### Embers of doubt smoulder in the basement of mighty Maastricht edifice

FROM CHARLES BREMNER IN BRUSSELS

EUROPE'S Foreign Ministers meet in Brussels today for their first council of the year. All are intent on steering clear of the one topic that is stirring anguish and argument across the Union: the single currency.

With prophecies of doom from Britain and hand-wringing in the French political world, the EU's big Governments do not want to fan the embers of doubt in the basement of the Maastricht house. However, with the fumes of economic gloom growing thicker, all are wondering when someone will break and call the fire brigade.

#### FATE OF EMU

According to the house rules, agreed in 1991 and fleshed out in Madrid last month, there are still two years before the big decision on which countries qualify for the first euro club in 1999. The EU is now supposed to be concentrating on its institutional revamp ahead of enlarged membership. In public, Jacques Santer and his Commission insist the euro will be born on time. But the souring economic climate is making it likely that Paris and Bonn, two essential players, will soon be forced to seek relief with political action. For Helmut Kohl, the German

pressure without tampering with the criteria for EMU membership. A "confidence pact" is in the works. Since the slowdown means that France and even Germany may not meet the criteria, it seems likely that one of two options will have to be adopted: delay, or allow a flexible interpretation of the rules. This would make it easier to make the grade and would allow Paris to ease the deficit-cutting drive which

Chancellor and driving force be-

hind the dream of union, and

President Chirac of France, who

sees union as preferable to a

"German Europe", the ideal would

be limited to joint action to boost

confidence and growth, easing the

see Maastricht as an "Anglo-Saxon" ploy to destroy the French soul with a brutal free market.

For federal thinkers outside Germany, "flexibility" is the lesser evil. The treaty, whose text holds sacred status in Brussels, does offer room for manoeuvre, but Germany is loath to allow anything that would make citizens even more reluctant to give up their beloved mark. Valéry Giscard d'Estaing, the former French President and architect of the European Monetary System, caused a shock last week by urging the flexible approach, an idea already espoused by Edouard Balladur, the last Gaullist Prime Minister.

He was followed by Jean-Luc

Dehaene, Prime Minister of Belgium, whose country eagerly wants EMU but cannot meet the entrance test on national debt. Jacques Delors, the former Commission President, implicitly backed the idea, calling for political vision

rather than economic quibbling. Herr Kohl sounded a new warning over the weekend against anything that slowed the Maastricht timetable. "Anyone who wants to take a break now should know that he could easily be bringing things to an end," he said. Delay is seen as dangerous because, in the favourite cliché of the Commission, it would open Pandora's box and doom the whole project. Supporters include senior

politicians in Spain and Italy, eager EMU candidates that are unlikely to meet even generous criteria in 1999. A chunk of the directorate of the Bundesbank also favours delay rather than diluting the rules.

At the heart of the anguish is the underlying confusion over EMU's raison d'être. Is EMU the means to deeper political union, as desired by Germany and the federalists, or should it mainly be sold as a tool for economic efficiency? The United Europe pitch goes down well in Germany and in France, where 58 per cent still favour EMU despite the anti-austerity strikes. The efficiency argument is better suited to Britain and the Nordic states, which see sovereignty threatened

ALASTAIR MILLER

by monetary union. Philippe Séguin, the Gaullist who is manoeuvring to take Alain Juppé's prime ministerial seat in France, said: "We have to stop drowning ourselves in matters of method and deadlines that make us lose sight of the main point: do we want to build

Europe or not?" At the Commission, they acknowledge that EMU's fate will be sealed by politics, not percentage points on budget deficits. Santer team officials argue that the gloating of some British ministers is premature. "They are underestimating the sheer will among the people who count in France and Germany to go through with this project," one said.

## is causing much of the country to Paris ministers fall out over tight currency criteria

FROM BEN MACINTYRE IN PARIS

THE uncertain future of European monetary union has left the French Government deeply divided as its leaders struggle to convince the public that France can meet the criteria for a single currency despite a rising tide of scepticism.

Michel Barnier, the Minister for European Affairs, weighed into the fray yesterday with an attack on Cabinet colleagues who have dared to suggest, along with many other senior politicians, business leaders and economists, that France may not be able to cut its deficit by the deadline set in the Maastricht treaty.

In an interview with the weekly Journal du Dimanche, M Barnier insisted that the single-currency goals laid down at Maastricht were set in stone. "There will be no second battle of Maastricht," he declared.

But that battle has already erupted in the media, in financial circles and within the Cabinet itself. Last week two of M Barnier's ministerial colleagues, Franck Borotra, the Industry Minister, and Hervé de Charette, the ForFRANCE

eign Minister, made statements implying that the Maastricht deadline, requiring that the deficit be cut to less than 3 per cent of GDP by 1997, might be too tight.

Without naming either minister, M Barnier fired back yesterday, declaring that "what matters is what the President and Prime Minister say". He was still sharper on the subject of Marc Vienot, the chairman of the bank Société Générale, who has described French chances of meeting the praise for M Séguin's re-Maastricht criteria on time as "minuscule". M Vienot would do better to concentrate on lowering interest rates, since "that is the true job of a banker rather than sowing uncertainty", M Barnier said.

As the debate slides deeper into acrimony, both President Chirac and the Prime Minister, Alain Juppé, have sought to restore balance by insisting that the Maastricht timetable is sacrosanct. On Friday, M Chirac said France had no interest in renegotiating the Maastricht treaty, while M Juppé flatly maintained "the path has been set".

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FOR AND AGAINST A SINGLE CURRENCY

But with the stakes and the temperature rising, the Maastricht question has merged with an undeclared battle to succeed the deeply unpopular M Juppė. Last week Philippe Séguin, the Speaker of the National Assembly, again raised the probability that monetary union may have to be postponed. But M Séguin also toned down his attacks on Maastricht, in a move many

boost his chances of replacing Not surprisingly, the Prime marks. "Everything that adds to support for the construction of Europe seems good to me," M Juppé said, with a marked lack of enthusiasm.

interpret as an attempt to

Jacques Toubon, the Justice Minister, on the other hand, was quick to defend the party line on Maastricht. That, too, was widely seen as a bid for the premiership, should M

Juppé be ousted. A flagging economy has been further damaged by the strikes that erupted when M Juppé tried to overhaul the welfare system and bring down the deficit. Many of the key elements in the Juppé plan have since been jettisoned, but union leaders are already threatening further stoppages over what little remains of the reform plan.

Given the dwindling growth rate, many economists believe that deeper cuts, and thus more strikes, are inevitable if France is to have a chance of meeting the Maastricht dead-

With ministers openly at odds over Europe's future, and rivals already discreetly manoeuvring for the premiership, M Chirac may need a bold move to recapture the initiative. One short-term possibility is to sack M Juppé. Another is to hold a referendum on monetary union.

M Barnier said yesterday that, although the President was considering "consulting the French" on various European issues, such as institutional reform, defence or incorporating new members into the European Union, he "did not speak of a referendum on the single currency".

But as the economic storm clouds continue to gather, that possibility cannot be far from his mind.

William Rees-Mogg, page 16



#### Major hopes for monetary delay until next century

BY PHILIP WEBSTER, POLITICAL EDITOR

JOHN MAJOR is hoping for a decision within months by the European Union to postpone the starting date for a single currency from January I, 1999, to the next century.

The Prime Minister and senior Cabinet colleagues believe that, in spite of the reaffirmation by the Madrid summit last month of the planned launch timetable, the chances of it being adhered to are slender and the sooner that is accepted, the better it will be for the EU.

Although the British Government is keeping its public comments to a minimum, happily leaving it to the longtime advocates BRITAIN

monetary union, such as Jacques Delors,

to voice doubts, Mr Major the general election, reducing and Malcolm Rifkind, the a source of potential conflict Foreign Secretary, want the EU to confront the possibility of postponing, or even abandoning, EMU at the Florence summit in June.

A senior ministerial source said yesterday: "If there is to be a delay, the position should be clarified as soon as possible. That is in everyone's interests."

In the meantime, they are expected to oppose any moves such as that suggested by conditions on public spendmake it easier for single currency terms to be met. They believe that such an a single currency.

attempt will be doomed to fail because Helmut Kohl, the German Chancellor, even if he wanted to go along with it, would be unable to persuade the Bundesbank or a sceptical German public that it was the right course of action.

Any relaxation would be opposed by the Tory Eurosceptics. John Redwood said yesterday there should be no change. "Those who say they should plunge ahead regardless would sentence their countries to considerable economic danger — high unemployment, high taxation and low growth."

A delay in the EMU timetable would come as a boost to the Prime Minister in the run-up to

stretching from the Tory grassroots right up into the

Although informed sources suggest that a comfortable majority of the Cabinet is against a single currency, its supporters, given the right economic circumstances, include Kenneth Clarke and almost certainly Michael Heseltine.

For the EU to decide, irrespective of the British pos-Valéry Giscard d'Estaing, the ition, that the timetable former French President — to cannot be met would be a relax the rigid Maastricht huge bonus for Mr Major. A delay would enable him to put ing, borrowing and debt to on the back-burner the debate over whether there should be a referendum in Britain about

# Nation of sceptics forces Kohl to keep bluffing

By George Brock

EUROPEAN EDITOR

THE battle over the single currency has turned into a game of liar's poker. Can Helmut Kohl, the German Chirac of France bluff their way through to 1999? Their assurances that the stiff requirements of the Maastricht treaty on deficits can and will be met sound less credible

with each passing week. The only real option Paris and Bonn have is to postpone the 1999 date for the start of the currency. That may turn out to be the same as cancelling the entire enterprise. Even though Herr Kohl looks like running for re-election in 1998, it may be beyond even his powers to convert enough

GERMANY

voters into fans of the euro. "It is the popular base that is missing," Jürgen Stark, Germany's junior Finance Minister, admitted with unusual candour last week.

I have just returned from a lecture tour of Germany which took me to six cities in as many days. Apart from Bonn, where it remains politically incorrect to speak against monetary union, most Germans struck me as either neutral or doubtful about a single currency. They are quietly sceptical that a monetary union would bind their country more closely to its partners and reassure the rest of Europe that Germany will not threaten the Continent's peace

again. But they are nervous of saying so out loud: to be publicly against monetary union in Germany is to risk being thought hostile to Europe, which is close to declaring yourself in favour of aggressive nationalism and war. Yet private doubt is hollowing out support for

Germany's European policy. When the Prince of Wales visited Hamburg last May, he lunched with local businessmen. At the end of a conversation about monetary union, a head count of votes for and against was taken. None of the German businessmen was in favour. "Last year I would have said to you that I was 70 per cent in favour of Europe," a businessman said to me in Dresden. "Now I would say I am 60 per cent

against." The Germans think Herr Kohl, dominating his country's politics from its prosperous Rhineland capital, will not alter course. To many, Bonn seems a remote galaxy: "As long as Kohl is the captain of Starship Bonn, there will be no change," said one observer. But Herr Kohl's convictions

are no longer shared elsewhere. Neither Spain nor Italy, both far from qualifying for a single currency, would object if monetary union was put on the back-burner. Attempts to discourage French politicians, bankers and pundits from complaining about the single currency have failed. Emmanuel Todd, the influential French social scientist, caused a sharp intake of breath recently by comparing the French Government's

slavish copying of German monetary rigour to the Vichy period. "Since France started the servile imitation of German policy, rather than dealing with it as a normal country, they have both been paralysed."

President Chirac is trapped in a commitment to a single currency which he may well not believe in, but which he cannot withdraw from without a huge fall of the franc and terminal damage to France's postwar policy of trying to contain German power.

Because of that, M Chirac and Herr Kohl will struggle on with a twin-track strategy. They will try to organise an orderly postponement of the Maastricht deadline, hoping economic growth will pick up again and improve the odds.

As the saying goes, 'You can't please all of the people, all of the time'. But given that it costs five times as much to gain a new customer as it does to keep an existing one, it pays to hang onto them. A Freefone Customer Careline can help. It's an easy way for people to get in touch with you. Whether it's to ask for advice. make suggestions on improving your service or even let off steam. A Careline also shows you value customer's opinions, that your company is prepared to listen. In fact, a recent survey found that 82% of customers are likely to re-order with you again if their complaint is successfully dealt with. For more information on your own Customer Careline, talk to us on 0800 800 800.

Macintyre, Ben. "Paris ministers fall out over tight currency criteria." Times, 29 Jan. 1996, p. 11. The Times Digital Archive, https://link.gale.com/apps/doc/IF0502153356/TTDA?u= west85252&sid=TTDA&xid=65d743da. Accessed 19 July 2020.