

RESTRICTED
FM FCO
TO IMMEDIATE PARIS
TELNO 716
OF 301451Z AUGUST 89
AND TO IMMEDIATE OTHER EC POSTS
INFO PRIORITY UKREP BRUSSELS

Mo

Prime Minister

You should be aware of this exchange. The French are trying to bounce us into a

EMU: FRENCH PROPOSAL FOR A HIGH-LEVEL GROUP

special group to discuss

1. FCO TELNO 649 TO YOU NOTED FRENCH PROPOSALS FOR A HIGH LEVEL GROUP TO CARRY FORWARD WORK ON EMU. M BEREGEVOY AND M DUMAS HAVE NOW WRITTEN JOINTLY TO THE CHANCELLOR AND MYSELF (TEXT IN MY FIRST IFT), INVITING US TO SEND PERSONAL REPRESENTATIVES TO THE FIRST MEETING OF SUCH A GROUP IN BRUSS:LS ON 5 SEPTEMBER.

future stages of

2. OUR VIEW REMAINS THAT SUCH A MEETING WOULD BE PREMATURE, AND THAT THE REMIT OF ANY SUCH GROUP SHOULD FIRST BE AGREED BY THE COUNCIL.

EMU. I suspect

3. (FOR PARIS) PLEASE DELIVER THE REPLY IN MY SECOND IFT AS SOON AS POSSIBLE TO DUMAS AND BEREGOVYOY, AND REPORT REACTIONS. IF NECESSARY, I WOULD OF COURSE BE HAPPY TO DISCUSS THE PROPOSAL FURTHER WITH DUMAS AT CHEQUERS ON 1 SEPTEMBER.

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4. (FOR BONN, THE HAGUE, LUXEMBOURG, LISBON, COPENHAGEN) PLEASE CALL URGENTLY ON APPROPRIATE CONTACTS IN THE FOREIGN AND FINANCE MINISTRIES AND SEEK SUPPORT FOR OUR SUGGESTION THAT THE MEETING SHOULD BE POSTPONED AT LEAST UNTIL AFTER THE INFORMAL ECOFIN. YOU SHOULD DRAW ON THE ARGUMENTS IN MY SECOND IFT AND MAY HAND OVER THE TEXT. WE HOPE THAT THOSE WITH SIMILAR VIEWS (INFORMAL CONTACTS ON 29 AUGUST INDICATED RESERVATIONS IN THE DUTCH AND GERMAN FINANCE MINISTRIES) WILL REPLY ACCORDINGLY TO THE FRENCH, IF POSSIBLE ON 30 OR 31 AUGUST. PLEASE REPORT REACTIONS BY IMMEDIATE TELEGRAM.

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5. (OTHER POSTS) WE DOUBT WHETHER YOUR HOST GOVERNMENT WILL HAVE SERIOUS RESERVATIONS ABOUT THIS PROPOSAL, BUT PLEASE INFORM CONTACTS OF THE UK RESPONSE AND, IF APPROPRIATE, SEEK SUPPORT.

to attend

MAJOR

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*rather
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MIPT: EMU: FRENCH PROPOSAL FOR A HIGH-LEVEL GROUP

1. TEXT OF MESSAGE FROM BEREGOVVOY/DUMAS AS FOLLOWS:

BEGINS: AT THE COUNCIL MEETINGS OF 10 AND 17 JULY,
MINISTERS TOUCHED ON THE ACTION TO BE TAKEN FOLLOWING THE
EUROPEAN COUNCIL'S CONCLUSIONS ON ECONOMIC AND MONETARY UNION.

AT THE LAST ECOFIN AND GENERAL AFFAIRS COUNCILS, WE DISCUSSED
THE APPROPRIATE METHOD AND TIMETABLE FOR PROGRESS TOWARDS SUCH
UNION. THE MINISTERS FOR FINANCE HAVE DRAWN UP A WORKING PLAN
FOR THE COMING SIX MONTHS TO STUDY THE FINANCIAL AND MONETARY
PROBLEMS ARISING. THE GENERAL AFFAIRS COUNCIL WILL ASSUME
RESPONSIBILITY FOR COORDINATION AND WILL ENSURE, IN ORDER TO
GUARANTEE A GOOD RUN-UP TO THE EUROPEAN COUNCIL, THAT THE
PREPARATORY WORK FOR THE INTERGOVERNMENTAL CONFERENCE AGREED IN
MADRID IS CONDUCTED AS EFFECTIVELY AS POSSIBLE. THE COHESION
AND COMPREHENSIVENESS OF THE PROCESS WILL THUS BE ASSURED.
IN THIS CONNECTION, THE PRESIDENCY HAS DECIDED TO CONVENE A
HIGH-LEVEL RESTRICTED GROUP (EG TWO MEMBERS PER DELEGATION) OF
PERSONAL REPRESENTATIVES OF THE MINISTERS FOR FOREIGN AFFAIRS,
THE MINISTERS FOR FINANCE AND THE COMMISSION. THE MAIN TASK OF
THAT GROUP - WHICH WILL NOT TAKE OVER FROM THE ADVISORY
COMMITTEES OR THE NORMAL COUNCIL BODIES THE ROLE OF DRAFTING
DECISIONS ON ECONOMIC AND MONETARY MATTERS - WILL BE TO
IDENTIFY, ANALYSE AND ORGANISE THE ELEMENTS WHICH COULD BE
INCLUDED AT THE APPROPRIATE TIME IN A TREATY ON ECONOMIC AND
MONETARY UNION. IT WILL REPORT TO THE GENERAL AFFAIRS COUNCIL
AND THE ECOFIN COUNCIL.

MRS ELISABETH GUIGOU, OFFICIAL REPRESENTATIVE OF THE PRESIDENT
OF THE REPUBLIC, WILL BE THE CHAIRMAN OF THE GROUP.

SHE HAS BEEN ASKED TO TAKE ALL THE NECESSARY MEASURES TO ENSURE
THAT THE FIRST MEETING OF THE GROUP IS HELD AT THE BEGINNING OF

SEPTEMBER.

THE CHAIRMAN WOULD BE GRATEFUL IF YOU WOULD INFORM HER OF THE NAMES OF YOUR PERSONAL REPRESENTATIVES.

FRANCE WILL BE REPRESENTED IN THIS REGARD BY MR PIERRE DE BOISSIEU, HEAD OF THE DEPARTMENT OF ECONOMIC AND FINANCIAL AFFAIRS AT THE MINISTRY OF FOREIGN AFFAIRS, AND BY MR JEAN-CLAUDE TRICHET, HEAD OF THE TREASURY DEPARTMENT AT THE MINISTRY OF THE ECONOMY, FINANCE AND THE BUDGET.

(COMPLIMENTARY CLOSE) ENDS.

MAJOR
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MY TWO IPTS: EMU: FRENCH PROPOSAL FOR A HIGH-LEVEL GROUP

1. TEXT OF UK REPLY TO BEREGOVVOY/DUMAS AS FOLLOWS:

BEGINS:

M PIERRE BEREGOVVOY	M ROLAND DUMAS
MINISTRE D'ETAT	MINISTRE D'ETAT
MINISTRE DE L'ECONOMIE	MINISTRE DES AFFAIRES ETRANGERES
DES FINANCES ET DU BUDGET	

DEAR COLLEAGUES

THANK YOU FOR YOUR LETTER, PROPOSING A MEETING OF A HIGH-LEVEL GROUP ON ECONOMIC AND MONETARY UNION ON 5 SEPTEMBER.

WE WERE SURPRISED TO LEARN OF THIS PROPOSAL. WHEN THE POSSIBILITY OF SETTING UP A HIGH-LEVEL GROUP WAS RAISED AT THE FOREIGN AFFAIRS COUNCIL ON 17 JULY, SEVERAL DELEGATIONS EXPRESSED RESERVATIONS. THE DISCUSSION WAS INCONCLUSIVE. IN VIEW OF THE PREVIOUS CONSIDERATION OF THIS ISSUE WE BELIEVE THAT THE COUNCIL SHOULD DISCUSS THE PROPOSAL AGAIN, AND THE INFORMAL MEETING OF THE ECOFIN COUNCIL ON 8 SEPTEMBER WOULD PROVIDE AN EARLY AND CONVENIENT OPPORTUNITY. WE ACCORDINGLY SUGGEST THAT THE MEETING PROPOSED FOR 5 SEPTEMBER SHOULD NOT TAKE PLACE. IF IT IS FELT NECESSARY FOR THE GENERAL AFFAIRS COUNCIL OR COREPER ALSO TO DISCUSS THE PROPOSAL, NO DOUBT ARRANGEMENTS COULD BE MADE.

NIGEL LAWSON
CHANCELLOR OF THE EXCHEQUER

JOHN MAJOR
SECRETARY OF STATE FOR FOREIGN
AND COMMONWEALTH AFFAIRS

ENDS.

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YOUR TELNO 716: EMU: FRENCH PROPOSAL FOR A HIGH LEVEL GROUP

SUMMARY

1. FRENCH MAINTAIN PROPOSAL. SOME ATTEMPT TO DOWNPLAY ITS SIGNIFICANCE, WITH ASSURANCES THAT THE HIGH LEVEL GROUP CAN ONLY ANALYSE ISSUES, NOT TAKE DECISIONS. WE SAID THAT IN VIEW OF THIS REPLY WE EXPECTED THAT YOU WOULD RAISE SUBJECT ON 1 SEPTEMBER.

DETAIL

2. THE MINISTER CALLED ON 30 AUGUST ON DE BOISSIEU (QUAI), WITH THE TEXT OF OUR MESSAGE FOR DUMAS, AND ON MME GUIGOU (ELYSEE). WE ALSO TOOK PARALLEL ACTION WITH ANNEZO (BEREGOVY CABINET). IN EACH CASE WE UNDERLINED THE PREMATURE NATURE OF A HIGH LEVEL GROUP AND THE NEED FOR THE COUNCIL TO DISCUSS THE PROPOSAL FURTHER.

3. DE BOISSIEU SAID THAT HE WAS NOT SURPRISED BY OUR REACTION. HE WOULD PASS OUR MESSAGE ON TO DUMAS. BUT WE SHOULD BE CLEAR THAT THE GROUP WAS IN ANY CASE GOING TO MEET ON 5 SEPTEMBER. HE HOPED THAT UK WOULD ATTEND. POSITIVE RESPONSES HAD BEEN RECEIVED FROM SOME OTHERS. HE COULD UNDERSTAND HOW THE UK FEARED THAT THE FRENCH WANTED TO RUSH PRECIPITOUSLY INTO AN IGC, BUT IN REALITY THEIR MOTIVES WERE NOT SO MACHIAVELLIAN. EVERYONE AGREED THERE WERE WEAKNESSES IN THE DELORS REPORT, PARTICULARLY ON THE INSTITUTIONAL/ORGANISATIONAL FRONT. THE ROLE OF THE GROUP WOULD BE TO CLARIFY THE OBSCURE POINTS IN DELORS AND WORK OUT HOW, DRAWING ON THE DELORS REPORT, ONE WOULD BEGIN TO CONSIDER LEGAL TEXTS. THE GROUP COULD NOT BE A DECISION TAKING BODY.

4. LLEWELLYN SMITH EMPHASISED THAT IT MUST BE FOR THE COUNCIL TO CONSIDER THESE ISSUES, INCLUDING THE ORGANISATION OF ITS WORK. PROCEDURE AND SUBSTANCE COULD NOT BE NEATLY SEPARATED. DE BOISSIEU CLAIMED THAT PREPARATORY WORK FOR AN IGC HAD ALREADY BEGUN, WITH ITS BASIS IN THE DELORS REPORT. THAT WORK WOULD CONTINUE OVER A LONG PERIOD. HE DID NOT KNOW HOW MANY MEETINGS THE HIGH LEVEL GROUP WOULD HAVE. NOR DID HE EXPECT THAT THERE WOULD BE PAPERS BEFORE THE 5

SEPTEMBER MEETING, WHICH WOULD HAVE AS ITS TASK SIMPLY THE DEFINITION OF OBJECTIVES AND WORK METHOD.

5. LLEWELLYN SMITH SAID THAT WE HAD HOPED TO RESOLVE THIS ISSUE BEFORE YOU MET DUMAS ON 1 SEPTEMBER. HOWEVER, UNLESS DUMAS REVERTED QUICKLY WITH A POSITIVE RESPONSE TO OUR MESSAGE, WE EXPECTED THAT YOU WOULD WANT TO RAISE THE SUBJECT WITH HIM. DE BOISSIEU TOOK NOTE.

6. LLEWELLYN SMITH REINFORCED OUR MESSAGE WITH MME GUIGOU. SHE ATTEMPTED A REASSURING LINE. THE HIGH LEVEL GROUP WAS A PROCEDURAL DEVICE ONLY AND FLOWED FROM THE MADRID CONCLUSIONS. THE FRENCH WANTED AN IGC AS SOON AS POSSIBLE AFTER STAGE 1 OF DELORS AND WANTED TO THINK NOW ABOUTS ITS PREPARATION. A MECHANISM TO ENSURE THE QUOTE GLOBALITY UNQUOTE OF THAT PREPARATION WAS NEEDED. A MAJOR ROLE MUST REMAIN FOR ECOFIN. THE GROUP WOULD NOT UNDERMINE ECOFIN BUT SOME MEANS OF RECONCILING THE RESPECTIVE ROLES OF ECOFIN AND THE FAC WAS NEEDED, AND CLARIFYING INSTITUTIONAL QUESTIONS WHICH COULD FALL BETWEEN BOTH. SHE ADDED THAT BOTH DUMAS AND BEREGOVY HAD THOUGHT HARD ABOUT WHAT MECHANISM WOULD BEST FILL THE BILL, AND HAD THE SUPPORT OF MITTERRAND.

7. ASKED ABOUT THE EARLY DATE, MME GUIGOU SAID THAT NOT MUCH TIME WAS AVAILABLE. THERE WAS NO WISH TO ISOLATE THE UK, OR CREATE DIFFICULTIES FOR US. SHE HOPED THE UK WOULD ATTEND, ON THE SAME BASIS AS AT THE SOCIAL AFFAIRS GROUP I.E. WITHOUT PREJUDICE TO VIEWS ON THE SUBSTANCE.

8. HANNEZO ALSO TOOK PAINS TO TRY TO DOWNPLAY THE SIGNIFICANCE OF THE GROUP. WHEN WE SAID THAT FINANCE MINISTERS MIGHT BE SURPRISED TO HAVE THEIR DISCUSSIONS AT ANTIBES PRECOOKED BY OFFICIALS IN BRUSSELS, BE ASSURED US THAT THERE COULD BE NO QUESTION OF USURPING THE ROLE OF ECOFIN. WE SHOULD NOT OVERDRAMATISE THE GROUP. IT COULD ONLY LOOK AT TECHNICAL/LEGAL QUESTIONS, LEAVING POLITICAL ISSUES FOR MINISTERS. AS PRESIDENCY THE FRENCH WERE ONLY FULFILLING THE MADRID MANDATE OF ENSURING COMPLETE AND ADEQUATE PREPARATION OF AN IGC. HE WAS NOT SURE HOW MANY MEETINGS THE GROUP WOULD HAVE, BUT IT WOULD PROBABLY GET OFF TO A SLOW START. THE DATE OF 5 SEPTEMBER HAD BEEN CHOSEN BECAUSE OF ITS PROXIMITY TO THE MONETARY COMMITTEE, WHEN EXPERTS WOULD IN ANY CASE BE IN BRUSSELS. THE FRENCH SAW NO NEED TO CONSULT THE COUNCIL ON SETTING UP THE GROUP, SINCE ITS FIRST MEETING WOULD ONLY DEAL WITH WORK METHODS.

9. WE ASKED HANNEZO TO DRAW BEREGOVY'S ATTENTION TO YOUR VIEWS AND THOSE OF THE CHANCELLOR. OUR POSITION ON THE GROUP WAS RESERVED.

HANNEZO SAID THE WOULD DO THIS AND REEMPHASISED THAT BEREGOVOY WANTED TO CONTINUE TO WORK WITH THE CHANCELLOR IN ECOFIN, AND THAT MINISTERS WOULD NOT ALLOW OFFICIALS TO ENCROACH ON THEIR OWN AREAS OF RESPONSIBILITY.

FERGUSSON

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