

'The European Monetary System enters into force today' from the Luxemburger Wort (13 March 1979)

Caption: On 13 March 1979, the daily newspaper Luxemburger Wort announces the entry into force of the European Monetary System (EMS) and the introduction of the European Currency Unit (ECU).

Source: Luxemburger Wort. Für Wahrheit und Recht. 13.03.1979, n° 59; 132e année. Luxembourg: Imprimerie Saint-Paul. "Europäisches Währungssystem ab heute wirksam", auteur:Fons Theis , p. 1.

Copyright: (c) Translation CVCE.EU by UNI.LU

All rights of reproduction, of public communication, of adaptation, of distribution or of dissemination via Internet, internal network or any other means are strictly reserved in all countries.

Consult the legal notice and the terms and conditions of use regarding this site.

URL:

http://www.cvce.eu/obj/the_european_monetary_system_enters_into_force_today_from_the_luxemburger_wort_13_march_1979-en-7b40d90e-5016-47ca-8d75-eed352d4d5fd.html



Last updated: 06/07/2016

European Monetary System enters into force today

European Council meets in Paris: focus on economic issues, energy and agricultural policy

— by our staff reporter Fons Theis (writing from Paris) —

The European Monetary System (EMS) will be fully effective as from today. Prior to the opening of the meeting in Paris of the European Council, the Heads of State or Government had already decided that all necessary preconditions had been met and had thus excluded, from the outset, any further discussion that might have hindered the system's ability to function.

After resolving the tiresome problem of compensatory amounts within the agricultural policy — which had already held up actual implementation of the system for some three months — through a compromise reached last week allowing the parties in dispute, above all France and the Federal Republic of Germany, to save face, the Heads of State or Government could no longer avoid drawing the long overdue consequences. The contrary would have seriously threatened their credibility. The delay has in any case done the currency system a disservice in so far as the measures lost any political impact in the quarrels over agricultural policy.

As from today then, the currencies of eight Member States — Great Britain being the odd man out — are officially free to move within a system similar to the earlier 'Snake'. In accordance with the decision taken by the European Council in Brussels in December, the participating currencies are allowed to fluctuate upwards or downwards by up to 2.25 %. Only Italy has been accorded a wider band, a maximum of 6 % either way. The rate at which the individual currencies enter the system was fixed yesterday by the Governors of the Central Banks, meeting in Basel. In practice, however, the rates have been moving within the agreed margins since December.

Any changes to the central rates can henceforth only be made by joint agreement in the competent Community committees. A new artificial currency unit, the ECU, will provide a reference value, acting also as a common denominator for intervention and credit mechanisms, as an indicator that will trigger intervention and consultation mechanisms when the divergence threshold is attained, and finally as a means of payment for reconciling the balances between the National Banks. Furthermore, the system has been structurally secured by a short- and medium-term credit system featuring a number of improvements compared with the Snake.

The discussions between the Heads of Government will clearly focus on economic problems, the supply of energy to the Community and the continuing high levels of unemployment. The British Prime Minister, James Callaghan, has already nailed his colours to the mast, reiterating the familiar British arguments in favour of a reform of the common agricultural policy.

As far as energy is concerned, no radical decisions are likely to be taken. At best, the Heads of Government can be expected to redefine general objectives for limiting the Community's dependence on energy and to charge the competent Ministers with pursuing this aim through practical measures. It is generally expected that they will also try to reassure the public on the question of supply volumes and thus relieve some of the pressure on prices. As of yesterday evening, it was still unclear whether and to what extent the French President would continue to develop his idea of a joint conference bringing together European, African and Arab states.

France has let it be known in recent weeks that it wants to put the subject of Euratom on the agenda. An interpretation of the Treaty by the Luxembourg-based European Court of Justice, according to which competence for fuel supply issues and nuclear security lies with the Community, has caused a certain amount of dismay in France in so far as it precludes any further separate negotiations with third countries. Although a French proposal to modify the Euratom Treaty was under discussion for a long time, it was never certain whether it would actually be submitted. Such an application would have the obvious disadvantage of prompting other demands to amend the treaties. Ultimately, what had been granted some could not be refused others.

Unemployment continues to be a heavy burden on the European Community. The Heads of Government will not be able to ignore these problems. Hardly anyone in Paris is expecting them to put an all-embracing solution on the table, such as the 35-hour week for which the unions are pressing, concerned as they are not to jeopardise the Community's competitiveness at international level. Some ideas have been discussed, such as the introduction of a five-shift system in the steel industry, the diversification of professions available to women and the qualitative improvement of professional training.

It is understood that Luxembourg will be advocating that social aids granted by the Community should not be distributed exclusively in the Community's poorer regions, but should also benefit highly industrialised areas in cases where major structural reforms with serious consequences for employment, as for example in the steel industry, become necessary.