

## Parliamentary debates in the House of Commons on the outcome of the Strasbourg European Council (12 December 1989)

**Caption:** On 12 December 1989, the British Parliament debates the decisions adopted at the end of the Strasbourg European Council, held on 8 and 9 December, regarding the implementation of Economic and Monetary Union (EMU) and questions the United Kingdom's participation in the European Monetary System (EMS).

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### European Council (Strasbourg)

3.31 pm

**The Prime Minister (Mrs. Margaret Thatcher) :** With permission, Mr. Speaker, I should like to make a statement about the European Council in Strasbourg on 8 and 9 December which I attended together with my right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs.

[...]

The second main item was progress with economic and monetary union. The Council welcomed the fact that the necessary decisions have now been taken to enable the first stage of closer economic and monetary co-operation in Europe to start on 1 July next year. That is something which Britain very strongly supports.

President Mitterrand also noted that the necessary majority existed to convene an intergovernmental conference before the end of next year to discuss further steps towards economic and monetary union. The conference will set its own agenda and the timetable for its proceedings. No time limit is set for its work. It will have before it not just the Delors report, but the British paper setting out an evolutionary approach to economic and monetary union, and perhaps other contributions. Meanwhile, discussion of all these matters will continue among Finance Ministers to ensure that there is full and adequate preparation of the intergovernmental conference.

The council's conclusions specifically recognise--this is a very important point for Britain and for the House-- that the procedures for democratic control over economic and financial matters in each member state must be respected.

We are in the early stage of what will be a long debate in Europe on these matters. A number of different viewpoints are already beginning to emerge. Britain will play a full and constructive part in the debate, while reflecting the view expressed in all parts of this House that stages 2 and 3 of the Delors proposals are not acceptable.

[...]

**Mr. Neil Kinnock (Islwyn) :**

[...]

On economic and monetary union, will the Prime Minister tell us precisely what her policy now is towards participation in the exchange rate mechanism of the European monetary system? Does Britain's participation depend upon that ever lengthening list of conditions that the right hon. Lady has enumerated over recent months : the completion of the single market, the removal of all exchange controls, the removal of all industrial subsidies and the reduction of British inflation to the European average, or, following her Financial Times interview this morning, do those conditions now have to be only "broadly met" in her new "open mind", or is she simply waiting until her next interview to decide what she really thinks? Instead of waiting upon events, why does she not improve on the present conditions and embark upon negotiations on conditions to try to secure participation in the exchange rate mechanism with maximum advantage and minimum difficulty for our country?

As the Prime Minister reflects on the Strasbourg summit and looks forward to summits in Ireland and Italy over the next 12 months, will she be changing her failed policies? Does she not understand that, whatever scepticism or hostility hon. Members of all parties may share towards stage 2 and 3 of the Delors process, the least effective way of influencing vital discussions and negotiations is through her habit of declaring

strident opposition and following that up with resentful acquiescence? Does she not realise that that unconvincing and unsuccessful posturing has brought her to a position in the Community where she is merely tolerated and then bypassed, smiled at by other leaders but then sidelined by the processes?

Is it not clear that Strasbourg was a place of repeated defeat for the British Prime Minister? She was defeated on the intergovernmental conference, on the social charter and on the establishment of a European development bank. When will the Prime Minister ever learn that if this country is to have its proper influence in the Community, it must have its proper involvement in the Community?

**The Prime Minister :** I hope that everyone who is listening will remember that the right hon. Gentleman was not there and does not really know much about it.

[...]

At the intergovernmental conference, our paper on the future of economic and monetary union will be among those which will be properly considered. It is an excellent paper. The governor of the Swiss National bank pointed out :

"The British authorities have understood the essential point : monetary integration should proceed along the path from stability to unity, and not that from unity to stability."

Karl Otto Poehl, governor of the Bundesbank, pointed out that our evolutionary approach paper was

"a realistic and sensible description of what monetary policy should concentrate on in future years."

So the people who know are most complimentary about the British stance.

**Mr. David Howell (Guildford) :** Turning from the dreary liturgy of the Leader of the Opposition to the coming debate about the future integration of the European Community, which my right hon. Friend mentioned and in which we shall be playing a full part, is it not a fact that, even if today the European Community was one federated super state, it would be necessary to reinvent nation states in order for Europe to meet its needs in the 1990s?

Is not the vision which we need to seek that of a confederation of free and open kingdoms and republics throughout Europe? Does my right hon. Friend agree that that is the need for the future? Bearing that in mind, does that not utterly refute the criticism which people make of my right hon. Friend's proper concern for the role of nation states in the Europe of the future?

**The Prime Minister :** Yes, I agree entirely with my right hon. Friend that we shall get maximum co-operation and maximum effect when we have the 12 nation states co-operating with one another ever more closely together, each with their pride in their own history and their own culture and each being prepared to do together the things that we do better together and which makes us stronger to do them together, leaving the others of us to do other things separately in our own way.

[...]

**Mr. Ian Taylor (Esher) :** I congratulate my right hon. Friend on her part in the positive tone of the Strasbourg conference. Will she build on that by ensuring that all our Community partners understand that we have a commitment to economic and monetary union, as they do, but that we prefer the evolutionary approach which will better safeguard the interests of national Parliaments and ensure that the eventual economic and monetary union is more stable? Will she also welcome today's announcement that the French will abolish the remnants of their exchange controls from 1 January? Is that not significant progress in achieving the conditions for the entry of sterling into the exchange rate mechanism which were laid down at

Madrid?

**The Prime Minister :** I agree with my hon. Friend that the evolutionary approach is much better and more effective when considering how to move towards economic and monetary union. That approach has been praised by several central bank governors and it will eventually find more favour. It is steadier and more sure than the other approach. The whole time it maintains national democratic accountability, and we are not the only nation that wants that accountability to remain.

France has undertaken to abolish her exchange controls by 1 July, but I believe that she will bring the date forward. Italy will wait until July to abolish hers. That will give her more problems, but I hope that she will be able to abolish them successfully. Spain and other nations will abolish exchange controls in 1992. One expects them to take longer because they joined later. We have agreed that we shall join the exchange rate mechanism when the conditions are fulfilled. Those conditions were set out at Madrid and have not changed since. No one is suggesting that we should dot every "i" and cross every "t" before we consider when the time is right to join.

**Mr. Peter Shore (Bethnal Green and Stepney) :** [...] The House will also welcome what the Prime Minister said about stages 2 and 3 of the Delors report remaining unacceptable to the Government and all parts of this House. Unfortunately, however, the intergovernmental conference is to meet before the end of 1990 with the purpose of drawing up amendments to the treaty to introduce stages 2 and 3 of Delors. The implications of those decisions for Britain's economic independence and for the powers of this Parliament are enormous. Would it not be right for the Prime Minister now to consider setting up a Select Committee of this House to examine the full political, constitutional and economic implications of stages 2 and 3 so that when the decision comes to be taken it can be taken in the full knowledge of the implications for this country and its Parliament and not in ignorance?

**The Prime Minister :** I shall be only too delighted to receive as much technical advice as possible on stages 2 and 3 of Delors. The intergovernmental conference has been delayed until the end of next year, so that there can be full and adequate preparation before we go into the conference. I would have preferred it not to have been set up so quickly because we shall have started stage 1 of Delors only in July 1990 and it will not be completed until well into 1993. It will be the biggest change that the Community has had and we shall not know the magnitude of that change. It would have been much better to have been aware of that before an intergovernmental conference to consider treaty changes was set up. Others wanted to consider that earlier, so we have tried to give time for preparation to see what the options will be.

Stages 2 and 3 will not be considered alone ; our paper will also be considered. It is obvious from the discussions that we had in Strasbourg that more and more people are becoming worried about democratic accountability. They would not find accountability to the European Parliament sufficient. There must be democratic accountability to national Parliaments. Select Committees are not a matter for me, but we shall make as many studies as we can of the full consequences of stages 2 and 3 of the Delors report.

**Mr. Jonathan Aitken (Thanet, South) :** While welcoming my right hon. Friend's new style of Talleyrand softness and subtlety in her approach to the EEC, may I ask her to use it to explain an apparent inconsistency between two apparently incompatible parts of the Strasbourg communique ? The whole House will welcome paragraph 3(3) which she read out and which appears to suggest that the national Parliaments of member states will have a key slice of democratic control of decisions over economic and monetary union. However, the next paragraph of the communique , although written in confusing Europeak, appears to suggest that the European Parliament will also get democratic control and more powers over the EMU process. If there is a clash between these Parliaments, will my right hon. Friend say clearly whose side she is on?

**The Prime Minister :** My hon. Friend hardly needs to inquire. As he knows, under the present system decisions are taken by the Council of Ministers, with Ministers from each of the 12 countries in the relevant council. Each Minister is fully and democratically accountable to his own Parliament, as I am accountable now. Perhaps the other Ministers do not have such a positive or detailed reporting system as we have. Therefore, they do not fully realise now central economic, monetary and budgetary control is to the life of

our Parliament. We stand very much for national democratic accountability. That is much more detailed and much more effective than any accountability through the European Parliament.

**Mr. Alex Salmond (Banff and Buchan) :** Following the European summit, will the Prime Minister tell us whether the change in emphasis in her position on the exchange rate mechanism, which was detected by the Financial Times and other newspapers, is correct? Will she tell the House the exact nature of this U-turn and whether it might pave the way for the return of her former Chancellor to high office in her Administration?

**The Prime Minister :** Our position about joining the exchange rate mechanism has not changed in spite of what the hon. Gentleman says. It was laid down at Madrid in more detail than hitherto and there has been no change since then. I am sorry to disappoint the hon. Gentleman.

[...]

**Mr. Ian Stewart (Hertfordshire, North) :** Does my right hon. Friend accept that her robust but judicious contribution at Strasbourg is very welcome on this side of the House, particularly the fact that she has demonstrated once again that the British Government are more interested in Euro-do than Euro-speak?

As for the contentious matter of the European monetary system, did my right hon. Friend have an opportunity to point out to other Council members that, whatever decisions might be taken in future about sterling, it would not be practicable for the pound to enter the exchange rate mechanism until inflation and interest rates are substantially lower than they are now?

**The Prime Minister :** My right hon. Friend makes his points very well indeed. I agree with him that we have to get inflation down before we can enter the exchange rate mechanism. That was one of the conditions that we laid down. I agree very much with my right hon. Friend that when it comes to getting things done we tend to lead. We have done less of the talking and more of the acting than others.

**Mr. Nigel Spearing (Newham, South) :** The Prime Minister properly emphasised the importance of information when she replied to my right hon. Friend the Member for Bethnal Green and Stepney (Mr. Shore). Is she able to say which extant Government document best sets out the implications of economic and monetary union for the United Kingdom? As for democratic accountability, can she tell us when the House approved a resolution, the words of which specifically approved the principle that this country should adhere to economic and monetary union?

**The Prime Minister :** Progressive realisation of economic and monetary union was agreed by the Community in 1972 and therefore was accepted by us when we acceded to the Community in 1973.

[...]