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The Danish Referendum on Economic and Monetary Union

Denmark obtained an opt-out from the third stage of Economic and Monetary Union as one of the conditions for agreeing to ratify the *Treaty on European Union* in 1993. Adoption of the euro would depend upon the approval of the electorate in a referendum.

The Danes voted on 28 September to decide whether or not Denmark would join the single currency and replace the *kroner* with the euro. The result was 53.1% to 46.9% against adopting the euro.

This paper looks at the background to the Danish opt-out, the pro- and anti-euro campaigns, political and public attitudes towards the single currency and implications of the vote.

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Summary of main points

In 1992 Denmark obtained a special arrangement allowing the country not to proceed to the third stage of Economic and Monetary Union (EMU or the single currency) unless or until this had been approved in a national referendum. Since then, the Danish government in consultation with the European Central Bank, has remained in the Exchange Rate Mechanism (ERM2) and has shadowed the euro since its advent in January 1999.

The Bill “Concerning Denmark’s Participation in the Single Currency” was put to the Danish Parliament, the *Folketing*, on 2 May 2000. It received its Third Reading on 6 September 2000. The Bill was adopted by 81 votes to 29 in favour with 69 abstentions.¹

The referendum took place on Thursday 28 September 2000. At polling stations the instructions stated that the vote concerned the bill adopted by the *Folketing* on Denmark’s participation in the single currency. Those who are in favour vote Yes, those who are against vote No.² The turnout was over 85% and the Danes voted by 53.1% to 46.9% against the euro.

The full implications of the vote, both economically and politically, are not yet clear, although commentators tend to assume that there will be repercussions for the British and Swedish referendums on the euro. It has also been suggested that the Intergovernmental Conference (IGC) to prepare for enlargement could also be affected. The Danish ‘No’ will add to the impression of a ‘two-speed’ Europe and might also give rise to caution among the Member States with regard to the timetable for EU expansion.

¹ Act L288.

² The Danish text was as follows: Vejledningen i stemmerummet Vejledning ved folkeafstemningen den 28. september 2000. Der stemmes om det af Folketinget vedtagne forslag til lov om Danmarks deltagelse i den fælles valuta Den, der stemmer for lovforslaget, sætter X ved Ja Den, der stemmer imod lovforslaget, sætter X ved Nej. Der må kun sættes ét kryds på stemmesedlen.

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I The Danish Opt-out from EMU

On 2 June 1992 the Danes voted by 50.7% to 49.3%³ against a Bill to approve the *Treaty on European Union* (or Maastricht Treaty). The Bill had been approved in the Danish Parliament, the *Folketing*, by 130 votes to 25 with 20 abstentions, but this did not achieve the required five-sixths majority needed to approve the delegation of national powers to international authorities without a referendum.⁴ The difference between the two camps was 46,269 votes. Although this was not an altogether surprising result, it presented both the Danish government and the rest of the European Community with a dilemma regarding the future of the Treaty that had been signed by all twelve Member States on 7 May 1992.

Following intense negotiation between the EC and the Danish government, a legally binding compromise was agreed by the heads of state and government at the European Council in Edinburgh (under the UK EC Presidency), whereby Denmark would not enter the third stage of EMU without securing approval in a referendum.⁵ The agreement, known as the Edinburgh Agreement, was adopted as a ‘Decision’ of the Heads of State and Government and later annexed to the Treaty.⁶ The Edinburgh Agreement was put to the Danish electorate on 18 May 1993. On this occasion, the Danes voted by 56.7% to 43.3% in favour of ratifying the Treaty under the terms of the Agreement.⁷ This allowed the ratification process to continue in Denmark and in the rest of the Community. The *Treaty on European Union* came into force in November 1993.

II The Timing of the Referendum

Denmark held general elections on 11 March 1998 which resulted in a narrow victory (by one seat) for the Social Democrat Prime Minister, Poul Nyrup Rasmussen. He had headed a minority coalition government since 1994 and had called an early election in order to avoid political uncertainty before the referendum to approve ratification of the *Treaty of Amsterdam* on 28 May 1998.

In his New Year address in January 1999 Mr Rasmussen said that it would be best for Denmark, for employment and the welfare society to join the euro “at some point”, but that the choice had to be theirs alone and the opt-out reversed only by a referendum.⁸ Mr Rasmussen is pro-integrationist and pro-EMU, as is the opposition Liberal party leader, Uffe Ulleman-Jensen. Mr Rasmussen’s views are supported by the Confederation of

³ The turnout was 82.3%.

⁴ For a five-sixths majority, 150 votes out of 179 were needed.

⁵ Denmark also obtained special arrangement for defence and ‘third pillar’ elements of the new Treaty.

⁶ *Denmark and the Treaty on European Union*. See also Research Paper 93/3, *The Maastricht Debate: Clarifications, ‘Opt-outs’ and Amendments*, 12 January 1993

⁷ The turnout was 86.2%

⁸ *Financial Times*, 17 August 1999.

Danish Industry. Hans Ejvind Hansen, chairman of the Copenhagen Stock Exchange, suggested that EMU membership would have a positive impact on foreign demand for Danish securities, but that it would also expose Danish financial instruments to keener competition, particularly in the government bond market.⁹ The Foreign Affairs Minister, Niels Helveg Petersen, said in a speech in November 1999:

Denmark welcomes the successful introduction of the European currency, the Euro. A strong single currency for Europe will enhance the dynamics of the single market, benefit trade partners and protect Europe against international financial crisis and speculation. It will take some time before we see the full potential of the Euro. Having a third strong global currency beside the dollar and the yen will hopefully help in stabilising the world economy. This will benefit all economies and allow smaller states to have a say in international monetary policy.

The Euro will be an important building block for the future of the Danish and European welfare models. The Euro is the shield towards the pressure of global economy. Look back at the financial crisis in Asia last autumn. I consider the Euro to be of vital importance to Denmark and Europe. Denmark is not participating in the Euro from the beginning, but it is likely that a referendum on Denmark's participation will take place next year or the year after.¹⁰

Denmark comfortably meets the economic criteria for EMU and its economy “tends to move in cycle with the rest of the euro-zone”¹¹, so it could accept interest rates set by the ECB without difficulty, but the government was cautious about early entry “because of a strong vein of scepticism running through their electorates”.¹² Although a clear majority among Denmark's mainstream political parties favoured EMU entry, for politicians who recall the Danish rejection of the Maastricht Treaty in 1992, there was only cautious optimism. The government was reluctant to set a definite date for a referendum, pending a clear shift in public opinion.

Although the Confederation of Danish Industry favoured a referendum at the end of 1999, the Prime Minister announced in mid-1999, when support for the euro was high, that the vote would be held between September 2000 and the next general election, due in March 2002 at the latest. Speculation about the timing of the referendum ended on 9 March 2000 when Mr Rasmussen proposed holding the referendum on 28 September 2000. The decision coincided with the formal application by Greece to join EMU.

⁹ *Financial Times*, 18 April 2000.

¹⁰ “Small states can make a difference – Denmark in Europe”, presentation by Niels Helveg Petersen, Foreign Affairs College, Beijing, 10 November 1999, at: http://www.um.dk/udenrigspolitik/sikkerhed/tale_kina.asp.

¹¹ *Daily Telegraph*, 29 August 2000.

¹² *Financial Times*, 13 October 1999.

III Studies on Denmark and EMU

The Danish economy has enjoyed a long run of reasonable to good economic growth that began in 1993. 1998 and 1999 were years in which the government successfully managed to cool down the economy and achieve a 'soft landing' that has eliminated most of the threat of inflation, but has left the economy still near to capacity. The latest OECD economic survey put it thus:

The main concern of policy makers during the second half of 1998 and 1999 was the process of unwinding the excess demand that had built up, both by dampening spending and by boosting potential output, especially through increases in labour supply. Fiscal policy and ongoing labour market reform were the key instruments employed, and shifts in monetary conditions and effective exchange rates also contributed to cooling the economy.¹³

As well as reducing activity, the tax and spending measures that took effect in 1998 and 1999 helped to improve the state of the public finances in Denmark; 1999 saw a fiscal surplus for the government of 3% of GDP. The Budget for 2000 projects a surplus of 2.1% of GDP with surpluses of 2% or more until 2005. The short term outlook for the Danish economy is one of modest, low inflation and low unemployment.

It is important to remember in the context of the Danish euro membership debate that some of the issues that are important in the UK are of less interest in Denmark. For example, even before 1992 the Danish currency was managed so that it closely tracked the German mark. Denmark, unlike Sweden and Britain, has maintained a fixed exchange rate policy vis-à-vis the deutschmark and the other core currencies within the EMS since 1982. In 1992 the krone became a member of the old ERM which fixed its value against a narrow band against the ECU. In 1998, despite not participating in EMU, Denmark reached an agreement with the European Central Bank (ECB) to participate in the new ERM arrangement. The agreement provides for bands of exchange rate fluctuation of 2.25% around a central parity rate. Given this fixed exchange rate policy the Danish Central Bank already has very little freedom to follow an independent monetary policy. Hence, arguments such as 'save the krone' have far less resonance in Denmark than one might imagine.¹⁴

Following a one-year study by the government's EMU committee¹⁵, the Danish Ministry of Economic Affairs and the Danish Central Bank published a report on Denmark and

¹³ *OECD Economic Survey of Denmark*, July 2000, p 25

¹⁴ This summary was contributed by Tim Edmonds, *Economic Policy and Statistics Section*.

¹⁵ The EMU Committee is a forum for an exchange of views between the public and the private sector in order to clarify consequences for Denmark of the euro-eleven entering the third stage of EMU.

EMU in March 1998. The main conclusions reached regarding the consequences for Denmark of being outside the euro-zone were as follows:

- Eleven countries are expected to participate in the euro from 1 January 1999. Around 50 per cent of Denmark's foreign trade in goods is with the future euro area. The euro will carry significant economic weight comparable to that of the United States of America.
- The euro is expected to become strong. This and the economic size of the euro area means that the euro will become an internationally used currency comparable to the dollar and the yen. It is furthermore expected that the single euro-capital market - in time - will be able to compete in size, effectiveness and international importance with the US capital market.
- The euro will eliminate more barriers to free trade such as exchange rate uncertainties and transaction costs between euro countries. Moreover, the euro will increase transparency of prices on the markets. This enhances competition between enterprises including those in the financial sector and create lower prices thus benefiting consumers. All countries participating in the Single Market will benefit from the euro, including Denmark.
- Danish enterprises will benefit from the euro although benefits will generally be smaller than in the euro countries. The euro will influence the strategies of enterprises with regard to sales, marketing, price, and product differentiation as well as geographical location of investments.
- Danish enterprises will need to adapt to changes concerning invoicing and pricing in euro, supply-and sales material directed towards the euro area and sales via the Internet. The costs of adapting should not be overemphasised. Business considerations will determine the extent of adaptation. The consequences for import and export enterprises will, however, be significantly larger than for pure home market enterprises.
- Consumers will not be influenced as directly as enterprises. More competition in the Single Market will dampen prices and increase prosperity also for Danish consumers.
- A certain interest rate differential between Denmark and the euro area and thus a slightly higher Danish real interest rate can be expected. This will influence the costs of domestic financing for Danish enterprises and consumers. However, at present financial markets seem to expect only a small interest rate differential.
- Even though Denmark participates fully in all other parts of the economic cooperation in the EU, the impact of Danish views may diminish with the introduction of the euro and the single monetary and exchange rate policy.
- Certain changes of Danish legislation are necessary before 1 January 1999. In addition there is a need to consider whether Danish enterprises should be allowed to do bookkeeping and present accounts in euro.
- In the Danish Government's medium term economic plan "Denmark 2005" economic policies are more ambitious than in most other EU-countries. The reasons are the need for greater room for manoeuvre in fiscal policy and a fully credible fixed exchange rate policy.¹⁶

¹⁶ Ministry of Economic Affairs, *Denmark and the Euro*, 30 March 1998, at: <http://www.oem.dk/eng/eco/index.html>.

The report summed up the *economic policy* consequences for Denmark of non-participation in the single currency as follows:

- The euro countries will have a single monetary policy and exchange rate policy. The non-participating countries, including Denmark, will formally retain their existing powers in the field of monetary and exchange rate policy.
- The Danish exchange rate policy will have the euro as the future anchor instead of the German mark. Denmark will participate in the new exchange rate mechanism, ERM2.
- Denmark participates in the Stability and Growth Pact, but is not subject to sanctions.
- Danish economic policy must be more ambitious than the economic policy of the euro countries in order to secure room of manoeuvre for fiscal policy and the credibility of the fixed exchange rate policy. This is already built into the economic policy plan of the Government running to the year 2005.
- Denmark can - like today vis-à-vis the German mark - be expected to have a certain interest rate spread by not participating in the euro. With a continued interest differential the real interest rate is expected to be slightly higher in Denmark compared with the euro area.
- There is a risk that Member States outside the euro area, including Denmark, will experience reduced influence in the economic policy area when the single currency is introduced, even though Denmark participates fully in all other parts of the economic cooperation in the EU than the single monetary and exchange rate policy.¹⁷

The *legislative* consequences of non-participation were summarised as follows:

- Certain changes of Danish legislation are necessary due to the introduction of the euro. The need for further adjustments must be considered in light of developments in other countries outside the euro area *e.g.* Sweden.
- Today enterprise accounts can be presented in foreign currency but only as a supplement to presentation in Danish krone. The same will be true for the euro.
- Only the Danish krone will be legal tender in Denmark. This does not preclude Danish citizens from accepting payments in other currencies than the Danish krone.
- There will be a continuing need for adjusting Danish legislation to developments in international financial markets.¹⁸

The report also looked at the consequences for industry, the financial sector and for consumers. The full report can be found at the Danish Ministry of Economics website at <http://www.oem.dk/eng/eco/index.html>.

A report published in April 2000 by the Danish Economic Council¹⁹ into the effect of EMU on Denmark concluded:

¹⁷ "Some economic policy and legislative consequences for Denmark", at: <http://www.oem.dk/eng/eco/index.html>.

¹⁸ Legislative consequences, *ibid.*

There will be various efficiency gains in the form of saved transaction costs, a probable reduction of the interest rate spread towards Germany, the ending of exchange rate fluctuations against the currencies of present EMU member countries, and probably beneficial effects from increased competition in some sectors. However, these gains are not expected to be very significant for the long-term development of the Danish economy. In relation to stabilization policy, it is significant that empirical analyses show that Denmark deviates somewhat from the core countries of the EMU with respect to changes in GDP and other economic variables. Future Danish EMU membership might in itself change these differences, but the change could be in either direction. Hence it is not impossible that there would be a situation in the future where the Danish business cycle differed considerably from that of the other countries, and the option of exercising an independent Danish monetary policy reaction would be useful.

The restrictions concerning fiscal policy in the Maastricht treaty seem somewhat arbitrary, but at present do not seem likely to restrict Denmark's stabilization options. However, because of demographic changes, these restrictions may cause problems in the future for several EMU member countries, and partly because of this, future pressure to change the fiscal policy rules of the EMU can be anticipated. Whether it is advantageous from a purely economic viewpoint for Denmark to join the EMU depends on whether the efficiency gains outweigh the costs of definitively giving up the possibility of an independent monetary and exchange rate policy. The value of an independent monetary policy depends on the extent to which a monetary policy based on the whole Euro area will also be suitable for Denmark, and if it is not suitable, on the willingness of Danish politicians to use other stabilization instruments. The fact that Denmark has been able to maintain a fixed exchange rate against the Deutschmark for several years shows that we may not necessarily need an independent monetary policy to be able to react to differences in the business cycle. The probability that Denmark will be affected by a major asymmetric shock is not very great.

Summing up, the Chairmanship assesses the purely economic costs and benefits for Denmark of EMU membership as being small and uncertain. However, as stated earlier, there are a number of other aspects, not least those of a political nature, which may have an important role for Denmark's choice, but which are not considered in the report.

If Denmark decides to stay outside the EMU, one possibility is to continue the fixed exchange rate policy vis-à-vis the Euro within the ERM II agreement, possibly in an expanded fluctuation band. The fixed exchange rate policy has gained credibility and is today well incorporated into economic policy and expectations formation. This in itself speaks for continuing the fixed exchange rate policy in the event that Denmark decides not to join. Persistent speculative

¹⁹ The Economic Council is an economic advisory body established in 1962. The Council has 29 members representing unions, employers, the Central Bank and the Danish Government. Independent economic experts are members as well. The Council is presided over by three independent chairmen (called the "wise men"), who are generally academics. The Council meets twice a year to discuss a report prepared by the Chairmanship.

pressure on the Danish Krone could force an abandonment of the fixed exchange rate arrangement. Normally, speculative attacks only occur when an unsustainable economic policy is incompatible with a fixed exchange rate. As regards Denmark, it is difficult to point to any real economic reasons why the Danish currency should be overvalued and thus be subject to speculation. This does not, however, exclude the possibility of unfounded speculative attacks in a situation where we decided to keep the fixed exchange rate arrangement. But it is not likely that periods of speculative pressure would be long-lasting, and experience from earlier crises shows that they quickly abate and that they only have real economic consequences for countries that already have structural problems. If it turns out to be impossible or undesirable to continue the fixed exchange rate arrangement, an alternative would be to adopt a monetary policy based on inflation targeting, like the United Kingdom and Sweden. Such a policy means that the central bank should target price increases instead of the exchange rate. An advantage of inflation targeting is that monetary policy is conducted on the basis of domestic conditions. In this way, Danmarks Nationalbank would not necessarily have to automatically follow interest rate changes in Euroland regardless of whether they are appropriate in the prevailing economic situation.

Another advantage is that the currency would be less vulnerable to speculative attacks and consequently the risk of having to raise the interest rate temporarily to defend the currency would be smaller. Among the disadvantages is that a monetary policy based on inflation targeting is less transparent than a fixed exchange rate policy. It also allows greater exchange rate swings. However, if the inflation target is the same in two areas, and economic policy is credible, the exchange rates will also move in parallel in the long run, and short term fluctuations in the exchange rate are unlikely to have any importance for foreign trade.²⁰

A report by the Confederation of Trade Unions published at the end of April 2000 noted the potential damage to the Danish labour market that rejection of the euro would cause:

... repudiation of the euro would cost 35,000 Danish jobs because higher interest rates would deter investment. The lost jobs would be split between three main sectors of the labour market, with 11,000 fewer people employed in the construction industry, 17,000 less in the services sector and 6,500 less in manufacturing.²¹

An IMF team analysed the position of the Danish krone against the euro in June 2000, and made recommendations for action in the run-up to the referendum:

²⁰ *Danish Economy*, Spring 2000, English summary of chapter II, "The EMU: Danish Exchange Rate Policy at a Crossroads". From: <http://www.dors.dk/english/index.htm>.

²¹ *Financial Times*, 18 April 2000.

The orientation of monetary policy toward maintaining a fixed exchange rate against the euro has continued to contribute to economic stability and to certainty in policies. At the same time, Denmark's strong economic fundamentals—export-led growth, a return to external current account surplus, a relatively well-functioning labour market following the reform efforts of recent years, a budget surplus, and a flexible fiscal policy—all suggest that Denmark would be well placed to adopt the euro, should that be the voters' choice in September's referendum. Of course, a period of ongoing uncertainty in financial markets ahead of the referendum vote cannot be ruled out. In view of its likely temporary nature, the Nationalbank should continue to counter speculation against the krone by intervening in foreign exchange markets and, if necessary, raise short-term interest rates further above ECB levels.²²

IV The Political Campaigns

The pro-euro lobby had the support of the ruling Social Democrats and Social Liberals, the opposition Liberals, the Conservatives and the Centre Democrats, most of the business community, a majority of trade unions and employers' federations, and most of the media.

Opposition to joining EMU came mainly from the far left, the far right and the centre-right Christian People's Party. Pia Kjaersgaard, leader of the right-wing Danish People's Party (DPP), launched the main anti-euro campaign on 9 April 2000 with the slogan "Keep the krone – vote Danish". The no-lobby has been characterised by the two extremes of the political spectrum, uniting parties that under other circumstances would have nothing in common.

The views of political parties and groups on Denmark and the euro can be found on the Danish Embassy website at <http://www.denmark.org.uk/>. A selection of anti-euro groups in Denmark and other EU Member States groups is listed in the **Appendix I**.

A. The 'Yes' Campaign

On 15 November 1999 Mr Rasmussen launched the government's pro-euro campaign, which aimed to be impartial and to inform the public of the disadvantages as well as the advantages of EMU participation. The campaign slogan avoided the word 'yes' in its advertisements and stated: "If you are in doubt – ask".

John Iversen headed the Social Democrat Party's pro-euro campaign. He regretted that earlier support for the euro in the Danish electorate had suffered as a result of various

²² International Monetary Fund Conclusions of staff visit to Denmark, 21 June 2000, at: <http://www.oem.dk/eng/eco/index.html>.

events in Europe and the weakness of the euro. The speech in May by the German foreign minister, Joschka Fischer, on a federal Europe, was not welcomed in Denmark, where there is concern about loss of sovereignty and German dominance in the EU. According to some analysts, Danes were also against the diplomatic sanctions imposed by the other EU Member States on Austria for including the extreme-right wing Austrian People's Party in the government coalition. The EU action was apparently regarded as unwarranted aggression against another small Member State. This view was dismissed by IFKA, a Copenhagen-based research institute, which stated that in its sample only five out of a hundred anti-euro voters gave indignation at the Austrian sanctions as a motive.²³

In May 2000, as opinion polls began to show falling support for the euro, Mr Rasmussen attempted to appease doubters by asserting that Denmark could join EMU and withdraw at a later date if it wanted. However, this gave rise to increased confusion when this was contradicted by the Commission President, Romano Prodi, who said that membership was "by definition permanent". Mr Prodi later suggested that from a political point of view Mr Rasmussen was correct, although there were no Treaty provisions for joining and leaving EMU

The government warned in speeches and interviews that interest rates could rise if Denmark did not join, leading to higher mortgage rates. These threats were not taken as seriously as the government had hoped, however, as public confidence in the strong Danish economy and labour market has remained high.

Pro-euro campaigners also emphasised the fact that as the krone is already in the ERM and stays within 2.25 per cent of the euro, joining would imply little further loss of sovereignty. This argument tended to backfire on the 'yes' camp, however, as voters concluded that in this case, Denmark could just as easily maintain the *status quo* and remain outside.

The 'yes' campaign suffered from internal wrangling among the ruling coalition parties in the *Folketing* in the weeks preceding the referendum. It was not until 24 September that the five party leaders convened a press conference to assure voters of their confidence in EMU for increasing Denmark's influence in the EU, the Danish economy and welfare state.

The pro-euro campaign has been wary about accepting or inviting the backing of other EU euro-supporters, fearing that foreign intervention might be a disincentive to potential 'yes' voters in the referendum.

²³ *Financial Times*, 24 July 2000.

B. The 'No' Campaign

The 'No' campaign focused on populist and emotive issues such as loss of sovereignty, the perceived move towards a federal Europe, increased immigration from less prosperous EU Member States, as well as the weakness and volatility of the euro, compared with the strength of the krone. Campaigners have argued that participation will endanger the welfare state and could lead to tax harmonisation which could undermine pension and unemployment entitlements. The DPP also suggested that the euro would be a threat to the Danish monarchy.²⁴

Jens-Peter Bonde, the leader of the Europe of Democracy and Diversity Group in the European Parliament and the anti-euro June Movement, said in a speech in London in July:

... in my opinion, EMU is bound to collapse, or develop into a sort of United States of Europe and then collapse, because a European democracy will never function, even if it might be a beautiful dream.

The European Central Bank can only have one interest rate which will always be to the benefit of the central economies. How can the bankers in Frankfurt get a uniform interest rate of 4% to work like 2% in Germany or 6% in Ireland, if the demands are so distributed? It is quite logical that the French Presidency of the European Union now promotes a special secretariat for the euro-11 - soon to be 12 countries with Greece.

They need more tools on a central European level - they need a proper government to run the single currency. That's what the next Inter Governmental Conference and the constitutional process to follow will develop.

The euro is not a common currency to promote trade; it is a single currency to promote a new state:

The Danish government has refused to calculate the costs of changing all computer software, machinery, price lists and slot machines.

The strategy of the government and months of hard work was killed overnight by an independent report from the Danish Wise Men. They produced a very balanced report and concluded it by saying: "Summing up, the Chairmanship assesses the purely economic costs and benefits for Denmark of EMU membership as being small and uncertain." Interviews with most of the Danish

²⁴ *Independent*, 11 September 2000.

economics professors in the papers showed the same conclusion. Most economists will vote for EMU - but for political and not for economic reasons.²⁵

British euro-opponents set up a trust called the *Danish Referendum Campaign* to help their Danish allies in the ‘no’ campaign. According to press reports, trustees of the appeal include Lord Harris of High Cross, Lord Pearson of Rannoch and Lord Shore of Stepney. The British appeal aimed to raise £50,000 to pay for advertisements in the Danish press in the run-up to the referendum. The appeal was also sponsored by the Bruges Group and the Anti-Common Market League. British Conservative MEP, Daniel Hannan,²⁶ addressed the annual congress of the Danish People’s Party in September, although not all Danish anti-euro campaigners welcomed the UK support, some warning that it might drive voters to the pro-euro camp.

V Public Opinion

Over the last few months there has been a regular sampling of public attitudes towards the single currency. Polls have revealed that traditional party allegiances have been abandoned and voters have followed their own convictions and consciences.²⁷ Analyses of polls over the last three months suggested that the anti-euro lobby gained support from younger voters, the elderly, women, high wage-earners, farmers, fishermen and monarchists from rural Jutland.²⁸ The majority of Danes, if perhaps ambivalent about Europe, are not anti-European and favour closer cooperation in many areas of EU activity. Referendums on EU matters and Treaty reforms have generally been close, with the exception of the 1972 referendum on EEC entry, in which there was a clear majority for membership, and the vote on the euro on 28 September. The results of Danish referendum votes on EC/EU matters are given in **Appendix II**.

Danish public scepticism about EMU derives not just from a reluctance to give up the krone for the euro, but from the belief that this is the start of a process leading to the eventual loss of Danish sovereignty in a federal “United States of Europe”. One of the main fears was the possible weakening of the generous welfare system. For many, the economic arguments for joining were simply not convincing and they saw no significant negative economic consequences from remaining outside the euro-zone while continuing to shadow the euro. There has been a reluctance to trust either the government or the opposition, or the leaders of any of the pro-euro parties. One commentator noted a

²⁵ Extracts from “Danish referendum on joining the single currency,” Speech by Jens-Peter Bonde MEP to The Fourth Congress for Democracy held at Church House, Westminster on 14th July 2000.

²⁶ The EP is to investigate Mr Hannan’s use of EP facilities in his fundraising activities for the anti-euro campaign in Denmark.

²⁷ *Irish Times*, 9 September 2000.

²⁸ *Financial Times*, 8 July 2000 and *Daily Telegraph*, 29 August 2000.

“growing frustration at the refusal of domestic politicians to admit that the euro is as much a political project as an economic one”.²⁹

Reuter News Service published a summary of opinion polls on Danish membership of EMU from the end of 1998 to September 1999, as follows:³⁰

Pollster	Date of release	% Yes	% No	% Undecided
Gallup	Dec 31 1998	48	42	10
Greens	Jan-07	50	32	17
Gallup	Jan-23	50	38	12
Sonar	Jan-25	49	30	21
Greens	Feb-08	52	33	14
IFKA	Mar-07	50	31	19
Greens	Mar-26	46	35	18
Greens	May-07	46	36	18
Greens	Jun-04	46	38	16
IFKA	Jun-15	46	34	19
Greens	Aug-06	45	36	19
Sonar	Aug-31	46	34	20
Greens	Sep-03	40	37	21
IFKA	Sep-10	51	27	22 *
AC Nielsen AIM	Sep-13	43	37	20
Sonar	Sept 20 1999	46	32	22

* includes undecided and those not planning to vote

Another *Reuter* survey³¹ from early February to the end of March 2000 gave the following results:

²⁹ *Financial Times*, 24 July 2000.

³⁰ Peter Starck, *Reuter News Service- Western Europe*, 20 September 1999. Figures subject to rounding.

³¹ Peter Starck, 23 March 2000. Figures subject to rounding.

Pollster	Date of release	% Yes	% No	% Undecided
Green's	Feb-04	46	34	20
Gallup	Feb-10	46	46	8
PLS Consult	Feb-11	51	35	13
Sonar	Feb-21	46	34	N/A
DS	Feb-21	52	40	8
Megafon	N/A	50	38	12
Green's	Mar-03	44	38	18
IFKA	Mar-03	41	32	19 *
Gallup	Mar-11	43	46	11
Netsv@ar	Mar-11	57	34	9
Megafon	Mar-12	50	38	12
Vilstrup	Mar-13	45	33	18
DS	Mar-20	49	42	8
Gallup**	Mar-23	46	42	N/A

* IFKA said eight per cent of respondents did not plan to vote

** Gallup's Jan 18-Feb 6 survey made before referendum date

The following poll results were taken from a variety of sources from May 2000:

Date	%Yes	%No	%Undecided
5 May	48	42	10 ³²
8-11 May	43	39	18 ³³
20 May	43	47	10 ³⁴
1 June	42	46	22 ³⁵
3 June	43	47	10 ³⁶
7 July	43	50	7 ³⁷
20 July	40	30	30 ³⁸
8-15 August	39	41	20 ³⁹
16-17 August	45	42	13 ⁴⁰
27 August	45	36	19 ⁴¹
8 September	42	41	17 ⁴²
10 September	41	44	15 ⁴³

³² Green's, *Reuter News Service-Western Europe*, 5 June 2000.

³³ Megafon, *Reuter* *ibid.*

³⁴ Gallup, *Reuter* *ibid.*

³⁵ *Financial Times*, 3 June 2000.

³⁶ *Sunday Telegraph*, 4 June 2000.

³⁷ Poll in *Borsen*, 7 July 2000, and *Financial Times*, 8 July 2000.

³⁸ Poll in *Politiken*, 20 July 2000, and *Guardian*, 21 July 2000.

³⁹ Vilstrup, published in *Politiken* and *Reuter News Service-Western Europe*, 19 August 2000.

⁴⁰ Poll in *Jyllands-Posten*, *Reuter News Service-Western Europe*, 19 August 2000.

⁴¹ PLS Ramboell, *Reuter News Service-Western Europe*, 27 August 2000.

⁴² Gallup, *Irish Times*, 9 September 2000.

⁴³ *Berlingske Tidende* and *Independent*, 11 September 2000.

Date	%Yes	%No	%Undecided
12 September	40	45	15 ⁴⁴
17 September	38	44	18 ⁴⁵
18 September	37	48	15 ⁴⁶
25 September	45	43	12 ⁴⁷
25 September	42	46	12 ⁴⁸
27 September	46	47	7 ⁴⁹

VI Reaction to the Vote

The Danish Prime Minister has emphasised that, in spite of the vote, Denmark would “continue to play its full part in the future development of the European Community”⁵⁰. The Danish Finance Minister admitted that the vote reflected a general discontent with EU developments that the government had failed to tackle. He pointed to recent speeches on European integration, EU corruption scandals and the impact of globalisation.⁵¹ He also suggested that the government had been talking at cross-purposes with the electorate, and that the vote was at least in part a protest vote against the traditional ruling parties.⁵²

The EU Commission President, Romano Prodi, said that the Commission regretted the vote. He rejected suggestions that the Danish result would give rise to a two-tier Europe⁵³ and said that Denmark could still decide to join EMU at a later date.

The British Government has insisted that the Danish vote will not affect the referendum in the UK. The Prime Minister said before the Danish result that a no-vote would not alter the Government’s proposed timetable for a referendum in the UK after the next general election. The Government stands by its decision to consider entry once the five economic criteria for membership had been assessed, but in an interview on BBC Television News the Minister for Europe, Keith Vaz, stressed that the arguments were as much constitutional and political as economic.⁵⁴ Clearly, EMU will be an election issue in the UK and the Conservative leadership, which is against adopting the euro, will probably gain from the Danish result.

⁴⁴ Gallup, *Financial Times*, 13 September 2000.

⁴⁵ Gallup, *Financial Times*, 18 September 2000.

⁴⁶ Gallup, *Financial Times*, 19 September 2000.

⁴⁷ Vilstrup, *Financial Times*, 26 September 2000.

⁴⁸ Gallup, *ibid.*

⁴⁹ Sonar, *Jyllands-Posten* and *The Copenhagen Post*, 27 September 2000.

⁵⁰ *BBC News*, 29 September 2000, <http://news.bbc.co.uk>.

⁵¹ *BBC Television News*, 28 September 2000.

⁵² *Ibid.*

⁵³ *Financial Times*, 29 September 2000.

⁵⁴ *BBC Television News*, 28 September 2000.

The reaction from EU Member States in EMU has generally been one of disappointment, but resignation. Anti-euro groups within these countries are fortified by the result, and although their ability to change anything in euro-zone countries will be limited, they will no doubt try to extend their influence to the countries outside EMU. The German Finance Minister, Hans Eichel, said that although it would have been in Denmark's interest to adopt the euro, the rest of Europe would survive the vote. He added: "Europe will go forward. European integration is a historic process that is not reversible".⁵⁵ The French Prime Minister, Lionel Jospin, said that although he respected Denmark, the Danish economy was not large enough to affect the euro.⁵⁶ The Swedish Prime Minister, Göran Persson, admitted that the Danish result would "influence domestic debate in Sweden"⁵⁷, but that when the referendum is held in Sweden, the decision on whether or not to join EMU will be based on Swedish issues and concerns alone.

VII Implications of the Vote

The referendum was the second (or, indirectly, the third) time the Danish electorate voted on the single currency. While a yes-vote would have had the effect of revoking the Danish opt-out from the third stage of EMU, the no-vote leaves the Edinburgh arrangement in tact. Although rejection will not present the legal or constitutional problems it did in 1992, it could have serious political, if not economic, repercussions. The Edinburgh Decision remains annexed to the Treaty (now the *Treaty of Amsterdam*), and thus allows Denmark to hold a referendum on participation in EMU at a later date. There appears to be little prospect of another referendum on this matter in the near future.

Although there was some indication that there would be few financial consequences whichever way the vote went, the Danish government had warned that it might be forced to tighten fiscal policy in the event of a no-vote.⁵⁸ The Finance Minister claimed in early September that a no-vote "could cost Danes 5 billion kroner a year".⁵⁹

One economist concluded that the economic ramifications of a no-vote outside Denmark "would be limited by the fact that Denmark represents a relatively small portion of the EU economy".⁶⁰ The *Financial Times* commented that although Denmark is rich and stable, as a member of EMU it "would add little more than two per cent to the euro-zone's total gross domestic product".⁶¹ The response from financial institutions such as

⁵⁵ *BBC News*, 29 September, <http://news.bbc.co.uk>.

⁵⁶ *Ibid.*

⁵⁷ *BBC News*, 29 September 2000, at <http://news.bbc.co.uk>.

⁵⁸ *Financial Times*, 29 August 2000.

⁵⁹ *Irish Times*, 9 September 2000.

⁶⁰ *Ibid.*, Professor Iain Begg, of the RIIA.

⁶¹ 26 September 2000.

the *Bundesbank* and the IMF has been that economically the result will have only a short-term impact on the euro.⁶²

The political consequences could be significant. The negative Danish vote is likely to have more serious consequences outside Denmark than in it. Quentin Peel suggested in the *Financial Times* in August that, as well as making it more difficult for the pro-euro lobbies in Britain and Sweden, a no-vote could “further undermine international confidence in the currency” and also “greatly complicate the negotiations on a new EU treaty”.⁶³ It might also influence Swedish and British voters to vote against the euro in their prospective referendums on EMU. In Sweden, as in Denmark, the Social Democrat government is in favour of adopting the euro, but there is increasing public hostility to it. The Swedish government has not yet set a date for a referendum.

Frank Dahlgaard, an independent member of the Danish parliament and an anti-euro campaigner, suggested in a report in the *Daily Telegraph* that the effect of a no-vote in Denmark “may be felt well beyond the borders of Denmark” and “could even cause the euro to unravel”⁶⁴ While fears of the collapse of the euro and a “domino effect” in other potential EMU members might be exaggerated, there is a real possibility that public confidence in the euro might well diminish as a result of the Danish vote. Some bankers have predicted that the effect of a no-vote will be felt most keenly in the applicant states in Central and Eastern Europe. A ‘two-speed’ Europe with some Members in EMU and others out might not appeal to applicant countries. Hans Reckers of the German *Bundesbank* council suggested that a ‘no’ would imply that “in the future, the euro-zone would expand not into rich, financially disciplined northern Europe but into the less economically stable, less well-off east”.⁶⁵ This could intensify the EU enlargement debate and affect decisions on the speed of expansion to the east. The repercussions could extend to the current Intergovernmental Conference to amend the Treaties to prepare for EU enlargement, due to conclude in December in Nice.

This is the second time that the Danish people have rejected a core element of European integration, and observers of the European project have drawn two different conclusions as to the implications of the vote. Either it could accelerate moves towards integration among a core group of States, thus creating a ‘two-tier’ or ‘two-speed’ Europe; or it could lead to a deeper questioning of the direction and speed of further integration, and perhaps to a slowing down of the process. As with the votes on the Maastricht Treaty, the differences of opinion between the political leaders and the population have become clear. The Danish government has acknowledged the need for more openness and consultation. The British Government could have a delicate and difficult task ahead in convincing traditionally sceptical British voters of the benefits of the euro.

⁶² *Financial Times*, 29 September 2000.

⁶³ *Financial Times*, 17 August 2000.

⁶⁴ *Daily Telegraph*, 23 June 2000.

⁶⁵ *Financial Times*, 26 September 2000.

Appendix I: Anti-euro campaigns

Pan-European

TEAM, The European Anti-Maastricht Alliance

<http://www.team-alliance.org/>

European EU-Sceptics

<http://www.eusceptic.org/>

Europe of Nations (European Parliament)

Denmark

JuniBevægelsen

<http://www.eusceptic.org/juninet/>.

Euro-nej (euro-no)

People's Movement against the EU

<http://www.folkebevaegelsen.dk/>.

UK

The European Foundation, UK

Business for Sterling National Network, UK

<http://www.bfors.com/stage01.html>

Euroknow - Bringing you the facts about the euro, UK

<http://www.euro-know.org/>

Sweden

Nej till EU, Sverige

<http://www.nejtill.eu.se>

Socialdemokratiska EU-kritiker, Sverige

<http://www.eusceptic.org/soc>

Centernej til EU, Sverige

<http://www.centerpartiet.se/centernej/>

Norway

Nei til EU, Norge

<http://www.aksess.no/nteu/>

Nyhedsarkiv med dagbladsartikler fra bl.a. Jyllandsposten, Politiken og Aktuelt.

Finland

Alternative to the EU, Finland

<http://www.kaapeli.fi/~veu/>

Italy

Nuove Prospettive

Italienske Unionsmodstandere, som har lavet denne side kun om valget i Danmark

<http://www.nuove-prospettive.it>

Other eurosceptic or anti-EU organisations are listed at

<http://www.freebrit.demon.co.uk/>.

Appendix II: Danish Referendums on Europe

2 October 1972	EEC entry	56.7% to 32.9 % in favour
27 February 1986	Single European Act	56.2% to 43.8% in favour
2 June 1992	Treaty on European Union	50.7% to 49.3% against
18 May 1993	TEU/ Edinburgh Decision	56.7% to 43.3% in favour
28 May 1998	Treaty of Amsterdam	55.1% to 44.9% in favour
28 September 2000	Joining EMU	53.1% to 46.9% against