‘Praise for the summit saviour' from Die Welt (16 December 1996)

Caption: On 16 December 1996, commenting on the Dublin European Council held on 13 and 14 December, the German daily newspaper Die Welt welcomes the role of mediator played by Jean-Claude Juncker, Luxembourg Prime Minister and Finance Minister, during the debates between the Fifteen on the Stability and Growth Pact and on the third stage of Economic and Monetary Union (EMU).

Source: Die Welt. Herausgeber Zehrer, Hans. 16.12.1996. Hamburg: Curt Blez. "Lob für den Retter des Gipfels", auteur:Hadler, Wilhelm.

URL:
http://www.cvce.eu/obj/praise_for_the_summit_saviour_from_die_welt_16_decemb er_1996-en-f0449b69-f883-4e40-8940-f37b602db330.html

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Praise for the summit saviour

Luxembourg Prime Minister negotiates compromise for Stability Pact

DUBLIN. As so often happens, there were only winners in the end. French President Jacques Chirac congratulated the German Finance Minister on his success in the negotiations and Theo Waigel too was manifestly pleased with the outcome. As the Dublin Euro-summit came to en end, the conference participants were only too happy to exchange compliments, in the warm glow of the press.

And yet only a few hours earlier, the French and Germans had almost come to blows on the subject of the Stability Pact. The role of saviour in time of need was played above all by Luxembourg's articulate Premier and Finance Minister Jean-Claude Juncker. He too came in for unanimous praise at the conference.

The bone of contention in the closing phase of the negotiations was above all Germany's request that the budgetary discipline demanded of euro-zone members be shored up by precise quantitative criteria. Most other countries were reluctant to agree to an automatic mechanism of this kind. The Maastricht Treaty itself provides for case-by-case decisions by Council in the matter of sanctions against wayward euro partners. Juncker's compromise solution comes down essentially to a voluntary commitment on the part of those concerned to exercise self-restraint as regards requests to be exempted from the prohibition on excessive deficits.

In assessing whether a laggardly partner may invoke a severe recession, the euro-zone countries will thus be committing themselves in a Resolution to a rule whereby the reference point would be a fall in gross domestic product of at least 0.75 per cent.

The Commission will in all cases initiate an enquiry against a Member State where its budget deficit exceeds 3 per cent of GDP. Recessions in which GDP declines by at least 2 per cent will however be automatically accepted as a sufficient ground for an exemption.

The French succeeded in having the Stability Pact renamed the Stability and Growth Pact. This reflected a concern that too much emphasis might be placed on maintaining the value of the currency.

In their report to the Heads of Government, the Finance Ministers nevertheless comment as follows: 'Healthy national finances are essential to maintain stable economic conditions in the Member States and in the Community. They are a fundamental precondition for sustained non-inflationary growth and a high level of employment.'

There was no further disagreement in Dublin on the proposals for the new exchange rate system, designed to regulate relations between the euro and those Member States that are not at present interested in joining or do not yet meet the criteria for doing so (EMS II).

The system is intended to foster converging economic development, thereby helping to ensure the unity of the European internal market. Intervention by the European Central Bank to support exchange rates will however be on request only.

Following the political decisions in Dublin the legal texts will now have to be formulated in the months ahead.

The intention is for a solemn declaration by Heads of Government to lend the Stability Pact Treaty-like status.

Wilhelm HADLER