

PRIME MINISTER

MEETING ON ECONOMIC AND MONETARY UNION

The Delors Committee has finally given birth to its report which you will find in the folder together with an exculpatory note from the Governor of the Bank of England. We have arranged a meeting at 1630 tomorrow with the Chancellor and the Foreign Secretary to discuss the line we should take in any preliminary comment. First official reactions will need to be given at the meeting of ECOFIN which the Chancellor will attend in Luxembourg early next week.

The shape of the report is much as expected. The first part reviews the history of economic and monetary integration in the Community; the second part describes economic and monetary union; the third part sets out the steps needed to get there. The sting is of course in this last part, and it is on that that you will wish to concentrate (starting on page 24).

The contents are not much of a surprise either. Much of it is relatively harmless including its requirements for the first stage of economic and monetary union. The problems are:

- the insistence (on page 24) that by embarking on the first stage the Community commits itself irrevocably to the eventual achievement of full economic and monetary union. This makes a nonsense of the step by step approach. It means that the ideologues have won over the pragmatists;
- there is a requirement for a new treaty and for work on preparations for it to start immediately;
- there is a great deal of stuff about regional and social policy which is coded language for the transfer of further huge sums to the poorer Community countries.

Obviously we do not like the report. Equally it would be unwise to blast it out of the water in the first 48 hours since that would suggest that we were more or less excluding ourselves from further discussion. I think our immediate line should be that we are studying it very carefully; that our reservations on many of its proposals are well known; but that the Chancellor will be putting our views at the meeting of ECOFIN next week. You may then like to ask the Chancellor for a fuller analysis of the paper over the weekend so that you could consider his tactics at ECOFIN. One helpful development may be the appointment of a new Finance Minister in Germany who comes from the CSU and is likely to be more robust than Stoltenberg.

C.D.P.

(C. D. POWELL)  
13 April 1989

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CONFIDENTIAL

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PRIME MINISTER ✓

DELORS COMMITTEE

I have just heard from the Governor's Office that the Delors Group has today reached unanimous agreement on the terms of its Report. Delors has told the press that this has been achieved. But all members of the Group have agreed to handle the Report as follows:

- copies of the Report will be kept strictly secret until Friday, when Permanent Representatives will hand them over to Heads of Government.
  
- Delors will hold a press conference at mid-day next Monday.

The Governor's Office had only the shortest telephone de-brief from the Governor before he boarded his 'plane. But his general message was that he had "got most of what he wanted". He is apparently claiming that Larosiere is going home an unhappy man. Poehl is said to have kept changing his mind. But it is not clear at the moment what the position is regarding possible further work on a Treaty amendment. Notwithstanding the oath of secrecy, I told the Governor's Office that I am sure you would expect to have some kind of report from him tomorrow on the outcome. I gather that the Chancellor's Office have given the same message.

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PAUL GRAY

12 April 1989

file PM



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

11 April 1989

*See Alex.*

EUROPEAN MONETARY UNION

My understanding is that we are getting close to completion of the Delors Committee's report on the European Monetary Union. I think it would be helpful, as soon as we know the final shape of the report, to work out a draft line for use for the press and in Parliament and to have this ready as promptly as possible. It would be better to avoid off the cuff comment and reaction. If you agree, I should be very grateful if you could let me have a draft.

BF //

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office) and Roger Lavelle (Cabinet Office).

*Yours sincerely,  
C. D. Powell*

C. D. POWELL

Alex Allan, Esq.,  
H.M. Treasury.

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