'Euro is about to make its mark' from The Irish Times

Source: The Irish Times. 16.12.1995. Dublin.

URL: http://www.cvce.eu/obj/euro_is_about_to_make_its_mark_from_the_irish_times-en-d29ef2d9-0530-4323-8ecc-0265ad0984c8.html

Publication date: 18/09/2012

Forget the florin, sink the punt, euro is about to make its mark

The EU's new single currency will be called the euro, the EU Summit decided yesterday. European Correspondent Patrick Smyth reports from Madrid on a momentous, far reaching, but far from unanimous, decision

THE French President, Mr Jacques Chirac, had clearly misread the mood. Perhaps they should wait a bit before naming the currency, he suggested to his fellow leaders.

Perhaps they should discuss it a bit more at home.

Eyes rolled. Bewildered and amused glances were exchanged around the room. He could not be serious. About this issue there could be no equivocation, they told him one after another. It was critical to send out a clear message.

The President of the European Commission, Mr Jacques Santer, had written to the summit of the "absolute necessity" of naming the currency.

"Failure to do so would call into question the credibility of the Reference Scenario (EMU timetable)," the Taoiseach, Mr Bruton, among others, warned, confirming that Ireland could accept either "ecu" or "euro".

And, in the face of unanimity minus one, Mr Chirac capitulated. But "euro" was no automatic choice. Four countries backed the "florin" but agreed to accept the majority view.

"Anything except the 'franco'," pleaded Mr Felipe Gonzalez, the Spanish prime minister and president of the council.

The main debate, however, went beyond the technicalities of the name and the transition scenario to the next critical issue to be addressed by the leaders, that of the relationship between the ins, those on their way in (the "pre ins"), and the outs, the relationship known as cohabitation.

It was the central theme of the British Prime Minister Mr John Major's speech, although picked up by many of the others, and the commission has been asked to prepare a detailed report during next year.

Mr Major warned of the dangers of a trade war on his arrival yesterday morning when he told journalists that "if some countries go ahead, it (the single currency) will become progressively stronger against some of the leading European countries… and could lead to competitive devaluations and retaliatory protectionism, and there is a very real worry the single market may be damaged or destroyed".

The decision was the most important monetary decision to be taken in Europe in a generation, he said, warning that the EU had to "do it right". The issue of the name was secondary – "it was a bit odd to name the baby before the pregnancy."

It was difficult yesterday, however, not to conclude that the mother was more than a little bit pregnant.

He told the leaders, in a speech described by several participants as very positive, that he wanted to see Europe working – that was why he was raising problems that had yet to be addressed.

There was a danger of dividing the union both economically and politically. Would the countries involved in the single currency start voting as a block? Was the European Union creating a currency only a minority would join initially and that, with enlargement, only a small minority would ever be able to join? Were they creating a new privileged elite?

And he warned that Britain would strongly oppose any attempt to increase budget transfers to help countries cope with EMU. He was also opposed to the creation of a revamped Exchange Rate Mechanism for those who stayed out, preferring to rely on convergence and new EU inflation target to maintain currency stability.

The German Chancellor, Dr Helmut Kohl, responded strongly that, although there were difficulties, that was no reason not to proceed. He recalled his first attendance at a Council in Copenhagen in 1982 at a time of deep pessimism about the future of Europe. Yet they had achieved an enormous amount since then.

Currency union was the indispensable building block to the next stage of political union. Dr Kohl said in words that can scarcely have been music to Mr Major's ears. Without it political union could not happen. And he reiterated German determination to see that the convergence criteria were adhered to – they had vindicated the Maastricht process, he said, bringing inflation in Europe down from 13 per cent to 3 per cent.

Mr Jean Claude Juncker, Luxembourg's prime minister, heartily concurred. He urged his fellow leaders to "get on with it", particularly those countries most likely to participate in the currency from the start. Even the Italian prime minister, Mr Lamberto Dini, who has raised fears of the EU being politically divided, expressed support.

Mr Bruton, who had earlier expressed confidence that Britain would eventually join the single currency, also addressed the issue of cohabitation, welcoming that report of the Commission which points to the treaty obligations on members to maintain their convergence after the launch of the single currency and provides for penalties under its excessive deficits procedure.

Ireland would be concerned, he said, that any attempt to impose new disciplines, like the Stability Pact proposed by Mr Theo Waigel, Germany's finance minister, would remain "fully compatible with the Treaty". Mr Waigel has proposed binding limits of 1 per cent on budget deficits, enforced by substantial fines on those who break the rules.

The Minister for Finance, Mr Quinn, speaking to journalists later, said the problem was how to make "operational" the treaty obligation on all members to regard their currency management as a matter of common interest.

There had been wide support, he said, for the general desirability of a stability pact but that the details were not on the agenda.

Mr Quinn reiterated Ireland's commitment to being part of the first group to join the single currency in 1999 but admitted that the cohabitation issue was central to the Irish perspective because of the relationship with sterling. He believed it could be sorted out.

Apart from the name, the other technicalities to be agreed – the date in 1998 on which a decision will be taken on the currency and the denomination of government debt – were resolved easily and amicably. The decision will be taken as early as possible in 1998, and government debt issued after January 1999, and maturing after 2002, will be issued in euros.

It has also been agreed that some 20 per cent of the surface area of the new notes will be free for national symbols, and one side for the coins.

No decision has been taken on the name of the small coinage, although the currency will be decimal.

What did not happen was a discussion on selling the project to a sceptical public.