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FRAME ECONOMIC

FROM UKREP BRUSSELS

ECOFIN COUNCIL: 8 OCTOBER: EMU

SUMMARY

1. PRESIDENCY INTEND TO PRODUCE BRIEF, IMPRESSIONISTIC REPORT FOR THE EUROPEAN COUNCIL. UNCLEAR WHETHER IT WILL BE CIRCULATED FOR DISCUSSION IN ADVANCE. GERMANS, DUTCH, DANISH, SPANISH PRESS FOR EXTRA ECOFIN BEFORE OR AFTER EUROPEAN COUNCIL, BUT NO AGREEMENT ON THIS. GENERAL CONGRATULATIONS ON UK'S ERM ENTRY WITH SOME GRUMBLES ON PROCEDURE. ONLY SARCINELLI (ITALY) SPOKE WITH ANY HOSTILITY.

DETAIL

2. EMU WAS TAKEN OVER LUNCH. CARLI (ITALY) OPENED BY STRESSING THE IMPORTANCE OF THE INDEPENDENCE OF THE PROPOSED EUROFED AND THE NEED FOR ECONOMIC AS WELL AS MONETARY UNION.

3. SOLCHAGA (SPAIN) THOUGHT THAT THERE WAS A GROWING CONSENSUS ON THE OBJECTIVE CRITERIA FOR MOVING TO STAGE 2 AND ON THE TIMING - 1993/4. THERE WAS HOWEVER NO AGREEMENT ON THE DURATION OR CONTENT OF STAGE 2. KOEHLER (GERMANY) THOUGHT THAT THE SPANISH AND DUTCH PROPOSALS WERE A GOOD BASIS ON WHICH TO TAKE DISCUSSION FORWARD. THERE SHOULD BE FURTHER ECOFIN DISCUSSION BEFORE THE PRESIDENCY REPORT TO THE EUROPEAN COUNCIL TO TRY TO GET MORE AGREEMENT ON THE DETAIL. WOULD THE PRESIDENCY REPORT BE CIRCULATED IN ADVANCE?

4. BEREGOVY (FRANCE), PETERSEN (DENMARK) AND KOK (NETHERLANDS) THOUGHT THAT FURTHER ECOFIN DISCUSSION BEFORE THE IGC TO GENERATE MORE AGREEMENT WOULD BE USEFUL. KOK BELIEVED THAT COMPROMISE ON THE BASIS OF THE DUTCH AND SPANISH PROPOSALS WAS POSSIBLE.

5. MAYSTADT (BELGIUM) AGREED THAT MUCH PROGRESS HAD BEEN MADE TOWARDS AGREEMENT ON THE CRITERIA AND DATE FOR MOVING TO STAGE 2.

BUT THERE WAS STILL MUCH DISAGREEMENT ESPECIALLY OVER THE CONTENT OF STAGE 2. THE PRESIDENCY REPORT TO THE EUROPEAN COUNCIL SHOULD NOT GIVE THE IMPRESSION THAT ALL THAT MATTERED WAS THE DEGREE OF AGREEMENT ON MOVING TO STAGE 2. BELEZA (PORTUGAL) NOTED THAT PORTUGAL HAD ONE OR TWO DIFFICULTIES WITH THE SPANISH AND DUTCH PROPOSALS. CHRISTODOULOU (GREECE) SAID THAT THE PRESIDENCY REPORT SHOULD MAKE CLEAR WHERE THERE WAS DISAGREEMENT ALSO.

6. CARLI FELT THAT A BRIEF, IMPRESSIONISTIC REPORT WOULD BE BETTER THAN ONE WHICH ATTEMPTED TO NAIL DOWN AGREEMENT ON THE DETAIL. THE REPORT WOULD SHOW WHERE THERE WAS POTENTIAL FOR AGREEMENT BUT WOULD SET OUT DELEGATIONS POSITIONS CLEARLY. THE UK RESERVE ON STAGE 3 WOULD BE NOTED. THE CHANCELLOR SUPPORTED THE IDEA OF A MORE IMPRESSIONISTIC REPORT.

7. THERE WERE GENERAL CONGRATULATIONS ON UK ENTRY INTO THE ERM, WITH SOME GRUMBLES FROM KOK, BEREGOVY AND DELORS ON THE WAY IN WHICH ENTRY HAD BEEN ANNOUNCED. BEREGOVY NOTED THAT HIS CONCERNS ON THIS WERE VERY MUCH SECONDARY TO HIS PLEASURE AT UK ERM ENTRY. ONLY SARCINELLI (PRESIDENCY) MADE A SOMEWHAT SANCTIMONIOUS AND HOSTILE INTERVENTION. THERE HAD BEEN GENERAL CRITICISM IN THE MONETARY COMMITTEE OF THE UK ANNOUNCEMENT. SOME HAD FELT THAT STERLING SHOULD HAVE ENTERED AT A HIGHER RATE. MORE CONVERGENCE WITH OTHER EC COUNTRIES ON KEY ECONOMIC ELEMENTS, INCLUDING INFLATION, WOULD HAVE BEEN DESIRABLE BEFORE ERM ENTRY. THE CHANCELLOR FIRMLY REBUTTED THESE REMARKS, SAYING IN PARTICULAR THAT IN TERMS OF CONVERGENCE, SOME ELEMENTS EG FISCAL POLICY OF UK ECONOMIC PERFORMANCE WERE AS GOOD AS ANYTHING IN EUROPE.

COMMENT

8. IT WAS UNCLEAR WHETHER THE PRESIDENCY'S REPORT WOULD BE CIRCULATED FOR DISCUSSION IN ADVANCE OF THE EUROPEAN COUNCIL. GIVEN THE DISAGREEMENT ABOUT WHETHER IT SHOULD BE BRIEF AND IMPRESSIONISTIC OR LONG AND DETAILED, IT SEEMS MORE LIKELY THAT IT WILL NOT. ON THE QUESTION OF AN EXTRA ECOFIN TO DISCUSS THE EMU IGC PREPARATION ALONE, THE CHANCELLOR FORMED THE IMPRESSION THAT THE GERMANS, DUTCH, DANES AND SPANISH IN PARTICULAR WOULD PRESS THIS, BUT, THAT, IF IT HAPPENED, IT WOULD PROBABLY BE AFTER THE EUROPEAN COUNCIL.

CAMPBELL

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