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14.3.89*

Committee of Governors of the
Central Banks of the Member States
of the European Economic Community

13th March 1989

STATEMENT OF THE CHAIRMAN OF THE COMMITTEE
AT THE ECOFIN COUNCIL MEETING ON 13th MARCH 1989

Having listened with great interest to the statement of the President of the Commission, I would like to add a few remarks.

Undoubtedly, the EMS has evolved and strengthened remarkably well since its inception. It is fair to say that the success of the EMS is largely due to the close co-operation which has developed among the EEC central banks and which was recently enhanced through the Basle/Nyborg Agreement. In particular, the scope for a more active, flexible and concerted use of the instruments available to the central banks, namely exchange rate movements within the fluctuation band, interest rates and interventions, has been exploited. Additionally, a monthly procedure for joint monitoring of economic and monetary developments has been set up within the framework of the Committee of Governors.

The functioning of the EMS over the last few months has been a striking illustration of efficient implementation of the Basle/Nyborg Agreement. There have been, on some occasions, tensions within the exchange rate mechanism but they have been rapidly controlled and they have never become critical. Indeed, in each case, central banks reacted quickly and effectively, they used the three available instruments previously mentioned to varying degrees depending on the domestic situation of the countries concerned and the nature and intensity of the pressures.

The co-operation among the central banks, which relies perhaps more on pragmatism, flexibility and mutual understanding than on formal rules, has enabled the system to function smoothly in various difficult situations resulting from factors stemming from both within and outside the Community.

I would like to assure the Ministers that the Governors are determined to continue to administer the EMS in the same flexible and efficient manner and to take every opportunity to improve its functioning. The Governors are also aware of the challenges posed for the EMS by the full liberalisation of capital movements and the completion of the internal market. On the basis of the experience gained so far, the Governors are confident that the European Monetary System will develop and face these challenges successfully thus advancing the cause of European Monetary Union.

ECB-PUBLIC

for ECOFIN du 13.3.89

Committee of Governors of the
Central Banks of the Member States
of the European Economic Community

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Draft

Secretariat

NOTE FOR THE ATTENTION OF THE CHAIRMAN OF THE COMMITTEE

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