Procedure file

Basic information

COS - Procedure on a strategy paper (historic)	1996/2069(COS)	Procedure completed
European Monetary Union EMU: relations between the single currency EURO and other currencies, exchange mechanism 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	PPE VON WOGAU Karl	31/10/1995
Council of the European Union			

Key events

15/12/1995	Non-legislative basic document published	CSE(1995)2108	Summary
30/05/1996	Vote in committee		Summary
30/05/1996	Committee report tabled for plenary	A4-0186/1996	
05/06/1996	Committee referral announced in Parliament		
18/06/1996	Debate in Parliament		
18/06/1996	Decision by Parliament	T4-0332/1996	Summary
18/06/1996	End of procedure in Parliament		
08/07/1996	Final act published in Official Journal		

Technical information

Procedure reference	1996/2069(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/4/07797

Documentation gateway					
Non-legislative basic document		CSE(1995)2108	15/12/1995	EC	Summary
Committee report tabled for plenary, single reading		A4-0186/1996 OJ C 198 08.07.1996, p. 0004	30/05/1996	EP	
Text adopted by Parliament, single reading		T4-0332/1996 OJ C 198 08.07.1996, p. 0020-0052	18/06/1996	EP	Summary

European Monetary Union EMU: relations between the single currency EURO and other currencies, exchange mechanism

OBJECTIVE: to adopt certain general guidelines in order to define the nature of future exchange relations between Member States participating and Member States not participating in EMU. CONTENT: the Commission concludes its interim report to the European Council by pointing out that, according to the Treaty, as long as there are Member States which are not taking part in the third stage of EMU, there will be an exchange agreement between these Member States and the Member States taking part. Reaching a consensus on the main features of this agreement would help to reduce uncertainty and stabilize the market. An exchange agreement between the monetary union and the non-participating countries should help to prevent excessive fluctuations in exchange rates between the single currency and the other currencies in the Community which would affect trade. Under this measure, exchange rate stability could be considered essential for the single market to realize all its potential in terms of efficiency and growth. An exchange agreement would foster the adoption of policies geared to stability in non-participating countries and would boost their credibility and increase exchange rate stability. An exchange agreement between the single currency and the non-participating currencies should be defined on the basis of the following principles: - the exchange agreement should provide a framework in which non-participating countries can prepare for full membership of EMU; - the exchange agreement should not upset the markets or hamper the application of the single monetary policy; - the agreement should be credible and viable and should be seen as such by the markets. It should also help to foster expectations of stability; - the agreement should be a Community mechanism, i.e. designed and managed within a Community framework (ESCB, Council, Commission).?

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The ECON adopted the report by Mr VON WOGAU. Monetary union will enter into force on 1 January 1999, but only some Member States will meet the conditions needed to adopt the single currency on that date. Relations between Member States to which no derogation applies ("in") and those to which a derogation applies (pre in") are vital to the future of the European Union. The report therefore proposes a series of specific measures to allow both monetary zones to coexist within the Union. Stable monetary relations between the countries participating and those not yet participating in the single currency will only be feasible if all pursue a credible and solid economic, financial and monetary policy. Accordingly, the doctrine of stability which is fundamental to the Treaty must be developed from the start of Monetary Union. However, a differentiated approach with a clear distinction between current expenditure and investment expenditure will be needed in order to deal with short-term economic developments, so as to allow for public investment in areas where private sector investment is likely to be insufficient. The new monetary system devised must meet a series of criteria. It must: - use the euro as an anchor for those currencies which do not participate in the single currency area from the outset; - be simple, transparent and flexible; - have broad margins of fluctuation fixed by collective decision; - provide for the possibility for those Member States which so desire to fix narrower margins so as to take account of better performances as regards convergence. As regards interventions: the future European Central Bank should have the right to institute negotiations with a view to facilitating rapid and flexible realignment of pivotal rates. The ECON considers it essential that guidelines for the strengthening of convergence and for the future exchange rate mechanism be drawn up before the end of 1996.?

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The European Parliament adopted the report by Mr Karl von WOGAU (PPE, D) on the exchange rate relations in the third stage of Economic and Monetary Union between the Member States to which a derogation applies and those to which it does not ('pre-in' and 'in'). *As regards stability: the EP emphasized importance of monetary relations which are as stable as possible between the countries participating and those not yet participating in the single currency, relations which will be feasible only if all pursue a credible and sound economic, financial and monetary policy and if they deal with their exchange rate policies as a joint problem. Accordingly, from the start of Monetary Union, the doctrine of stability which is already fundamental to the Treaty must be developed on the basis of the convergence criteria in order to deal with all short-term economic developments without endangering monetary stability. Nonetheless, any such development must be based on a differentiated approach to public spending, with a clear distinction being made between current expenditure and investment expenditure, so as to allow for public investment in areas where private sector investment is likely to be insufficient. *As regards the future exchange rate mechanism: the EP takes the view that the devising of a monetary system must meet a series of criteria: it must - use the euro as an anchor for those currencies which do not participate in the single currency area from the outset, - be simple, transparent and flexible, - have broad margins of fluctuation fixed by collective decision, - provide for the possibility for those Member States which so desire to fix narrower margins so as to take account of better performances as regards convergence, - provide for intervention mechanisms aimed at neutralizing speculative pressure. * As regards interventions: The future European Central Bank should have the right to engage in negotiations with a view to facilitating rapid and flexible realignment and in such way as to ensure that the system operates smoothly. The extension powers of the ECB would be balanced by a suitable mechanism to ensure democratic accountability, central to which is the European Parliament. Interventions in support of currencies experiencing difficulties would be automatic when a currency reached its fluctuation margins and possible before it did so, provided that such measures were justified by fundamental economic factors and their volume did not run counter to the objective of price stability. With regard to the EP, it is essential for the guidelines both for the strengthening of convergence and for the future exchange rate mechanism to be drawn up before the end of 1996 in order to ensure that the preparatory work for the transition to EMU is fully credible and consistent. ?