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23 March 1990

Charles Powell Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
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*Dee Hewitt*

*CAF  
23/3*

*mf*

*Dear Charles,*

**BEREGOVY AND EMU**

... The Chancellor of the Exchequer thinks that the Prime Minister should be aware of the letter attached from our Ambassador in Paris in which he reports a conversation with M Ambroise Roux, the President of the Association Francaise des Entreprises Privees (which represents the interests of the top 60 or so private sector companies in France). Roux informed the Ambassador, in the strictest confidence, that Beregovoy had told him some days ago that he had made clear to Mitterrand that EMU as defined in the Delors Report would not work, and that any attempt to make it work in France would have to be without Beregovoy's participation. Roux clearly wished that this information should reach the ears of the Prime Minister, but should not get back to anyone else in France.

The information is intriguing and the Chancellor intends, without of course divulging anything of Roux's conversation with the Ambassador, to use the informal ECOFIN at the end of the month (about which he is writing separately) to probe Beregovoy's views. Certainly there has been some debate within his Ministry about the Delors Report and its handling. The French Treasury were most unenthusiastic about Dumas' proposal for the establishment of the Guigou Group but were effectively overruled by Mitterrand, who is the arbiter of French policy on EMU. We also have some evidence that there was a school of thought in the French Treasury which saw the Delors Report's prescriptions as a denial of French monetary sovereignty. But others argued that the closely



integrated world monetary system left France in any event with little monetary freedom of action and to that extent French participation in the mechanism of the European System of Central Banks would not restrict it still further.

The indications are that the latter school seems to have won the argument. Certainly the French Treasury, and we believe Beregovoy personally, seems ready to espouse the ESCB and the currency developments proposed in the Delors Report as a means of securing further influence over Bundesbank policy. But there are certainly aspects of the Delors proposals with which senior officials in the French Treasury are unhappy. For example, they are unconvinced of the need for binding rules on budget deficits; while paying lip service to the proposal for an independent ESCB, they seem to be reluctant to isolate the institution entirely from political control in the way that the Germans wish; and they seem to be opposed to giving the ESCB responsibility for external (exchange rate) policy as well as for domestic monetary policy.

Beregovoy has also made clear his belief that there needs to be a substantial Stage 2 process before there can be any move to Stage 3.

The Chancellor will let the Prime Minister know if anything emerges from his conversations with Beregovoy during the informal ECOFIN.

I am sending a copy of this letter to Stephen Wall in the Foreign Secretary's office.

*Tarce's Tarkowski*

**T TARKOWSKI**  
Private Secretary



BRITISH EMBASSY,  
PARIS.

FROM THE AMBASSADOR

N L Wicks Esq CVO CBE  
HM Treasury

SECOND PERH SEC'S OFFICE OVERSEAS FINANCE SECTOR	
ACTION	
	W H P Evans
COPIES TO	

9 March 1990

*Dear Nigel,*

BEREGOVY AND EMU

1. On 5 March Monsieur Ambroise Roux, the President of the Association Française des Entreprises Privées (which represents the interests of the top 60 or so private sector companies in France) came to see me. Roux is a major industrialist, and a man of great influence in France, even though his sympathies are firmly with the right and not the left.

2. Although he came to see me ostensibly on another matter, it was clear that Roux's main purpose was to tell me, in the strictest confidence, that Bérégovoy had told him some days ago that he had made clear to Mitterrand that EMU as defined in the Delors report would not work, and that any attempt to make it work in France would have to be without Bérégovoy's participation. Roux said this was a confidence which he could impart to me and which could reach the ears of the Prime Minister, but should not get back to anyone else in France (since the source would be evident). Roux has told other members of the AFEP.

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3. Roux said that Bérégovoy had a great admiration for the Prime Minister - including her views on EMU - and that we should find that, with the prospect of German unification, the Rocard government was perhaps closer to us on European Community issues than we might think. The tone would be more pro-European than ours but (in contrast to the even more evidently European ambitions of Mitterrand) on the substance pragmatism would prevail.

4. It is not easy to judge the significance of what Bérégovoy is alleged to have said to Mitterrand. Bérégovoy is known to have some doubts about the Delors report, having argued recently for a long drawn out Stage II with no clear indication as to whether or when there would

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be a move to Stage III. He is also more of a nationalist and less of a federalist than Delors. Bérégovoy may have been signalling genuine doubts on these points to Mitterrand. But there may, too, have been a domestic political angle - with Bérégovoy, as a member of the Fabius faction in the Socialist Party, wanting to distance himself a little from a report so closely associated with Delors, member of a rival faction. (I think, incidentally, that Roux may have been exaggerating a little in describing Bérégovoy's admiration for the Prime Minister as extending to her views on EMU: respect might be a better word. And Bérégovoy remains firmly in favour of Sterling joining the ERM).

5. Nor is it easy to judge why Roux should have gone to the trouble to have passed Bérégovoy's remarks on to me in the evident hope that they would reach the Prime Minister though I know him reasonably well and 'see him around' quite frequently. And he expects me to have access to the Prime Minister. He certainly thought it important that she should know (see below)

6. The explanation may be that Roux, like many Frenchmen and women from all parts of the political spectrum, sees real need for a stronger Anglo-French alliance in the face of a renewed German threat, senses that Mitterrand is not responding actively enough to this need, and wants to signal that some at least in the French government take a more forward view. Whatever the explanation, I draw the conclusion that as a result of the imminent reunification of Germany there is confusion within the French administration on some important European topics, including EMU, and that we need to do all we can to get our own ideas across to French decision makers both inside and outside government. We are, of course, already in touch with you and the FCO about this.

7. Finally, I asked Roux whether he thought Bérégovoy's position itself was secure, given the rumours of a spring governmental reshuffle. He was categorical: Bérégovoy had been wounded by initial lack of whole-hearted support from Mitterrand, by disagreement over "no further privatisation, no renationalisation" and by the Société Générale affaire, but has regained lost ground and was now in a position where it would be extremely difficult to replace him. No other qualified candidate was in sight.

8. May I leave it to you to decide whether, and if so how, to pass the gist of this to No 10?

The simple explanation of Roux's approach is that he profoundly dislikes Delors Stage III and wishes to strengthen the hand of someone whose attitude opposite to it is well known.

cc: J O Kerr Esq CMG, FCO

Ewen Fergusson