

'The post-Madrid dilemma' from Le Monde (19 December 1995)

Caption: On 19 December 1995, commenting on the outcome of the Madrid European Council, the French daily newspaper Le Monde analyses the difficulties associated with the establishment of Economic and Monetary Union (EMU).

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The post-Madrid dilemma

The European Council in Madrid produced only what was 'politically correct'. All went according to plan: the name of the single currency was chosen, the stages were decided, and 1 January 1999 was confirmed as the date for the start of the third stage. Since the selection criteria are held to be immutable, we can only hope the countries expected to participate will be ready in time. Without Germany, monetary union would make no sense, and without France it would simply be a Deutschmark zone in disguise.

Better change the timetable than the criteria, is what we hear more and more frequently from Germany, where doubts about France's ability to reduce its deficit in two years without a social explosion have been aggravated by the public sector strikes. Chancellor Kohl has apparently confided in private that one or two years' postponement would not be a terrible thing. If that is so, why not admit it openly rather than continue to nourish illusions and run the risk of contradicting ourselves in a few months' time and dealing a further blow to Europe's credibility, which is low enough as it is?

The first reason is what the Germans call the 'educational effect' of monetary union. In order to meet the convergence criteria, governments will have to take stringent financial measures that would have been much harder to adopt and get accepted in the absence of external constraint. This applies equally to countries like France that want to be in the first group and to those, like Italy, that will come in at the next stage. But the argument cuts both ways. Apart from the fact that the 'educational effect' is likely to be seen as 'Germanisation' (as the *Frankfurter Allgemeine Zeitung* put it), it may lead to tears in the social fabric that would make the prospect of EMU more distant rather than bring it nearer.

But this first reason for official obstinacy is probably not the main one. More important is the fact that the Twelve, followed by the Fifteen, have put all their eggs in one basket. Achievement of economic and monetary union has become virtually the only measure of Europe's success: political union, which was supposed to accompany it, is in limbo; the common foreign and security policy is non-existent; and the large infrastructure and job creation programme has remained a dead letter. After the single market, the single currency is thus the sole remaining great European adventure of the 1990s.

Its failure would not be just a temporary setback. It could endanger the whole edifice patiently built up over forty years. Lord Dahrendorf, a former leader of the German Liberal Party and a former European Commissioner who is warden of St Antony's College, Oxford, and was granted a life peerage by the queen, could scarcely be accused of being a German nationalist or a British eurosceptic. Yet in a recent interview in *Der Spiegel* he drew a parallel with the European Defence Community: 'If EMU fails to materialise, Europe will be greatly relieved. Just as in 1954, when nobody really wanted the EDC and people breathed easier when the French National Assembly rejected it.' Dahrendorf even fears that EMU will not be buried once and for all but merely postponed: 'The aim would remain, unfortunately, and continue to endanger everything we have achieved in Europe up to now.'

Very many people, especially in Britain, think the single currency, which they believe is doomed to failure, is doing Europe a major disservice. Are they false friends? Not necessarily, and their arguments should not be rejected out of hand. The *Financial Times*, for example, writes: 'The task for pro-Europeans is to devise a strategy that will safeguard the Franco-German alliance in the event that France does not meet the EMU criteria for 1999.' Dahrendorf says he is also tempted to set up a small think-tank on a Europe without a single currency. It would be comforting to believe he is not alone, and that an alternative scenario is also being prepared in government and Commission circles just in case ... even if public mention of it is still taboo.

Apart from the precedent of the EDC in 1954, the failure of the Fouchet plan in the early 1960s also gives food for thought. Unable to achieve what was a kind of political union of six sovereign States, General de Gaulle pushed for closer ties between France and Germany, which were enshrined in the Elysée Treaty of 1963. More than thirty years later, the Franco-German relationship must still be a central concern. We should bear in mind that in 1989, at the time of reunification, François Mitterrand was in the forefront of the struggle for the single currency because he saw abandonment of the Deutschmark as proof of German

attachment to European integration.

The aim of anchoring Germany in Europe will remain on all assumptions. If the possible postponement of EMU is not to be seen as a sign that the Bundesbank can dictate to European markets and that Bonn, and subsequently Berlin, can use its economic strength to pursue an independent foreign policy, we must first refuse to allow the two governments to blame each other for failure: one for intransigent insistence on arbitrary criteria, the other for inability to meet its commitments. A chain reaction damaging to other Community policies must be avoided. Instead, we shall have to protect what integration has achieved so far and resume cooperation around the Franco–German core, which will be more necessary than ever. In the monetary field, it will be necessary to establish more flexible links that take account of the partners' economic and social particularities.

Rather than a vague common foreign and security policy that would be unmanageable with fifteen States, let alone twenty or twenty-five, the emphasis should be on specific joint operations by countries that have the will and ability to act. Here the Franco–German tandem should be supplemented by the British, who are wary of abstractions but not opposed to one-off cooperation. France's rapprochement with NATO should facilitate cooperation in these areas, including that of nuclear deterrence. A Europe less blinded by its own problems could open up more easily to the new democracies of Central Europe. Other advances that would be felt even more strongly by our citizens could be made in such 'internal' affairs as the free movement of persons, European citizenship and the fight against unemployment.

There are many leads to be followed. They are not incompatible with the Franco–German proposals for the intergovernmental conference in 1996. Envisaged today as a supplement to EMU, they might tomorrow serve as a substitute. Paradoxically, the Commission is about to launch a huge publicity campaign on the 'euro' and the benefits of a single currency. Such publicity is essential if the citizens of Europe are to adopt the 'euro', but it will prove a two-edged sword if, a few months from now, our crestfallen leaders are forced to admit they will not be ready in time and the future of Europe will be built more surely by means other than the single currency. This dilemma will have to be faced sooner or later.

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