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## **EURO COUNTRIES SHOULD SPEAK WITH SINGLE VOICE IN IMF AND G7, EUROPEAN COMMISSION SAYS**

*The introduction of the euro on January 1, 1999, will be the biggest event in the international financial system since the Bretton Woods system of fixed exchange rates collapsed in the early 1970s. With the euro, the EU will have a monetary presence which corresponds to its leading economic and commercial role in the world economy. To take full advantage of this new reality, the euro zone will need to speak with a single voice in a broad range of international discussions, such as International Monetary Fund meetings or G7 gatherings – affecting economic and monetary union. This is the proposal put forward today by the European Commission in Brussels, to be adopted by the EU Finance Ministers.*

The introduction of the euro on January 1, 1999 will mean profound changes for the international financial system. The emergence of this major new world currency alongside the US dollar and the yen creates the opportunity for the European Union (EU) to play a more active part in international economic and monetary affairs. To be fully effective in these discussions, the euro zone will need to be able to speak with a single voice.

The European Commission proposes at the initiative of President Jacques Santer and Yves-Thibault de Silguy, Commissioner responsible for economic, monetary and financial affairs that, with the arrival of the euro, the EU should be represented by a delegation involving the Council of Ministers, the Commission and the European Central Bank (ECB), taking into account their respective responsibilities under the European Treaty.

The proposal covers international meetings in formal bodies like the IMF and the OECD as well as less formal gatherings such as the G7 Finance or the G10. Similar arrangements would apply by analogy to bilateral relations between the euro zone and third countries. The text also deals with the question of co-ordination in advance of international meetings to allow a clear and coherent EU position to be defined. Transitional arrangements are suggested to deal with institutions whose existing statutes are not fully compatible with EU representation on the lines proposed (for example the IMF statutes only provide for countries to be members of the Fund). The Commission's proposal follows from the conclusions of the Luxembourg European Council - the "European Summit" - in December 1997 and the more recent discussion at the euro-11 group<sup>1</sup> meeting in Vienna on September 26. The proposal requires unanimous agreement among the eleven countries of the euro zone.

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<sup>1</sup> The informal group of Finance Ministers of the countries of the euro zone (Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland)

The need to associate the Council, the Commission and the ECB in the EU representation at international level also follows from the right of initiative of the Commission and the ECB to submit proposals to the Council for formal exchange rate arrangements or general orientations for exchange rate policies involving the euro and third country currencies. In particular, the Commission and the ECB will need to be aware of international discussions which could imply the need for proposals for formal decisions by the Council.

The representation of the Council should normally be handled by the country which holds the six-month Presidency of the EU. In cases where the Presidency is held by a country outside the euro zone, the text suggests that representation should be handled by the euro zone country which next assumes the Presidency.

The proposal provides for the Member States and the EU institutions to negotiate any necessary changes in arrangements for existing international organisations or informal groupings to ensure that external representation of the euro zone can follow the approach set out in the Council Decision. In the meantime, transitional arrangements are envisaged, in particular to deal with the case of the IMF. It is proposed that the Council representative at the IMF Executive Board should speak on behalf of the euro as necessary, and that an ECB representative and a Commission representative should attend meetings where issues of relevance to EMU are discussed. For the IMF Interim Committee, the Council Presidency, Commission and ECB should be able to attend (and speak at) all meetings.

Effective prior co-ordination will be vital to ensure that the euro zone is seen to be speaking with a single voice in international discussions. The Economic and Financial Committee (EFC) will contribute to the preparation of agreed common positions on the basis of input from the Commission. To facilitate this process, particularly where decisions are needed at short notice, a secure communication network (e.g. video-conference) is proposed to link up national Finance Ministries, the Commission, the EFC Secretariat and the European System of Central Banks.

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