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FROM UKREP BRUSSELS

FRAME ECONOMIC

DELORS COMMITTEE REPORT ON EMU: CHANCELLOR'S PRESS CONFERENCE, 17
APRIL 1989

1. AT HIS PRESS CONFERENCE THIS AFTERNOON, WHICH FOLLOWED
DELORS', THE CHANCELLOR MADE THE FOLLOWING OPENING STATEMENT:

'AT LUNCH, WE HAD A VERY LUCID PRESENTATION BY THE CHAIRMAN OF THE
COMMITTEE ON ECONOMIC AND MONETARY UNION, MR DELORS. WE AGREED THAT
WE WOULD DISCUSS THIS IN DEPTH AT THE INFORMAL ECOFIN NEXT MONTH. IN
MY OPINION, THE REPORT IS AN EXTREMELY VALUABLE AND THOROUGH PIECE
OF ANALYSIS. IT BRINGS OUT A NUMBER OF THINGS VERY CLEARLY. FIRST,
THE FUNDAMENTAL NATURE OF EMU, AND THE FACT, AS THE REPORT SAYS,
THAT THIS WOULD BE A QUANTUM LEAP COMPARED TO ANYTHING THAT WE HAVE
AGREED TO SO FAR. SECOND, IT MAKES IT CLEAR THAT THIS WOULD NOT BE
POSSIBLE WITHIN THE TERMS OF THE EXISTING TREATY SO TREATY AMENDMENT
WOULD BE NEEDED. IT ALSO MAKES IT CLEAR THAT THERE WOULD BE A
TRANSFER OF SOVEREIGNTY FROM MEMBER STATES TO NEW CENTRAL MONETARY
AND ECONOMIC INSTITUTIONS. IT WOULD BE EASY TO SAY THAT THIS WAS
GOING TO BE A LONG PROCESS WHICH WE COULD EMBARK ON WITHOUT ANY
INTENTION OF GOING RIGHT TO THE END. BUT THAT WOULD NOT BE HONEST
AND WOULD NOT DO JUSTICE TO THIS VERY IMPORTANT REPORT. WE HAVE TO
ASK WHETHER WE WANT TO REACH THE END STAGE, HOWEVER LONG THAT MIGHT
TAKE. I MADE HMG'S VIEWS VERY CLEAR IN MY CHATHAM HOUSE SPEECH OF 25
FEBRUARY. OUR VIEW OF THE COMMUNITY IS ONE OF INDEPENDENT SOVEREIGN
NATION STATES WORKING EVERMORE CLOSELY TOGETHER. WE CANNOT ACCEPT
THE TRANSFER OF SOVEREIGNTY WHICH IS IMPLIED BY THE DELORS REPORT.
EMU AS SPELLED OUT IN THE REPORT WOULD IN EFFECT REQUIRE POLITICAL
UNION, A UNITED STATES OF EUROPE. THAT IS SIMPLY NOT ON THE AGENDA
NOW OR FOR THE FORESEEABLE FUTURE.

AS REGARDS TREATY AMENDMENT, WE ONLY RECENTLY AMENDED THE TREATY
AND THAT CAME INTO EFFECT AS RECENTLY AS 18 MONTHS AGO. THAT WAS

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FROM SEC'S OFFICE	
ACTION	
COPIES	Mr Peretz
	Miss O'Mara

NECESSARY TO IMPLEMENT THE SINGLE ACT AND SINGLE MARKET. THE COMPLETION OF THE SINGLE MARKET BY 1992 IS THE MAJOR TASK OF THE COMMUNITY, TO WHICH THE UK IS TOTALLY COMMITTED. BUT THERE CAN BE NO QUESTION OF FURTHER TREATY AMENDMENT ALONG THE LINES OF THE DELORS REPORT. HAVING SAID THAT, THERE ARE A NUMBER OF THINGS WE CAN DO WITHIN THE EXISTING TREATY TO IMPROVE ECONOMIC AND MONETARY COOPERATION. SOME OF THESE ARE MENTIONED IN THE REPORT. WE WOULD BE VERY KEEN TO PRESS FORWARD WITH THESE. BUT NOT TREATY AMENDMENT OR EMU AS ENVISAGED IN THE REPORT.''

2. QUESTIONS AND ANSWERS

Q. YOU WOULD NOT HAVE SIGNED THE REPORT? THE PM WILL VETO ANY MOVE TO AN IGC?

A. A HYPOTHETICAL QUESTION. THE MEMBERS OF THE COMMITTEE WERE THERE IN THEIR PERSONAL CAPACITY. I HAVE GIVEN HMG'S VIEWS AND THAT INCLUDES THE PM'S. THIS REPORT WILL GO IN DUE COURSE TO THE EUROPEAN COUNCIL IN MADRID. THERE IS NO PROPOSAL YET ON AN IGC.

Q. WHY DO YOU NOT OPPOSE MEMBERSHIP OF ERM WHICH YOU HAVE SAID IN THE PAST YOU FAVOUR, WHEN THAT ALSO IMPLIES A TRANSFER OF SOVEREIGNTY? ANYTHING IN THE REPORT WHICH REINFORCES THE ARGUMENTS ON ERM?

A. OUR POSITION ON THE ERM OF THE EMS, WHICH IS WELL WITHIN THE EXISTING TREATY, IS CLEAR. WE WILL JOIN. THE QUESTION IS WHEN. THAT HAS ALWAYS BEEN THE CASE. THERE IS A WORLD OF DIFFERENCE BETWEEN THE EMS WHICH DOES NOT INVOLVE ANY LOSS OF NATIONAL SOVEREIGNTY AND EMU WHICH, AMONG OTHER THINGS, WOULD INVOLVE A COMMON SINGLE COMMUNITY CURRENCY AND THE ABANDONMENT OF INDIVIDUAL NATIONAL CURRENCIES. NO ONE SHOULD CONFUSE THE TWO.

Q. DO YOU AGREE WITH THE REPORTS'S ASSERTION THAT EMU IS A SINGLE PROCESS WHICH YOU HAVE TO SIGN UP TO FROM THE START?

A. TO DO THEM JUSTICE, I DO NOT THINK THE AUTHORS ARE SAYING THAT. WHAT THEY ARE REQUIRING IS A POLITICAL COMMITMENT TO THE ENTIRE PROCESS WHEN ANYONE EMBARKS ON THE FIRST STEP. THE EVENTUAL DESTINATION REPRESENTS A CONCEPT OF THE EC WHICH WE DO NOT SHARE. I BELIEVE THERE ARE A NUMBER OF OTHER COUNTRIES WHO HAVE RESERVATIONS ABOUT THE ULTIMATE OBJECTIVE ALTHOUGH WHETHER THEY MAKE THAT CLEAR AT THIS STAGE, AS I HAVE, IS ANOTHER MATTER.

Q. UK WILL BE DRAGGED INTO PROCESS, AS IT WAS ON IGC FOLLOWING

MILAN?

A. THERE IS NO QUESTION OF THAT. WE WERE NOT DRAGGED INTO THE SEA WHICH IMPLEMENTS THE SINGLE MARKET. QUITE THE CONTRARY: THE UK WAS FOREMOST IN ESPOUSING THE CASE FOR THE SINGLE MARKET. WHEN I SAY WE HAVE RESERVATIONS ABOUT EMU, WE ARE IN FAVOUR OF CLOSER COOPERATION. FOR EXAMPLE THE UK LIBERALISED CAPITAL MOVEMENTS TEN YEARS BEFORE THE COMMUNITY DECISION. WE HAVE PIONEERED THE ISSUING OF TREASURY ECU BILLS AND HAVE DEVELOPED THE ECU MARKET MORE THAN ANY OTHER COUNTRY. WE HOLD ECU'S IN OUR RESERVES, AS WELL AS OTHER COUNTRIES CURRENCIES. NOT ALL MEMBER STATES DO THAT. WE WELCOME CLOSE COOPERATION WITHIN THE COMMUNITY.

Q. POSITION OF THE GOVERNOR OF THE BANK OF ENGLAND?

A. ON THE COMMITTEE IN HIS PERSONAL CAPACITY. I UNDERSTAND HE GAVE A PRESS BRIEFING TODAY.

Q. PARA 44 OF THE REPORT IMPLIES THAT OTHER MEMBER STATES CAN GO AHEAD WITHOUT THE UK?

A. NO ONE WANTS TO SEE THE EC NEEDLESSLY DIVIDED. I AM CERTAIN THAT IS NOT DELORS' POSITION, NOR IS IT MINE. THIS IS A SUBSTANTIAL PIECE OF WORK ON A SERIOUS SUBJECT WHICH RAISES A NUMBER OF IMPORTANT ISSUES. IT IS NOW FOR THE VARIOUS COUNTRIES TO INDICATE WHERE THEY STAND ON THEM. ANY ATTEMPT TO FRAGMENT THE COMMUNITY WOULD DAMAGE IT. I THEREFORE HOPE THAT WILL NOT HAPPEN.

Q. THE OTHER MEMBER STATES WILL GO AHEAD ON A BASIS WHICH PERMITS THEM TO DO SO WITHOUT THE UK? CAN THE UK PREVENT THE COMMUNITY GOING AHEAD WITH THIS BLUEPRINT?

A. WE HAVE GOT TO SEE HOW OTHER MEMBER STATES REACT TO THE VERY FUNDAMENTAL PROPOSALS IN THIS REPORT WHICH HAS ONLY BEEN PUBLISHED TODAY. I AM NOT PREPARED TO SPECULATE AT THIS VERY EARLY STAGE ON WHAT OTHER COUNTRIES MIGHT DO. I HAVE STATED VERY CLEARLY HMG'S POSITION AND OUR RESERVATIONS ABOUT THE FINAL OBJECTIVE OF THE PROCESS OUTLINED IN THE DELORS REPORT. THE PROCESS REQUIRES TREATY AMENDMENT. THIS WOULD BE VERY PREMATURE SUCH A SHORT TIME AFTER THE MAJOR AMENDMENT INVOLVED IN THE SEA.

CAMPBELL

Mr. Michael Forsyth: I understand that the hon. Member is referring to paragraph 2.7 of Scottish working paper 5 "Capital Charging", rather than to the White Paper Cm. 555. As indicated in paragraph 4.1 of that working paper, health boards are expected to record their capital assets and to value them on a provisional basis during 1989-90 and to refine these values during 1990-91. There are no plans to publish details of individual landholdings and site values of health board properties.

NATIONAL FINANCE

EC Economic and Finance Council

Mr. Gerald Bowden: To ask the Chancellor of the Exchequer if he will make a statement on the outcome of the latest meeting of the European Community's Economic and Finance Council.

Mr. Lawson: The ECOFIN Council met in Luxembourg on 17 April. I represented the United Kingdom.

The council reached agreement with a delegation of the European Parliament, under the conciliation procedure, on the regulations required to implement the new own resources decision of June 1989 which include measures to tighten controls against fraud.

The council had a further discussion of the Commission's proposals on taxation of savings, of direct tax measures to encourage cross-border co-operation between enterprises, and of the proposed 18th VAT directive.

The council discussed indirect tax approximation, stressing the need to consider alternative approaches for the abolition of fiscal frontiers.

The council heard a presentation from the Commission on the revised proposal for a second banking co-ordination directive.

The council adopted a common position on the proposed directive on own funds of credit institutions.

The President of the Commission outlined the main features of the report of the Committee on Economic and Monetary Union which is to be discussed further by the council. I made it clear that, while supporting practical steps within the framework of the existing treaty designed to improve economic and monetary co-operation, the United Kingdom cannot accept the transfer of sovereignty implied by the proposals for full economic and monetary union contained in the Delors report.

Internal Market

Mr. Sillars: To ask the Chancellor of the Exchequer what assessment he has made of the total value at the latest available full year of public sector contracts in each of the European Community countries other than the United Kingdom of a character which will make them open to Community-wide bidding as part of the creation of the internal market.

Mr. Brooke: None. The cost would not be justified. Information is available from European Commission studies on the size of the procurement market in various industrial sectors in other member states but the value of the contracts to be opened to Community-wide bidding will depend on the coverage of the proposed directives and

the threshold above which they will apply. The Commission is investigating the effect of setting the threshold at various levels.

EC (Payments)

Mr. Ralph Howell: To ask the Chancellor of the Exchequer, pursuant to his answer to the hon. Member for Southend, East (Mr. Taylor) *Official Report*, 8 November 1988, column 112, what was the net payment made to the European Community by the United Kingdom for each year since 1979; and what was in each case the net payment to European Economic Community institutions as a percentage of gross domestic product.

Mr. Brooke: The information requested is set out in the table.

Total net payments to European Community institutions¹

	£ million	Percentage of money GDP
1979-80	841	0.4
1980-81	168	0.1
1981-82	117	0.1
1982-83	589	0.2
1983-84	836	0.3
1984-85	974	0.3
1985-86	822	0.2
1986-87	1,079	0.3
1987-88	1,664	0.4
1988-89	950	0.2

¹ Excluding overseas aid: for domestic public expenditure planning purposes, part of the United Kingdom's contribution to the Community budget is attributed to the overseas aid programme.

Treasury Stock

Mr. Andrew Bowden: To ask the Chancellor of the Exchequer if he will estimate the number of persons holding 2½ per cent. Treasury stock 1975 issued in 1946-47; and what is the size of the average holding.

Mr. Lilley: There are approximately 12,300 registered holders of 2½ per cent. Treasury stock 1975 or after with an average size holding of £38,700. It is impossible without undue cost to distinguish between personal and corporate holdings.

Mr. Andrew Bowden: To ask the Chancellor of the Exchequer what would be the cost of redemption of 2½ per cent Treasury stock 1975.

Mr. Lilley: The cost of redemption of 2½ per cent Treasury stock 1975 or after would be £475 million.

Mr. Andrew Bowden: To ask the Chancellor of the Exchequer what plans he has to redeem 2½ per cent Treasury stock 1975.

Mr. Lilley: None.

Personal Imports

Mr. Butler: To ask the Chancellor of the Exchequer whether he has any plans to increase the duty free limit on personal imports of gifts into the United Kingdom; and if he will make a statement.

Mr. Lilley: The travellers' allowances for goods purchased duty free for importation as personal gifts are

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Prime Minister²

A rough transcript of the Chancellor's
comments after Eco-Fin.

DSR IIC
(Revised 3/87)

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DELORS COMMITTEE REPORT ON EMU: CHANCELLOR'S PRESS
CONFERENCE, 17 APRIL 1989

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

PRIVACY MARKING

In Confidence

1. At his press conference this afternoon, which followed Delors', the Chancellor made the following opening statement: ~~and then answered questions.~~

"At lunch, we had a very lucid presentation by the Chairman of the Committee on Economic and Monetary Union, Mr Delors. We agreed that we would be discussing this in depth at the informal Ecofin next month.

The report In my opinion is an extremely valuable and thorough piece of analysis. It brings out a number of things very clearly. First, the fundamental nature of EMU ^{and} the fact, ~~that~~ ^{that} as the report says, ^{that} this would be a quantum leap compared to anything that we have agreed to so far. It makes it clear that this would not be possible within the terms of the existing Treaty so Treaty amendment would be needed. ^{Second, it} ~~He~~ ^{also} makes clear that there would be a transfer of sovereignty from Members States to new central monetary and economic institutions. It would be ~~very~~ easy to say that this was going to be a long process which we could embark on without any intention of going right to the end. But that would not be honest and would not do justice to this very important report. We have to ask whether we want to reach the end stage, however long that might take. I made HMG's views very clear in my Chatham House speech of 25 February. Our view of the Community is one of independent ^{nation} sovereign states working evermore closely together. We cannot accept the transfer of sovereignty which is implied by the Delors report.

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EMU as spelled out in the report would in effect require political ~~union~~, a United States of Europe. That is simply not on the agenda now or for the foreseeable future.

regards
As for ~~the question of~~ Treaty amendment, ~~it is only very~~ *only recently* recently that we amended the Treaty and that came into effect as recently as 18 months ago. That was necessary to implement the single act and single market. The ~~XXXXXXXXXXXXXXXXXXXX~~ completion of the single market by 1992 is the major task of the Community, to which the UK is totally committed. ~~We believe that we should throw ourselves into that completely.~~ *But* There can be no question of *further* Treaty amendment along the lines of the Delors report. ~~Having said that, there are a number of~~ *of* things we can do within the existing treaty to improve economic and monetary cooperation. Some of these are mentioned in the report. We would be very keen to press forward with these. But not treaty amendment or EMU as envisaged in the report."

2. QUESTIONS AND ANSWERS

Q. You would not have signed the report? The PM will veto any move to an IGC?

A. A hypothetical question. The Members of the Committee were there in their personal capacity. I have given HMG's views *and that* which includes the PM's. This report will go in due course to the European Council in Madrid. There is no proposal yet on an IGC.

Why do you not oppose
Q. *you have* Membership of ERM which ~~Chancellor has said in the~~ *you* *what's also*

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Anything in the report which reinforces the arguments on ERM?

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A. Our position on the ERM of the EMS, ^{which} is well known, ~~This~~ is well within the existing treaty, is clear. We will join. The question is when. That has always been the case. There is a world of difference between ^{the EMS} ~~that~~ which does not involve any loss of national sovereignty and EMU which, among other things, would involve a common ^{single} community currency and the abandonment of individual national currencies. No one should confuse the two.

Q. Do you agree with the report's assertion that EMU is a single process which you have to sign up to from the start?

A. To do them justice, I do not think the ^{authors} ~~they~~ are saying that. What they are requiring is a political commitment to the entire process when anyone embarks on the first step. The eventual destination represents a concept of the EC which we do not share. I believe there are a number of other countries who have reservations about the ultimate objective although whether they make that clear at this stage, as I have, is another matter.

Q. UK will be dragged into process, as it was on IGC following Milan?

A. There is no question of that. We were not dragged into the SEA which implements the single market. Quite the contrary: the UK was foremost in espousing the case for the single market.

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When I ^{say} we have reservations about EMU, we are in favour of closer cooperation. For example the UK liberalised capital movements ten years before the community decision. We have pioneered the issuing of Treasury ecu bills and have developed the ecu market more than any other country. We hold ecu's in our reserves, as well as other countries currencies. Not all Member States do that. We welcome close cooperation within the community. ~~Position of the~~

Q. Position of the Governor of the Bank of England?

A. On the committee in his personal capacity. I understand he gave a press briefing today.

Q. Para 44 of the report implies that other member states can go ahead without the UK?

A. Noone wants to see the EC needlessly divided. ^{I am certain} That is not Delors' position, ^{is it} nor mine. This is a substantial piece of work on a serious subject which raises a number of important issues. It is now for the various countries to indicate where they stand on ~~them~~ ~~various issues~~. Any attempt to fragment the Community would damage it, and I therefore hope that will not happen.

Q. The other member states will go ahead on a basis which permits them to do so without the UK?

Can the UK prevent the Community going ahead with this blueprint

A. We have got to see how other member states react to this report which has only been published today.

to the very fundamental proposals in

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I am not prepared to speculate on what other countries might do. at this very early stage I have stated very clearly HMG's position and our reservations about the final objective of the process outlined in the Delors report. The process requires treaty amendment. ~~TEXT~~
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

This would be very premature such a short time after the major amendment involve d in the SEA.