'Monetary union requires the EC to sign a new Treaty similar to the Single Act, says the Delors report' from El País

Caption: On 18 April 1989, the Spanish daily newspaper El País analyses the impact of the economic and monetary union (EMU) propounded by Jacques Delors, President of the European Commission, on the functioning of the European Communities.

Source: El País. 18.04.1989. Madrid. "La unión monetaria exige a la CE firmar un nuevo tratado similar al Acta Única, según el 'informe Delors'", auteur:Monteira, Félix.

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http://www.cvce.eu/obj/monetary_union_requires_the_ec_to_sign_a_new_treaty_similar_to_the_single_act_says_the_delors_report_from_el_pais-en-877a113f-78da-4188-8f1d-83f1a30cf06c.html

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Towards the consolidation of the European Community

Monetary union requires the EC to sign a new Treaty similar to the Single Act, says the Delors report

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A new EC Treaty comparable with the Single Act is an absolute prerequisite for monetary union, says the report drawn up by the Committee of Wise Men which is to be presented to the EC Summit on 26 and 27 June in Madrid. Yesterday, the President of the European Commission, Jacques Delors, said in Luxembourg that achieving monetary union will be possible only if the convergence of the economies of the 12 EC countries is a parallel process. Although the report talks of three stages for attaining the final objective, no specific dates have been laid down for them, and approval of what will be an irreversible process remains subject to the political decision of the Heads of State or Government of the Twelve.

The President of the European Commission, Jacques Delors, yesterday presented the report on economic and monetary union which has been drafted by the Committee of 17 experts appointed at the Hanover Summit in June last year which completed its work last Wednesday in Basel. The main value of the document, in the opinion of Delors and of the Spanish Minister for Economic Affairs, is that it is 'realistic' because the fact that it was adopted unanimously reflects all the compromises and the ambiguities which have had to be incorporated so that the deadline for the submission of the report could be met. To begin with, the inclusion of all the currencies in the European Monetary System and their inclusion in the exchange-rate mechanism will send out 'a clear signal', but it is not a requirement at the outset, and neither is 'a convergent economic policy'.

The starting point for the process, which will involve institutional reforms in the EC, the procedure for and extent of which are yet to be defined and which will be the source of major differences yet to be resolved, is before July 1990, the date on which the free movement of capital within the Community will begin.

By that date, the starting point for the process, whose time-scale is not specified, will have had to be determined by a political decision, and a start on making that decision will have to be made at the Madrid Summit at the end of the Spanish Presidency of the EC. The major stumbling-block is that the 17 Wise Men, namely the 12 governors of the Central Banks, three independent experts (one of whom is the Spaniard Miguel Boyer) as well as the President of the European Commission and Vice-President Henning Christophersen, take the view that 'the decision to enter upon the first stage should be a decision to embark on the entire process'. The decision on the first step will, therefore, be the point of no return, the cornerstone of monetary union, an objective on which some countries such as the United Kingdom do not appear to have reached a decision. The British Chancellor of the Exchequer said yesterday that the document represented 'an unacceptable transfer of sovereignty'.

The three stages defined as being necessary represent, moreover, a long and complex process because monetary union and convergence of the economies have to happen in parallel and, as Jacques Delors said yesterday, objectives of that nature 'cannot be attained by decree'.

At first, when only the initial political decision is necessary, the Council of Ministers of Finance of the EC will begin to draft economic policy recommendations, while the Committee of Governors of the Central Banks will do the work entrusted to them in the monetary field. The guidelines produced will not be compulsory, but the direction in which things will move will be determined by 'price stability, because monetary stability is not an instrument being discussed by anyone as yet', said Delors. As regards the economic side, action taken will have to be in line with the growing interdependence of the economies, the increase in the leeway for economic and financial adjustments through policy convergence, and the full liberalisation of capital movements.

New framework

The qualitative leap will occur in the second stage, the start of which will be determined by the entry into force of a negotiated reform of the EC Treaty providing the basis for a new Community constitutional framework similar in scope to the Single Act. It should be noted that one of the weak points of the report in that respect is that it does not give details on the reorganisation of powers within the Community or the powers of scrutiny which the European Parliament would have to assume. Under this parallel process, which has two component parts, one economic the other monetary, the Council of Finance Ministers of the EC will have the task of finalising the regulatory framework for the single market, drafting common structural policies and regional development policies and coordinating macroeconomic policies, including 'binding rules for budgetary policy'.

Central Banks

The predominant role of the Finance Ministers in drafting and implementing economic policies which are binding at Community level will be mirrored in the monetary field by the European System of Central Banks, a federal institution whose decisions will be taken by qualified majority. One of its functions is to make the 'irreversible convertibility of currencies' a reality, as well as the complete liberalisation of capital transactions and the fixing of margins of fluctuation and of exchange rate parities. The powers of the European Commission will be strengthened.

Although the report talks of one day replacing the currencies with a single common currency, the ECU alone is viewed as the unit of account able to take on that mantle. The leeway designed to accommodate varying compromises includes the possibility of each State implementing its specific economic policies while keeping their currencies outside the EMS during that stage.

The final stage

Moving from one stage to another as part of 'a single process' which is both economic and monetary will be possible only on the basis of specific economic, social, financial and monetary information. And monetary union will be very difficult to introduce if economic convergence is not attained, adds the report. The proposal to establish a European Reserve Fund from the outset did not secure the unanimous support which the authors of the document were seeking throughout.

The final stage would begin when 'the step was taken to lock exchange rates irrevocably': there would be no place for fluctuation bands or differences in the treatment of currencies, and the Community institutions would be granted powers to place limits on national budgets and public deficits, change the system of transferring money to each country and contribute to the processes of adjustment and correction of regional imbalances.

The European System of Central Banks, which already has a Board which will meet weekly, will take on powers over common monetary policy and will have the authority to intervene in the currency market. It will also manage the official reserves of the 12 EC countries and will decide when the single currency is to be introduced.

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