'Absolutely determined' from Der Spiegel (3 July 1989)

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Absolutely determined

Even Margaret Thatcher can only put the brakes on: in Madrid, the Europeans came one step closer to monetary union.

The host of the Madrid Conference could hardly believe how calm was his most dreaded guest. Until recently, he might not have thought it possible. After the conclusion of the EC Summit Conference on the Tuesday of last week, the Spanish Prime Minister, Felipe Gonzalez, was amazed that the name of Thatcher could ever be put to an agreement such as had just been made.

Like all the other Heads of State or Government of the 12 Member States of the Community, the British Prime Minister had signed a declaration that may well make monetary history. According to the Madrid paper, the Europeans not only confirmed their determination to implement economic and monetary union, they also agreed the first two of the many steps that will eventually lead to a Europe with a common system of issuing banks and a single currency.

It is the intention of the EC leaders that the European Monetary System (EMS), above all, will be complete as from the middle of next year. The British pound, the Greek drachma and the Portuguese escudo are not yet part of this exchange-rate association.

With the accession of the three outsiders to the EMS, all EC currencies will be linked to one another through broadly fixed rates. This will prevent this association of currencies being rocked by any excessive fluctuations in exchange rates. The EC Finance Ministers and Heads of the Central Banks want to cooperate more closely after the middle of 1990 than they have hitherto succeeded in doing.

There is, in addition, an agreement which, at first sight, appears somewhat vague and inconsequential but is politically far more important than the decision on the EMS. ‘After thorough and appropriate preparation’, but, at all events, not before the middle of 1990, the EC Member States will convene an ‘Intergovernmental Conference’ at which the next stages on the long road to a single European currency will be established.

It is clear to experts on these protracted Community procedures that a majority of EC governments no longer want to discuss just non-binding plans for monetary union. These countries are absolutely committed to start the transfer of national sovereignty to EC institutions, a process essential to the establishment of monetary union, as soon as possible.

National rights can be transferred to EC institutions only if the Community treaties are amended accordingly, and an Intergovernmental Conference is just the vehicle for making such amendments. ‘The fact that the need for an Intergovernmental Conference is accepted’, said Jacques Delors, President of the EC Commission, commenting on the Madrid Agreement, ‘means that the need for the treaties to be amended is also accepted.’ The movement towards economic and monetary union may now be ‘irreversible’.

While an unusually restrained Federal Chancellor Helmut Kohl spoke of a ‘small but important step in the right direction’, leading international economic journals expressed themselves in clearer terms: ‘the EC leaders have been successful in making “a quantum leap”’, extolled the *Wall Street Journal*. The EC has ‘just passed a watershed’ was the opinion of the *Financial Times*.

It was primarily the French President, François Mitterrand, supported by the Germans, Italians and Spaniards, who had pressed for the convening of an Intergovernmental Conference. Mr Mitterrand, who hopes that the EC will be liberated from the yoke of the almighty deutschmark by a future European currency, even wanted the date for the end of this meeting to be set at the Madrid meeting. How and when monetary union will come into effect should be settled by the end of 1992, the planned completion date for the single internal market for the supply of goods and services.

Mr Mitterrand was, in fact, thwarted in this attempt by Margaret Thatcher, but this was no more than a minor success for her in what appears to be a very long rearguard action against her continental colleagues who are willing to move ahead with unification. Mrs Thatcher has always affirmed that she would never hand over even the smallest part of British sovereign rights to Brussels. However, under pressure from the alliance of continental Member States, she has actually been forced along a path where, although she may reduce the pace of the unification process, she has hardly any influence over its direction.

A year ago, at the EC Summit in Hanover, the British Prime Minister had agreed that a committee chaired by Jacques Delors should draw up plans for monetary union. In Madrid, with her undertaking to take the British pound into the EMS from the middle of 1990, Mrs Thatcher largely gave up her hitherto bitter opposition to this preliminary stage of European monetary union.

It is true that Margaret Thatcher attached conditions to entry of the pound into the EMS: the liberalisation of the movement of capital within the EC and the reduction of the British inflation rate from over 8 % to the current EC average of 4.5 %. However, the dismantling of obstacles to the free movement of capital is planned anyway, and Mrs Thatcher will not keep the British inflation rate permanently high just so as to be able to keep the pound outside the EMS.

In addition, the Prime Minister will only be able to delay the convening of the Intergovernmental Conference for a short while at best. Her opponent, Mr Mitterrand, has already announced that he will support the earliest possible date for the conference — the period immediately after 1 July 1990. Mrs Thatcher has no right of veto if a majority of EC leaders agree on this period.

However, the British Prime Minister could then torpedo all the resolutions of the Monetary Council with constant use of the veto. But not even that frightens the continental Europeans greatly. In this case, the most important continental EC countries want to form an inner circle, which would prepare all decisions beforehand. If, in the end, the British do not go along with it, they are to be totally isolated. EC experts have already considered whether it is possible for 11 Member States to implement a new treaty if the 12th member insists on the validity of the old treaties, and they have come to the conclusion that it is, indeed, feasible.

That is why Margaret Thatcher’s prophecy after her return from Madrid — that there would be no European currency as long as she were in office — was received with equanimity on the continent. ‘Mrs Thatcher is not immortal,’ countered the French former President of the European Parliament, Simone Veil, ‘and anyway, no one believes that a common currency can be introduced before the end of this century.’