combat inflation. Despite strong pressure on Germany from the Member States’ governments to do the opposite, the German monetary authorities made no commitments in this direction and the markets reacted.

The Finnish mark abandoned its pegging to the ecu and, despite massive intervention by the Banca d’Italia and the Bundesbank, the Italian lira fell below its lower fluctuation margin. The Bundesbank stepped up pressure for a realignment, followed only by Italy. In this situation of conflict between the European monetary authorities, the German mark was revalued by only 7% against the lira, while German interest rates were shaved by 0.25% as regards the Lombard rate and 0.50% as regards the discount rate. These decisions were adopted on 14 September 1992 and two days later the markets suffered Black Wednesday, in the aftermath of which the British pound, afflicted by the weakness of the British economy and by high interest rates, was withdrawn along with the lira from the European Monetary System, and the Spanish peseta was devalued by 5%. In November the peseta and the Portuguese escudo were devalued by 6% and underwent further devaluations by 8.5% and 6.5% respectively in May 1993. In January 1993 the Irish punt was devalued by 10%.

The devaluations of September 1992 and the subsequent months were adopted in such an informal way that they could not be considered realignments like in the previous periods, but more as emergency measures within the framework of currency interventions by the monetary authorities.

After the crisis in 1992-1993, the markets remained calm for 18 months while the European economies started to grow again and the United States adopted a restrictive monetary policy. However, in August 1993 the Ecofin Council enlarged the margins of fluctuation to 15% in a decision criticised by the European Parliament.

In January 1995 the Austrian schilling joined the EMS. That year, predictions of an increase in French inflation due to the economic policy announced by Chirac during the 1994 presidential election campaign weakened the French franc, while the Italian lira and the Swedish krona, both outside the EMS, remained weak. The dollar was also weak that year, and European growth slowed. In March the Spanish peseta was devalued by 7% and the Portuguese escudo by 3.5%.

In 1996 the Finnish mark and the Italian lira entered the EMS to avoid potential legal difficulties for their respective countries when it came to joining the future single currency. This was due to the criterion on monetary stability laid down in the Maastricht Treaty, which was interpreted by some as an obligation to participate in the EMS for two years prior to the start of the new currency. There was some hesitation about these two re-entries, particularly that of Italy, and indeed both countries had difficulties keeping their exchange rates within the EMS margins.

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69 See the next section.
9. European Parliament resolutions on the development of the EMS

The European Parliament turned its attention to the EMS twice during the period of turbulence that characterised its first five years. It did so after the fifth realignment. It did so after the fifth realignment, pour solliciter d’un côté le lancement de la seconde phase du SME, sur la base de sa proon the one hand, to seek the second phase of the EMS in the wake of its resolution of 17 April 1980 and, on the other hand, to seek measures to extend the use of the ecu.

The resolution adopted a few months later, which expresses concern (emphasised in the report) about the impact of monetary instability on the pursuit of economic activities, was more involved. The hope for a European monetary authority and the extension of the use of the ecu, now expressed almost as a ritual, was accompanied by an invitation to throttle inflation and to draw up concrete proposals for an international monetary agreement, negotiated as a Community, to counteract the repercussions of the monetary policies of third countries, particularly the United States. At European level, the resolution called for negotiations with the United Kingdom and Greece to join the EMS and at the same time for the participation in the system of Spain and Portugal, which at the time were candidates to join the Community. Internally, the removal of exchange controls was called for.

In the second period of the EMS, characterised by relatively stability in contrast to the instability of the dollar, the European Parliament gave its opinion on both the EMS and the international system, prompted mainly by the difficulties of the latter and concerned about the weakness of the dollar. The impetus for the resolution came from the New York Summit of 22 September 1985 on the problems of the dollar, but the analysis of the situation went beyond the scope of the Summit and is summed up in one point of the accompanying report:

7. The current disequilibrium in the international monetary situation is structural in origin and is also born out of the major differences in the way monetary policy measures are implemented by the most important industrialised countries in the West, particularly the high real interest rates across the USA. These therefore require a significantly different approach from the one suggested so far. Major effort should be directed at international cooperation on economic activity and stimulation, international trade and appropriate forms of monetary cooperation.

Sticking to an agreement based on pragmatic consensus day after day means focusing on the symptoms and not the causes…

70 See section 5 of this chapter.
73 See section 5 of this chapter.
In line with this analysis, the resolution called for the measures to deal with the world’s monetary problems to be accompanied by trade and economic agreements that would guarantee cooperation and development in the different parts of the world. But it was on the EMS that the resolution really spoke clearly and specifically, and this is summed up by the following point:

25. [The European Parliament] emphasises the fact that strengthening the European Monetary System demands the removal of obstacles that continue to prevent the various currencies in the European Monetary System from being in the same position (non-participation in the exchange rate mechanism, wider fluctuation margin) and calls at once for all the Member States that signed the agreement establishing the European Monetary System to participate in the exchange rate mechanism; observes that recent events (the fall in oil prices and the listing of the British pound) have amply demonstrated how the anomalous position of the British pound can be dangerous both for the EMS and for the ecu; believes in particular that the United Kingdom should join the EMS intervention mechanism, the support instruments of which are designed to prevent dangerous fluctuations in the short term. Participation by the United Kingdom would give the EMS greater weight if it is true that London remains one of the world’s most important financial centres. As for Italy, it should abandon the exception clauses it has resorted to and should not go outside the normal margins of fluctuation.

In the period of monetary stability at the end of the 1980s, the European Parliament was pleased with the results achieved by the EMS in the first ten years of its life, allowing the Member States to conduct more than half of their trade on the basis of predictable exchange rates. However, it still considered the coordination of national monetary, economic and budgetary policies to be insufficient and called for the United Kingdom to join the EMS and Italy gradually to give up its special fluctuation margins75.

Some months after the end of the 1992-1993 crisis the European Parliament approved a resolution76 that linked the themes of the EMS with the completion of Monetary Union, which the Maastricht Treaty had finally sanctioned.

The starting point was original aims of the EMS which, according to Parliament, were solving the problems of the irreconcilable triad, as the accompanying report, which focused on them, called the three aspects of monetary policy: managing exchange rates, freedom of movement of capital and mutual autonomy of monetary policy on exchange rates. Although reconciliation of the triad was not achieved, the EMS had still provided relative stability in its first fifteen years, though it was now paying for the weight of the international money markets that had grown over time, while the decision taken in August 1993 to widen the margins for fluctuation to 15% was seen as the introduction

75  EP Resolution of 14 April 1989 on the process of European monetary integration, OJ C 120, 16.5.1989, p. 331, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 14/89. Rapporteur: O. Franz.

of managed fluctuation that held serious dangers of competitive devaluations and negative repercussions for the common agricultural policy, the Community budget and monetary coordination itself.

In its present state the EMS, reduced solely to managing exchange rates, could not tackle imbalances in the fundamentals, competitiveness, inflation, pay agreements or balance of payments and public spending deficits. Consequently the European Parliament:

7. considers it imperative that any proposal to reform the EMS at the start of the second phase\textsuperscript{77} should be formulated only with reference to the Treaty on European Union, having regard to the principles set out in the Maastricht Treaty and the need to develop fully the tasks and responsibilities of the European Monetary Institute (EMI); consequently proposes, in order to overcome the current monetary crisis and improve developments and coordination in the monetary field, that the authorities should improve their voluntary cooperation on monetary policy during the second phase, as provided for in Article 109 F of the EC Treaty and in the EMI’s statutes.

10. A final judgment of the EMS

The Delors Report, which will be discussed extensively in the next chapter, gives a positive verdict on the EMS, shedding light on its shadows, and makes a suitable conclusion to this chapter:

\textit{At the same time, the EMS has not fulfilled its full potential. Firstly, a number of Community countries have not yet joined the exchange rate mechanism and one country participates with wider fluctuation margins. Secondly, the lack of sufficient convergence of fiscal policies as reflected in large and persistent budget deficits in certain countries has remained a source of tensions and has put a disproportionate burden on monetary policy. Thirdly, the transition to the second stage of the EMS and the establishment of the European Monetary Fund, as foreseen by the Resolution of the European Council adopted in 1978, have not been accomplished.}

\textsuperscript{77} Of monetary union, as provided for in the Maastricht Treaty.
CHAPTER IV
TOWARDS THE MAASTRICHT TREATY

1. From the Single European Act to the Hannover European Council (June 1988)

With the Single European Act (SEA) of 17 and 28 February 1986, which entered into force on 1 July 1987, economic and monetary cooperation gained autonomy within the EEC Treaty, to which Article 20 of the SEA added an Article 102A:

1. In order to ensure the convergence of economic and monetary policies which is necessary for the further development of the Community, Member States shall cooperate in accordance with the objectives of Article 104. In so doing, they shall take account of the experience acquired in cooperation within the framework of the European Monetary System (EMS) and in developing the ecu, and shall respect existing powers in this field.

2. In so far as further development in the field of economic and monetary policy necessitates institutional changes, the provisions of Article 236 shall be applicable. The Monetary Committee and the Committee of Governors of the Central Banks shall also be consulted regarding institutional changes in the monetary area.

This was an article of policy that, although it did not lay down the principles of monetary policy, formally established it as an essential part of economic and monetary cooperation and recognised the role of EMS and the ecu in orientating politicians towards consolidating this cooperation.

The European Parliament looked only marginally at economic and monetary cooperation in its resolutions on the Single European Act, which was mainly dedicated to the institutional aspects of the Act. The report accompanying a resolution78 that came half way between the signature of the Act and its entry into force79, regretted that Article 102A essentially saw monetary cooperation as intergovernmental, disregarding its Community dimension, but this sentiment was not echoed in the resolution; a subsequent resolution80 saw monetary convergence as a condition for the creation of

80 From 1986 to 1988 Édouard Balladur was a minister in Chirac's second government under the Mitterrand Presidency.
a common economic area. This convergence, of which the EMS was the pillar, was to allow the abolition of compensatory amounts and the creation of an autonomous system with a European Central Bank.

The Single European Act was not yet in force when, towards the middle of 1987, the French Finance Minister Édouard Balladur presented a memorandum on the EMS that criticised its mechanisms, accusing them of distorting the distribution of interventions among the central banks. These mechanisms did in fact force the central bank with the currency at the lowest margin of the permitted band to intervene and shoulder the related costs, even if it was not responsible for the tensions, while the central banks of countries pursuing excessively restrictive monetary policies were excused from having to do this. The result was a general tendency among the European currencies to revalue against the dollar, contrary to Europe’s own interests.

This criticism, which was clearly (if not explicitly) levelled against Germany, found converts: firstly, the Italian Treasury Minister Giuliano Amato, who in turn presented a memorandum focusing on the reduction of the growth potential of other European countries caused by the German mark, which was still fundamentally undervalued. Italy supported the liberalisation of capital movements and convergence in the field of taxation and control of capital, as well as the creation of a mechanism within the framework of the EMCF that would provide the capital market with the necessary resources to grant loans in compensation for capital movements.

The French and Italian memorandums, though detailed in terms of their criticisms, were more vague when it came to the solutions for achieving monetary union, about which Balladur said extremely little while his Italian colleague emphasised the importance of a common approach to inflation.

Germany responded in the first few months of 1988 with two separate memorandums, one by its Foreign Minister, the other by its Finance Minister. The former, Hans-Dietrich Genscher, went beyond the bounds of the Single European Act and formally launched the debate on a genuine monetary union, which was necessary for the completion of the internal market, and he put forward the idea of a European central bank, explaining its characteristics and how it would be created. This position, which was a significant break with Germany’s traditional position on monetary affairs, set out for the European central bank what were actually the principles of the Bundesbank: autonomy, the separation of its functions from public sector financing and prioritising the fight against inflation.

The memorandum by the Finance Minister, Gerhard Stoltenberg, focused mainly on the liberalisation of capital, for which a proposal for a directive was under discussion. This measure was of fundamental importance and could not be delayed by concerns regarding balances of payments, and the memorandum distanced itself from Italian demands for safeguard clauses and the harmonisation of taxation of capital. The Stoltenberg memorandum also expressed similar views to those of Genscher on the desirable characteristics of a European central bank, but it did not go into how such a bank would be achieved.

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81 At the time of the memorandum, Giuliano Amato was a minister in the Goria government.
82 Hans-Dietrich Genscher was Foreign Minister in the Kohl government.
83 Gerhard Stoltenberg was Finance Minister in the Kohl government.
A few months after the Single European Act was signed, in advance of and in parallel with the expression of the government positions outlined above, the two authors of the EMS, Valéry Giscard d’Estaing⁸⁴ and Helmut Schmidt⁸⁵ set up a committee for European monetary union, whose members were key political and economic figures. In April 1988 this committee published a detailed document on the achievement of monetary union, specifying the responsibilities and powers of the European central bank and its relations with the political authorities. The committee also encouraged the setting up of the Association for the Monetary Union of Europe, in which major European industries participated and which represented entrepreneurial interests that were generally in favour of a single currency⁸⁶.

The Hannover European Council of 27 and 28 June 1988 took place in a climate that was generally favourable to achieving monetary union. This European Council decided to pursue the goal set by the Single European Act of completing economic and monetary union, providing for the adoption of the operative provisions by the following year and setting up a committee to prepare them, chaired by Jacques Delors, then President of the Commission; the governors of the central banks were asked to be members of this committee, along with one other member of the Commission and three members appointed by name: Niels Thygesen, Professor of Economics at Copenhagen university, Alexandre Lamfalussy, General Manager of the Bank for International Settlements, and Miguel Boyer, President of the Banco Exterior de España.

2. The Delors Report⁸⁷ and the 1989 European Councils (Madrid and Strasbourg)

On 12 April 1989 the report commissioned by the Hannover European Council was presented. It foresaw the general objective of an economic and monetary union that would preserve the specific features of the various Member States.

16. Economic and monetary union in Europe would imply complete freedom of movement for persons, goods, services and capital, as well as irrevocably fixed exchange rates between national currencies and, finally, a single currency. This, in turn, would imply a common monetary policy and require a high degree of compatibility of economic policies and consistency in a number of other policy areas, particularly in the fiscal field. These policies should be geared to price stability, balanced growth, converging standards of living, high employment and external equilibrium. Economic and monetary union would represent the final result of the process of progressive economic integration in Europe.

17. Even after attaining economic and monetary union, the Community would continue to consist of individual nations with differing economic, social, cultural and political characteristics. The existence and preservation of this plurality would require a degree of autonomy...

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⁸⁴ From 1986-1988 Valéry Giscard d’Estaing was a French deputy.
⁸⁵ In 1986 Helmut Schmidt retired from politics.
⁸⁶ In the next chapter a controversial study of this association will be discussed.
in economic decision-making to remain with individual member countries and a balance to be struck between national and Community competences. For this reason it would not be possible simply to follow the example of existing federal States; it would be necessary to develop an innovative and unique approach.

The plan for achieving monetary union was in three stages, two in the transitional period and the third being the final scheme, though no times or dates were given except for the start of the process set for 1 July 1990 at the latest. The failure to define a calendar was justified by the report as being due to the impossibility of specifying in advance what the conditions would be for moving from one stage to the next, conditions on which the committee had difficulty reaching agreement particularly as regards the passage from the second to the third stage. On the other hand, the objectives and the fundamental measures of each stage were defined.

The purpose of stage one was to aim at a greater convergence of economic performance through the strengthening of economic and monetary policy coordination within the existing institutional framework. In this stage, which was in essence a continuation of the EMS, the amendments to the Treaty necessary from the next stage would also be defined. Strictly from a monetary point of view, the planned actions were essentially as follows:

- removal by means of appropriate Community directives of all the remaining barriers to freedom of movement of financial services and capital, creating a true European financial space,
- removal of the remaining obstacles to the private use of the ecu,
- increasing the central banks’ autonomy,
- strengthening the powers of the Committee of Central Bank Governors, which would be consulted in advance on any decisions by the national authorities concerning the supply of money.

Another measure, supported by only some of the committee members, was the setting up in stage one of a European Reserve Fund that would foreshadow the future system of central banks to be established in stage two.

In addition to these measures there was the hope that the EMS would be extended to all the Community currencies on the basis of operating rules that did not allow for exceptions.

The principal purpose of the second stage, which would require amendment of the Treaty, was to train the Community institutions and others involved in monetary union in the exercise of their new functions. Strictly from a monetary point of view, the most important new feature of this stage was the setting up of a European System of Central Banks (ESCB), which would absorb the EMCF, the monetary committee, the Committee of Central Bank Governors and the other bodies that existed in the field; its key task would be to begin the transition from the coordination of independent national monetary policies by the Committee of Central Bank Governors in stage one to the formulation and implementation of a common monetary policy by the ESCB itself scheduled to take place in the final stage. Essentially it was a question of a making a gradual and rather tricky transfer of responsibilities from the Member States to the Community. The other features of
the second phase were the exceptional nature of realignments and the reduction of the margins of fluctuation.

Strictly from a monetary point of view, the third stage was characterised by the adoption of fixed exchange rates between the currencies that would ensure the transition to a single monetary policy eventually run by the ESCB, which would manage the interventions and pooled reserves entrusted to it. During the third stage the single currency would be adopted.

One crucial problem that arose was how national fiscal policies, particularly concerning budgets, would be managed in the context of monetary union. This problem was made even more awkward by the serious deficits of two Member States, Greece and Italy, which could have constituted a risk to the stability of the system. On the one hand, mainly on the part of Germany, there was a desire for mandatory coordination of budgetary policies, but this was opposed by other parties, preventing the report from following the lead of the Werner Report, which had heralded a ‘centre of decision for economic policy’. The Delors Report considered the Ecofin Council an appropriate forum for coordination.

The Madrid European Council on 26 and 27 June 1989 approved the Delors Report, giving the relevant Community bodies, first and foremost the Ecofin Council, a mandate to take the necessary measures to allow stage one to begin on the date indicated in the report (1 July 1990) and to undertake the work for the complete and adequate preparation of the Intergovernmental Conference provided for in this stage.

The Ecofin Council in turn requested a working party of senior officials chaired by Élisabeth Guigou to take on the tasks it had been asked to undertake. It was a matter of bringing into the political arena the outcome of the Delors Report (the committee of which did not include any members of national governments) and making it acceptable to all the Member States; the second objective had not been met, as demonstrated by the opposition from the United Kingdom, which was proposing as an alternative monetary union based on competition between currencies and monetary policies.

The Strasbourg European Council of 8 and 9 December 1989 took note of the Guigou report and established that the first stage could start on the date planned. As a result it gave the Italian Presidency in the second half of 1990 the task of convening the Intergovernmental Conference. It was the Dublin European Council on 25 and 26 June 1990 that actually decided it would open on 14 December 1990, at the same time as another Intergovernmental Conference on political union.

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89 A French senior official and politician. At the time the working party was set up she was Secretary General of the Interministerial Committee on questions of European economic cooperation (SGCI), reporting to the French prime minister.

The following year the Commission published a document on monetary union, the Christophersen Report\(^\text{90}\), which in essence confirmed the conclusions of the Delors Report, expressing irrefutably the Commission’s preference for a single currency: the advantages from a monetary union can only be reaped fully with a single currency, which would signal a point of no return and would eliminate the transaction costs that would be maintained by a system of national currencies with fixed exchange rates, particularly affecting small-sized operations.

The document made very clear its position on the fundamental objective of monetary policy:

> The Community’s monetary policy and the institution responsible for it need to be committed explicitly to the objective of price stability (...) The stability commitment needs to be written into the basic legislative texts\(^\text{91}\).

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\(^{90}\) Commission of the European Communities Economic and Monetary Union, 21 August 1990 Sec (90) 1659 final.

\(^{91}\) Ibidem, section 2.2.
Thus was the German position affirmed, and for the first time a fundamental principle of monetary union was proclaimed that would subsequently be a matter of some debate: the priority of achieving price stability.

From an institutional point of view, the Commission document defined the European System of Central Banks, which it named ‘Eurofed’, composed of the existing central banks and a central body. This system should have:

*a high degree of independence vis-à-vis national governments and other Community bodies. This independence should concern the system, which would include the existing national central banks, its working conditions and its agents. The appropriate means to meet this requirement are of two types: on the one hand, the freedom not to have to take measures likely to compromise the fundamental stability objective; and, on the other hand, the duration of the mandate as well as the appointment and dismissal conditions with regard to the persons called upon to serve the institution. In addition to Community legislation, national provisions should be adopted to ensure that the central banks enjoy the necessary independence vis-à-vis national authorities*92.

To counterbalance Eurofed’s independence, it needed to be democratically accountable for its actions through the form taken by its constitution, agreed rules ratified by the national parliaments, and the method of appointment of its president and the board members, which would be designated by the European Council after consultation with the European Parliament. Eurofed should report periodically to the European Council and Parliament; the President of the Council and a Member of the Commission would attend meetings of its decision-making body.

Echoes of the Commission document can be found in the conclusions (of notable importance) of the next European Council in Rome on 27 and 28 October 1990, which not only announced the start date of the second stage, but above all sanctioned the agreement of eleven Member States (all except the United Kingdom) to create, for monetary union,

*...a new monetary institution comprising Member States’ central banks and a central organ, exercising full responsibility for monetary policy. The monetary institution’s prime task will be to maintain price stability: without prejudice to this objective, it will support the general economic policy of the Community. The institution as such, as well as the members of its Council, will be independent of instructions. It will report to the institutions which are politically responsible.*

*With the achievement of the final phase of Economic and Monetary Union, exchange rates will be irrevocably fixed. The Community will have a single currency - a strong and stable ecu - which will be an expression of its identity and unity. During the transitional phase, the ecu will be further strengthened and developed*93.

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92 *Ibidem*, section 2.2.

As far as the start date for stage two, fixed at 1 January 1994, was concerned, this was based on the assumption that certain things would have been achieved: the completion of the single market one year before, the ratification of the new Treaty, the setting in train of a process designed to ensure the independence of the members of the European System of Central Banks, prohibition of the monetary financing of budget deficits and wider participation in the EMS.

As regards passage to stage three, the European Council did not make any explicit statements but indicated that:

At the latest within three years from the start of the second phase, the Commission and the Council of the monetary institution will report to the Ecofin Council and to the General Affairs Council on the functioning of the second phase and in particular on the progress made in real convergence, in order to prepare the decision concerning the passage to the third phase, which will occur within a reasonable time.


Exactly two days after the Delors Report was presented, and therefore independently of this report (at least formally), the European Parliament tackled the question of monetary integration with a broad and complex resolution that, prompted by the results of the EMS, saw monetary union as not a necessary but an important complement to the completion of the internal market. It still called for greater integration between national economic and fiscal policies and for the role of the ecu to be extended to private transactions.

More specifically, the resolution took the view that the failure of one or more Member States to join in could not stop the others from proceeding with monetary union by establishing a Board of Governors.

The same inspiration lay behind the resolution that came a year later, which set out a broad outline for monetary union, the content of which was essentially identical to that of the Delors Report, to which it gave implicit political support diverging on only a few points and influencing the position expressed by the Commission at the end of August. The points of divergence from the Delors Report were essentially a greater emphasis on the single currency as the final objective of monetary union, less restriction of the powers of the Member States on fiscal and budget matters and a second phase of the transitional period, shorter than planned in the Delors Report. From a more general point of view, it was pleased at the decision by the Member States not to use monetary financing for deficits and expressed support for the idea of staggering the dates for joining, to allow countries that otherwise could not participate to join in the monetary

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95 EP Resolution of 14 April 1989 on the process of European monetary integration ... cit.
union; at the same time the resolution firmly rejected the idea of failure to fulfil the obligations provided for by monetary union.

A few months later, following its own resolution calling for the European Parliament’s involvement in the Intergovernmental Conference, Parliament expressed its position on the reform of the Treaty to achieve monetary union, in a complex text. Formally it was not an opinion—such a thing was not provided for at this stage in the negotiations in the procedure for revising the Treaty; nor did it amount to participation in the Intergovernmental Conference, the form of which had not been defined. It was an independent statement of position.

There are points of convergence and divergence between Parliament’s position and the position of the Commission expressed in the Christophersen Report, and the accompanying report gave ample space to a comparison of the two. The main point of convergence, which defined the European Parliament’s philosophy, was the obligatory nature of monetary union, which:

implique la circulation d’une monnaie unique, la conduite d’une seule
shall imply the circulation of a single currency, the conduct of a single
external and internal monetary policy and the establishment of a
European system of central banks, including an autonomous European
Central Bank.

The expectation of a single currency in place of other possibilities for monetary union, which would allow a number of currencies to coexist or even to compete according to the British model, was based on the observation that the three conditions for monetary union set out in the Werner Report, with some widely recognised variants, essentially amounted to the same situation as having a single currency, which would therefore be an easier system for managing monetary union.

It is notable that Parliament spoke of autonomy and not independence of the Central Bank, suggesting a more active role for the Community’s political institutions than the Delors Report had advocated. As far as competences were concerned, however, the European Parliament wanted to give others to the Commission, in particular control over the banking system. The concept of autonomy is fully illustrated in the accompanying report, which defines it in general as the ability to decide for itself and the freedom to act that allow the politically agreed objectives of monetary policy to be achieved. This implies the exclusive power to create money with all the instruments at the disposal of the big central banks, though without ruling out consultation and cooperation with the Community institutions, whose economic policy objectives it should support, and with


98 EP Resolution of 10 October 1990 on Economic and Monetary Union, OJ C 284, 12.11.1990, p. 62, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 223/90. Rapporteur: F. Herman.

99 Last paragraph of Article 1, which the resolution of 10 October 1990 saw as an amendment to Article 102B of the Treaty.

100 Total, irreversible convertibility of currencies, complete freedom of movement of capital, abolition of margins of fluctuation and irrevocable fixing of exchange rate parities.
the Member States. In view of this autonomy, an independent system of control should exist.

The European Parliament demanded greater powers over monetary union, in the different forms provided for in the Treaty, over the appointment of the governor and the board of the Central Bank, and over the orientation and harmonisation of economic policies.

On the specific problem of the transitional scheme, the European Parliament, which accepted the idea of the gradual phasing in of monetary union, took a different opinion from the Delors report on the importance given in the first phase to strengthening the EMS and to the convergence of economic and monetary policies.

5. The work of the Intergovernmental Conference

The Intergovernmental Conference on economic and monetary union, which worked in consultation with the IGC on political union, opened on 15 December 1990 in Rome and, apart from a subsequent legal review, finished its work one year later in time for the Maastricht European Council on 9 and 10 December.

The Conference fairly easily resolved the issues of the institutional system for the final scheme of monetary union, thanks to a contribution from the governors largely based on the Delors Report. The negotiations encountered difficulties over the guidelines for managing budgetary policy in the Delors Report. The criteria of a maximum deficit of 3% of GDP and a maximum government debt of 60% of GDP were eventually adopted as the budgetary conditions for joining monetary union. As well as being conditions for entry, these criteria had to be maintained after the start of monetary union, otherwise sanctions would be applied.

The second matter raised at the Intergovernmental Conference was the conditions for moving from the second to the third stages of monetary union. The Delors Report had not been specific about this, although some of its recommendations for the second stage had implied it would be of indeterminate length. We have seen how the Rome European Council in October had been cautious about this tricky passage, making it dependent on a preliminary analysis of the results of the previous stage.

Within the Conference, three attitudes to this could be identified. The British, supported by Denmark, took the view that more experience was required of monetary union (which was desirable in itself) in order to establish when there was a sufficient level of convergence, and that consequently it could not constitute a commitment for the Member States. In other words, this attitude gave each Member State the right to defer every decision about monetary union and inspired the proposal by the Dutch Presidency, which was rejected by the majority of governments, to allow each Member State to opt for entry into the monetary union when the Ecofin Council considered that the conditions for moving to the third stage had been met.

The second attitude, taken by Germany and the Netherlands in particular, focused on the conditions for launching the final scheme for monetary union, for which they gave convergence criteria. On the basis of this attitude it was not possible to determine in advance a specific date for the third phase.
The third attitude, which was mainly that of Italy and France, was that setting a specific date for moving into the third stage would provide an incentive for achieving convergence either through market forces, which would accelerate convergence as regards goods and financial services, or through political forces, which would quickly take the necessary measures to achieve convergence.

The solution chosen by the Conference was a halfway house between the second and the third attitudes in that it accepted the formulation of the convergence criteria for moving to the third stage and it set precise time limits for meeting these criteria. Even the first attitude was accommodated, limited to the two countries that supported it, the United Kingdom and Denmark. Although the Dutch proposal for a general opt-out clause was rejected, the two countries that supported this approach secured recognition of their own ability to opt out in a separate protocol.\(^{101}\)

The Treaty on European Union, which was the result of the work done by the two Intergovernmental Conferences, was signed in the regional capital of Limburg in the Netherlands on 7 February 1992 and, after a not particularly long ratification process, it entered into force on 1 November 1993, having been given a fairly bumpy ride with its rejection by the Danish people in the referendum of 2 June 1992, following ratification by the Danish parliament in May 1992. After the declaration by the Edinburgh European Council in December 1992, which among other things waived the obligation on Denmark to participate in the third stage of monetary union\(^{102}\), a second referendum approved the Treaty on 18 March 1993.


\(^{102}\) This declaration refers to the document ‘Denmark in Europe’, which was presented by the Danish government and set out the main problems identified: the defence policy dimension; the third stage of EMU; citizenship of the Union; cooperation in the fields of justice and home affairs; and the principle of subsidiarity. Quotation from the European Commission website: http://europa.eu/legislation_summaries/economic_and_monetary_affairs/institutional_and_economic_framework/l25061_en.htm.
6. Economic and monetary union in the Maastricht Treaty\textsuperscript{103}

Title VI – Economic and Monetary Policy was inserted into the Treaty on European Union, or the Treaty establishing the European Community as the Treaty of Rome was then known after the unification of the Communities. This Title was broken down into four chapters, respectively on economic policy, monetary policy, institutional provisions and transitional provisions, which governed the second stage of economic and monetary union starting on 1 January 1994, and the move to the third stage, the start date of which was fixed at 1 January 1999 at the latest. There were four protocols that integrated the provisions of Title VI\textsuperscript{104}:

- Protocol 3 on the Statute of the European System of Central Banks and of the European Central Bank
- Protocol 4 on the Statute of the European Monetary Institute
- Protocol 5 on the excessive deficit procedure
- Protocol 6 on the convergence criteria referred to in Article 109j of the Treaty establishing the European Community

The chapter on economic policy provided for a reference framework for the national policies, which would be subject to surveillance by the Community institutions. A general definition of this reference framework was given in Article 102A:

\begin{quote}
Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Community, as defined in Article 2, and in the context of the broad guidelines referred to in Article 103(2)\textsuperscript{105}. The Member States and the Community shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 3A.
\end{quote}

Of particular significance for the purposes of monetary policy were the provisions on excessive public spending deficits, which the Member States had to avoid. On this matter, Article 104C gave the Commission responsibility for monitoring the budgetary situation and government debt based on two criteria quantified in Protocol 5: the budget deficit could not exceed 3\% of gross domestic product and government debt could not exceed 60\% of gross domestic product. If an excessive deficit was identified, a procedure would begin that would first lead to the adoption of a recommendation by the Council

\textsuperscript{103} In this and subsequent sections, the numbering of articles in the Treaty establishing the European Community is the numbering subsequent to the Treaty on European Union signed in Maastricht, but does not take account of subsequent amendments.

\textsuperscript{104} Another protocol, Protocol 10, ratified the irreversible nature of economic and monetary union and placed an obligation on all Member States not to oppose Protocols 11 and 12 giving Denmark and the United Kingdom the right to opt out, which will be discussed in the next section; finally Protocol 13 gave France the right to issue currency in its overseas territories.

\textsuperscript{105} Article 103, a detailed discussion of which is outside the remit of this Journal, established that national economic policies were a matter of common concern and provided for approval by the Council, based on a report by the Commission, of some broad guidelines for these policies, the content of which was not specified. The same article provided for multilateral surveillance which, if it found that the economic policies of a Member State were not consistent with the broad guidelines, could lead to specific recommendations being made by the Council to the Member State concerned.
and could lead to notice being given to the Member State to take measures for deficit reduction within a specified time limit. If the Member State failed to comply with this, sanctions could be applied that might include fines.

A further provision, Article 104, established a clear line of demarcation between public debt and national central banks, which must not finance this debt either by opening lines of credit or by holding government bonds.

Article 105 of the Treaty, which began the chapter on monetary policy, established that the primary objective of the European System of Central Banks was to maintain price stability, and this was repeated several times throughout the chapter; this objective, often challenged in political circles and in some economic literature, reflected the consolidated position of German economic thought.

The ESCB, composed of the national central banks and the European Central Bank, had the task of

- implementing the monetary policy of the Community,
- conducting foreign exchange operations based on exchange agreements with third countries or, in the absence of such agreements, based on the guidelines set by the Council, subject to consultation of or proposal by the ECB,
- holding the official reserves of the Member States,
- promoting the smooth operation of payment systems.

Within this framework, the ECB, whose decision-making bodies directed the ESCB106, set itself up as the central driver of the System and had specific consultative functions conferred upon it. The difference of opinion between the Commission, which was in favour its independence, and Parliament, which preferred it to have autonomy, was resolved by the Treaty in favour of independence, which was defined in detail in Article 107 of the Treaty concerning both the ECB and the national central banks107.

7. Democratic accountability in monetary policy

The system created by the Maastricht Treaty gave the European Central Bank an autonomy that was unparalleled among the other central banks but that raised the problem of democratic accountability. The European Parliament intervened on this with a resolution in 1998108 which went beyond the time limits in the title (the third phase) to discuss the general topic of the relationship between politics and currency management.

The accompanying report contained a detailed examination of the problems raised by a central body that, for the first time in history, was supranational, with guarantees of independence ratified by a treaty which, unlike ordinary laws on national central banks, could not be easily amended in line with political contingencies. Even the scope

106 Article 8 of Protocol 3.
107 See also the identical Article 7 of Protocol 3.
of the European Central Bank’s independence was broader than that of its national counterparts, because it was political, financial, functional, organisational and included the management of its own personnel, whereas the independence of the national central banks was normally only functional.

The most important aspect justifying Parliament’s position was more political, and was explained by the accompanying report in the following way:

Unlike national banks of issue, however, the ECB will not be based on a functioning political system featuring multiple power centres and institutions. Through the many years of monetary dialogue between the European Parliament’s Subcommittee on Monetary Affairs and the Presidents of the European Monetary Institute and of the national banks of issue during the first and second stages of monetary union, the European Parliament has repeatedly observed that the central banks have come to terms very thoroughly with the economic, employment, social and financial policy situations and decisions of the individual Member States and that regular dialogue exists between the national banks of issue and national governments, and in some instances also with national parliaments. Monetary policy is not, after all, neutral.

This excerpt expresses the European Parliament’s preoccupation with a disconnect between monetary policy and the other Community policies, which was all the stronger because the Maastricht Treaty had given the European Central Bank the specific aim of guaranteeing price stability and, to achieve this, intervention that would affect economic growth, investment and employment would be used, and there was a real risk that:

...while focusing on combating inflation, the ECB may unnecessarily fail to take monetary measures which it can and ought to take to bolster growth and employment under Articles 105 and 2 of the Maastricht Treaty.

At the root of Parliament’s hesitancy there was also the awareness of a certain lack of definition of the concept of price stability; this was raised in two key points of its resolution:

8. Recognises the fact that the EC Treaty does not give a precise definition of price stability, nor does it specify by whom this concept is to be defined or by whom the price stability target is to be set, so that it is therefore clear that these tasks will now fall to the future ECB according to Article 12 of its Statute; emphasises that this fact increases the need for democratic accountability and calls on the future ECB clearly to announce its definition of price stability and to report annually on its price stability target to the European Parliament;

9. Calls on the future ECB also to make clear the definitions and its use of operational targets to reach the price stability target; underlines the need to guarantee the transparency of major decisions concerning monetary policy, as well as their background, in order to prevent a deficiency of
information and misleading market expectations, and thereby contribute to containing speculation and misinterpretation.

8. The transitional period of monetary union in the Maastricht Treaty

The transitional provisions for the achievement of monetary union are of significant interest. In preparation for the second stage, or rather to conclude the first stage which was already in progress on the date the Maastricht Treaty was signed, each Member State had to abolish any remaining restrictions on the circulation of capital and payments within the Community and adopt the necessary measures to ensure the convergence needed to achieve economic and monetary union, with particular reference to price stability and healthy public finances.

With the start of the second stage, a special institution was set up to manage the banking system in replacement of the Committee of Governors: the European Monetary Institute, usually referred to by the acronym EMI. Article 109f specified its functions, which concerned the management of the European banking system, by absorbing among other things the EMCF, the preparation of the third stage by preparing the instruments and procedures for this stage, controlling the operations of the central banks within the framework of the European System of Central Banks and launching the technical aspects of the design and production of the banknotes for the ecu, which is how the Treaty referred to the single currency (the name ‘euro’ had not yet been chosen).

The central issue of the second stage was the achievement by each of the Member States and of their governments of the necessary conditions for adopting the single currency. These conditions were laid down in Article 109j and can be classified into three groups:

- the first condition, an institutional one, was the independence of the national central banks, which was to be guaranteed by its statute and the applicable laws in accordance with Articles 107 and 108 of the Treaty109;

- two further conditions, which Article 109j referred to with the single concept of an excessive deficit, were the two restrictions placed by Protocol 3 on budget deficits (3% of GDP) and government debt (60% of GDP);

- the other three conditions concerned convergence: these were price stability, respect during the last two years for the fluctuation margins of the EMS, and the durability of convergence, reflected in long-term interest rates.

Protocol 6 specified the three conditions of convergence:

- the price stability condition was met by a Member State if it had an average rate of inflation in the previous year that did not exceed by more than 1.5 percentage points that of the three Member States with the lowest inflation;

- respect for the fluctuation margins for the national currencies set within the EMS was included in Article 3 of the Protocol with the proviso that, in the last two years

109 Article 108 placed an obligation on each Member State to make its own legislation compatible with the Treaty by the date of establishment of the ESCB.
before the examination, the currency should not have suffered severe tensions or been
devalued;110
- the durability of convergence was defined on the basis of long-term interest rates
which, in the year before the examination, should not have exceeded by more than 2
percentage points those of the three best performing Member States in terms of price
stability. The interest rates would be measured on the basis of long-term government
bonds or comparable securities.

The constant references to a period of one or two years before the examination give an
idea of the procedure for certifying that the conditions needed for the single currency,
and therefore for moving to the third stage of economic and monetary union, had been
met.

The procedure began with a report on the progress made by the Member States, which
was presented jointly by the Commission and the EMI to the Council, specifying
whether the above conditions had been met; the report extended to the development
of the ECU, the integration of the markets, the situation and evaluation of payments on
current account, and an examination of the development of unit labour costs and other
price indices.

On the basis of these reports, the Council of Ministers would assess whether each
of the Member States, and a majority of the Member States, had met the necessary
conditions for the adoption of a single currency, and would present its findings and
recommendations to the European Council, consulting the European Parliament on
these. On the basis of the Council’s recommendations, the European Council would
decide whether a majority of the Member States fulfilled the necessary conditions and
whether it was appropriate to enter the third stage, and if so it would set the start date.

In truth, this had already been set by Article 109j(4) at 1 January 1999 if the European
Council had not already decided the date before the end of 1997. One may suppose
that the signatories to the Treaty did not really imagine that the third stage would be
brought forward if the same Article established that before 1 July 1998 the procedure
described would be repeated to establish which Member States fulfilled the necessary
conditions for the adoption of a single currency.

For those that did not fulfil these conditions, Article 109k set out a derogation that
excluded them from the ESCB and exempted them from some of the consequences of
an excessive deficit; at the same time it excluded them from Council decisions regarding
excessive deficits and monetary union and from the calculation to determine a qualified
majority and unanimity for such decisions.

Two protocols, Protocols 11 and 12, gave Denmark and the United Kingdom the right
to decide whether or not to participate in the third stage of economic and monetary
union or, in other words, whether to adopt the single currency, with some differences
between the two Member States on the exercise of these rights. For the United Kingdom
there was a sort of presumption of unwillingness, since it had to give notification of its
willingness to participate by certain dates; for Denmark the opposite was true.

110 For the purposes of applying the Treaty, the question was raised of whether participation in the EMS was
implicitly required to meet this condition, or whether simply meeting the condition was sufficient. See the next
chapter for more details.
While Protocol 12 applied the derogation to Denmark if it chose not to participate in the third stage, Protocol 11 stipulated that the United Kingdom would keep its powers in the field of monetary policy if it decided not to enter the third stage, and set out complex rules for the British position on economic and monetary policy rules.
1. The beginning of the second stage

The first task to be achieved in stage two of the completion of economic and monetary union, begun on 1 January 1994, was the creation of the European Monetary Institute, called upon both to manage the whole of the second stage and to constitute the core of the future European Central Bank. From its creation it would exercise the responsibilities of both the Committee of Governors and the EMCF, which were simultaneously abolished.

The first two years of its life would be spent setting up its structures and organising its working procedures, but the activity of managing monetary policy allowed it to express very clear positions on the progress of the second stage in its first annual report which, brimming with realism, considered unsatisfactory both the progress made with implementing the convergence criteria for introducing the single currency and the progress with convergence of the real economy, which was an important basis for the implementation of the criteria. Under these circumstances the passage to stage three could be subject to delays.

In 1994 there was greater exchange rate stability than there had been in previous years, but this was due to the wider margins of fluctuation agreed in August 1993, the effect of which had probably been exhausted partly because of inflationary pressure after the summer of 1993. At the same time, interest rates had begun to rise again. Narrowing the band of fluctuation could be a good way of intervening in this situation.

The European Parliament expressed its position on this first annual report in a resolution\textsuperscript{111} that welcomed the speed with which the EMI was organised, despite prevarication by the Member States over where it should have its headquarters, and called on the Member States concerned to make further efforts to improve their financial position. It also called on the Council and Commission to establish a Community policy to promote employment, and on all those involved in cooperation on economic policy to strengthen coordination on this policy, which was considered important for all monetary measures.

\textsuperscript{111} EP Resolution of 14 June 1995 on the \textit{first annual report of the European Monetary Institute (EMI)}, OJ C 166, 3.7.1995, p. 56, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 132/95. Rapporteur: E. Christodoulou.
2. The Madrid, Dublin and Amsterdam European Councils

The second stage can be split into two periods: an initial two-year period mainly dedicated to organising the structures and, for the Member States, embarking on financial austerity measures to achieve the convergence criteria; and a second period of three years in which national efforts to achieve convergence were intensified, culminating in the Ecofin Council in May 1998.

The Madrid European Council was held between these two periods. It refined the content of economic and monetary union in readiness for the third stage. The decision with the greatest symbolic impact was the decision to call the new currency the euro, in a departure from any literal interpretation of the Treaty, which had always referred to it as the ecu (the acronym for the European Currency Unit, which was also the French for 'scute', a widely used medieval currency). The European Council conclusions\(^{112}\) overcame legal reservations about the name provided for by the Treaty by defining it as a generic term used by the Treaty to refer to the European currency unit and made clear the meaning and importance of the new name:

\(^{2}\) The name of the new currency is an important element in the preparation of the transition to the single currency, since it partly determines the public acceptability of Economic and Monetary Union. The European Council considers that the name of the single currency must be the same in all the official languages of the European Union, taking into account the existence of different alphabets; it must be simple and symbolise Europe.

The European Council therefore decides that, as of the start of Stage 3, the name given to the European currency shall be ‘euro’. This name is meant as a full name, not as a prefix to be attached to the national currency names.\(^{113}\)

Operatively, the decisions about the scenario for creating the single currency were probably more important, for which, as the Conclusions emphasise, a high degree of economic convergence is a precondition. The scenario adopted\(^{114}\) was the one developed by the Ecofin Council in collaboration with the Commission and the EMI and, as the Conclusions explain, it provides for transparency and acceptability, strengthens credibility and underlines the irreversibility of the process. The key step in stage two was the meeting of the Council of Ministers at heads of state and government level, which in 1998 established which Member States would participate in the single currency.


\(^{113}\) A few months before, the European Parliament had adopted a clear position in favour of calling the single currency the ecu: 7. notes that the name of the common currency is of the utmost importance as regards the acceptance of the changeover by citizens, that it (i.e. ecu) is already established in the Treaty (in Article 109(4) and (5)) and that further discussion on this matter does not make sense. EP Resolution of 19 May 1995 on the introduction of the ecu as legal tender (Maas Group report), OJ C 151, 19.6.1995, p. 483, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 112/95. Rapporteur: A. Metten.

\(^{114}\) Reported in the tables below taken from the Conclusions of the Madrid European Council.
On 1 January 1999, the third stage began with the irrevocable fixing of the conversion rates, the definition in euro of the economic policy, the issue in euro of government bonds and the use of TARGET, the computer system for interbank operations in euro. Later on, from 1 January 2002, euro banknotes and coins were put into circulation and the single currency became a reality. However, the transitional stage did not finish until six months later with the final end of the official exchange rates of the national currencies.

In addition, the Madrid European Council gave Ecofin the task of preparing for the third stage of the transition, with particular regard to relations between the two currency areas of the European Union, which would from then on be referred to as the euro area and the non-euro area, and to the procedures for ensuring a healthy financial position would be maintained by the Member States even after the passage to the third stage\(^\text{115}\), as well as to the legal framework of the euro.

The European Parliament greeted the European Council’s conclusions with a resolution\(^\text{116}\) that reviewed all the Council’s decisions and welcomed those on economic and monetary union but expressed regret at the lack of European Parliament involvement in the multilateral surveillance procedure on economic policy matters. This resolution was quite a departure from the resolution of 19 May 1995 mentioned above, which believed it was possible and desirable for stage three to begin on 1 January 1998 based on a decision taken at the end of 1996.

\(\text{115} \) On this specific point the Florence European Council in June 1996 had underlined that all Member States, whether adopting the euro or not, have a strong common interest in the good functioning of economic and monetary union and of the exchange rate mechanism. As a consequence, all Member States will be involved in the dialogue on the issues raised by the move to Stage 3 of EMU, including monetary and exchange-rate matters as well as institutional and budgetary issues. Ecofin Council Report by the Council (Ecofin) on the preparation for Stage 3 of EMU – Annex I to the Conclusions of the Dublin European Council.

# TIMETABLE FOR THE SECOND AND THIRD STAGES OF THE TRANSITIONAL PERIOD

## FROM DECEMBER 1995 UP TO THE DECISION ON PARTICIPATING MEMBER STATES

<table>
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<tr>
<td>December 1995</td>
<td>Adoption of the reference framework for the introduction of the single currency and announcement of the end date of the transitional process (1 July 2002) and the name of the new currency</td>
<td>European Council</td>
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<td>31 December 1996</td>
<td>Specification of the regulatory, organisational and logistical framework for undertaking the ECB/ESCB to perform its tasks in Stage 3</td>
<td>EMI</td>
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<td>Preparation of legislation on the ECB/ESCB and the introduction of the single currency</td>
<td>Commission, EMI, Council</td>
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<td>Member States</td>
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## FROM THE DECISION ON PARTICIPATING MEMBER STATES TO 1 JANUARY 1999

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<th>COMPETENT BODY</th>
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<td>Council (2)</td>
</tr>
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<td>As soon as possible after the decision on participating Member States</td>
<td>i) Appointment of the Executive Board of the ECB</td>
<td>Member States (3)</td>
</tr>
<tr>
<td></td>
<td>ii) Set the date for the introduction of euro banknotes and coins</td>
<td>EBC; Council (4)</td>
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<td></td>
<td>iii) Start production of euro banknotes</td>
<td>ESCB</td>
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<td>iv) Start production of euro coins</td>
<td>Council and Member States (6)</td>
</tr>
<tr>
<td>Up to 1 January 1999</td>
<td>Final preparation of the ECB/ESCB</td>
<td>Council</td>
</tr>
<tr>
<td></td>
<td>i) Adoption of secondary legislation, including: criterion for the subscription of capital; collection of statistical information; minimum reserves; consultation of ECB; fines and penalties on undertakings;</td>
<td>ECB/ESCB</td>
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<tr>
<td></td>
<td>ii) Rendering the ECB/ESCB operational (setting up the ECB; adoption of regulatory framework; testing monetary policy framework, etc.)</td>
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</table>
### FROM 1 JANUARY 1999 TO 1 JANUARY 2002 AT THE LATEST
from the start of Stage 3 to the introduction of euro banknotes and coins

<table>
<thead>
<tr>
<th>TIMING</th>
<th>ACTIONS TO BE TAKEN</th>
<th>COMPETENT BODY</th>
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<tbody>
<tr>
<td><strong>1 January 1999</strong></td>
<td>Irrevocable fixing of conversion rates and entry into force of legislation related to the introduction of the euro (legal status, continuity of contracts, rounding, etc.)</td>
<td>Council (5)</td>
</tr>
<tr>
<td><strong>From 1 January 1999</strong></td>
<td>i) Definition and execution of the single monetary policy in euro</td>
<td>ESCB</td>
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<td></td>
<td>ii) Conduct of foreign exchange operations in the euro</td>
<td>ESCB</td>
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<td></td>
<td>iii) Operation of TARGET payment system</td>
<td>ESCB</td>
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<td>iv) Émission new public debt in euros</td>
<td>Member States</td>
</tr>
<tr>
<td><strong>From 1 January 1999 to 1 January 2002 at the latest</strong></td>
<td>i) Exchange at par value of currencies with irrevocably fixed conversion rates</td>
<td>ESCB</td>
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<td></td>
<td>ii) Monitor changeover developments in the banking and finance sector</td>
<td>ESCB and public authorities in Member States and the Community</td>
</tr>
<tr>
<td></td>
<td>iii) Assist the whole of the economy in an orderly changeover</td>
<td>ESCB and public authorities in Member States and the Community</td>
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### FROM 1 JANUARY 2002 TO 1 JULY 2002 AT THE LATEST
completion of the changeover

<table>
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<th>TIMING</th>
<th>ACTIONS TO BE TAKEN</th>
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<tr>
<td><strong>1 January 2002 at the latest</strong></td>
<td>i) Start circulation of euro banknotes and withdrawal of national banknotes</td>
<td>ESCB</td>
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<td></td>
<td>ii) Start circulation of euro coins and withdrawal of national coins</td>
<td>Member States (6)</td>
</tr>
<tr>
<td><strong>1 July 2002 at the latest</strong></td>
<td>i) Complete changeover in the public administration</td>
<td>Council; Member States (6); ESCB</td>
</tr>
<tr>
<td></td>
<td>ii) Cancel the legal tender status of national banknotes and coins</td>
<td>ESCB</td>
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In fulfilment of this mandate, Ecofin submitted a proposal on the new exchange rate mechanism (ERM II) to the Dublin European Council\textsuperscript{117} which largely approved it, and submitted another proposal on the \textit{main elements of the Stability and Growth Pact}. It also submitted a report on the state of preparation of the legal framework of the future currency. The final resolutions on the Stability and Growth Pact and on ERM II would be adopted by the subsequent Amsterdam European Council\textsuperscript{118}.

3. The Stability Pact: regulations

The European Council resolution on stability and growth\textsuperscript{119} and the two Council regulations\textsuperscript{120} implementing it, together made up the Stability and Growth Pact.

The resolution committed the Member States to respect the medium-term budgetary objective of positions close to balance or in surplus set out in their stability or convergence programmes and to take the corrective budgetary action they deem necessary to meet the objectives of their stability or convergence programmes, whenever they have information indicating actual or expected significant divergence from those objectives.

Consequently the resolution placed specific obligations on the Member States to make corrective budgetary adjustments as soon as they were aware that there was a risk of an excessive deficit.

No powers other than those provided for by the Treaty were given to the Commission and the Council, but the resolution invited the two institutions to use the maximum speed and strictness in exercising their powers. In particular the Commission was required to use the relevant powers conferred on it by the Treaty in a timely manner to allow the rapid launch of the excessive deficit procedure and in particular to justify any cases where a deficit exceeding 3\% was not considered excessive. As well as being asked to take decisions as quickly as possible, the Council was invited \textit{always} to impose sanctions on any Member State that failed to follow the Council’s own recommendations to bring an end to excessive deficit situations.

Regulation (EC) No 1466/97 mentioned above on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies stipulated that every Member State adopting the euro should submit a stability programme by 1 March 1999, the content of which was dictated by the Regulation itself, in order to guarantee price stability and strong sustainable growth conducive to employment creation. Based on the Commission’s assessments, the Council would


\textsuperscript{118} Amsterdam European Council of 16 and 17 June 1997, \textit{Presidency Conclusions}. The text available on the European Parliament website at: \url{http://www.europarl.europa.eu/summits/ams1_en.htm} was used as the reference for this Journal.


check the validity of the programme from the point of view of preventing excessive deficits and its ability to facilitate the closer coordination of economic policies, as well as its conformity to the broad economic policy guidelines.

The Council would monitor the implementation of the stability programme and if it identified a significant divergence, it would address a recommendation to the Member State concerned to take the necessary adjustment measures; if the divergence worsened, it would recommend further corrective measures. At the specific request of the Dublin European Council, the regulation also envisaged a convergence plan, governed in a similar way to the stability plan, for Member States not participating in the euro.

While the purpose of Regulation (EC) No 1466/97 was to prevent excessive deficits, that of Regulation (EC) No 1467/97 was to intervene on those that were already manifestly excessive, but only in Member States participating in the euro\(^{121}\). In the first place it was necessary to determine whether an excessive deficit (one that was more than 3% of gross domestic product) was exceptional and temporary, i.e. whether it was due to an unusual circumstance outside the control of the Member State, or whether it was the consequence of a serious economic recession and whether forecasts indicated that the deficit would fall below the 3% threshold once the circumstances that had caused it had disappeared.

If the deficit was not exceptional and temporary, within two weeks of a report by the Commission, the Council would send the Member State concerned a recommendation inviting it to take corrective action within four months. If this action was not taken, the Council would note this and within one month give notice to the Member State failing to act; in the event of persistence of the failure to act, sanctions would be adopted backed up by a non-interest-bearing deposit of not more than 0.5% of GDP, which would be converted to a fine if the excessive deficit had not been corrected within two years.

In the parliamentary reports on the two proposals for regulations\(^{122}\), the first of which came before the Dublin European Council, some reservations and criticisms were expressed that had partly been overcome by the time of the second report, which contained others. The first report expressed reservations about the fact that the original proposal for a regulation did not provide for the application of the Stability Pact to Member States not participating in the euro, because this exemption went against the principle of universality that was behind the rules on stability in the Treaty. The subsequent introduction of the convergence plan for non-participating Member States overcame this objection, but it paved the way for other criticisms concerning the disadvantageous situation of these Member States, which were subject to extra provisions and controls without the compensation of support mechanisms. The overall opinion of the proposals in the text, which went on to become a regulation, was expressed in the conclusions of the second report:

\(^{121}\) This Regulation did not apply to Member States not participating, unlike Regulation (EC) No 1466/97.

\(^{122}\) EP - Committee on Economic and Monetary Affairs and Industrial Policy – Report (I) on the proposal for a Council Regulation on the strengthening of the surveillance and coordination of budgetary positions and (II) on the proposal for a Council Regulation on speeding up and clarifying the implementation of the excessive deficit procedure, Doc. 371/96 and Recommendation for second reading (I) on the proposal for a Council Regulation on the strengthening of the surveillance and coordination of budgetary positions and the surveillance and coordination of economic policies; and Reconsultation (II) on a proposal for a Council Regulation on speeding up and clarifying the implementation of the excessive deficit procedure, Doc.181/97. Rapporteur for both documents: E. Christodoulou.
14. What makes it difficult to accept the provisions on the stability pact is not their strictness, but their inflexibility and their mechanistic application. The proposed provisions take no account of the dynamic nature of economic and monetary phenomena and consequently run the risk of being ineffective ...

The Ecofin Council of Ministers of 1 May 1998, whose principal decision would be the recommendation on convergence, also adopted a declaration inspired by the German minister Theodor Waigel, who had previously set out the substance of it in a speech to the Bundestag on 23 April 1998[123]. The Ecofin Council's declaration[124] established the principles of application of Regulation (EC) No 1466/97:

- the national budget objectives[125] would be fully met, if necessary by taking timely corrective action;
- the Council would consider without delay the Member States' budgetary intentions for 1999 in light of the Stability Pact;
- the Member States would use the opportunity of better economic conditions than expected to reinforce budgetary consolidation so as to reach financial positions close to balance or in surplus;
- the higher the debt-to-GDP ratios of participating Member States, the greater must be their efforts to reduce them rapidly. To that end, in addition to maintaining appropriate levels of primary surpluses in compliance with the commitments and objectives of the Stability and Growth Pact, other measures to reduce gross debt should be put in place. Furthermore, debt management strategies should reduce budgets' vulnerability;
- each of the ministers undertook to submit, at the latest by the end of 1998, national stability or convergence programmes in line with the principles of the Declaration, which reasserted the strictly national nature of the action to reach financial health and expressly excluded any Community intervention.

4. Convergence: the Commission proposal

The fundamental achievement of the second stage was an indication of the Member States that met the convergence criteria[126] and could participate in the single currency. This was the result of the sustained efforts to meet the conditions laid down in the Treaty made by many States and the necessary sacrifices made by their citizens. These did not always have a positive impact on their perception of the European Union, which was often seen as a remote entity that forced them to make sacrifices; there were also

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123 Rede von Bundesminister Dr. Waigel, Parlamentarische Beratung zur Europäischen Wirtschaft- und Währungsunion, Sitzung des Deutschen Bundestages (23 April 1998). The text available on the site www.cvce.eu was referred to for this Journal.

124 Declaration by the Council (Ecofin) and the Ministers meeting in that Council issued on 1 May 1998, OJ L 139, 11.5.1998, p. 28.


126 Listed in the last section of the previous chapter.
widespread concerns about the compatibility of the convergence criteria with important Community policies such as economic and social cohesion.

These concerns were echoed by the European Parliament in a resolution\textsuperscript{127}, which, significantly, was presented by the Committee on Regional Policy and not by the Committee on Economic Affairs. Parliament’s report reaffirmed that economic and social cohesion was a fundamental objective of the European Union sanctioned by the Treaty, but that it

9. does not exclude the possibility of the essential consolidation of public finances leading temporarily to tax increases and a reduction in public spending, which might in turn give rise to slower growth, an increase in unemployment and cutbacks in social spending; advocates, instead, that the Member States should employ a budget policy which avoids cuts in investment spending in disadvantaged regions and which leaves public spending on education and training and basic infrastructure unaffected, increasing it where possible.

As a result, it called for flanking measures so that the convergence policy and the cohesion policy did not prove mutually obstructive, fearing the eventual development of two groups of countries, a club of the elect and a group of the excluded, which would run counter to the philosophy underpinning the European Union.

However, these concerns gave way to the urgency of convergence and the march towards it continued, amidst debates in the press on the results of each Member State and on the interpretation of some criteria, e.g. on the two years of exchange rate stability or the importance of different criteria. At last came the Commission proposal of 25 March 1998\textsuperscript{128} which proposed the participation of eleven countries: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria and Finland. The United Kingdom and Denmark, which had requested for their own benefit a special opt-out clause in the Maastricht Treaty\textsuperscript{129}, Greece and Sweden were excluded. The Commission reviewed the convergence of all fifteen Member States.

It emerged that all of the Member States except Sweden had met the condition of a regime for their respective central banks that guaranteed their independence. As far as inflation rates were concerned, the eleven Member States that could participate not only met the requirements of the Treaty, but had achieved significant improvements from 1993 to 1997: in 1993 their average rate of inflation had been 4% with a difference of 5% between the lowest and the highest national inflation rates; in 1997 these percentages had fallen to 1.6% and 1.7% respectively. Equally significant was the convergence criterion on public spending deficits, which in 1993 was 5.5% for the eleven Member States proposed for the single currency and by 1997 was 2.5%, significantly less than the 3% limit indicated by the Treaty, and moreover this result was not achieved by means

\textsuperscript{127} EP Resolution of 18 April 1996 on Economic and Monetary Union and economic and social cohesion, OJ C 32, 5.2.1996, p. 32, following on from the report of the same title by the Committee on Regional Policy, Doc. 73/96. Rapporteur: R. Walter.

\textsuperscript{128} For the purposes of this journal, the substantial Agence Europe press release Onze Pays sont en mesure de participer à l’Euro..., No 7188 of 26 March 1998 was used.

\textsuperscript{129} See Chapter IV sections 5 and 6.
of accounting gimmicks or extraordinary measures that had a temporary impact, since the measures adopted in 1997 that were effective only for that year were balanced out in 1998 by permanent measures.

The government debt criterion, for which the Treaty set an upper limit of 60%, reached 75% in the eleven Member States proposed for the single currency, and this was where the Commission applied greater flexibility, looking at trends rather than demanding absolute respect for the criterion. In effect only three Member States, France, Finland and Luxembourg, fully met this criterion, while another Member State, Germany, despite having a debt close to the limit, had increased this debt by 1.3% during 1997. The two countries that caused the greatest problems as far as this criterion was concerned were Belgium and Italy, whose debt was much higher than their GDP. Despite this, the two Member States were put forward for participation in the euro on the basis of a primary surplus\(^\text{130}\) of 5% in the two countries, a commitment from Belgium to maintain a primary surplus of 6% in the medium term and a commitment from Italy to have an economic and financial programming document for 1999-2001 approved. This document provided for a reduction in its annual deficit to 1% of GDP and a debt reduction of 2% per year with the aim of reducing it to 100% of GDP by 2003.

As far as monetary stability was concerned, nine of the eleven currencies had been kept within a 2.25% band above or below the central parity for the last two years, though there was a problem with the Irish punt, which had only re-entered this band from 18 March, and a problem with interpreting the Treaty as regards Italy and Finland, which entered the exchange rate mechanism in October and November 1996 respectively: was participation in the eMS implicitly required to meet the exchange rate stability condition or was simply respecting the margins sufficient? The President of the Commission, Jacques Santer, accepted the second interpretation, explaining that their currencies, the lira and the Finnish mark, had experienced an unprecedented period of stability in the previous two years\(^\text{131}\).

In 1997 interest rates were also at their lowest levels for many years in the eleven future euro area countries, with an average of 5.9%.

5. Convergence: the European Parliament’s opinion and the final decision

On the definition of the Member States participating in the euro, Parliament had to express an opinion, as required by the Treaty, twice on different acts with essentially the same content within a very short space of time: on Thursday 30 April it gave its opinion on the Commission proposal\(^\text{132}\) and on Saturday 2 May it gave its opinion on the Ecofin Council recommendation of the previous day, adopted on the basis of the Commission proposal and the European Parliament’s first favourable opinion. This procedural jam was due more to concerns about adopting the final decision during the weekend, when the markets were closed, than to the poor design of Article 109j.

\(^\text{130}\) The credit balance of the budget net of government debt charges.

\(^\text{131}\) Agence Europe Special edition, No 7188 of 26 March 1998, p. 5-bis.

\(^\text{132}\) Officially it was the report by the Commission and the EMI on the progress of convergence, provided for by Article 109j of the Treaty, to which the Commission had added a recommendation on the passage to the third stage.
The European Parliament resolution of 30 April 1998\textsuperscript{133} was not concerned with the situations of the individual Member States for which participation in the euro was proposed, which were mentioned only in one point of the resolution, but with convergence in general, without taking particular political positions except as regards debt, where it pointed out the contradiction between the Commission, which believed that excessive deficits did not exist, and the assessment made by the European Monetary Institute, which was concerned about the growth in government debt in two Member States. Parliament emphasised the need for the two countries to make a real commitment to pursuing the process of integration and for strict observance of the Stability Pact. However, Parliament did introduce elements of flexibility, asking for the overall debt of a system to be taken into account, including the indebtedness and rate of saving of firms and households, and explaining the kind of approach it was seeking:

\begin{quote}
14. Such a policy must not be applied solely as an accounting exercise, but, rather, must promote the sustainability of public finances in the context of the Pact on Growth and Stability and apply fiscal rigour by introducing all the reforms required to leave sufficient leeway for development requirements, given that the objective is to reduce the ratio between debt (which should tend to fall) and gross domestic product (which should increase).
\end{quote}

From a more general point of view the resolution dedicated an entire section to employment which, though it was not a convergence criterion, remained a fundamental problem for the European Union and had to be taken into consideration in the overall assessment of the Member States’ economies. Parliament supported appropriate changes in pay, the development of mobility and vocational training.

At last came the Ecofin meeting of 1 May, which adopted the recommendation to the Council of Ministers at the level of heads of state and government\textsuperscript{134}. The document took on board the Commission proposal, analysing the situations of all the Member States. It was not a formal act that was easily approved, as shown by the declaration on the Stability Pact approved at the same time\textsuperscript{135} which reflected entirely the position of the German minister Theodor Waigel and appeared to be the quid pro quo for acceptance in the euro area of Member States whose observance of the convergence criteria was the cause of some hesitation.

On the recommendation the European Parliament expressed a favourable opinion\textsuperscript{136} in the extraordinary sitting on Saturday 2 May, based on an oral proposal by the Committee on Economic and Monetary Affairs and Industrial Policy, presented by its chair and rapporteur Karl von Wogau, a German from the European People’s Party, who

\begin{footnotes}
\footnotetext[134]{134 Ecofin Council Recommendation of 1 May 1998 in accordance with Article 109j(2) of the Treaty, OJ L 139, 11.5.1998, p. 21.}
\footnotetext[135]{135 See section 3 of this chapter.}
\footnotetext[136]{136 EP Resolution of 2 May 1988 on the Recommendation by the Council concerning the Member States fulfilling the necessary conditions for the adoption of a single currency..., OJ C 152, 18.5.1998, p. 107 following the oral report by the Committee on Economic and Monetary Affairs, Rapporteur: K. von Wogau.}
\end{footnotes}
during the sitting had invited his colleagues to approve the most important decision in European history after the signing of the Treaty of Rome. The debate was conducted in full awareness of the significance of the moment, with notes of celebration that took its merit, already discussed at length in the preparatory meetings, as read. The only interventions on its merit concerned the guarantees that had been given of a re-entry into the convergence criteria; on this the rapporteur recalled the declarations made to the parliamentary committee, which had been taken into account in its assessments, by the Italian Finance Minister Carlo Ciampi on the efforts his country had made to consolidate its budgetary situation. There were few voices that stood out from the general chorus of consensus: that of the left, which proclaimed yes to the euro, but not like that, rejecting a model of the single currency based on mandatory observance of convergence criteria that were not only arbitrary but had negative effects on employment and social policies; that of the Greens, who were internally divided but one of whom, who was in favour of the euro and was pleased that things were going better for it than had been feared, recalled the warnings she had made against the economic and social risks of a monetarist approach. The regional minorities contrasted the methods that had led to monetary union with those that had produced the citizens' Europe, regional Europe, federal Europe and the Europe of the people.

The Council of Ministers at the level of the heads of state and government ratified the Ecowin proposals in the overnight meeting on 2 May, which was mainly taken up with the appointment of the governing bodies of the European Central Bank, about which there was lively debate.

Following this, on Sunday 3 May Ecowin, in conjunction with the governors of the central banks, the Commission and the EMI agreed the method for applying the irrevocable conversion rates between the participating Member States' currencies and the euro. According to the Treaty, the decision on the conversion rates was to be taken on the first day of the third stage, i.e. 1 January 1999. Because the agreed method consisted of absorbing the central rates of the exchange rate mechanism, the conversion rates were implicitly already defined and the objective of removing uncertainty about these rates in the financial markets was achieved, and in fact over the subsequent months the rates would not stray from the parities calculated on the basis of the method.

6. The Exchange Rate Mechanism (ERM II)

ERM II was the mechanism set up to regulate exchange rates between the euro and the currencies of non-euro area Member States in the third stage. These Member States...
participated in it on a voluntary basis. It replaced the European Monetary System, which ceased to exist at the end of stage two.

The single currency was placed at the centre of a system of exchange rates defined in relation to it, and for each national currency there was a standard band for fluctuation. The central rates were defined by common accord between the European Central Bank and the government and banking authorities of the Member States in the euro area, on the one hand, and, on the other hand, the government and banking authorities of the other countries participating in ERM II, which required automatic and unlimited interventions to be made on reaching the margins except where this ran counter to the primary objective of price stability.

The mechanism stemmed from the report submitted by the European Monetary Institute to the Dublin European Council, based on the mandate given to Ecofin by the previous European Council in Madrid to prepare for stage three of economic and monetary union. The subsequent Amsterdam European Council approved a resolution that fixed the main principles of the mechanism, and ERM II was finally created by an agreement between the European Central Bank and the national central banks of the non-euro area Member States on 12 September 1998.

The EMI report established the main points of the new mechanism:

1. to protect the ECB's institutional obligation to maintain price stability;
2. the euro would play an anchor role in monetary and exchange rate policy cooperation in the European Union;
3. sufficient flexibility would need to be allowed, in particular to accommodate the varying degrees, paces and strategies of economic convergence of the non-euro area Member States;
4. any necessary adjustments of the central rates should be conducted in a timely fashion so as to avoid significant misalignments;
5. equal treatment among all Member States with respect to the fulfilment of the convergence criteria, particularly the exchange rate criterion.

These principles were absorbed into the resolution of the Amsterdam European Council, which summed up the purpose of ERM II as follows:

1.3 The exchange-rate mechanism will help to ensure that Member States outside the euro-area participating in the mechanism orient their policies to stability, foster convergence and thereby help them in their efforts to adopt the euro. It will provide those Member States with a reference for their conduct of sound economic policies in general and monetary policy in particular. At the same time, the mechanism will also help to protect them and the Member States adopting the euro from


unwarranted pressures in the foreign-exchange markets. In such cases, it may assist Member States outside the euro area participating in it, when their currencies come under pressure, to combine appropriate policy responses, including interest-rate measures, with coordinated intervention.
1. The ecu from currency unit to unit of transaction

The ecu was introduced as the European currency unit\textsuperscript{146} by the Bremen European Council in 1978, at the same time as the EMS was set up. It consisted of a basket of the currencies of the countries that were Member States at the time, to be used for the budget and the accounting of the European institutions, as well as for relations between the Community and the Member States. It proved a success even outside the institutional arena, and was also used for international transactions between private entities with a market that, ten years after its creation, was worth ECU 100 billion with over six billion in securities issued in ecu, a quarter of these by third countries. In 1986, under the aegis of the Bank for International Settlements, a clearing house was set up between seven international banks that handled on a daily basis transactions totalling ECU 10 billion.

The prospect therefore emerged of the currency unit being transformed into a transaction unit in a process that saw private use of the ecu taking precedence over its institutional use. The European Parliament expressed its position on this in a resolution\textsuperscript{147} that:

\begin{quote}
insists that, the next time changes are made to the functioning of the EMS, the Commission and the Council, along with the Member States’ monetary authorities, seek methods for setting up a legal link between the private and the official circuits of the ecu. So that the private market can provide greater support to the future of the ecu as a European payment currency, it would be desirable to develop a system in which the monetary authorities can buy and sell debt in ecu on the market.
\end{quote}

It was not simply a matter of overcoming the barriers between the official and the private ecu it was also a matter of encouraging its use as a means of payment, and not only as a currency unit, by the Community institutions, and to this end Parliament formulated some proposals that also covered its own internal management. In reality, although the use of the ecu had become firmly established on the financial markets, it had remained below 1\% of the billing figure for goods and services. In view of this, the resolution also put forward measures to simplify intra-Community payment operations and make them uniform.

\textsuperscript{146} The name ‘ecu’ is the English acronym for \textit{European currency unit} and is also the name of a French currency in production from the 13th century, originally made from gold and then from the 17th century made from silver. With the introduction of the franc as the only legal currency in France in 1795, the term ‘écu’ was used for many years to refer to the five franc coin.

The payments question resurfaced again a few years later when the free movement of capital and the single market became a reality and the first steps were taken towards economic and monetary union. The European Parliament dedicated two resolutions\(^{148}\) to the subject, based on the fact that four hundred million cross-border payments were made every year, of which half were for amounts less than ECU 2 500. This fact justified the amount of attention paid by the first of the two resolutions to the consumer, in whose interests a directive on consumer relations with banks was to be hoped for, which would guarantee transparency: banks would have to tell their customers about the different means of payment available and what they would cost; customers would have to bear all the costs, excluding the double charges for cross-border payments, which should not take more than four days, and lastly special means of appeal should be provided for customers.

More generally the European Parliament supported the Commission’s proposals on:

1. more efficient links between automated clearing houses,
2. the correspondent banking system,
3. new systems for cross-border transfers,
4. the major banks joining an automated clearing house so as not to distort competition and put up barriers.

In this context the Parliament invited the Commission to submit a directive to harmonise national laws on the execution and irrevocability of payments and on bad debts; it also invited the Member States to liberalise their respective banking laws to allow current accounts to be opened for financial operations in any freely convertible currency. But above all Parliament explored in more detail and formulated further proposals regarding new payment systems, which should make a significant contribution to modernising the payment systems of some Member States. For competition it also proposed rules governing the membership of payment systems so as to guarantee the principle of non-exclusivity and the right of every bank to create a payment system solely on the condition of its economic eligibility, for which criteria were to be defined, i.e. potential suitability and minimal systemic risk; finally, Parliament called for adequate controls on payment systems.

It also expressed concerns about the surveillance of high-value payments; liberalising the banking sector could allow these payments to be made via internal clearing, removing them from the scope of surveillance. Its concerns also extended to the possible effects of high-value transfers on the stability of the financial system, the overall supply of money and currency exchange risk.

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\(^{148}\) EP resolutions of 12 February 1993, the first on the system of payments in the context of Economic and Monetary Union, the second on easier cross-border payments in the internal market, OJ C 72, 15.3.1993, pp. 153 and 158, following on from the reports by the Committee on Economic and Monetary Affairs and the Committee on Legal Affairs respectively, Doc. 29/93. Rapporteur: P. Bofill Abeilhe and Doc. 28/93. Rapporteur: A. Simpson.
2. The legal obstacles to the use of the ecu

The gradual spread of the ecu as a unit of transaction did not make up for the deficiencies deriving from its being a currency unit and not a currency that was legal tender in the Member States, with the resulting legal obstacles to its use. A Commission White Paper, on which the European Parliament expressed an opinion\textsuperscript{149}, tackled this problem. The obstacles deriving from national legislation, according to the Commission White Paper, were:

a. contractual obligations and prices being determined only in the national currency;
b. the ban on paying contractual obligations in ecu;
c. restrictions on the setting up and issue of company capital in ecu, and on quoting shares on stock exchanges in ecu;
d. legal clauses on the use of ecu for wages and salaries or for the payment of social security contributions;
e. restrictions on the payment of taxes in ecu;
f. discrimination against the ecu in matters such as the tax advantages granted to securities, investments and savings instruments.

To overcome these obstacles the White Paper made the proposal, on the one hand, to ensure that the ecu was recognised unequivocally as a foreign currency and secondly to remove the obstacles listed in this white paper so that the commercial use of the ecu can develop gradually on a voluntary basis\textsuperscript{150}.

The accompanying report on which the European Parliament resolution was based defined the approach taken by the White Paper as the theory of State and subjected it to trenchant criticism, though it also recognised the usefulness of the Commission document. The document gave the Member States and their legislative instruments the task of promoting the ecu in the absence of provisions in the Maastricht Treaty forcing them to remove the legal obstacles to which the resolution related, during the second phase of monetary union. For some of the obstacles discussed in the White Paper (those on the movement of capital and the liberalisation of financial services), the Community was responsible for taking action.

The accompanying report took a monetary approach that, assuming the legal obstacles were overcome, would enable the ensuing problems to be dealt with:

\begin{itemize}
  \item a. what would the implications be for monetary, budgetary and exchange rate policies?
  \item b. would financial stability be protected?
  \item c. could prudential supervision be properly exercised?
  \item d. would this new situation be a factor of prosperity?
  \item e. would the ecu become a second anchor currency during the second stage of EMU?
\end{itemize}

\textsuperscript{149} EP Resolution of 27 October 1993 on removing the legal obstacles to the use of the ecu, OJ C 315, 22.11.1993, p. 94, following on from the report by the Committee on Economic and Monetary Affairs, Doc. 296/93. Rapporteur: K. Riskær Pedersen.

\textsuperscript{150} The quotation in italics is taken from the accompanying report, Doc. 296/93, p. 8.
At the root of this lay the consideration that a currency that was legal tender required
the necessary institutions, but that the Commission’s conception did not take account of
this. Hence it was not sufficient to make the ecu a legal currency as the second stage of
EMU would require.

As was often the case, the resolution did not dwell on the criticisms of the Commission
document, though it acknowledged them implicitly, and it set out its own proposals as
four conditions (given in the text as criteria) on which the ecu could become the anchor
currency of the second stage:

- a stable currency in a context of low inflation;
- great trust in the ecu and therefore low interest rates,
- a strong, open and healthy economic context that would play a leading role in
  international exchanges,
- an appropriate institutional structure within the framework of the Treaty.

The main requests for measures put forward by the resolution were aimed at meeting
these conditions and in particular concerned giving the EMI the necessary powers to
maintain a fixed exchange rate between the ecu and the dollar, the inclusion in the
Community’s financial regulations of an obligation to pay financial commitments
and duties in ecu, the creation of an ecu clearing system, the creation of an ecu area
including associate countries or countries with strong commercial or financial links
with the Community.

The resolution also highlighted the request already made on 12 February 1993 for
a payment system to be set up within the EMU and, from a more specific point of
view, called for customs duties and other amounts related to anti-dumping and trade
protection measures to be determined in ecu. It called upon the Member States to issue
some of their new government securities in ecu.

3. The introduction of the euro

As seen in the previous chapter, the Madrid European Council in December 1995
changed the name of the single currency given in the Treaty as ‘ecu’ to ‘euro’ for the
reasons already explained. The new currency was effectively a continuation of the old
unit; in practice it was the same thing that had simply evolved, with a different name,
into a currency, at the outset keeping the same value.

The new currency took over gradually from the national currencies that it was replacing;
the third stage of monetary union, at least as far as the aspects most visible to the public
were concerned, consisted of the coexistence of the national currencies, which still
existed materially, and the euro, which remained a virtual currency and was restricted
to non-cash transactions. The third stage ran from 1 January 1999 to 1 July 2002: from 1
January 2002 euro banknotes and coins were put into circulation, but it was only from
1 July that the national notes and coins ceased to be legal tender.
CHAPTER VI
FROM THE ECU TO THE EURO: PRACTICAL ASPECTS OF A SUPRANATIONAL CURRENCY

The regulation on the passage to the euro\textsuperscript{151} was approved immediately after the decision on which Member States would participate; Parliament had given its opinion at the end of 1996\textsuperscript{152}. The accompanying report considered that the changeover to the euro was not like either of the two historically familiar types of replacement of one currency with another: geographical replacements where the currency of one country was replaced by the currency of another adjacent country (e.g. the German mark replacing the currency of the GDR on unification) and temporal replacements following a currency reform. According to the accompanying report, the introduction of the euro fell into both categories because it was both temporal and geographical in that its area of legal circulation went beyond those of the individual currencies it was replacing. On the methods of replacement, the report expressed a preference for the Big Bang method, the instantaneous replacement of the national currencies with the euro based on the model used to extend the German mark to the GDR. In this way the euro would be seen as the heir to the national currencies, although, as the report agreed, this procedure would not be feasible in practice.

The regulation eventually adopted established that the currency of the participating Member States would be the euro from 1 January 1999, and that one euro would be divided into one hundred cents. The euro was also the unit of account of the ECB and the central banks.

The regulation specified the methods of converting the national currencies to euros and therefore set the rules for the third stage of the transition, during which the euro would be divided not only into cents, but also into national currency units based on the conversion rate, in order to allow the two currencies to coexist in each Member State. Legal instruments denominated in national currencies were not amended and continued to be used in the original currency, though a person making a payment could choose which of the two currencies to make the payment in. The payment would be entered in the accounts, at the conversion rate, in the currency used to denominate the amounts in the legal instrument that formed the basis for the payment. Meanwhile, the Member States could change the denomination of their securities originally issued in their national currency to euros, and allow the respective stock exchanges and commodity exchanges to operate in euros. The regulation also established that banknotes in euros would be put into circulation by the ECB and the national banks, while the coins would be issued by the Member States.

\textsuperscript{152} Legislative resolutions of 28 November 1996 embodying Parliament’s opinion on the proposal for a Council Regulation on the introduction of the euro and on the proposal for a Council Regulation on some provisions relating to the introduction of the euro, OJ C 380, 16.12.1996, pp. 54 and 47, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 375/96. Rapporteur: F. Herman.
4. Banknotes and coins in euro

Article 105a of the Maastricht Treaty gave the European Central Bank sole responsibility for authorising the issue of banknotes in euro, which could be issued by the ECB itself or by the national central banks. The European Central Bank also had the power to authorise the volume of coin issues, responsibility for which was given to the Member States, while the Council of Ministers could adopt measures to harmonise the coin denominations and technical characteristics.

There were consequently two parallel decisions, a Council regulation on coin and an ECB decision on banknotes.

The regulation on coins established the face value and the characteristics of each coin: diameter, thickness, weight, shape (all round), colour and edge. As is well known,

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153 See annexe 2.
156 The regulation said nothing about the design of the coins, merely stating in recital 10 that one side should be European and one national, expressing the idea of European monetary union between Member States and increasing the degree of acceptability of the coins.
there were eight coins: a two and a one euro coin, and fifty, twenty, ten, five, two and one cent coins. On the basis of an accompanying report that was rather critical of the Commission’s proposal, the European Parliament157 put forward in the first reading a series of amendments designed to reduce the number of different coins from eight to six by eliminating the two and twenty cent coins, to ensure the diameter of each face value was different from that of the others, decreasing in size from the largest value to the smallest taking on board a request from a blind association, to reduce the weight of the coins, and to abandon alloys containing nickel, a toxic substance that could cause allergies and the use of which for certain products was already restricted by Community rules. The Council rejected the amendments, though it took on board some of the principles in the preamble such as the ease of identification of individual coins based on their visual and tactile characteristics and reduction of the nickel content. The explanatory statement in the recommendation for second reading158 provided an explanation of the Council’s different position: reducing the number of face values would have made cash payments more complicated, while ease of tactile identification was pursued using weight and thickness. As far as the nickel question was concerned, the Council felt that using stainless steel, the only real alternative, would be too expensive.

The coin characteristics were given in a Commission communication that reproduced the design of the two faces of each coin, i.e. the European face and the fifteen national faces (the twelve of the Member States and the three of the countries that, on the basis of special agreements, could mint euro coins: the Principality of Monaco, the Republic of San Marino and the Vatican City State)159.

On the basis of a European Central Bank decision, the face values of the seven banknotes, which made up the first series, were five, ten, twenty, fifty, one hundred, two hundred and five hundred euros; the dimensions, dominant colour and design theme were also established by the decision. The series was dedicated to the theme ‘Ages and styles of Europe’ represented on each banknote by a gateway or window on the front side and a bridge on the reverse side, as well as other elements identifying the banknote. The styles represented on the different banknotes were, in ascending order of face value: classical, romanesque, gothic, renaissance, baroque and rococo, iron and glass architecture, and modern 20th century architecture.

5. The passage to the euro: information strategies and management of the transition160

Adequate publicity, which was always necessary for the introduction of a new currency, was of particular importance for an operation simultaneously involving eleven countries


160 See annexe 3.
whose populations had extremely different attitudes to and expectations of the euro. This publicity could not be detached from management of the transition, to support citizens and companies with the conversion and lessen the difficulties as much as possible. The Commission submitted a series of documents explaining its own policies on the subject and Parliament examined them carefully; on the effects of the euro on consumers, it made an independent pronouncement.

A Commission document on the publicity strategy reported data on the level of knowledge and acceptance of the euro among citizens in all fifteen Member States in 1998, after the decisions of 3 May: 96% knew about it and 60% were in favour, which was 9% up on the previous year (this increase was recorded in all Member States). The euro had the biggest support in Italy (83% of the population) followed by 79% in Luxembourg, while the threshold of support among more than half of the population was passed for the first time in Austria (56%), Finland (53%) and Germany (51%). The lowest levels of support were registered in the three non-participating Member States: Sweden with 39%, and Denmark and the United Kingdom, both with 34% of citizens in favour. However, overall 45% of European citizens said that they had not had any information about the euro and would like to receive some.

These data provide a snapshot of a reality, but they do not make it possible to ascertain how much influence the Commission’s publicity on the euro had between 1996 and 1998, which was not intended for public opinion in general, except perhaps very minimally, but was for banks, financial service providers and banking groups. After the decision in May 1998, the Commission set about conducting a publicity campaign aimed at the general public, based on partnership agreements with the European Parliament and each of the eleven Member States in the euro area, to avoid duplication and place national action within a Community context, which would guarantee coherence and ensure the Community institutions made a contribution.

In practice the Commission’s programme, PRINCE, aimed to inform the population about how the euro would be used in the transitional period, paying particular attention to schools and the population as a whole, and with some actions targeted at certain specific categories such as small and medium-sized enterprises.

The European Parliament approved the programme in a specific resolution¹⁶¹, calling for it to be extended throughout 2002¹⁶² and financed purely by the Community, as well as making various proposals aimed at improving the effectiveness of the campaign for categories that most needed information such as the elderly, tourist operators and small and medium-sized enterprises. All these proposals could be summed up by the need, expressed in the accompanying report, for the campaign not to be limited to the provision of practical information, but to be aimed at overcoming fears and anxieties that were already manifesting themselves.

As far as management of the transition was concerned, the European Parliament dedicated two resolutions to the subject, which preceded the resolution on the information strategy and anticipated its content. One was on the effects of the euro on


¹⁶² The Commission planned that it should end on 31 December 2001, at the end of the transitional period.
consumers and the other was on the role of national administrations during the third stage.

The first focused on the concept of the progressive introduction of the new currency. This could still pose some initial problems for consumers, who would be dealing with two different currencies in the third stage – the euro for banking and financial operations and for cheque and credit card payments and the national currencies for cash payments. Consequently the resolution, which did not take up the proposal in the accompanying report for the rapid introduction of dual pricing, considered that the use of ways of payment in euros should be encouraged to prevent them from costing more, and it therefore invited the Commission to present a proposal for a regulation prohibiting banks from charging customers for the conversion of their accounts, and invited the banks to express account statements and all other information they sent to their customers in both currencies in use in the third stage. More generally the resolution aimed to keep to a minimum the costs of conversion, by means of various national strategies and greater use of credit cards and cheques in euros, counting on the moderating role of competition.

The second resolution considered it essential that all the national changeover plans should be submitted as soon as possible, particularly as regards accounting and tax declarations in euro, accompanied by the relevant technical implementing provisions. The resolution also invited the Member States to publish the design of the ‘national face’ of their coins as soon as possible.

6. A few specific aspects related to the euro in European Parliament resolutions

Between 1998 and 1999 the European Parliament looked in more detail at some aspects of the role the euro could play in future prospects for the gradual integration of the Union and its growth and development. These included the effects of the new currency on the Community, the relationship between the euro area and the non-euro area and lastly the problems associated with electronic money, which was undergoing expansion at the time of the introduction of the euro.

The passage to the euro, despite it being equal in value to the ecu, had implications for the functioning of the Community and for its policies, particularly agricultural policy. One early positive effect was on the budget, with the removal of uncertainty about exchange rates with national currencies to which the budget in ecu had been exposed: with the euro, operations were now in the same currency as the budget, protecting it from fluctuations and simplifying its financial management.

As far as the agromonetary regime was concerned, the benefits were not only better security for imports and simpler management, but above all the removal of distortions


164 EP Resolution of 10 March 1998 on the communication from the Commission on the practical aspects of the introduction of the euro and the Commission working paper entitled ‘Preparations for the changeover of public administrations to the euro’, OJ C 104, 6.4.1998, p. 69, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 61/98. Rapporteur: A. Arroni.
between farmers, who were at a disadvantage or an advantage from agricultural prices depending on whether they were operating in a country with a strong or a weak currency. Protection from these distortions had been provided by the green euro, which was in use from 1984 to 1995, at a very high cost to the Community budget. With the euro, the problem would remain only for non-participating Member States.

For administrative costs too, previously paid in national currencies, the advantages were particularly significant. Administrative costs included the pay of national officials, 90% of whom would now be paid in euros.

The European Parliament discussed these matters in its examination\textsuperscript{165} of a Commission communication, on which it gave a positive opinion. The European Parliament hoped that the new agri-monetary regime would not create new distortions between the countries participating in the single currency and those not participating, and that the elimination of the disparities between the euro rate and the green rate would be carefully considered, with compensation being paid to farmers if necessary. The theme of the equal treatment of countries in the euro area and those outside it was the guiding thread of Parliament’s position on the subject.

A resolution\textsuperscript{166} on the eve of the third stage dealt with the coexistence of the euro and the currencies of the non-participating Member States, Denmark, Greece, Sweden and the United Kingdom, into which the euro was destined to infiltrate, \textit{principally through the medium of corporate use, through the impact of tourism and of direct EU payments, notably in agriculture}.\textsuperscript{167} The report in fact believed that it was very likely that companies in non-participating countries would use the euro for international transactions and possibly also for national ones, as well as for accounting.

The European Parliament therefore hoped that the governments in the non-euro area would encourage the distribution of the euro in their countries, either through the publication of measures that their respective central banks would take to encourage the use of the euro or through a clear policy towards this currency. Parliament also hoped that the four countries currently excluded would rapidly join.

As far as electronic money was concerned, the resolution on the subject\textsuperscript{168} tackled it from a broader point of view, placing the euro against the background of a problem that had to be addressed anyway: that of the management of the supply of money by the central banks, and by the European Central Bank in the euro zone, in a situation where electronic money was issued independently of their decisions. Europe was very advanced in smart card technology, but smart cards required computer infrastructure that, if it were integrated with the infrastructure required by the euro, would give a major boost both to the cards themselves and to the information society. The accompanying report imagined a pooling of necessary infrastructure investment by the public and

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\textsuperscript{165} EP Resolution of 6 October 1998 on the communication from the Commission on the impact of the changeover to the euro on Community policies, institutions and legislation, OJ C 328, 26.10.1998, p. 52, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 304/98. Rapporteur: W. Langen.

\textsuperscript{166} EP Resolution of 15 December 1998 on the euro as a parallel currency, OJ C 98, 9.4.1999, p. 33, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 447/98. Rapporteur: Stevens.

\textsuperscript{167} Quotation taken from the explanatory statement in the accompanying report. \textit{Ibidem.}

\textsuperscript{168} EP Resolution of 13 January 1998 on electronic money and economic and monetary union, OJ C 34, 2.2.1998, p. 35, following on from the report of the same title by the Committee on Economic and Monetary Affairs, Doc. 417/98. Rapporteur: J. Stevens.
\end{flushleft}
private sectors which would allow citizens to have on only one or two cards the ability to access a whole range of services – not just financial but also administrative.

Alongside this exciting vision, there were also the risks that electronic money posed for monetary policy management, for the very concept of the ‘bank’ as it existed at the time, and for competition in the absence of regulation: the large businesses with the resources to set up and manage the infrastructure could be tempted by policies that distorted competition.

To address the problems posed by electronic money, the resolution principally proposed the oversight of the electronic market place by the ECB, and called upon the Commission to present the necessary proposals for regulation.
THE LONG ROAD TO THE EURO
INTRODUCTION
In order to analyse the developments that led Greece to enter the EMU after the failure of 1998, this study will be structured in three sections:

1. understanding why Greece was a positive addition to the EMU, from the country’s and the EU’s point of view;
2. describing the updated convergence programme with its goals and policy instruments, and the results it produced;
3. presenting the debates on the subject between the Commission, Parliament and Council, leading in the end to the formal acceptance of Greece’s request to be in the single currency system at the Feira Summit on 19 June 2000, which enabled Greece to become the 12th member of the system on 1 January 2001.

WHY GREECE WOULD BE A POSITIVE ADDITION TO THE EMU

• From the EU point of view
In its Article B, the Maastricht Treaty states its objectives, one of which is for the Union to seek

‘to promote economic and social progress which is balanced and sustainable, in particular through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency.’

It is clear then that membership of the EMU was directed at all the EU Member States. Indeed, if monetary and economic integration was proposed in order to eliminate the remaining barrier and create a stable and strong block, it was in the best interests of the EU as a whole that all EU Member States be part of the euro area.

• From Greece’s point of view
From Greece’s point of view, as a signatory of the Maastricht Treaty, there was a duty to work towards entry into the system and to respect the framework of guidelines for economic and monetary behaviour. Furthermore, the possibility of joining the euro was very popular because both citizens and government saw it as a doorway to greater monetary stability, lower interest rates and new opportunities for economic development for Greece. In order to join the euro, all Member States needed to prove that their economy was stable, following the four Maastricht criteria. So the work itself, the very progress that a government and a Central Bank would have to make in order to satisfy these criteria, would bring stability. Once this was achieved, the country would be able to enter the euro, which in turn would offer the country greater monetary stability and economic security. Furthermore, it was argued that having a stable economy would also attract foreign direct investments and capital inflows willing to be invested in Greek bonds denominated in an international currency.

169 European Monetary Union.
The main criticism that was made of joining the EMU was that in the event of financial or economic disturbances a State would not be able to respond by changing its national monetary policy or nominal exchange rate. This would result in recession and increased unemployment.

**THE UPDATED CONVERGENCE PROGRAMME: GOALS, INSTRUMENTS AND RESULTS**

Greece was excluded from the first round of EMU members, a decision taken at the Brussels Summit on 3 May 1998, because, despite its obvious progress, Greece had still not satisfied all the Maastricht criteria.

In December 1999 the government presented an updated convergence programme, proving that efforts in the country were still ongoing and would continue until Greece was deemed fit to enter the EMU.

Like any other monetary programme, the new convergence programme consisted of policy goals, intermediate targets and policy instruments.

**THE MAIN GOAL**

The main goals were to comply with the Maastricht criteria and with the ESCB\(^{170}\) framework of behaviour.

Firstly, in order to satisfy the Treaty criteria, the BoG\(^{171}\) aimed to secure price stability through fulfilment of the criterion on inflation and to maintain convergence towards the reference rate for the long-term interest rate, where there had already been progress and which at the time of the new programme was even below the reference rate (Ref. 6.5%; Greece 6.4%).

Secondly, in order to facilitate work towards these goals and counterbalance possible tensions, the Government aimed to decrease further the general government deficit, which was already easily satisfying the criteria, from 1.5% of GDP (1999) to 1.2% (2000) to 0.2% (2001), with a surplus of 0.2% (200)\(^{172}\) and to decrease the government debt from 108.6% of GDP in 1998 to 102.5% of GDP in 2001, in order to decrease further to below 100% after 2001.\(^{173}\)

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170 European System of Central Banks.
171 Bank of Greece.
THE INTERMEDIATE TARGET

The main intermediate target was to keep the exchange rate stable against the other European currencies. This would of course function as an instrument to satisfy the goal of the criterion on exchange rate stability. On top of that, this target would also act as an instrument for implementing the abovementioned main goals, because stabilising the value of the drachma against other low-inflation countries would have the effect of moderating Greek inflation, thus satisfying the criterion on inflation and achieving the main goal of price stability.\textsuperscript{175}

From the above we can conclude that the new convergence programme was meeting the Maastricht criteria and aimed to fulfil the criteria in order to be welcomed into the EMU. Doubts about the success of the new programme were legitimate, as the first convergence programme’s aim had also been to satisfy the Maastricht framework, and yet it had failed. Moreover, the deadlines set for attaining the targets under the new programme were indeed very tight. In order to see how the updated programme succeeded, the instruments used for the policies and the results of the latter will be analysed.

THE INSTRUMENTS

Until 1998 the strong drachma policy was pursued, which worked as a ‘depreciation of the drachma against the ecu\textsuperscript{176} increasingly lower than the inflation differential between

\textsuperscript{176} European Currency Unit.
Greece and the EU average. This policy succeeded in reducing inflation but not bringing it into line with the EMU average in time for the first round of euro members. Furthermore, it had caused overvaluation of the currency until the policy collapsed in 1998, when the drachma was devalued by 14% against the ecu and became a member of ERM 2 with a central parity of GRD 357: ECU 1.

In 1997, independence of the Greek Central Bank was achieved, thus complying with the ESCB framework of behaviour.

The following instruments were used after 1998 to comply with the Maastricht criteria: in the first place, faster implementation of structural reforms improved and enhanced productivity and competition. Part of the reforms consisted in deregulation, strengthening of market flexibility, modernisation of the public sector and investment in major infrastructure projects. The reforms would have a positive effect on inflation, because they would enable faster productivity and increased competition, causing higher exports and hence higher levels of employment; they would minimise the inflationary consequences that could have followed devaluation, and create sustainable economic growth. In the second place, a moderation of pricing of businesses’ products would support the decrease of inflation and strengthen the competitiveness of their products.

In the third place, in order to reduce inflation, there was a need to ensure that wages always increased in a way compatible with the medium-term rise of Greek productivity and with changing labour costs and productivity in other countries. This would support sustainable economic growth and hence an increase in workers’ real income and a decrease in unemployment. If these fiscal and structural policies did not lead to a decrease in inflation, the Bank of Greece would have to tighten the policies in order to achieve an inflation level lower than 2% by the end of 1999.

Also, in order to comply with the ESCB framework, the Bank of Greece would operate adjustments and use instruments equivalent to those used by the ESCB: open market operations, standing deposit and marginal lending facilities, and required reserves.

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178 Exchange Rate Mechanism. The first ERM system was introduced in 1979, the second in January 1999.

Open market operations are used to contract or expand the amount of liquidity present in the banking system through the purchase or sale of government securities. Purchase results in expanding, while sale results in contracting, liquidity. In the case of Greece, because of its high levels of liquidity, open market operations were used to absorb liquidity.

The standing facilities are divided into marginal lending facilities (Lombard facility) and deposit facilities. With the first facility, credit institutions could obtain liquidity from the BoG on their own initiative against sufficient collateral in the form of government securities. With the second, overnight deposits from excess liquidity of banks could be made with the BoG and they were divided into two tranches which differed in their rate of interest.

Required reserves are required amounts of funds that have to be held in a bank against customers’ deposits; this system contributes to better control of monetary aggregates by expanding or decreasing structural liquidity surplus and by strengthening the way the banks’ demand for liquid resources can respond to changes in the interest rate. In this way credit institutions could better regulate their daily assets, and the short-term interest rate could be stabilised.
THE RESULTS

Graphs and tables will now be used to show the results of this updated convergence programme; this information is contained in the Commission's Convergence Report of 3 May 2000.

First, inflation rate levels:

This table shows that overall there had been huge progress in the attempt to converge towards the inflation rate criterion, which established that the inflation rate of a Member State should not exceed that of the three best-performing States plus 1.5%.

Most importantly, in addition to the progress, at the end of 1999 the Greek annual inflation rate, at 2.1%, had converged with that set by the Treaty and was even decreasing to a level below the reference. The average inflation rate was still higher than that of 11 EMU Member States, but it was fulfilling the criterion.

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Secondly, the government’s deficit and debt:

![Graph 2.4: Greece - government deficit and debt](image)

As regards the government deficit, it can be seen that the criterion of not exceeding 3% had been amply fulfilled; in fact in 1999 the level stood between 1 and 2% and in 2000 it was expected to go below 1%, therefore meeting the goals set.

The debt, however, remained much higher than the reference level of 60%; progress had been made in decreasing it, but it still stood at between 100 and 110%.

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Thirdly, the exchange rate mechanism criterion:

The exchange rate stability criterion states that a Member State must be part of the ERM for at least two years without experiencing any heavy tensions and devaluations against other currencies.

The graph shows that Greece had been in the ERM system for two years, thus meeting the first part of the exchange rate criterion.

It also met the second part of the criterion in that, as the graph shows, the drachma never suffered heavy tensions, except in autumn 1998 as a result of the international crisis where Greece was not the only country affected. Moreover, since Greece’s entry into the ERM, the State had never traded below central parity – had in fact always traded above it – and the drachma had experienced appreciation throughout the whole of 1999.

Therefore, although it is true that the drachma did not fulfil the intermediate target of keeping to the central parity set by the ERM during the period of time under consideration, it did not go below it, but always stayed above it, which can be seen as a great success.

Fourthly, the long-term interest rate criterion:

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Since the establishment of the Maastricht criteria, and even more after the introduction of the updated convergence programme at the end of 1999, there had been notable progress in convergence on the long-term interest rate. In fact, the Greek level had been progressing towards equalisation with the value of the 11 EMU Member States, standing slightly above it in 2000, but most importantly it had approximated the reference value, and in September 1999 it had fully converged to it, falling further below it at the end of the year. With the successful completion of this criterion, Greece satisfied all the goals, except for that of public debt.

THE DEBATE AMONG THE INSTITUTIONS

**MEP Marinos to the Commission - 5/10/1999**

In October 1999 Mr Marinos asked the Commission to present its view on Greek economic progress towards convergence and on whether they saw it as possible for Greece to enter the euro area in January 2001.186

One month later the Commission answered that it would report to the Council on the Greek situation every two years (i.e. in 2000, as the previous report having been in 1998) or in the event of a request with derogation. The basis on which the Commission would make its decision, which would then be proposed to the Council, would be the Convergence Report of March 1998. Furthermore the Commission recognised that Greece had in fact progressed, as its public finances had improved, the government deficit in 1998 was below 3%, the debt ratio had decreased since 1996 (although it was still higher than 60% of GDP), the country had been a member of the ERM 2 for more than a year and the inflation rate had been decreasing.187


Later, in December 1999, Greece presented its updated convergence programme, which was approved by the Ecofin on 31 January 2000.

At the Ecofin Council, Commissioner Solbes Mira commented on the new programme, saying that it presented a credible scenario and that Greece would have to keep up the reforms as there were still targets to be met, for example inflation was still at the limit (it corresponded exactly to the reference value of 2.1%).

He stated that he was neither pessimistic nor optimistic about Greece’s participation in the EMU. He emphasised again how important it was for the inflation level to be kept in mind and for the Greek government to keep working on it. He added that not only should the government respect the criteria by following a good convergence programme, but it should try to do more than the requirement. Furthermore, he welcomed and approved the revaluation of the drachma as he saw it as something that would help in the work of reducing inflation.188 Consequently, the drachma was revalued by 3.5% to GRD 340.75: ECU 1.

• The Commission’s and the ECB’s reports; Commission proposal for a Council decision – 3.5.2000

On 9 March 2000 the Greek government presented the Commission and the ECB with a formal request to consider Greece’s entry into the EMU.

Consequently, on 3 May Commissioner Solbes Mira and ECB Vice-President Noyer presented the Economic and Monetary Committee with their convergence reports on Greece’s (and Sweden’s) situation, which were very similar in their conclusions. Greece would now be judged on the basis of these reports, not of that of 1998.

The Commission’s report described the Greek situation in respect of the legislation (adherence to the Treaty and the ESCB Statute), the four criteria (inflation rate, public stability, ERM system, long-term interest), other kinds of progress made and the challenges that still needed to be overcome.

First, part of the convergence requirements was that the country’s legislation be compatible with that established by the Treaty and by the Statute of the ESCB. In order to adjust, the Bank of Greece had adopted amendments in 1997; however, the updated legislation of the BoG still presented two imperfections whereby the ECB was on a level secondary to that of the BoG, even where matters directly related to the ECB itself were concerned:

‘First, the power of the BoG to impose minimum reserves and penalties in the case of non-compliance, a provision which did not recognise the ECB’s competence in this field; and second, the participation of the central bank in international monetary and economic organisations without a reference to the ECB’s right of approval.’189

188 Agence Europe of 1 February 2000.
Progress had been made on this matter, the BoG having proposed in March 2000 some draft amendments to improve its statute, which were accepted on 25 April 2000 by the general meeting of shareholders. The amendments, as shown in the ECB’s report, were as follows: the first stated that the BoG, as part of the ESCB, would always act in accordance with the statute of the ESCB when performing activities related to the latter. The second stated that the new statute would improve ‘the legal status of collateral taken for central bank purposes by the BoG on its own behalf or on behalf of other NCBs or the ECB, since they codify provisions stipulating prerogatives in the establishment and realisation of collateral by the BoG.’

Furthermore, the ESCB’s statute expected all national central banks to be independent of government. This requirement was met by Greece when the BoG became independent in 1997. Lastly, once Greece had adopted the single currency, the BoG, as part of the ESCB, would have to aim primarily at maintaining price stability.

Greece could therefore be said to be meeting the requirement to comply with the ESCB Statute.

Second, as regards the inflation rate criterion, the average inflation rate had been declining since 1996; in 1998, however, it was still higher than the reference rate and therefore Greece could not enter the EMU. After entry into the ERM 2, fiscal policy was tightened in order to sustain anti-inflationary progress and to reduce and limit the inflation which might arise from the adjustments made to the exchange rate. Decline continued, and in March 2000, when the reference value was 2.4%, Greece’s average inflation rate was 2%. The Commission claimed that the Greek convergence programme put a lot of emphasis on the commitment to reduce inflation, sustain reform and enhance competition, which made it possible to believe that Greece’s progress, especially on inflation, would remain sustainable, as long as Greece maintained strict budgetary policies. The inflation criterion was thus also satisfied.

Third, the price stability criterion had not been achieved in 1998 before the Brussels Summit, as the government deficit, although much reduced from 13.8% of GDP in 1993 to 4% in 1997, was still over 3%, and the government debt ratio, although decreased from 111.6% in 1996 to 108.7% in 1997, was still over 60%. Progress, however, had carried on, and the deficit, which had fallen to 2.5% in 1998, was expected to go down further to 1.9% in 1999. The deficit had also decreased to 106% in 1998 and was expected to go down to 104.5% in 1999. Exceeding expectations, in 1999 the deficit rate stood at 1.6% of GDP and, just as had been forecast, the government debt ratio had decreased to 104.4% of GDP, and was expected to drop to below 100% from 2001. Because of this progress, on 17 December 1999, on the recommendation of the Commission, the Council had decided to abrogate its decision of September 1994 that Greece had an excessive deficit.

Greece had therefore made noteworthy progress towards converging with the public stability criterion, and although the debt rate still remained high, as long as progress was sustainable and was directed towards the reference rate (60%), the criterion could be said to be fulfilled. (This is how the Commission solved the problem of Greek debt.)

Looking at the third point, the exchange rate criterion, the Commission noted that when the drachma had entered the system, it had suffered some tensions in readjusting, but by

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the beginning of 1999 it had recovered and was 7% above the central rate. Appreciation had continued, and the drachma stood at up to 9.2% over the central rate. After that it had moved back slowly to the central parity. However, in January 2000 the drachma still exceeded the central rate by 6%, and Greece had therefore asked for its central parity to be revalued. It was revalued by 3.6%, bringing the exchange rate to GRD 340.75: ECU 1.

Since entry into the ERM system, not only had the drachma been trading above its central parity, but Greece had already been in the system for two years and had not suffered from devaluations and, although it had undergone some tensions between summer and autumn 1998 (like all other countries, because of the international financial crisis), they had been only temporary. Greece consequently fulfilled the exchange rate criterion.

Finally, the last criterion was also satisfied, as with the entry of the drachma into the ERM system, the level of short-term interest rates had increased while that of long term interest rates had started to decline, also with the support of the disinflationary process and the progress of fiscal consolidation. With the crisis in the financial markets in the summer of 1998, progress on convergence on the long term interest rate criterion had stopped, but by January 1999 levels were back to the pre crisis ones.

With the completion of this criterion, the Commission could say that Greece had fulfilled all four criteria.

Furthermore, there had been progress in other sectors: the level of intra-EU trade had increased for Greece as compared to the 1998 statistics, which showed that the country had the lowest rate in Europe, and the banking sector had been adjusted, with privatisation of many previously state-owned banks.

In the last point of the report, the Commission warned that there were still challenges to be overcome, namely the still slow transposition of Single Market legislation, and less than rapid progress on privatisation of public enterprises.

In conclusion, the Commission submitted its proposal for a Council decision in favour of the adoption by Greece of the euro, acknowledging that Greek legislation complied with the ESCB statute and that Greece had fulfilled all four criteria. In fact, the proposal specified, the average inflation rate was below the reference value (2%); the Council’s decision that Greece had an excessive deficit had been abrogated a year before; Greece had been member of ERM 2 for two years, during which there had been no significant tensions, and the currency had not been devalued against either other Member States’ currencies or the euro; and, finally, the long-term interest rate was below the reference value. Furthermore, the convergence achieved was sustainable. Following this fulfilment of all the conditions, the Commission proposed that the Greek derogation be abrogated as of 1 January 2001.192

**The Goebbels report – 15.5.2000**

On 4 May 2000 MEP Goebbels drew up the first draft report on the Council’s decision on Greek adoption of the euro. This report was subject to no amendments, and the final report was presented on 15 May.

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In the first two paragraphs Goebbels emphasised the fact that the aim of the European Union was to strengthen economic integration, with the final goal of creating a single currency in order to eliminate all internal barriers. The first visible steps towards economic integration were made when at the Brussels Summit of 3 May 1998 it was decided which Member States could enter the EMU.

He then recognised the efforts and progress that had been accomplished by the country which in the early 1990s was the ‘sick man of Europe’. In fact, after Greece had failed to be admitted to the first round of EMU members, it had continued its monetary efforts and tightened the policies with a new convergence programme, with the result that in 1999 the Council abrogated the decision that Greece had an excessive deficit. The Ecofin Council had approved this new programme and a revaluation of the drachma, which resulted in a decrease in inflation.

Through its monetary policies Greece was thus able to reduce its inflation rate (20.4% in 1990, 2.6% in 1999 and 2% in 2000), public deficit (7.6% in 1996, 1.5% in 1999) and public debt, which although still higher than the reference (60%), had decreased from 112% in 1996. Goebbels recalled the IMF’s opinion given in November 1999 that the efforts made by Greece had made the country part of a virtuous circle, essential for entering the EMU.

Goebbels went on to explain the OECD’s opinion that Greece had indeed improved. However, the organisation had also reminded Greece that there were still challenges to be overcome, for example in the public company sector, which needed constant financial aid from the government, accounting as a result for half of the public debt.

Finally, the Parliament, whose participation was required in the form of the consultation procedure, stated that the entry of Greece into the euro presented no risk; on the contrary, every Member State had the right to apply and to enter if the criteria were met. Like the OECD, the Parliament warned Greece that policies would have to be continued after 2001, especially in order to comply with the Stability and Growth Pact. Greek progress would have to remain continuous and sustainable. Furthermore, some of the reforms needed to be speeded up; for example, EU legislation had to be integrated into Greek law. Lastly, there needed to be cooperation among all sectors of industry in supporting counter-inflationary policies. With regard to the still high level of debt, which continued to be above the reference value, the Parliament stated, as the Commission had done in its report, that Greece could still be said to satisfy the fiscal policy criterion, because progress towards the reference value was present; ‘total debt is not ‘excessive’ if it is ‘approaching the reference value at a satisfactory rate’.193 If the rule had been stricter, then neither Belgium nor Italy would have been able to enter the EMU. Assessment could not be based on arithmetical and statistical figures, but rather on a wider vision of the political and economic history, condition and progress of the examined country.

Having presented his report, Goebbels concluded:

‘In view of the above, your rapporteur calls on the Committee on Economic and Monetary Affairs to recommend the Parliament to vote

in favour of the attached legislative resolution – a political vote calling for Greek membership of the euro area.”

- The debate on the Goebbels report – 17.5.2000

At the 17 May plenary sitting the report was debated, with some 20 MEPs and Commissioner Solbes Mira speaking.

Most MEPs spoke in favour of Greek accession to the EMU. This majority congratulated Greece for the progress made, but also emphasised how important it was that the government keep up the policies in order to overcome the final challenges and secure sustainability of what had been achieved and of price stability. Mr Papayannakis (GUE/NGL) named the challenges that had to be overcome: payment of taxes, strengthening regional authorities, and liberalisation and enhancement of the social economy and of the third sector. If these problems were solved then sustainability and price stability would be secured. In particular, regarding the tax payment system, Mr Papayannakis asserted that a large section of the Greek economy did not pay taxes and that some of the common European taxes did not even exist in Greece, despite which the average Greek tax payer paid more than other Europeans, while living with still low revenues. This had to be changed, but unfortunately the government had recently only been concentrating on privatisation.

Two Greek members were in favour of entry into the EMU. Ms Giannakou Koutsikou from the PPE-DE underlined that even though Greece still had work to do, it would not have been fair to discriminate against it and not to allow it to enter the system, as Italy and Belgium, who were among the first 11 Member States to enter the EMU, also had a very high level of public debt. Mr Katiforis, from the PSE, further noted that Greece's progress signified that Greek citizens had a very positive approach and motivation to break out from their low economy. Furthermore, Greece would continue to pursue the monetary policies, not only because the EU's criteria obliged the country to do so, but because it wanted to for its own sake.

Other interesting contributions came from Ms Randzio Plath (PSE), Mr von Wogau (PPE-DE) and Mr Fatuzzo (PPE-DE). The latter is easily distinguished from all the others because, unlike his colleagues who tried to comment on the basis of the figures and numbers presented in the Commission and ECB convergence reports, he emphasised how the Parliament's role was to distance itself from these very explanations, and to give instead a 'political opinion', speaking from the 'heart' and the 'soul'. In fact, he said, it was not the Parliament's job, but the Commission's, to assess a state's economy and its adherence to the criteria by monitoring the indicators.

Ms Randzio-Plath recalled how important monetary union was in terms of European integration. For this reason, all EU Member States should join the EMU, especially if they met the criteria. Even when inside the system they would have responsibilities to fulfil in order to harmonise their activities with those of other Member States. Thus a complete monetary union would result in better cohesion and coordination among the Member States. For its part, Greece would have to secure sustainability of its achievements and
policies, and it would be important for all Greek political parties to come together to form a consensus in order to prove to the EU that the government had a solid basis from which to work on price stability and sustainability.

Mr von Wogau’s positive vote and the decisions of everyone else, he warned, would have to be based on a number of aspects. One was the information contained in the Commission and ECB convergence reports. Different conclusions could be deduced from these reports: Greece had very much improved by converging on the inflation indicator and that of public deficit, but had not succeeded in bringing public debt down to the reference value. The second aspect that had to be looked at was the fact that the markets had recently been trading in the light of Greece’s progress and taking for granted its accession to the EMU. If the proposal to admit Greece had been rejected it would have harmed these markets. His decision was therefore to vote in favour, but with amendments: the criteria would have to be applied fully and more strictly in the future; the Greek government would have to work on sustainability; privatisation would have to be maintained with the aim of reducing debt.

Mr Blokland (EDD) and Mr Radwan (PPE-DE) spoke against Greek adoption of the euro. They both said that Greece should be allowed to enter the system, but that this was not the right moment. In fact, if Greece was accepted, a never-ending vicious circle would be created with ever-new reference values for the Member States wanting to apply for the euro. Moreover, he warned that MEPs must be careful how they voted, because the final decision would have an impact on the strength of the monetary block, either by boosting confidence in the euro or by weakening it.

Most of the speeches in favour of abstention from voting made similar statements: that Greece was not ready to enter in January 2001; that sustainability had to be proved before a decision could be taken, because price stability had only been achieved a few months before Mr Goebbels presented his report.

An interesting comment on abstention came from Mr Koulourianos (GUE/NGL). He spoke against the structure of the EMU in general. It was not complete, he said; it was only monetary and not economic; yet Greece had made huge efforts to improve on convergence in order to enter this system. For this very reason, the government and the BoG had been focusing only on convergence with the criteria, not on a better quality of life. Therefore, even though the indicators for inflation and public deficit had improved, those for unemployment had not. This was because the Treaty only established what the criteria were, and not the means of achieving them; a decision on this depended entirely on the country, which, in the case of Greece, had chosen means which were neither suitable nor just.

At the end of the debate, Mr Solbes Mira spoke; he reminded Parliament that Greece had been judged with exactly the same criteria as had been used in 1998, according to which accession to the EMU had been denied. He noted that the main issues that worried the MEPs were the only recently stabilised inflation rate and the still high debt; with regard to the former he claimed that the progress made and the reductions in the Greek inflation rate were much better than those of many other European countries; the level corresponded to that of Belgium and Italy.

Furthermore, he gave assurances that the Greek government was prepared to assume responsibility for continuing the work and sustaining price stability through
liberalisation and restructuring reform to improve the inflation situation, and a policy mix to reduce debt and at the same time avoid the inflation tensions which could result from an increase in demand, caused by a reduction in interest rates. Entry into the EMU would facilitate these latter tasks, and would boost confidence in the euro.

• Vote on the report – 18.5.2000; Greek accession to EMU – 19.6.2000

The day after the debate the report was voted on, with other MEPs making speeches. Two of them heavily criticised the policies the Greek government had pursued in order to fulfil convergence. Mr Alavanos said that although he was going to vote in favour, he was very much against the EMU structure, which forced the Member State applying to employ very strict budgetary policies, which would only achieve nominal, not real, convergence. In fact, although the indicators set by the Treaty had been achieved, there had been no progress on decreasing unemployment. He further stated that by entering the EMU these social problems would not be solved, but, on the contrary, solidified; so he called for a restructuring of the EMU system to promote real convergence. Mr Theonas, who unlike Mr Alavanos said he was going to vote against, stated similar points: the harsh austerity policies had caused severe social problems because the main instruments had been 'reduced social spending, a highly restricted budgetary policy, wage freezes, limited protection for workers, deregulated markets and greater privatisation.' In the view of Mr Alavanos, EMU accession would not help to overcome these problems, because it would oblige the Greek government and the BoG to maintain the austerity policies, or even to enhance them.

The result of the vote was: 376 votes for the legislative resolution, 42 against, and 80 abstentions. Consequently, the Goebbels report was adopted, and on 19 June 2000, at the Feira Summit, the Council adopted the Commission’s proposal of 3 May 2000.¹⁹⁷

‘The European Council congratulates Greece on the convergence achieved over recent years based on sound economic and financial policies and welcomes the decision that Greece will join the Euro area on 1st January 2001 which constitutes an additional positive step in the monetary integration of the Union.’¹⁹⁸


¹⁹⁸ Feira Summit of 19 and 20 June 2000.
ANNEX 1

EUROPEAN PARLIAMENT RESOLUTIONS ON THE
CREATION OF THE EURO, CATEGORISED BY GROUP
SUMMARY LIST

Group I: Monetary Policy in the 1970s

• European Parliament Resolution of 3 December 1970 on the attainment by stages of economic and monetary union in the Community (OJ C 151, 29 December 1970, p. 23) based on the complementary report by the Committee on Economic Affairs with the same title, Doc. 187/70\(^{200}\) __________________________________________________________________________ 120

• European Parliament Resolution of 16 March 1972 on the Resolution of the Council and of the representatives of the Governments of the Member States on the application of the Resolution of 22 March 1971 on the attainment by stages of economic and monetary union in the Community (OJ C 36, 12 April 1972, p. 31) based on the complementary report by the Committee on Economic Affairs with the same title, Doc. 1/72\(^{200}\) __________________________________________________________________________ 123

• European Parliament Resolution of 5 June 1973 on the reform of the world monetary system (OJ C 49, 28 June 1973) based on the complementary report by the Committee on Economic Affairs with the same title, Doc. 60/73 _________________ 126

• European Parliament Resolution of 5 July 1973 on the Communication from the Commission of the European Communities to the Council on the progress achieved in the first stage of economic and monetary union, on the allocation of powers and responsibilities among the Community institutions and the Member States essential to the proper functioning of economic and monetary union, and on the measures to be taken in the second stage of economic and monetary union (OJ C 62, 31 July 1973, p. 31) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 107/73 _________________ 128

• European Parliament Resolution of 19 October 1973 on the report from the Commission of the European Communities to the Council on the adjustment of short-term monetary support arrangements and the conditions for the progressive pooling of reserves (OJ C 95, 10 November 1973, p. 27) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 189/73 __________________________________________________________________________ 130

• European Parliament Resolution of 17 November 1978 on the revival of economic and monetary union (OJ C 296, 11 December 1978, p. 59) based on the report by the Committee on Economic Affairs with the same title, Doc. 437/78 _________________ 132

• European Parliament Resolution of 13 December 1978 on the establishment of a European Monetary System (OJ C 6, 8 January 1979, p. 45) based on the urgent motion for a resolution by E. Pisani on behalf of the Committee on Economic Affairs with the same title, Doc. B-518/78 __________________________________________________________________________ 136

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200 The English original version does not exist.
Group II: The European Monetary System and monetary integration

- European Parliament Resolution of 17 April 1980 on the European monetary system (EMS) as an aspect of the international monetary system (OJ C 117, 12 May 1980, p. 56) based on the report by the Committee on Economic Affairs with the same title, Doc. 63/80


- European Parliament Resolution of 14 April 1989 on the process of European monetary integration (OJ C 120, 16 May 1989, p. 331) based on the report by the Committee on Economic Affairs with the same title, Doc. 14/89

- European Parliament Resolution of 16 May 1990 on Economic and Monetary Union (OJ C 149, 18 June 1990, p. 66) based on the report by the Committee on Economic Affairs with the same title, Doc. 99/90

- European Parliament Resolution of 10 October 1990 on the Economic and Monetary Union (OJ C 284, 12 November 1990, p. 62) based on the report by the Committee on Economic Affairs with the same title, Doc. 223/90

Groupe III: Realisation of the monetary union


- European Parliament Resolution of 14 June 1995 on the first annual report of the European Monetary Institute (EMI) (OJ C 166, 3 July 1995, p. 56) based on the report by the Committee on Economic Affairs with the same title, Doc. 132/95

- European Parliament Resolution of 18 April 1996 on Economic and Monetary Union and economic and social cohesion (OJ C 141, 13 May 1996, p. 205) based on the report by the Committee on Regional Policy with the same title, Doc. 73/96

- European Parliament Resolution of 2 April 1998 on democratic accountability in the third phase of EMU (OJ C 138, 4 May 1998, p. 177) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 110/98

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- European Parliament Resolution of 2 May 1998 on the Recommendation by the Council concerning the Member States fulfilling the necessary conditions for the adoption of a single currency (OJ C 152, 18 May 1998, p. 107) based on the oral report by the Committee on Economic and Monetary Affairs, Doc. 130/98 ____________________________ 193

**Group IV: Practical aspects of the ECU and the euro**

- European Parliament Resolution of 20 November 1987 on the wider use of the ECU and the simplification of payment transactions within the Community (OJ C 345, 21 December 1987, p. 197) based on the report by the Committee on Economic Affairs with the same title, Doc. 167/87 ____________________________ 196

- European Parliament Resolution of 27 October 1993 on removing the legal obstacles to the use of the ECU (OJ C 315, 22 November 1993, p. 94) based on the report by the Committee on Economic Affairs, Doc. 296/93 ____________________________ 200

- European Parliament Resolution of 13 January 1998 on electronic money and economic and monetary union (OJ C 34, 2 February 1998, p. 35) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 417/97 ____________________________ 203

- European Parliament Resolution of 13 January 1998 on the euro and the consumer (OJ C 34, 2 February 1998, p. 38) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 415/97 ____________________________ 207

- European Parliament Resolution of 10 March 1998 on the communication from the Commission on the practical aspects of the introduction of the euro and the Commission working paper entitled ‘Preparations for the changeover of public administrations to the euro’ (OJ C 104, 6 April 1998, p. 69) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 61/98 ____________________________ 211

- European Parliament Resolution of 6 October 1998 on the communication from the Commission on the impact of the changeover to the euro on Community policies, institutions and legislation (OJ C 328, 26 October 1998, p. 52) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 304/98 ____________________________ 214

- European Parliament Resolution of 15 December 1998 on the euro as a parallel currency (OJ C 98, 9 April 1999, p. 33) based on the report by the Committee on Economic and Monetary Affairs with the same title, Doc. 447/98 ____________________________ 219


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GROUP I
Monetary Policy in the 1970s
RÉSOLUTION
sur la réalisation par étapes de l'union économique et monétaire de la Communauté

Le Parlement européen,
— vu la décision des chefs d'État et de gouvernement des États membres réunis à La Haye les 1er et 2 décembre 1969, suivant laquelle « un plan par étapes sera élaboré au cours de l'année 1970 en vue de la création d'une union économique et monétaire » (1),
— vu la communication de la Commission des Communautés européennes au Conseil au sujet de l'élaboration d'un plan par étapes vers une union économique et monétaire (COM (70) 300),
— vu les décisions prises par le Conseil lors de sa session des 8 et 9 juin 1970 (2),
— vu le rapport au Conseil et à la Commission du 8 octobre 1970 concernant la réalisation par étapes de l'union économique et monétaire de la Communauté en application de la décision du Conseil du 6 mars 1970 (doc. 147/70),
— vu la communication et les propositions de la Commission au Conseil relatives à l'institution par étapes de l'union économique et monétaire (doc. 181/70),
— vu le rapport intermédiaire et le rapport complémentaire de la commission économique ainsi que l'avis de la commission politique et l'avis de la commission des finances et des budgets (doc. 148/70 et doc. 187/70),
— vu l'échange de vues du 18 novembre 1970 entre le Parlement européen, le Conseil et la Commission des Communautés européennes sur l'union économique et les perspectives d'une union monétaire au sein de la Communauté,

I

1. est d'avis que l'achèvement de l'union économique et la création d'une union monétaire constituent l'aboutissement logique et nécessaire des réalisations à leur stade actuel et vont dans le sens du renforcement souhaité par les chefs d'État et de gouvernement;

2. souligne qu'une monnaie européenne constituera un élément essentiel dans les échanges internationaux de marchandises et de capitaux et permettra à la Communauté d'affirmer, dans les organismes internationaux et vis-à-vis du monde extérieur, ses propres objectifs de politique économique et monétaire;

3. se félicite du travail très constructif effectué par le groupe d'étude créé par la décision du Conseil du 6 mars 1970 et de l'extrême diligence avec laquelle la Commission européenne a présenté ses propositions mentionnées dans le cinquième alinéa du préambule de la présente résolution;

4. est d'avis que les dispositions du traité de Rome permettent à la Communauté de progresser sur la voie de l'harmonisation de la politique économique et monétaire des États membres, mais que la réalisation de l'union économique et monétaire implique que le traité soit complété ; à cet effet, des études devront être entreprises avant la fin de la première étape;

5. considère que les mesures tendant au renforcement de l'intégration monétaire dans la Communauté devront être fondées sur une évolution convergente des économies des États membres — et notamment sur une politique budgétaire harmonisée — étant entendu par ailleurs qu'un certain parallélisme dans l'harmonisation des politiques monétaires et économiques doit être maintenu;

(1) Communiqué final de la conférence des chefs d'État et de gouvernement des 1er et 2 décembre 1969, paragraphe 8.
(2) Communication à la presse 1085/70 (AG 170).
6. souhaite, à relativement court terme, une réduction des marges de fluctuation des cours de change entre les monnaies des États de la Communauté;

7. souligne que les mesures d’harmonisation et de centralisation de la politique économique et monétaire des États membres doivent être accompagnées d’une politique sociale, régionale et structurelle d’envergure;

8. rappelle sa déclaration du 10 juillet 1970 (1) suivant laquelle la Commission aura à accomplir la tâche importante «d’organiser en étroite coopération avec le Parlement européen, des consultations régulières avec les représentants des partenaires sociaux, afin de parvenir dans le domaine de la politique conjoncturelle à une action plus communautaire, qui s’accorde mieux avec les critères d’une répartition équitable des fruits de l’expansion économique» et ce afin de recueillir un assentiment aussi large que possible;

9. estime nécessaire d’indiquer, au moment où seront prises les décisions ayant des conséquences pratiques pour les compétences des parlements nationaux, la répartition entre les institutions nationales et communautaires des responsabilités de la politique économique et monétaire;

10. estime qu’en cas de transfert de pouvoirs en matière de politique économique et monétaire du plan national à celui de la Communauté il faut garantir un contrôle démocratique au niveau communautaire par un accroissement des pouvoirs du Parlement européen;

11. compte que la Commission lui présentera à bref délai un programme visant à une harmonisation de la fiscalité indispensable au bon fonctionnement d’une union économique et monétaire;

12. insiste pour que les restrictions qui subsistent sur le marché des changes soient levées dans un proche avenir et souligne une fois de plus la nécessité de libéraliser totalement et à court terme la circulation des capitaux;

13. estime souhaitable que les pays qui ont demandé à adhérer à la Communauté soient tenus pleinement informés de l’élaboration détaillée du plan de création d’une union économique et monétaire, qu’il soit largement tenu compte de leurs intérêts dans l’établissement de ce plan et que dans le même esprit puissent être tenus informés les pays qui ont manifesté ou qui manifesteront l’intention d’avoir des rapports spécifiques avec la Communauté;

14. attire l’attention sur le fait que la Communauté, en cas de succès des négociations sur l’élargissement, devra trouver une solution aux problèmes posés par la fonction de monnaie de réserve de la livre sterling;

II

15. est d’accord, en ce qui concerne la première étape, avec l’esprit des propositions de la Commission au Conseil, cette première étape devant avoir une durée de trois ans environ, et estime que les deux projets de décision élaborés par la Commission constituent un premier pas modeste mais nécessaire vers la mise en place de véritables mécanismes d’harmonisation;

16. constate que sont repris dans le projet de résolution présenté par la Commission différents éléments mentionnés dans la partie I de la présente résolution et notamment l’exigence d’un contrôle démocratique exercé par le Parlement européen en cas de transfert de compétences nouvelles aux institutions communautaires;

17. affirme avec force que le Parlement européen devra être consulté sur toutes les décisions fondamentales ou périodiques concernant l’évolution de l’union économique et monétaire;

18. souligne la nécessité de mener à bien, au cours de la première étape, les différentes actions proposées par la Commission dans son projet de résolution et qui ont trait:

— au renforcement de la coordination des politiques économiques à court terme et notamment de la politique budgétaire;

— à l’abaissement des frontières fiscales à l’intérieur de la Communauté, et notamment au rapprochement des taux et de l’assiette de la taxe à la valeur ajoutée et des accises,
— à la suppression totale des contrôles des particuliers aux frontières intracommunautaires,
— à la libre circulation des capitaux,
— à la politique régionale et structurelle,
— et enfin, aux premières mesures visant à l’instauration d’un régime de change spécifique à la Communauté;

19. souhaite que soit accélérée l’étude demandée par le Conseil à la Commission en vue de parvenir à l’harmonisation des unités de compte utilisées dans la Communauté;

20. appuie l’intention de la Commission de soumettre au Conseil, avant le 1er mai 1973, «une communication portant sur les progrès accomplis dans la réalisation de l’union économique et monétaire et sur les mesures à adopter au-delà de la première étape»;

21. considère que le renforcement accru de la coordination des politiques économiques des États membres et l’intensification de la collaboration entre les banques centrales sont des éléments essentiels de la première étape du plan pour la réalisation de l’union économique et monétaire;

22. s’associe à la demande de la Commission d’inviter le Comité monétaire et le Comité des gouverneurs des banques centrales à établir, au cours de la première étape, un rapport sur l’organisation et les fonctions d’un Fonds européen de coopération monétaire;

23. demande que le Comité des gouverneurs des banques centrales établisse un rapport annuel à l’intention du Conseil et de la Commission et que ce rapport fasse l’objet d’une communication au Parlement européen;

24. attend de la Commission qu’elle présente, en temps utile, des propositions permettant de faire des progrès plus importants vers l’union économique et monétaire dans un cadre institutionnel équilibré;

25. invite sa commission compétente à suivre l’évolution des problèmes relatifs à la réalisation de l’union économique et monétaire, et à lui faire ultérieurement rapport sur ce sujet;

26. charge son président de transmettre la présente résolution et le rapport de sa commission compétente au Conseil et à la Commission des Communautés européennes.
RÉSOLUTION
sur la résolution du Conseil et des représentants des gouvernements des États membres relative à l’application de la résolution, du 22 mars 1971, concernant la réalisation par étapes de l’union économique et monétaire dans la Communauté

Le Parlement européen,

— vu la proposition présentée par la Commission au Conseil, le 1er mars 1972, concernant une résolution du Conseil et des représentants des gouvernements des États membres relative à l’application de la résolution du 22 mars 1971 concernant la réalisation par étapes de l’union économique et monétaire dans la Communauté (COM (72) 250),

— consulté, le 8 mars 1972, à titre facultatif, par le Conseil sur cette proposition (doc. 280/71),

— vu la résolution du Conseil et des représentants des gouvernements des États membres, du 7 mars 1972, qui modifie la proposition de la Commission,

— se référant à sa résolution, du 9 février 1972, sur la situation économique de la Communauté au début de 1972 et aux résolutions qui y sont mentionnées (1),

— vu le rapport de la commission économique (doc. 1/72),

1. se félicite de la volonté exprimée par le Conseil dans sa résolution du 7 mars 1972 de relancer et de réaliser l’union économique et monétaire;

2. considère cette résolution du Conseil comme un pas dans la direction de la politique économique et monétaire de la Communauté, réclamée depuis des années par le Parlement et espère que toutes les mesures qui en découleront auront un caractère irréversible;

3. souhaite que toutes les institutions communautaires et les gouvernements des États membres soient constamment conscients de leur responsabilité communautaire et traduisent celle-ci par une volonté politique commune en vue d’une politique communautaire coordonnée et harmonisée;

I

4. constate qu’un système de consultation est envisagé pour la politique économique à court terme des États membres et rappelle qu’il a toujours souligné l’utilité d’une information réciproque et permanente, qui devient maintenant de règle, sur la politique économique et financière à court terme des États membres;

5. prend acte de la création, auprès du Conseil, d’un groupe de coordination dont fait également partie le représentant de la Commission;

6. se félicite que, dans tous les cas où un État membre envisage des mesures ou décisions qui s’écartent des orientations de politique économique définies par le Conseil, une consultation préalable à l’application de ces mesures ou décisions doive se tenir au sein du groupe de coordination et, si des réserves graves sont élevées contre ces mesures ou décisions, un État membre ou la Commission puisse demander la consultation au sein du Conseil qui se réunit alors dans les huit jours;

7. souhaite que les conclusions de cette consultation soient rendues obligatoires pour tous les intéressés;

8. demande que la création de ce groupe ne limite en rien les responsabilités, prévues par les traités, des institutions communautaires;

(1) JO no C 19 du 28. 2. 1972, p. 25.
9. se félicite que le Conseil ait chargé la Commission de présenter, dans les meilleurs délais, une proposition de directive visant à promouvoir la stabilité, la croissance et le plein emploi dans la Communauté et attend de la Commission qu'elle tienne également compte, dans ce contexte, de l'équilibre des relations économiques extérieures;

10. invite la Commission à présenter sans retard cette directive au Conseil et attend de celui-ci la consultation du Parlement et le respect du délai de six mois qu'il s'est imposé lui-même pour statuer;

II

11. constate que le Conseil, conformément à l'importance qu'il a toujours reconnue à la politique des structures régionales, accorde enfin à celle-ci la place qui lui revient;

12. rappelle avec insistance, à ce propos, sa résolution du 16 mars 1972 et les résolutions antérieures sur la politique des structures régionales qui y sont mentionnées (doc. 264/71) (1);

13. souligne à nouveau l'insuffisance des instruments de politique structurelle dont dispose la Communauté et s'attend notamment à une meilleure collecte des données statistiques concernant les structures régionales et sectorielles;

14. invite la Commission à présenter sans tarder des propositions à ce sujet;

15. invite le Conseil à prendre les décisions qui s'imposent avant le 1er août 1972;

III

16. demande, dans l'intérêt d'un développement économique pondéré, à moyen et à long terme, dans la Communauté, que, en dehors de la coopération dans les domaines de la politique conjoncturelle ainsi que de la politique financière à court terme, la Commission présente dès que possible des propositions et que le Conseil prenne, dans les six mois, des décisions:

a) sur l'harmonisation durable des politiques financières des États membres afin de ne pas retarder davantage l'harmonisation fiscale et d'harmoniser les politiques budgétaires en fonction d'orientations communautaires,

b) sur la création accélérée d'un marché européen des capitaux;

17. considère la mise en œuvre des demandes mentionnées ci-dessous comme la condition nécessaire pour que les décisions de politique monétaire envisagées dans la résolution du Conseil aient également un effet optimal dans la perspective d'une union économique et monétaire conforme aux objectifs des traités européens;

IV

18. se félicite de la volonté du Conseil de faire un premier pas dans la voie de la création d'une zone monétaire autonome au sein d'un système monétaire international;

19. prend acte du rôle particulier dévolu aux gouverneurs des banques centrales des États membres de la Communauté en vue de l'intervention communautaire des banques centrales sur les marchés de change;

20. constate que le Conseil a convenu de ramener l'écart entre les monnaies des États membres de 2,25% au plus tard le 1er juillet 1972 et qu'il s'est en outre assigné comme objectif de continuer à réduire les marges de fluctuation intracommunautaires jusqu'à l'élimination totale de celles-ci;

21. considère que les principes établis par le Conseil pour les interventions sur les marchés de change de la Communauté constituent le début d'une discipline monétaire communautaire, qui ne devrait pas manquer d'avoir, en dehors des incidences positives et nécessaires de politique monétaire à l'intérieur de la Communauté, une influence stabilisatrice sur le système monétaire international;

(1) Avis sur la communication et les propositions de la Commission des Communautés européennes au Conseil (doc. 76/71) relatives aux actions communautaires de politique régionale dans les régions prioritaires de la Communauté.
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22. se félicite de l’obligation imposée aux banques centrales d’un règlement mensuel des soldes orienté en fonction de la structure des réserves monétaires du pays débiteur;  

23. invite le Conseil à le consulter sur les conclusions qu’il tirera du rapport sur l’organisation, les fonctions et les statuts d’un Fonds européen de coopération monétaire;  

24. rappelle qu’il a demandé la création, dans les meilleurs délais possibles, d’une unité de compte européenne autonome;  

25. se félicite de l’adoption, par le Conseil, de la directive présentée par la Commission, le 23 juin 1971, pour la régulation des flux financiers internationaux et la neutralisation de leurs effets indésirables sur la liquidité interne;  

26. invite le Conseil à garantir, lorsqu’il arrête des décisions en vue de la réalisation de l’union économique et monétaire, l’équilibre indispensable entre les mesures de politique économique générale et les mesures de politique monétaire;  

27. s’attend à être consulté par le Conseil et la Commission avant toute décision;  

28. charge son président de transmettre la présente résolution au Conseil et à la Commission des Communautés européennes.
RESOLUTION

on reform of the world monetary system

The European Parliament,

— having regard to its Resolutions, particularly those of 22 September 1971 (¹) and 15 February 1973 (²),
— having regard to paragraph 4 of the Final Communiqué issued by the Heads of State or of Government at their meeting on 19 to 21 October 1972,
— having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 60/73),

1. Is of the opinion that the adjustments of exchange rates have provided a good basis for reform of the world monetary system and shown once again the need for such reform; also stresses that the reorganization of international monetary relations can only produce lasting results if the Member States of the International Monetary Fund adopt an economic policy aimed at stability;

2. Urges all parties concerned to refrain from any measures that restrict trade;

3. Considers it desirable for the world monetary system to conform to the following guidelines and principles, and requests the Commission and the Council to take the necessary steps;

   I. as regards the adjustment of exchange rates:

   1. the exchange rate of a currency is of international importance and consequently does not only affect the country directly concerned; accordingly, the Member States of the International Monetary Fund must lay down a fixed exchange rate for their currency with the possibility of slight parity changes as often as required while maintaining existing fluctuation bands;

   2. any fundamental disturbance in the balance of payments must not be analysed solely on the basis of a single criterion but in the light of all relevant considerations;

   3. disturbances in the balance of payments must be removed symmetrically, meaning that parity changes must be made — under sanctions, if necessary — when the balance of payments shows a large surplus or a large deficit;

   II. as regards the composition of the currency reserves:

   4. the size of foreign exchange reserves must be reduced progressively to the level of working balances;

   5. it would be advisable in the long term to substitute special drawing rights for both foreign exchange and gold in the currency reserves; this means that special drawing rights should no longer be linked with gold and that the foreign exchange prices of this reserve instrument should be raised;

   6. in the long term it must be considered whether special drawing rights should be used for support action on foreign exchange markets;

   7. it will become necessary to raise interest rates on special drawing rights to the market level;

   8. special drawing rights must be issued solely to meet the requirements of the world monetary system; for this purpose it is important to keep special drawing rights on a tight rein;

(¹) OJ No C 100, 12. 10. 1971, p. 10.
(²) OJ No C 14, 27. 3. 1973, p. 36.
III. as regards consolidation of US short-term official commitments:

9. some of the short-term official commitments of the United States must be consolidated both bilaterally and through the IMF;

IV. as regards the control of international capital movements:

10. in order to cushion the disruptive effects of short-term capital movements:
   (a) coordination must be achieved between the interest rate policies of the major industrial countries,
   (b) the monetary authorities must have the requisite internal instruments of monetary policy at their disposal (including administrative controls and the possibility of a two-tier foreign exchange market),
   (c) international financing by means of loans from surplus to deficit countries must be improved;

V. as regards monetary integration in the Community:

11. the Community should help to restore stable international monetary relations by:
   (a) submitting a Community plan on this subject to the Committee of Twenty (1) in the near future,
   (b) extending the powers and total resources of the European Fund for Monetary Cooperation, while maintaining the necessary parallel progress with the integration of economic policies,
   (c) removing capital controls within the Community but maintaining Community instruments to restrict capital transactions with third countries,
   and by
   (d) Great Britain, Ireland and Italy joining in the Community system of external floating;

VI. as regards the powers of the International Monetary Fund:

12. the powers of the IMF must be increased in the areas mentioned in Sections I and II;

4. Instructs its President to forward this Resolution and the report of its committee to the Council and Commission of the European Communities and the parliaments and governments of the Member States.

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(1) The term 'Committee of Twenty' is used in this report to denote the 'Committee on Reform of the International Monetary System and Related Issues'.
16. Accordingly requests the Commission of the Communities to take account of this Resolution and to continue its examination of this matter with its appropriate committees to enable a far-reaching debate to be held and positive conclusions reached at the September Part-Session;

17. Instructs its President to forward this Resolution and the report of its committee to the Council and Commission of the Communities.

Communication from the Commission on the progress achieved in the first stage of economic and monetary union and the measures to be taken in the second stage of this union (vote)

The next item on the agenda was the vote on the motion for a resolution contained in the report by Sir Brandon Rhys Williams, drawn up on behalf of the Committee on Economic and Monetary Affairs, on economic and monetary union (Doc. 107/73).

Mr Dalsager spoke on a point of order.

The following Resolution was agreed to:

**RESOLUTION**

on the Communication from the Commission of the European Communities to the Council on the progress achieved in the first stage of economic and monetary union, on the allocation of powers and responsibilities among the Community institutions and the Member States essential to the proper functioning of economic and monetary union, and on the measures to be taken in the second stage of economic and monetary union

_The European Parliament,_

— having regard to the Communication from the Commission of the European Communities to the Council (Doc. 68/73);

— having regard to the final communiqué of the Conference of Heads of State or Government held in Paris on 19 and 20 October 1972;

— having regard to its Resolutions, particularly those of 3 December 1970 (1), 15 March 1973 (2) and 5 June 1973 (3);

— having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 107/73);

1. Takes the Commission’s communication to the Council on the Communities’ progress towards economic and monetary union; shares the Commission’s judgement of the causes of the disappointing achievements of the first stage; but regrets the lack of precision in the outline programme of action;

2. Observes that the lack of progress towards economic and monetary union is largely attributable to the failure of the Council to take decisions on the basis and within the framework of the Treaty. And considers that positive political action is now essential to give effect to the decisions of the Summit Conference;

3. Demands therefore that the necessary executive powers should be conferred on the Commission to implement the programme already agreed by the Heads of State and Government, and that the Parliament should forthwith be given an effective legislative and controlling role;

4. Requires from the Commission a clear and specific programme for the approach to economic and monetary union, with guidance on the future role and powers of the Parliament, the Council and the Commission, and the changes which will be necessary in the relative status of the Community institutions and the national political and monetary authorities;

5. Deplores the absence of any indication of the nature of the proposals which the Commission will put before the Council in the form of a Directive for the promotion of stability, growth and full employment within the Community, and a balanced position in external relations; and asks that they should be published forthwith in a consultative report;

6. Requires the Commission and the Council to proceed without further delay to develop the European Fund for Monetary Cooperation into an effective independent agency, exercising the powers of the Community's central bank and with the necessary authority and resources to promote a true economic and monetary union;

7. Stresses the need for a positive plan to achieve the unification of the European capital market and to encourage the free movement of funds for investment;

8. Considers that facilities for obtaining protection against parity changes affecting transactions on current account should be improved and made more readily available, and calls on the Commission to report on the most appropriate means of enabling traders throughout the Community to obtain forward foreign exchange cover on reasonable terms;

9. Stresses the need for far-reaching measures to achieve balanced regional development but welcomes the Commission's proposals for an independent Community fund for the relief of unemployment and for the provision of guaranteed incomes for persons undertaking retraining;

10. Calls on the Commission to elaborate its proposals for harmonization of Community social security systems and personal taxation;

11. Commends the Commission's suggestion that certain of its proposals to the Council of Ministers should be designated to be dealt with according to a pre-established procedure and draft timetable;

12. Takes note of the suggestion that the Parliament should adopt the practice of reviewing the Council's response to its recommendations, but declares that the Parliament must be the arbiter of its own agenda and procedure;

13. Insists that the Commission should revise its proposals in the light of these Directives;

14. Requests its President to forward this Resolution and the Report of its Committee to the Council and Commission of the European Communities and the parliaments and governments of the Member States.
5. Notes, however, that the producers are only partially and temporarily compensated for their loss of revenue;

6. Admits that this system is a simple one and that it will avoid the introduction of compensatory payments in Benelux;

7. Resigned, moreover, to the temporary nature of the measure and in the light of the foregoing observations approves the proposal for a regulation;

8. Instructs its President to forward this Resolution and the report of its committee to the Council and the Commission of the European Communities.

Report from the Commission on the adjustment of short-term monetary support

Mr K. D. Arndt introduced his report, drawn up on behalf of the Committee on Economic and Monetary Affairs, on the report from the Commission of the European Communities to the Council (Doc. 147/73) on the adjustment of short-term monetary support arrangements and the conditions for the progressive pooling of reserves (Doc. 189/73).

The following spoke: Mr Artinger, on behalf of the Christian-Democratic Group, Mr Harmegnies, on behalf of the Socialist Group, Sir Brandon Rhys Williams, on behalf of the European Conservative Group, Mr Haferkamp, Vice-President of the Commission of the European Communities, and the rapporteur Mr Arndt.

Parliament then considered the motion for a Resolution.

The Preamble was adopted.

On paragraph 1, Sir Brandon Rhys Williams had tabled an Amendment No 1/rev., which he now moved.

Mr Arndt spoke.

Amendment No 1/rev. was rejected.

Paragraph 2 was adopted.

On paragraph 3, Sir Brandon Rhys Williams had tabled an Amendment No 3/rev., which he now moved.

Mr Arndt and Mr Lange, chairman of the Committee on Economic and Monetary Affairs, spoke.

Amendment No 3/rev. was rejected.

Paragraph 3 was adopted.

On paragraph 4, Sir Brandon Rhys Williams had tabled an Amendment No 4/rev., which he now moved.

Mr Arndt spoke.

Amendment No 4/rev. was rejected.

Paragraph 4 was adopted.

Paragraphs 5 to 8 were adopted.

The following Resolution was adopted:

RESOLUTION

on the report from the Commission of the European Communities to the Council on the adjustment of short-term monetary support arrangements and the conditions for the progressive pooling of reserves

The European Parliament,

— having regard to the report from the Commission of the European Communities to the Council (Doc. 147/73);
— having regard to the final Declaration of the Conference of Heads of State or Government of 19-20 October 1972;
— having regard to its Resolutions of 15 March 1973 (1) and 5 July 1973 (2);
— having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 189/73).

1. Recognizes that the Commission’s report mentioned above (Doc. 147/73) generally meets the requests put forward by the European Parliament;

2. Considers it desirable that the monetary authorities of each Member State should deposit 20 % of their monetary reserves in the appropriate proportions of gold, Special Drawing Rights and foreign currency in the European Monetary Fund on 1 January 1974. If the sums deposited are liable to interest, this interest shall be credited to the national monetary authorities making the deposits;

3. Does not consider it necessary to fix the Fund’s capital at 500 million u.a., but takes the view that a much smaller, even symbolical sum would be adequate and that there is nothing to prevent subsequent increases of capital from being derived from the Fund’s profits;

4. Considers a credit ceiling of the proposed amount to be mistakenly high in view of the present ample supply of liquid assets, and invites the Commission to propose a smaller money-creating potential for the European Monetary Fund. Parliament’s assumption is that the Fund’s credits will bear interest at rates conforming to the market situation;

5. Urges that the strengthening of the European Monetary Fund should also lead to a strengthening of the Community’s powers of decision in matters of economic policy. This applies in particular to Member States’ monetary, financial and exchange rate policies. Before further deposits of monetary reserves are considered, the Community’s responsibilities in the field of economic policy must be further strengthened;

6. Considers it necessary to remove by stages restrictions on monetary and capital movements within the Community and, where conditions make it possible and appropriate, to replace the present multiplicity of controls by a division of the currency markets. The control of monetary and capital movements within the Community must be abolished by 1980 at the latest;

7. Expects that Great Britain, Ireland and Italy will be able to join the European monetary system;

8. Instructs its President to forward this Resolution to the Council and Commission of the European Communities, to the Committee of Central Bank Presidents and to the Parliaments and Governments of the Member States.

(1) OJ No C 19, 12. 4. 1973, p. 28.
Economic and monetary policy (vote)

The first item was the vote on three motions for resolutions on economic and monetary policy (Docs. 437/78, 448/78 and 434/78).

_Motion for a resolution contained in the report by Lord Ardwick (Doc. 437/78):_  
The rapporteur spoke on a matter of procedure.

Parliament adopted the preamble.

On paragraphs 1 to 4, Mr Cunningham, Mrs Dunwoody, Lord Bruce, Lord Castle, Mr Hughes and Mr Prescott had tabled amendment No 5, seeking to replace these paragraphs by a new text.

The rapporteur spoke.

Amendment No 5 was rejected.

Parliament adopted paragraphs 1 to 4, then paragraph 5.

On paragraph 6, the following two amendments had been tabled:

— No 3 by Mr Forni, Mr Cot and Mr Brégégère, on behalf of the Socialist Group, seeking to modify the paragraph,
— No 6 by Mr Starke, Mr Notenboom and Mr Müller-Hermann, on behalf of the Christian-Democratic group (EPP Group), seeking to replace the paragraph by a new text.

The rapporteur spoke.

Amendment No 6 was adopted.

Mr Klepsch asked for separate votes to be taken on the two parts of amendment No 3.

The first part of amendment No 3 'the fight against speculation' was adopted.

The second part of amendment No 3 'the restoration of equilibrium to the international monetary system' was rejected.

On paragraph 7, Mr Forni, Mr Cot and Mr Brégégère had tabled amendment No 2, seeking to replace this paragraph by a new text.

The rapporteur spoke.

Amendment No 2 was rejected.

Parliament adopted paragraph 7.

After paragraph 7, Mr Forni, Mr Cot and Mr Brégégère had tabled on behalf of the Socialist Group amendment No 4, seeking to insert a new paragraph 7a.

The rapporteur spoke.

Amendment No 4 was rejected.

Parliament adopted paragraphs 8 to 10.

After paragraph 10, Mr Van Der Gun had tabled on behalf of the Committee on Social Affairs, Employment and Education amendment No 1, seeking to insert seven new paragraphs.

The rapporteur and Mr Wawrzik spoke.

Amendment No 1 was adopted.

Parliament adopted paragraph 11.

Parliament adopted the following resolution:

RESOLUTION  
on the revival of economic and monetary union

_The European Parliament,_

— having regard to its resolution of 11 March 1976 on the Community of stability and growth (1),

(1) OJ No C 79, 5. 4. 1976. p. 27.
— having regard to the motion for a resolution on the revival of economic and monetary union tabled by the Christian-Democratic Group (Doc. 496/77),

— having regard to the motion for a resolution on economic and monetary union tabled by the Group of European Progressive Democrats (Doc. 209/78),

— having regard to the initiatives taken at the European Council in Bremen,

— having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Regional Policy, Regional Planning and Transport and the Committee on Social Affairs, Employment and Education (Doc. 437/78),

1. Recalls that in 1972 the governments of both old and new Member States committed themselves to achieve full monetary union by 1980;

2. Deplores the lack of political will and the subsequent economic difficulties which prevented the implementation of this policy, adopted in 1972;

3. Considers that the international scale of the crisis and the interpenetration of the economies of the Member States prevent any one country from overcoming the economic and social crisis on its own; recognizes that in spite of national efforts, the continuance of the economic recession, accompanied by a structural crisis, is now a powerful argument for a determined new effort to make progress towards economic and monetary union;

4. Considers that the first steps must be taken towards economic and monetary union and that this is feasible even if a monetary union based on a single European currency cannot be envisaged from the outset;

5. Views in this light the Bremen proposal for the introduction of a European monetary system to minimize fluctuations in Community currencies, thereby establishing a zone of stability characterized by converging economic and monetary policies designed to promote higher growth rates and an improvement in the employment situation;

6. Stresses that for a European monetary system to be workable and, more important still, to lead to economic and monetary union, it must be accompanied by immediate national and Community economic policies oriented towards stability and growth and designed to further the convergence of Member States' economies with a reduction of regional and social disparities, above all by creating jobs in industries with a future; this would require the European monetary system to be organized in such a way that it aims at the achievement of exchange rate stability not only through the improvement of credit mechanisms, the fight against speculation, and transfers of resources within the Community as a means of promoting self-help, but also through accurately defined intervention provisions;

7. Points out that the reduction of regional and social disparities will be made considerably easier by a high rate of economic growth and that such growth will be encouraged by completing the construction of a real common market by removing all remaining barriers to trade between Member States;

8. Emphasizes that the establishment of a European monetary system must be thoroughly prepared, recalling that governments of Member States entered into the original EMU commitment without having fully appreciated the conditions and obligations which would need to be fulfilled;

9. Realizes that full monetary union with a single currency or irrevocably fixed parities is sharply differentiated from the transitional phase now envisaged, in that full union would require technical and political control over money supply and other macro-economic policies to be exercised by stronger central Community institutions, under the control of the European Parliament, instead of by national governments;

10. Notes, finally, that even a European monetary system which is not based on a single European currency requires mutually adjusted economic and monetary policies, failing which a further setback must be expected; this
would have even more serious implications than the setback of the Werner plan had for the desired progress of the Community towards greater integration, improved economic efficiency and thus political solidarity;

Social aspects

11. Is of the opinion that the EMU (EMS) to be established by governments must ultimately lead to a much more far-reaching alignment of the Member States’ economic policies and that this alignment can only succeed if it is accompanied by greater economic convergence and a reduction in the regional and social disparities between the Community Member States and if it has the wholehearted support of the Community’s citizens;

12. Is convinced that this will not be possible in the present social and economic situation if the plans for the EMU (EMS) are merely ‘backed up by a social policy (1)’, but only if the basic objective is recognized from the outset as an integrated economic, monetary and social policy;

13. Notes that, in contrast to the first Commission document (2), the new proposal (3) no longer treats social policy as entirely subordinate to the need for the smooth functioning of the economy but at least verbally acknowledges it to be of equal importance to, and an essential aspect of, economic policy;

14. Nevertheless considers the package of suggestions put forward by the Commission in February 1978 to be too restricted and incoherent a basis for attaining the objective set out in paragraph 12 of this resolution, since they remain limited by the present legal, financial and budgetary structure of the social provisions of the EEC Treaty;

15. Considers that the social component of the EMU (EMS) should be embodied in a long-term programme and that Article 235 of the EEC Treaty should consequently be invoked to provide a much broader legal basis for a vigorous Community social policy in order to adapt to current objectives and specific requirements the means provided for in the 1957 Treaty, which have in the meantime been superseded in political and economic terms, to which end the means provided for under the ECSC Treaty might also serve as a model;

16. Considers, moreover, that for the ESF, in the context of EMU (EMS),
— a considerable transfer of resources to the Fund,
— a fundamental extension of its tasks, and
— a radical reform of its management structure,

are essential, in particular to safeguard employment, and in general to make the Fund serve as the employment fund unmistakably intended in Article 125 (1) of the EEC Treaty; draws attention to its repeatedly (4) expressed demand that the Commission propose to the Council that the Commission, as manager of the Fund, should gradually be granted powers to act on its own initiative and, pending this development, expects the Commission to continue to propose to the Council, in given cases outside the scope of the Fund, special temporary budgetary appropriations for aid to specific sectors (5);

17. Also considers it urgently necessary for account to be taken at this stage of:
— the need in due course to extend the EMU (EMS) — with particular regard to its social aspects — between the present nine Member States to those countries which will shortly be acceding to the Community, and at the same time

(1) COM(77) 620 fin., p. 15, subparagraph (c).
(2) COM(77) 620 fin.
(3) COM(78) 52 fin.
(5) Fisheries sector (Doc. 357/77); Paragraph 47 et seq. of the resolution of 16 December 1977 (OJ No C 6, 9. 1. 1978, p. 120); see also Chapter 37 of the Commission section of the Community budget.
the implications of their accession for the EMU (EMS), in particular the increase in the freedom of movement for workers and the increasing economic and social disparities between the northern and southern regions of enlarged Community;

18. Instructs its President to forward this resolution and the report of its committee to the Council and Commission.
- No 6 by Mr Müller-Hermann, Mr Granelli and Mr Ripamonti on behalf of the Christian-Democratic Group (EPP Group).

Lord Ardwick spoke.

Amendment No 2 was adopted.

Amendment No 6, which was compatible with Amendment No 2, was adopted.

Parliament adopted paragraph 2 thus amended.

After paragraph 2, Mr Hoffmann had tabled on behalf of the Socialist Group amendment No 3, seeking to insert a new paragraph 2a.

Lord Ardwick spoke.

Amendment No 3 was adopted.

In paragraph 3, the following two amendments had been tabled:
- No 4 by Mr Hoffmann on behalf of the Socialist Group (withdrawn),

Mr Hoffmann gave an explanation of vote.

Mrs Dahlerup spoke on a technical matter.

Parliament adopted the following resolution:

RESOLUTION
on the establishment of a European Monetary System

The European Parliament,

- noting the declarations by the Council and Commission on the outcome of the Conference of Heads of State or Government held in Brussels on 4 and 5 December 1978,

- referring to the statements made at its plenary sitting of 13 December 1978,

- taking note of the resolution of the European Council of 5 December 1978 concerning the establishment of a monetary system as from 1 January 1979,

1. Considers that the creation of a zone of monetary stability in Europe is one of the prerequisites for the assumption of investment, economic recovery, improvement of the employment situation and progress in the construction of Europe, and, in view of this, is happy to note the establishment of a European monetary system as from 1 January 1979;

2. Is gravely concerned at the fact that not all the Member States felt able to participate fully in the system at this stage, and appreciates the efforts made by Italy which, by joining, will be contributing to the achievement of a common and balanced economic and monetary policy;

3. Draws the attention of the Council and Commission to the fact that, if care is not taken, the European monetary system could itself bring about new imbalances which steps should be taken to forestall;
1. Recalls emphatically that the European monetary system cannot be really and truly established unless convergent national economic and monetary policies and Community policies are pursued with the common aim of:

- increasing the rate of growth,
- curbing inflation,
- combating unemployment with a view to achieving full employment,
- remedying social, regional and national inequalities particularly by making better use of the Community instruments for the transfer of resources, and especially the Funds, designed to reduce structural imbalances;

5. Calls in this connection on the Commission to submit without delay a proposal for a supplementary budget to provide the necessary appropriations for the aid measures referred to in Section B 1 of the European Council resolution;

7. Invites each Member State, the Commission and the Council to adopt an attitude that encourages full participation by all Member States in the monetary system in order to increase its effectiveness and emphasize the fact that it is a Community system;

7. Instructs its President to forward this resolution to the Council and Commission and, for information, to the governments of the Member States.
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(a) the consultation of the European Parliament by the Commission and the Council concerning the application of European States to become full members of the European Community,
(b) the participation of the European Parliament in the ratification of treaties of accession, and
(c) the role of the European Parliament in the negotiation and ratification of other treaties and agreements;

6. Instructs its President to forward this resolution to the Council and Commission, to the Governments and Parliaments of the Member States and to the Greek Government and Parliament.

24. European Monetary System (vote)

The next item was the vote on the motion for a resolution contained in the Ruffolo report (Doc. 1-63/80).

The President announced that he had been asked to hold separate votes on a number of paragraphs.

Parliament adopted the preamble.

Parliament adopted paragraph 1 and then paragraph 2.

After paragraph 2, Mr Diana had tabled amendment No 1/rev. seeking to insert a new paragraph.

The rapporteur spoke.

Amendment No 1/rev. was rejected.

Parliament adopted paragraphs 3 to 5.

Parliament adopted paragraph 6 and then paragraph 7.

After paragraph 7, Mr Hopper had tabled on behalf of the European Democratic Group amendment No 2 seeking to insert a new paragraph.

The rapporteur spoke.

Amendment No 2 was adopted.

Parliament adopted consecutively paragraphs 8, 9, 10, 11 and 12.

Parliament adopted paragraphs 13 to 20.

The following gave explanations of vote: Mr Jaquet on behalf of the French members of the Socialist Group, Mrs Castle on behalf of certain Labour members of the Socialist Group, Mr Bonaccini on behalf of the Italian members of the Communist and Alliées Group, Mr Bangemann on behalf of the Liberal and Democratic Group and Mrs Castellina.

Parliament adopted the following resolution:

RESOLUTION

on the European monetary system (EMS) as an aspect of the international monetary system

The European Parliament,

— having regard to the motions for resolutions (Docs. 1-356/79 and 1-418/79),
— having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-63/80),

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1. Endorses the principles underlying the agreement on the European monetary system, which represents a vital stage in the process of Community integration towards the objective of economic and monetary union,

2. Welcomes the resilience shown by the system during its first year of operation, although the two successive adjustments suggest that it might be too flexible and the two mechanisms, viz. the bilateral margins and the divergence indicator, did not function in a balanced manner;

3. Notes, however, that the EMS is still precarious and vulnerable in three fundamental respects: the failure to establish a genuine process of economic convergence and the inadequate coordination of the Economic, financial and monetary policies of the countries involved, the inadequacy of the monetary and credit instruments and the lack of a coordinated policy with regard to the international monetary system and the dollar in particular;

A. With regard to the problems of economic convergence:

4. Emphasizes that progress in the two directions which the process of economic integration should take — structural convergence aimed at establishing a model for balanced and differentiated economic growth, and economic policy convergence — has been inadequate and subject to delays;

5. Considers it necessary to promote the process of convergence through the revision or consolidation of existing, and the introduction of new, common policies: the revision of the agricultural policy, the consolidation of regional policy and the introduction of new common policies in the energy, industry and research sectors;

6. Points out that, for this purpose, it is necessary to strengthen the Community budget through an increase in its resources, which itself would be linked to and depend on a restructuring of the Community budget; this objective calls for a more balanced distribution of expenditure among the various sectors which should be linked, in a multiannual context, to the Community’s medium-term programme aimed at achieving more harmonious growth and reducing disparities between the economies of the Member States;

7. Reaffirms that, to ensure effective coordination of national economic policies, this programme must lay down, for each country, growth objectives and constraints designed to create stability, in order to provide a firm economic basis for monetary and exchange discipline;

8. Welcomes the abolition of all exchange controls by the United Kingdom and the decision by the Federal Republic of Germany to ease informal controls on the inflow of capital, since the free movement of credit and capital is important to the functioning of the common market;

B. with regard to the monetary and financial instruments of the EMS:

9. Calls on the European Council to respect the original timetable (March 1981) for the 'second phase' of the EMS and to define the content of its various stages; stresses the need for the European Parliament to be consulted as a matter of course on all stages of the
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10. Regrets that the United Kingdom has not yet been able to participate fully in the European monetary system, and hopes that the conditions on which it may become a full member will soon be fulfilled;

11. Asserts the need to achieve more effective coordination with regard to guidelines and the adoption of measures relating to monetary policy and interest rate adjustments, in line with the economic policy objectives and constraints referred to in paragraph 7;

12. Considers, therefore, that, with due regard for the responsibilities of the central banks and of the Member States, account should be taken of the Community's interests on the basis of an analysis of the likely effects of the exchange rate adjustments envisaged in the other countries belonging to the European monetary system;

13. Emphasizes, in particular, the importance of the decisions to be taken on the role and structure of the European Monetary Fund, which should gradually develop into a central monetary authority; the strengthening of the credit mechanisms and the decisions concerning the necessary exchange rate adjustments mean that the new institution will have to have sufficient autonomy in order, for example, to exercise control over Euro-currency movements and, more generally, to ensure the balanced functioning of the European capital and exchange markets; the monetary authority will thus operate in the context of a coordinated European monetary policy;

14. Draws attention, in this connection, to the need to define more closely the role of the ECU, which should ultimately be used for reserve and payment purposes in international trade;

15. Stresses, above all, that the ECU must be made fully acceptable and must be established on a permanent basis to form the liabilities of the EMF, assets being represented by credit;

16. Points out that this is the only way in which the ECU can be used as a point of reference for the reorganization of the international monetary system;

C. with regard to the relationship between the EMS and the international monetary system:

17. While recognizing that the effect of external economic and monetary fluctuations varies considerably from one Community country to another, affirms the need to reduce the risks ensuing from the EMS's present vulnerability to outside influences, by taking decisions designed to coordinate exchange policies towards the dollar and based on the numerous technical proposals already put forward;

18. Recommends that the Community adopt an active policy aimed at introducing and developing a dollar 'substitution account' with the IMF;

19. Is convinced that, with stronger economic cohesion between the countries involved (A) and the creation of common monetary policy instruments (B), the ECU will be able to play an important part in restoring balance to the international monetary system; as an international reserve currency the ECU could thus facilitate the recycling of the oil deficit by alleviating the increasingly serious debt problems of the developing countries; this should be accompanied by the reform of the international monetary system to enable the oil producing
countries to have a full share in its management — and in the related responsibilities — and to provide substantial financial support to the poorest countries;

20. Emphasizes that these options are eminently political in nature and requests the Council, therefore, to go ahead with the necessary decisions, the responsible technical bodies having completed the preparatory work;

21. Instructs its president to forward this resolution and the report of its committee to the Council and Commission.
RESOLUTION

on the realignment of monetary parities of 4 October 1981

The European Parliament,

— having regard to the realignment of the parities between the European currencies decided upon by the Council of Finance Ministers on 4 October 1981,

— whereas this is the third readjustment of the parities between the currencies since the establishment of the European Monetary System,

— having regard to its resolution of 18 June 1981 (1),

— whereas the initiatives called for by Parliament on parities with currencies not belonging to the European Monetary System, and in particular the dollar, did not lead to any positive results at the Ottawa Summit in July 1981,

— whereas the unstable currency situation is very detrimental to the development of the economies of the Member States and is causing instability throughout the Community,

1. Calls on the Commission and the Council to say on what terms and by what methods they intend to achieve the full and gradual implementation of the agreement on the establishment of the EMS and of Parliament's resolution of 17 April 1980 (2);

2. Calls on the Commission to state without delay what measures it intends to take to extend the use of the ECU, at least for transactions within the Community;

3. Calls on the Commission and the Council to take the necessary steps to encourage a wide-ranging debate on the current and future situation of the EMS and instructs its President to make the appropriate contacts;

4. Instructs its President to forward this resolution to the Council and Commission.

(2) OJ No C 117, 12. 5. 1980, p. 56.
RESOLUTION

on the European Monetary System

The European Parliament,

— noting the relatively stable relationship maintained between those currencies which are full members of the EMS exchange rate mechanism despite the adjustments made to it,

— noting, by contrast, the extreme volatility of sterling against these currencies,

— having regard to the extreme fluctuation of exchange rates of other currencies, in particular the dollar, against EMS currencies,

— having regard to the 45% rise in the rate of the dollar against the ECU between July 1980 and August 1981,

— stressing the economic and industrial benefits of relative stability in exchange rates and the economic and industrial difficulties that can be caused by volatility in exchange rates,

— convinced that the EEC economy as a whole outweighs in potential the sum of its national parts,

— aware that the EMS, as presently constructed, is only a means of an end (i.e. Economic and Monetary Union) and is therefore in an inherently precarious state,

— whereas the average rate of inflation and the divergence in inflation rates have increased since the creation of EMS,

— aware that this situation is due to:
  (a) the lack of precise objectives and constraints in economic policy which would allow a more balanced development of the economies of the participating countries;
  (b) the poor convergence of currency policies within the system itself;
  (c) the lack of a joint currency policy with regard to the dollar;

— conscious that this precarious state will be accentuated by continuing divergencies in national inflation rates and economic policies, which prevent further steps being taken towards complete elimination of exchange rate variations,
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— aware of the reluctance of the governments and monetary authorities of the Member States to relinquish even a part of their monetary sovereignty, for fear of losing control over their own economic situation,

— noting the Council's failure to act and the Commission's lack of commitment as regards attaining the conditions for the transition to the second stage of the EMS provided for in the original agreements,

— having regard to the draft fifth medium-term economic policy programme prepared by the Commission (COM(81) 344 final),

— having regard to its resolution of 15 October 1981 on the realignment of monetary parities (1),

— having regard to the motion for a resolution by Mr Ruffolo and others (Doc. 1-761/80),

— having regard to the report of the Committee on Economic and Monetary Affairs (1-971/81);

1. Reaffirms its complete commitment to the goal of European monetary and economic integration
   (a) as being in the Economic and political interests of the European Community, its industries and its people;
   (b) as being a stabilizing influence in the world economy;
   (c) as providing thereby the potential of an alternative to the US dollar in world trade and investment flows;
   (b) and potentially helping to alleviate the world recession caused by imbalances in the world's money flows since the 1973 oil price crisis;

2. Urges the setting up of a European Currency Authority, with a high level of autonomy, which will be charged:
   (a) to issue and manage a European Currency Unit (ECU);
   (b) to coordinate exchange policies with regard to foreign currencies, in particular the dollar, so as to ensure greater stability of exchange rates;
   (c) to provide a means of settlement and store of value for international trade and investment;
   (d) to maintain the stability and good name, credibility and credit-worthiness of the ECU in its own right;
   (e) to foster the economic growth of Europe and well-being of its people;
   (f) to sponsor the voluntary adoption of the ECU by governments, businesses and individuals, with the aim of it achieving ultimately legal tender status in all Member States;

But in the meantime:

3. Hopes that the payments made between the various Member States on the one hand, and between the Community and non-member countries on the other, will be made in ECU without the need to first convert these into national currencies;

4. Calls on all Member States to work towards the lifting of all restrictions on capital flows within the EEC by eliminating artificial exchange controls as soon as possible;

5. Urges all Member States to reaffirm their commitment towards coordinating their economic, fiscal and monetary policies with the agreed aims of
   (a) eliminating inflation;
   (b) providing the base for genuine economic growth;
   (c) and thereby affording the opportunity for more and better employment prospects,

and asserts that coordination of exchange rate policies (as required by the EMS) should be a major element in this field;

6. Supports the Commission's call to the Member States, in its foreword to the draft fifth medium-term economic policy proposals, for them to improve internal monetary cooperation, to employ the ECU more in their borrowing and lending activities, and to abolish any technical or statutory rules which stand in its way;

Furthermore

7. Stresses the importance of Community regional and social policies to compensate the less advantaged geographical, economic and social sectors for the centralizing effects of such a large unified economic bloc;

8. Stresses that the European Community's world responsibilities, especially in relation to the Third World, will be increased by successful integration of its economic and monetary policies, and that these responsibilities must be shouldered whole-heartedly;

Therefore calls upon the Commission to:

9. Present to the Parliament and Council an annual review (separated from the annual economic review) of Community monetary and currency developments with particular regard to the EMS, the developing role of the ECU and progress towards European Monetary integration, incorporating proposals for Community action;

10. Present within 12 months a detailed proposal for setting up a European Currency Authority, as a development of the European Monetary Fund, and establishing the ECU as a Community currency in its own right, with particular regard to its degree of autonomy and political control, the appointment and role of its directors, and its capital structures;

11. Develop proposals for a concerted Community response to:
   (a) the effects of US and other foreign monetary policies whereby the Community acts as one in achieving a mutually beneficial accord between the world's most important economic units in the area of monetary and exchange rate policy;
   (b) the problem of recycling world liquidity to the mutual benefit of the oil States, the industrialized countries and the less developed countries;
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12. Open discussion with the British and Greek Governments on the appropriate terms and conditions for their full participation in the EMS at the earliest possible moment, and to do the same with Spain and Portugal in the normal process of the accession negotiations;

13. Prepare a programme for the progressive and complete withdrawal of all exchange controls within the EEC;

And calls upon the Council of Ministers to:

14. Declare in formal terms its commitment to European monetary integration and thereby provide a new and strengthened political will to the construction of the European Community;

15. Instructs its President to forward this resolution to the Commission, the Council of Ministers and Member State governments.
12. European Monetary System

— Doc. A2-196/85

RESOLUTION

on the European Monetary System

The European Parliament,

A. having regard to the motions for resolutions

— by Mr Glinne on the exchange rate of the dollar and the need to create a European currency (Doc. 2-1255/84),
— by Mrs Braun-Moser and Mr von Wogau, on behalf of the EPP Group, on the liberalization of the movement of money and capital in the Community pursuant to Articles 67ff of the EEC Treaty (Doc. 2-1289/84),
— by Mr Ciancaglini on the strengthening of the EMS and the use of the ECU (Doc. 2-1300/84),
— by Mr Franz and others on the establishment of a stable European Monetary System (Doc. 2-1344/84),
— by Mr Patterson, on behalf of the ED Group, on the inclusion of sterling in the Exchange Rate Mechanism of the European Monetary System (Doc. 2-1828/84),
— by Mr Costanzo and others, on behalf of the EPP Group, on the wider use of the ECU (Doc. B2-50/85),
— by Mr Le Pen and others, on behalf of the ER Group, on the wider use of the ECU (Doc. B2-129/85),

B. having regard to the Treaty establishing the European Monetary System and the various subsequent statements by the European Council,

C. having regard to the draft Treaty establishing the European Union, adopted in plenary sitting on 14 February 1984 (1),

D. having regard to various communications from the Commission on provisions for the practical implementation of that Treaty and the requisite processes of financial integration,

E. having regard to earlier reports and resolutions adopted on the subject of the European Monetary System,

F. having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A2-196/85),

(1) OJ No C 77, 19.3.1984, p. 27.
G. considering the latest developments in the world and the European monetary systems,

H. considering the continuing need to ensure the stability of the European Monetary System, to consolidate and extend it and to give it a more active role in the economic and monetary field at both Community and international level.

1. Stresses that the full achievement of the European Monetary System and the equipment of the European Community with its own currency are objectives closely linked to the progress of the process of construction of the European Union. More particularly, the strengthening of monetary stability in the Community and in the world, so as to achieve greater independence from the US Dollar, the consolidation and completion of the internal market, the establishment of a technological Community and the development of other Community policies require an effective strengthening and the completion of the European Monetary System;

2. Emphasizes that the process of monetary integration of the Community must always be viewed in the light of the developments of real aggregates. Economic convergence is a necessary precondition for the completion of monetary convergence;

3. Takes the view that a European currency would help to increase the Community's foreign trade and thus also create jobs; considers that a European currency would lead to considerable savings in costs;

4. Points out that a European currency would stimulate growth and is essential if the Community is to compete effectively with the USA and Japan in the long term; considers that a European currency would contribute significantly to stabilization of the world monetary system;

5. Recalls that these requirements, applicable today to the European Community, were also applicable in earlier times and in different situations to the establishment of national States. They form an important integral part of the draft Treaty of the Union and of the conclusions of the Dooge Committee;

6. Notes regretfully that the stages envisaged in the Treaty on the European Monetary System have not been observed and the objectives laid down have been only partially achieved, with very serious consequences for the process of European construction;

7. Regrets the fact that the European Council has moved away from the resolutions taken at the Bremen Summit of 6/7 July 1978 and that the Council of Ministers has not taken all the necessary action on the decisions of the European Parliament, and, in some instances, on the proposals of the Commission;

8. Takes the view that it is still important to convert the European Monetary System into a definitive system with a legal basis, as, moreover, should have happened after the first stage, i.e. after two years, in March 1981; urges that a decision on this matter be taken at an early date;

9. Notes that the decisions taken by the European Council in Luxembourg on 2 and 3 December 1985 are inadequate; they cover too much ground and do not indicate which measures are required in the short term to strengthen the EMS;

10. Approves the proposal made some time ago by the President of the Commission that the current reserves of the EMS should be increased from 50 billion ECU to 70-80 billion ECU;

11. Notes that, despite these negative developments and the absence of the expected legal instruments, in recent years increasingly frequent reference has been made in European society and European markets to the ECU and to the zone of relative stability which the European Monetary System has helped to create; notes, in fact, that the European Monetary System had led to a relatively stable currency zone in Europe, that exchange rate fluctuations have become smaller, that all Community countries are able to transact 40 % of their foreign trade using stable exchange rates because of the European Monetary System and that the exchange rate system has developed into one of the cohesive features of the European Community:
12. Welcomes this development which makes it all the more necessary to continue the policy of extending the public and private use of the ECU and calls on all the Community institutions to take the most appropriate and coordinated steps to create the necessary conditions for this goal to be approached rapidly, though in stages;

13. Points out that — despite the imperfections of the exchange mechanism embodied in the European Monetary System — the links established by it have already contributed to a significant approximation of the economic policies of the Member States and to a fall in their inflation rates, although divergent situations and serious regional imbalances persist. Progress towards the adoption of a single European currency could facilitate joint, though diversified, decisions at the macro-economic level;

14. Notes also that Community action to achieve full and effective convergence of the economies of the Member States will be promoted by positive interaction between measures for the free movement of goods, persons, services and capital; measures to develop and strengthen structures in Europe's least-favoured regions; and decisions aiming at the establishment of a genuine European Monetary System;

INTERNATIONAL MONETARY SYSTEM

15. Is convinced that reinvigorated and extended application of the method and policy of monetary and financial cooperation among the institutions of the Member States provides the canvas on which the successive stages to the achievement of a European currency and of a European Monetary Union can be inserted;

16. Considers that, in view of the experience gathered since the introduction of the European Monetary System, and particularly in the present period since the New York Summit of 22 September 1985, ever more carefully considered and coordinated measures are needed to strengthen the role and function of the Community within the international monetary system;

17. Welcomes the outcome of the New York Summit as regards the decisions taken concerning the exchange rate and stability of the US Dollar but deeply regrets that the Community was given no place at the negotiating table. Nor, sadly, was it given a place at the London Summit held on 20 January 1986;

18. Regrets that at the London Summit, no decisions were taken to reduce interest rates. Given the urgent need for stronger economic growth, investment incentives and a powerful campaign to combat unemployment, a coordinated reduction in interest rates is of the utmost importance; calls on the Commission and the Council to make this a priority issue and devote great attention to it;

19. Trusts that the principle of cooperation will prevail also at the international level, both in routine meetings of world bodies and in ad hoc meetings with representatives of the USA and Japan;

20. In this connection points out that recent experience has shown the growing importance of coordinated and effective action on world markets in the face of today's most serious and important monetary and financial problems (the exchange rate of the dollar and the yen, international debt). It has also become obvious that such action must be accompanied by trade and economic decisions and agreements which take account of the need for cooperation and for development in various parts of the world;

21. Stresses the importance of the recent initial results of action taken to bring the relationship between the dollar, the yen and the European currencies closer to the reality of trading power: this can contribute to increased stability and autonomy of the European Monetary System. Draws attention, however, to the impropriety of a procedure whereby decisions involving serious consequences for all the Member States and for the Community, when not all have taken part in the relevant meeting, may result in a climate of reduced Community solidarity;

22. Hopes, therefore, that:

(a) the reduction in the exchange rate of the dollar will be carried out in such a way as not to damage the European economies or destabilize the international economy,
(b) the outcome of the New York meeting will be examined in detail with the participation of the
Commission (1) with a view to identifying the measures needed to promote world economic
development and world trade and to coordinate action on world currency and financial
markets;

23. Draws attention, in this connection, to the limited success of the talks started in Seoul with
the aim of preventing a gigantic financial crash and of reviving world trade and creating condi-
tions for the gradual reduction of the excessive burden of international debts and of the interest
payable on them. Useful results can be expected from negotiations within GATT to eliminate
protectionist pressures in the USA, achieve a real opening up of the Japanese market and
stimulate the world economy and employment;

EUROPEAN MONETARY SYSTEM

24. The European Monetary Cooperation Fund (EMCF) must be strengthened in order to
improve monetary stability in the Community and that through the MECF the monetary
authorities can coordinate exchange rate intervention in respect of their own currencies and the
dollar; considers that in order to strengthen the EMCF a specific percentage of national gold and
dollar reserves must actually be transferred from central banks to the EMCF;

25. Insists that if the European Monetary System is to be strengthened, it is essential to
overcome the obstacles which still cause disparities between the positions of the various curren-
cies within it (non-participation in the exchange mechanism, wider fluctuation bands), and urges
all the signatory States of the European Monetary System agreement to participate in the
exchange mechanism; points out that recent events (fall in oil prices and in the value of sterling)
have clearly illustrated the dangers both to the EMS and to the ECU of the anomalous position
of the pound sterling; Considers in particular that the United Kingdom should join the intervention
mechanism of the EMS which provides support instruments capable of preventing dangerous
short-term fluctuations. Britain's participation would strengthen the status of the EMS, given that
London still remains one of the world's most important financial centres. Italy should abandon its
exceptional legal provisions and should observe the normal fluctuation bands;

26. Takes the view that speculative capital movements constitute a serious threat to monetary
stability; calls on the Commission, therefore, to investigate the nature and scale of such specula-
tive capital movements and to propose measures to counteract them;

27. Welcomes certain recent liberalization measures taken in some Member States in respect of
capital movements and exchange matters, but notes their restricted scope and therefore calls for
the introduction and appropriate progressive implementation in conformity with the guidelines
indicated by the Commission of a policy of dismantlement of safeguard measures and obstacles to
the movement of capital within the Community as well as of various forms of exchange control,
which are unnecessary restrictions as the EMS already provides an exchange rate discipline. Calls,
in this connection, on France and Italy in particular to remove or reduce the existing obstacles to
capital movements and not to impose new ones;

28. Calls on the Commission to instruct the Monetary Committee to investigate the charac-
teristics of the currencies and the currency, financial and foreign exchange markets of Spain,
Portugal and Greece and to propose suitable adjustments thereto in the expectation of full
participation by these countries in the European Monetary System.

The adjustment measures must take into account the particularities and problems of these
economies and must be in keeping with the objective of approximating their aggregates to the
Community average. Severe economic disturbances and exchange crises must be avoided if the
national monetary systems of these countries are to develop smoothly within the framework of
the European currency mechanisms;

29. Calls on the Commission to indicate the manner in which it implements its monitoring of compliance with the guidelines for achieving greater convergence, contained in its annual economic report, so as to establish a more productive relationship between the Community and the Member States, especially in respect of structural and economic policy measures to combat unemployment and to achieve a better balance of the economies.

30. Supports the Commission’s proposal for ‘adjustments to the Community financial assistance instruments so as to give them a more specific role as instruments of convergence within the EMS’ (1) and underlines the importance of endowing these instruments with a sufficient volume of resources;

31. Endorses the Commission’s proposal for ‘the financing and settlement of intra-marginal interventions in Community currencies, and abolition of the ECU’s acceptability limit’ (2);

32. Takes the view that the EMCF should be expanded and made into an autonomous European Monetary Fund; political conditions should be established in the medium-term for setting up an autonomous central bank for the European Community with responsibility for the money supply and interest-rate policy;

ECU

33. Welcomes the fact that the private-sector use of the ECU as a loan currency, in inter-bank transactions and foreign trade and as a means of payment has spread more rapidly than expected;

34. Reaffirms the total legitimacy of Community initiative and action in the monetary field and supports the proposal recently put by the President of the Commission to the Council of Ministers as a first step towards the resolution — admittedly partial, but nevertheless progressive — of some of the monetary problems that fall within the competence of the Community; as far as the aspects of a more strictly institutional nature are concerned, endorses the points made by the Committee on Institutional Affairs;

35. Finds deeply regrettable the fact that, seven years after the signing of the European Monetary System Treaty, conditions still do not exist for the transition to the subsequent stages envisaged in that Treaty, nor has the status of the ECU as a currency, which Parliament has repeatedly called for, been yet recognized;

36. Finds that this has deepened the contrast between the increasing use of, or reference to, the ECU in the economic life of European and third countries and the complete lack of progress in the Council of Ministers and the European Council. Finds that strengthening the ECU is an important aspect in improving the European Monetary System and that the lack of progress towards institutionalizing the European Monetary System means that a contrast now exists between public and private sector use of the ECU;

37. Takes the view that ever-increasing numbers of the general public would like to have access to a genuine European currency and welcomes the fact that according to recent opinion polls some 60% of Europeans are in favour of a European currency;

38. Is definitely in favour of making it possible for settlements between central banks, which at present are made 50% in ECU and 50% in other currencies, to be made 100% in ECU in certain cases. Official ECU balances should be made convertible so that central banks can use ECU balances/surpluses for intervention purposes;

39. Reiterates its favourable assessment of the measures envisaged at the conclusion of the informal Palermo agreement of April 1985, despite their rather limited importance, approving in particular those which allow third countries to hold ECUs (3) and looks forward to the early establishment of a clearing system based on the BIS at Basle;

(1) Communication from the Commission to the Council on developing the European Monetary System and draft Council resolution of 6 December 1984. COM(84) 678 final.
(2) Communication from the Commission to the Council on developing the European Monetary System and draft Council resolution of 6 December 1984. COM(84) 678 final.
40. Considers that — with a view to paving the way for the necessary improvements — the ECU should be used as a currency unit in all the administrative and financial activities of the Community; consequently considers it advisable to eliminate as soon as possible the fixed (as opposed to market) reference rates in the Common Customs Tariff and calls for a more careful and factual examination of the practice of referring to the DM, rather than the ECU, in the matter of agricultural prices;

41. Calls on the Institutions of the European Community to work steadily for the harmonization of the roles assigned at present to the ECU in the various Member States, with the aim of achieving greater, and eventually full, recognition of its states as a currency for the settlement of international transactions. This implies the elimination of obstacles and restrictions currently hampering its use and its further spread and availability. It should be possible for the ECU to be quoted as a normal currency on the world's exchanges and markets; all obstacles preventing residents and non-residents from holding ECU accounts and using them for every kind of banking operation without having to convert their balances, should be eliminated;

42. Calls on the Commission and the Council to extend the practice of denominating and settling in ECU loans granted to developing countries, to guarantee the freedom to offer services effected in ECU in the sector of insurance and the freedom of Community residents to hold financial instruments denominated in ECU;

43. Calls on the Commission to promote a coordinated action in favour of the use of the ECU in commercial billing, making use of the results of a large number of preparatory studies and of meetings held on this question as well as of any other enquiry or analysis which may prove necessary;

44. Considers it essential for coordinated action to be taken at Community level to ensure widespread use of the ECU in contracts and payments for large-scale supplies of energy resources, raw materials and foodstuffs (particularly for medium to long-term contracts);

45. Draws attention to the importance of encouraging use of the ECU as the currency unit for credit cards and travellers' cheques and for the various forms of saving and investment available to EEC citizens. The ECU should be used in contracting and tendering for public works and major public or private supply orders under pain of disqualification of the contractor;

46. Calls, therefore, on the Council to declare publicly the fixed nature of the ECU, leaving only very narrow margins for changes of the weightings of the currencies currently composing the basket;

47. Re-emphasizes the importance and the continuing relevance of Regulation 3181 of 18 December 1978 and of the role of the EMCF in the practical management of the European Monetary System and of the ECU so as to fully respect the autonomous function of the governors of the central banks who compose its management board;

48. Calls on the Commission to keep it informed of developments in the monetary situation and to submit periodic reports on the process of strengthening and consolidating the EMS and the ECU;

* * *

49. Instructs its President to forward this resolution, together with the report of the committee responsible, to the Council, the Commission, the Committee of Governors of the Central Banks, the Monetary Committee and to the national parliaments of the Member States.
6. Calls upon investors such as the World Bank, the Inter-American Development Bank, the European Community and the multinationals operating in these areas to make lending subject to stricter conditions as regards protecting and demarcating areas where projects are carried out, with a view to preventing further environmental damage as far as possible;

7. Reaffirms the principle that Indians must be treated on an equal footing with other groups of the population and that measures must be taken to guarantee them employment, education and social protection, although without threatening their identity;

8. Calls on the countries concerned to respect the recognized rights of Indians and to mark out officially the boundaries of their lands;

9. Urges the governments, local authorities and political parties of countries with Indian communities to enter into consultations with representatives of these communities with the aim of examining specific ways and means of protecting these groups of the population;

10. Calls on the governments concerned to respect the aboriginal communities, who should be free to lead their way of life, to preserve whatever aspects they choose and to change to the extent they desire;

11. Calls upon the UN to devote special consideration to the position of Indian communities;

12. Calls on the Commission to collaborate with the organizations engaged in efforts to protect Indians, particularly as regards projects which may affect the territory where they live;

13. Calls upon the Member States, the Council and the Commission to uphold IUCN's World Conservation Strategy, supporting native people's rights to harvest, in a responsible way, natural, renewable resources by traditional pursuits;

14. Calls on the Member States, the Council and the Commission, when concluding trade accords and bilateral agreements on social or cultural matters with countries having large Indian communities, to include provisions to protect the interests and identity of those communities;

15. Instructs its Political Affairs Committee to continue to monitor closely the question of indigenous peoples and to seek a suitable approach in this regard through its Subcommittee on Human Rights;

16. Instructs its President to forward this resolution to the Council, the Commission, and the governments of the Member States, as well as to the governments of those States which have large Indian communities, the UN, the ILO (more specifically the special rapporteur on problems of discrimination against indigenous populations), the World Bank and the Inter-American Development Bank.

11. Monetary integration

— Doc. A2-14/89

RESOLUTION

on the process of European monetary integration

The European Parliament,

— having regard to cooperation in economic and monetary policy as agreed in the Single European Act and the establishment of Economic and Monetary Union (Title II, Chapter 1, Article 102a (1) of the EEC Treaty)
having regard to the fact that the EMS has been in place for almost ten years and the experience gained over this period constitutes a sound basis for further progress,

— having regard to the motions for resolutions tabled by Mr Wedekind on restrictions on the free movement of capital and obstacles to the realization of the internal market arising from the privatization of banks, insurance companies and previously nationalized undertakings in France (B2-683/86), by Mr Bueno Vicente on the adoption of a single format for all banknotes issued by the Member States (B2-969/86), by Messrs Fourcans and Delorozoy on the regulations governing stock exchanges (B2-1621/86), by Mr Bueno Vicente on the adoption of the single format for all coins of the currencies of the Member States (B2-1363/86), by Mr Papoutsis and others on the EMS and the international monetary order (B2-1330/86), by Mr Eyraud and Mr Besse on the need for the Community to have a system promoting and financing exports (B2-586/87), by Mr Andrews on the availability of venture investment (B2-764/87), and on the need for an investigation of the credit and charge card market (B2-765/87), by Mr Bueno Vicente on the adoption of a single format for all banknotes and coinage used in the currencies of the Member States (B2-1109/87), by Mr Metten and others on events on the stock exchanges (B2-1217/87) and by Mr Megahy on the creation of a European Central Bank (B2-1808/87),

— having regard to its previous resolutions relating to the European Monetary System and to the development and use of the ECU,

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A2-14/89);

1. Notes that:

1. The Member States of the Europea Community have made major progress towards realizing the objective of securing convergence in economic policy and economic development. A good level of price and exchange rate stability has been attained;

2. The EMS, in the ten years in which it has been in place, has been a significant factor in internal and external monetary stability. The degree of fluctuation in the value of the currencies locked into the exchange rate mechanism in relation to each other has fallen considerably and is in general less than exchange rate variations between the currencies of other major industrialized nations. More than half the trade between the Member States of the European Community can now be conducted at known exchange rates, putting intra-Community trade on a firmer footing. Acceptance of the EMS as a currency grouping has grown. The EMS has made for stability in the world monetary system;

3. Inadequate coordination of the Member States' economic, monetary and budgetary policies has necessitated a number of central-rate adjustments within the EMS exchange rate mechanism. Occasional central-rate adjustment will be required until the Member States' economic, monetary and budgetary policies are effectively coordinated. Permanently fixed central rates typify a common currency area which is what European Economic and Monetary Union is designed to achieve. To attain this goal less-favoured regions might need budgetary transfers;

4. Economic integration continues to be hampered by order controls in intra-Community trade, by restrictions on the freedom to pursue an occupation and to provide services, by unwarranted barriers to the free movement of capital and to unrestricted payment transactions and by speculative capital movements. Fiscal, competition, structural and regional policy as well as policy on economic relations with non-Community countries, furthermore continue to vary widely;

5. The objective is to make up for this lack of integration by 1 January 1993, when the European internal market will have been established. Though completion of the internal market does not call necessarily for a common currency, further progress in monetary stability — reflecting increased convergence of the Member States in economic policy and in overall economic development — would facilitate equitable non-monetary economic integration too.
Completion of the internal market involves the narrowing of the margins of the parities of all Member States' currencies. This would also avert potential stresses and strains within the EMS, should there be full liberalization of capital movements in the Community by the end of 1992.

6. A functioning European internal market for goods and services including financial services, together with the necessary approximation of taxation systems, forms the essential basis for establishing a European Economic and Monetary Union. Economic and Monetary Union would impart new momentum to the European Community, boost growth, cut unemployment, bring about a lasting improvement in individual prosperity and heighten the Community's international influence. A single European currency is clearly essential for the creation of the European Economic and Monetary Union. A European Monetary Union would help to stabilize the world monetary system and would obviate expense on currency exchange and exchange rate hedging within the Community; costs and prices would be more transparent, thus boosting competition;

II. Resolves as follows:

7. The Governments of the Member States of the European Community must create, as soon as possible, the environment for establishing a European Monetary Union in line with the objectives set out in the Single European Act. All Community Member States must therefore participate in the EMS exchange rate and intervention mechanism and fulfil their obligation, under the Treaties of Rome, to pursue a common economic policy;

8. The objective of Economic and Monetary Union can only be realized by making gradual and equitable progress, at the same time, towards integration as regards economic and monetary policy. Economic policy as pursued by the twelve Member States must increasingly be geared to averting stresses and strains which may jeopardize monetary cohesion, by mutual and complementary adjustments to the economies of weaker and stronger Member States. Through closer cooperation between the Central Banks as well as greater coordination and cohesion of economic and social policies between the Member States, the EMS must be progressively expanded and geared up with a view to realizing this objective;

9. The Commission and the Council are called upon to take coherent action to pave the way for an Economic and Monetary Union of the Twelve by strengthening the Community's regional and structural policy to overcome the existing disparities on the level of structural development between Member States and to lose no time in drafting and adopting the regulations and directives required for completing the internal market; Approximation of fiscal systems should be introduced and a European Banking Authority set up. The scope of the cooperative economic development strategy should be widened and the powers of the Commission strengthened. The Commission is called upon to exploit its powers in the process of devising a Community economic policy and is requested to assess in greater detail in its annual and interim economic reports to the European Parliament, the progress made in harmonizing economic development in the Community;

10. Given further convergence in economic policy and economic development, and on the basis of the closer monetary cooperation agreed in Basle and Nyborg the fluctuation margins for the currencies included in the EMS exchange rate mechanism must be narrowed in stages as disparities in development and economic policy are eliminated; Two years after the completion of the internal market, i.e. 1 January 1995 — provided that enough convergence has been achieved — the margins of fluctuation between the Community currencies should be abolished and fixed exchange rates without fluctuation margins should enter into force; this is essential in order to establish the monetary basis for European Monetary Union;
11. The special arrangements now obtaining act as a brake on monetary integration. The United Kingdom must demonstrate its participation in the exchange rate mechanism in practical terms and Italy must phase out the concessions it enjoys and adopt the standard fluctuation rate. If the Spanish, Greek and Portuguese Governments formally decided to accede to the Monetary Union, they would be entitled to representation within the institutions of the Economic and Monetary Union. These countries would require a transitional period in which to attain economic and social convergence, which would hinge on their economic situation, and would have to take the measures needed to facilitate such integration. Should certain countries persist in refusing to join the EMS mechanism, their currencies would have to be excluded from the basket where monetary instability posed a threat to the stability of the ecu.

12. To promote the concept of a common European currency, the role of the ecu must be systematically developed and it must be more widely used in all private transactions. All obstacles to more extensive private use of the ecu must therefore be eliminated. There must, in particular, be recognition of the currency and of the accounts for which it can be used and it must be freely transferable across Community frontiers without having to be converted into national currency. The Commission and the other Community bodies are called upon to follow this principle for the conduct of all transactions, the payment of staff salaries and Members' emoluments and the settlement of external payments. The fact that the Bank of England now issues short term treasury bills in ecu is to be welcomed.

13. Progress as regards monetary integration calls for greater economic and social cohesion in the Community. All twelve Member States of the Community have to agree on the ultimate goal and the means of achieving it. However, by common accord, the Member States may move towards the agreed goal at different speeds. Nonetheless, all members are responsible for ensuring that the goal is attained by all Twelve. An upgraded role for the Committee of Governors of the Central Banks of the Member States of the European Economic Community is vital. This Committee must be given the task of proposing guidelines for fixing money supply targets, major interest rate decisions and a common policy of parties with respect to third currencies. Mutual understanding of political and organizational structures must be improved through a programme of exchange of central bank staff.

14. The Member States agreeing to participate in the EMS exchange rate mechanism must be called upon to institutionalize by 1 January 1992 the arrangements under which they cooperate in economic and monetary policy matters by setting up a European Council of Governors and a European Financial and Economic Council to carry out the groundwork for monetary union in cooperation with the Commission and the European Parliament.

15. If not all Member States agree to participate in the EMS exchange rate mechanism, the European Council of Governors as well as the European Financial and Economic Council would be set up by reciprocal agreement by those Governments of the Member States of the Community that have agreed to participate in the EMS exchange rate mechanism.

16. This Council of Governors would not only hold mandatory prior consultations; it would also coordinate both the choices concerning the trend in monetary growth in each Member State as well as the policies on interest rates to formulate a European monetary policy, to approximate monetary policy instruments and draft proposals for standardizing arrangements for supervising the banking system. The European Council of Governors would report at regular intervals to the European Parliament. The President of the Commission would attend meetings of this Council in an advisory capacity.

17. The European Financial and Economic Council would comprise the Finance and Economic Affairs Ministers of those Member States of the European Community that have agreed to participate in the EMS exchange rate mechanism. The core components of economic and fiscal policy would be laid down by this Council in cooperation with the Commission and the European Parliament. The President of the Commission would attend meetings of this Council in an advisory capacity.

18. European Monetary Union would be established with effect from 1 January 1995, provided that the prerequisites mentioned in this resolution are fulfilled in time. To this end, a
European Central Bank would have to be set up by agreement between those governments of the EC Member States that have agreed to participate in the EMS exchange rate mechanism; the European Central Bank — the Community-level institutional framework for a European central banking system involving all the Central Banks of the Member States of the European Monetary Union — would act as the Central Bank for the Union. The Central Bank of each Member State of the European Monetary Union should at this stage be independent of the corresponding political authority;

19. The euro would become legal tender in the Monetary Union (the spelling-euro — taken from the former coin of the same name). Euro banknotes would be issued by the European Central Bank and euro coins by the Governments of the Member States. The Member States would retain the right to mint coins. The minting and circulation of euro coins would be governed by a Community regulation. The euro to be used in the Monetary Union, which would not be based on a basket of currencies, would supersede the basket-based euro of the EMS and national currencies. National currencies would also remain legal tender until 31 December 1997 in order to facilitate the changeover to the new currency;

20. The value of the euro would be equivalent to that of the currency basket at the time the European Monetary Union is established. National currencies, which would remain legal tender alongside the euro for a transitional period, would have a fixed equivalent value in euro corresponding to the euro exchange rate for national currencies as at the date of the Union's establishment. The rights of certain banks in Scotland, Northern Ireland and Luxembourg to issue their own banknotes would need to be affected by a common European currency;

21. The European Central Bank would be federal in nature. It would have to be based on what are long-established national central bank structures. Implementation of monetary and credit policy decisions taken by the European Central Bank would remain the responsibility of the Central Banks of the Member States of the European Monetary Union;

22. The European Central Bank must be a cornerstone of a European Union based on price stability, growth and employment. Its monetary policy-making must not be subject to instructions from the Governments of the Member States of the European Monetary Union, the Commission, the Council or the European Parliament. Lending to public authorities in the Member States of the European Monetary Union — and this would apply to Community budgets too — should be solely for economic policy objectives and be highly constrained. Inflation brings about a lasting loss of international confidence in a currency, prevents sound economic growth and is anti-social. The European Central Bank must be the cornerstone of efforts to establish a stability-orientated European Monetary Union;

23. The European Central Bank would have at its disposal all the monetary policy instruments it required to meet its responsibilities. In its decisions on monetary policy it would be duty-bound to adhere to the main objectives laid down by the Financial and Economic Council in cooperation with the European Parliament. It would have to report at regular intervals to the European Parliament on its monetary policy and the overall economic impact thereof;

24. All Member States of the European Community are urged to meet as soon as possible the conditions for acceding to the European Monetary Union. Once the monetary union is complete, the powers of the European Financial Council would be ceded to the European Community and it would become a Community institution with the obligation to cooperate with the European Parliament on all fundamental questions of European Monetary Union;

III: Instructs its President to forward this resolution (and an Annex thereto containing a discussion-model for a statue of a European Central Bank) to the Council, the Commission, the Parliaments of the Member States, the Governors of the Central Banks of the Member States of the European Community as well as the President of the Monetary Committee.
Annex

SUGGESTED STATUTES OF THE EUROPEAN CENTRAL BANK

Article 1

Establishment of the European Central Bank

The European Central Bank is to be founded pursuant to Articles 102a and 236 of the EEC Treaty by agreement between the Member States of the European Economic and Monetary Union. It shall be established in accordance with the said agreement and these Statutes. It shall discharge its duties and conduct its activities on the basis of these Statutes.

Article 2

European central-banking system

1. The European Central Bank shall be the Community institution for a European central-banking system involving all the Central Banks of the Member States of the European Economic and Monetary Union. The European Central Bank shall be federal in nature and shall be based on National Central Bank structures, which are long-established.

2. The Central Banks of the Member States of the European Economic and Monetary Union shall become members of the European central-banking system. They shall be responsible for implementing the monetary and credit policy decisions taken by the Board of Governors of the European Central Bank Council except where this falls exclusively to the Management Committee. National laws governing Central Banks and statutes shall be amended accordingly.

Article 3

Legal form

The European Central Bank shall be an international legal person.

Article 4

Capital

When all the Member States join the Monetary Union the capital of the Bank shall be 250 million ecus subscribed by the Member States of the European Monetary Union as follows:

- Federal Republic of Germany: 40 000 000
- France: 40 000 000
- Italy: 40 000 000
- United Kingdom: 40 000 000
- Spain: 20 000 000
- Belgium: 15 000 000
- Netherlands: 15 000 000
- Denmark: 10 000 000
- Greece: 10 000 000
- Portugal: 8 000 000
- Ireland: 8 000 000
- Luxembourg: 4 000 000

The Member States of the Community shall pay over their shares upon accession to the Monetary Union.

Article 5

Seat of the European Central Bank

The seat of the European Central Bank shall be laid down by common accord by the Governments of the Member States of the European Economic and Monetary Union.
Article 6

Duties and responsibilities

By exercising the monetary policy-making powers granted by these Statutes, the European Central Bank shall regulate the money supply and the provision of credit to the economies of the Member States of the Economic and Monetary Union, with a view to securing monetary stability, and shall be responsible for interbank clearing of payment transactions within the European Economic and Monetary Union and involving third countries.

The European Central Bank shall supervise the banking system and shall work closely with the monetary authorities of third countries and international bodies, such as the IMF and World Bank, in promoting international monetary stability.

Article 7

Position of the Bank vis-à-vis the Council of Ministers, the Commission and the European Parliament

1. Its objective shall be to issue and destroy currency in accordance with an obligation to secure monetary stability. The implementation of its monetary policy decisions shall not be subject to the decisions of the Council of Ministers, the European Financial and Economic Council, the Commission of the European Communities or the European Parliament.

2. The European Central Bank shall be duty-bound, in order to meet its responsibility to ensure stability, to cooperate closely with the Financial and Economic Council of the Economic and Monetary Union, as well as with the Community institutions, and to support the economic policy guidelines adopted by the joint decision-taking authorities of the Economic and Monetary Union.

3. In monetary matters of major importance, the European Central Bank shall advise the Commission, the Council of Ministers as well as the decision-taking authorities of the Economic and Monetary Union and, upon request, supply them with information.

4. The Presidents of the Commission of the European Communities, of the Council of Ministers and of the European Parliament shall be entitled to attend meetings of the Board of Governors of the European Central Bank. They shall not be entitled to vote, but may table motions. A decision shall be deferred for up to two weeks if they so request.

5. The Commission, the Council of Ministers and the decision-taking authorities of the Economic and Monetary Union shall involve the President of the European Central Bank in their discussions on important monetary matters. The President of the European Central Bank shall account to Parliament or its Committee on Economic and Monetary Affairs and Industrial Policy at least three times a year for the policy of the European Central Bank.

Article 8

Executive authorities

The executive authorities of the European Central Bank shall be the Board of Governors of the European Central Bank and the Management Committee.

Article 9

Board of Governors of the European Central Bank

1. The Board of Governors of the European Central Bank shall lay down the monetary and credit policy of the Bank. It shall issue general guidelines for the conduct of business and administration and shall define the respective powers of the Management Committee and of the Boards of Governors of the National Central Banks in accordance with the provisions of these Statutes. Under certain circumstances, it may issue instructions to the Management Committee and to the Boards of Governors of the National Central Banks.
2. The Board of Governors of the European Central Bank shall comprise the Presidents of the National Central Banks, the President and the Vice-President of the European Central Bank and the other members of the Management Committee.

3. Meetings of the Board of Governors of the European Central Bank shall be chaired by the President or Vice-President of the European Central Bank. Decision-taking shall be by a majority of the votes cast.

Article 10

Management Committee

1. The Management Committee shall be responsible inter alia for implementing the decisions taken by the Board of Governors of the European Central Bank. It shall direct and manage the affairs of the Bank except where these fall to the Boards of Governors of the National Central Banks.

The Management Committee shall bear an exclusive responsibility for the following in particular:

(a) Transactions involving the Commission of the European Communities,
(b) Transactions involving financial institutions playing a pivotal role in the Monetary Union,
(c) Foreign-exchange and international transactions.

2. The Management Committee shall comprise the President and Vice-President of the European Central Bank and six other members. Only persons whose independence and competence are beyond doubt shall be appointed to the Management Committee.

3. The Management Committee shall be appointed by the Council of Ministers of the European Community on the basis of a list proposed by the Commission and the European Parliament. Members shall be appointed for eight years.

4. Agreements with the Board of Governors of the European Central Bank shall govern the legal status of the various members. Endorsement by the Council of Ministers and the European Parliament shall be required.

5. Meetings of the Management Committee shall be chaired by the President or Vice-President of the European Central Bank. Decision-taking shall be by a majority of the votes cast.

Article 11

Representation

The European Central Bank shall be represented in judicial and other matters by the Management Committee; the Board of Governors of a National Central Bank may act on its behalf on matters relating to the bank concerned.

Article 12

Legal status of the officials and other staff of the European Central Bank

1. The officials and other staff of the Bank shall be subject to the authority of the President. They shall be engaged and dismissed by him or her.

2. The Board of Governors of the European Central Bank shall determine, in consultation with the staff committee and/or representatives of employees’ organizations, the legal status of officials and other staff in staff regulations.

Article 13

Monetary policy-making powers

1. In order to regulate the money supply and lending, the Board of Governors shall lay down the interest rates and other terms applicable to its money market operations and the principles on which its operations on the money, capital and open markets are based. It may lay down minimum reserve ratios.

2. The European Central Bank may engage in foreign exchange dealings at its own risk.
Article 14

Ecu issue

The European Central Bank alone shall be entitled to issue bank notes in accordance with these Statutes. Its notes shall be denominated in ecu. They shall be the only legal tender upon which there are no restrictions. The European Central Bank shall publish details of the denominations and identifying features of its notes issued.

Article 15

Statistical surveys

In pursuit of its duties, the European Central Bank shall be entitled to call upon the Member States of the Monetary Union and all financial institutions established within the Union to provide statistical information.

Article 16

Annual accounts and appropriations of profits

1. The financial year shall coincide with the calendar year.

2. The accounts of the European Central Bank shall follow proper bookkeeping principles.

3. The Management Committee shall draw up the annual accounts as soon as possible. The accounts shall be audited by one or more auditors appointed by the Board of Governors of the European Central Bank by common accord with the Court of Auditors of the European Communities. The Board of Governors of the European Central Bank shall approve the annual accounts, which shall be published by the Management Committee.

4. The Court of Auditors of the European Communities shall conduct its own audit on the basis of the auditors' report. The auditors' report and the statement thereon by the Court of Auditors of the European Communities shall be forwarded to the Council of Ministers, the Commission and the European Parliament.

5. The profits generated by the European Central Bank shall be transferred to the European Investment Bank. These funds shall be used to finance borrowing with the aim of greater convergence in living conditions in the European Community.

Article 17

Rules of procedure

The rules of procedure of the European Central Bank shall be adopted by the Board of Governors of the European Central Bank.

Article 18

Winding up

The European Central Bank can only be wound up under an agreement between the Member States of the European Monetary Union. Arrangements for the disposal of assets shall be laid down in this agreement.
4. Deplores all acts of violence which represent a danger for democratic stabilization;

5. Welcomes the fact that the return to democracy not only enables the Chilean people to win back their political freedoms, with civil power being put back into the hands of the people, but also means the establishment of a system of government based on the safeguarding of human rights and the achievement of balanced economic and social development which will allow all Chileans to lead a dignified life;

6. Stresses the importance of the social agreement reached by employers and workers, represented by the 'Central Unitaria de Trabajadores' trade union, with the approval of the government, which marks a significant move towards harmony and concerted effort in the sphere of social justice and economic development;

7. Calls on the Member States of the Community to support all moves in the political, cultural and economic spheres towards intensifying relations between the European Community, its Member States and the Republic of Chile;

8. Urges the Commission to submit to the Council as soon as possible the guidelines for negotiating an advanced cooperation agreement with Chile, a so-called 'third generation agreement' and to draw up a short and medium-term programme to help the new democratic government to remedy the severe social deficit in Chile, particularly in the sectors of education, public health, housing and technological development;

9. Urges the Council to put forward proposals for Latin American governments to have access to European Investment Bank loans;

10. Welcomes the steps taken by the Aylwin Government to address human rights issues, in particular the release of political prisoners, and looks forward to further releases;

11. Instructs its President to forward this resolution to the Commission, the Council, the Foreign Ministers meeting in European Political Cooperation and the governments of the Member States of the Community, the Latin American Parliament and the Government of the Republic of Chile.

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2. Economic and monetary union

— Doc. A3-99/90

**RESOLUTION**

on Economic and Monetary Union

*The European Parliament,*

— having regard to its resolution of 14 April 1989 (*) on the process of European monetary integration and its resolution of 25 October 1989 (†) on Economic and Monetary Union,

— having regard to the Commission's working document of March 1990 which rules out both a system based on competition between monetary policies and any system which does not provide for closer economic union since these two systems do not offer any guarantee of stability and do not reflect political trends in the Community,

(*) OJ No C 120, 16.5.1989, p. 331.

— having regard to the interim report of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A3-99/90),

A. whereas Economic and Monetary Union is a declared aim of the Community voiced on repeated occasions after 1969 until it was finally enshrined in the EEC Treaty by virtue of the Single Act and explicitly reaffirmed by the Hanover, Madrid and Strasbourg European Councils,

B. whereas the harmonious achievement of this objective depends to a great extent on the acceleration of the political union of the Community with a revision of the Treaties involving a greater role for the European Parliament; and whereas this political union is made all the more necessary by the unification of Germany and the present developments in the Eastern European countries,

C. whereas completion of the single internal market cannot afford all the lasting, permanent advantages which the public expects unless it is rapidly cemented by means of Economic and Monetary Union in which the basic objective of a single currency will be attained via the progressive use of a common currency (the ecu) (1),

D. whereas the advantages of Economic and Monetary Union for the public, as well as for the governments of the Member States, are greatest when that Union is carried to the ultimate degree, namely a single currency; whereas, conversely, the constraints weighing on the national governments are heaviest when the latter commit themselves to maintaining permanent fixed exchange parities,

E. whereas the beneficial effects that Economic and Monetary Union will have on economic growth and employment are likely to afford the Member States and the Community considerable scope for intensifying their policies in the social, regional and ecological spheres and for giving more meaningful expression to solidarity with the countries of Eastern Europe and the Third World; furthermore, these policies must be implemented actively and pursued with determination,

F. whereas on account of their interplay, economic convergence and cohesion and monetary unification must go hand in hand and whereas, in this connection, the Treaties must be amended in order to enable the Community to consolidate Economic Union and Monetary Union alike,

G. whereas Monetary Union must bring about monetary stability and promote economic and social progress and whereas these objectives can be guaranteed by means of a European central bank system (ECBS) whose autonomy has been secured in advance on the basis of clear legal bases,

H. whereas the ECBS must be given sole power to expand the money supply and the associated power, without requiring prior authorization, to use all the instruments which the leading modern central banks now have at their command to influence the money markets,

I. whereas the above autonomy is situated in the context of concerted action and cooperation with the Community institutions and the national authorities and implies a duty to lend active support to the general economic policy objectives laid down by the Community's political authorities,

(1) For the purposes of this resolution:

A common currency is understood to be a currency circulating in parallel with the national currencies with which a fixed exchange parity has been established and which, without being legal tender, may be accepted and held freely in each of the Member States. The ecu already constitutes such a common currency, its value being determined by the weighted value of the currencies contained in the basket making up the ecu.

A single currency presupposes a single issuing authority, common management of foreign currency reserves, interest rates and exchange rates vis-à-vis third currencies, i.e. the abolition of the monetary powers of the national central banks.

In such a case, the national currencies can exist only as accounting currencies. Their relationship with the single currency would be established irrevocably and their value expressed as a multiple or percentage of the single currency. Such a single currency could circulate in the form of banknotes printed with the ecu value on one side and the national currency equivalent on the other. Notes and coins in circulation account for less than 10% of the money supply.
J. whereas, in a democratically ordered society, the above autonomy must be counterbalanced by being made subject to public accountability and whereas the leaders of the ECBS must consequently be called to give an account of their stewardship before the European Parliament,

K. whereas the central bank of a federative system must be invested with a twofold legitimacy, that conferred by the people and that conferred by the Member States, and whereas the procedure in our Community legal system which accords most closely with that twofold legitimacy is the one which requires the Council and Parliament each to give their assent, acting on a proposal from the Commission, for determining the statute and operating procedures of the ECBS,

L. whereas to prevent the emergence of a centralized and bureaucratic monetary institution the European central bank should abide by the subsidiarity principle and entrust as many tasks and roles as possible to the existing central banks, its role being primarily one of coordination,

M. whereas, in order to avoid any prejudice by national authorities to the objective of monetary stability and the convergence of the Member States' macroeconomic policies, strict rules should be fixed strictly limiting the monetary financing of public deficits and banning the automatic bailing-out by the Community of any Member State in budgetary difficulties,

N. whereas the Community must provide itself with the intervention machinery and means required to ensure that the beneficial effects of Economic and Monetary Union are felt in all its regions,

O. whereas, although Community monetary policy can only be a single entity, the diversity of the national economies is still such that there is no option but to continue to apply economic policy measures on a case-by-case basis; whereas that diversity may, in addition, dictate a form of monetary integration which varies according to the Member States and is phased over time according to the degree of their economic convergence;

1. Emphasizes the urgent need to complete the single market by 31 December 1992 and to complement it by establishing Economic and Monetary Union at the earliest opportunity with a view to introducing a single currency as soon as possible;

2. Takes the view that adequate instruments to implement a Community economic policy should be created at Community level;

3. Considers that Economic and Monetary Union cannot be regarded as a realistic prospect unless at the same time the Community provides itself with the legal, budgetary and institutional means of ensuring greater coordination and convergence between the Member States' respective economic policies with a view to greater economic and social cohesion within the Community;

4. Cannot imagine that such a system would work unless budgetary policies are closely coordinated to ensure they are consistent with a monetary policy aimed at promoting stability and with other policies geared towards various other objectives such as balanced growth, full employment and a clean environment; this will involve strengthening the role of the Community budget with a view to promoting the social and economic cohesion of the Member States;

5. Welcomes the decision of Member States' authorities to avoid monetary financing of public deficit and the automatic bailing-out by the Community of any Member State in budgetary difficulties;

6. Agrees, however, with the Commission that direct rules placing upper limits on national budget deficits are neither necessary nor enforceable;

7. Considers that Economic and Monetary Union must be based on a European system of central banks entrusted with the task of autonomously pursuing a common monetary policy aimed at promoting price stability and based on criteria designed to further the balanced economic and social development of the Community and implemented, in accordance with the principle of subsidiarity, by means of a substantial delegation of powers to the national central banks.
8. Considers it essential for the principles of monetary stability and the autonomy of the European central banking system and the need to support general economic policy objectives to be enshrined in the Treaties, and for the mechanisms establishing this autonomy to be the subject of legal guarantees;

9. Considers that a European central banking system should be created that decides autonomously how to implement the monetary policy objectives agreed by the Council and approved by the European Parliament, while ensuring price stability and supporting the objectives of the general economic policy formulated by the Council and the European Parliament; in order to avoid any prejudice by national authorities to the objective of monetary stability and the convergence of the Member States' macro-economic policies, strict rules should be fixed strictly limiting the monetary financing of public deficits and banning the automatic bailing-out by the Community of any Member State in difficulty, the authorities in charge of the ECBS must report annually on their management of the system to the Council and the European Parliament;

10. Believes that the authorities in charge of the ECBS should give an account of their activities at least once a year to the European Parliament; if and when special economic or currency conditions so require, they shall also make additional reports;

11. Calls for a system of cooperation relationships to be established between the central bank and those responsible for the Community's economic policy to help ensure that internal monetary policy is consistent with external exchange rate policy and to promote coordinated economic policies on the understanding that the general guidelines on exchange rate policy are determined at political level;

12. Calls for monetary integration to be brought very rapidly to the stage where a single currency, the ecu, can be introduced to ensure that the potential advantages of the single market and Economic and Monetary Union are fully exploited, it being understood that a single currency can circulate alongside other currencies, particularly existing national currencies (1);

13. Calls on the Commission to examine the budgetary and financial measures and the instruments needed to ensure a reasonable spread among the regions of the welfare gains arising from implementation of common policies, the internal market and Economic and Monetary Union;

14. Urges all the Member States simultaneously to use their best endeavours to achieve Economic and Monetary Union while anticipating that some countries might be granted longer deadlines for embarking on the various stages of integration provided such delays are justified; regards it as unacceptable, however, for formal commitments to be reneged on and the interests of 320 million citizens thwarted by a minority;

15. Declares its willingness to propose precise amendments to the treaties relating to Economic and Monetary Union;

16. Reaffirms that the next intergovernmental conference must consider what changes are needed to the Treaties to extend the Community's possibilities for action in the social area and environmental matters;

17. Instructs its President to forward this resolution to the Commission, the Council, the governments and parliaments of the Member States and the Economic and Social Committee.

(*) See recital C and the accompanying footnote.
(d) contributing directly to the setting up of a 'neutral camp' in Thailand and, subsequently, to
the preparation and return of refugees who wish to go home;

This could include the appointment in Bangkok or Phnom Penh of a representative of the
Commission for Refugees who would work in close cooperation with the UN Special Representa-
tive;

16. Instructs its President to forward this resolution to the Commission, the Council, Euro-
pean Political Cooperation, the governments of the Member States, the Thai Government, the
UN Secretary-General and the Office of the UN High Commissioner for Refugees.

5. Economic and Monetary Union

— A3-223/90

RESOLUTION

on Economic and Monetary Union

The European Parliament,

— having regard to its resolutions of 14 April 1989 on the process of European monetary
integration (1), of 25 October 1989 on Economic and Monetary Union (2), of 16 May 1990
on economic and monetary union (3), and of 11 July 1990 on the Intergovernmental
Conference in the context of the European Parliament’s strategy for European Union (4),

— having regard to Rule 121 of the Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs and
Industrial Policy and the opinions of the Committee on Budgets and the Committee on
Regional Policy and Regional Planning (A3-223/90),

A. whereas the preamble to the EEC Treaty contains an undertaking by the Member States to
strengthen the unity of their economies and to ensure their harmonious development by
reducing the differences existing between the various regions in the Community and the
backwardness of the less-favoured regions,

B. whereas the Single Act stresses the need to reinforce economic and social cohesion,

C. whereas the credibility of Economic and Monetary Union will depend on its capacity to
bring about a general improvement in the wellbeing of the nations of the Community,
including the attainment of the goals outlined above,

I. With a view to the establishment as rapidly as possible of an Economic and Monetary
Union between all the Member States of the Community, submits to the participants in the
Intergovernmental Conference convened for that purpose for their consideration the amend-
ments that should be adopted to the Treaty of Rome, and in particular to Article 102b thereof as
regards Monetary Union and Articles 103, 104 and 105 as regards Economic Union, without
prejudice to any other modifications which may be necessary, especially with regard to Title V of
the Single European Act and the Community budgetary provisions.

(1) OJ No C 120, 16.5.1989, p. 331.
(3) OJ No C 149, 18.6.1990, p. 66.
(4) Part II, Item 106(b) of that day’s Minutes.
PART THREE, TITLE II of the Treaty

Economic and monetary policy

Article 102a

In order to ensure the convergence of Economic and Monetary policies which is necessary for the further development of the Community, Member States shall strengthen their cooperation in the framework of the Community in accordance with the objectives of Article 104.

In this connection, the Council shall, acting by a qualified majority on a proposal from the Commission and in co-decision with the European Parliament, adopt measures to phase in Economic and Monetary Union.

Monetary union

Article 102b

Article 1

The Community shall adopt measures to phase in Economic and Monetary Union over a period ending on 31 December 1995.

However, in accordance with the procedure laid down in Article 2, certain Member States may be granted, at their request and in the light of their specific situation, longer time-limits for the adoption of certain provisions relating to Monetary Union.

Monetary Union shall imply the circulation of a single currency, the conduct of a single external and internal monetary policy and the establishment of a European system of central banks, including an autonomous European Central Bank.

Article 2

Ecu

The monetary unit of the Community shall be the Ecu. Its legal status and the conditions and procedures for its issue shall be governed by regulation of the Council, acting by a qualified majority on a proposal from the Commission and in co-decision with the European Parliament.

Article 3

The European Central Bank

The European Central Bank, a public institution constituted under Community law and enjoying legal personality and financial autonomy, shall be governed by the statutes adopted in accordance with the procedure laid down in Article 2.

It shall issue ecus under the conditions laid down by the same procedure. In each of the Member States the Bank shall enjoy the widest legal capacity granted to legal persons under national law.

Article 4

Basic tasks

Within the framework of the objectives of economic and social policy laid down by the Council and Parliament, the European Central Bank shall implement an internal and external monetary policy the objective of which is monetary stability. The Bank shall be the guarantor of such stability.

It shall manage exchange rates and foreign exchange reserves in accordance with the guidelines laid down in cooperation with the Council.
It shall ensure the smooth functioning of currency markets and payment systems. To that end, it shall contribute to the smooth functioning of financial markets and the creation of a stable and equitable international monetary system.

Article 5

Related tasks

In addition to the basic tasks provided for in the preceding article, the Bank shall:

1. Coordinate the supervision of credit institutions having their seat or branch in the Community. It shall interpret and implement the relevant Community legislation;

2. Implement agreements binding on the Community in the monetary and credit sphere. It shall be involved in the conduct of external relations in its sphere of activities. The Council, acting in co-decision with the European Parliament, shall authorize the Bank to conclude agreements binding on the Community in the monetary sphere, and to represent the Community in international monetary organizations;

3. Advise the Commission on any legislative proposals which that body may make concerning monetary, banking or financial matters. The Bank may deliver opinions to any Community or national authority on matters falling within its sphere of responsibility;

4. Collect information and compile statistics, either from national or Community authorities or international bodies, or directly from economic operators, in the areas falling within its sphere of responsibility;

5. Undertake any other task allotted to it under Community law.

Article 6

Autonomy of the European Central Bank

The Bank shall act independently. It may not request or receive instructions from the national authorities or institutions, or from the Council or Parliament.

Pursuant to its task of maintaining monetary stability, the Bank shall be required to support the economic and social policy guidelines drawn up by the Community institutions in accordance with the objectives laid down in the Treaty.

The President of the Council and the President of the Commission shall be informed beforehand of the agenda of the meetings of the Governing Council of the Bank. They may take part in the meetings of the Governing Council at any time. They may appoint a person responsible for economic and financial policy to represent them. In cases which have a serious bearing on Community economic and monetary policy, the Presidents or their representatives may decide that deliberations be suspended for a week.

Article 7

Decisions of the Bank

In the performance of its tasks, and in accordance with the stipulations of this Treaty, its statutes or any other act of Community legislation, the Bank shall take general or specific decisions which shall be binding in all respects and directly applicable.

The general decisions shall be published in the Official Journal of the European Communities. The other decisions shall be notified to the public authorities and economic operators to whom they are addressed.

Without prejudice to the sanctions applied in the Member States, the Bank shall impose appropriate, non-penal sanctions in the event of any violation of its decisions in accordance with the conditions laid down by Community law.
The arrangements laid down by Articles 190 to 192 of the Treaty establishing the EEC in respect of regulations, directives and decisions of the institutions shall be applicable to the decisions of the Bank.

Article 8

Cooperation between central banks

The Bank shall take the necessary steps to organize cooperation between the central banks of the Member States.

National central banks shall be subject to the authority of the Bank to the extent required by the latter's exercise of its powers in the monetary sphere.

The Bank may make the actions taken by national central banks in this sphere subject to its prior agreement in accordance with rules which it shall determine.

The Bank shall take the measures needed to ensure compliance by national banks with Community requirements in respect of matters falling within its sphere of responsibility. All appropriate information shall be forwarded to it.

The Bank may delegate the performance of certain tasks to one or more national central banks in accordance with conditions which it shall lay down.

The Bank shall ensure that expenses incurred by national central banks in meeting obligations in pursuance with the provisions of this article are covered.

Article 9

Organs of the Bank

The Bank shall be chaired by a Governor responsible for day-to-day management.

The Bank shall be administered by a Board of Directors.

The basic guidelines shall be laid down and the general decisions taken by a Governing Council which may delegate specific powers to the Board of Directors.

Article 10

The Governor and the Board of Directors

The Board of Directors shall be chaired by the Governor. It shall comprise, in addition to the Governor, the Deputy Governor and between three and five Directors. The members of the Board of Directors shall be appointed to their duties for a five-year term. They shall be subject to recall. The conditions governing the performance of their duties shall be laid down in the Statutes of the Bank. The Board shall be appointed as follows. The Commission shall make a proposal having received the opinion of the Bank, which shall remain confidential. Prior to being forwarded to the Council, the proposal must receive Parliament's assent.

If Parliament gives its assent to the appointment, the Council may act by a qualified majority.

If Parliament does not give its assent, a fresh procedure shall be initiated.

For the initial appointments, the opinion of the Bank shall be replaced by that of the Committee of Central Bank Governors.

Article 11

Governing Council of the Bank

The Governing Council of the Bank shall comprise the members of the Board of Directors along with the central bank governors from the Member States of the Community and the Director-General of the Luxembourg Monetary Institute.

It shall be chaired by the Governor of the Bank.

Decisions of the Governing Council shall be adopted by a majority of the votes of the Central Bank Governors, each of whom shall have one vote.
The Governing Council of the Bank shall take decisions on the basis of proposals from the Board of Directors, to which it may not table amendments except subject to the agreement of the Board acting by a majority decision, the Governor having the casting vote.

Article 12

Judicial review

The actions of the Bank shall be subject to review by the Court of Justice in accordance with the conditions governing the review of the legality of acts of the Community Institutions and, in the event of failure to act, by Articles 173, 175 and 177 of the Treaty establishing the EEC.

The liability arrangements applicable to the Bank shall be those laid down by Article 215 of the EEC Treaty.

Article 13

Interinstitutional cooperation

The Commission shall appoint a delegate authorized to participate in the deliberations of the Governing Council of the Bank.

The delegate may put questions to the Governing Council. He shall express the opinion of the Commission. He shall not take part in votes.

The Governor of the Bank shall each year submit a report to Parliament on the accomplishment of the Bank's tasks and on policy initiatives for the coming year in the light of Community economic policy.

Parliament may invite him to comment on this report in plenary. The Governor shall be heard by the committee responsible of Parliament on a half-yearly basis, or whenever a hearing is justified by important events.

Article 14

The capital of the Bank, the procedures for its subscription, the list of subscribers and the distribution of profits shall be laid down in the Statutes.

Article 15

Privileges and immunities

With regard to privileges and immunities, the arrangements enacted for the institutions of the Communities by the Protocol on the Privileges and Immunities of the European Communities shall apply to the European Central Bank itself, the members of its organs and its staff and the persons participating in its work.

The Bank shall be solely liable, where appropriate, for taxes levied by the Community.

Article 16

Phasing-in of Monetary Union

At the beginning of the transitional period, which takes effect on 1 January 1993, the ecu shall be declared the monetary unit of the Community. This decision shall come into effect on 1 January 1993. All financial transactions by the Community shall normally be effected in ecus. The ecu shall be freely convertible into any Community currency. No commission shall be payable on exchange transactions between the ecu and Community currencies.

The measures to phase in Monetary Union during the transitional period shall be adopted in accordance with the procedure laid down in Article 2. The Statutes of the Bank shall lay down the conditions for the gradual transfer and remuneration of the reserve assets of national central banks.
Article 17
Cooperation Agreements

States which are not members of the European Community may enter into cooperation agreements with the European Central Bank.

PART THREE, TITLE II, CHAPTER 2 of the Treaty

Economic union (comprising Articles 103 to 105 as amended)

Article 18

Article 103 of the Treaty shall read as follows:

Member States shall regard their conjunctural policies as a matter of common concern and as falling within the Community's concurrent terms of reference.

Without prejudice to any other procedures provided for in this Treaty, the Council may, acting by a qualified majority on a proposal from the Commission and in co-decision with the European Parliament, decide upon the measures appropriate to the situation.

Article 19

Article 104 of the Treaty shall read as follows:

1. Each Member State shall pursue the economic and social policy needed to ensure the smooth functioning of Economic and Monetary Union while taking care to maintain a high level of employment, a stable level of prices, a high degree of social and regional cohesion and environmentally acceptable economic development in the Community.

2. The economic and social cohesion of the Community referred to in Title V shall be a fundamental element of the construction of Economic and Monetary Union in such a way that both the Member States and the Community shall conduct and coordinate their economic and social policies so as to attain, among other things, the objectives laid down in Articles 130a to 130e through ensuring an equitable spread of the welfare gains arising from the implementation of common policies.

Article 20

Article 105 of the Treaty shall read as follows:

With a view to facilitating the achievement of the objectives set out in the previous article, the Member States shall agree to establish three new specific instruments for cooperation:

1. On the basis of a global assessment of economic trends in the Community and its Member States, the Commission shall propose guidelines for multiannual economic policies and guidelines for accompanying social policies. These guidelines shall set general economic objectives for the Community and shall indicate the means for achieving them. Reference shall be made to public finance policies, labour market trends and national structural policies.

   The Council shall adopt these guidelines in co-decision with the European Parliament and after consulting the Economic and Social Committee.

2. To ensure compliance with these guidelines, the system of multilateral surveillance of economic policies introduced by Council Decision 88/141/EEC shall be extended to all aspects of economic policy which have a direct impact on the functioning of the Economic and Monetary Union and shall be strengthened by appropriate means of exerting pressure, including conditional recourse to the mechanism provided for in Paragraph 3.

   Under this system, the Member States shall undertake to refrain from monetary financing of budget deficits and shall deny the national authorities any privileged access to the capital markets for the placement of public securities.
They shall also agree that, in the event of excessive imbalance, the national debt of an individual Member State shall not be eligible for any unconditional guarantee from either the Community or another Member State. They shall also undertake to comply with any recommendations issued by the Commission and the European System of Central Banks concerning their indebtedness in a third currency.

3. In the event of major economic difficulties, or if the convergence of economic policies requires certain Member States to implement adjustment measures which exceed their normal capacities, the latter may have recourse to a separate financial support mechanism which may take the form of either a subsidy from the Community budget or loans from a Community financial instrument. The conditions and procedures for this support shall be determined by the Council, in co-decision with the European Parliament, on a proposal from the Commission consistent with the multilateral surveillance of the budget deficit.

Article 21

All Community legislation necessary for the completion of Economic and Monetary Union shall henceforth be subject to the amended procedure laid down in Article 100a; this includes fiscal harmonization, the free movement of persons and all the necessary social measures.

Article 22

The system of Community own resources and the financial responsibilities of the institutions must be adjusted in line with the requirements of Economic and Monetary Union. The Commission may propose new own resources and, after Parliament has given its assent, acting by an absolute majority of its Members, the Council may adopt them by a unanimous decision. Community borrowing shall in future be entered in the budget and subject to the approval of the two arms of the budgetary authority. Following the completion of Monetary Union and the issuing of a single currency, the financial benefits deriving from the privileged status of an international reserve currency shall accrue to the Community budget.

Article 23

Article 130a of the Treaty shall read as follows:

In order to promote real as well as nominal economic convergence and its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.

In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions.

Article 24

Article 130b of the Treaty shall read as follows:

Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 130a. The implementation of the common policies, of the internal market and of Economic and Monetary Union shall take into account the objectives set out in Article 130a and in Article 130c and shall contribute to their achievement. The Community shall support the achievement of these objectives by the action it takes through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section, European Social Fund, European Regional Development Fund), the European Investment Bank and other appropriate financial instruments and means.

Article 25

Article 130c of the Treaty shall read as follows:

Such funds, as referred to in Article 130b, are intended to help redress the principal regional and social imbalances in the Community.
Article 26

Article 130d of the Treaty shall read as follows:
Once the new treaty on Economic and Monetary Union enters into force and as it prepares to enter the final stage of Economic and Monetary Union, the Council, acting by a qualified majority and with the assent of the European Parliament, which shall act by an absolute majority of its component Members, on a comprehensive proposal from the Commission, shall decide on the budgetary and financial measures and instruments necessary to contribute to the achievement of the objectives set out in Articles 18 to 22 and 130a to 130e.

Article 27

Article 130e of the Treaty shall read as follows:
After adoption of the decision referred to in Article 130d, implementing decisions relating to the structural Funds and other appropriate financial instruments shall be taken by the Council, acting by a qualified majority on a proposal from the Commission and in co-decision with the European Parliament.

Article 28

Article 199 of the Treaty shall read as follows:
All items of revenue and expenditure of the Community, including capital account transactions, shall be included in estimates to be drawn up for each financial year and shall be shown in the budget.
The revenue and expenditure shown in the budget shall be in balance. To compensate for macroeconomic imbalances, the Community may incur debt to a maximum of total Community investment.
Community expenditure shall be funded by adequate own resources guaranteeing its financial independence. The Council shall, acting unanimously on a proposal from the Commission, and after receiving the assent of the European Parliament acting by a majority of its members, adopt the relevant provisions in respect of own resources.

Article 29

A new Article 202a is inserted:
The budget shall also be used to fund financial compensation between the Member States, in accordance with the objectives set out in Article 130a. The European Parliament, acting by a majority of its members, and the Council, acting by qualified majority, shall jointly adopt the relevant rules.

2. Instructs its President to forward this resolution to the Commission, the Council and the Parliaments of the Member States.
GROUP III
Realisation of the monetary union
4. EMS plus 1992 Programme

A3-0294/93

Resolution on EMS plus 1992 Programme: Lessons to be drawn for the Implementation of EMU

The European Parliament,

— having regard to the Committee of Governors’ report on ‘Implications and lessons to be drawn from the recent Exchange Rate Crisis’ and the Monetary Committee’s report on ‘Lessons to be drawn from the disturbance on the foreign exchange markets’;

— having regard to the Study by the Association for the Monetary Union of Europe (AMUE) on ‘The EMS in transition: Lessons learned from the experience of the EMS and the completion of the Internal Market Policy options to prepare stages II and III of EMU’;

— having regard to the decision of the Finance Ministers and Central Bank Governors of the EC to widen the intervention margins of the ERM to +/-15%;

— having regard to its resolutions of 14 April 1989 (*) on the process of European monetary integration, 10 October 1990 (**) on Economic and Monetary Union, 14 June 1991 (***) on Economic and Monetary Union in the context of the Intergovernmental Conference, 24 October 1991 (****) on the proposal of the Netherlands Presidency of the Council to the Intergovernmental Conference on Economic and Monetary Union, 7 April 1992 (*****); on the results of the intergovernmental conferences, and 15 July 1993 (*) on the second Annual Report on the activities of the Committee of Governors and on the monetary and financial conditions in the Community;

— having regard to Rule 121 of its Rules of Procedure;

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0294/93),

A. whereas the creation of the EMS had as its primary objective the enhancement of monetary co-ordination with a view to holding together the Trinity of:

(i) semi-fixed exchange rates,

(ii) the free movement of capital,

(iii) independent national monetary policies,

and whereas during its 15 years’ experience relative currency stability was achieved via various combinations of the above three factors,

B. whereas since the early 1980s the globalization of finance, capital and investment markets and the deregulation of markets have put an end to the effective use of capital controls, have aggravated the problem of controlling money supplies, have influenced the fixing of exchange rates and have encouraged speculation,

C. whereas the existing EMS is inevitably prone to crisis since global markets have changed the context of implementation of orderly monetary and exchange rate policies within the initial EMS framework.

(*) OJ No C 120, 16.5.1989, p. 331.
(*) OJ No C 125, 18.5.1992, p. 81.
(†) Minutes of that Sitting, Part II, Item 12.
D. whereas the average daily turnover of currencies due to speculation within the OECD area is at present six times greater than the commercial demand for currency, and on certain days the speculative element of the turnover in the foreign exchange markets can be anything up to 95% of the day’s business; whereas, moreover, this sort of turnover has led to a situation in which the OECD countries’ currency reserves are occasionally equivalent to no more than a good half of one day’s total turnover in the foreign exchange market,

E. whereas the recent proposals from the Committee of Governors and the Monetary Committee on the reform of the EMS, maintaining the status quo and hoping that the speculative attacks on European currencies are over, have been clearly disproved by the July 1993 crisis because the system as initially conceived does not respond to current monetary conditions resulting from the globalization of financial and capital markets and active institutional investors, and allows private markets to dictate economic and monetary policies while inducing disorderly placement of savings,

F. whereas at all events any harmonization of monetary policies can be credible only where macroeconomic policies have been sufficiently harmonized,

As regards the decision of 2 August 1993 and related options

1. Believes that the decision of 2 August 1993 by the Finance Ministers and Central Bank Governors of the Community to widen the obligatory marginal intervention margins of participants in the ERM to +/- 15% amounts to a system of managed floating of exchange rates that would have the following consequences if maintained in the medium term:
   (a) the Community might revert to floating exchange rates,
   (b) competitive devaluations might be induced which could encourage protectionism and severely damage the incomplete and fragile single market,
   (c) economic policy, the CAP and the EC budget would be adversely affected,
   (d) monetary co-ordination would not be possible unless the intrinsic flaws of the EMS were corrected in time,

2. Is of the opinion that the current design of the EMS can not cope with disequilibria of fundamentals such as competitiveness, inflation, wage settlements, current account and budget deficits, while maintaining fixed exchange rates;

3. Stresses the fact that the basic intrinsic flaws of the status quo induce unwarranted speculative attacks leading to unnecessary real costs in terms of output and employment; these high costs could endanger the whole process of European integration and could break up the Single Market;

4. Is concerned that official bodies still hold the view that interest rates are the only effective instrument with which to counter speculative attacks; points out that in the presence of global markets, a one-policy instrument (i.e. the interest rate) is supposed to influence four objectives: boost investment, control inflation, stabilize the exchange rate and increase private savings;

5. Stresses that proposals such as the immediate creation of a de facto Monetary Union consisting of a ‘core group’:
   (a) will not correspond to the integration process laid down in the Treaty on European Union (TEU),
   (b) will amount to destroying the institutional setting as conceived for the second stage of EMU,
   (c) will undermine the system’s primary objective of ensuring monetary cooperation between all Member States,
   (d) will signal a lack of credibility of the Maastricht Treaty,
   (e) will not break the power of speculators, because the latter will only switch their attacks to currencies not belonging to the ‘core group’;
As regards the reform of the EMS

6. Stresses that any proposal for the reform of the EMS can only gain credibility if it derives from an affirmation by the European Council concerning:

(a) the credibility of the TEU, the instruments necessary for and the stages of EMU, building up the institutional convergence required for the implementation of stage three as laid down in the TEU,

(b) the gradual development of EMU leading to the establishment of a single currency, the ecu, as laid down in Articles 3a and 109(4) EC;

7. Stresses that any proposals to reform the EMS at the beginning of the second stage can only be made in the context of the TEU taking account of the principles laid down in the Maastricht Treaty and developing fully the tasks and responsibilities of the European Monetary Institute (EMI); in this context, proposes, with a view to overcoming the present currency crisis and improving monetary developments and coordination, that the monetary authorities improve their voluntary cooperation over monetary policy in the second stage, as provided in Article 109f EC and the statute of the EMI;

8. Considers that, in implementing the preceding paragraph:

(a) the question of the seat of the EMI should be agreed on at the forthcoming European Council,

(b) the process leading to the independence of the national central banks should be concluded as soon as possible,

(c) the appropriate resources should be made available to the EMI,

(d) the convergence of economic performance should be pursued consistently;

9. Notes that the defence mechanisms available to the EMS to resist unwarranted speculative assaults on the currencies in the system need to be improved and extended, in order to restore the system's credibility and monetary stability; believes that selective measures need to be taken to make speculation more difficult and more risky without seriously impeding the normal operations of the capital markets; calls on the Commission and the Council to submit appropriate proposals forthwith;

10. Asks the Commission, the Council and the Committee of Governors to examine whether broadening the anchor of the monetary system, just for the second stage of the EMU, could be based on the ecu and the strongest currency in the main markets, subject to the following rules:

(a) a stable relationship should be maintained between the exchange rates of the ecu and of the strongest currency,

(b) realignments would take place only if the stable relationship between the two above exchange rates could not be maintained,

(c) the system would be managed in such a way that it would follow a money supply rule that would not increase liquidity beyond the rate necessary to support real growth;

11. Asks the Commission, the Council and the Committee of Governors to examine whether the rule in Paragraph 10(a) could be implemented by correcting any fall in the value of the ecu against one or more other currencies by either freezing the relative weights of each currency within the basket or increasing, in compensation, the quantity of any currency or currencies within the basket.

Accordingly, asks the Commission to examine:

(a) such a proposal in the light of Article 109g EC given the context of Council Regulation (EEC) No 1971/89 (1) amending Article 1 of Regulation (EEC) No 3180/78 (2) amending the value of the unit of account used by the European Monetary Cooperation Fund,

(b) the effects of such a system on the markets in ecu-denominated securities and possible remedies;

12. Proposes that consideration be given to reforming the current asset settlements rule of the EMS obliging national central banks to repay intervention credits with foreign exchange reserves, by arranging for outstanding debt to be settled among national central banks and the EMI in ecus;

13. Proposes further that consideration be given to using an interest rate indicator as the basis for the monetary cooperation to be ensured by the EMI and national central banks with a view to attaining price stability;

14. Favours the EMI, within its primary tasks conferred upon it by Article 109(2), (3) and, if necessary, (7) EC, as the monetary authority fully responsible for issuing and managing the ecu; consequently, proposes that consideration be given, pursuant to Article 109(3) EC, to further developing the operational functions of the EMI as stipulated in Article 6.4 of the Protocol on the Statute of the European Monetary Institute: 'The EMI shall be entitled to hold and manage foreign exchange as an agent for and at the request of national central banks';

15. Points out that great efforts will still be necessary by the Member States in order to fulfil the convergence requirements of the Maastricht Treaty and welcomes the fact that from the beginning of the second stage a procedure will be in place to deal with excessive government deficits;

16. Is convinced that, in preparing the third stage of EMU as called for in Article 109(3) EC, the EMI should adopt a gradual approach built on safeguard clauses and consensus procedures for carrying out monetary coordination in fulfilment with the necessary procedures for implementing the third state;

17. Requests the Commission, in accordance with Article 103(2) EC, to submit proposals laying down the content, procedure and monitoring of multilateral surveillance, thus reinforcing the credibility of the mandate given to the EMI in accordance with the wishes of this resolution; is of the opinion that a monetary system based on price stability, operating in full compliance with the objectives and requirements of the second stage of EMU, should also support growth and employment;

18. Asks the Council, meanwhile, to underscore the link between monetary cohesion and a genuine single market by publicly making the case for a single EC currency;

19. Requests the Commission and the Committee of Governors to study the above proposal and report to Parliament their findings as soon as possible and thus propose the appropriate legislation for its implementation;

   *   *

20. Instructs its President to forward this resolution to the Council, Commission and Committee of Governors of the Central Banks.
having regard to Rule 58 of its Rules of Procedure,

having regard to the report of the Committee on Transport and Tourism, and the opinion of the Committee on the Environment, Public Health and Consumer Protection (A4-0115/95),

1. Approves the Commission proposal, subject to Parliament's amendments;

2. Calls on the Commission to alter its proposals accordingly, pursuant to Article 189a(2) of the EC Treaty;

3. Calls on the Council to incorporate Parliament's amendments in the common position that it adopts in accordance with Article 189c(a) of the EC Treaty;

4. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;

5. Instructs its President to forward this opinion to the Council and Commission.

2. EMI annual report

A4-0132/95

Resolution on the first annual report of the European Monetary Institute (EMI)

The European Parliament,

— having regard to the EC Treaty and in particular Article 109f thereof,

— having regard to Protocol No 4 annexed to the EU Treaty, on the Statute of the EMI,

— having regard to the first annual report of the EMI which was prepared and addressed to the European Parliament and other bodies pursuant to Article 11.3 of its Statute (C4-0124/95),

— having regard to the hearing of the President of the EMI at the meeting of the Subcommittee on Monetary Affairs of the Committee on Economic and Monetary Affairs and Industrial Policy held on 12 April 1995

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0132/95),

A. whereas the first annual report of the EMI opens with an account of economic, monetary and financial developments and the situation regarding economic convergence in the Member States of the European Union; whereas it then considers the role and activities of the EMI and, finally, the institutional features of the national central banks in relation to the provisions of Articles 104, 104a, 107 and 108 of the EC Treaty,

B. whereas the breadth of the report is an indication of the EMI's will to cooperate as closely as possible with the Community's institutions and to provide them and the public at large with as much information as possible on progress towards the third stage of Economic and Monetary Union,

C. whereas although some progress has been made on price stability, the risk of inflationary pressure has not been eliminated, particularly in countries where fiscal deficit and public debt remain high,

D. whereas the improvement observed in fiscal deficits, due in part to cyclical factors, is not equal in all countries and in many is not stable, and therefore there is the danger that the fiscal situation may become critical again once the economic cycle turns,
E. whereas in 1994 there was greater stability on the exchange markets compared with 1992 and 1993, but whereas recent disruption on the exchange markets and the devaluations of the last few months are creating concern,

F. whereas the downward trend in long-term interest rates in 1993 was reversed in 1994 in most countries, with substantial differences between the Member States,

G. whereas there has been insufficient progress towards genuine economic convergence; whereas unemployment, to a large extent structural, remains high, with considerable differences between the Member States, which is impeding efforts to pursue a rigorous monetary and fiscal policy,

H. whereas the EMI has thus far accomplished a great deal in preparing for the third stage of EMU; whereas, however, much remains to be done to achieve a single monetary and fiscal policy,

I. whereas greater coordination is required between the Member States' fiscal policies, particularly once the third stage is introduced,

J. whereas not all Member States have achieved significant progress towards the independence of the central banks,

K. whereas prior announcement of the application of the convergence criteria to exchange rates could give rise to speculation and whereas any delay in introducing the institutional changes and operational structures of the ESCB would create uncertainty and intensify speculation,

1. Welcomes the breadth of the first annual report of the EMI;

2. Regrets nevertheless that, because of delay of the political decisions by the European Council, the choice of the seat of the European Monetary Institute and the appointment of its president was delayed, and insists that the necessary decisions on staffing of the ECB are taken in good time before the start of the third stage;

3. Calls on the Member States to take appropriate measures to safeguard productive investment and levels of employment;

4. Calls on those Member States which have not yet achieved any improvement of their fiscal situation to step up their efforts to eliminate the structural causes of fiscal imbalances; expects them to focus their efforts on reducing interest rates and spending on public debt servicing, cutting back expenditure rather than increasing revenue; whereas a consistent and stable fiscal policy should be pursued which is in line with the long-term trend and does not exacerbate the structural nature of the fiscal imbalances;

5. Calls on the Council, the Commission and the Member States to step up their efforts to strengthen actual economic convergence, making effective use of appropriate resources, including the Structural Funds, and taking the tax-payers into account;

6. Calls on the Council and Commission to concentrate their efforts to establish a real Community policy of promoting employment, which is indispensable with a view to achieving a genuine economic and monetary union and ensuring economic and social cohesion;

7. Is convinced that monetary-policy measures should be supported by greater coordination of economic policy among the Member States and should be clearly related to Article 2 of the EC Treaty, which entrusts to all European institutions the task of promoting a high level of employment and of social protection, the raising of the quality of life, and economic and social cohesion and solidarity among Member States;
8. Welcomes the prompt and effective manner in which the EMI was organized and the work it has accomplished to date; calls on the Institute to continue its efforts to improve coordination of monetary policy throughout the present stage and to decide promptly on the methods and means by which the ESCB may effectively pursue a single monetary policy in the third stage of EMU; considers, however, that it might be advisable to consider now whether there should be criteria for determining how effectively monetary policy is implemented, such as a monetary target (percentage increase in money supply), and other targets, including targets relating to the real economy, in order to secure sustainable monetary performance;

9. Considers that, in accordance with the principle of subsidiarity, the ECB should, in conducting monetary policy, make as much use as possible of the national central banks, pursuant to Article 12 of the statutes of the ESCB, to implement acts which are among the ESCB's duties;

10. Calls on the EMI, having particular regard to developments in recent months, to draw up recommendations for monetary policy measures; considers that there should be greater cooperation in this area both within the European Union and with the monetary authorities of its main trading partners;

11. Welcomes the progress made in monitoring the operation of the ecu clearing system by the EMI and calls for the intensification of the efforts to facilitate the use of the ecu, particularly in the area of the use of electronic money;

12. Calls on the Commission and the Council to submit proposals so that, after the entry in the third stage of EMU, the governments continue to coordinate fiscal policy in compatibility with the targets of price stability;

13. Calls on those Member States which have not yet made the requisite institutional adjustments to take the appropriate legislative measures forthwith to ensure the independence of all the national central banks in due time before the third stage of EMU;

14. Expects the EMI to address the reports referred to in Article 109 of the EC Treaty and Article 7 of its Statute also to the European Parliament;

15. Calls on the Member States' governments to take the necessary political initiatives and decisions to define, as soon as possible, a transparent and concrete timetable for the transition to the third stage of EMU with those Member States which fulfill the conditions laid down in the Treaty; stresses, however, that they should not take any organisational or structural measure which could impede the participation of the other Member States at a later stage;

16. Considering, on the one hand, the implications of the relations between the single European currency and the currencies of the Member States not participating in the third stage of EMU for the organisation of exchange policy by the ESCB, and, on the other hand, the need to support the efforts for the full participation by all Member States, invites the EMI to elaborate proposals for the establishment of an exchange-rate mechanism, possibly similar to the European Monetary System;

17. Considers that the establishment of an exchange-rate mechanism, possibly similar to the European Monetary System, between the single European currency and the currencies of the Member States not participating in the third stage of EMU, would confirm the resoluteness of the European Union, and that the mechanism should operate in such a way as to support the attempt to secure full participation by all the Member States;

18. Affirms that it will carry out its duties with respect to the appointment of the President, Vice-President and other members of the Executive Board of the European Central Bank without delay;

19. Calls on the Council to support the EMI's groundwork for the start of the third stage by taking political decisions in good time;

20. Instructs its President to forward this resolution to the Council, the Commission, the EMI, the Governors of the Member States' central banks, and to the governments and parliaments of the Member States.
19. Supports the reforms agreed on at the Halifax Summit by the G7, and, in particular, the following recommendations:

(a) to double the IMF’s General Arrangements to Borrow in order to reinforce the means available for preventing Mexico-style crises,

(b) to develop concrete standards and safeguards for a more efficient regulatory cooperation intended to avoid the recurrence of Barings Bank-type collapses,

(c) to reform the multilateral development banks in order to demonstrate a clear commitment to poverty reduction,

(d) to establish within the IMF standard sets of data for the timely publication of key economic and financial data;

Calls upon the Commission to keep Parliament informed of the progress made in the implementation of the decisions taken at the Halifax Summit;

20. Requests the Commission to take action in support of strengthening the prudential regulation of derivative financial markets along the lines suggested in Parliament’s abovementioned resolution of 22 September 1995;

21. Requests the Commission to investigate the possibility of introducing a tax on international speculative capital transfers and trading in derivatives (Tobin tax) in order to soften the destabilizing consequences of ever-growing international financial speculation;

22. Considers that cooperation between the central banks should be carried out under the auspices of the Bank for International Settlements in accordance with the example of the Basle Committee in the area of international banking supervision, the recommendations of which have been adopted by countries both inside and outside G10;

23. Considers that the European Union, particularly via the Commission and the future European Central Bank, should be a full member of all the above-mentioned international institutions and should be involved in the drawing up and taking of decisions;

24. Instructs its President to forward this resolution to the Council, the Commission and the European Monetary Institute.

8. EMU

A4-0073/96

Resolution on Economic and Monetary Union and economic and social cohesion

The European Parliament,

— having regard to the discussions at the public hearings held on this topic on 17 October and 29 November 1995 and 24 January 1996,

— having regard to the interim Commission report to the Madrid European Council on exchange rate relations between the Member States taking part in the third stage of Economic and Monetary Union and the remaining Member States,

— having regard to the working document drawn up by the European Parliament’s DG IV on the social impact of Economic and Monetary Union,

— having regard to Rule 148 of its Rules of Procedure,

— having regard to the report of the Committee on Regional Policy and the opinions of the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Research, Technological Development and Energy (A4-0073/96),
On the primacy of the objective of economic and social cohesion

1. Emphasizes that, pursuant to Articles 2 and 130a of the Treaty, economic and social cohesion is a fundamental objective of the European Union and that Economic and Monetary Union must be established taking into account the primacy of that objective;

2. Notes that despite the efforts made and the progress achieved regional disparities in the Union with regard to incomes, infrastructure and levels of employment are still very wide: by comparison with the 10 most prosperous regions of the Economic Union, the 10 poorest regions have an average per capita income which is three-and-a-half times lower and an unemployment rate which is six times higher (28% as against 4.5%);

3. Stresses that those figures confirm that the management of a market with no internal frontiers calls for a more ambitious common budget geared to existing conditions;

4. Acknowledges, however, that the disadvantaged regions will benefit just as much as the developed regions from the single currency: cuts in transaction costs, elimination of exchange rate risks, standardization of interest rates, growth and employment without inflation and without disruption caused by financial and currency market crises, economic development based on the full exploitation of monetary stability and the concomitant increase in the competitiveness of European undertakings;

5. Emphasizes that, by completing the internal market and improving the climate for investment and job creation in the European Union, economic and monetary union is intended to foster economic and social cohesion and eliminate the destructive effects on jobs of exchange-rate fluctuations and speculation; economic and social cohesion is essential in particular for the peripheral regions, as the risk premium will no longer apply to those regions and interest rates will fall, thus improving the climate for investment and potentially stimulating growth and employment; the operation of the internal market must not be jeopardized by any turmoil between participating and non-participating Member States in EMU;

6. Is convinced furthermore, that the nominal convergence criteria for the transition to the single currency, i.e. price stability and the reduction of public deficits, can create an environment conducive to more efficient Structural Fund measures;

7. Emphasizes that the long-term objectives of economic and social cohesion and EMU are not mutually exclusive. Only an economic policy based on lasting nominal and real convergence within an integrated economic and monetary area can maintain (or indeed strengthen) the Community’s competitiveness vis-à-vis third countries and help overcome the structural weaknesses of the national economies. It must be recalled in this connection that nominal convergence is the basis for real convergence;

8. Fears, however, that a purely nominal understanding of convergence may widen the current disparities between the countries in EMU and those preparing to enter;

9. Does not exclude the possibility of the essential consolidation of public finances leading temporarily to tax increases and a reduction in public spending, which might in turn give rise to slower growth, an increase in unemployment and cutbacks in social spending; advocates, instead, that the Member States should employ a budget policy which avoids cuts in investment spending in disadvantaged regions and which leaves public spending on education and training and basic infrastructure unaffected, increasing it where possible;

10. Takes the view, therefore, that flanking measures must be taken if the twin objectives of Economic and Monetary Union and economic and social cohesion are not to prove mutually obstructive;

11. Reiterates that Community structural policy is an independent policy pursuing its own policy objectives beyond the objective of EMU;

12. Takes the view that trends leading in the long term to the emergence of a club of the elect, on the one hand, and a group of the excluded, on the other, would run counter to the very philosophy underpinning the European Union and would be both politically unacceptable and economically disastrous for the future of the Union;

On an integrated cohesion strategy

13. Emphasizes, therefore, in view of these risks, the need to draw up and implement an integrated cohesion strategy encompassing Economic and Monetary Union, regional policy and all relevant Community policies;
14. Takes the view, without wishing to call into question the nominal convergence criteria, that the procedures for the interpretation of the criteria set out in Article 104c of the Treaty and the connection with other indicators referred to in Article 109 should be clearly laid down forthwith; this clarification is all the more necessary because these guiding criteria are fundamental to the proper functioning of Economic and Monetary Union and must therefore be complied with beyond 1999.

15. Regards as essential to create, for the countries preparing to join EMU, a stability area along the lines of the European Monetary System, which would be linked with the euro area; a solidarity mechanism to protect financial markets against external speculation would have to be introduced embracing the countries which have joined EMU and those preparing to do so, should the latter meet their commitments under the convergence process;

16. Given the punitive nature of the conditionality clause in the application of the Cohesion Fund requests the Commission and the Member States to give positive encouragement to the cohesion states to meet the convergence criteria;

17. Considers it equally necessary to create a solidarity instrument ('stability fund') as an extension of the Cohesion Fund for the pre-in-countries if they fulfil their obligations in the convergence process;

18. Calls on the Intergovernmental Conference to define economic and social cohesion as a component part of the 'acquis communautaire' and therefore as a compulsory objective for the countries that make up the Union at present and those wishing to join it;

19. Requests that the Council reconsider establishing a European Investment fund, including the possibility of low interest loans to support Member States' efforts to meet EMU convergence criteria while reaffirming economic and social cohesion;

20. Believes that the Intergovernmental Conference should consider strengthening the economic policy instruments in the Union, since under the current provisions of the Treaty economic policy coordination is inadequate and incomplete, and the completion of economic and monetary union within a few years of 1999, meaning the participation of all the Union's Member States, presupposes a European economic policy based on close cooperation and capable of giving growth and employment a fresh boost;

21. Calls on the Commission, with a view to the first three-year report on the state of cohesion, which it is required to submit in the near future,
   – to define the concept of economic and social cohesion more clearly,
   – to consider using less artificial and restrictive cohesion indicators than at present (not only per capita GDP but also the employment rate, the unemployment rate, sustainable growth, changes in economic trends, action to prevent exclusion and the state of infrastructure, including social and cultural infrastructure),
   – to draw up a timetable for the implementation of the most important measures for a long-term cohesion strategy and to specify the desired results,
   – to provide for systematic and regular monitoring of the development of cohesion and for appropriate reporting to Parliament;

22. Calls on the Council in close cooperation with the Commission to establish parallel reports to those of the EMI on the cohesion effects of EMU;

23. Takes the view, therefore, that the Intergovernmental Conference should reformulate and consolidate Title XIV of the Treaty, Economic and social cohesion, so that this sphere becomes a separate policy rather than an adjunct to the economic and monetary policy;

24. Takes the view that the regional policy must be the key area of this long-term cohesion strategy; notes that, although the contribution made by the Structural Funds accounts for a substantial proportion of the GDP of the leading recipient countries (about 3% of Portugal's, Greece's and Ireland's GDP and 1.5% of Spain's), the catching-up process is still too slow; concludes from this that a qualitative and quantitative reform of the EU budget must be undertaken with a view to increasing the endowment of the Structural Funds under the 1999 review of the Financial Perspective;
25. Takes the view that the Union’s future enlargement to include the CEEC, Malta and Cyprus will appreciably change the concept and dimension of the regional policy, but considers that this must not have an adverse affect on those regions which require the Structural and Cohesion Funds, in order fully to attain the objectives of economic and social cohesion;

26. Believes that, in view of these challenges, an extension of the Structural Funds that is based on the above indicators is more selective and accords more closely with the principles of concentration, additionality, planning and partnership should be formulated;

27. Also takes the view that this new administration of the funds entails closer coordination among the Member States, the regions, the municipalities and the two sides of industry and insists on the more effective delivery of structural funds to maximise their impact;

28. Takes the view that, with a view to making regional measures more coherent and more efficient, priority must progressively be given to dialogue between regional and/or local agencies and European institutions, this being the only way to achieve better understanding and better action to cope with the cross-frontier regional problems and the problems of the large regional cooperation zones;

29. Calls on the Intergovernmental Conference specifically to recognize in the Treaty the special situation of, and problems facing, the island regions, the outermost regions, and the Arctic and sub-Arctic regions of the European Union and the need to implement suitable policies and measures to help them overcome their isolation;

30. Notes that the regions currently face numerous challenges, since they are having to adjust to the new technologies rapidly, to equip themselves, for example, with high-speed transport and telecommunications networks and to derive optimum benefit from the information society and its implications for the choice of locations for economic activities;

31. Takes the view, therefore, that only if a European regional planning policy is introduced can the requirements of a long-term cohesion strategy be satisfied; consequently, calls on the Intergovernmental Conference explicitly to acknowledge this concept in the future Treaty and to define the substance and instruments;

32. Takes the view that the success of determined action by the European Union to increase employment, the need for which was reaffirmed at the last meeting of the European Council in Madrid, presupposes a regional concept for the promotion of all local initiatives relating to education, vocational training, the organization of working time and the promotion of SMEs on the basis of the European strategy for the promotion of local development and employment initiatives drawn up by the Commission;

33. Calls on the Intergovernmental Conference to devote a separate title in the Treaty to measures to combat unemployment in view of its social and regional costs;

34. Considers it necessary for the Intergovernmental Conference to take all necessary measures in this context to prevent the spread of social dumping and its implications with regard to the relocation of economic activities by strengthening the social provisions of the Treaty and requiring all the Member States to subscribe to the social protocol;

35. Takes the view that, as an active, sustainable environmental protection policy has a major contribution to make to the quality of life in the regions and their attractiveness (rehabilitation of former industrial areas, facilities for urban areas, etc.) and can create jobs, the environmental dimension is an essential element of cohesion and vital if Europe is to be a decent place for future generations to live in;

36. Underlines the need to press ahead more actively with the work on the creation of large trans-European transport, telecommunications and energy networks, as referred to in the White Paper on growth, competitiveness and employment, than is currently the case and for more attention to be paid to their consequences on the environment and local and regional economic structures; emphasizes that secondary networks must also be created to prevent the further concentration of human activities in conurbations and to prevent remote and rural areas from becoming isolated;
37. Takes the view that a consistent European industrial policy might have a favourable influence on the economic development and specialization of the less developed regions; notes, on the other hand, that the European industrial policy is currently left to the large enterprises and multinational companies, whose locational decisions and concentration measures may be highly detrimental to the development of the regions;

38. Calls on the Intergovernmental Conference, therefore, to amend the chapter of the Treaty on industrial policy, which is currently still too fragmentary, so that there may at last be a genuine European industrial policy capable in particular of contributing to the consolidation of economic and social cohesion;

39. Is concerned about the current threats to the future of public services in the Union posed by deregulation; emphasizes the outstanding role of the public services in maintaining a high level of economic and social cohesion (equal treatment of users, public service tasks) and calls on the Intergovernmental Conference explicitly to acknowledge in the Treaty the irreplaceable function of the public services and the need for them to be retained:

    *  *

40. Instructs its President to forward this resolution to the Council, the Intergovernmental Conference, the Commission and the governments and parliaments of the Member States.
C. whereas Mumia Abu-Jamal was condemned to death in December 1982 and whereas international protests have so far succeeded in preventing his execution,

D. having regard to the hunger strike staged by Mumia Abu-Jamal and other prisoners under sentence of death in protest against the deterioration in their conditions of imprisonment at Greene prison in Pennsylvania,

1. Calls on the United States to abolish the death penalty, and calls on all its individual states to remove the death penalty from their statute books;

2. Reaffirms its opposition to the use of the death penalty in all circumstances and, in this connection, expresses its outrage at the execution of Judy Buenoano;

3. Reiterates its call for Mumia Abu-Jamal’s case to be reviewed and for the death sentence on him to be commuted;

4. Calls on the Pennsylvania prison authorities fully to respect the rights of prisoners, including visiting and canteen rights and the right to possess personal documents;

5. Instructs its delegation for relations with the United States to raise the case of Mumia Abu-Jamal and the whole subject of the death penalty at its next meeting with US members of Congress;

6. Instructs its President to forward this resolution to the Council, the Commission, the President of the United States and the Governor of Pennsylvania.

9. Democratic accountability in third stage of EMU

A4-0110/98

Resolution on democratic accountability in the third phase of EMU

The European Parliament,

— having regard to Articles 106 to 109l of the EC Treaty,

— having regard to Articles 15 and 50 of the Statute of the European System of Central Banks and of the European Central Bank (ECB) (hereafter referred to as the Statute of the ESCB),

— having regard to Rule 148 of its Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinion of the Committee on Institutional Affairs (A4-0110/98),

A. whereas the EC Treaty establishes the political, institutional, functional, financial and staffing independence of the future ECB and whereas this independence can only be altered by means of a unanimous decision of the Member States,

B. whereas, within a democracy, the starting point has to be that policy decisions should be transparent and accountable; whereas, within the limits necessary in order to ensure a high level of growth and employment, this principle should apply to the conduct of monetary policy by the ECB,

C. whereas the independence of the future ECB will only meet with public acceptance if the ECB enjoys a high degree of legitimacy; whereas the only way to ensure this is full accountability of the ECB for its actions,
D. whereas it is essential for the ECB to establish its credibility in relation to financial markets and other economic and social actors; whereas a high degree of transparency in monetary policy decision-making will be the best way of underpinning this credibility,

E. whereas coordination of monetary and economic policy is essential to the smooth functioning of EMU,

F. whereas the objective of price stability implies that the future ECB should act against inflationary as well as deflationary pressures which seem durable,

1. Welcomes the fact that, under Article 105 of the EC Treaty, the primary objective of the ECB is to maintain price stability, and considers that the best guarantee of this is an independent ECB;

2. Recalls Article 105(1) of the EC Treaty which recognizes the capacity of monetary policy to support the general economic policies of the Community and to contribute to the achievement of the objectives of the Community as laid down in Articles 2 and 3a of the EC Treaty, without prejudice to the objective of price stability;

3. Notes that central bank monetary policy decisions influence real economic variables such as investment, employment and growth;

4. Points to the fact that the independence of the future ECB will go further than that of any other central bank, and that this unprecedentedly high degree of independence will call for a correspondingly high level of democratic accountability, as real independence requires legitimacy and transparency in order to be credible and lastingly accepted;

5. Stresses that, as the future ESCB and the ECB will conduct a single monetary policy for all the Member States taking part in European monetary union, democratic accountability must similarly be exercised at the European level; points out that, as the only directly elected institution at this level, the European Parliament is a particularly appropriate institution to hold the ECB to account;

6. Points to the existing undertakings entered into and honoured by the European Monetary Institute (EMI) towards Parliament with regard to the regular provision of information and the frequency of meetings within its Subcommittee on Monetary Affairs;

7. Calls therefore for the organisation of a dialogue between the European Parliament and the future ECB on monetary and economic affairs, the framework for which dialogue should be confirmed through a mutual agreement;

8. Recognizes the fact that the EC Treaty does not give a precise definition of price stability, nor does it specify by whom this concept is to be defined or by whom the price stability target is to be set, so that it is therefore clear that these tasks will now fall to the future ECB according to Article 12 of its Statute; emphasises that this fact increases the need for democratic accountability and calls on the future ECB clearly to announce its definition of price stability and to report annually on its price stability target to the European Parliament;

9. Calls on the future ECB also to make clear the definitions and its use of operational targets to reach the price stability target; underlines the need to guarantee the transparency of major decisions concerning monetary policy, as well as their background, in order to prevent a deficiency of information and misleading market expectations, and thereby contribute to containing speculation and misinterpretation;

10. States its intention to evaluate the ECB’s performance with reference to a range of values for the rate of growth of consumer prices below as well as above the target set by the ECB;

11. Gives notice of its intention, in addition to the presentation of the ECB Annual Report foreseen in Article 109b(3) of the EC Treaty, to convene quarterly meetings on recent monetary and economic developments with the President and/or other members of the Executive Board;

12. Gives notice, too, of its intention to invite the ECB President to take part in the general debate on monetary and economic developments over the previous and the current year, on the basis of the Annual Report of the ECB and the Annual Economic Report produced by the Commission;
13. Urges the future ECB to include in its annual report:
   − a description and evaluation of recent inflation trends and an explanation of past monetary policy
decisions in the light of these trends, and how they comply with the price stability target set, its
inflation forecasts and comparisons of these with the price stability target set, as well as the forecasts
for real GDP growth upon which its target is based;
   − information concerning the use of intermediate monetary targets;
   − a description of how monetary policy can support the general economic policies in the Community, as
well as an appraisal of the extent to which monetary policy has in fact supported these general
economic policies, without prejudice to maintaining price stability in accordance with Article 105 of
the EC Treaty;

14. Considers it worthwhile that the quarterly reports referred to in Article 15.1 of the Statute of the
ESCB should report on the monetary policy of both the previous and the current quarter, as well as on the
activities of the ESCB;

15. Calls, in addition to the provisions in Article 10.4 of the Statute of the ESCB, for the minutes of the
ECB Governing Council meetings to be published in the form of summaries including the decisions taken
and the reasoning behind them at the latest by the day after its next meeting, these summaries also to
explain how the decisions are linked to and affect other policies; calls also for full, detailed minutes to be
published at the latest five years after the meeting;

16. Calls on the governments of the Member States not to appoint candidates that do not have the
approval of the European Parliament; calls, in the light of this experience, for legal consolidation of this
practice at a later stage;

17. Urges an examination of the need for a set of rules for the coordination of economic policy in
Europe, possibly in the form of an interinstitutional agreement between the European Parliament, the
Commission and the Council, including the procedure of the Annual Economic Report, the broad
economic guidelines and the excessive deficit procedure; given that the Luxembourg European Council
made headway with the notion of more concerted coordination of national economic policies, and more
particularly employment policies, considers that Parliament should also be able to be consulted on these
issues beyond what is already laid down in Articles 109q and 109s of the EC Treaty, and that an
undertaking to consult also on these matters should be negotiated with the other institutions concerned;

18. Instructs its President to forward this resolution to the Commission, the Council and the European
Monetary Institute.
Single currency

Recommendation by the Council concerning the Member States fulfilling the necessary conditions for the adoption of a single currency (Article 109(2) and (4) EC) (7884/1/98 REV1 — C4-0250/98 — 98/0812(CNS))

The European Parliament,

— having regard to the recommendation by the Council, meeting in the composition of the Ministers of Economic Affairs and Finance, concerning the Member States fulfilling the necessary conditions for the adoption of a single currency (Article 109(2) and (4) EC) (C4-0250/98) (1),

— having been consulted by the Council pursuant to Article 109(2) and (4) of the EC Treaty,

— having regard to Rule 79a of its Rules of Procedure,

— having regard to the proposal, submitted orally, of the Committee on Economic and Monetary Affairs and Industrial Policy,

1. Approves the Council recommendation;

2. Instructs its President to forward this opinion to the Council, meeting in the composition of the Heads of State or Government, and the Commission.

GROUP IV
Practical aspects of the ECU and the euro
3. Use of the ECU

- Doc. A2-167/87

RESOLUTION

on the wider use of the ECU and the simplification of payment transactions within the Community

The European Parliament,

- having regard to the communication from the Commission to the Council (COM(86) 754 final),
- having regard to the motion for a resolution on a people’s Europe: simplification and standardization of payment transactions within the Community (Doc. B2-661/86),
- having regard to the motion for a resolution on the need to use the ECU for financing allocated under the structural funds (Doc. B2-688/86),
- having regard to the motion for a resolution on the organization of a European lottery (Doc. B2-1619/86),
- having regard to the motion for a resolution on the speeding up of monetary integration and the use of the ECU as a yardstick for social security benefits and to denominate wages in intra-Community transfers (Doc. B2-1629/86),
- having regard to the motion for a resolution on a symbol for the ECU (Doc. B2-1661/86),
- having regard to the motion for a resolution on the Kingdom of Belgium’s issuing coins with face values in ECU as legal tender (Doc. B2-68/87),
- having regard to the motion for a resolution on showing the price of goods and services in ECU and in national currencies (Doc. B2-70/87),
- having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy, and the opinions of the Committee on Legal Affairs and Citizens’ Rights and the Committee on Social Affairs and Employment (Doc. A2-167/87).

1. Points out that in a Community of 320 million inhabitants, there is a considerable annual volume of intra-Community payment transactions. It should therefore be possible freely to open ECU accounts and conduct intra-Community transfers. Moreover, the cost of such transactions is at present excessive;

2. Emphasizes that the facilities of intra-Community payment transactions by the systematic use of the ECU in all its capacities and by modernizing and simplifying them would make a very effective contribution to economic and financial integration in the Community and to European awareness among its people;

3. Draws attention to the change in the use of the ECU from a unit of account to a unit for transactions, and points out that this change has been brought about by private initiative; therefore urges the Commission and Council, when the EMS operating procedures are next amended, together with the monetary authorities of the Member States to seek ways of establishing a legal link between the private and official use of the ECU. So that the private market may offer greater support to the ECU in acquiring the role of a European payment currency, a system under which the monetary authorities could buy and sell ECU issues on the market should be set up;
Wider use of the ECU

4. Appreciates the Commission’s action in:

- incorporating the principle of denoting the Community’s financial entitlements and liabilities in ECU in its forthcoming amendments to the Financial Regulation of the European Communities;

- extending the use of the ECU as a unit of payment as well as of account in particular for all procurement of goods and services by the Community institutions;

- using the ECU for all payments made under the structural funds;

Also believes that the Commission, as part of a review of the Financial Regulation, should in future manage the Community’s finances in ECU, denoting, paying into and from the budget and establishing the Member States’ contributions in ECU;

Finally calls on the Commission, together with the monetary authorities of the Member States, to designate an ECU symbol for general use;

5. Considers that all the other Community institutions, the Council, Parliament, the Economic and Social Committee, the Court of Justice and the Court of Auditors, should extend the use of the ECU to all their contract negotiations and payment transactions at the earliest opportunity;

6. In particular instructs its Bureau to consider the precise ways (including the circulation of ECU coin and bank notes) in which greater use might be made of the ECU for the various payments made at its three places of work considered as a Community precinct;

7. Urges the Commission to take all possible steps to encourage the opening of ECU actions in commodity markets, in particular for those commodities subject to the Common Agricultural Policy so as to facilitate in the long term the disappearance of the unacceptable fluctuations in the level of export refunds (calculated on prices quoted in dollars) which make effective control of farm spending virtually impossible;

8. Also considers that migrant workers must be able to enjoy any advantages arising from the use of the ECU in intra-Community transfers related to the payment of the various social benefits, and that the same should apply to the denomination of wages paid to frontier-zone workers; calls on the Commission therefore to submit proposals for:

- the use of the ECU by social security bodies and related insurance systems for transfers within the Community;

- the introduction of the ECU in agreements applying to frontier-zone workers, offering them the opportunity of holding these assets in ECU in their countries of origin;

9. Draws attention to the key role of the private ECU market. However, this market, which expanded at a remarkable rate until 1986, and picked up again in 1987 (banking and bonds), as yet accounts for no more than 2.5% of the volume of dealings on the Eurex markets;

Notes that between 1 January and 30 June 1987 bonds to the value of 6 023 million ECU were issued, about 25% of which from issuers in non-Comunité countries. The bond market in the Community should be able to expand still further;

Notes also that invoicing in ECU accounts for less than 1% of transactions in the Community. While impressing on the Member States once again the need to complete the EMS, therefore also calls on the European banking community to take action in favour of the ECU, progressively increasing its use in commerce, making possible both a necessary increase in ECU reserves and when required the conversion of the ECU into national currency on favourable terms;
10. Stresses the importance of an intra-Community agreement between all banking institutions which should be concluded so that the ECU is convertible into the user's currency on favourable terms compared with those applying to other currencies;

11. Considers it also vital that transactions using the new payment media may be performed in ECU and calls on the Commission, with the authorities and institutions involved, to take the action required to allow ECU accounts to be opened throughout the Community and transactions to be settled in ECU; lays stress on the economic and psychological impact of widespread use of the ECU, especially for the 'Youth cards' to be introduced in the Community;

12. Considers, however, that in practice the increased use of the ECU in payments within the Community requires that the price of goods and services be indicated in both national currency and ECU; calls on the Commission to take every opportunity in its dealings with the sectors involved to encourage such dual pricing for certain goods and services, especially in the field of tourism;

13. Calls on the Commission to investigate the possibilities for issuing ECU postage stamps;

Simplification and standardization of payment transactions within the Community

14. Points out that the new 'plastic money' techniques (magnetic or microcircuit payment cards, providing access to cash dispensers and point of sale terminals in particular can by their efficiency make a decisive contribution to simplifying payment transactions within the Community, and therefore to facilitating trade in goods and services, travel and the development of tourism;

15. Consequently approves the Commission's plan of action (1) to encourage the maximum interoperability of electronic payment services following up the banking institutions' efforts to this end; therefore supports the Commission in its intention to submit recommendations to the institutions, bodies and authorities concerned, with particular reference to:

- the need for consistency in the standardization of payment cards (physical characteristics, security and confidentiality devices, definition of interfaces) and of hybrid cards and the interconnection of networks;
- reciprocity of access to cash dispensers,
- the rational location of terminals at points of use;

16. Stresses also the desirability of introducing a code of conduct for electronic payments containing a number of minimum rules laying down the respective rights and duties of issuing bodies, providers of services and users and ensuring a maximum of efficiency and security in transactions, and transparency in the cost of the service;

17. Deplores in particular the practices employed by certain groups of banks to discourage the use of payment media with which they are in competition (deterrent commissions on Eurocheques, or the refusal to accept certain payment cards); considers in general that practices ranging from free internal services, unrelated to reality, to high charges for transfers between Member States, must be changed with a view to completion of the internal market in financial services;

18. Also considers that a careful watch must be kept on the possible results of the increase in company-specific cards issued in certain commercial sectors and service industries;

(1) Europe could play an ace: the new payment cards (communication from the Commission to the Council) COM(86) 754 final.
19. Urges however that Community rules should not restrict competition, which encourages flexibility, adaptability to needs and consumer habits, and competitiveness at international level, more than is needed for the required degree of cooperation;

20. Emphasizes finally, from a technical point of view, the value to the Community of a programme for the development of the most up-to-date payment techniques (microcircuit cards, telecommunications network), so as to speed up payments and reduce their cost and the attendant risks, but also to strengthen the Community's position in the relationship between its payment companies and their parent companies in the United States (Mastercard, Visa) and on the international electronic payment market, which seems destined for major expansion in the years to come;

* * *

21. Instructs its President to forward this resolution to the Council and Commission.
12. Proposes that consideration be given to reforming the current asset settlements rule of the EMS obliging national central banks to repay intervention credits with foreign exchange reserves, by arranging for outstanding debt to be settled among national central banks and the EMI in ecus;

13. Proposes further that consideration be given to using an interest rate indicator as the basis for the monetary cooperation to be ensured by the EMI and national central banks with a view to attaining price stability;

14. Favours the EMI, within its primary tasks conferred upon it by Article 109(2), (3) and, if necessary, (7) EC, as the monetary authority fully responsible for issuing and managing the ecul, consequently, proposes that consideration be given, pursuant to Article 109(3) EC, to further developing the operational functions of the EMI as stipulated in Article 6.4 of the Protocol on the Statute of the European Monetary Institute: 'The EMI shall be entitled to hold and manage foreign exchange as an agent for and at the request of national central banks';

15. Points out that great efforts will still be necessary by the Member States in order to fulfil the convergence requirements of the Maastricht Treaty and welcomes the fact that from the beginning of the second stage a procedure will be in place to deal with excessive government deficits;

16. Is convinced that, in preparing the third stage of EMU as called for in Article 109(3) EC, the EMI should adopt a gradual approach built on safeguard clauses and consensus procedures for carrying out monetary coordination in fulfilment with the necessary procedures for implementing the third state;

17. Requests the Commission, in accordance with Article 103(2) EC, to submit proposals laying down the content, procedure and monitoring of multilateral surveillance, thus reinforcing the credibility of the mandate given to the EMI in accordance with the wishes of this resolution; is of the opinion that a monetary system based on price stability, operating in full compliance with the objectives and requirements of the second stage of EMU, should also support growth and employment;

18. Asks the Council, meanwhile, to underscore the link between monetary cohesion and a genuine single market by publicly making the case for a single EC currency;

19. Requests the Commission and the Committee of Governors to study the above proposal and report to Parliament their findings as soon as possible and thus propose the appropriate legislation for its implementation;

20. Instructs its President to forward this resolution to the Council, Commission and Committee of Governors of the Central Banks.

5. Legal obstacles to the use of the ecul

A3-0296/93

Resolution on removing the legal obstacles to the use of the ecul

The European Parliament,
— having regard to the White Paper by the Commission on Removing the Legal Obstacles to the Use of the Ecu (SEC(92)2472 — C3-0040/93),
— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0296/93),

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A. whereas one of the tasks listed in Article 109f of the EC Treaty for the European Monetary Institute is to 'facilitate the use of the ecu and oversee its development';

B. whereas the change from national currencies to a single currency will be both difficult and costly for firms, banks and individuals, particularly consumers, and whereas 'the development of the use of the ecu from now on would be the best way to deal with this challenge';

1. Notes that the White Paper by the Commission on removing the legal obstacles to the use of the ecu proposes an approach that aims to establish the ecu as a settlement currency in the interim phase of EMU without proposing the appropriate and necessary institutional framework to enhance and support the second stage of EMU;

2. Believes that removing obstacles in each Member State by means of legal acts in order to confer on the ecu the legal status of a 'foreign currency' in Member States is only a partial solution and will not be sufficient for establishing the ecu in official and private markets and will not secure the ecu's function as a means of payments;

3. Believes, nevertheless, that Germany should act immediately to give the ecu legal status as a foreign currency, and that the United Kingdom should take whatever steps are necessary to remove any doubt about such status;

4. Agrees with the Commission that legal and administrative obstacles to the use of the ecu prevent the free movement of capital and of financial services and that such obstacles are not compatible with the underlying principles of the Treaty on European Union;

5. Agrees with the Commission that a general freedom to conclude contracts in ecus should be established, including measures covering value clauses and payment clauses, rules governing ecu accounts, procedural rules to enable courts to hand down judgements denominated in ecus, changes in invoicing and accounting rules which would allow the denomination of assets and liabilities in ecus, and the payment of wages, social security contributions and taxes in ecus;

6. In particular, calls for a change to Regulation (EEC) No 523/91 so that customs valuation, customs duties, anti-dumping duties and other trade protection measures are denominated and settled in ecus;

7. Notes that the US dollar continues to enjoy a dominant role as an instrument of pricing and settlement on the world's commodity markets and calls for an examination of ways in which the ecu could be promoted as an alternative;

8. Proposes that Member States should undertake to denominate a proportion of all new public debt in ecus;

9. Notes with interest that if the legal and administrative obstacles to the use of the ecu are removed, the ecu will be recognized as a settlement currency in Member States; for this to be orderly, the Community will be obliged to take the necessary institutional decisions that would ensure monetary and financial stability and would have to adopt a forward-looking approach; proposes, therefore, four criteria, which, should they be fulfilled, will gradually establish the ecu as the anchor currency of the second stage of EMU:

   (a) a highly stable currency associated with a low inflation rate,
   (b) high confidence in a currency resulting in low real interest rate,
   (c) support by a strong, open and sound economy playing a pre-eminent role in international exchanges, which will influence the stability of the exchange rate,
   (d) the appropriate institutional structure in the context of the TEU;
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10. Requests the Commission, the Council and the Committee of Central Bank Governors to examine whether the above four criteria could be met by maintaining a stable relationship between the exchange rates of the ecu and of the strongest currency and then correcting any fall in the value of the ecu against one or more other currencies by either freezing the relative weights of each currency within the basket or increasing, in compensation, the quantity of any currency or currencies within the basket. Accordingly, asks the Commission to examine:

(i) such a proposal in the light of Article 109g EC given the context of Council Regulation (EEC) No 1971/89 (1) amending Article 1 of Regulation (EEC) No 3180/78 (2) amending the value of the unit of account used by the European Monetary Cooperation Fund,

(ii) the effects of such a system on the markets in ecu-denominated securities and possible remedies,

and to submit the following proposals:

(a) pursuant to Article 109f(7) EC, a proposal to the Council conferring on the EMI the task of maintaining a fixed exchange rate between the ecu and the dominant currency of its basket in order to fulfil its tasks,

(b) in accordance with Article 209 EC, a proposal amending the Financial Regulation governing the Community budget in order to make obligatory the settling of all financial rights and obligations of the Community in ecus,

(c) in accordance with Article 109f(7) EC, a proposal establishing the ecu clearing system,

(d) specific proposals aiming at creating an ecu zone that would encompass European states associated or having important trade and financial links with the Community,

(e) measures to be taken by the Commission in order to implement its resolution of 12 February 1993 (3) on the system of payments in the context of EMU;

11. Calls upon banks, credit and payment card companies, hotels, travel companies, transport undertakings and all similar undertakings to facilitate the charging and settlement of accounts in ecus; and believes that the European Monetary Institute should urgently examine ways in which the exchange costs of such transactions could be reduced to a minimum;

12. Believes that, in order to prepare financial markets for the introduction of the new ERM and the hard ecu, the Ecofin Council should immediately implement Article 73f EC on the basis of the fact that the average daily turnover of currencies due to speculation within the OECD area is at present six times greater than the commercial demand for currency and that on certain days the speculative element of the turnover in the foreign exchange markets can be anything up to 95% of the days business; notes, further, that this sort of turnover has led to a situation in which the OECD countries currency reserves occasionally are equivalent to no more than a good half of one day's total turnover in the foreign exchange market;

13. Instructs its President to forward this resolution to the Commission, the Council, the Committee of Governors of the Central Banks and the governments and parliaments of the Member States.

9. Calls on the Government of the United Kingdom to give proper weight to the consideration of the benefits of a unified European capital market, including the City of London, when taking the decision whether to join the European single currency and to facilitate moves by the British financial sector to prepare for the closest possible cooperation with the euro area pending the final decision of the UK government on the matter of euro membership;

10. Requests the governments of the Member States which will participate in the euro to consider converting into euros the whole stock of their respective public debt as soon as possible after the introduction of the Single Currency;

11. Considers that Member States who might temporarily have to remain outside the initial EMU core group should be protected within EMS II — on the basis of appropriate agreements between ministers of finance and central bank presidents — from exchange rate turbulence caused by speculation or fluctuations in other currencies, and hence unconnected with the performance of those countries;

12. Hopes that the currencies of the Member States which do not currently belong to the EMS exchange rate agreements will join as soon as possible, not least in view of the launching of EMS II;

13. Hopes that EMU will contribute decisively to curbing the economically destabilizing effects of speculation by establishing a major world currency area and deterring all forms of competitive devaluation in worldwide economic relations;

14. Calls on the Council and the Commission to cooperate with the monetary authorities of the United States in the coordination of exchange rate policies with a view to promoting stability and deterring speculation;

15. Stresses that monetary union will help to dampen the destabilizing, deterrent effects on investment and employment of economically harmful speculation and, in the medium term, to establish ideas of target bands between the leading global currencies which in the long run will rule out currency dumping as a means of competition in worldwide economic relations;

16. Considers that the replacement of the present global monetary system with a bi- or tri-polar system consisting of the euro, the US dollar and perhaps the yen actually presents a unique opportunity for stabilization and cooperation and offers the European Union a new and particularly responsible role in the worldwide monetary system;

17. Calls therefore for urgent consideration to be given to a means of representation of the Union in the relevant international fora that will better reflect the Union’s new status as one of the world’s largest unified currency zones;

18. Instructs its President to forward this resolution to the Commission, the Council, the Council of the EMI and the governments and parliaments of the Member States.

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Resolution on electronic money and economic and monetary union

The European Parliament,

− having regard to Rule 148 of its Rules of Procedure,

− having regard to the report of the Bank for International Settlements of November 1996 on electronic money and monetary policy,

− having regard to the conclusions of the Dublin European Council of December 1996 on the transition to the Single Currency,

− having regard to the conclusions of the Brussels G7 Council of February 1995 on the information society,

− having regard to the series of recent announcements by various Member States on the possible introduction of smart identity cards,
— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinions of the Committee on Research, Technological Development and Energy and the Committee on the Environment, Public Health and Consumer Protection (A4-0417/97),

A. whereas the development of electronic money constitutes not just a transformation in payment systems but a re-definition of money itself, thereby raising the question of who should be responsible for its issue: the issuing of money can be left completely free, be restricted to specified institutions subject to regulation by central banks, or continue to be restricted to central banks exclusively,

B. whereas the development of electronic money moreover raises the question of whether and to what extent it should be made subject to monitoring by the competent authorities,

C. whereas the replacement of cash by electronic purse cards is likely, over the next decade, to be a more significant development than electronic money on the Internet since it does not entail such a large change in the habits of consumers and suppliers,

D. whereas the widespread use of electronic purse cards could ease significantly the difficulties for Europe’s citizens of the introduction of the euro, both by replacing cash transactions and by providing the facility to calculate the old national currency equivalent of sums in the new single currency,

E. whereas the rapid introduction of electronic purse cards, provided this takes place in a standardized format, could significantly ease the difficulties for European business in making the necessary information technology investments for the introduction of the euro,

F. whereas the growth of electronic money and the concomitant probable increase in velocity of circulation will require central banks to adopt new arrangements to monitor its issuance and management in order to operate monetary policy effectively,

G. whereas the development of electronic money and its widespread public acceptance is likely to occur over a period of many years, and is therefore unlikely to pose any immediate threat to central banks’ cash assets and seigneurage, and their ability to conduct monetary policy,

H. whereas the growth of electronic money may render the responsibility, whether of central banks or of other competent authorities, of supervising financial markets substantially more difficult, if these bodies are unable to carry out effective monitoring where this is necessary,

I. whereas the European Central Bank would probably not wish to administer and operate electronic money,

J. whereas a central bank regulatory regime for electronic money should not have the effect of restricting the operation of such systems to banks alone, not least because this might slow the process of rationalization underway in European retail financial services provision that is essential for the overall competitive position of our economy,

K. whereas the pace of growth in the use of electronic money in the European economy is a crucial element in determining the pace at which we become a genuine information society, an objective which is obviously vital for Europe’s future global competitive position,

L. whereas integrating the move to the single currency with the development of the information society will give a powerful impetus to the supply side revolution in the European economy and the flexible, creative culture in European society, which are the very essence of the vision driving the EMU programme,

M. whereas the present proliferation of different forms of electronic money generally, and of electronic purses in particular, is likely to raise entry costs to the electronic market-place and would thus create the danger of Europe’s move to the information society becoming, at the very least, biased against SMEs and quite possibly gridlocked by anti-competitive, incompatible software and hardware systems,
N. whereas by the same token, a standard format for electronic money and for smart card electronic purses, by lowering the entry costs to the electronic market-place, would disproportionately benefit SMEs and might therefore dramatically accelerate the pace at which Europe becomes an information society,

O. whereas smart card technology offers the possibility of adding onto an electronic purse card a multiplicity of functions, both financial, such as those of credit, service provider and store cards, or general, such as those of identity and social services claimants’ cards or driving licences, thereby removing the need for citizens to carry around an increasing number of different single-function cards,

P. whereas a standard format for smart electronic purses would therefore also diminish the parallel dangers of anti-competitive market cartelization and potential technological gridlock in the non-monetary use of smart cards by encouraging the development of multi-function cards, which would further accelerate the advent of the information society,

Q. whereas in particular the development of sound electronic money and secure electronic proof of identity are the two essential foundations of the electronic market-place which is central to the information society,

R. whereas the development of electronic money, within a proper regulatory framework, especially if combined with smart identity cards, could reduce fraud, tax evasion, money laundering and other crime and whereas therefore the case for allowing it to offer the same anonymity as currently enjoyed by cash should be considered most critically,

S. whereas, however, restricting the anonymity of transactions using electronic money and the development of the electronic market-place generally obviously raises issues of civil liberties which must be fully debated with a view to introducing a comprehensive regulatory framework, preferably at Union level,

T. whereas the absence of a proper regulatory framework for electronic money would substantially exacerbate the inadequacies already apparent in the supervision of both public and private sector data bases across Europe, and could in itself therefore constitute a threat to civil liberties,

U. whereas there may be in the longer term potential sources of revenue from the multiple usage of the card, for example by renting additional processing capacity on the card’s smart chip to private sector service providers, such as credit card operators, retailers offering customer loyalty cards, telecommunications companies etc, or to the public sector for such functions as a driving licence, social security or identity card,

V. whereas it is important to ensure a multiplicity of issuers within a regulatory framework which provides for public confidence, interoperability and the stability of the financial system, in order to allow for greater competition and innovation,

W. whereas the issuers of such cards should be regulated principally by the competent supervisory authorities in order to ensure effective control; whereas in this context considerations of competition and consumer protection must also be taken into account,

X. whereas appropriate issuers or operators would therefore be those financial institutions which comply with the requirements set out in an EU-wide regulatory framework;

I. Recommends that:

1. The future European Central Bank should, together with the competent authorities, be involved in the oversight of the electronic market-place in Europe;

2. The Commission should therefore put forward a proposal for the establishment of a regulatory framework for the issuance of electronic money, which allows all institutions which meet the requirements of public confidence, interoperability and stability of the financial system, to issue electronic money under a single European passport and the supervision of the competent authorities;
3. The Commission should give consideration to how electronic purses could be adapted to calculate the old national currency equivalents of sums in Euros;

4. Issuers should be required to furnish the European Central Bank with such data from the system that the bank deems necessary for the management of monetary policy;

5. Issuers should be required to furnish such data to the competent authorities as they deem necessary for the supervision of the integrity of the financial system generally;

6. Issuers should be required to furnish such data to other relevant authorities as would be deemed by European or national laws to be necessary to achieve other objectives of public policy, such as the fight against crime;

7. The European Monetary Institute should comment on this resolution and set out its own analysis of the relevance of electronic money to the realization of EMU, in a formal presentation to the Subcommittee on Monetary Affairs of the European Parliament at its earliest convenience;

8. The Commission should likewise comment on this resolution;

9. Those Member State governments which have plans to apply smart card technology to identity cards and/or to the streamlining and modernisation of the administration and provision of public services should submit comments on this resolution at their earliest convenience to the Subcommittee on Monetary Affairs of the European Parliament;

10. Any private sector interests which at present, or over the next five years, are planning to be significant users of smart card technology, should likewise submit their comments on this resolution;

11. The Council should institute its own study of the integration of moves towards EMU and the information society;

12. The Commission should submit to the Council and the European Parliament proposals for a regulatory framework for the issuance of the euro smart card, and the management of smart card systems, at its earliest convenience;

13. The Commission, on the basis of the fifth EU framework research and development programme, and out of concern to protect more specifically the right to privacy and to ensure the safety of transactions, should promote research activities in the field of encryption software compatible with the worldwide use of electronic money under conditions of legal regularity and security;

14. The Council, possibly in consultation with the Council of Europe, should institute a study of the security, data protection and civil liberties implications of the electronic marketplace;

II. Instructs its President to forward this resolution to the Commission, the Council and the European Monetary Institute.
3. The Commission should give consideration to how electronic purses could be adapted to calculate the old national currency equivalents of sums in Euros;

4. Issuers should be required to furnish the European Central Bank with such data from the system that the bank deems necessary for the management of monetary policy;

5. Issuers should be required to furnish such data to the competent authorities as they deem necessary for the supervision of the integrity of the financial system generally;

6. Issuers should be required to furnish such data to other relevant authorities as would be deemed by European or national laws to be necessary to achieve other objectives of public policy, such as the fight against crime;

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12. The Commission should submit to the Council and the European Parliament proposals for a regulatory framework for the issuance of the euro smart card, and the management of smart card systems, at its earliest convenience;

13. The Commission, on the basis of the fifth EU framework research and development programme, and out of concern to protect more specifically the right to privacy and to ensure the safety of transactions, should promote research activities in the field of encryption software compatible with the worldwide use of electronic money under conditions of legal regularity and security;

14. The Council, possibly in consultation with the Council of Europe, should institute a study of the security, data protection and civil liberties implications of the electronic marketplace;

II. Instructs its President to forward this resolution to the Commission, the Council and the European Monetary Institute.

(d) A4-0415/97

Resolution on the euro and the consumer

_The European Parliament,_

— having regard to its opinion of 28 November 1996 on the proposal for a Council Regulation on some provisions relating to the introduction of the euro (')

— having regard to its opinion of 28 November 1996 on the proposal for a Council Regulation on the introduction of the euro (")

— having regard to the European Council resolution of 7 July 1997 on the legal framework for the introduction of the euro and in particular the annex thereto (1),

— having regard to Rule 148 of its Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0415/97),

A. whereas the European Council in Madrid in December 1995 reached political agreement on the timetable for the introduction of the euro,

B. whereas following this agreement, the Commission has proposed two Regulations, one of which has been adopted and defines the monetary law for the euro,

C. whereas some Member States have adopted practical provisions for the private sector (transition plans, 'schémas de place') and for the public sector,

D. whereas the timetable, the Regulations on monetary law as well as the practical provisions adopted by Member States raise a number of issues of interest for consumers, such as the costs of the transition and legal continuity of contracts,

E. whereas the success of Monetary Union will largely depend upon the preparation of the citizens of participating Member States before the euro is introduced,

F. whereas the implementation of proper training, education and information campaigns and policies should be ensured by the public authorities in the Member States, as well as by the banking, financial and commercial sectors,

G. whereas in implementing training, education and information campaigns connected to the introduction of the euro, account must be taken of the fact that consumer behaviour varies between Member States and that the extent to which consumers will be using the euro in other ways of payment than cash before the notes and coins are introduced may vary between and within Member States,

H. whereas the use of the euro and the conversion from national currencies into euro will be progressive, as the euro is likely to be used in other ways of payment than cash as from 1 January 1999,

I. whereas the extent to which changeover and conversion costs will or will not be passed on to end consumers will depend on the competitive conditions between suppliers in different sectors as well as the elasticity of demand for the product or service in question and whereas the European institutions must therefore do their utmost to ensure that the costs of introducing the euro do not fall on consumers,

J. whereas a large proportion of the population will be affected by the problems connected to the conversion between participating national currency units (N.C.U., non-decimal sub-divisions of the euro), as approximately 100 million people in the European Union travel abroad every year and at least 40 million live on internal EU borders,

K. whereas there is a need for preparation and awareness of the possibilities of fraud and abuses which might be committed in connection with the rounding up of prices and with the introduction of euro notes and coins, and whereas an appropriate monitoring unit should therefore be established,

L. whereas security marks for banknotes must be of the highest standard so that counterfeit notes can be recognized when handled by consumers or used in machines,

1. Recognizes that the transparency of relative prices of goods and services in different Member States that will be the result of the introduction of the euro will facilitate cross-border shopping and distance selling and help reduce prices by increased competition;

2. Stresses the positive effects that conversion to the euro will have for consumers buying or travelling in Europe in terms of the elimination of exchange risks and fluctuations; stresses also the positive effects that the euro could have in accelerating the completion of the single market in financial services;

3. Points to the positive effect that the expected low interest rates will have on consumer credit and mortgages as a result of a sound monetary policy; considers that, following the subsidiarity principle, specific legislation could be introduced in Member States in order to remove the obstacles (taxes, register fees etc.) facing consumers wanting to exchange long-term fixed-rate mortgages or loans for other forms thereby taking advantage of lower interest rates;

4. Notes the fact that 1 January 1999 will mark the beginning of the euro as the single currency; points out that although euro notes and coins only will be introduced at the end of the transition period, the euro will be progressively present in daily life from the very beginning of 1999; stresses therefore the importance of using the transition period to encourage consumers to become accustomed to the euro as a unit of measure in relation to prices and incomes, and indeed as a way of payment (cheques, credit cards etc.); access to the euro should not, however, involve extra costs compared with any other currencies in circulation;

5. Considers that training, education and information on the euro from the start (1 January 1999) is of paramount importance, especially for vulnerable groups such as the illiterate, the elderly and the visually impaired; stresses that the information should not be reduced to publicity-type campaigning, but should be extended to the main aspects of economic life which involve people in the use of money; underlines in this connection the role of the main utility providers (electricity, gas, water, telephone), which should use both the former national currencies and euro in their bills from the start of the transition period; points out that this practice should also be used by public administrations, public lotteries (loto, toto, bets, TV-programmes) and (with a certain degree of flexibility) enterprises as regards the payment of their employees' salaries;

6. Considers it particularly important that representative organizations such as consumer groups, trade unions, organizations of small and medium-sized enterprises, women's organizations and other interest groups should be involved in the euro training, education and information campaigns, and that information should be given to children in schools, at universities and within other training programmes; recognizes the importance of making maximum use of new information technologies in the euro information campaigns, but stresses also the importance of the popular and local press which reaches millions of citizens;

7. Points to the important role that the banking and financial sectors will play in facilitating the transition to the euro from the start of Stage 3; stresses the importance of encouraging customers to use all existing instruments in euro from the outset; therefore calls on the Commission to prepare a proposal for a Regulation prohibiting banks from charging customers for the conversion of either accounts or payments during phases B and C of the reference scenario; urges that information supplied by banks to their clients (operations, account statements etc.) should be expressed both in national currency and euro from the beginning of Stage 3; stresses also the need for banks to play their part in providing information on the new currency and the changeover;

8. With regard to the costs related to the introduction of the euro, stresses the importance of keeping these costs to a minimum; highlights therefore the need for public authorities to monitor the process in an accurate manner so as to acquire, and provide the public with, sufficient information concerning the real extra costs, to guarantee competition among suppliers and to prevent possible abuses in the form of unjustified price increases, or costs not linked specifically to the euro;

9. Notes the importance of ensuring that competition is guaranteed between suppliers for different products, in order to prevent conversion costs from being passed on to end consumers;
10. Highlights the fact that the continuity of existing contracts will be guaranteed by Council Regulation (EC) 1103/97 of 17 June 1997 on some provisions relating to the introduction of the euro (\(^1\)), but with the possibility of amending contracts by express agreement; considers that standard contracts should be removed from the exemption clause; therefore calls on the Commission to submit a proposal for amending this Regulation in order to prevent clauses in standard contracts sufficing to depart from the principle that the introduction of the euro does not affect the continuity of such contracts;

11. With regard to the sensitive issue of the transaction costs for conversion between participating national currency units, considers that the Commission should ensure, by means of a proposal for a Regulation, that during the transitional phase, banknotes and coins are exchanged free of charge between the participating Member States. In the event of such a Regulation not being adopted:
- suggests the development of strategies at national level to help reduce such costs;
- points out that a practical way of avoiding conversion costs could be payment by credit-card or cheques labelled in euro;
- stresses that competition must be encouraged in order to minimise these costs;

12. Takes the view that the Commission should ensure, by means of a proposal for a Regulation, that (national currency) banknotes and coins are converted into euro notes and coins free of charge for citizens during phase C;

13. Asks the Commission to explore further the establishment of observatories on the changeover to and evolution of the use of euro at local level, as such bodies could have a considerable influence as regards the provision of information for consumers and price surveillance/dual pricing during this critical phase, and could increase their confidence in the way the introduction of the euro is effected;

14. Calls for the highest possible levels of security in the production of all euro notes in terms of security marks etc. to minimize the risk of counterfeiting;

15. Supports the view of many consumer and trade organizations that the final changeover to euro notes and coins should be made over the shortest possible period of time and certainly within three months in all participating Member States, and in a coordinated way in order to avoid confusion, reduce costs and minimise problems for consumers;

16. Is of the opinion that further consumer protection measures relating to the introduction of the euro need to be taken at EU level in order to ensure that consumers in all Member States have maximum and uniform protection in this area;

17. Takes the view that, in setting the date for the start of phase C in the euro regulation based on Article 109, care should be taken to ensure that the date of the end of phase B coincides with the start of phase C;

18. Points out that while an information campaign on the euro is vital for consumers, training is also essential for entrepreneurs and their staff, above all in the commercial sector, to enable them to respond to consumer needs;

19. Instructs its President to forward this resolution to the Commission, the Council, the Council of the European Monetary Institute and the governments and parliaments of the Member States.

7. Euro and public administrations — Euro and tourism — Legal convergence

(a) A4-0061/98

Resolution on the communication from the Commission on the practical aspects of the introduction of the euro (COM(97)0491 — C4-0524/97) and the Commission working paper entitled ‘Preparations for the changeover of public administrations to the euro’ (SEC(97)2384 — C4-0025/98)

The European Parliament,

— having regard to the communication from the Commission (COM(97)0491 — C4-0524/97),
— having regard to the Commission working paper (SEC(97)2384 — C4-0025/98),
— having regard to its opinion of 28 November 1996 on the proposal for a Council Regulation (EC) on some provisions relating to the introduction of the euro (1),
— having regard to its opinion of 28 November 1996 on the proposal for a Council Regulation on the introduction of the euro (2),
— having regard to the Council resolution of 7 July 1997 on a legal framework for the introduction of the euro (3),
— having regard to the conclusions of the Madrid European Council of December 1995 concerning the political agreement on the timetable for the introduction of the euro,
— having regard to the conclusions of the Ecofin Council meetings of 13 October and 17 November 1997,
— having regard to the decisions taken by the European Monetary Institute concerning the design of future euro banknotes,
— having regard to the proposal for a Council Regulation on unit values and the technical specifications of euro coins (COM(97)0247 — C4-0340/97 — 97/0154(SYN)) and the decisions already taken by certain Member States on the national sides of euro coins,
— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0061/98),

A. whereas preparing citizens of the Member States concerned for the introduction of the euro is an essential step in order to ensure the success of economic and monetary union and, from certain points of view, is almost as important as monetary stability,

B. whereas it is time for those Member States that have not already done so to begin training, education and information programmes concerning the introduction of the euro and for other Member States to step up their activities in this area; whereas these programmes must be undertaken by the public authorities of the Member States and the trade and distribution sectors on the one hand and the banking and financial sector on the other in close cooperation with the national consumers’ associations,

C. whereas from 1 January 1999 citizens will be able to use the euro to make payments other than cash payments and get used to prices and values in euro before the introduction of banknotes and coins,

D. bearing in mind that with the monetary union in place banknotes of the participating countries will be the same as today but their real value will no longer be the mark, franc, guilder, lira, peseta or schilling but the corresponding amount in euro,

E. whereas the date of the introduction of euro banknotes and coins has been fixed at 1 January 2002, as agreed at the Madrid Summit and confirmed by the Ecofin Council on 17 November 1997, and whereas the three-year period (from 1 January 1999 to 1 January 2002) is psychologically necessary to allow the euro to be introduced under satisfactory conditions,
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F. whereas the work concerning the technical specifications of future euro banknotes and coins having been concluded, their production will be able to begin in May 1998;

G. whereas the introduction of the euro may lead to fraud and abuse during the first years and whereas particular attention should therefore be paid to combating forgery and attempts at fraud;

H. whereas all the economic, political and social players must be fully conscious of the considerable efforts they will have to undertake to ensure that the euro is introduced smoothly and without any economic or psychological upsets,

1. Welcomes the Commission's communication on the practical aspects of the introduction of the euro, bearing in mind the pressing need for decisions, in particular by the public authorities; calls, nevertheless, on the Commission to provide periodic information on the development of the situation in the various Member States and in particular in those which will be able to introduce the euro on 1 January 1999;

2. Notes that even if the public administrations of most of the Member States concerned have already set up the institutional framework for the introduction of the euro, the time has now come for action. This applies both to the introduction of the euro in the European institutions and to measures by the national authorities to encourage the private sector;

3. Considers that the Member States concerned must pay particular attention to the conditions under which the euro is introduced and the way it is used for small and medium-sized businesses, immediately after 1 January 1999, in order to avert any risk of their losing competitiveness vis-à-vis other undertakings;

4. Recommends to Member States that they show particular concern towards 'vulnerable' social groups of the population (the elderly, low-income groups, the disabled) after the introduction of the euro;

5. Considers it necessary that the Member States should unveil their changeover plans as rapidly as possible, and notably submit statements on accounting, reporting and tax declarations in euros in order to give citizens, businesses and government departments the correct and prompt information they need concerning the introduction of the euro, and that the Member States should ensure that these plans are disseminated as widely as possible;

6. Considers also that the Member States concerned must swiftly adopt the legislation relating to these changeover plans and the relevant technical implementing provisions, for example concerning the arrangements for redenominating public debt in euros, with a constant eye for harmonization; calls on the Commission to make the appropriate recommendations in this respect;

7. Considers that the Member States concerned should publish the design of the national face of coins as soon as possible;

8. Recommends to the future Member States of the euro zone, in partnership with the European institutions, that they launch their national information campaigns at the earliest opportunity in the second half of 1998, given that citizens need correct and prompt information on all the practical aspects of the introduction of the euro;

9. Reminds the Commission and the public authorities of the Member States of the specific role which Members of the European Parliament may play in the euro information campaigns by virtue of their representative status and their European democratic legitimacy, and refers to Article 8 of the Memorandum of understanding concerning information on introduction of the euro, which has been agreed by the Member States, the Commission and Parliament, and which states that the parties, acting together, may define the role of members of parliament;

10. Supports the Commission's information campaign in the Prince programme on the practical aspects of the euro; believes, however, that the campaign should also draw on the expertise of advertising agencies in Europe in order to foster and disseminate among citizens a feeling of participation, confidence and attachment towards the single currency; calls, therefore, on the Commission to seek the advice of European advertising professionals by convening a meeting of all parties concerned for a round-table discussion of this subject;
11. Takes the view that dual price display should be optional during the transitional period in order to give markets greater flexibility in finding the optimal solutions which strike a balance between consumers’ demands and the needs of shopkeepers in adapting to utilization of the euro; considers nevertheless that professional associations should encourage their members to practise double labelling or carry out operations of this type on a temporary basis;

12. Considers, however, that if dual display fails to catch on properly because it is optional, the public authorities will have to take whatever measures are necessary to make it compulsory in the retailing sector; takes the view, moreover, that a dual display of prices will secure competitive advantages for businesses, but that small and medium-sized enterprises should be assisted in their efforts to provide dual pricing;

13. Considers that the period during which national and euro banknotes and coins are in simultaneous circulation should be reduced to the minimum in order to avoid complications for consumers and to limit the additional costs for business;

14. Considers that the practical aspects of the changeover to the euro concerning relations between workers and employers can best be regulated by mutual agreement between the social partners in the Member States;

15. Considers it indispensable that the principle of free compulsory conversions — whether in bank money or in cash — between the relevant national currency and the euro is secured and that charging is completely transparent;

16. Believes that the commercial costs resulting from conversion transactions between the national currency units of the participating Member States (national currency, non-decimal subdivisions of the euro) will be reduced through the elimination of exchange risks, and that it is the duty of banking and financial institutions, encouraged by their competitive framework, to find commercial formulas to make it possible to minimize the costs to the consumer;

17. Stresses the paramount importance of involving the information technology (IT) sector in the introduction of the euro and calls, therefore, for that industry to facilitate and closely monitor the transition to the euro by developing IT products linked to the use of the euro and anticipating, as far as possible, the technical modifications needed; recommends, furthermore, that these changes be timed to coincide with those due at the millennium;

18. Recommends that the measures being taken to register the euro symbol with the relevant authorities be speeded up and urges manufacturers and retailers of computer equipment to affix the euro symbol as rapidly as possible on the new computer keyboards and printer equipment in order to familiarize the public with this symbol;

19. Considers that the Member States must give their citizens confidence in the new currency by guaranteeing that all criminal acts linked to the introduction of the euro will be punished;

20. Insists on the need to make provision in all Member States forthwith for a sufficient number of educational and training programmes concerning the introduction of the euro tailored to the specific needs of different groups in society, with particular emphasis on practical details;

21. Instructs its President to forward this resolution to the Commission and the Council.
9. Changeover to euro

A4-0304/98

Resolution on the communication from the Commission on the impact of the changeover to the euro on Community policies, institutions and legislation (COM(97)0560 — C4-0591/97)

The European Parliament,

— having regard to the communication from the Commission, COM(97)0560 — C4-0591/97,
— having regard to its earlier resolutions on the internal impact of the euro on the Community,
— having regard to the Council resolution of 7 July 1997 on the legal framework for the introduction of the euro \(^1\),
— having regard to the conclusions of the Luxembourg European Council of December 1997,
— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinions of the Committee on Agriculture and Rural Development, the Committee on Budgets, the Committee on External Economic Relations, the Committee on Legal Affairs and Citizens’ Rights, the Committee on Regional Policy and the Committee on Culture, Youth, Education and the Media (A4-0304/98),

A. whereas the effects of the changeover to the euro on Community policies, institutions and legislation will be very diverse and complex, and whereas the Community itself must clarify in good time what these effects will be,

B. whereas the legal framework for the changeover to the euro is governed by the two basic Regulations, Regulation (EC) 1103/97 of 17 June 1997 \(^2\) (on the basis of Article 235 of the EC Treaty) on certain provisions relating to the introduction of the euro, and the forthcoming Council Regulation (on the basis of Article 109(4) of the EC Treaty) on the introduction of the euro,

C. whereas on 2 May 1998 the decision on the eleven States which are to participate in the launch of the common European currency as of 1 January 1999 was reached unanimously and only Britain, Denmark, Sweden and Greece will not participate from the start,

D. whereas the services of the Commission and of the other Community institutions were involved in the preparatory work; whereas it is essential to look in detail particularly at the practical consequences for Community policy, and whereas other Community bodies must be involved alongside the Commission in order to issue specific legal acts,

E. whereas in some fields it is necessary to examine the compatibility of the euro with Community law, and where necessary to create such compatibility, and whereas some of the work to this end must begin before the third stage,

F. whereas the technical and practical impact of the euro in terms of information technology, administrative adjustments and the information and training of staff must be examined in good time and solutions offered, and a wide-ranging information campaign must be launched as soon as possible in order to inform Community staff of changes to pay and pensions,

G. whereas the Commission’s communication is also intended to help the Member States in concluding their own internal preparations,

H. whereas there is a need for adaptation at national level in the Member States in the majority of the policy areas referred to in the communication,

I. whereas the three most important EU areas affected by the introduction of the euro are the Community budget, agricultural policy and administration,

J. whereas, although the Community budget is drawn up in ecu, both revenue and expenditure are wholly or partly paid on the basis of national currencies,

K. whereas the fact that payment transactions have hitherto been in national currencies rather than ecu has meant that the exchange rate risk resulting from fluctuations in national currencies was a charge on the Community budget,

L. whereas, in the past, currency revaluations within the European Union resulted in a considerable drop in the agricultural conversion rate and it was often difficult to find temporary financial support to provide adequate compensation for farmers’ loss of income,

M. whereas the expenditure of the Community institutions and bodies totals nearly ECU 3 billion, by far the greatest part of which goes on the salaries and pensions of staff,

N. whereas salaries are calculated and paid in the currency of the country in which the staff member works, with purchasing power equivalence being created by adjustments to the salaries of those staff members who are not working in Brussels or Luxembourg,

O. whereas some 90% of the total of nearly 30,000 EU officials work for the various bodies in Brussels or Luxembourg; whereas a majority of pensioners also live in Belgium or Luxembourg; whereas therefore the participation of these two countries with effect from 1 January 1999 will mean that the euro will have a special impact on the administrative tasks of the Community,

1. Welcomes the Commission communication on the impact of the changeover to the euro on Community policies, institutions and legislation and the practical steps already proposed with a view to making the concomitant amendments to the Staff Regulations of officials and other servants of the European Communities and the agri-monetary scheme;

2. Welcomes the fact that in preparing this Commission communication a wide-ranging dialogue took place within the Commission and with other Community institutions;

3. Welcomes the fact that with the introduction of the euro the participant Member States will have the same currency as that in which the Community budget will also be drawn up, and that these states will thus no longer be affected by exchange rate fluctuations;

4. Calls for a sensible and practical transitional system for the countries which are not members of the euro zone at the outset (the Pre-Ins) and calls on the Commission to present a modified and simplified system for the Pre-Ins, which will continue to need conversion rates;

5. Welcomes the fact that the agricultural exchange rates, which have necessitated significant compensation payments between the Member States, will in future be superfluous in the countries participating in monetary union;

6. Believes it is essential to ensure that the new agri-monetary regime, and any transitional arrangements needed, do not create new distortions or scope for discrimination between countries participating in the single currency and those not participating or joining later, including the accession countries;

7. Welcomes the practical proposals made by the Commission firstly concerning the agri-monetary scheme after the introduction of the euro and secondly concerning the transitional measures for the introduction of the euro in the common agricultural policy;

8. Regards the Commission’s practical proposals concerning the two Regulations on the future of the agri-monetary schemes as a worthwhile and necessary contribution, with a view firstly to minimising the losses of farmers due to past currency fluctuations when changing over to the euro and secondly to maintaining a modified agri-monetary scheme for the Member States of the European Union which do not join the Economic and Monetary Union on 1 January 1999;

9. Believes that the issue of the elimination of the disparities between the euro rate and the green rate must be carefully considered and may give rise to compensation for farmers;
10. Points out that the risk of serious moves of a currency out of alignment with the euro will still exist and believes that a mechanism like the present freeze of the gap at 11.5% should be envisaged after 1 January 1999;

11. Recommends that maximum flexibility be applied and compensatory mechanisms or mid-term revision of parties implemented in the case of operations where there is still a need for conversion into national currencies in the context of cultural programmes (amounts for subsidies, thresholds, etc.);

12. Congratulates the Commission for creating the preconditions to enable salaries and pensions to be paid in euro not just from the end of the transitional period on 31 December 2001 but as from 1 January 1999 and calls on the Council to adopt the necessary amendments to the Staff Regulations after participation by staff representatives and by the European Parliament;

13. Is convinced, in view of the political importance and symbolic value of Community staff salaries, and with a view to the preparations in the Member States, that it would be advisable for all amounts in the Staff Regulations to be expressed in euros with effect from the third stage of Economic and Monetary Union on 1 January 1999, achieving this immediate changeover to the euro by means of a provision expressed in general terms;

14. Calls on the Commission to launch its planned large-scale, well prepared information campaign for Community staff as soon as possible, and in any case before the end of 1998, in agreement with the unions;

15. Welcomes the Commission’s guidelines on the legal changeover of monetary references;

16. Welcomes the fact that the general effect of introducing the euro on the Community budget will be beneficial to both the revenue and the expenditure sides, and that the conversion rate risk borne by the Community budget will be considerably reduced and currency management significantly simplified;

17. Regards it as a major benefit that, in treasury and financial management, the use of the currencies of the net contributor states to purchase ecu on the open market will largely cease;

18. Welcomes the Commission’s intention of exploiting the currency and accounts management benefits of the introduction of the euro in the interests of the European Union’s accounts management in the period before 1 January 2002, and calls on it to make preparations for the use of the euro from 1 January 1999;

19. Underscores the need for a tracking and early warning mechanism to coordinate and dovetail the legislative and budgetary timetables, so as to permit the budgetary impact of the changeover to the euro to be controlled and ultimately quantified, which would also enable the headings concerned to be endowed, under the budgetary procedure, on the basis of real needs;

20. Believes that the budgetary aspect of this changeover to the euro must involve more than simply an accounting exercise; rather, the budget must also be used as a tool for applying and managing Community policies so as to have some influence over the objectives set by the legislative timetable;

21. Regards it as essential for the Commission to clearly incorporate the 'action and timing' announced in its annual legislative programme so as to identify where timing has been complied with and, if necessary, where there have been any delays, and why, so that the necessary budget-related conclusions can be drawn;

22. Supports the intention of Eurostat to re-scale the time-series for primary statistics and thus to guarantee the continuity of statistical information and series, and calls for priority to be given to a common conversion policy for the whole European statistical system;

23. Welcomes the fact that the Commission has set up a specific working group ‘Euro/year 2000’ in order to support the efforts of the different services in preparing their systems for both these events, and assumes that this working group’s conclusions will be published as soon as possible;

24. Welcomes the fact that concerning payments from the Structural Funds the exchange risk borne by the Member States will be substantially reduced for the countries participating in the euro area; insists that the ‘pre-in’ countries should not be penalised for not participating in the euro area;
25. States that the changeover to the euro will have a considerable impact on statistics and informatics of both the Commission and the Member States; draws attention to the fact that most of the Structural Funds budgetary reports are still sent to the Commission on paper; believes that the situation should be taken as an opportunity to create a European cooperation network for administration in the field of informatics and statistics in order to guarantee coherent systems not only for routine follow-up financial information but also for background information needed in decision-making;

26. Supports the Commission's intention to simplify considerably certain areas of policy, and to tackle in particular the complex and expensive agri-monetary system as a prime example;

27. Notes that around 4 000 Community acts will be affected by the changeover to the euro and considers that, for the purposes described above, the Commission should publish a communication in the Official Journal of the European Communities with an annex detailing the monetary references in the provisions which will be affected;

28. Notes also that in some sectors existing legislation may require amendment and, with this in view, observes that most monetary clauses involve legislative provisions contained in acts adopted or to be adopted under the codecision or cooperation procedure and therefore points out that such amendments should be adopted under the same legal basis and same procedures as the basic legislation;

29. In this connection, calls on the Commission to adopt these measures at the earliest possible stage and, where appropriate, to introduce new provisions designed to ensure that the application of the principle of legal continuity governing the legal framework for the euro does not create serious distortion or prevent the alignment of monetary amounts between the participating Member States at the end of the transitional period and also to ensure the cohesion of the general system described in its communication for the 'pre-ins';

30. Considers that most of the work of adapting legislation will fall to the Member States and that this work should be completed in the context of the general revision of national legislation; considers, however, that this should take place as soon as possible and not wait until the end of the transitional period;

31. Stresses that the Community's conversion effort will principally be concentrated on the period leading up to the beginning of the third stage of Economic and Monetary Union on 1 January 1999, while the conversion effort at national, regional and local level will require the whole period up to 2002;

32. Advocates a maximum of flexibility for transactions which still require currency conversions under the structural funds and a wide range of programmes (subsidies, threshold values, etc.) and calls for the use of compensation mechanisms;

33. Recommends that an appropriate information policy be introduced for those present or future participants in European programmes who still have to contend with exchange rate risks;

34. Stresses that the regional authorities and the beneficiaries of the Community structural funds should be well informed on the impact of the changeover to the euro; urges the Commission to do its utmost in the information campaigns;

35. Considers it necessary that, as from 1 January 1999, the commercial interest reference rates (CIRR) of the participating Member States and the CIRR for the ecu should be replaced by a single euro-CIRR, and stresses that such a change could eliminate distortions of competition which have hitherto been a feature of the various national policies in the field of State-supported export credits;

36. Points out that the relationship between the euro and the currencies of the Central and Eastern European countries applying for accession — some of which are already closely linked to the German mark — will have to be very carefully analysed so as to prevent distortions of competition in the pan-European market as well as ensuring that convergence requirements do not slow down the current process of intensive economic growth and structural change under way in most of these countries;
37. Considers it vital for the EU to introduce an information strategy specially geared to the countries with the closest ties with the Union (applicants for accession, Mediterranean associated countries, countries covered by the Lomé Convention and main trading partners) and for the most important international financial centres;

38. Welcomes the fact that the Commission, in its overview of the impact of the changeover to the euro on Community legislation (Annex 8 of its communication), has set out its views on the need for adjustment and the timetable to be followed;

39. Calls on the Commission to submit as soon as possible, and in any case before the end of 1998, a further interim report on progress in implementing the Commission’s proposals;

40. Calls on the Member States to press on with the conversion of public administration from national currencies to the euro, and from 1 January 1999 to permit citizens to make payments, particularly tax payments, in euros;

41. Instructs its President to forward this resolution to the Commission and Council.
3. **Euro as parallel currency** (procedure without debate)

A4-0447/98

Resolution on the euro as a parallel currency

The European Parliament,

— having regard to the establishment of the European Central Bank and the start of Stage Three of EMU,

— having regard to its resolution of 30 April 1998 on the Convergence Report of the European Monetary Institute (C4-0201/98) and the Commission document of 25 March 1998 entitled 'Euro 1999 — Report on progress towards convergence and its recommendation with a view to the transition to the third stage of Economic and Monetary Union' (COM(98)1999 — C4-0200/98) (1),

— having regard to Rule 148 of its Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0447/98),

A. whereas the start of Stage Three of EMU on 1 January 1999 will not, unfortunately, include sterling, the Swedish krona, the Danish krone and the Greek drachma,

B. whereas it is to be earnestly hoped that the United Kingdom, Sweden, Denmark and Greece, in their own interests, in the interests of the other Member States participating in the start of EMU and, above all, in the interests of the peoples of the European Union as a whole, will be able to join the Single Currency as soon as possible,

C. whereas, notwithstanding the outstanding political and economic barriers to entry for the United Kingdom, Sweden, Denmark and Greece, substantial majorities of their citizens expect they will be joining EMU within the next seven years (for example in the case of the United Kingdom, 65%),

D. whereas it is widely perceived, by firms in the United Kingdom, Sweden, Denmark and Greece, that there will be competitive advantage to be achieved by an early capacity to operate in euros,

E. whereas the political uncertainty over the timing of EMU entry by the United Kingdom, Sweden, Denmark and Greece and the economic uncertainty inherent in their retaining the option to manipulate the value of their currencies could easily lead to a significantly greater volatility of sterling, the Swedish krona, the Danish krone and the Greek drachma against the euro than has recently been the case against the deutschmark,

F. whereas this increased volatility could also arise because of the greater weight of the euro in international markets compared to the deutschmark and the impact this might have on the volatility of sterling, the Swedish krona, the Danish krone and the Greek drachma against the dollar and yen,

G. whereas this volatility could easily be further exacerbated by the vulnerability of minor currencies to speculative attack revealed in recent global capital market trends,

H. whereas this volatility is likely to ensure that the cost of capital in the United Kingdom, Sweden, Denmark and Greece remains above that prevailing in the euro zone,

I. whereas from 1 January 1999, the euro will be used for all EU payments, so sectors dependent on EU payments, notably agriculture, in Member States outside EMU could therefore face increased exchange risk and may seek to pass this on to their domestic suppliers by requesting them to invoice in euros,

J. whereas use of the euro by tourists could be especially significant in those regions of the pre-in states where this industry is important, such as London and the Greek islands,

K. whereas a substantial number of major multinational corporations operating in the United Kingdom, Sweden, Denmark and Greece have already announced their intention, after 1 January 1999, to pass the exchange risk on to their domestic suppliers by requesting them to invoice in euros,

L. whereas a substantial number of national corporations in the United Kingdom, Sweden, Denmark and Greece exporting to the euro zone will be seeking to pass the exchange risk on to their domestic suppliers by requesting them to invoice in euros,

M. whereas the desire to compare prices easily across the whole of the EU could well lead British, Swedish, Danish and Greek purchasing managers, even of companies with no euro income stream, to request their domestic suppliers to quote in euros,

N. whereas in the United Kingdom, Sweden, Denmark and Greece, in some sectors, notably financial services and information technology, where the employers and employees are international, the euro will, over the next three years, be the denominating currency of the vast majority of executive remuneration packages,

O. whereas it is also possible that in the United Kingdom, Sweden, Denmark and Greece, wage deals in sectors exposed to the euro, such as the motor industry, whilst still denominated in national currency, will be explicitly linked to the euro exchange rate,

P. whereas it is likely that the euro will, over the next few years, become equal to the dollar for key commodity import contracts for the euro zone, notably for North Sea oil and natural gas,

Q. whereas it is possible that the euro will, over the next few years, become equal to the dollar in international trade and investment transactions in those countries that are candidate members of the EU,

R. whereas the euro will therefore not be remotely 'just another foreign currency' in the United Kingdom, Sweden, Denmark and Greece after 1 January 1999, but will denominate a rapidly growing share of these countries' money supply (perhaps as much as 15% in the case of Sweden over the next three years),

S. whereas this development is to be welcomed in that it will undoubtedly tend to accelerate British, Swedish, Danish and Greek participation in EMU,

T. whereas this development will, however, pose increasing problems for the Central Banks of the United Kingdom, Sweden, Denmark and Greece in running their national monetary policies,

U. whereas this development could also easily lead small and medium-sized enterprises, which have never before had foreign exchange exposure, to take too lightly risks they do not understand and cannot properly manage,

V. whereas this development might also lead consumers to assume debt and other financial obligations in euros too lightly, without appreciating the risks involved,

W. whereas the parallel use of the euro in those countries which are candidate members of the EU is to be welcomed as it will intensify their links with the Union and ease their eventual membership,

X. whereas this development might however, in time, create comparable risks to those now faced by the United Kingdom, Sweden, Denmark and Greece,

Y. whereas the wider international parallel use of the euro is to be welcomed as it will underpin its role as a global currency equal to the dollar,
(iii) the Central Banks of the United Kingdom, Sweden, Denmark and Greece should all make official statements, before 1 January 1999, on how they envisage parallel euro use will develop in their respective economies over the next three years and how they recommend financial institutions, enterprises and consumers should act in these circumstances; these statements to be presented to the European Parliament through the Monetary Affairs Subcommittee;

(iv) as the only way the risks inherent in the parallel use of the euro can be diminished for the United Kingdom, Sweden, Denmark and Greece is by their governments ensuring their policy towards the euro is as clear as possible to all economic agents, they should take the necessary steps to this end;

(v) as the only way the risks inherent in parallel use of the euro can be removed for the United Kingdom, Sweden, Denmark and Greece is by joining EMU, they should do exactly that, as soon as possible;

2. Instructs its President to forward this resolution to the Commission, the Council, the Governing Council of the ECB and the governments and parliaments of the Member States.
42. Calls on the Commission to clarify its proposals concerning the application of the Treaty of Amsterdam in the field of the common foreign and security policy and to discuss with Parliament its proposals concerning the putting in place of the Planning and Analysis Unit; calls for the rapid implementation of the Franco-British proposals on defence policy with a view to promoting a common European Union policy in this field;

43. Calls on the Commission to submit a communication laying down the guidelines and criteria for the development of fair trade within the Union, based on Parliament's resolution of 2 July 1998 on fair trade (*), with a view to preventing abuse;

44. Calls for the communitisation of the EDF budget;

* " *

45. Calls, finally, on the Commission to:
   — implement a fundamental review both of its own internal coordination mechanisms and the process whereby the institutions express, according to their respective political priorities, their coordinated input into the work programme;
   — put into practice a monitoring system whereby the state of implementation of the work programme is subject to periodic review with Parliament, as indicated in paragraph 1;
   — integrate Parliament's institutional and sectoral priorities into its work programme;

46. Instructs its President to forward this resolution to the Commission, the European Council, the Council, the parliaments of the Member States, the Economic and Social Committee and the Committee of the Regions.


13. Information strategy on euro

A4-0485/98

Resolution on the communication from the Commission on the information strategy for the euro

(COM(98)0039 — C4-0125/98)

The European Parliament,

— having regard to the communication from the Commission (COM(98)0039 — C4-0125/98),

— having regard to the communication from the Commission on the update on the practical aspects of the introduction of the euro (COM(98)0061 — C4-0142/98),

— having regard to Commission recommendation 98/286/EC concerning banking charges for conversion to the euro (*),

— having regard to Commission recommendation 98/287/EC concerning dual display of prices and other monetary amounts (*),

— having regard to Commission recommendation 98/288/EC on dialogue, monitoring and information to facilitate the transition to the euro (*),

— having regard to its resolution of 13 January 1998 on the Euro and the Consumer (*),

— having regard to its resolution of 10 March 1998 on the practical aspects of the introduction of the euro and the Commission Working Paper entitled 'Preparations for the changeover of public administrations to the euro' (*),

(*) OJ L 130, 1.5.1998, p. 22.
(9) OJ L 130, 1.5.1998, p. 29.
(*) OJ C 34, 2.2.1998, p. 38.
having regard to the Memorandums of Understanding concerning information on the introduction of the euro, which have been agreed by eleven Member States, the Commission and Parliament,

having regard to the hearing of the Subcommittee on Monetary Affairs of 21 September 1998 on the euro information campaign,

having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinions of the Committee on Budgets and the Committee on Culture, Youth, Education and Media (A4-0485/98),

A. whereas the introduction of the single European currency, the euro, will affect all the inhabitants of the European Union more than any other single measure of the EU,

B. whereas the euro, apart from its economic, geo-economic and geo-political advantages, will constitute an important factor for building a common European identity,

C. whereas information and communication on the euro is an essential step towards ensuring the success of economic and monetary union,

D. whereas the success of EMU and its acceptance by citizens will be decisive for pursuing European construction,

E. whereas a large part of the EU population feels ill informed about the euro,

F. whereas, according to the OECD, around 30-40% of the European population experiences difficulty comprehending written information,

G. whereas disadvantaged groups of society such as the blind and partially sighted or the poorest have specific communication needs,

H. whereas an important part of the population (around 30%) may not be reached by the usual communication tools, for many reasons: illiteracy, economically and socially disadvantaged situation, age, handicaps (the blind and the deaf), political or philosophical position,

I. whereas an information campaign may have negative repercussions if the message and the instruments are not tailored to the needs of specific target groups,

J. whereas money is not only a technical instrument to facilitate exchanges, but has psychological, social, political, emotional and national dimensions,

K. whereas the acceptance of the euro by European citizens implies building their confidence in the euro, and in the institutions which create, survey, and monitor it,

L. whereas the changeover to the euro will change all existing scales of material values and public perceptions of prices, and whereas the time necessary to reconstruct scales of value and adapt to the new prices and to build confidence in the euro may be of several years for a large part of the population,

M. whereas from 1 January 1999 citizens will be able to use the euro to make payments with all money instruments other than cash (notes and coins), and whereas many professional operators will price and propose to pay their goods and services in euro from 1999 onwards,

N. whereas information, if not followed by practice, may trigger a negative response or be useless,

O. whereas the introduction of the euro may lead to fraud and abuse during the first years and whereas, among other actions, good information will contribute to prevent these abuses,

P. whereas information however is not sufficient to create the confidence of the citizen in the euro and in the European institutions indispensable to its success,

Q. whereas the behaviour of all the economic, political and social players will be judged by the citizen on the way they are handling the changeover to the euro and whereas, in consequence, they should be encouraged to adopt good practices and become involved in information activities on the euro,
R. whereas of all market players, banks and financial services will have the highest responsibility in raising consumer confidence, and whereas the distribution and tourism sectors are in the front line in the use of money by the citizens and will as such play an essential role in accustoming consumers to new prices and values, and the use of euro money instruments,

S. whereas the Prince budget for the year 1998 amounts to ECU 30 million and the proposed annual budgets decrease from ECU 38 million for 1999 to ECU 32 million for 2000 and ECU 30 million for 2001,

T. whereas the euro information campaign must be continually strengthened and developed from 1999 onwards,

1. Welcomes the Commission's communication on the information strategy for the euro;

2. Calls on the Commission and Member States to monitor and provide a regular and specific assessment of the campaign;

3. Asks for a substantial increase of the budget for the euro information campaign, from 1999 onwards, with a special effort for the year preceding the introduction of euro notes and coins;

4. Calls for the budget for the Prince programme to be maintained at the ECU 38 million level for both 2000 and 2001;

5. Calls for the euro information campaign to be extended until the end of 2002;

6. Recommends maintaining the information effort in 2002 at EUR 30 million;

7. Insists that the Community information strategy on the euro is financed by the EU budget under a specific programme;

8. Recommends that the new guidelines on the contents of the Prince programme, concentrating on a single campaign in favour of the single currency, be submitted to the working party for priority actions;

9. Proposes that the Prince programme (B3-306) should remain a separate budget line in title B3-3; that its appropriation be determined by the budgetary authority on an annual basis within the current financial perspective; that these actions be determined by the working party and the funding decided on an annual basis by the budgetary authority;

10. Recommends that part of the funding is kept available for actions in the countries not belonging to EMU;

11. Considers the Commission decision as a sufficient legal basis;

12. Suggests that Community co-financing on the basis of partnership with the Member States should not be allowed to exceed 50% of the total cost of the joint action;

13. Supports the establishment of observatories on the changeover to and progress in the use of the euro at local level, as such bodies help to increase citizens' confidence in the way the introduction of the euro is being handled, and may play an important role in monitoring the impact of information campaigns and helping to adapt them to the needs and demands of all citizens;

14. Recalls that all partners of the national tripartite committees should exert equal influence on the implementation of national information plans;

15. Reminds the Commission and all the public authorities of the Member States of the specific role which Members of the European Parliament, by virtue of their representative status and their European democratic legitimacy, can and must play in informing citizens and that they must therefore be involved in the euro information campaign;

16. Recommends that 'euro mediators' be introduced for disadvantaged groups and trained for that purpose;
17. Recommends that the general public be among the main target groups of the euro information campaign with special attention being given to particular sections of society such as the elderly, economically and socially disadvantaged citizens, those suffering visual, auditory, mental or physical handicaps, and illiterate people;

18. Calls in particular for at least 10% of the information campaign resources to be made available for special forms of communication with the disadvantaged sections of the information society of the 21st century, while paying special attention to the population of remoter regions;

19. Insists on the role of information multipliers that young people and specifically the youngest may play; and on the necessity, as future European citizens, to give them the largest information on European culture and history, the construction of Europe and the European institutions in a way that places the euro in its historical and political context, as well as on technical aspects;

20. Recommends tailoring specific tools and means to inform disadvantaged groups of society, and isolated persons;

21. Recommends targeting women not in paid employment, whose household budgetary powers and influence on opinion within the family should not be underestimated;

22. Insists on the role that the regions and local authorities have to play in the information campaign by virtue of their proximity to the citizen specifically for disadvantaged groups of society (for economic, social, age or handicap reasons);

23. Recommends that all existing communication means be mobilised (written, audio, and audio-visual media, leaflets, brochures, free answering services, hotline, Internet and CD ROMs);

24. Recommends that the main focus be put on schools (primary and secondary), on universities and on mass media (radio, television) as well as the local press;

25. Stresses also the importance of using other media aimed at specific population groups such as the associative press (consumers’ associations, the elderly, associations of parents of school children, trade unions and women’s organisations);

26. Points out that information cannot be a one-way street, that preparations should be made for receiving information, and the parties involved (business, associations and the public) must therefore be encouraged by the information campaigns to take part (e.g. by games, competitions, essay competitions in schools, etc.);

27. Recommends providing small and medium-sized enterprises, particularly in the retail and distribution sector, with more information on the euro especially through their professional associations, starting as soon as possible, in view of the ground to be made up;

28. Recommends doing the same for the distribution and tourism sectors and providing them with visual information on the euro, especially on notes and coins, well before 2001;

29. Points out that those active in tourism and sales involving international contacts will be expected to have especially high levels of information and knowledge, will be in a position to promote or discourage acceptance of the euro, and should therefore be given information and training as a matter of priority;

30. Takes the view that dual indication of prices and values should be optional during the transitional period in order to give markets greater flexibility in finding the optimal solutions which strike a balance between consumers’ demands and the needs of shopkeepers in adapting to utilisation of the euro;

31. Considers nevertheless that national, regional and local authorities as well as professional associations should encourage distributors, retailers and the tourism sector to adopt the rules of good practice negotiated at European level by associations for the blind and consumers’ associations and European professional associations of these sectors; considers it necessary to promote widely and monitor the use of the European logo linked to compliance with this agreement;
32. Considers, however, that if dual indication of prices and values fails to catch on properly because it is optional, the public authorities will have to introduce measures for its promotion in the retail sector.

33. Considers indispensable that from 1999 onwards the principle of free conversion whether in bank money or in cash (from 2002) between the relevant national currency and the euro (or the reverse) be secured and that for other banking or financial operations in euro charging be completely transparent and not discriminate negatively the use of the euro;

34. Instructs its President to forward this resolution to the Commission and the Council.
ANNEX 2
POSTER SHOWING EURO COINS AND BANKNOTES IMAGES OF COMMON EUROPEAN SIDES AND SIDES SPECIFIC TO ISSUING COUNTRIES © European Central Bank
ANNEX 3
SERIES OF HUMOROUS DRAWINGS BY THE BELGIAN CARTOONIST ROYER SHOWING HOW THE EURO FITS INTO THE DAILY LIVES OF EUROPEANS

European Commission information campaign
Date: 2 March 1998
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(Source: European Commission Audiovisual Library)
THE EURO?
THE EURO, A CURRENCY OF THE FUTURE
THE EURO, A CURRENCY FOR HOLIDAYS AND TRAVEL
THE EURO, A CURRENCY FOR TRADE
THE EURO, A GLOBAL CURRENCY
THE EURO, A STRONG CURRENCY
THE EURO, A SAFE HAVEN
THE EURO, AN ATTRACTIVE CURRENCY
THE EURO, A SAFE CURRENCY
THE EURO, A BEACON FOR CURRENCIES
THE EURO, A CURRENCY FOR EVERYDAY BUSINESS
THE EURO, AN ELECTRONIC CURRENCY
THE EURO, A BRIDGE TO THE NEW MILLENNIUM
THE EURO, A CURRENCY THAT WILL GO FAR
THE EURO, THE CURRENCY ON EVERYONE’S LIPS
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