Procedure file

Basic information

COS - Procedure on a strategy paper (historic)	1995/2286(COS)	Procedure completed
Impact of currency fluctuations on the internal market Subject 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy		28/11/1995
		PSE PÉREZ ROYO Fernando	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	1887	27/11/1995

Key events

31/10/1995	Non-legislative basic document published	COM(1995)0503	Summary
27/11/1995	Debate in Council	1887	
19/01/1996	Committee referral announced in Parliament		
30/05/1996	Vote in committee		Summary
30/05/1996	Committee report tabled for plenary	A4-0181/1996	
18/06/1996	Debate in Parliament		
18/06/1996	Decision by Parliament	T4-0331/1996	Summary
18/06/1996	End of procedure in Parliament		
08/07/1996	Final act published in Official Journal		

Technical information

Procedure reference	1995/2286(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed

Committee dossier	ECON/4/07254

Documentation gateway					
Non-legislative basic document		COM(1995)0503	31/10/1995	EC	Summary
Committee report tabled for plenary, single reading		A4-0181/1996 OJ C 198 08.07.1996, p. 0004	30/05/1996	EP	
Text adopted by Parliament, single reading		T4-0331/1996 OJ C 198 08.07.1996, p. 0019-0049	18/06/1996	EP	Summary

Impact of currency fluctuations on the internal market

OBJECTIVE: to highlight the impact of currency fluctuations on economic growth and the internal market. CONTENT: the European Union has seen serious currency fluctuations since the summer of 1992. In three years, five currencies have depreciated by 20% or more in relation to the more stable currencies in the EMS. The importance of these developments justifies raising this question at the highest level. Analyzing the impact of intra-European currency fluctuations on growth and the internal market, the Commission report highlights several phenomena: - a slowdown in growth in the order of 0.25 to 0.5 percentage points in 1995 (including the dollar effect); - a variable effect on the development of the cost of competitiveness; - a secondary effect on trade balances, although appreciable on margin performances; - finally, a more visible impact at sectoral and regional level (e.g. automotive and clothing sectors, border regions close to countries whose currency has depreciated). The Commission concludes on the basis of this finding that currency fluctuations cause the EU economy certain problems, even if they have nothing to do with the elimination of trade barriers. It recommends attacking the causes of fluctuations which are directly linked to the lack of progress achieved in convergence, especially with regard to reducing public deficits. The solution to these disturbances lies in economic convergence, which is essential if a strong, stable single currency is to be introduced and, more particularly, in long-term compliance with the inflation and public deficit criteria set out in the Treaty. In this respect, the Commission will ensure that the mechanisms of the TEU are strictly applied in order to strengthen this convergence. The Commission concludes the report by stating that it considers that the single currency is an indispensable complement to the single market. Economic and monetary union is the right response to the difficulties which currency fluctuations cause for the European economy. Any other solution would risk being worse than the problems which it was seeking to resolve.?

Impact of currency fluctuations on the internal market

The ECON adopted the report by Mr Fernando PEREZ ROYO. However, several PPE and ELDR members opposed the report on the grounds of the amendment calling for a tax on monetary speculation. The Commission communication analyzes the impact of intra-Community currency fluctuations on economic growth and the internal market. Although monetary fluctuations temporarily benefit countries whose currency has fallen in value, this benefit is short-lived and is generally accompanied by an upswing in inflation. These fluctuations, one of the main causes of which is a lack of coordination in macro-economic policies generated a 0.5% loss in growth in 1995 according to Commission estimates. In addition, they seriously disrupted the operation of the internal market, affected the profitability of companies, especially SMEs, and hampered the transition towards the single currency. In addition to a speculation tax, the ECON called on Member States to step up efforts to improve public finances and stressed the need for better coordination of financial and monetary policy. As relations between "ins" and "pre-ins" are essential, the ECON called on the Commission and the EMI to present proposals for the introduction of a single simple, transparent and sufficiently flexible system of cooperation. This system should be based on a euro with wide fluctuation margins, without excluding the possibility of setting narrower margins for those who so wish. In addition, provision was also needed for intervention mechanisms to neutralize speculative pressures The ECON opposed the adoption of protectionist measures in reaction to monetary fluctuations and considered the suggestion that regions and sectors affected by these fluctuations be compensated through the Structural Funds to be inappropriate. However, adequate aid could be given to frontier SMEs, which would be the first to be affected by a devaluation in the currency of the neighbouring country.?

Impact of currency fluctuations on the internal market

Adopting the report by Mr Fernando PEREZ ROYO (PSE), the European Parliament affirmed that completing the internal market with EMU and, more importantly, introducing a single European currency, were the only ways of dealing with the problems of currency fluctuations within the European Union in the long term. The report called on Member States to step up efforts to improve public finances by introducing a stable and coherent policy which did not jeopardize the operation of common interest services and the European social model. The common system of exchange rates governing relations between Member States which benefit from a derogation and those which do not should be based on a euro with wide fluctuation margins, without excluding the possibility of setting narrower margins for those who so wish. In addition, provision was also needed for intervention mechanisms to neutralize speculative pressures. The report opposed the adoption of protectionist measures in reaction to monetary fluctuations and considered the suggestion that regions and sectors affected by these fluctuations be compensated through the Structural Funds to be inappropriate. However, adequate aid could be given to frontier SMEs, which would be the first to be affected by a devaluation in the currency of the neighbouring country.?