


Procedure file

Basic information		
INI - Own-initiative procedure	1998/2134(INI)	Procedure completed
The adjustment mechanism in the event of unevenly distributed repercussions		
Subject 5.10.01 Convergence of economic policies, public deficit, interest rates		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy		03/06/1998
		PSE METTEN Alman	

Key events			
19/06/1998	Committee referral announced in Parliament		
10/11/1998	Vote in committee		Summary
10/11/1998	Committee report tabled for plenary	A4-0422/1998	
15/12/1998	Debate in Parliament		
16/12/1998	Decision by Parliament	T4-0748/1998	Summary
16/12/1998	End of procedure in Parliament		
09/04/1999	Final act published in Official Journal		

Technical information	
Procedure reference	1998/2134(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/10260

Documentation gateway					
Committee report tabled for plenary, single reading		A4-0422/1998 OJ C 398 21.12.1998, p. 0003	10/11/1998	EP	

Text adopted by Parliament, single reading		T4-0748/1998 OJ C 098 09.04.1999, p. 0145-0171	16/12/1998	EP	Summary
--	--	---	------------	----	---------

The adjustment mechanism in the event of unevenly distributed repercussions

The introduction of the euro means that participating states lose one of their traditional tools for dealing with various economic and monetary crises - namely the possibility to devalue their currencies. In an report drawn up on behalf of the Committee underlines that although the risk for such asymmetric shocks to happen will decrease in Monetary Union, they will not disappear. Therefore the rapporteur considers that the eurozone countries need to be equipped with the proper tools for dealing with asymmetric shocks affecting single countries, regions or industries. While stressing that it is primarily for the Member States affected to tackle the effects of such shocks, Mr Metten underlines that it is also necessary to develop a mechanism at the EU level as asymmetric shocks over time could have adverse effects on the prosperity of the union as a whole. Member States are therefore advised to consider the setting up at national level of insurance mechanisms against asymmetric shocks, similar to the so-called "buffer funds" already set up in Finland. In addition, and as a last resort, the Committee calls for the creation of an insurance instrument at community level on the basis of Article 103A of the Treaty. The rapporteur stresses that such an instrument will not be a transfer mechanism but a means for providing Member States facing an asymmetric shock with interest-bearing credits. Consequently, the Committee calls on the Commission and Council to prepare and adopt a regulation creating a flexible insurance mechanism. The Committee also points out that it will be necessary to achieve a greater co-ordination of Member States' economic policies in order to remove problems caused by differences in legislation and policies. Finally, the Committee called on the Commission to develop an early-warning system for asymmetric shocks to enable the EU and its Member States to react quickly and adequately when shocks occur. Following the adoption of his report, Mr Metten welcomed the broad support in the Committee for his proposals. Mr Metten said: "Already back in April last year the Commissioner responsible promised Parliament that he would put forward a proposal for a community mechanism for helping countries facing difficulties. This has not yet happened, but in view of the strong commitment to this initiative that we have seen today, I hope that the Commission will finally meet Parliament's demands".?

The adjustment mechanism in the event of unevenly distributed repercussions

This own-initiative report was drafted by Mr. A. METTEN (PES, D). Introducing his report, Mr. Metten noted that the introduction of the Euro meant that participating states would lose the power to devalue in order to deal with various economic and monetary crises. He underlined that whilst the risk of asymmetric shocks would decrease in the Euro area, they would not entirely disappear. He called for the development of a mechanism at EU level as asymmetric shocks over time could have adverse effects on the prosperity of the EU as a whole. Member States were advised to consider the setting up at national level of insurance mechanisms, similar to the so-called 'buffer funds' already set up in Finland. He also recommended the creation of an insurance instrument at Community level on the basis of Article 103 A of the Treaty. It was stressed that such an instrument would not be a transfer mechanism, but a means for providing Member States facing an asymmetric shock with interest-bearing credits. The Commission and the Council were called upon to prepare and adopt a regulation creating flexible insurance mechanisms. The Commission was also called upon to develop an early warning system in order to achieve a better co-ordination of Member States' economic policies.?