

## 'Take-off for monetary union' from EGmagazin (August 1989)

**Caption:** The European Council, meeting in Madrid on 26 and 27 June 1989, decides to launch the first stage of economic and monetary union on 1 July 1990.

**Source:** EGmagazin. Hrsg. Gerhard, Rudolf; Schwarz, Volker ; R Herausgeber Böttcher, Winfried. August 1989, Nr. 7/8. Baden-Baden: Nomos Verlagsgesellschaft. ISSN 0343-6667. "Zur Währungsunion durchgestartet", auteur:Ott, Hans-Peter , p. 6-7.

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## The Summit in Madrid

### Take-off for monetary union

*from Hans-Peter Ott, Madrid/Brussels*

**Spain's EC Council Presidency is quite impressive. At the Madrid Summit, chaired by Felipe Gonzalez, the EC Heads of State or Government decided that the first phase in the process leading towards economic and monetary union should begin on 1 July 1990. The tactics employed by Spain, the Federal Republic of Germany and France of not pushing Maggie Thatcher into a corner, in spite of her numerous attempts to bring the process to a halt, therefore proved to be successful. On the other hand, the British Prime Minister categorically rejected the idea of a 'Social Charter', a second key element of the Conference.**

Before, during and after the 41st 'European Council' of the Heads of State or Government, which took place on 26/27 June in the imposing Congress Palace in Madrid, it was Maggie Thatcher's intention once again to grab the headlines for herself, both at home and in the other countries of the EC. These were initially characterised by doubts and accusations, then direct criticism took over. The cartoonists did not have to look far for inspiration. A popular image in the Spanish press showed a raging bull with 'peseta' written on it, chasing Maggie as she attempted to flee. The 'International Herald Tribune' showed Thatcher's face, with her features slightly skewed, emblazoned on an ecu banknote. There was no shortage of allusions to the fact that, just a few days before the Madrid Summit, the Socialist Prime Minister of Spain, Felipe Gonzalez, had attempted to put the British Prime Minister in a tight spot by incorporating the peseta in the European Monetary System, the EMS, which had been in operation since 1979 — a step that was just as surprising as it was bold, but that she had simply ignored the subject.

Gonzalez, his Foreign Minister, Francisco Fernandez Ordonez, and Madrid's trusty EC presidency orchestrator, Pedro Solbes (State Secretary in the Foreign Ministry), had made a flying visit to London immediately before the Madrid Conference and held further consultation meetings with representatives of the other EC Member States in order to set the course for a positive, successful summit meeting. Nevertheless, at the beginning, the possibility of any tangible decisions on the central issues being taken was a moot point.

### Mitterrand's attacks on Thatcher

Ultimately, after numerous problems, the policy pursued by the 'triumvirate' of Gonzalez, Mitterrand and Kohl not to drive the British Prime Minister into a corner, completely isolating her, but instead to build bridges that would allow her join in at the start of the process of turning economic and monetary union into reality without losing too much face proved to be correct.

Gonzalez and Kohl — who appear to enjoy a very good relationship — avoided making negative statements about the disapproving attitude of the 'Iron Lady' towards monetary union. The French President, François Mitterrand, however, did not mince his words on a number of occasions and referred to the British Prime Minister as wanting to 'put the brakes on Europe'.

This is, indeed, how the stubborn British woman is threatening to go down in EC history. The second, and concluding, day of the Summit still began with uncertainty as to whether the British Prime Minister would be prepared to countenance any first step towards monetary union being made at all. 'I cannot venture any prognosis at this point', were the words of Chancellor Kohl shortly after midnight on the first day, following the 'private talks' in the luxury Madrid Ritz. Overnight, an entire army of experts worked on perfecting a form of words which would be acceptable to London as well but which would not hold back the others too severely in their desire for action.

This trick was finally achieved, but only after some delay. It is true that the host, Felipe Gonzalez, was not able to achieve in full his ambitious plan of ending the Conference punctually at 1 p.m. However, just over

an hour later, at precisely 2.15 p.m., the message then did ring out through the giant auditorium and the other rooms in the Congress Palace opposite Real Madrid's Bernabeu Stadium on the sumptuous 'Paseo de Castellana': 'La cumbre ha terminado ...', 'The Summit is over ...'

### **Cornerstone laid for economic and monetary union**

German Chancellor Helmut Kohl found an apt and realistic form of words for his press conference. In his words, they had taken a small step, but one that was very significant for the future, opening up the prospect of complete economic and monetary union and also bringing the Community closer to political union.

It is an indication of the degree of realism intended in the approach towards the next stages that all the participants in the EC Summit Conference were careful to refrain from giving any sign of euphoria in their comments. The beginning of phase I on 1 July 1990 will bring about the launch of economic and monetary union. This is something of which even Margaret Thatcher wishes to be a part. However, what the 'Iron Lady' is then planning to do is a matter for speculation — or maybe not. For, while she was still in Madrid, and then again even more clearly after her return to London, she announced her view that phases II and III, with the ultimate objective of monetary union and a single euro-currency — with a European Central Bank — continue to belong in the realms of Utopia. Mrs Thatcher stated that there was no question of her agreeing to steps such as these, since, in her opinion, they are associated with a much too extensive loss of sovereignty.

However, she did let it be known that the time for the British pound sterling to join might arrive in the foreseeable future. The British Prime Minister did not, it must be said, actually name a date but, instead, announced two fundamental conditions; the British rate of inflation, recently having climbed to a sumptuous 8.3 %, would have to fall to the average for the other EMS members, that is, to 4.5 %, and the EMS would first have to survive undamaged the liberalisation of the money market that eight of the ten EC countries wish to put into effect as early as 1 July 1990.

And the convening of an intergovernmental conference, which has to determine the amendments to the treaty required to initiate the second and third stages of the monetary plan on the basis of the Delors Report, is linked to several conditions.

'This conference will meet as soon as the first stage has begun and the preparatory work is sufficiently advanced' is the wording used in the Madrid Conclusions.

Everyone — apart from Mrs Thatcher — is assuming that the Delors Report, which was drawn up by a panel of experts (the governors of the national issuing banks or central banks of the individual Member States as independent persons, plus three other experts) chaired by the French President of the EC Commission, Jacques Delors, and submitted in mid-April, is and will remain the basis for all further measures. The British Prime Minister emphasised, however, that this report was not the only basis for economic and monetary union and that, on the contrary, other documents might also be consulted.

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