Impact of currency fluctuations on the internal market

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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.