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**BRIEFING**  
**ON**  
**THE IGC AND ECONOMIC AND MONETARY UNION**

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These briefings have been drafted by the Parliament Secretariat Task Force on the Intergovernmental Conference. Their purpose is to gather together, in an organized, summary form, the proposals and suggestions which the authorities in the Member States, the Union's institutions and specialist commentators have put forward on the issues likely to be on the IGC/96 agenda. Briefings will be updated as negotiations proceed.

**Already out:**

1. The Court of Justice
2. The Commission
3. The Court of Auditors, ESC and COR
4. Differentiated integration
5. The common foreign and security policy
6. The role of the national parliaments
7. The hierarchy of Community acts
8. Codecision procedure
9. CJHA
10. European citizenship
11. WEU, security and defence
12. Public services
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32. European environment policy and the IGC
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34. Civil protection
35. Ending sex discrimination
36. Enlargement of the EU
37. Employment and the IGC
38. The IGC and Economic and Monetary Union

**BRIEFING  
ON  
THE IGC AND ECONOMIC AND MONETARY UNION**

**I. SUMMARY**

Economic and Monetary Union is not one of the objectives of the review of the Maastricht Treaty even though the changes made to the Treaty at the 1996 Intergovernmental Conference will naturally have an impact on the achievement of EMU and completion of the internal market.

The Community institutions, the European Parliament, the Commission and the Council, are all in favour of keeping to the timetable and convergence criteria agreed at Maastricht.

The EP has asked to play a greater role in the area of EMU and the Economic and Social Committee would like its advisory role in procedures for multilateral surveillance of economic policy to be stepped up.

The 1996 IGC Reflection Group regards the achievement of EMU as one of the ways of meeting the internal and external challenges facing the European Union.

Among the Member States there is a degree of consensus on further development of monetary union as part of the widening and deepening of the Union. All the Member States, and all the European institutions, stress the need for greater coordination of economic policies.

The achievement of economic and monetary union is the prerequisite for greater economic and social integration and greater cohesion with a view to stimulating job creation.

**II. POSITIONS ADOPTED**

**1. European Parliament**

**(a) Resolution on the functioning of the Treaty on European Union with a view to the Intergovernmental Conference (17 May 1995) (Doc. A4-0102/95)**

***I. Union aims and policies***

**C. As regards Economic and Monetary Union, the European Parliament is in favour of maintaining the timetable and the convergence criteria established at Maastricht.**

In its view, 'the monetary policy provisions should have their counterweight in reinforced economic policy coordination (i.e. in the field of multilateral surveillance

and in establishing broad economic policy guidelines at EU level) and a clear link to Article 2 of the Treaty' (5).

The Union should support the efforts of those Member States that have shown genuine willingness to move towards the third stage of EMU and who are pursuing economic policies in line with the convergence criteria, even though they cannot satisfy them.

Parliament is also very concerned by the problem of unemployment in Europe and proposes setting up an employment committee, endowed with the same powers as the monetary committee (6).

23(iv) On the institutional front, 'the European Parliament's role should be reinforced in those areas where there is currently inadequate scrutiny at European level, and notably in the field of EMU'.

34(v) With regard to the budgetary function, Parliament proposes that the income of the ECB (seigniorage income) should be deemed an own resource of the Community in the year 2000.

**(b) Resolution on (i) Parliament's opinion on the convening of the Intergovernmental Conference; and (ii) evaluation of the work of the Reflection Group and definition of the political priorities of the European Parliament with a view to the Intergovernmental Conference (13 March 1996) (Doc. A4-0068/96)**

### ***8. A proactive policy for employment***

In Parliament's view, employment must be the focus of all European policies, particularly those conducted within the framework of economic policy. This is in no way intended to unbalance economic and monetary union but to take into account the three imperatives of competitiveness, growth and employment and to facilitate its achievement by paving the way for sustainable development.

The objective of a high level of employment should be set out in Article 3a(3) of the Treaty among the 'guiding principles' of the action of the Member States and the Union with a view to economic and monetary union. It should also be referred to in the other relevant articles of the Treaty. The Treaty should instruct the European Council to adopt the main guidelines for economic and employment policy in order to establish the necessary balance between these two closely linked areas of action.

## **2. Commission**

**Report on the operation of the Treaty on European Union (10 May 1995)  
COM.SEC(95) 731 final**

### ***Part 2: effectiveness and consistency of the Union's policies***

In the second part of the report, Chapter A is devoted to Economic and Monetary Union. 'The irrevocable commitment to a common monetary policy and a single currency can be seen as the last piece needed to complete the single market and is undoubtedly one of the Treaty's most significant advances'.

According to the Commission, the provisions of the TEU have contributed to addressing the issue of convergence and to securing consensus on appropriate policies for the Community (95). The Commission considers that the multiannual surveillance procedures (Articles 103 and 104c) have strengthened the coordination of economic policies and have significantly improved the involvement of national parliaments.

The measures necessary to achieve stage 2 have complied with the procedures and the timetable laid down in the Treaty. The implementation of stage 2 has demonstrated not only the flexibility of the mechanism but also the credibility of the Council, the Commission and the European Monetary Institute.

The Commission's view is that the Union can face the future with confidence, particularly with regard to the timing of stage 3 and the gradual coordination of economic policies. Moreover, 'the recent upheavals on the foreign exchanges make it all the more necessary to keep to the timetable' (101).

## **3. Council**

**Council report on the functioning of the Treaty on European Union (5082/1/95 rev. 1(7) of 6 April 1995)**

### ***E. Interinstitutional relations***

The Council does not share Parliament's view on the need to extend interinstitutional dialogue to economic and monetary union, even though this method has achieved considerable progress in implementing the TEU.

### ***IV. The internal powers of the Community***

Following the entry into force of the TEU, the Council adopted, on the basis of European Council conclusions, the first broad guidelines of the economic policies of the Member States and of the Community. According to the Council, 'the multilateral surveillance procedure was applied in 1994, marking, with the review of convergence programmes, increased coordination of economic policies'.

The Council also applied, for the first time, the new budgetary surveillance procedure, in Member States, aimed at avoiding excessive public deficits.

#### **4. European Council**

##### **Conclusions of the Presidency of the Madrid European Council of 15 and 16 December 1995 (SN 400/95)**

In determining the stages required to prepare Europe for the 21st century, the Madrid European Council stated that 'job creation is the principal social, economic and political objective of the European Union and its Member States'.

The European Union cannot combat unemployment effectively without achieving EMU. The European Council therefore considers that the provisions on the single currency agreed at Maastricht must be maintained.

In any case, most Member States agree on the need for greater coordination of economic policy in the Union.

The Madrid European Council (15/16 December 1995) adopted the scenario for the introduction of the single currency and reaffirmed unequivocally that the third stage would begin on 1 January 1999. It also decided that the name of the European currency would be the Euro.

#### **5. Economic and Social Committee**

##### **Opinion on the Intergovernmental Conference - the role of the Economic and Social Committee (CES 1312/95 fin., 22 November 1995)**

As the representative of the socioeconomic operators most directly involved in achieving EMU, the Economic and Social Committee produces reports and opinions on EMU and its socio-economic impact on European society.

On the occasion of the Intergovernmental Conference, the committee is calling for its advisory role on multilateral surveillance of the economic policies of the Member States to be stepped up. The committee is also asking for Article 103(2), last paragraph, and Article 103(4), second paragraph, to be amended to give it a right to be informed.

The committee also proposes that its institutional duties should be widened and it proposes that Article 197 of the Treaty should be amended by adding a specific paragraph concerning the single market observatory which was set up with the support of the European Parliament.

## **6. 1996 IGC Reflection Group**

### **Reflection Group report (SN520/95 (Reflex 21))**

The Reflection Group's report, which was published on 5 December 1995, sees economic and monetary union as a response to the new internal and external challenges facing Europe.

It sees the achievement of economic and monetary union, as agreed in the Maastricht Treaty and ratified by the national parliaments, as a priority for Europe. It sees no need to change these arrangements and feels strongly that EMU should carry on its process of implementation in accordance with what was agreed.

## **7. Member States**

### **7.1. Germany**

Germany has always been one of the motors of European economic and monetary integration; the statute of the European Central Bank was modelled on that of the Bundesbank. The German Government's position at the IGC is that EMU should be achieved in strict compliance with the timetable and convergence criteria established by the Treaty on European Union: it is opposed to any departure from the convergence criteria.

In his speech to the European Parliament on 10 October 1995, the German President Roman Herzog stated that 'the best monetary policy is one that steers clear of both undervaluation and overvaluation, so as to balance the interests of consumers and producers for the good of the economy as a whole. In the global context, that goal can best be achieved through international coordination of economic policies. An even better way in the European context is the one via the economic and monetary union'.

Among the various positions adopted by German political parties on the IGC, particular attention should be paid to the proposals put forward by the CDU/CSU parliamentary group in the Bundestag, from which Helmut Kohl draws his support. The federal bureau of the CDU, meeting in Bonn on 4 July 1995, adopted its guidelines on European issues in preparation for the IGC. On the question of EMU, the document does not put forward any date for the start of phase 3 but stresses the importance for Germany of creating a European Economic Area.

### **7.2. Austria**

Guidelines on the probable topics of the 1996 IGC were drawn up by the Federal Chancellery and the Ministry of Foreign Affairs, in cooperation with the other ministries, the Länder and the social partners. In this document, the Austrian Government opposes any discussion of the practical aspects of EMU at the 1996 IGC.

### **7.3. Belgium**

The Belgian Government approved a memorandum on government policy on the Intergovernmental Conference on 28 July 1995. It takes the view that the introduction of economic and monetary union must be accompanied by greater social protection, standards guaranteeing a high level of protection of the environment and real fiscal harmonization. In Belgium's view, the IGC has a duty to pursue the development of political union, so that the achievement of EMU goes hand in hand with efforts to develop political union.

On the specific question of EMU, the Belgian Government considers that the agreements must be fully implemented and that its achievement will make the process of integration irreversible. After the start of the final phase of EMU it will still be necessary to maintain macroeconomic convergence between the EMU members. Finally it believes that 'temporary monetary cohabitation' between the single currencies and the other national currencies must not be damaging to the single market and must always operate in such a way that all the Member States of the European Union are ultimately able to fulfil the conditions for membership of EMU.

### **7.4. Denmark**

A protocol annexed to the Treaty states that 'the Danish Constitution contains provisions which may imply a referendum in Denmark prior to Danish participation in the third stage of economic and monetary union'. However, in December 1992 Denmark notified the Edinburgh European Council that it would not participate in the third stage of EMU.

In June 1995 the Danish Minister of Foreign Affairs published a report entitled 'Agenda - the 1996 Intergovernmental Conference'. On the question of growth and employment, the report puts forward the idea of setting a target of maintaining unemployment below a certain level. The means of achieving this are coordination of national economic policies to reduce unemployment rates, support for the single market and absolute compliance with the rules on economic and monetary union.

### **7.5. Spain**

The Spanish Presidency and the Foreign Ministry have drawn up a comprehensive 100-page document setting out Spain's position at the IGC. Among the specific problems discussed, the document touches on economic and monetary union, giving the impression that Spain would prefer not to raise the question of EMU, to avoid the introduction of new convergence criteria (for instance unemployment or the trade deficit).

However it is recognized that any change in the qualified majority threshold referred to in Article 148 of the Treaty would inevitably have repercussions on the transition to the final stage of EMU (since, under Article 109j(2), the Council is required to act by a qualified majority) and on the procedure pursuant to Article 104c for imposing penalties in the event of excessive public sector deficits.

## **7.6. Finland**

Finland set out its position on EMU at the Council of Ministers meeting on 15 June 1995. In its view, it is important to ensure a high degree of stability and to allow as many Member States as possible to participate at the beginning of the third stage of EMU. It would be essential to satisfy the convergence criteria but it would ultimately be for the national parliament to decide whether Finland should participate in the third stage.

## **7.7. France**

During the presidential election campaign, Mr Chirac made a number of very clear statements, such as 'I voted yes to the Treaty of Maastricht and I am personally committed to the achievement of economic and monetary union when the conditions laid down by the Treaty are met ... France which, with Germany, should form the backbone of the future economic and monetary union must make the necessary efforts in this direction'.

At the Council of Ministers meeting of 31 January 1996 President Chirac and Prime Minister Juppe reaffirmed France's determination to satisfy the commitments entered into in the Maastricht Treaty. Mr Juppé stressed that a single currency equals confidence, which equals growth, which equals employment. Mr Chirac, for his part, saw the convergence criteria as a kind of crash barrier. The Minister of the Economy and Finance, Jean Arthuis said that France would take all the steps necessary to satisfy the conditions for entry to the third stage of EMU by 1 January 1999.

## **7.8. Greece**

In January 1995 Greece submitted an initial document entitled 'Towards a people's Europe - democracy and development' setting out its position on the 1996 IGC. With regard to the speed of transition to the third stage of EMU, Greece does not envisage a situation in which only certain states would initially participate in the third stage. The Greek Government is determined to join the third stage in 1999 and is calling for a revision of the inflation, interest rate and public sector deficit criteria so that no Member State will be excluded from EMU.

On the basis of the conclusions of the interministerial committee meeting on 7 June 1995, the Greek position is as follows:

'(g) Economic and monetary union so far appears to favour only one form of convergence - nominal convergence - which provides no guarantees with regard to the future and speed of European integration. Consequently, irrespective of any change in the nominal convergence criteria, Europe must tackle the problem of real convergence and the economic and social cohesion of the Member States.'

## **7.9. Ireland**

The Irish Government is currently drafting a White Paper on Ireland's external policy, particularly with regard to the 1996 Intergovernmental Conference. A number of

ideas have been floated by the Prime Minister Mr Bruton and the Minister for European Affairs and member of the Reflection Group, Mr Mitchell.

Nothing has been said about EMU. Referring to the idea of a 'hard core', the Prime Minister pointed out that Ireland had always been in favour of a uniform approach to integration and that it would examine the implications of going ahead with a variable-speed Europe or one based on a hard core in the light of Ireland's interests.

#### **7.10. Italy**

One of the clearest statements by the Italian Government on the IGC is its memorandum of 23 May 1995 on the Intergovernmental Conference to review the Maastricht Treaty. According to the Italian Government, the area in which there is the greatest degree of integration should be open to all the Member States and not limited in an arbitrary and discriminatory manner to certain specific sectors such as economic and monetary union. It also points out that the arrangements and mechanisms for the single currency are not among the issues due for revision at the Intergovernmental Conference, although it does propose that all the regulations on EMU approved hitherto should be codified in a specific protocol.

In its statement on the Italian Presidency of the Council of the European Union's priorities, the Italian Government regards economic stability as the precondition for sustainable development and for implementing active and effective employment policies. On the basis of the work already under way and the conclusions of the Madrid European Council, it will be for the Italian Presidency to ensure that headway is made in drawing up the technical and legal instruments required for an orderly transition to the third stage of EMU on the date set.

#### **7.11. Luxembourg**

On 30 June 1995 the Luxembourg Government published a memorandum on the 1996 IGC. It cites completion of the internal market and EMU among the objectives of the Intergovernmental Conference. At the summit of 7 February 1996, the governments of the Benelux countries decided to coordinate their policies on the IGC and confirm the importance of the transition to the third stage of EMU.

#### **7.12. The Netherlands**

In a note on the enlargement of the European Union - opportunities and obstacles, the government of the Netherlands underlined the vital importance, in economic and political terms, of transition to the third stage of EMU in 1999 at the latest, and expected to be among the participating states.

In the fourth memorandum on institutional reform of the European Union (12 July 1995), the Netherlands Government stated that it was convinced that transition to the third stage of EMU should be dealt with as a separate issue and under its own rules so as to ensure the success of the negotiations.

### 7.13. Portugal

The Portuguese Government has not yet published an official position on the Intergovernmental Conference. In an interview published by the newspaper *Publico* on 4 June 1995, the Prime Minister, Mr Cavaco Silva, expressed his full support for achievement of EMU and his opposition to any revision of the convergence criteria at the IGC.

With regard to future enlargements, the Prime Minister took the view that the *acquis communautaire* must remain intact and that it was vital that the Union should not be transformed into a free trade area.

### 7.14. United Kingdom

As in the case of social policy, the United Kingdom has obtained an opt-out clause in the area of monetary policy, this means that the United Kingdom will not participate in the third stage of EMU unless it notifies the Council of its intention to do so.

On 22 June 1995, Mr Douglas Hurd, the then Foreign Minister, giving evidence to the House of Commons Foreign Affairs Committee raised the possibility of a referendum on the single currency should the British Government consider this to be in the interests of the United Kingdom.

The re-election of John Major as leader of the Conservative Party on 4 July 1995 has done nothing to change the United Kingdom's position; the Prime Minister is determined to defend the two opt-out clauses secured at Maastricht.

### 7.15. Sweden

In July 1995 the Swedish Government presented a note on the fundamental interests of Sweden with a view to the 1996 Intergovernmental Conference. Sweden does not intend to call for a revision of economic and monetary union at the Intergovernmental Conference. At the same time it makes it clear that it will ultimately be a matter for the Swedish Parliament to decide whether or not Sweden moves to the third stage of EMU.

The Swedish Government sees the Intergovernmental Conference as only one step forward in the continuous process of widening and deepening the European Union and takes the view that whatever its importance it must not block progress on other equally important projects such as economic and monetary union.

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