

PRIME MINISTER

EMU: KARL-OTTO POEHL

I attach some comments on EMU said to have been made by Karl-Otto Poehl at a conference in Munich. They were noted down by Patrick Robertson of the Bruges Group. Some of them are of interest.

C.D.P.

mf

(C. D. POWELL)

4 September 1990

071-628 0343.

Anne Segall

- Fax to: ~~XXXXXXXXXX~~ The ~~XXXXXXXXXX~~ DAILY TELEGRAPH
- From: Patrick Robertson, The Bruges Group.
- Location: Sheraton Hotel - Munich, W. Germany.

KARL OTTO PÖHL, PRESIDENT OF THE

BUNDESBANK Monetary union is not indispensable.

At a ^{address} ~~last-minute~~ ^{hastily arranged} ~~appearance~~ ^{speech} to the international gathering of ~~literary~~ ~~members~~ of the Mont Pelerin Society, the President of the German ^{Bundesbank} ~~Central Bank~~ ~~has said that~~ ^{issued a veiled criticism of the French Government, stating that:}

"European Monetary Union is not as indispensable as it is believed to be in some quarters."

After ~~Following~~ an address by Mrs Thatcher's former economic advisor, Sir Alan Walters, ~~then~~ ^{Dr} Pohl lent his support to the British Chancellor's "hard" ecu scheme:

"I have some sympathy for the British concept of competing currencies... John Major is right to point out that a joint monetary policy is not as efficient as it is made out to be."

~~Dr~~ Dr. Pohl said that "the alleged savings in transaction costs in a monetary union are not in the least convincing."

(2)

The President of the Bundesbank pointed out that the decision to implement EMU was political, not economic:

"If the German Government is prepared to negotiate on the transfer of monetary policy powers, this can only be considered in terms of the long-term objective of political union... The proposal for monetary union came from the Minister of Foreign Affairs, (Herr Genscher) not the Minister of Economics."

He doubted that monetary union was feasible:

"I continue to have substantial doubts as to whether any (emphasis) ^{Pohl's} government is likely to give up monetary sovereignty to Community institutions... It will certainly take some time if we arrive at a common currency for Europe if at all"

3

Echoing the fears of Mrs Thatcher's
 former ~~Prime~~ Secretary of State for Trade and
 Industry, ^{Nicholas Ridley} Dr Pöhl said that he agreed with
 the view ~~that~~ recently expressed by M. Edouard Balladour, the
 former ^{French} minister, that
 "...achieving monetary union means the
 elimination of all central banks — except
 one." (the Bundesbank). ~~This view was recently~~
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Dr Pöhl doubted that the exchange rate
 as a policy mechanism could be given up:

"As long as divergences between EC countries
 exist ~~it~~ ^{antoday} it is hard to conceive how the
 exchange rate can be given up as an
 adjustment mechanism."

Referring to the recent all-German Monetary Union,
 Dr Pöhl said that "it" provides a spectacular
 example in this respect — we have to pay the price
 for that either in terms of unemployment or in
 expenditure of public funds to prevent the worst."

Defending ~~the~~ In a robust defence of the 9
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 fire from Sir Alan Walters, Dr Pohl made it
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Commitment of monetary policy means a
loss of manoeuvre for the Bundesbank. Nobody
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Dr Pohl's ~~own~~ comments ~~also~~ to the gathering
 of ⁵⁰⁰ European liberals firmly opposed to EMU were
 widely interpreted as a warning shot to

overambitious plans for wider political union.
 According to M. Henri Lepage, ~~President of~~
 a prominent French liberal ~~the French based Institut Euro 1992~~ "The

Germans do not want monetary union. This
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