

ORAL REPORT PRESENTED BY THE
CHAIRMAN OF THE COMMITTEE OF GOVERNORS
ON 11TH JUNE 1985 TO THE COUNCIL

In the informal meeting in Palermo on 13th April 1985, I informed ministers of the agreement in principle Governors of EEC central banks had reached and which increased the usability of the ECU. I can now inform you that the instruments changing the Agreement of central banks of 13th March 1979 were signed yesterday in Basle. The change will take effect on 1st July 1985, with the exception of the extension to third holders of the right to acquire official ECUs, which depends on a decision to be taken by the Council.

In Palermo I reminded Ministers that progress concerning the ECU was only one element of the Rambouillet discussions, and expressed the central banks' interest in the progress Ministers in their turn would feel able to make, notably in the field of respecting existing commitments.

I also expressed the opinion that it would be very difficult to agree on how further to increase the role of the ECU if we cannot agree on why to do so. To this end I announced the central banks' intention to discuss the long-term perspective of the EMS and the ECU. Ministers thereupon asked me to inform them in June on how we envisage to proceed.

Governors have had a first discussion on this complex issue, and anything I can say at this stage is of a preliminary nature.

The Governors agreed that the long-term objective of monetary integration remains the attainment of an economic and monetary union. This was agreed in 1969 in general terms and further specified in the Council Resolution of 22nd March 1971. The EMS, though more limited in its goals, should

therefore constitute a step in that direction.

There are, however, different views on the path to be taken to the ultimate objective. Some consider that the Resolution of the European Council on the establishment of the EMS of 1978 lays down the role of the ECU and the EMF with sufficient precision to warrant a succession of small steps.

These should further increase the ECU's usability and bring closer the situation in which the ECU will perform its intended central role and the expanded European Monetary Fund will replace the present European Fund for Monetary Cooperation. They stress the political and psychological significance they attach to the progressive increase of the ECU's role.

Others argue that the reason why to expand the ECU's role will have to be clarified before agreement on how to do so can be reached. They believe that the character and autonomy of the European Monetary Fund should be agreed upon before embarking on the transfer of tasks to it.

In this connection an important question to be examined is what the scope is for changes without first agreeing on the adequate legislation at the Community as well as the national level referred to in the EMS Resolution of 1978.

Governors intend to take a closer look at the implications of the expansion of the private ECU market, exploring among other things how it may affect central bank policies and in what way it may promote progress towards the goal of monetary integration.

They also intend to examine the implications of an eventual policy of encouraging the ECU's development into an international reserve asset: the motive to do so, the possibilities and the consequences, both for Europe and for the international monetary system. A main question in this respect is whether and how the ECU could lessen our dependence on the dollar.

From this brief review it is clear that we are dealing with complex questions of both a political and a technical nature.

The choices to be made are political. But they can only be made if the policy implications of the various techniques are clearly spelt out. This can only be expected from the Committees whose members' competence enables them to do so. As far as the Committee of Governors is concerned, we intend to pursue our discussions and keep Ministers informed of any progress.