

The first stage of Economic and Monetary Union

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The Delors Report was well received. The economic conditions were favourable. The opening of the Single Market inspired optimism in business circles. There was no doubt as to the need for Economic and Monetary Union, even if the terms were still to be determined. The Madrid European Council (26 and 27 June 1989) affirmed its 'determination to achieve progressively Economic and Monetary Union', specified that 'its realisation would have to take account of the parallelism between economic and monetary aspects', and decided to launch the first stage on 1 July 1990, with the requisite arrangements being adopted by the competent bodies (the Ecofin Council, the Commission, the Committee of Central Bank Governors and the Monetary Committee). For the final stages, the European Council decided to begin preparations for the Intergovernmental Conference which would adopt a new treaty.

The first stage was implemented with the introduction of complete freedom of movement of capital and with the strengthening of the EMS when Spain joined the exchange-rate mechanism in June 1989, followed by the United Kingdom in 1990. Only the Greek drachma remained outside the system. At the same time, joint control of economic policies within the Council of Ministers was strengthened, and cooperation among the central banks in the currency sphere was improved, thanks to an extension of the powers and responsibilities of the Committee of Central Bank Governors.

Nevertheless, differences of opinion and hesitations came to light over how to continue the process. The French Finance Minister, Pierre Bérégovoy, advocated a common currency only with reference to the non-domestic market, whereas François Mitterrand and Jacques Delors preferred the single currency as a means of extending French influence in a Community dominated by the Deutschmark. Margaret Thatcher, the British Prime Minister, challenged the need for a new treaty, and her Finance Minister, John Major, proposed the strengthening of the ecu as a parallel currency to national currencies. As for Chancellor Kohl, he hesitated for a long time over whether or not to abandon the Deutschmark.

The fall of the Berlin Wall and the prospect of German reunification accelerated the process. Chancellor Kohl, convinced of the need to integrate the reunified Germany into a highly integrated Europe, agreed to the single currency as a first step towards a federal Europe. The Strasbourg European Council (8 and 9 December 1989) decided, by majority vote because of opposition from the United Kingdom, to convene an Intergovernmental Conference with a view to revising the Community Treaties and devising Economic and Monetary Union. This Conference began on 15 December 1990 and led to the Maastricht Treaty on European Union of 7 February 1992, which established EMU.