Economic and monetary union EMU: external aspects

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There may be a period marked by exchange rate instability because of the unpredictable behaviour of institutional investors, immediately after the introduction of the single currency, warns the Committee in its report on the Commission's working paper on the external aspects of economic and monetary union. To counter such threats both during the transitional period and later, the report, drafted by Mr Giorgio RUFFOLO (PES,) it advocates that the EU pursues a monetary policy aimed at moderating long-term interest rates to ensure that the exchange rate of the euro is not overvalued vis-à-vis the dollar. As for the external value of euro, the Committee underlines that it must be linked to the basic objective of stability of its internal value, which is the primary mission of the European Central Bank (ECB). In order to maintain an exchange rate with the dollar that reflects trade patterns and other economic fundamentals, the Committee calls on the ECB to avoid trying to manipulate the exchange rate for competitive purposes, although this should not preclude it from intervening in cases of occasional currency turbulence. In case of more serious exchange rate disturbances, the Committee demands that the EU should be given the necessary instruments, which, apart from the competence of the Council, also should include a right of initiative for the Commission. Noting that the relevant Treaty provisions are unclear, the Council and Commission are called upon to reinterpret Article 109 of the Treaty in order to establish more effective, streamlined procedures to enable the Ecofin Council to exercise its responsibilities for exchange rate policy. Finally, the report calls for greater co-operation with, in particular, the United States and the other G7 members to try to reach agreements on an exchange rate policy that would combat currency speculation and promote monetary stability. However, for this to happen, the Committee stresses the need of improving EU representation in the relevant international fora.