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FRAME ECONOMIC

FROM PRIVATE SECRETARY
VISIT OF THE GERMAN FOREIGN MINISTER: EUROPEAN COMMUNITY
SUMMARY

1. THE SECRETARY OF STATE EXPLAINS OUR RESERVATIONS ABOUT THE DELORS PROPOSALS. GENSCHER DESCRIBES GERMAN COMMITMENT TO GOAL OF EMU BY STAGES AND HOPES FOR UK INVOLVEMENT. AGREEMENT ON THE PRINCIPLE THAT DEREGULATION IS PREFERABLE TO HARMONISATION.

DETAIL

2. DURING THEIR MEETING IN LONDON TODAY, GENSCHER ASKED THE SECRETARY OF STATE FOR HIS REACTIONS TO THE DELORS REPORT. THE SECRETARY OF STATE SAID THAT OUR MAIN OBJECTION WAS TO THE 'IN FOR A PENNY IN FOR A POUND' COMMITMENT IMPLICIT IN PARAGRAPH 39. THERE WAS MUCH IN THE FIRST STAGE OF THE REPORT WITH WHICH WE COULD AGREE AND A NUMBER OF MEASURES, SUCH AS HOLDINGS OF ECU RESERVES, WHERE WE WERE AHEAD OF THE BUNDESBANK. WE COULD NOT MAKE ANY KIND OF COMMITMENT AT THIS STAGE TO THE FURTHER STAGES OF THE REPORT AND WE WOULD NOT PUT TREATY CHANGE TO OUR PARLIAMENT. HE THOUGHT THAT MANY OTHER EC COLLEAGUES, WHILE PAYING LIP-SERVICE TO THE NOTION OF A CENTRAL BANK AND A COMMON CURRENCY, IN PRACTICE REALISED THESE THINGS WERE UNACHIEVABLE IN THE FORESEEABLE FUTURE.

3. GENSCHER ASKED WHETHER BRITAIN WAS NOW READY TO JOIN THE ERM. THE MECHANISM NEEDED THE MEMBERSHIP OF STABLE CURRENCIES. GERMANY ALSO THOUGHT IT VERY IMPORTANT TO GO FORWARD TO MONETARY UNION AND A COMMON CENTRAL BANK SYSTEM. THE LATTER WAS BOUND TO BE VERY FEDERALIST, AS THE BUNDESBANK HAD BEEN IN ITS EARLY STAGES. EUROPE MUST TAKE ADVANTAGE OF THE INTERNAL MARKET TO HAVE CLOSER COOPERATION - PARTICULARLY THOSE COUNTRIES INTERESTED IN STABILITY.

4. THE SECRETARY OF STATE SAID THERE WAS AN IMPORTANT DISTINCTION BETWEEN PRACTICAL COOPERATION USING EXISTING MACHINERY, AND INSTITUTIONAL CHANGE, WHICH WE REGARDED AS UNNECESSARY. THE KIND OF INSTITUTIONAL COMMITMENT

ENVISAGED BY THE DELORS REPORT WOULD BE UNACCEPTABLE TO THE HOUSE OF COMMONS. OUR POSITION ON THE ERM WAS WELL ESTABLISHED.

5. THE SECRETARY OF STATE SAID THERE WERE OTHER INSTANCES WHERE THE COMMUNITY NEEDED TO HAVE REGARD FOR DIFFERENT TRADITIONS. THE TOBACCO DIRECTIVE WAS A CASE IN POINT. WE HAD RESISTED THE DIRECTIVE, NOT BECAUSE WE OBJECTED TO THE SUBSTANCE BUT BECAUSE IT GRATUITOUSLY REPLACED OUR OWN, WELL-TRIED AND EFFECTIVE VOLUNTARY SYSTEM. SIMILARLY, ON COMPANY LAW, WE RECOGNISED THE GERMAN COMMITMENT TO MITTBESTIMMUNG. BUT JUST AS GERMANY HAD ITS TRADITIONS, SO WE HAD OURS. WE HAD NOT REPELLED TRADE UNION DOMINATION OF OUR INDUSTRY ONLY TO ACCEPT IT BY ANOTHER DOOR. GENSCHER SAID THAT CO-DETERMINATION WAS AN ESSENTIAL PART OF GERMANY'S SOCIAL STABILITY. THE SECRETARY OF STATE THAT WAS PRECISELY THE POINT. WE WOULD NOT DREAM OF CHALLENGING THE GERMAN PRACTICE BUT A COMMON SYSTEM IN THIS AREA WAS UNNECESSARY. THERE WERE SOME AREAS WHERE, HOWEVER UNCOMFORTABLE, A COMMON STANDARD WAS NECESSARY FOR THE SINGLE MARKET BUT THERE WERE OTHERS WHERE HARMONISATION WAS QUITE UNNECESSARY. GENSCHER AGREED THAT THERE WAS A REGRETTABLE TENDENCY TO TRY TO IMPOSE THE RULES OF ONE MEMBER STATE ON ALL THE OTHERS. HE AGREED THAT THE TREND SHOULD BE MORE TOWARDS DEREGULATION.

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