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The Netherlands and the negotiation of the Economic and Monetary Union: An 'actor-centered' analysis of the Dutch EMU negotiations and Council Presidency of 1991

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The Netherlands and the negotiation of the Economic and Monetary Union

An 'actor-centered' analysis of the Dutch EMU negotiations and Council Presidency of 1991

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Abstract

This thesis contributes to the debate over the EMU negotiations and the Council Presidency's role by conducting an 'actor-centered' analysis of archival sources. It focusses on the research question how far the senior officials went to advance the Dutch position on EMU during the Dutch presidency of the Council?. It is concluded that the Dutch position on EMU was formulated by senior officials from the Ministry of Finance and the DNB. Wim Duisenberg, President of DNB and Treasurer General Cees Maas, entered the Dutch presidency in 1991 by actively promoting the Dutch position on EMU, disregarding the wishes of other member states. This strategy was successful for establishing the ECB but was less successful for banking supervision and the transition to stage three. Maas and Duisenberg desired to continue tenaciously defending the Dutch position, but Finance Minister Kok determined that an agreement was necessary. The Netherlands was eventually forced to concede several points, but the Treaty was signed in Maastricht. Although the Netherlands had hoped for a different outcome, an EMU with a single currency supervised by a supranational monetary institution would eventually emerge. This has been the Netherlands' desire since 1986.

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Introduction

January 1, 2022, marked the twentieth anniversary of the euro's introduction as a physical currency. This was the final step in a process that saw eleven European Union member states agree to give up their national currencies in exchange for a single currency administered by an independent European Central Bank (ECB). The Economic and monetary union (EMU) is the best example of how far Europe's integration process has progressed to this day. The signing of the Maastricht Treaty on February 7, 1992, was arguably the most significant event in this entire process. The heads of government of the European Community's (EC) member states met in the south of the Netherlands and signed the Treaty, making EMU irreversible.

This seminal episode in the history of European integration has sparked intense debate in history, political science, and economics and continues to do so. The negotiations leading up to and during the 1991 Intergovernmental Conference (IGC) are frequently studied. Although EMU has been on the agenda since the 1969 Hague summit, it gained real momentum following the 1989 publication of the Committee for the Study of Economic and Monetary Union's (the Delors Committee) report. A date for the IGC was established during these two and a half years, and an agreement was negotiated. The literary review will demonstrate that these negotiations are primarily researched from the perspective of the large member states, as is the case with the majority of important decisions in the history of European integration. Since the European Coal and Steel Community formation, Germany and France have been the most influential member states and are widely regarded as the driving forces behind EMU. Some scholars also focus on the UK and Italy when discussing the larger member states. However, smaller member states have received far less attention.

Without disregarding the influence of the large member states, this thesis seeks to close the gap in the literature on the EMU negotiations by examining the Netherlands' role. The Netherlands is an interesting case study because, during the decisive second half of 1991, the Dutch government held the Presidency of the Council of the European Union (Council Presidency), allowing them to set the agenda for the IGC. Therefore, the thesis's research question is: How far did senior officials go to advance the Dutch position on EMU during the Dutch presidency of the Council? This question is addressed by incorporating the framework established in *The Road to Maastricht: Negotiating Economic and Monetary Union* into the research and primarily analyzing archival sources. The analytical section of this thesis examines three subquestions: what was the Dutch position and strategy during the EMU negotiations,

who set the position and strategy, and was the Netherlands successful in pursuing its interests during their presidency?

This research has four academic implications. First, it appears necessary to expose how the Netherlands formulates its position and strategy for negotiations on European treaty reform and the influence of specific actors. Second, more accounts of the role of smaller member states are necessary to broaden the study of European treaty negotiations. Thirdly, it contributes to the debate over the Council Presidency's impact. Finally, this thesis can shed new light on the EMU negotiations by analyzing newly available archival sources.

1. Literary review

This thesis's first chapter is devoted to critically examining pertinent literature. It examines the EMU negotiations at the domestic and EC levels, the role of smaller member states, the role of the Council Presidency in general, and the historical literature on the EMU negotiations. The remainder of the thesis revisits the literature's arguments and conceptualizations.

EMU negotiation process: EC level

The negotiation process is always a contentious issue when discussing EU treaty reform, and the EMU negotiations are no exception. As stated previously, Germany and France are frequently regarded as the primary drivers of the EMU. Van Riel and Metten explain the majority of Maastricht's decisions due to a compromise between France and Germany. Germany was able to advance its agenda at the role of the ECB but had to concede to France on the convergence criteria. Geopolitical factors such as Germany's reunification have accelerated the negotiations but were not the primary reason.¹

Numerous other articles and books explain France and Germany's enthusiasm for EMU by arguing that these geopolitical events acted as more than a catalyst.² This explanation generated a variety of different responses to the question of why EMU was established at Maastricht and not earlier. To begin, the prospect of a reunified Germany posed a threat to France and the other EU member states, and they desired Germany to be integrated into European institutions and structures. Germany, on the other hand, wished to avoid being perceived as a threat by its fellow member states and thus agreed to the establishment of EMU with France.³ A second explanation, given by Garrett amongst others, is that German Chancellor Helmut Kohl offered EMU in exchange for French support for German reunification. Germany's sudden willingness to forego its currency and agree to an IGC on EMU just a month after the fall of the Berlin Wall argues for a quid pro quo.⁴ Risse concurs with this explanation and adds that Germany risked far more than it gained by giving up its Deutsche Mark and thus would have never agreed to EMU for economic reasons.⁵ However, the causal connection between geopolitical events such as German reunification and the signing

¹ Bart van Riel and Alman Metten, *De Keuzes van Maastricht: de hobbelige weg naar de EMU*. (Assen: Van Gorcum & Comp, 2000), 77/78

² Michael Baun, *An Imperfect Union: The Maastricht Treaty and the New Politics of European Integration* (London: Routledge, 1996), xii

³ Michael Baun, "The Maastricht Treaty as High Politics: Germany, France, and European Integration", *Political Science Quarterly*, Vol. 10, 4 (Winter, 1995-1996), 624

⁴ Geoffrey Garrett, "The Politics of Maastricht", *Economics and Politics* 5, no. 2 (July 1993), 123

⁵ Thomas Risse, "Between the Euro and the Deutsche Mark: German Identity and the European Union", *Georgetown Center for German and European Studies Working Paper Series* 1, no. 3 (1997), 2

of the Maastricht Treaty is downplayed in subsequent literature. Although the relationship between the two is not entirely ruled out, Ludlow argues that European integration in the 1980s was just as, if not more, responsible for the Maastricht Treaty's signing.⁶ Additionally, the Berlin Wall's unexpected fall occurred after EMU was put on the agenda, after the Delors Report was accepted, and after the IGC on EMU was established. Germany approved of this, indicating that they were on board before reunification became a possibility.⁷

Rather than concentrating on geopolitical events, Moravcsik took an entirely different approach. According to him, national policy and strategy are primarily determined by the opportunities and constraints associated with economic cooperation. Once these have been identified, the outcome of the negotiation process is determined by the member states' relative bargaining power.⁸ In *The Choice of Europe*, he attempts to demonstrate his theory by recounting the history of Europe's movement to the EU. When discussing the EMU negotiation process, he states that an agreement was reached because it benefited the economic interests of the three largest member states: France, Germany, and the United Kingdom. While Moravcsik's account of the EMU negotiation process is detailed, he acknowledges that economic considerations alone are insufficient to determine national preferences in the event of EMU. For example, there is no evidence to date of private sector preferences for or against EMU.⁹

Dyson and Featherstone's book *The Road to Maastricht* contains the most comprehensive account of the EMU negotiations to date. They analyze the four largest member states, namely France, Germany, the United Kingdom, and Italy, and argue that the EMU negotiations' success is due to economic, diplomatic, and political factors. The domestic and EC level discussions are analyzed in detail, providing a holistic view of the negotiation process. A significant difference with the books and articles discussed previously is that Dyson and Featherstone also emphasize agency. This is evident in their 'actor-centered' approach to the EMU negotiations research.¹⁰

EMU negotiation process: domestic level

⁶ Piers Ludlow, "European Integration in the 1980s: on the Way to Maastricht?", *Journal of European Integration History* 19, no. 1 (2013), 11

⁷ Van Riel and Metten, *De Keuzes van Maastricht: de hobbelige weg naar de EMU*, 64

⁸ Andrew Moravcsik, "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach", *Journal of Common Market Studies* 31, no. 4 (December 1993), 517

⁹ Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca, Cornell University Press, 1998), 381

¹⁰ Kenneth Dyson and Kevin Featherstone, *The Road to Maastricht: negotiating economic and monetary union* (Oxford: Oxford University Press, 1999), 751

Not all literature focuses exclusively on negotiations at the EC level. Similarly to this thesis, scholars have examined the domestic EMU negotiations and the departments responsible for formulating the position. This procedure did not go without incident in all member states. According to Kaltenthaler's article, there was a conflict in the German government during the EMU negotiations between the foreign policy and monetary stability coalitions. The first of these, comprised of the Chancellery and the Foreign Ministry, desired monetary integration to accomplish geopolitical objectives. The coalition for monetary stability, led by the *Bundesbank* and including the Finance Ministry, advocated for national economic interests. These coalitions clashed, and both attempted to shape the German government's position on EMU.¹¹ France, albeit to a lesser extent, experienced a similar conflict. President Francois Mitterand desired that France take an active role in pursuing EMU, but the Ministry of Finance took a more cautious stance.¹² It will be interesting to see whether there was a similar conflict in the Dutch government over EMU, whether similar coalitions were formed, and what role *De Nederlandsche Bank* (DNB) played in the process.

The role of small member states

All of these studies have one thing in common: they focus exclusively on large member states, paying little attention to, or even ignoring, the role of smaller member states. When academics study international relations, they frequently focus on great powers.¹³ By ignoring smaller member states, scholars miss out on data on Treaty negotiations, which would be helpful for all types of international relations research.¹⁴ This is not to say that there are no studies on EMU that feature smaller member states. Dyson, for instance, researched the Euro's impact on both large and small member states.¹⁵ Another study examines the impact of EMU's first two stages on member states and their preparations for the third stage, the introduction of the Euro.¹⁶ Both studies examine smaller member states, but not their impact on the negotiations. It is, therefore, necessary to address this gap in the debate.

By conducting a case study analysis of the Netherlands, this thesis contributes to closing this gap. Maes and Verdun conducted a similar study in which they examined the role of smaller

¹¹ Karl Kaltenthaler, "German Interests in European Monetary Integration", *Journal in Common Market Studies* 40, No. 1 (2002), 72

¹² Dyson, Featherstone, *The road to Maastricht: Negotiating economic and monetary union*, 188

¹³ Iver Neumann and Sieglinde Gstöhl, *Small States in International Relations* (Seattle: University of Washington Press, 2006), 4

¹⁴ Baldur Thorhallsson and Anders Wivel, "Small states in the European Union: What do we know and what would we like to know?", *Cambridge Review of International Affairs* 19, No. 4 (2006), 655

¹⁵ Kenneth Dyson, *European States and the Euro* (Oxford: Oxford University Press, 2002), 1-3

¹⁶ Erik Jones, et al, *Joining Europe's Monetary Club. The Challenges for Smaller Member States* (New York: St. Martin's Press), 1-3

countries in the formation of the EMU using Belgium and the Netherlands as case studies. They concluded that the Netherlands and Belgium played a significant role in the EMU negotiation process and that the outcome would not have been the same without their intervention. The Netherlands is described as a 'gatekeeper,' which implies that it had a more restrictive vision of how EMU should look. They shared this constraining view with Germany, and the two countries remained close allies when it came to monetary integration over the years. When the Netherlands held the Council Presidency in the second half of 1991, it attempted to push through the German model of EMU while retaining the support of Southern member states and more sceptical member states such as the UK and Denmark. The fact that the Netherlands had a positive relationship with the United Kingdom contributed to the success of their mediation with Germany. Maes and Verdun concentrate exclusively on the Netherlands' role at the EC level and make no mention of specific actors. By focusing on domestic negotiations and taking an actor-centered approach, this thesis adds to the article. This provides a more holistic view of the Dutch role in the negotiation process, which may generate new perspectives.¹⁷

Featherstone's article is an example of this type of study. He conducted a case study analysis of Greece, in which he examines who, how, and with what effect policy and strategy were established in that country. He concluded that while the Greek government successfully enacted economic and monetary policy reforms on a domestic level, it was unable to exert influence at the EC level due to the country's weak economy. Although the case study is different from that of the Netherlands, the methodology is similar and thus helpful.¹⁸

The role of the Council Presidency

By examining the Netherlands' role in the EMU negotiations, it is possible to analyze the presidency's role in IGCs. The literature contains two distinct conceptualizations of the presidency. The first is the presidency's role as a neutral broker. This view presupposes that a member state fulfilling the presidency is constrained and does not pursue its national interests. This is because it is required to be neutral, lacks the right of initiative, and has a primarily organizational nature.¹⁹ Hayes-Renshaw and Wallace concur with this assessment, arguing that

¹⁷ Ivo Maes and Amy Verdun, "Small States and the Creation of EMU: Belgium and the Netherlands, Pace-setters and Gate-keepers", *Journal of Common Market Studies* 43, No. 2 (2015), 25/26

¹⁸ Kevin Featherstone, et al. "Greece and the Negotiation of Economic and Monetary Union: Preferences, Strategies, and Institutions", *Journal of Modern Greek Studies* 18, No. 2 (2000), 410/411

¹⁹ Simone Bunse, *Small States and EU Governance: Leadership through the Council Presidency* (London: Palgrave Macmillan, 2009), 43-55

the presidency does not have much room to promote its initiatives.²⁰ Corbett agrees and adds that the presidency has a limited impact.²¹

The second way of thinking about the presidency is as a policy entrepreneur. This conceptualization presupposes that the presidency will attempt to circumvent constraints to advance its national interests. Member states can accomplish this while being biased, possessing informal agenda-setting options, and capitalizing on their organizational nature. Tallberg endorses this conceptualization, and when discussing IGCs, he asserts that the presidency can prioritize national interests. This is because the presidency has more opportunities to lobby the Commission than other member states do due to their close cooperation. The Council Presidency can leverage its position of cooperation with the Commission to advance several national interests.²² It will be interesting to see which of these two conceptualizations best fits the Netherlands' situation during the EMU negotiations.

Kirchner and Tsagkari carried out one of the few studies on the 1991 Dutch presidency. They concluded that the Dutch presidency had a sizable impact. While not always successful, the Netherlands actively pursued its interests by introducing contentious treaty texts. According to this article, the Dutch presidency acted as a policy entrepreneur.²³

The 'new frontier' of European Integration History

Along with contributing to scholars of international relations, this thesis benefits historians. The Maastricht Treaty's first historical articles were published in a 2013 issue of the *Journal of European Integration History*. Most archives in the EU become publicly accessible after twenty to thirty years. In 2013, the majority of sources on the negotiations were still inaccessible. As a result, the contributors were forced to take a more structural approach to examine EMU. Ludlow, for example, focuses his article on the EC's structural changes during the late 1970s and early 1980s, which he argues were even more critical than the final two and a half years of negotiations leading up to the Treaty's signing.²⁴ Loth's article does take a more actor-centered approach, but he mostly revisits the political scientist's empirical research from the 1990s and early 2000s. As a result, he does not propose new perspectives but instead informs historians

²⁰ Fiona Hayes-Renshaw and Helen Wallace, *The Council of Ministers* (Basingstroke: Macmillan, 1997), 146

²¹ Richard Corbett, "The Council Presidency as seen from the European Parliament", Paper presented at the conference on "The Presidency of the European Union", Belfast 15-16 October 1998, 1

²² Jonas Tallberg, "The Agenda-Shaping Powers of the EU Council Presidency", *Journal of European Public Policy* Vol. 10, No. 1 (2003), 7/8

²³ Emil Kirchner and A. Tsagkari, *The EC Council Presidency. The Dutch and Luxembourg Presidencies* (London: UACES, 1993), 28

²⁴ Ludlow, "European Integration in the 1980s: on the Way to Maastricht?", 11/12

about the work of political scientists on the EMU negotiation process. He believes that political scientists' work on this subject is an excellent starting point for historians researching the EMU negotiations.²⁵ With access to all available archives, this thesis can contribute to the school of history by discussing the last two and a half years of the EMU negotiation process, with an emphasis on agency and the ability to generate new perspectives.

²⁵ Wilfried Loth, "Negotiating the Maastricht Treaty", *Journal of European Integration History* Vol. 19, 1 (2013), 67

2. Research design

Although there has been considerable research into the negotiations for EMU, the majority of studies have concentrated on the large member states. This thesis will depart from this trend by focusing on the Netherlands' position and strategy during the EMU negotiations. It will accomplish this through an 'actor-centered' approach and the use of a framework established by Dyson and Featherstone in their book *The Road to Maastricht: Negotiating Economic and Monetary Union*. This chapter expands on this framework, discusses the thesis's methodology, and provides an overview of the primary sources used in the analysis.

Framework

The Road to Maastricht's framework analyzes historical case studies of the large member states France, Germany, Italy, and the UK during the EMU negotiations. It can also examine smaller member states, such as the Netherlands, with a slightly different focus. What makes this framework unique is that it situates historical study within the realm of political science, implying that it uses concepts developed in the schools of International Relations and political science.

The Road to Maastricht complements Dyson's *Elusive Union*, in which he argues that the EMU negotiations occurred in a pre-structured world.²⁶ The already structured world can be seen in a variety of ways, including "historical inheritance; institutional rules and policy styles, the D-Mark as the ERM's 'anchor' currency; global financial markets; and the state of economic and monetary policy knowledge and dominant economic policy ideas."²⁷ While the structural dimension is critical for comprehending the EMU negotiations, it has limitations. Not only structure but also agency played a role in the EMU negotiations, with individual actors able to exert influence. Dyson and Featherstone chose an 'actor-centered' approach in their book to provide a complete picture of the EMU negotiation process. This is not to say that the structural dimension is absent from their work; structure remains a significant factor for the individual actors.²⁸

Dyson and Featherstone added two dimensions to their 'actor-centered' analysis of the EMU negotiation process: strategic and cognitive. Strategically, each member state's leading political actors are doing everything possible to advance their country's interests, shaped by external factors such as history and geography. Negotiations are a game of gains and

²⁶ Kenneth Dyson, *Elusive Union: The Process of Economic and Monetary Union* (London: Longman, 1994),

²⁷ Dyson and Featherstone, *The road to Maastricht: Negotiating economic and monetary union*, 9

²⁸ *Ibid*, 15/16

losses in which parties attempt to reach an agreement on favorable terms that maintain or enhance their competence. The strategic dimension can explain numerous actions taken during the EMU negotiations. The majority of prominent political actors were preoccupied with achieving outcomes that benefited them personally and aided in their retention and expansion of competence.²⁹

The cognitive dimension is the second addition. In this dimension, the major political actors are uncertain about implementing a particular policy or what is best for their country. As a result of this uncertainty, experts can shape the negotiations by ensuring that the approach is workable. In this dimension, the negotiations are about policy learning, not prominent political actors advancing their national interests. Apart from their strategic significance, the EMU negotiations had a cognitive component. The main political actors based their interests on ideas submitted by experts who sought to ensure that EMU functioned without causing harm to either the member states or the EC as a whole.³⁰

Now that Dyson and Featherstone's three dimensions have been explained, it is possible to discuss the factors that demonstrate agency in the EMU negotiation process. These variables can be classified as structural or cognitive. The factors considered in this thesis are limited to four, as the remaining factors are irrelevant in the case of the Netherlands. The first factor is the negotiation role of the main political actors. *Animateurs* use their charisma to elicit support for or opposition to EMU and ensure that policy experts work in their favor. Second, *Ingénieurs* ensure that negotiations proceed smoothly and devise contextual modifications to resolve stalled negotiations. Finally, *strategists* seek to control negotiations by seizing the initiative at critical stages and concentrating on major strategic choices.³¹

The second factor is the type of strategic choices made during the negotiations. Six distinct strategic options are available to the actors. The first is using a direct threat against a state, such as a veto or exclusion. Second, it is possible to exert indirect influence over the negotiations by putting the opposing actor under psychological duress. Thirdly, actors with limited resources can attempt to make a series of minor changes overtime to ensure that the final text is favorable to them. The fourth strategy is to ally with other like-minded actors to counterbalance a strong adversary. Fifthly, when an actor lacks a clear preference, they can act as an impartial mediator. Actors can secure future influence by playing a constructive role. The sixth and final strategy is to achieve agreement on an EMU model proposed by your member

²⁹ Ibid, 17

³⁰ Ibid, 17/18

³¹ Ibid, 16& 36

state. It is improbable that Dutch actors have adopted the first and sixth strategies, as these are only applicable to actors representing member states with superior economic and monetary power. As a smaller member state, the Netherlands does not meet these criteria.³²

The third factor is the negotiation's use of so-called 'nested games.' A 'nested game' is a concept developed by George Tsebelis, who argues that when an actor is involved in multiple 'games,' the strategy employed in one game can affect the strategy employed in the other games. As Dyson and Featherstone point out, an excellent example in the case of EMU is France's use of German reunification to influence the EMU negotiations. Germany and France were both parties to the 'game' for German reunification and the EMU negotiations. By approving German reunification, France secured a more favorable deal on EMU.³³

Finally, the role of policy entrepreneurs is discussed. "Policy entrepreneur" was first coined in Kingdon's Multiple Stream Model. Individual actors, such as ministers or other high-ranking government officials, who participate actively in the agenda-setting process and create or recognize a policy are referred to as policy entrepreneurs.³⁴

Method

The following four chapters address the thesis's research question. The next chapter discusses the historical context of EMU and the significant points of contention among member states. The fourth, fifth, and sixth chapters comprise the research's analytical section. They examine the Dutch position and strategy in the EMU negotiations, the major political actors responsible for formulating them, and the Netherlands' presidency in the second half of 1991. The analysis is conducted by examining various primary sources, which the following section discusses further. At times, secondary literature is cited for providing context, but these works merely support the primary sources. Apart from what primary sources reveal, it's also instructive to consider what they omit. For example, some of the issues raised in the literature on the EMU negotiations may receive little attention in minutes or other primary sources.

This study spans the years 1988 to 1991. As stated in the introduction, EMU was placed on the agenda in the late 1960s. However, this thesis will concentrate on the years preceding Maastricht rather than the entire negotiation process. The 1988 European Council meeting in Hanover serves as a starting point, as it was at this meeting, the Delors Committee was established. The negotiations accelerated significantly following the establishment of the

³² Ibid, 40-44

³³ George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990), 9

³⁴ James Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown and Company, 1984), 179/180

Committee and publication of the report, which is why it is an ideal starting point. The thesis concludes two and a half years later at the Maastricht IGC on EMU.

Sources

As Dyson and Featherstone put it, the EMU negotiations were a 'core-executive' activity, meaning only senior government officials were involved. Thus, the most significant primary sources consulted in this thesis are the minutes of the Council of Ministers and the Council for European Affairs meetings and other documents added to these meetings, such as the Coordination Committee (CoCo) conclusions. These sources can be found in *het Nationaal Archief*. During these meetings, the leading Dutch political actors discussed their respective positions and strategies for the EMU negotiation. Thus, the minutes demonstrate which actors were the most influential in this process. These minutes are unique because they were only made public twenty years after they were written. Because the majority of accounts of the EMU negotiation were published in the late 1990s and early 2000s, these minutes were unavailable at the time. As a result, these studies rely on interviews and other publicly available sources. Minutes are a more reliable source for historical research because they were recorded during meetings and not recalled years later. It will be interesting to see if these minutes result in new perspectives on the subject.

Additionally, historical documents of the Dutch Parliament were used in this thesis, which can be found on the Dutch Government's website, and Roel Janssen's *De Euro: Twintig Jaar Na het Verdrag van Maastricht*. This book is based on interviews with Prime Minister Ruud Lubbers, Finance Minister Wim Kok, Foreign Affairs Minister Hans van den Broek, President of DNB Wim Duisenberg, Treasurer-General Cees Maas, and DNB employee André Százs. In these interviews, they report on what transpired behind the scenes during the domestic and EC-level negotiations on EMU. Janssen conducted the interviews twenty years after the signing of the Maastricht Treaty, which means that some recollections may differ from the truth. Additionally, each actor lavishes praise on himself and the institution he represented. As a result, several of them contradict one another. However, the interviews accurately describe some of the key Dutch actors and the issues that dominated the EMU negotiations.³⁵

³⁵ Roel Janssen, *De Euro: Twintig jaar na het Verdrag van Maastricht* (Amsterdam: De Bezige Bij, 2012), 1

3. Historical overview

Before beginning the analytical section of this thesis, it is critical for the reader to have a firm grasp of EMU in general. Therefore, this chapter provides a historical overview of the EMU negotiation, focuses on the various perspectives on EMU, and elaborates on the topics of contention during the Dutch presidency.

Leading up to the Delors Report

From 1944 on, the EC member states based their monetary management on the Bretton Woods system, a system of monetary management in which exchange rates were fixed but adjustable in relation to the US dollar (USD). The dollar was set at \$35 per ounce against gold, and the United States (US) government was responsible for maintaining this fix. This system worked flawlessly for twenty years. The US fulfilled its obligation, which benefited the other members. However, this trend began to change in the late 1960s. The US was unable to maintain the dollar's parity with gold due to various factors, including high inflation, and the system began to crumble.³⁶

Many member states of the EC desired to do something about the US's dominance and began searching for a European solution.³⁷ At the 1969 Hague summit, the member states created a working party chaired by Luxembourg Prime Minister Pierre Werner, tasked with compiling a report outlining proposals for achieving EMU. The report's primary conclusion was that the EC could achieve EMU in three stages. The first of these stages was 'the snake' system, which was necessary to limit exchange rate fluctuations between member states' currencies. Unfortunately, the international economic situation in the 1970s was unstable, and both the British and French withdrew their currencies from the system, making further progress toward EMU impossible.³⁸ France and Germany collaborated to resurrect the plan by establishing the European Monetary System (EMS), an updated system to achieve monetary stability in the EC. International economic conditions remained unstable, and the EMS did not entirely accomplish this objective. However, the French did not withdraw their currency this time, which was critical for the build-up to EMU.³⁹

³⁶ Michael Bordo and Barry Eichengreen, *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (Chicago: Chicago University Press, 1993), 84

³⁷ Dyson and Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union*, 2

³⁸ David Cobham, "Strategies or Monetary Integration Revisited", *Journal of Common Market Studies* 27, No. 3 (1989), 203/204

³⁹ Michele Fratianni and Juergen von Hagen, "The European Monetary System: Ten Years After" *Carnegie-Rochester Conference Series on Public Policy* 32, No. 1 (1990), 173/174

Real progress toward EMU began in the 1980s when a new economic paradigm became dominant. Stability was paramount in this new school of thought, and central bankers, specifically the *Bundesbank*, became a prominent actor in influencing policy decisions. As a result, exchange rates remained stable, and inflation returned to normal levels. However, there were complications. According to France and Italy, the *Deutsche Mark* was too dominant, and the 1986 single market agreement threatened the EMS's stability. The skeptical member states wanted to address these issues before the EC could establish EMU. At the 1988 European Council meeting in Hanover, a committee chaired by the EC President Jacques Delors was tasked with preparing a new report on how to achieve EMU. The Delors Committee's report recommended implementing EMU in three stages, which were also incorporated into the eventual Maastricht Treaty. The first stage entailed initiating capital movement liberalization and completing the common market. The second stage would see establishing a supranational monetary institution to coordinate monetary policy and the convergence of member states' economic and monetary policies. The third and final stage involved the establishment of a single currency, the euro. When all national currencies had stabilized to a certain level, the euro would be introduced into the financial system and eventually physicalized as banknotes and coins.⁴⁰ After the publication of the Delors Report, intergovernmental negotiations on the design of EMU could begin.⁴¹

Economist v monetarist

When it came to the design of EMU, two distinct schools of thought emerged: economists and monetarists. Most member states fell into one of these two camps, and debates between them shaped the negotiations. The economists who adhere to the first school argue that EMU can only be established when member states achieve a certain level of convergence. The member states must meet numerous criteria for this convergence to occur. Among these criteria are a low-interest rate and the alignment of monetary and fiscal policies. When member states meet the convergence criteria, it is possible to establish institutions such as an independent central bank. Only after the member states have accomplished this can they implement a single

⁴⁰ Willem Molle, *The Economics of European Integration: Theory, Practice, Policy*, (Farnham: Ashgate Publishing, 2001), 380-390

⁴¹ Amy Verdun, "The role of the Delors Committee in the creation of EMU: an epistemic community?", *Journal of European Public Policy* 6, No. 2 (1999), 310/311

currency. Member states with a strong currency, such as the Netherlands and Germany, and monetary authorities such as central banks, were adherents of the economist school.⁴²

The monetarist school emphasizes the importance of institutions for EMU. Their supporters argue that when a new currency is created with an independent central bank, inflation trends and a member state's monetary and fiscal policies are dramatically altered. The economic behavior of these countries before they implement the new currency is not a reliable indicator of their behavior after they have implemented the new currency. As a result, convergence criteria are ineffective and only cause confusion. What is critical is that the new currency has robust institutions; the rest will come later. France, Italy, and Belgium were monetarist adherents, backed by the European Commission.⁴³

Points of contention

Numerous debate topics remained in the negotiations during the Dutch presidency. The first was when the transfer of monetary sovereignty to the supranational level should occur. As discussed above, the economist countries wanted to establish supranational monetary institutions when the member states achieved enough convergence. Therefore, they wanted them to be established at the start of stage three. On the other hand, the monetarist believed that they should be established already at the start of stage two. It was eventually concluded that the ECB would be established at the start of stage three. Another monetary institution would be founded at the beginning of stage two, but it would only have the power to coordinate monetary policy.⁴⁴

The second debate was on the EMU's irreversibility. The monetarist member states, led by France and Italy, desired a fixed schedule for the three stages proposed in the Delors Report. By agreeing on a fixed timetable, the member states ensure the irreversibility of EMU. The economist member states, led by Germany, contended that progression to stage three could occur only if the member states met specific criteria. A fixed schedule could not be agreed upon because it was unknown whether these criteria would be met at that time.

The member states ultimately agreed on a specific date for the transition of the third stage, namely 1 January 1999, if no decision was made prior to this date. This implied that EMU would be irreversible.⁴⁵

⁴² Elena Danescu, "Economists v. monetarists – agreements and clashes in the drafting of the Werner Report", *A Rereading of the Werner Report of 8 October 1970 in the light of the Pierre Werner family archives* (Sanem: CVCE, 2012), 2

⁴³ Ibid, 2

⁴⁴ Van Riel and Metten, *De Keuzes van Maastricht: de hobbelige weg naar de EMU*, 25/26

⁴⁵ Ibid, 30

The third point of contention was the convergence criteria. The overview of economists' and monetarists' perspectives already discussed this subject. Economists believe that a country should be permitted to enter stage three only if it meets several convergence criteria. This eliminates the risk of the single currency becoming destabilized. Monetarists argue that these criteria are unnecessary and weaken the member states that must comply. Finally, member states agreed that the European Council would have the authority to decide whether a member state could join stage three based on five convergence criteria:⁴⁶

1. A member state's inflation rate cannot exceed 1.5% points the average of the three best performing member states.
2. A member state's long-term interest rate cannot be more than 2% higher than the three member states with the lowest inflation rates.
3. A member state's government debt should not exceed 60% of its Gross Domestic Product (GDP).
4. A member state's budget deficit cannot exceed 3% of its GDP.
5. A member state interested in joining the eurozone should join the EMS and remain in it for two years without devaluing its currency.

⁴⁶ Ibid, 23

4. The Dutch and the EMU: position and strategy

As previously stated, the EC began seriously considering establishing a European monetary union in the 1980s. This chapter examines the Dutch position and strategy regarding the EMU in the 1980s and early 1990s, particularly in the run-up to their presidency. It examines when the Dutch articulated their position on the EMU for the first time, how that position evolved, and the strategy they pursued. Following that, the successfulness of their position and strategy are evaluated.

Dutch position on the EMU

The first reference to the Dutch position on the EMU is a 1986 government memorandum submitted to parliament. The second Lubbers cabinet outlined its long-term objectives for both the EMU and the ECU. The Netherlands, according to the memorandum, is in favor of an EMU with a common currency. This objective would necessitate convergence on low-interest rates and the abolition of capital controls, in addition to the completion of the EMS. The memorandum was drafted by the Ministry of Finance and signed by Finance Minister Onno Ruding.⁴⁷

Two years later, the Ministry of Finance drafted a negotiating mandate for Dutch Prime Minister Ruud Lubbers in advance of the Hannover European Council, at which the Delors Committee would be formed. The text is divided into eight sections, the majority of which deal with procedural matters. Additionally, it includes an appendix that clarifies several of these points from the Dutch perspective. The mandate bears a strong resemblance to the previously mentioned memorandum, which presupposes continuity in light of the Netherlands' position on the EMU.⁴⁸

The government memorandum was drafted following interdepartmental discussions, indicating that ministers and policymakers agreed on the EMU as the next step in the European integration process. They reasoned that a functioning internal market required a certain level of exchange rate stability, necessitating the EMS's strengthening. In addition, the Dutch wanted a common currency supervised by supranational organizations. As discussed in the literary review, disagreements between the Foreign and Finance Ministries frequently occurred in other

⁴⁷ Kamerstukken 1985/86, 19512, 2, p. 3-9

⁴⁸ “De Economische en Monetaire Unie en de Europese Centrale Bank. Mandaat voor de Nederlandse opstelling in de Raad”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad]*, 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

member states, most notably Germany. However, this was not the case in the early stages of the Netherlands' formulation of their position.⁴⁹

The Netherlands recommended establishing a committee to research how the EMU should be structured and clear procedures for establishing it with the fewest possible errors. Additionally, the Netherlands made no demands regarding the study's novelty and wanted it to be based on the Werner Report. The primary justification for this was expediency, implying that the Netherlands desired to hasten Europe's economic and monetary integration.⁵⁰

The government memorandum reveals several intriguing details about the Dutch position on the EMU. To begin, the Netherlands argued for economic and monetary policy convergence. It requested that the study establish the criteria that a member state must meet to join the EMU securely. This demonstrates that the Netherlands desired to initiate the EMU only after certain conditions were met rather than committing to a predetermined launch date. Furthermore, the Netherlands requested that the study consider the implications of a 'two-speed' EMU. This demonstrates that, already in 1988, the Netherlands was considering the possibility of a core group of nations joining the EMU. Thirdly, it discusses its perspective on the ECB. The Netherlands believes that the ECB should be autonomous, prioritize price stability, and refrain from financing member states' fiscal deficits.⁵¹ Finally, banking supervision was also added to the ECB's responsibilities during the subsequent CEA meeting, at the request of Duisenberg.⁵²

Even though there was broad consensus among the departments on the EMU, it is clear that the Ministry of Finance was responsible for formulating the position and based it on the 1986 government memorandum, which the ministry was also responsible for. Furthermore, the CEA meetings demonstrate that the Ministry of Finance employees took the initiative in responding to inquiries about the Dutch position and defending it against criticism from other delegates. The DNB is also likely to have influenced the Dutch position's formulation. The President of the DNB was able to contribute to the formulation and assist officials from the Ministry of Finance during CEA meetings.⁵³ Additionally, Treasurer-General Cees Maas and DNB employee André Szász stated that the Ministry of Finance and the DNB worked closely together to develop the Dutch position on the EMU.⁵⁴

⁴⁹ Ibid

⁵⁰ Ibid

⁵¹ Ibid

⁵² “Notulen van de vergadering gehouden op 20 mei 1988 in de *Trêvezaal* van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁵³ Ibid

⁵⁴ Janssen, *De Euro: Twintig jaar na het Verdrag van Maastricht*, 68 & 94

The Dutch position is also mentioned in the CoCo conclusions of 28 November 1989, which deal with the Council's preparations for the Strasbourg meeting. Six months after the publication of the Delors Report, the question of when to convene the IGC arose. Given that the Ministry of Foreign Affairs drafts these conclusions, it would appear that they had precedence in formulating them. In terms of the Dutch position, little changed, and it remained consistent with what was stated in the 1986 government memorandum and the 1988 interdepartmental note. The conclusions demonstrate a favorable attitude toward the EMU, evidenced by their desire for the IGC to begin fully and adequately prepared the following year and their opposition to the UK's plan to decouple stages two and three from the process. Generally, the United Kingdom is regarded as a close ally of the Netherlands within the European Union. In the case of the EMU, The Dutch, on the other hand, advocate a more ambitious approach, including a common currency and supranational institutions. Additionally, the Netherlands argued that the upcoming IGC's three focal points should be the ECB's autonomy, its focus on enforcing price stability, and member states abstaining from financing national budget deficits. The 1988 memorandum already mentioned all three points. Thus, even though the CoCo formulated the conclusions, they were influenced by the already established Dutch position on the EMU. As previously stated, the Ministry of Finance and the DNB drafted the memorandum and note, implying that their influence is also reflected in this document. Additionally, this again demonstrates that both departments reached an agreement on how the EMU should be constructed.⁵⁵

The Dutch negotiating strategy for the EMU

During the early stages of the EMU negotiations, the Dutch had two ways of advancing their position at the EC level. The initial strategy was to maintain momentum. As previously stated, the Netherlands supported the EMU and desired its implementation sooner rather than later. The Dutch strategy was to use the EC-level meetings to advance the EMU. Ruding, for example, attempted this during Ecofin meetings,⁵⁶ and Cees Maas did so within the Monetary Committee.⁵⁷ This is not to say that the Dutch actors' primary objective was to expedite the

⁵⁵ “Conclusies Coördinatie Commissie voor Europese Integratie- en Associatieproblemen d.d. 28 november 1989”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁵⁶ Notulen van de vergadering gehouden op 23 Juni 1989 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁵⁷ “Notulen van de vergadering gehouden op 9 mei 1989 van Monetair Comité 9 mei 1989” 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

process; their primary objective was to ensure that the IGC was prepared thoroughly and adequately.

As was concluded in the literature, the Netherlands was close allies with Germany as an adherent of the economist approach to EMU. As the Ministry of Finance states in a document on other member states' concept proposals, the Dutch and German suggestions are compatible. In contrast, the British, Spanish, and French proposals are undesirable. This would imply that the Dutch strategy was to ally with Germany. Interestingly, neither the CEA minutes nor the added documents make any reference to a fixation on Germany. This is not to say that there was no fixation, as Maes and Verdun demonstrated the structural dimension of Dutch support for the German monetary model. Nevertheless, the high-ranking political actors did not discuss it. This may be because the cabinet was less fixated on Germany than financial institutions like the DNB. However, it is more likely that cooperation with Germany was deemed so apparent that they did not discuss it further.

The possibility of forming a coalition with another economist country, namely the UK, was discussed. The Netherlands desired cooperation with the UK but also desired to maintain momentum. The issue was that the UK was generally opposed to EMU and refused to join the EMS, let alone EMU. By applying pressure to the UK, the Netherlands risked losing an ally in the IGC. As a result, the cabinet decided not to pressurize the UK on multiple occasions. The Netherlands also made it a point to deter other countries from exerting pressure on the UK. The minutes of the CEA meeting on 23 June 1989 contain an example of this, in which it is discussed what the Netherlands should do in response to France's pressure on the UK to join the EMS. Although the Netherlands wishes to see progress on EMU and for the UK to join the EMS eventually, it does not want them to abandon the negotiations due to France's aggressive stance. As a result, it is concluded that if France remains steadfast on this point, the Dutch delegation will propose a deal. This bargain requires the UK to join the EMS on 1 July 1990 for France to agree to liberalize capital flows. The UK and the Netherlands desired France to do so but could not persuade them.⁵⁸ Another instance of the Netherlands reaching out to the UK occurred during a 1989 Anglo-Dutch summit. Lubbers informed the British that the Netherlands was also opposed to establishing a specific date for the transition to stage three. He argued that the Dutch and the UK should fight this section of the Delors Report to achieve an economist approach to EMU. To enhance the British position, Lubbers asked the British Prime Minister Margaret

⁵⁸ Notulen van de vergadering gehouden op 23 Juni 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

Thatcher to Join the EMS, which she furiously refused.⁵⁹ Although the Dutch plan failed, it demonstrates their strategy quite clearly. They want to retain the UK's support to work together during the IGC to advance their economist position on EMU. This strategy corresponds to Dyson and Featherstone's fourth strategic option, binding the opposition. They were able to take a firm stance against the monetarist bloc by allying with other economist countries such as Germany and the United Kingdom.

Surprisingly, the literature on the EMU negotiations largely ignores the Dutch preoccupation with the UK. Instead, the focus is almost entirely on the Dutch fixation on Germany. However, the minutes of the CEA meetings reveal that the UK was also significant to the Netherlands, and the Dutch cabinet members frequently discussed including the UK in the process.

Successfulness of Dutch position and strategy

In the aggregate, it can be stated that the Dutch position as stated in the 1988 government memorandum corresponds reasonably well to everything that transpired leading up to the Dutch presidency. Following the European Council meeting in Hannover, a study on how EMU should be structured was conducted, culminating in the publication of the Delors Report a year later. After the publication of this report, the member states maintained the momentum, and negotiations on EMU continued. The draft treaty published after Luxembourg's presidency in the first half of 1991 demonstrates that the EC had already taken a significant portion of the steps necessary to establish an EMU with a common currency supervised by supranational institutions. This was a victory for the Netherlands, as this was their preferred option since 1986.⁶⁰

More precisely, of the three subjects discussed in the government memorandum, namely the convergence criteria, a 'two-speed' EMU, and the ECB's role, only the latter had been concretized in the Luxembourg draft treaty. The ECB was decided to be autonomous, focus on price stability, and prohibit member states from financing national budget deficits. Except for banking supervision, the draft treaty reflected every Dutch preference.⁶¹ Although the convergence criteria and the transition to stage three needed to be finalized during the Netherlands' tenure as Council president, the Netherlands had successfully pushed its agenda forward up to that point. During the early stages of negotiations, their only shortcoming was

⁵⁹ Dyson and Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union*, 549

⁶⁰ "The draft Treaty on Union proposed by the Luxembourg Presidency" 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁶¹ *Ibid*

their inability to enthuse the British to join the EMU. By the time the Dutch presidency began, the British had become disaffected with the EMU process, and it was improbable that they would enter stage three. As a result, the Dutch could not join forces with them during the IGC to oppose the monetarist coalition.⁶²

⁶² Dyson and Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union*, 641

5. Actors responsible for the Dutch position and strategy

Now that both the Dutch position and strategy in the early stages of the EMU negotiating process has been analyzed, it is possible to determine which actors were responsible for its formulation. As the EMU negotiations were a ‘core-executive’ activity, the actors discussed are cabinet members and high-ranked officials of both ministries and monetary institutions. While analyzing the minutes of the CEA meetings, in which these actors were present, it will be interesting to see which actors were the most active and influential, were skeptical of the Dutch position or EMU in general, and whether there were a lot of discussions between the different departments and actors. A list of the actors and their function can be found in the Annex.

Prime Minister Ruud Lubbers

The first factor that is discussed is Ruud Lubbers. As the head of both cabinets, Lubbers was present in all CEA meetings since 1986, when the Dutch government drafted the government memorandum on the long-term targets for EMU and ECU. However, he was not too active in formulating the Dutch position on EMU from the beginning, as can be expected of the Prime Minister. Lubbers and his department of General Affairs were not involved in drafting the note of 1988, and the other departments only sent it to him after they finished writing it. As was concluded in the chapter above, there was a lot of continuity in the Dutch position from the beginning onwards, which shows that Lubbers nor his department was of importance when it came to the formulation of the Dutch position on EMU in the early stages. He was active in the REA meetings, though, as the minutes show, and was well-informed on all the different options for EMU. For example, he expresses his preference for a ‘two-speed EMU’ in 1988 by arguing that this might be the only way to make progress.⁶³

His interest in the EMU process continued to show. When the Delors Report was published, he launched a barrage of questions about the various stages and Treaty amendments required to implement EMU. However, after the meeting, the Coco conclusions are accepted without modification.⁶⁴ Similar situations occurred during other EMU meetings, indicating Lubbers desired to be informed but made no changes to the Dutch position. The CEA meeting on June 22, 1990, exemplifies Lubbers' leadership on European Affairs. He notes during this meeting that the Ministers of Finance and Foreign Affairs concur, and no further discussion is

⁶³ Notulen van de vergadering gehouden op 20 mei 1988 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁶⁴ Notulen van de vergadering gehouden op 19 mei 1989 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

required. This demonstrates that he delegated considerable authority to these two departments without interfering.⁶⁵

Lubbers attempted to influence the Dutch strategy on EMU on a few occasions but with little success. His suggestions were frequently ignored or completely disregarded. The CEA meeting on February 23, 1990, during which the cabinet discussed the German reunification, provides an excellent example of this. Lubbers brings up EMU during the discussion, asking whether German reunification can be used to persuade Kohl to expedite the IGC. It is not completely clear why Lubbers would want this. Van den Broek states that he cannot believe Kohl's position on wanting the IGC to begin after the German elections in December 1990 has changed. He is also unsure whether expediting the IGC would benefit anyone. Kok and Duisenberg both concur with van den Broek. Kok adds that expediting the IGC is not in the Netherlands' best interests, as it has promoted an adequately prepared IGC. There are still complex issues to be discussed; instead, the outcome of the IGC should be prioritized, not its start. Lubbers proposes a nested game in this discussion. He attempts to use German reunification as leverage to persuade Kohl to expedite the IGC. This notion is immediately shot down by van den Broek, Kok, and Duisenberg, which is typical of Lubbers' role in the CEA.⁶⁶

The fact that Kohl, Mitterand, and the Italian Prime Minister Andreotti were significantly more involved and influential in defining their countries' position and strategy on EMU than Lubbers can be attributed to the fact that the heads of government of Germany, France, and Italy are more dominant in general. The Prime Minister is regarded as a *primus inter pares* in the Dutch political culture. The office is not endowed with specific powers, but instead serves as the government's public face. As a result, other departments such as Finance and Foreign Affairs can exercise more significant influence over policy issues such as EMU.

Minister of Finance Onno Ruding

The first of two Finance Ministers discussed in this thesis is Onno Ruding. He was a CDA member and held the office from 1982 to November 1987. Ruding can be considered an expert in monetary matters. He began his career at the Ministry of Finance's Department for International Monetary Affairs, where he quickly rose to the position of Director-General. Following that, he worked for the AMRO bank, one of the largest in the Netherlands, and

⁶⁵ Notulen van de vergadering gehouden op 22 Juni 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁶⁶ Notulen van de vergadering gehouden op 23 februari 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

eventually became an executive director of the International Monetary Fund. His extensive knowledge of EMU becomes immediately apparent when examining the CEA meetings. The other meeting attendees regard Ruding as an authority and he frequently answers their questions. This can be seen, for example, in the meeting of 20 May 1988, during which the cabinet discussed the Council's negotiation mandate for the Hanover meeting. Duisenberg wishes to extend the mandate, Minister of the Interior and Kingdom Relations Jan de Koning questions the ECB's economic approach, and van der Linden wishes to discuss the possibility of a 'two-speed' EMU. Ruding is the one who responds to these observations. He concurs with Duisenberg, explains to de Koning why a monetarist approach to the ECB would be ineffective, and informs van der Linden that they will discuss the possibility of a 'two-speed' EMU once the Delors Committee completes the report. This demonstrates Ruding's and the Ministry of Finance's dominance. Although Ruding quickly dismisses it, de Koning's question about economist and monetarist approaches is intriguing. While the Netherlands may have been an unwavering advocate for the economist approach at the EC level, this discussion demonstrates that it was still a point of contention during the early stages of the domestic negotiations. Additionally, de Koning shows that ministers who were not directly involved in the drafting process discussed and questioned the interdepartmentally agreed-upon position on EMU, which will be discussed in greater detail later.⁶⁷

Ruding's dominance in REA meetings is also evident when strategy is discussed. An excellent example of this is the meeting preparing for the Council meeting in Madrid. Ruding takes the initiative and determines that further discussion of the Dutch position on EMU is unnecessary. He then formulates the Council's strategy for the upcoming meeting to advance EMU without putting the skeptic member states under duress. Finally, he proposes the bargain between France and the United Kingdom discussed in the section on the Dutch strategy. Thus, Ruding dictates what the CEA will discuss at the meeting and establishes the meeting's strategy. Although Van den Broek and Secretary of State for European Affairs Berend-Jan Baron van Voorst tot Voorst concur with his course of action, Ruding is clearly in charge.⁶⁸

Ruding was able to act as a strategist due to his control over the EMU negotiations in the CEA. In a meeting, he refers to the committee that will be formed at the Hanover

⁶⁷ Notulen van de vergadering gehouden op 20 mei 1988 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁶⁸ Notulen van de vergadering gehouden op 23 juni 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers* [Ministerraad], 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

Council. He has learned that this new committee will comprise representatives from the member states' central banks. Ruding then states that he would like to include the Monetary Committee in the drafting process. His proposal makes sense. The Monetary Committee is, amongst others, comprised of all member states' treasurer generals. Therefore, the Ministry of Finance gains influence by involving them in the drafting process.⁶⁹

Minister of Finance Wim Kok

Wim Kok was appointed Finance Minister following the collapse of the second Lubbers cabinet. Kok was a former president of the Federatie Nederlandse Vakbeweging (FNV), the country's largest trade union. Since 1986, he has served as the PVDA's party and parliamentary leader and the opposition leader in the second Lubbers cabinet. Given his different political background, it is plausible that Kok would have a different perspective on EMU. However, when one examines the minutes of CEA meetings, the opposite is true. Kok seamlessly assumes the role of Ruding, as if their positions on EMU are identical. A suggestion made by Kok during the 1990 European Council preparations for the 25th and 26th of June European Council meeting is an example of continuity between him and Ruding. The discussed CoCo conclusions state that the Committee of Governors, the Monetary Committee, and the Economic Policy Committee should release their findings before the Council's decision-making process. Kok desires that they be made available to Ecofin first. Some member states believe that additional Ecofin discussions are unnecessary because the preparations for EMU are complete and adequate, but Kok disagrees. He is unmistakably a strategist during this meeting. By attempting to elevate Ecofin's importance, he retains control over the negotiation process while he is a member of Ecofin. He also acts in the national interest, as complete and adequate preparation is a cornerstone of the Dutch position on EMU, and by discussing it further in Ecofin, preparation improves.⁷⁰

When Kok became Prime Minister, the rhetoric toward the UK began to shift slightly. As Kok stated at the CEA meeting on 6 December 1989, the Netherlands objects to the UK's proposed EMU plan, which decouples stages two and three of the EMU process while allowing internal market liberalization to resolve all issues. Although objecting to the plan sounds harsh and implies that the Dutch strategy toward the UK has shifted, it is important to remember that

⁶⁹ Notulen van de vergadering gehouden op 24 juni 1988 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad]*, 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷⁰ Notulen van de vergadering gehouden op 22 juni 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad]*, 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

the Netherlands has always supported stages two and three of EMU. Kok continues to express a desire to collaborate with the UK as much as possible during the IGC, but this does not imply that the Netherlands must support the UK's plan. Thus, the Dutch strategy toward the United Kingdom remains consistent. However, the relationship shows signs of strain, and the UK is making it difficult for the Netherlands to continue supporting them at the EC level.⁷¹

The continuity between Ruding and Kok demonstrates that party politics did not play a significant role in the domestic EMU negotiations. The Ministry of Finance's culture trumped left- or right-wing debates over economic and monetary policies. This is almost certainly an important reason why the Dutch position and strategy remained unchanged from 1986 onwards.

Minister of Foreign Affairs Hans van den Broek, and his Secretaries of State

Hans van den Broek, who served in the second and third Lubbers cabinets, was a regular attendee at CEA meetings on EMU. Van den Broek was briefed on the Dutch position, which was drafted interdepartmental in the Foreign Affairs and Finance ministries, and the EMU negotiations at the EC level. This is demonstrated in several meetings, for example, when he explains to Lubbers the three phases of the Delors Report.⁷² However, upon reading the minutes of the CEA meetings, it becomes abundantly clear that the true primacy remained with the Ministry of Finance. He frequently agrees with the finance ministers and does not engage in debates with them. Van den Broek's primary objective is to explain and manage European politics. The CEA meeting of May 20, 1988, demonstrates this. Van den Broek does not take a position on creating a new committee for EMU, but he discusses the advantages and disadvantages of establishing a new committee to draft a report on EMU and the response of the various member states. Later in that meeting, he states that he assumes the Ministry of Finance will communicate the Dutch position to the other member states, indicating that he is also concerned with the smooth running of the procedures.⁷³

Van den Broek is most invested in one aspect of the Dutch strategy: how the Netherlands deals with the UK regarding EMU. He wishes to retain the UK's support but fears that France's tough stance will drive them further away. As a result, he believes that they must place their

⁷¹ Notulen van de vergadering gehouden op 6 december 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷² Notulen van de vergadering gehouden op 19 mei 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷³ Notulen van de vergadering gehouden op 20 mei 1988 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

currency in the EMS. This will reduce the pressure from France and allow the UK to remain on board. Although this is consistent with the Dutch strategy, van den Broek warns Kok that he must exercise greater caution, implying that he would take a different approach.⁷⁴

The fact that van den Broek is not as involved in EMU as the Finance ministers is also related to his involvement in the political Union negotiations. Ruding and Kok played a similar role in the CEA meetings on EMU as van den Broek did in the CEA meetings on political union. When this new IGC was established around the time of Germany's reunification, the Ministry of Foreign Affairs claimed precedence. This addition ensured that the Ministry of Foreign Affairs, already less involved in EMU matters than the Ministry of Finance, became even less so.⁷⁵

The same can be said of René van der Linden, Berend-Jan Baron van Voorst tot Voorst (both cabinet Lubbers two), and Piet Dankert, the Secretaries of State for European Affairs. All three were present at the CEA EMU meetings but did not dominate discussions about the Dutch position and strategy. Between 1988 and 1990, their contributions decreased. When they participated, they, like van den Broek, were more concerned with explaining and managing European politics than genuinely changing the Dutch position and formulating strategy. Nevertheless, they were significantly more active during the meetings on the political union, indicating that the ministry of Foreign Affairs shifted its focus away from the EMU negotiations following the confirmation of the IGC on the political union.

Additional Ministers

This study should pay some attention to lesser-known ministers who were critical of the EMU. In the second Lubbers cabinet, it was primarily de Koning, as previously stated, who was opposed to EMU. Minister of Development Aid Jan Pronk, Minister of Social Affairs and Employment Bert de Vries, and Minister of Economic Affairs Koos Andriessen were among the skeptics in the subsequent cabinet.

Minister Pronk began his tenure's first CEA meeting on EMU with a barrage of questions about the topic. From his questions, it is clear that he was skeptical of EMU like the UK. He believed that internal market integration, which was insufficient, should take precedence over monetary integration. The proposed convergence criteria are insufficiently strict, and true convergence can occur only with extensive economic integration. He is also

⁷⁴ Notulen van de vergadering gehouden op 19 mei 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷⁵ Dyson and Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union*,

fearful that the Netherlands will isolate the UK.⁷⁶ However, following this meeting, Pronk never again expressed his skepticism about EMU in the CEA. This is quite peculiar, given that his reservations about the Dutch position on EMU remained unresolved following this one meeting. In 1990, De Vries and Andriessen continued their criticism, making similar points as Pronk. Either his department, the Ministry of Foreign Affairs, or his political party, the PvdA may have called him back. His department is the more logical of the two, as the section above established that domestic EMU negotiations were not influenced by party politics.

The most outspoken of the three, De Vries frequently expressed his reservations about EMU. He criticizes Commissioner Andriessen in the REA meeting of 6 April 1990, stating that the Commission's plan to avoid wage and price convergence is "unrealistic" and a "leap of faith."⁷⁷ He later leads the charge against the golden rule for finance by questioning whether the Netherlands will also use the golden rule to regulate its deficit and whether it is prudent to apply this standard to all member states. He argues that this rule can result in some member states having a considerable deficit, while others have a small deficit. As a result, De Vries proposed to remove it from the document. While Kok agrees with him, he states to de Vries that completely omitting it is not the best course of action.⁷⁸ Additionally, De Vries offered more constructive criticism. In the CEA meeting of 7 December, he states that there are exchange rate policy options available to deal with floating exchange rates that the Maasgroup, a workgroup led by Maas, has not considered. In particular, when considering the ECB's interest and intervention policies. Kok concurs with de Vries' criticism and assures him that the Maasgroup will investigate the matter.⁷⁹ Recently, Vries published a book in which he declares that the euro is a failure and expresses regret for not speaking out more strongly against EMU during cabinet meetings.⁸⁰

⁷⁶ Notulen van de vergadering gehouden op 6 december 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷⁷ Notulen van de vergadering gehouden op 6 april 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷⁸ Notulen van de vergadering gehouden op 4 september 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁷⁹ Notulen van de vergadering gehouden op 7 december 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁸⁰ Co Welgraven, "Oud CDA-minister Bert de Vries: Het europroject is mislukt. Terug naar de gulden", *trouw*, May 22, 2020, <https://www.trouw.nl/politiek/oud-cda-minister-bert-de-vries-het-europroject-is-mislukt-terug-naar-de-gulden~b6e349e1/> (accessed January 15, 2021)

Minister Andriessen is less outspoken, but expresses reservations about EMU on several occasions. His primary argument is that the proposed plans for convergence are insufficient. He believes that progress toward EMU is inextricably linked to progress toward the internal market. He states that liberalizing the internal market will result in convergence between member states, which is the UK's position. Thus, the EC should prioritize the internal market before any further steps toward EMU are taken.⁸¹ He is also the only one who addresses the potential negative impact of German reunification on EMU and calls on the CEA to tighten the convergence criteria. However, his criticisms are largely ignored.⁸²

Unlike in other member states, EMU discussions did not occur between the Foreign Affairs and Finance ministries but between these two ministries and four individual ministers. These ministers expressed reservations about the EMU and were not afraid to discuss its flaws. As each of the four was a member of a different political party and ministry, it is impossible to say that they coordinated the offensive against the EMU. Notably, none of these four could significantly alter the Dutch position or strategy on EMU. Kok promised to look into some of de Vries' remarks, but he eventually did nothing to address their concerns about EMU. This demonstrates that while there was criticism of EMU during the REA meetings, the cabinet did not alter the interdepartmentally drafted position on EMU from 1988.

Non-cabinet members of significance

Non-cabinet members also had the opportunity to contribute to the CEA meetings. The most notable of these Duisenberg, who also served on the Committee of Governors (COG), a committee consisting out of the Presidents of the central banks of the member states. Duisenberg, like Rüdiger, possessed considerable experience in monetary matters. He was a former IMF staff member and served as Finance Minister from 1973 to 1977. Although he is not present at all CEA meetings, he is extremely active in those he attends. Duisenberg was one of the few actors able to alter the Dutch position on EMU, as he added banking supervision to the ECB's competences. Additionally, he assists the finance ministers in clarifying and defending the Dutch position on the EMU. Examples include de Koning's proposal for a monetarist approach and the debate over whether all member states should remain in the ERM's

⁸¹ Notulen van de vergadering gehouden op 6 december 1989 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁸² Notulen van de vergadering gehouden op 4 september 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

lower band before progressing to the second phase of EMU.⁸³ Additionally, Duisenberg is questioned about the impact of specific events on the EMU process, as van den Broek did when he questioned him about the DEMU's influence on EMU. Duisenberg believes that DEMU will compel the EC to coordinate monetary policy and accelerate the process of European integration. It's worth noting that Duisenberg views German reunification as an additional incentive for the EC to establish EMU. This bolsters the argument that Germany's reunification accelerated the process of monetary integration within the EC.⁸⁴

All of this demonstrates that Duisenberg, along with the institution he represented, commanded a great deal of respect and exerted considerable influence over domestic negotiations. The fact that he did not make additional changes during the meetings is most likely because his vision and that of DNB were already deeply ingrained in the Dutch position on EMU. Additionally, it again shows that there was an interdepartmental consensus on EMU. The Ministry of Finance, the Ministry of Foreign Affairs, and the DNB all agreed on most points.

Another significant non-cabinet actor was Maas. As Treasurer General and chair of the Maasgroup, he was in charge of the Netherlands' financial and economic policies. As a result, he likely played a significant role in creating the Dutch position on EMU, which the Ministry of Finance primarily developed. Maas, who also served as chairman of the Monetary Committee from 1990 to 1992, contributed to CEA discussions by reporting on other countries' positions and EC-level negotiations. He was able to inform the attendees about the formation of alliances and the EMU positions of other foreign ministers. In these instances, Maas served as a useful informant for the cabinet but does not formulate the strategy.⁸⁵ However, the debate over reinstating the Delors Committee to prepare for the IGC is noteworthy. After Lubbers proposes this, Kok initially embraces the idea. Maas disagrees, stating that the Delors Committee is primarily composed of Central Bankers who are incapable of resolving the remaining economic issues by focusing exclusively on monetary issues. Nieman, a Ministry of Finance employee who also believes that reinstating the Delors Committee would not ensure

⁸³ Notulen van de vergadering gehouden op 20 mei 1988 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁸⁴ Notulen van de vergadering gehouden op 23 februari 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁸⁵ Notulen van de vergadering gehouden op 26 oktober 1990 in de Trêvezaal van het Kabinet Minister-President", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

progress, backs up Maas.⁸⁶ Interestingly, Maas easily dismissed a suggestion made by the Prime Minister and positively received by the Minister of Finance. Although this may be an anomaly, it is more likely that policy experts such as Maas and Duisenberg could shape the negotiations while the major political actors remained uncertain about the strategy. This demonstrates that the Dutch domestic negotiations had a cognitive dimension.

⁸⁶ Notulen van de vergadering gehouden op 6 december.1989 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

6. The 1991 Dutch Council Presidency

As concluded in the first chapter of the analysis, several issues remained unresolved when the Dutch presidency began. Throughout the last half-year leading up to Maastricht, the most significant problems remaining in the EMU negotiations were the transfer of monetary sovereignty to the supranational level and the transition into stage three. As President of the Council, the Dutch had to draft a text outlining proposed solutions. At the beginning of their presidency, the Dutch government had to present the text to the other member states. The Maasgroup was tasked with drafting the Dutch text on both issues, demonstrating the Ministry of Finance's continued dominance. The CoCo and the CEA reviewed the text, but both agreed on the Maasgroup's conclusions. However, Maas and the Ministry of Finance did not act alone; they collaborated closely with DNB. Both Maas and Szász confirmed this.⁸⁷ This chapter examines the discussions surrounding both problems in the half-year leading up to Maastricht and the role played by the Dutch presidency.

Transfer of monetary sovereignty to the supranational level

The issue of transferring monetary sovereignty to the supranational level was mainly about when the ECB should be established. The Netherlands desired this to happen after the member states had achieved sufficient convergence. While previous negotiations established that member states would not be required to meet strict criteria to join stage two, the Netherlands desired that the ECB be founded after this stage rather than at the beginning. This would imply that stage two could last for an extended period and that monetary policy remained a national matter in the meantime. According to the Netherlands, a long duration was also preferable, as it would provide member states with additional time to align their economic and monetary policies. In the interim, the Dutch recommend that the European Monetary Institute (EMI) be established to coordinate monetary policy. The Dutch presidency acted as a policy entrepreneur, not an honest broker. The monetarist countries desired the establishment of the ECB at the start of stage two. Rather than finding a middle ground, the Netherlands proposed a plan heavily influenced by the economist view.⁸⁸

At the September 1991 Ecofin meeting in Apeldoorn, the ministers of Finance and Economic Affairs discussed the Dutch plans for the content of stage two and made significant progress. Stage two was scheduled to begin on January 1, 1994. All member states recognized

⁸⁷ Janssen, *De Euro: Twintig jaar na het Verdrag van Maastricht*, 68 & 94

⁸⁸ "Concept voor het Nederlandse standpunt over een paar belangrijke aspecten van de EMU d.d. 22 maart 1991", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

the importance of completing the internal market and achieving a certain level of convergence for a successful stage two. Another point on which most member states concurred was the establishment of the European Monetary Institute (EMI) at the start of stage two. The EMI is responsible for coordinating monetary policy, developing stage three, and advising on financial-economic policies during stage two. The Ecofin drafted both agreements in accordance with the Dutch text. The ECB had been a source of contention for years, and its establishment in stage three was a victory for the Netherlands. Thus, the Dutch presidency was a successful policy entrepreneur negotiating stage two's content.⁸⁹

The second issue was the transfer of banking supervision to the supranational level. As stated in the analysis's first chapter, the ECB's articles of association were already in place prior to the Dutch presidency. Except for banking supervision, the articles of association reflected all Dutch preferences. The Netherlands had also attempted to amend this text to include banking supervision. Duisenberg brought up the Dutch preference for banking supervision during a 1990 COG meeting after raising it domestically during a 1988 CEA meeting. Duisenberg was thus responsible for putting banking supervision on the agenda in both the Netherlands and the EC, establishing him as a proper policy entrepreneur on this subject. Prior to the IGC, the COG was tasked with drafting the ECB's articles of association. As drafted by deputy members, the COG's initial plan called for the ECB to acquire significant competencies in banking supervision.⁹⁰ The *Bundesbank* was opposed to the ECB acquiring these powers, however, and the COG's final proposal on banking supervision was weakened as a result. The ECB retained the option of performing specific tasks related to banking supervision policies, but the decision-making procedure for transferring these responsibilities to the supranational level was not yet determined.⁹¹ During the IGC, the member states agreed that these responsibilities would be transferred in accordance with any Council decision under Article 105(6), indicating that it requires Council unanimity and EP approval. Unanimity in the Council on this subject would be nearly impossible, making it highly improbable that banking supervision would become a competence of the ECB.⁹²

⁸⁹ "Samenvatting informele Ecofin 21 september 1991", 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁹⁰ Bart van Riel and Marko Bos, "Banktoezicht en het Verdrag van Maastricht: het Nederlandse debat in perspectief," *Tijdschrift voor Toezicht* 7, no. 4 (2016), 49/50

⁹¹ Harold James, *Making the European Monetary Union: The Role of The Committee of Central Bank Governors and the Origins of the European Central Bank* (Cambridge: Harvard University Press, 2012), 442

⁹² Peter Kenen, *Economic and monetary union in Europe: Moving beyond Maastricht* (Cambridge: Cambridge University Press, 1995), 33

According to Kok, entrusting the ECB with banking supervision was critical to the success of EMU. He stated in the Dutch Parliament that when the EC's borders are lifted, supervision is a necessary component of the subsequent internationalization and liberation of capital movements.⁹³ Therefore, the Dutch draft EMU Treaty of 28 October proposed lowering the threshold by allowing the Council to decide by qualified majority rather than unanimity.⁹⁴ Again, the Dutch presidency acted as a policy entrepreneur, advancing its interests rather than adhering to the already established articles of association. However, Germany, France, and the UK opposed the transfer of banking supervision to the ECB, and the Dutch proposal to lower the threshold was rejected.⁹⁵ Thus, while the Netherlands once again acted as a policy entrepreneur, it fell short on banking supervision.

Transition to the third stage

There were two points of discussion in the transition to stage three: the convergence criteria and the decision-making procedure. On the first, the Maasgroup concluded that they should be strictly enforced. After stage two, EC institutions should evaluate each member state individually to ensure that they meet all criteria. EMU will begin when countries that meet the criteria for moving to stage three decide to do so. Member states that do not meet the criteria will be granted a derogation, resulting in a 'two-speed' EMU. The Netherlands wants concrete criteria, including the following: A member state's inflation rate cannot exceed 1.5 percentage points above the average of the three best-performing member states, no currency devaluation relative to other member states for two years, a national debt that cannot exceed 60% of GDP, a budget deficit that cannot exceed 3% of GDP, and a golden rule of finance. Strict convergence criteria and a plan for a 'two-speed' EMU were preferred by the Netherlands and Germany, as they were economist countries. However, the monetarist countries were opposed to this, fearful of being left behind and EMU becoming reversible.⁹⁶

The Maasgroup desired a strong intergovernmental component to the decision-making process. On or before 31 December 1996, the European Council decides which member states may progress to stage three. It does so on the basis of EMI and Commission reports. The

⁹³ Kamerstukken 1991/92, 21952, 36, p. 17-18

⁹⁴ "Voorstel van het Nederlands voorzitterschap voor het EMU-verdrag 28 oktober 1991," 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

⁹⁵ Van Riel and Bos, "Banktoezicht en het Verdrag van Maastricht: het Nederlandse debat in perspectief," 51

⁹⁶ "Het Nederlandse concept-standpunt inzake de overgang naar de derde fase van de EMU d.d. 8 mei 1991," 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

European Council then establishes a date, and member states that are permitted to enter stage three decide whether or not to do so. Stage three will begin if six or more countries express an interest in joining. According to the Maasgroup, member states that do not wish to proceed to stage three should be unable to prevent other member states from doing so. This implies that there should be no veto power. Additionally, member states should not be able to obstruct or coerce another member state into stage three, and it should be avoided that member states that are not prepared to do so are able to do so anyway.⁹⁷

The decision-making process is intergovernmental in nature, which is consistent with the Dutch strategy of retaining the UK's support. By allowing member states to decide for themselves whether to transit into stage three, the UK will keep the option of escaping if they so desire. This would be sufficient to retain the British's support. France and the Commission were less enthusiastic about the idea. France wanted to make EMU irreversible, which would not be the case if member states could opt-in or out of stage three. Instead of merely drafting a report on the convergence process, the Commission desired greater influence over the process.

The Dutch draft solutions for stage three transition were discussed at the EC level during meetings of the permanent representative and ministers. The meeting with the permanent representatives went quite well for the Dutch, and the text was generally well-received. Germany, the United Kingdom, and France, for example, were found to be in favor of the proposed plans to move the decision-making procedure to stage three.⁹⁸

However, these conclusions became obsolete following the 9 September ministerial meeting. A report on this meeting can be found in a document attached to the CEA meeting of 12 September. The Netherlands' proposed solutions for the transition to stage three were not well received by the other EC member states' ministers. Particularly the strict convergence criteria and the option for a 'two-speed' EMU encountered considerable opposition. The southern member states, led by Italy, deemed the northern member states' attempt to include a 'two-speed' option in the treaty 'shameful'. France, contrary to expectations, chose the side of the southern member states rather than that of Germany and the Netherlands. Due to widespread opposition to the Dutch text, Kok announced that the Netherlands will submit new proposals

⁹⁷ Ibid

⁹⁸ “Voortgang ICG EMU onderhandelingen d.d. 4 september 1991”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

that take into account political considerations and place a premium on transition periods and derogations.⁹⁹

The backlash against the Netherlands' EMU plans was undoubtedly a significant setback. They wanted to push their plans through as Council President, as they did with the establishment of the ECB in stage three, but the other member states almost immediately overruled them. The Netherlands attempted to be a policy entrepreneur on EMU by proposing a text heavily influenced by the economist perspective. Additionally, they desired to retain the UK's support by establishing an intergovernmental decision-making procedure. However, this backfired, and the Dutch had to rethink their strategy.

Before proceeding, it is necessary to discuss Kok's role in the EMU ministerial meeting. Both Maas and Szasz later stated that they wanted Kok to put up a stronger fight in defending the Maasgroup's text. According to the two men, this text reflected the Dutch position on EMU and should not have been dropped so quickly. Moreover, they both believed Kok was unaware of the critical nature of strict convergence criteria and a 'two-speed' option for EMU's success. However, the CEA minutes indicate that Kok stressed the importance of both on multiple occasions,¹⁰⁰ and the last chapter concluded that he was partially responsible for developing the Dutch position on EMU. Thus, it is more likely that the opposition to Maas's text was too great for Kok to overcome.

The Ecofin meeting in Apeldoorn discussed the revised Dutch text. The meeting report demonstrates that member states could agree on several issues. Except for the golden rule of finance, the member states incorporated most of the convergence criteria proposed in the initial Dutch text into the Treaty. However, all of the criteria were attenuated. For example, when calculating the government deficit, Ecofin decided that a surplus of more than 3% would be permitted if it was temporary and extraordinary. In terms of decision-making, the member states determined that not six but seven countries should meet the convergence criteria to transit to stage three. The European Council, which requires unanimity, should vote on transitioning into stage three, not the countries that meet the convergence criteria. If insufficient member states meet the criteria or the European Council votes against initiating stage three, the procedure

⁹⁹ “Voortgang ICG EMU onderhandelingen d.d. 12 september 1991”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad]*, 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

¹⁰⁰ Notulen van de vergadering gehouden op 6 december 1989 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad]*, 1823-1995, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

would be repeated every two years until approval is obtained. Additionally, member states would have an opt-out clause if they chose not to join the EMU.¹⁰¹

Given the extent to which the member states discovered common ground in Apeldoorn, it appears as though the Netherlands began acting as an honest broker dedicated to achieving consensus. Many of the contentious positions in the initial Dutch draft text were toned down, making them acceptable to other member states. Every time a country achieves consensus, it loses something. The abolition of the golden rule of finance is an illustration of this. Duisenberg expresses regret during a CEA meeting for omitting this criterion from the text. According to him, this rule would have aided significantly in achieving convergence, and he believes that the Netherlands and Germany should have fought harder to keep it in the text. Kok concurs with Duisenberg but asserts that the golden rule of finance has not garnered widespread support and that the time has come to find a middle ground. As Council President, the Netherlands would not have been wise to attempt to push something through that is opposed by most member states.¹⁰² This interaction demonstrates that the Netherlands has relinquished the role of a policy entrepreneur while acknowledging the necessity of putting national interests aside to reach an agreement. Duisenberg, like Maas and Százs before him, did not fully embrace this new approach and wished Kok would take a more active role in defending the Dutch position. This demonstrates that the non-cabinet members who were so influential in the early stages of the negotiations were beginning to lose control. Kok on the other hand, began acting as an *ingenieur* by ensuring that the negotiations proceed smoothly and devising contextual modifications to resolve stalled negotiations.

The agreements made during the Ecofin meeting in Apeldoorn were included in the Dutch draft EMU Treaty of 28 October, and the Dutch hoped this text would not be altered further.¹⁰³ However, France was fearful that the number of member states required to meet the convergence criteria, combined with the requirement for unanimity in the European Council, would endanger the irrevocability of EMU. Before Maastricht, Mitterrand proposed a plan in which EMU would begin on 1 January 1999 if the European Council could not decide by 31

¹⁰¹ “Samenvatting informele Ecofin 21 september 1991”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

¹⁰² Notulen van de vergadering gehouden op 25 oktober 1991 in de Trêvezaal van het Kabinet Minister-President”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

¹⁰³ “Voorstel van het Nederlands voorzitterschap voor het EMU-verdrag, 28 oktober 1991”, 2.02.05.02 *Inventaris van de archieven van de Raad van Ministers [Ministerraad], 1823-1995*, Het Nationaal Archief, Den Haag (accessed October 28, 2021)

December 1996. Mitterand persuaded Kohl, the other member states followed suit, and the French prevailed. Additionally, the opt-out clause agreed upon in Apeldoorn was omitted from the Treaty, leaving only the United Kingdom and Denmark with the option to deny transition to stage three. Lubbers, who presided over the meeting of heads of government, was powerless to avert this outcome.¹⁰⁴ It was a significant setback for the Netherlands, as avoiding a fixed date was one of their primary negotiating objectives during the presidency.

¹⁰⁴ Van Riel and Metten, *De Keuzes van Maastricht: de hobbelige weg naar de EMU*, 29/30

Conclusion

This thesis contributed to the debate over the EMU negotiations and the role of the Council Presidency by examining the Dutch position and strategy during their presidency. It focused on the research question how far the senior officials went to advance the Dutch position on EMU during the Dutch presidency of the Council? The analysis was divided into three sections.

The first chapter of the analysis examined the Dutch position and strategy on EMU in the run-up to the presidency. It was concluded that there was continuity in the Dutch position on EMU from 1986 onwards. They believed that establishing an EMU with a single currency supervised by supranational institutions was a necessary next step in European integration. This refutes Maes and Verdun's assertion that the Netherlands was a 'gatekeeper' with a restricted vision for EMU. Although they desired a thorough and adequate preparation of the IGC and strict convergence criteria for transit into stage three, their stance on EMU was overwhelmingly positive. Additionally, the Dutch position was developed following interdepartmental consultations, indicating that both the Foreign and Finance ministries were on the same page. Both Kaltenthaler's and Dyson and Featherstone's works conclude that disagreements between the two departments occurred in other member states, including Germany and France. In the Netherlands this was not the case. This is not to say that both departments had equal input into the position's formulation. The Ministry of Finance was primarily responsible, as the Minister of Finance signed the relevant documents, and its employees were most active in the CEA meetings on EMU. They collaborated closely with the DNB, as was the case in Germany according to Kaltenthaler.

The Dutch strategy was to sustain momentum and bind in the opposition. First, the Netherlands supported the EMU and desired its implementation as soon as possible, albeit well-prepared. This is why Dutch actors such as Ruding and Maas used the EC level meetings to maintain momentum. Second, the Dutch attempted to ally with other economist countries to take a strong position against the monetarist bloc. Maes and Verdun discuss the Dutch obsession with Germany. Although cabinet members did not discuss their relationship with Germany during CEA meetings, they likely did not need to because it was apparent. Their positions on the EMU are almost identical, which makes allying with them a no-brainer. On the other hand, the UK is frequently discussed at CEA meetings, which has been overlooked in the literature on the EMU negotiations. The Dutch desired the UK's support to collaborate during the IGC to advance their economist position on EMU. This was difficult because the UK was opposed to

EMU in general, refused to join the EMS, and was under pressure from France. The Netherlands has made it a point not to pressurize the UK and deter other countries from doing so.

The Dutch position on EMU is reasonably consistent with the events leading up to the Dutch presidency. The member states maintained momentum, and the draft Treaty of Luxembourg demonstrates that the EC had already taken a substantial portion of the steps necessary to establish an EMU with a common currency supervised by supranational institutions. Additionally, except for the absence of banking supervision, the ECB's role reflected Dutch preferences. Their only shortcoming was their inability to enthrone the British for the EMU.

The analysis's second chapter examined which actors were responsible for developing the Dutch position and strategy during the early stages of the EMU negotiations. The first noteworthy observation was Lubbers' inability to sway domestic EMU negotiations. Frequently, he delegated authority to the Foreign Affairs and Finance departments and accepted their conclusions. Ruding, van den Broek, and Duisenberg ignored him when he attempted to influence the negotiations. The heads of government in France, Germany, and Italy wielded significantly more influence during the EMU negotiations, which can be attributed to the *primus inter pares* status of the Dutch prime minister.

The CEA minutes make it abundantly clear that the Finance ministers were the most powerful cabinet members during the domestic EMU negotiations. Ruding dominated meetings by responding to other attendees' observations, setting strategy, and retaining control over the negotiations through involving his employees in the drafting process. Kok seamlessly assumed the role of Ruding, demonstrating that party politics did not play a significant role in EMU. The culture of the Ministry of Finance trumped left- or right-wing debates over economic and monetary policies, which is likely one of the reasons why the Dutch position remained unchanged from 1986 on.

Van den Broek and his Secretaries of State participated in the CEA on EMU at a much lower level. They frequently agreed with the finance ministers and were primarily responsible for explaining and managing European politics. Their lack of activity is due to their involvement in the political Union negotiations. Their priorities shifted when this second IGC was established, and the Ministry of Finance tightened its grip on the EMU negotiations.

Four ministers expressed reservations about the EMU. These men took turns attacking the Dutch position and strategy on EMU over the years, albeit unsuccessfully. Rather than a clash between the Foreign and Finance Ministries, the conflict was between these two ministries and four individual ministers.

The CEA minutes reveal that non-cabinet members were perhaps the most influential actors in formulating the Dutch position and strategy on EMU. Duisenberg was the only actor who added to the Dutch position during a meeting, and he frequently defended it against the four skeptical ministers. He was also regarded as an expert and was frequently called upon to respond to questions from other attendees. One that stands out is the question on DEMU's influence on the EMU negotiations. Duisenberg believed that reunification of Germany provided an additional incentive to establish EMU, which supports the argument in the literature that it accelerated the negotiations. Maas was the other non-cabinet actor who wielded considerable influence. He was almost certainly responsible for most of the Dutch position on EMU, and he was powerful enough during CEA meetings to overrule the prime minister's suggestions. The fact that these two policy experts were so influential demonstrates that the Dutch domestic EMU negotiations had a strong cognitive dimension.

The third and concluding chapter of the analysis focused on the Dutch presidency's role in the debate over the transfer of monetary sovereignty to the supranational level and the transition to stage three. On the first of these issues, it was concluded that the Dutch presidency acted as a policy entrepreneur. In their draft text, the Netherlands proposed that the ECB be established at the start of stage three. However, rather than acting as an honest broker and seeking a middle ground, the Netherlands proposed a solution heavily influenced by their economist perspective on EMU. In the case of banking supervision, the Dutch draft Treaty proposed lowering the threshold by authorizing the Council to act by qualified majority vote. Once again, they acted as a policy entrepreneur, advancing their interests rather than adhering to the already established articles of association. In the case of the ECB's establishment, the Dutch successfully advanced their interests. However, the other member states rejected their proposal on banking supervision.

The Dutch presidency also began acting as a policy entrepreneur on the transition into stage three. Its plans for strict convergence criteria and a 'two-speed' EMU were again influenced by their economist perspective on EMU and did not attempt to mediate with the monetarist. However, this time, the solutions did not go over well with the other member states, and the Dutch had to rethink their strategy. After failing to advance their agenda, the Dutch took on the role of an honest broker committed to achieving consensus. This required them to abandon the golden rule of finance, accept less strict criteria, and eventually agree on a fixed date for the stage three transition.

At the start of the Dutch presidency, the role of the non-cabinet members remained significant. Maas was in charge of the Dutch draft text, while Duisenberg was a policy

entrepreneur on banking supervision. They did, however, lose their dominance throughout the Dutch presidency. Maas and Százs were dissatisfied with Kok's defense of the Dutch position, and Duisenberg desired that the Treaty retain the golden rule of finance. Kok believed in both cases that the Netherlands needed to reach a consensus and could not force something through that was opposed by the majority of member states. This demonstrates that when the EC-level negotiations for the Dutch presidency stalled, Kok assumed control and redirected the process.

There are two distinct conceptualizations of the presidency in the literature. In the case of the Netherlands, the presidency as policy entrepreneur is most appropriate. On both issues, the Dutch began as policy entrepreneurs and acted as an honest broker only after their initial plan failed. This also shows that the last phase of the negotiations had a strong strategic dimension. Thus, the presidency enables countries to act as policy entrepreneurs, albeit not always successful.

When these three chapters' conclusions are added together, they answer the primary research question. Since 1986, the Netherlands, led by senior officials from the Ministry of Finance and the DNB, has maintained the same position on the EMU, with clear preferences on the remaining points of contention. Maas, in particular, entered the Dutch presidency of 1991 by actively promoting the Dutch position on EMU, disregarding the wishes of the other member states. This strategy worked well for establishing the ECB but not so well for banking supervision and the transition to stage three. Maas and Duisenberg desired to continue defending their positions tenaciously, but Kok determined it was time to reach an agreement. Finally, the Netherlands had to concede several points, but the Treaty was signed in Maastricht. Although it was not the outcome the Netherlands hoped for, an EMU with a single currency supervised by a supranational monetary institution would eventually emerge. This was the desire of the Netherlands since 1986.

This thesis paved the way for future research into the EMU negotiations and the Council Presidency's role. This thesis' methodology is applicable to other smaller member states and member states that served as Council President during an IGC. Additionally, one can delve deeper into the Dutch domestic EMU negotiations. While the minutes of cabinet meetings provide an excellent starting point for this research, this thesis demonstrates that they do not provide a complete picture of domestic debates. Although it sufficed for this thesis, further research into the Dutch domestic EMU debates will require the minutes of meetings such as interdepartmental EMU meetings or Maasgroup meetings.

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Annex A

The Netherlands

Actors:

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Onno Ruding
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René van der Linden
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Piet Dankert
Jan de Koning

Jan Pronk.
Bert de Vries
Koos Andriessen
Frans Andriessen
Wim Duisenberg
Cees Maas
André Százs

Function:

Prime-Minister
Minister for Foreign Finance
Minister for Foreign Finance
Minister for Foreign Affairs
Secretary of State for European Affairs
Secretary of State for European Affairs
Secretary of State for European Affairs
Minister of the Interior and Kingdom
Relation
Minister of development aid
Minister of Social Affairs and Employment
Minister of Economic Affairs
European Commissioner
President of DNB
Treasurer General
Employee of DNB

Other EC member states

Actors:

Helmut Kohl
Francois Mitterand
Guilio Andreotti
Margaret Thatcher

Function:

German Chancellor
French President
Italian Prime-Minister
British Prime-Minister