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FRAME ECONOMIC

COREPER (AMBASSADORS): 23 MAY
EMU: INSTITUTIONAL ASPECTS

SUMMARY

1. COMMISSION PRESENT REPORT (INSTITUTIONAL ASPECTS/UPDATE OF MARCH PAPER) FOLLOWING UP DELORS' PRESENTATION TO INFORMAL FOREIGN MINISTERS MEETING ON 19 MAY. PRELIMINARY VIEWS EXPRESSED BY SOME DELEGATIONS. FRG, PORTUGAL, DENMARK, LUXEMBOURG, NETHERLANDS, BELGIUM FAVOUR ONE MAN, ONE VOTE ON EUROFED COUNCIL. ON PROCEDURE, COREPER WILL PRESENT WRITTEN REPORT FOR THE JUNE ECOFIN IN ADDITION TO THE MONETARY COMMITTEE ORAL REPORT. PRESIDENCY WILL PRODUCE A SINGLE SYNTHESISED REPORT AFTER ECOFIN FOR THE FOREIGN AFFAIRS COUNCIL. FURTHER DISCUSSION IN COREPER NEXT WEEK.

DETAIL

2. CAMPBELL (PRESIDENCY) RECALLED THAT IN HIS INTERVENTION ON EMU AT THE INFORMAL MINISTERS MEETING ON 19 MAY, DELORS HAD RAISED SIX ISSUES: THE TRANSITION TO STAGE 3, PARALLELISM OF ECONOMIC AND MONETARY POLICIES, THE ROLE OF THE ECU, RULES ON NATIONAL BUDGET MANAGEMENT, THE INDEPENDENCE OF EUROFED, AND ITS DEMOCRATIC ACCOUNTABILITY IE THE INVOLVEMENT OF OTHER INSTITUTIONS. THERE WAS NO SUBSTANTIVE DISCUSSION. BUT SINCE THE NEW COMMISSION REPORT HAD BEEN PRESENTED TO FOREIGN MINISTERS, IT WAS APPROPRIATE FOR COREPER TO DISCUSS IT AT THIS STAGE. AFTER A PRELIMINARY DISCUSSION THIS WEEK, AND HOPEFULLY A MORE SUBSTANTIVE DISCUSSION NEXT WEEK, COREPER WOULD PRODUCE A WRITTEN REPORT TO THE JUNE ECOFIN ALONGSIDE THE ORAL REPORT FROM THE MONETARY COMMITTEE A REPORT FROM THE ECONOMIC POLICY COMMITTEE. IN THE LIGHT OF THE ECOFIN DISCUSSIONS, THE PRESIDENCY WILL PRODUCE A SYNTHESISED REPORT FOR THE FOREIGN AFFAIRS COUNCIL ON 18 JUNE, WHICH WOULD PREPARE THE DISCUSSIONS AT THE EUROPEAN COUNCIL.

3. WILLIAMSON (COMMISSION) INTRODUCED THE COMMISSION PAPER. THIS WAS IN TWO PARTS, AN UPDATED VERSION OF THE MARCH PAPER AND A NEW

SECTION ON INSTITUTIONAL ARRANGEMENTS. ON THE LATTER, THE PAPER DISTINGUISHED BETWEEN MONETARY POLICY, WHICH WOULD REQUIRE A NEW INSTITUTION, THE EUROFED, WHOSE TASKS AND STRUCTURE NEEDED TO BE DEFINED AND ECONOMIC POLICY WHERE EXISTING COMMUNITY INSTITUTIONS WOULD SUFFICE.

4. TRUMPF (FRG) GAVE A PRELIMINARY REACTION. HE DID NOT LIKE THE TERM ''EUROFED''. THE EUROPEAN CENTRAL BANK SHOULD BE FULLY INDEPENDENT. THE PROCEDURES FOR REPORTING TO THE EUROPEAN PARLIAMENT RECOMMENDED WERE THE MOST THAT THE FRG COULD ACCEPT.THERE SHOULD BE ONE MAN, ONE VOTE NOT WEIGHTED VOTING ON THE EUROFED COUNCIL, PROVIDED THAT ITS MEMBERS WERE FULLY INDEPENDENT. FIVE YEARS WAS NOT A LONG ENOUGH PERIOD OF OFFICE FOR MEMBERS AND PRESIDENT. TWELVE YEARS (NON-RENEWABLE) WAS MORE NORMAL IN THE FRG. ON ECONOMIC POLICY, THE RULES IN THE PAPER ON NO DEFICIT SPENDING AND NO BAILING OUT OF THOSE IN DEFICIT WERE NOT SUFFICIENT TO ENSURE BUDGETARY DISCIPLINE. THERE SHOULD BE LEGALLY BINDING COUNCIL DECISIONS ADOPTED BY QUALIFIED MAJORITY WITH PROVISION FOR PENALTIES TO BE IMPOSED ON OFFENDERS. THERE WAS TOO MUCH LOOKING BACK TO SEVENTIES/KEYNESIAN LANGUAGE. AS FOR COMMUNITY HELP FOR MEMBER STATES IN DIFFICULTIES, THE PRESENT SYSTEM OF BALANCE OF PAYMENTS SUPPORT WOULD BECOME MEANINGLESS AFTER STAGE 3. THERE WOULD NEED TO BE DIFFERENT INSTRUMENTS TO OVERCOME REGIONAL DISPARITIES. WAS IT DESIRABLE FOR THE EUROPEAN COUNCIL TO BE INVOLVED IN MULTIANNUAL ORIENTATIONS AND SETTING MEDIUM TERM PERSPECTIVES? SURELY ECOFIN MINISTERS WERE THE EXPERTS?

5. DE SCHOUTHEETE (BELGIUM) OBJECTED TO THE USE OF THE FRENCH WORD ''DIRECTOIRE'' (TO TRANSLATE ''BOARD'') AND TO ''EUROFED''. THE ROLE OF THE EP SHOULD BE STRENGTHENED. THE APPOINTMENT OF THE PRESIDENT AND MEMBERS OF THE EUROFED COUNCIL SHOULD BE SUBJECT TO EP APPROVAL, NOT JUST CONSULTATION. AMENDMENT TO ITS STATUTES SHOULD ALSO REQUIRE EP APPROVAL. HE AGREED WITH ONE MAN, ONE VOTE.

6. COELHO (PORTUGAL) STRESSED THE NEED FOR THE EUROPEAN CENTRAL BANK SYSTEM TO BE ANSWERABLE TO THE COUNCIL AND THE EUROPEAN PARLIAMENT. THERE SHOULD BE BALANCED DISTRIBUTION OF THE BENEFITS OF EMU. THERE MUST BE A MECHANISM TO RESPOND SWIFTLY TO ANY DETERIORATION IN EXISTING REGIONAL SYMMETRIES.

7. RYTTER (DENMARK) AGREED WITH ONE MAN, ONE VOTE. AT SOME POINTS THE PAPER TIPPED THE BALANCE TOO FAR IN FAVOUR OF THE COMMISSION AGAINST THE COUNCIL. WESTENDORP (SPAIN) HAD NO COMMENTS ON THE SUBSTANCE AT THIS STAGE. ON PROCEDURE, HE WAS CONCERNED THAT

COREPER, AS WELL AS MONETARY COMMITTEE DISCUSSION WOULD CONFUSE THE ISSUE.

8. I AGREED WITH WESTENDORP ON PROCEDURE. A SINGLE CHANNEL FROM THE MONETARY COMMITTEE TO ECOFIN TO THE FOREIGN AFFAIRS COUNCIL AND THE EUROPEAN COUNCIL WOULD BE BETTER. ON THE SUBSTANCE, I RECALLED THE FORMAL RESERVATIONS ON STAGE 3 ENTERED BY THE UK. I NOTED THAT THE PAPER DID NOT DEAL WITH THE THORNY ISSUE OF STAGE 2. WOULD THE COMMISSION BE PRODUCING A PAPER ON THIS AT SOME STAGE?

9. NIEMAN (NETHERLANDS) AND WEYLAND (LUXEMBOURG) ALSO FAVOURED ONE MAN, ONE VOTE. NIEMAN OBJECTED TO THE TERM ''DIRECTOIRE''. THE REPORT WAS NOT VERY EXPLICIT IN THE RULES GOVERNING BUDGET DEFICITS. WOULD TREATY REVISIONS BE NECESSARY.

10. WILLIAMSON NOTED THE OBJECTION TO THE TERMS ''EUROFED'' AND ''DIRECTOIRE''. IT WAS INTERESTING THAT ALL THOSE WHO SPOKE ON VOTING IN THE EUROFED COUNCIL (INCLUDING NOTABLY THE FRG) WERE IN FAVOUR OF ONE MAN, ONE VOTE. WAS UNANIMITY ON THIS POSSIBLE? IT WOULD BE USEFUL IF HE COULD REPORT TO THE COMMISSION ON THIS AFTER NEXT WEEK'S COREPER DISCUSSION. WILLIAMSON ACKNOWLEDGED THAT THE PAPER DID NOT DEAL WITH STAGE 2. A NUMBER OF MEMBER STATES TOOK THE VIEW THAT WE SHOULD BE CAREFUL NOT TO CREATE A FRAMEWORK FOR THE TRANSITION FROM STAGE 1 TO STAGE 3 IF IT WAS NOT GOING TO BE NECESSARY. IF STAGE 1 WAS A GREAT SUCCESS, STAGE 2 MAY NOT BE NECESSARY. THIS DID NOT MEAN THAT IT WAS NOT POSSIBLE TO DEFINE THE NECESSARY INSTITUTIONAL ASPECTS IN STAGE 3 NOW. IN ANSWER TO THE NETHERLANDS, TREATY CHANGES WOULD BE NECESSARY. HE NOTED THE FRG'S VIEWS ON BINDING COUNCIL DECISIONS AND PENALTIES ON BUDGET DEFICITS. THERE WAS A DIFFERENCE OF VIEW ON THIS IN THE COUNCIL, AND THE COMMISSION WAS NOT ATTEMPTING TO MAKE A FINAL JUDGEMENT IN ITS PAPER. BUT IT WAS DIFFICULT TO SEE WHAT PENALTIES WOULD BE APPROPRIATE, SINCE THESE WOULD BY DEFINITION BE IMPOSED ON A STATE WITH SERIOUS ECONOMIC PROBLEMS. THE COMMISSION DID NOT FAVOUR EG CUTTING OFF STRUCTURAL FUND PROVISIONS. THERE SHOULD BE NO DIFFICULTY WITH THE EUROPEAN COUNCIL SETTING MEDIUM TERM PERSPECTIVES AND TAKING MULTIANNUAL ORIENTATIONS ON ECONOMIC POLICY. DECISIONS ON THESE MATTERS NATIONALLY WERE TAKEN AT THE HIGHEST LEVEL. BUT ECOFIN WOULD DEAL WITH THE MONTH BY MONTH OPERATION OF ECONOMIC UNION.

11. CAMPBELL NOTED THAT NOT ALL WERE HAPPY WITH THE PROCEDURE, BUT RESTATED HIS INTENTION TO PROCEED AS AT PARAGRAPH 2 ABOVE. THERE WOULD BE A FURTHER COREPER DISCUSSION NEXT WEEK, ON THE BASIS OF

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WHICH COREPER WOULD REPORT TO ECOFIN.

COMMENT

12. WE WILL NOT BE ABLE TO AVOID A DISCUSSION OF SUBSTANCE IN COREPER NEXT WEEK. GRATEFUL FOR BRIEFING WHICH IN VIEW OF YOUR HOLIDAYS, WILL NEED TO BE WITH US BY THE END OF THIS WEEK.

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