Conclusions of the Bremen European Council: excerpt on monetary policy (6 and 7 July 1978)

Caption: On 7 July 1978, meeting at the Bremen European Council, the Nine propose giving fresh impetus to monetary cooperation through the establishment of a European Monetary System (EMS).

Source: Bulletin of the European Communities. 1978, n° 6. Luxembourg: Office for Official Publications of the European Communities. "Conclusions of the Bremen European Council (6-7 July 1978)", p. 17-18; 20-21.

URL:
http://www.cvce.eu/obj/conclusions_of_the_bremen_european_council_excerpt_on_monetary_policy_6_and_7_july_1978-en-684951b3-bfef-41d5-874f-76eabce20705.html

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Bremen European Council (6 and 7 July 1978)
Conclusions of the Presidency

[...]

2. Monetary policy

Following the discussion at Copenhagen on 7 April 1978 the European Council has discussed the attached scheme for the creation of a closer monetary cooperation (European monetary system) leading to a zone of monetary stability in Europe, which has been introduced by members of the European Council. The European Council regards such a zone as a highly desirable objective. The European Council envisages a durable and effective scheme. It agreed to instruct the Finance Ministers at their meeting on 24 July 1978 to formulate the necessary guidelines for the competent Community bodies to elaborate by 31 October 1978 the provisions necessary for the functioning of such a scheme — if necessary by amendment. There will be concurrent studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of such a scheme; such measures will be essential if the zone of monetary stability is to succeed. Decisions can then be taken and commitments made at the European Council meeting on 4 and 5 December 1978.

The Heads of Government of Belgium, Denmark, the Federal Republic of Germany, Luxembourg and the Netherlands state that the 'snake' has not been and is not under discussion. They confirm that it will remain fully intact.

[...]

IV — Annex

1. In terms of exchange rate management the European monetary system (EMS) will be at least as strict as the 'snake'. In the initial stages of its operation and for a limited period of time member countries currently not participating in the snake may opt for somewhat wider margins around central rates. In principle, interventions will be in the currencies of participating countries. Changes in central rates will be subject to mutual consent. Non-member countries with particularly strong economic and financial ties with the Community may become associate members of the system. The European currency unit (ECU) will be at the centre of the system; in particular, it will be used as a means of settlement between EEC monetary authorities.

2. An initial supply of ECUs (for use among Community central banks) will be created against deposit of US dollars and gold on the one hand (e.g. 20 % of the stock currently held by member central banks) and member currencies on the other hand in an amount of a comparable order of magnitude.

The use of ECUs created against member currencies will be subject to conditions varying with the amount and the maturity; due account will be given to the need for substantial short-term facilities (up to 1 year).

3. Participating countries will coordinate their exchange rate policies *vis-à-vis* third countries. To this end they will intensify the consultations in the appropriate bodies and between central banks participating in the scheme. Ways to coordinate dollar interventions should be sought which avoid simultaneous reverse interventions. Central banks buying dollars will deposit a fraction (say 20 %) and receive ECUs in return; likewise, central banks selling dollars will receive a fraction (say 20 %) against ECUs.

4. Not later than two years after the start of the scheme, the existing arrangements and institutions will be consolidated in a European Monetary Fund.

5. A system of closer monetary cooperation will only be successful if participating countries pursue policies conducive to greater stability at home and abroad; this applies to deficit and surplus countries alike.