Basic information

1998/2119(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
European Monetary Institute EMI. 4th and last annual report 1997 **Subject** 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs, Industrial Policy	FOURÇANS André (PPE)	21/01/1998
Council of the European Union			

Key events

Date	Event	Reference	Summary
27/05/1998	Non-legislative basic document published	N4-0313/1998	Summary
15/06/1998	Committee referral announced in Parliament		
30/06/1998	Vote in committee		Summary
30/06/1998	Committee report tabled for plenary	A4-0263/1998	
15/07/1998	Debate in Parliament		
16/07/1998	End of procedure in Parliament		
21/09/1998	Final act published in Official Journal		

Technical information

Procedure reference	1998/2119(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/10171

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0263/1998 OJ C 292 21.09.1998, p. 0004	30/06/1998	
Text adopted by Parliament, single reading		T4-0435/1998 OJ C 292 21.09.1998, p. 0105-0135	16/07/1998	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	Non-legislative basic document	N4-0313/1998	27/05/1998	Summary

European Monetary Institute EMI. 4th and last annual report 1997

1998/2119(COS) - 27/05/1998 - Non-legislative basic document

OBJECTIVE: presentation of the fourth annual report (1997) of the European Monetary Institute. SUBSTANCE: the 1997 report of the EMI is the fourth and last report of the EMI, as the last stage of the transition period leading to stage 3 of EMU began on 2 and 3 May 1998, with the definitive adoption of the euro as the single currency. Like the previous reports, the report describes the economic, monetary and financial situation of the Union in 1997 and the broad outlines of the EMI's operations during that year. As regards the Union's overall macroeconomic situation, the report indicates that the upturn seems to be accelerating, as the crisis in Asia does not seem to have damaged economic growth. Internal demand is recovering throughout the Union, making a strong contribution to the growth of real GDP (2.7%). However, the EMI observes that the growth of investment remains at a historic low in some countries, despite favourable economic indicators. Moreover, developments on the labour market remain unsatisfactory; the level of youth unemployment and long-term unemployment, as well as the lack of job creation bear witness to the structural character of unemployment in the Union (10.5% in 1997). The inflation rate in the Union fell to an all-time low in 1997, as a growing number of countries had inflation rates of 2% or even lower. The report states that the upturn has not given rise to any significant inflationary pressure, which has made it possible to keep the interest rate in the Union low and for interest rates elsewhere to fall significantly as well. For the 11 countries which are to adopt the euro, it will be essential to maintain this environment of general price stability and ensure that the common level of short-term interest rates is compatible with price stability in the euro zone. According to the report, the new challenges which will arise in the future concern budgetary policy. In the euro zone, it will be essential that all members should as soon as possible establish a budgetary situation close to balance or surplus. In certain cases it will also be necessary to achieve substantial surpluses on public budgets in order to lighten the burden of very high ratios of public debt to GDP, render national budgets less vulnerable to changes in interest rates and prepare for the impact of the ageing of the population on public finances. As regards the operations of the EMI in 1997 more specifically, the report indicates that the preparatory work for stage 3 has continued. The numerous fields where significant progress has been made include: 1) progress on the review of possible strategies for stage 3 of EMU (identification of a series of key elements which will characterise the strategy of the ESCB) and on preparing the analytical and econometric infrastructure in support of monetary policy; 2) drawing up of technical specifications on the operational framework of the ESCB and development of the data processing tools and systems needed to implement the ESCB's future monetary policy; 3) significant progress in fulfilling statistical requirements for the conduct of policy on the single currency which will make it possible, in the course of 1998, to provide the ESCB with data from the new database; 4) completion of a draft agreement on the European Exchange Rate Mechanism (ERM II), which will have to be approved by the ECB; 5) organisational progress with regard to the infrastructure of the ESCB and payment systems (the TARGET system for automated transfers of funds between banks in real time); 6) publication of the final designs for the euro banknotes. In conclusion, the report considers that during its brief existence (since 1994) the EMI has successfully made the technical preparations for the introduction of the single currency. The foundations laid by the Institute should help its successor, the Central Bank, to become a sound institution capable of guaranteeing price stability in the euro zone.

European Monetary Institute EMI. 4th and last annual report 1997

1998/2119(COS) - 16/07/1998 - Text adopted by Parliament, single reading

In adopting the report by Mr André FOURCANS (UPE, F) on the annual report of the European Monetary Institute (EMI) Parliament regretted the general nature of the information presented in the report and considered that the content was insufficient to clarify the type of monetary policy to be pursued by the future ECB. With regard to the economic, monetary and financial situation in the European Union, Parliament disagreed with the EMI's analysis that growing demand in the internal market had been achieved by past policy. It considered, rather, that higher investment in the private and public sectors as well as pay agreements linked to productivity increases were needed to stimulate internal demand which was still too low. With regard to the preparatory work for stage three of economic and monetary union, it considered that the ECB should adopt an explicit final target (inflation rate and money supply) since a specific quantified target of this nature was a key element in economic stability and growth and in permitting the bank's performance and its democratic accountability to be assessed. It regretted that the interim objectives of monetary policy remained vague and called for them to be evaluated more precisely. It recalled the success of the 'multiple indicators' concept applied by the US Central Bank to assess the risk of inflation and regretted that this monetary concept had not been tried out by the EMI on European monetary policy. Parliament was astonished that with inflation at a historically low level (well below 2%) and unemployment at a historically high level the EMI report made no mention of monetary policy

options aimed at increasing support for the fundamental aims of the EU as laid down in Article 2 of the Treaty. It also expressed its concern about the setting up of the information and communications systems which, as from 1 January 1999 would be essential for carrying out the operational functions of the ECB. With regard to the other tasks of the EMI, it considered that the major changes which were underway must lead to enhanced supervision of banks with the aim of detecting institutions in difficulty. It therefore considered that the ECB should play an active role in cooperating with the national authorities with regard to prudential supervision. Parliament declared its overall satisfaction with the relations that it had maintained with the EMI and hoped that a permanent and fruitful dialogue would be established with the ECB from the outset.