

FOLKETINGETS EUROPAUDVALG
Christiansborg, den 8. juli 1996

Udvalget udbeder sig - i fire eksemplarer - ministerens
besvarelse af følgende spørgsmål:

120. Under henvisning til vedlagte leder i Financial Times den
4. juli 1996, ønskes det oplyst, om ministeren vil lade
udarbejde en grundig analyse af de mulige konsekvenser, som
Firenze-topmødets beslutning om at "den i EF-traktatens
artikel 109 J omhandlede vurdering ikke bliver nødvendig",
får for gennemførelsen af ØMU'en.

P.u.v.

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Fiscal fudge threatens Emu

In the run-up to the European Union's planned economic and monetary union no issue is more vexed than fiscal policy. It is still unclear how the fiscal criteria in the Maastricht treaty will be interpreted. It is also unclear how they will be applied after Emu begins.

The interpretation at least should become better understood when, as is required by the Maastricht treaty, the procedure for evaluating the eligibility of member states for Emu is put into effect this year. Indeed this is the main substantive, as opposed to legal, justification for proceeding with this evaluation.

That is not how the heads of governments saw the matter in Florence last month. Their view was that such an evaluation was not "necessary". There was, they thought, no need to go through the tortuous procedure laid down to decide whether a majority of member states was eligible for an Emu starting in 1997. It had already been decided Emu could not start until 1999 precisely because a majority would not be eligible for the earlier date.

The treaty allows no such escape. As the European Council's legal service has pointed out, the member states have no power to waive the requirements of the treaty. But what is unfortunate for those who want to do away with this year's process is fortunate for everyone else. This way the European Commission, the European Monetary Institute, the member states and the European Parliament will all be forced to show this year how they intend to interpret the eligibility criteria for the Emu now due to start in 1999.

This will be painful. Hitherto Denmark, Ireland and Luxembourg have alone been judged worthy - the first two only by virtue of a generous interpretation

of the public debt criterion. Quite a bit of creative and politically difficult interpretation of the fiscal criteria may be needed if a plausible number of countries is to be deemed eligible. But where might such creative interpretation stop? If countries that do not meet the criteria strictly are allowed in, how easy will it be to keep others out? The answer must be that it will be very difficult indeed.

If Emu does start in 1999 it may, for this reason, shortly thereafter include virtually every country that wants to join. This will leave much of the fiscal adjustment and much of the friction over fiscal policy until after Emu starts. Yet to decide how a marriage is to work only after it has begun must be a recipe for trouble.

The fate of the notoriously tough proposed "stability pact" of Mr Theo Waigel, the German finance minister, suggests that serious difficulties lie ahead. The ministers of finance agreed last month that the target of 3 per cent for the general government fiscal deficit should not be exceeded in a normal business cycle. They agreed also that each member state should try to balance its budget or even run a surplus in the medium term. Yet they have also rejected the penalties proposed by Mr Waigel for countries that stray over the 3 per cent limit.

Given this reluctance, the poor fiscal record of most member states over the past decade and a half and the certain failure of most to do more than scrape by next year, achievement of such ambitious goals seems highly implausible. Economically, that might be no disaster. But the politics are quite another matter. If the EU eats a great deal of fiscal fudge over the next couple of years, it is likely to suffer from serious indigestion later on.