
OPINION OF THE EUROPEAN CENTRAL BANK

at the request of the Council of the European Union on a recommendation for a Council Decision concerning exchange rate matters relating to the Cape Verde escudo

(CON/98/57)

(1999/C 200/06)

1. On 11 December 1998 the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a Council Decision on the abovementioned topic (hereinafter referred to as the draft Decision). Document COM(1998) 663 final dated 18 november 1998, containing the draft Decision and an explanatory memorandum, was transmitted to the ECB. The ECB's competence to deliver an opinion is based on the second subparagraph of Article 109l(1) in conjuntion with Article 109(3) of the Treaty establishing the European Community (hereinafter referred to as the Treaty). In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the ECB, this opinion has been adopted by the Governing Council of the ECB.

2. The draft Decision provides that Portugal may continue its present agreement concerning exchange rate matters with Cape Verde upon the substitution of the euro for the Portuguese escudo. The draft Decision provides that Portugal and Cape Verde shall retain sole responsibility for the implementation of this agreement. The draft Decision also provides for various procedural requirements on the part of the Portuguese authorities with respect to the implementation of Portugal's present agreement with Cape Verde, the negotiation and conclusion of modifications to this agreement and the submission of any plans to change the nature and scope of the agreement. In fact, the draft Decision is, to a large extent, similar to an earlier Decision concerning exchange rate matters relating to the CFA franc and the Comorian franc, on which the ECB was consulted on 24 July 1998 and on which it delivered an opinion on 22 September 1998 (CON/98/37; in this opinion also referred to as the 'French case').

3. The ECB notes with satisfaction that its observations with regard to the above Decision in the French case have also been incorporated into the present draft Decision.

— Recital 7 stresses that the agreement, and any modifications thereto, do not impose any obligations on the ECB and the national central banks (NCBs) to support the convertibility of the Cape Verde escudo.

— Recital 10 emphasises that the modification or implementation of the agreement shall be without prejudice to the primary objective of the Community's exchange rate policy to maintain price stability, in accordance with Article 3a(2) of the Treaty.

— Recital 13 states that the draft Decision does not establish a precedent in respect of any arrangements that may be decided in the future with regard to the negotiation and conclusion of similar agreements concerning monetary or foreign exchange rate matters by the Community with other States or international organisations.

However, the ECB also notes that Articles 3, 4 and 5 of the draft Decision do not fully incorporate the ECB's observations on the ECB's consultative role under the Treaty as laid down in the ECB's Opinion CON/98/37, but that the draft Decision in this respect at the same time mirrors the Decision in the French case, which reflects at least a part of the ECB's observations.

4. This opinion will be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main, 17 December 1998.

The President of the ECB

Willem F. DUISENBERG