Procedure file

Basic information

INI - Own-initiative procedure	2006/2103(INI)	Procedure completed
Euro zone enlargement Subject 5.10 Economic union 5.20.02 Single currency, euro, euro area		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		15/11/2005
		PPE-DE LANGEN Werner	

Key events

15/05/2006	Vote in committee		Summary
18/05/2006	Committee referral announced in Parliament		
18/05/2006	Committee report tabled for plenary	A6-0191/2006	
31/05/2006	Debate in Parliament		
01/06/2006	Results of vote in Parliament		
01/06/2006	Decision by Parliament	T6-0240/2006	Summary
01/06/2006	End of procedure in Parliament		

Technical information

Procedure reference	2006/2103(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/6/31943

Documentation gateway

Committee draft report		PE372.163	21/04/2006	EP	

Amendments tabled in committee		PE374.019	28/04/2006	EP	
Committee report tabled for plenary, single reading		A6-0191/2006	18/05/2006	EP	
Text adopted by Parliament, single reading		T6-0240/2006	01/06/2006	EP	Summary
Commission response to text adopted in plenary		SP(2006)2902	22/06/2006	EC	
Commission response to text adopted in plenary		SP(2006)3286	01/08/2006	EC	

Euro zone enlargement

The committee adopted the own-initiative report drawn up by Werner Langen (EPP-ED, DE) on the enlargement of the euro zone. The report pointed out that premature accession to the euro zone might lead to unexpected developments in the economic convergence process, such as undervalued or overvalued exchange rates and difficulties in achieving balanced payment accounts, and might therefore render economic adjustment more difficult. It also warned that the long-term stability of the euro zone should also be assessed in terms of its capacity to absorb new entrants, and stressed that this implies that the enlargement of the euro zone must not undermine the required strengthening of economic governance within the zone.

In the light of earlier problems, MEPs stressed that the judgments on whether a particular country meets the inflation and interest rate criteria should be based on data provided by the European Central Bank. However, they said that the inflation criterion, which is based on the inflation rates of the three best-performing Member States, should be clarified, since it was defined before the creation of the euro zone, with its single currency and unified monetary policy. The report said that it was important to take into account the so-called Balassa-Samuelson effect (the view that fast-growing economies catching up with larger economies will inevitably have higher inflation rates during this transition) when considering the inflation criterion for emerging Member States.

MEPs called for Member States joining the euro to pay particular attention to consumer protection during the changeover phase, with mandatory dual pricing for a sufficiently long period of time and publicity campaigns encouraging citizens to shop around to avoid unjustified price increases.

Euro zone enlargement

The European Parliament adopted a resolution based on the own-initiative report by Werner Langen (EPP-ED, DE) on the enlargement of the euro zone. It pointed out that the rate of economic growth in the euro zone is currently at 1.8%, while that of the EU as a whole is 2% per year.

General preconditions for the future enlargement of the euro zone: Parliament recalled that all Member States with a derogation need to fulfil the Maastricht criteria before they can join the euro zone, and that the requirements of the stability and growth pact apply to all Member States. It was convinced that an examination of Member States" preparedness to adopt the euro should be built on the same definitions and principles as set out in past convergence reports, so as to guarantee continuity and the equal treatment of all Member States. It strongly opposed special provisions concerning the fulfilment of the Maastricht criteria. Member States applying to join the euro zone (applicants for accession) must ensure full transparency in their policy decisions - such as the setting of conversion rates and entry target dates - taken before and during membership of the ERM II.

The technical preconditions for enlargement of the euro zone: Parliament asked applicants for accession to pay particular attention to consumer protection during the changeover phase. It asked them also to implement legislation requiring mandatory dual-pricing displays for a sufficiently long duration and to establish effective procedures for protecting consumers against unjustified price increases during the changeover phase or longer. There must be clear public campaigns which point out that the only weapon against unjustified price increases is consumer power to choose their suppliers freely. Special attention should be paid to price setting in public or private monopoly situations and by public authorities. Parliament invited them to put into place for a period of at least two years an observatory responsible for publishing data on the evolution of about ten particularly significant consumer prices.

Special requirements for applicants for accession: Parliament pointed out that a premature accession to the euro zone could lead to unexpected developments in the economic convergence process. Economic convergence has not progressed far enough to allow rapid accession in some of the applicants for accession, as demonstrated by high inflation rates and excessive fiscal deficits observed in some of them. Parliament recognised that several Member States have built a solid base for the speedy introduction of the euro by ensuring long-term fiscal sustainability. All criteria must be wholly fulfilled before adopting the euro. Parliament pointed out that not all seven members of the ERM II without an opt-out clause have reached the conditions for accession.

It welcomed Slovenia as a new member of the euro zone but regretted the negative recommendation issued to Lithuania and asked for a clear and comprehensive explanation of the basis of the calculation undertaken in order to apply the inflation criteria. Parliament pointed out that the inflation criterion requires an inflation rate that does not exceed, by more than 1,5%, that of the three best-performing Member States as regards price stability, with consumer prices of the previous 12 months being the basis for establishing the average, on the basis of data provided by the Commission in cooperation with the ECB. It was concerned about the fact that two definitions of price stability are being used, one by the ECB in its monetary policy (inflation below but close to 2%) and another in its convergence reports (the lowest possible inflation, excluding deflation). Parliament pointed out that the Treaty makes no such differentiation. These two interpretations of the term price stability, which is specified in the Treaty, are misleading and may have negative effects on the market and its participants in all Member States.

Parliament pointed out that both the definition of the three best-performing Member States in terms of price stability as well as the method of calculating the reference value need to be clarified to reflect the fact that there are now twelve Member States in the monetary union, using a single currency, which is subject to a common monetary policy, and that the differentials in their individual inflation performance reflect structural factors rather than differences in macro-economic policy positions. However, it was important to take into account the so-called Balassa-Samuelson effect with respect to the inflation criteria for new Member States.

Finally, Parliament strongly urged the Commission, following the first two decisions on assessments of convergence programmes from new Member States towards the enlargement of the euro zone in the near future, to establish regular cooperation with applicants for accession in order to identify which economic policy instruments best serve to improve inflation-related performance without prejudicing economic growth.