

RESTRICTED
FM LUXEMBOURG
TO DESKBY 230900Z FCO
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AND TO PRIORITY EUROPEAN COMMUNITY POSTS, STRASBOURG

FRAME ECONOMIC

FOLLOWING FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL: 22 OCTOBER 1990
EUROPEAN COUNCIL PREPARATION: EMU

SUMMARY

1. CARLI REPORT ON EMU TO BE SENT FORWARD TO EUROPEAN COUNCIL, WITH DE MICHELIS EMPHASISING ITS 'OPEN' NATURE. PRESIDENCY TO ADVISE EUROPEAN COUNCIL THAT PREPARATORY STAGE COMPLETE, THOUGH ECOFIN WILL CONTINUE WORK IN LEAD UP TO IGC. NEW PRESIDENCY PAPER ON ORGANISATION OF IGC'S RECEIVES COOL RESPONSE FROM LUXEMBOURG AND NETHERLANDS - REMITTED TO COREPER TO PREPARE DECISION BY EUROPEAN COUNCIL.

DETAIL

2. DE MICHELIS (PRESIDENCY) DREW ATTENTION TO CARLI'S REPORT ON ECOFIN DISCUSSIONS ON EMU. THE FOREIGN AFFAIRS COUNCIL'S ROLE WAS TO EXAMINE THE REPORT AND SEND ANY COMMENTS TO THE EUROPEAN COUNCIL. THE REPORT WOULD REMAIN UNCHANGED, AND FOREIGN MINISTERS' COMMENTS WOULD BE INCLUDED IN A COVERING LETTER BY DE MICHELIS. THE ONLY POINT ON WHICH THE PRESIDENCY WOULD BE TAKING A DIFFERENT POSITION FROM THAT IN THE CARLI REPORT WAS ON ORGANISATIONAL QUESTIONS, COVERED IN THE LAST PARAGRAPH OF CARLI'S REPORT, ON WHICH DE MICHELIS CIRCULATED A DRAFT TEXT (COPY IN MIFT). HE NOTED THAT THE CARLI REPORT TOOK FULL ACCOUNT OF THE UK POSITION.

3. DISCUSSION FOCUSED ON THE CONDITIONS FOR MOVING TO STAGE 2, ON WHETHER PREPARATION WAS COMPLETE, AND ON THE PRESIDENCY'S TEXT ON ORGANISATION.

4. GUIGOU (FRANCE) SAID THAT, ON STAGE 2, THE KEY THING WAS TO FIX A DATE AND STICK TO IT, AND FRANCE COULD ACCEPT 1 JANUARY 1994. A DATE FOR STAGE 3 WAS NOT NEEDED, BUT IT MUST BE CLEAR THAT THERE SHOULD BE NO UNREASONABLE DELAY IN MOVING TO STAGE 3. SOLBES (SPAIN)

SAID THAT THE CONDITIONS FOR ENTERING STAGE 2 SHOULD NOT PROVIDE ANY MEMBER STATE WITH A VETO - THIS MEANT THAT MEMBERSHIP OF THE NARROW BAND OF THE ERM SHOULD NOT BE A CONDITION. HE DID FAVOUR A DATE FOR STAGE 3. ADAM-SCHWAETZER (GERMANY) SAID THAT 1 JANUARY 1994 WAS A GOOD BASIS FOR DISCUSSION OF THE MOVEMENT TO STAGE 2. BUT THIS MOVEMENT HAD TO BE MADE BY ALL AT THE SAME TIME, AND COULD NOT THEREFORE BE AUTOMATIC EVEN IF A DATE WAS SET. A FURTHER POLITICAL DECISION WAS NEEDED. EYSKENS (BELGIUM) AND COLLINS (IRELAND) COULD ACCEPT 1994, AND THE LATTER DREW A LINK WITH THE ENTRY INTO FORCE OF THE NEXT STRUCTURAL FUNDS PACKAGE. DEUS PINHEIRO (PORTUGAL) THOUGHT CONTENT MORE IMPORTANT THAN DEADLINES, AND STRESSED THE IMPORTANCE OF MOVING FORWARD AS TWELVE.

5. YOU BEGAN WITH THE GENERAL POINT, APPLICABLE TO BOTH IGC'S, THAT IT IS THE IGC'S THEMSELVES WHICH ARE THE FORA IN WHICH THE REAL WORK IS DONE - OPTIONS SHOULD NOT BE FORECLOSED IN ADVANCE, AND THERE SHOULD BE NO QUESTION OF THE EUROPEAN COUNCIL ESTABLISHING ANY FORM OF MANDATE FOR THE IGC'S. THE CARLI REPORT HAD HELPFULLY RECOGNISED THAT FURTHER WORK IN ECOFIN AND THE MONETARY COMMITTEE WOULD BE NEEDED IN THE LEAD UP TO THE IGC, AND THE EUROPEAN COUNCIL SHOULD ENDORSE THIS.

6. THE EUROPEAN COUNCIL SHOULD NOT BE ASKED TO SET A DATE FOR THE START OF STAGE 2, SINCE CLARITY WAS NEEDED ON THE SUBSTANCE OF STAGE 2 BEFORE DECISIONS COULD BE TAKEN ON WHEN IT SHOULD START.

7. ELLEMAN JENSEN SHARED YOUR VIEW THAT, AS THE STRASBOURG EUROPEAN COUNCIL HAD MADE CLEAR, THE IGC'S SHOULD SET THEIR OWN AGENDAS. HE FAVOURED A SHORT SECOND STAGE. VAN DEN BROEK (NETHERLANDS) DREW ATTENTION TO THE DUTCH COMPROMISE PROPOSAL ON STAGE 2. POOS (LUXEMBOURG) FELT THAT THE PREPARATORY STAGE WAS NOW COMPLETE, BUT NOTED THAT WORK WOULD BE GOING ON IN ADVANCE OF THE IGC ITSELF. PAPOULIAS (GREECE) WAS CONTENT WITH 1994, PROVIDED CLEAR CRITERIA WERE FIXED, BUT CRITICISED THE CARLI REPORT FOR LACK OF ATTENTION TO COHESION.

8. DELORS (PRESIDENT, COMMISSION) ARGUED THAT OBJECTIVES, NOT CONDITIONS, SHOULD BE SET FOR MOVEMENT TO STAGE 2, OTHERWISE INDIVIDUAL MEMBER STATES WOULD BE GIVEN A VETO ON PROGRESS. HE SHARED SOLBES' VIEW THAT, IN PARTICULAR, MEMBERSHIP OF THE NARROW BAND OF THE ERM SHOULD NOT BE A CONDITION. IT WAS IMPORTANT TO REMEMBER THAT ECONOMIC UNION CONSISTED OF MORE THAN BUDGETARY POLICY, AND THAT COHESION WAS ONE ELEMENT IN THIS. HE NOTED THAT ECOFIN MINISTERS HAD NOT YET DISCUSSED INSTITUTIONAL ISSUES, BUT

PARALLEL TREATMENT IN THE TWO IGCS WAS ESSENTIAL. HE UNDERLINED THE IMPORTANCE OF THE UK'S HARD ECU PROPOSAL - THEY COULD HELP ALLOW THE ECU TO TAKE A KEY ROLE IN THE EVOLUTION FROM STAGES 1 TO 3. THE PROPOSALS MIGHT BE A WAY OF BUILDING BRIDGES AND MAKING PROGRESS. IN HIS VIEW THE IGC COULD NOT START WITH A TABULA RASA, OTHERWISE, WHAT WAS THE POINT OF ADEQUATE PREPARATION. THE EUROPEAN COUNCIL MUST IDENTIFY THE OPTIONS TO BE PURSUED IN THE IGC.

9. DE MICHELIS SAID THAT IN THE PRESIDENCY'S VIEW THE PREPARATORY STAGE FOR THE IGC WAS LARGELY COMPLETE- HE INTERPRETED THOSE WHO HAD STRESSED THAT THE IGC SHOULD SET ITS OWN AGENDA AS GIVING A SIGN THAT THE OUTSTANDING ISSUES COULD ONLY BE RESOLVED IN THAT FORUM. AT THIS STAGE, IT WAS NECESSRY TO IDENTIFY AREAS OF COMMON GROUND, AND UNRESOLVED QUESTIONS. THE CARLI REPORT PROVIDED A USEFUL BASIS FOR THE EUROPEAN COUNCIL TO DO ITS JOB, AND HE HIMSELF WOULD EMPHASISE TO ANDREOTTI THE OPEN NATURE OF THE CARLI REPORT, WHICH LEFT A NUMBER OF KEY POINTS OPEN. VAN DEN BROEK, WITH YOUR SUPPORT, QUERIED THE SUGGESTION THAT THE PREPARATORY PHASE WAS COMPLETE. HE COULD ACCEPT THAT SUFFICIENT PREPARATION HAD TAKEN PLACE TO ALLOW A FORMAL DECISION TO CONVENE THE IGC TO BE TAKEN BUT HE INSISTED THAT ECOFIN MINISTERS SHOULD BE ABLE TO CONTINUE WORKING IN THE PERIOD BEFORE THE IGC. DE MICHELIS SAW NO DIFFICULTY HERE: PREPARATION WAS COMPLETE IN THE SENSE THAT THE KEY POLITICAL POINTS TO BE RESOLVED AT THE IGC HAD BEEN IDENTIFIED, BUT IT WAS CLEAR THAT ECOFIN SHOULD CONTINUE WITH ITS WORK, FOR EXAMPLE ON BUDGETARY QUESTIONS AND THE STATUTES OF A NEW CENTRAL BANK.

10. SOLBES, EYSKENS, COLLINS AND ELLEMAN JENSEN COULD ACCEPT PRESIDENCY PROPOSALS ON ORGANISATION. POOS SAW NO NEED FOR A COORDINATING COMMITTEE, WHICH WOULD MERELY COMPLICATE MATTERS. HE PREFERRED CARLI'S IDEA FOR ENSURING ADEQUATE COORDINATION - THAT FINANCE MINISTERS SHOULD TAKE THE LEAD ON EMU, BUT FOREIGN MINISTRIES SHOULD BE REPRESENTED AT THE EMU IGC AT WHATEVER LEVEL THEY THOUGHT APPROPRIATE. HE ALSO OPPOSED THE IDEA OF INTER-INSTITUTIONAL PRE-MEETINGS WITH THE EUROPEAN PARLIAMENT - THE ARRANGEMENTS USED FOR THE SINGLE EUROPEAN ACT, WITH PRESIDENCY AND COMMISSION MEETING THE EP IN ADVANCE, HAD WORKED WELL, AND SHOULD BE USED AGAIN. COREPER SHOULD DISCUSS THE PRESIDENCY NOTE ON ORGANISATION BEFORE IT WAS SUBMITTED TO THE EUROPEAN COUNCIL.

11. YOU AGREED WITH POOS ON BOTH POINTS, GUIGOU AND VAN DEN BROEK AGREED WITH POOS ON THE EP POINT, BUT COULD OTHERWISE ACCEPT THE PRESIDENCY PROPOSAL.

12. DE MICHELIS STRESSED THAT DECISIONS ON ORGANISATION WOULD BE TAKEN BY THE EUROPEAN COUNCIL ITSELF, AND AGREED THAT COREPER SHOULD DISCUSS THE PRESIDENCY PROPOSAL IN ADVANCE OF THE COUNCIL. HE ARGUED THAT THE EP EXPECTED A BIGGER ROLE IN THE IGC THAN THEY HAD HAD IN THE SINGLE EUROPEAN ACT. ON COORDINATION, HE FELT A COORDINATING COMMITTEE WAS NEEDED BECAUSE THE PRESIDENCY COULD NOT CARRY OUT THE ROLE ON ITS OWN. POOS COMMENTED THAT THE EP CONTRIBUTION WAS LIKELY TO BE MORE EFFECTIVE UNDER THE SEA MODEL THAN IF THERE WERE FULL INTER-INSTITUTIONAL CONFERENCES BEFORE EACH IGC MINISTERIAL.

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