

## Interview with Jacques Santer: the second stage of Economic and Monetary Union (Sanem, 6 April 2006)

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[Étienne Deschamps] Let us now turn to monetary matters, and in particular to Economic and Monetary Union. In December 1995, the Madrid European Council confirmed 1999 as the date for transition to the third stage of Economic and Monetary Union. It was also then that the name ‘euro’ was selected for the future single currency. What did the European Commission, of which you were President at that time, do in order to ensure the success of this gradual transition to the euro?

[Jacques Santer] When I was appointed President of the European Commission, one of the major priorities of our programme was the introduction of the single currency and the establishment of monetary union. So one of the first important things that we undertook was, precisely, to draw up the Green Paper. I think that the Green Paper was issued in May 1995, immediately after we took office. Yves-Thibault de Silguy was the Commissioner responsible for monetary matters, under my authority. I maintained overall authority in monetary matters. We drew up this Green Paper that laid down the various steps towards the establishment of monetary union as defined in the treaties, specifically in the Maastricht Treaty. So this was in May 1995, and I must say that, at the time, our Green Paper aroused a great deal of resistance, especially on the part of the Germans. I can still remember the President of the German Bundesbank — it was then Mr Tietmeyer — when he got wind of, or received, our proposed Green Paper, telephoned me, because we knew each other. He was State Secretary for Finance when I was Minister for Finance so we were on good terms before he became President of the Bundesbank. He came to see me in Brussels, in a panic, to say to me: ‘Look here, since there is a lot of resistance, the single currency must be a strong currency, because we cannot accept a single currency that is weaker than the Deutschmark.’ The Deutschmark was the strongest currency at the time. So after a discussion that we held in my office in Brussels, we agreed that I should write a preface, which I should draft with his agreement, obviously. So over the weekend, together with my secretarial services, of course, I drafted a preface setting out the direction in which the Commission would like to see the single currency going. He agreed with that, so we were able to let our Green Paper go ahead. That aroused some interest, because by then discussions on the single currency had reached a dead end. When I took office, nobody dared ... It was like a hot potato that everyone was trying to pass on from one to the other. I took the bull by the horns and we began work. It was not easy, I recall; it took place under the Spanish Presidency in 1995, and there was also an informal Council. It was in Formentor, in Spain. At that moment the German Federal Minister for Finance, Waigel, was there. He said: ‘But only states that have a strong currency will take part in the Union, and it is impossible, for instance, for Italy to join.’ There was quite a commotion. Chancellor Kohl had to intervene to calm down the Italians. It was really controversial at the time. Today this is regarded as self-evident, but it was really controversial then. But we went ahead nonetheless.

Even the name was controversial, because at that time we had the ‘ecu’, an invention of Mr Giscard d’Estaing and Mr Helmut Schmidt. Mr Giscard d’Estaing still does not understand today why we could no longer allow the name ‘ecu’. But the Germans said: “‘Ecu’ means nothing in German; it is “ecu”, and it means nothing.’ Then several names were suggested. At one point the Germans were happy with ‘franc’, because that meant something for them, the French too. I had a conversation with Mr Balladur and Mr Kohl during this period. It was on the steps of the Élysée Palace, during the investiture of the new President, when Mr Chirac was giving a reception as President of the Republic together with Mr Mitterrand. So we were talking on the steps of the Élysée, and he said: ‘Yes, “franc” would be acceptable.’ Then they asked me to consult our other colleagues. When I saw Felipe González he told me: ‘It is impossible; *franco* in Spain is impossible to accept, it is suicide for Spain!’ That was when no one yet knew whether Spain was going to become a member of the euro group or not. Then there was also the ‘florin’; that was discussed as well. ‘Florin’, because during the Renaissance the florin was the most widely used currency in Europe. But that was no good either. So we arrived at ‘euro-something’. At a certain point, ‘euro’ was chosen, followed by the name of the various currencies. But then they said no, not that, you cannot say that. And then ‘euro’ was proposed. The Greeks still had some difficulties with ‘euro’, because *evro* means urine in Greek. They said that that was impossible to accept. We left it up to the Greeks’ own alphabet to handle that. So there was a great deal of discussion on a subject that has now become part of everyday life — just like that, as they say. But then it was an important topic and ... a topic of conversation anyway.

So the euro was accepted and then it was worked on. We worked at it, on convergence plans, which was not easy. There were then the German demands for the stability plan, which must be seen in that context, because Germany always said: ‘We must have a European single currency that is as strong as our Deutschmark.’ In order to ensure this, an economic and monetary stability plan is required, because it is not enough to meet the criteria in order to enter the club, you must also be able to meet the criteria once you are a member of this club. That was the reasoning. Mr Waigel, together with Mr Stark, who was State Secretary at that time, proposed a monetary stability pact, which was not a Community initiative at the time. As a result we opposed it. It was an intergovernmental matter. The reaction was that this was just not on. We were not on the same wavelength. We had long discussions with Mr Waigel, and among ourselves, and said ‘Look here, we have to make this all part of the Community spirit.’ So we changed it all and then submitted a proposal. Mr de Silguy submitted a proposal that went through the Monetary Committee, through our authorities, and so on. And that is how the spirit of the monetary stability pact was born. However, before its establishment it encountered a fair number of twists and turns, when particularly the French, and others, were not in agreement. Then, in Dublin, I clearly recall, just as we were on the point of not reaching any agreement, because the Ministers for Finance did not want one ... During the Dublin European Council, Mr Juncker, who was then both Prime Minister and Minister for Finance — because meanwhile I had resigned — was given the job, alongside myself and others, of setting up a working party to see how to find a solution. We found a new compromise, which was integrated into this famous proposed monetary stability pact and then approved by all the Member States. Later on, of course, this agreement again led to discussion. Afterwards, it underwent further changes. But that was a really difficult story, and that is why it is so difficult right now to change the terms of these agreements. Nonetheless I believe that the monetary stability pact, such as it is now in its reformed state, essentially observes the same spirit as when it was conceived, even if it has been adapted in a logical fashion since then.