

European Parliament resolution on the development and prospects of the EMS and EMU (30 October 1992)

Caption: On 30 October 1992, in the light of the monetary turbulence affecting some of the Member States of the European Communities, the European Parliament adopts a resolution on the development of and the prospects for the European Monetary System (EMS) and Economic and Monetary Union (EMU).

Source: Official Journal of the European Communities (OJEC). 23.11.1992, No C 305. [s.l.]. "Resolution on the development and prospects of the EMS and EMU", auteur:European Parliament , p. 584-586.

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Publication date: 20/12/2013

Resolution on the development and prospects of the EMS and EMU (30 October 1992)

The European Parliament,

- having regard to the Treaty on European Union signed at Maastricht on 7 February 1992,
 - having regard to its resolution of 7 April 1992 on the results of the intergovernmental conferences¹,
1. Considers that the turbulence on currency markets was triggered by political uncertainty about the future of the Community following the various referendum campaigns, and that its underlying causes lie in the problems of recession and imbalance in the global economy;
 2. Believes that this political uncertainty can only be resolved by the earliest possible ratification of the Maastricht Treaty, which must be accompanied by measures to tackle the underlying economic problems;
 3. Deplores the failure of the informal Bath Ecofin meeting of 5 and 6 September 1992 to respond adequately to the monetary turbulence, and the lack of coherent action of the UK presidency since 9 September;
 4. Emphasizes that the longer it takes to reestablish confidence in the future of EMU, the more difficult it will become to avoid further realignments within the ERM, to strengthen general economic growth and economic convergence among the Member States and to create the conditions whereby all Member States will be able to participate in the ERM;
 5. Considers that the recent monetary problems demonstrate that socio-economic cohesion and coordinated economic and financial policies in the Member States, including the earliest possible adoption of the Delors II package, are more urgently needed than ever;

Causes of the crisis

6. Notes that a number of other factors played a key role in aggravating the crisis that was triggered by the political uncertainty and, in particular,
 - the continuing recession in the US and the UK and the slowdown in growth in other countries, resulting in job losses,
 - other international factors, such as very low interest rates in the US, stimulating the fall in the value of the dollar, and the financial difficulties in Japan,
 - the inadequacy of multilateral surveillance in bringing about the necessary degree of economic convergence,
 - the lack of proposals for tackling correctly deficits, interest rates and recession,
 - the consequences of German unification, with the burden of national adjustment falling too heavily on German monetary policy causing excessively high real interest rates,
 - existing tensions within the European Monetary System, enhanced by the failure of Italy to observe budgetary discipline and of the UK to tackle adequately its recession;

7. Notes that speculation against currencies of certain Member States whose economic fundamentals are sound appears to lack a clear economic rationale; is disturbed that speculative movements on money markets should dictate monetary developments that do not reflect the real economy; believes that measures should be studied to cope with the negative consequences of such movements;

8. Criticizes heavily the inadequate response of Ecofin and the failure of the governments and monetary authorities of the Member States to recognize in time the consequences of such problems and believes that this has contributed to speculative pressures even against the currencies of Member States whose economic fundamentals are sound;

Improving the implementation of the European Monetary System (EMS)

9. Considers that the following measures are required to strengthen the functioning of the EMS:

(a) the adoption of more effective measures to combat speculation and its destabilizing effects,

(b) the adoption of a package of measures designed to promote confidence in the EMS and the future of EMU,

(c) closer cooperation between the central banks of the Member States in order to coordinate the interest rate policies of Member States,

(d) an increase in and partial pooling of currency reserves leading rapidly to the creation of a genuine Monetary Fund, as foreseen in the original EMS agreement,

(e) increased communication and cooperation between the Council (Ecofin) and the central banks of the Member States;

10. Considers that before Phase III any realignments in the EMS must be carried out at the appropriate time, as provided for in the rules of the System;

Reinforcing multilateral surveillance and the process of convergence

11. Believes that the only available mechanism by which an appropriate economic policy mix can be reached in Member States and at overall Community level is multilateral surveillance which takes much greater account of the performance of the real economy; regrets that Member States have not yet treated this process with the seriousness that it deserves and considers that this must now be given real teeth;

12. Proposes therefore that growth and employment should be given proper weight in the implementation of EMU through the application of Article 103 of the EEC Treaty as amended by the Treaty on European Union;

13. Insists on a Community coordinated strategy for growth and employment as recommended by the European Social Partners; believes that Community projects as conceived in the Delors II package are an essential element in such a strategy;

Further measures to complement EMU

14. Urges the European Council to promote the following complementary measures:

— reinforcement of the democratic accountability of EMU through greater transparency of the decision-

making process and through greater involvement of the European Parliament (and of national parliaments), and with the negotiation of the necessary interinstitutional agreements,

- a review of the regulatory framework of the foreign exchange markets, in cooperation with the newly established US Treasury Review, the European Community and Japan, and closer monetary cooperation between the Community, the US and Japan, with a view to avoiding the recent international pressures that have destabilized currency markets,
- a speedy conclusion of the GATT negotiations in order to stimulate world growth;

Final remarks

15. Warns that, failing the above measures, uncoordinated national policies could lead to still slower economic growth, greater monetary instability and competitive devaluations that could even endanger the completion of the internal market;
16. Calls, therefore, for the above package to be adopted as soon as possible;
17. Instructs its competent committee to draw up a report detailing the causes of the recent crisis, measures to improve the EMS, including possible mechanisms for combating future speculation, means of reinforcing multilateral surveillance and the process of economic convergence and of improving economic growth and employment, both in Phase I and in Phase II of EMU, and the possible further measures to complement EMU, including a more active role for the European Parliament in all these procedures, through interinstitutional arrangements;
18. Instructs its President to forward this resolution to the Council, Commission and the parliaments and governments of the Member States.

¹ OJ No C 125, 18.5.1992, p. 81.