

RESTRICTED
FM BONN ✓
TO IMMEDIATE FCO
TELNO 1529
OF 061858Z DECEMBER 90
INFO IMMEDIATE UKREP BRUSSELS, OTHER EC POSTS
INFO SAVING FRANKFURT

FRAME GENERAL

POEHL'S VIEWS ON EMU, THE HARD ECU AND THE ERM

SUMMARY ✓

✓ 1. POEHL SAYS THAT HIS OPINION OF THE BRITISH HARD ECU PROPOSAL IS NOT AS NEGATIVE AS THE PRESS HAVE SUGGESTED. HE THINKS THE HARD ECU COULD PLAY A ROLE IN A SOLUTION IF MEMBER STATES ARE NOT YET READY FOR FULL SCALE EMU, THOUGH HE WOULD REGRET THIS BECAUSE IT WOULD NOT ADDRESS THE REAL PROBLEM. HE COMMENTS ON THE GERMAN ECONOMY, IMPLYING THAT INTEREST RATES MAY RISE AND THAT AN ERM REALIGNMENT MAY BE NEEDED ✓

DETAIL

2. SPEAKING AT AN EC LUNCH TODAY IN BONN, BUNDESBANK PRESIDENT POEHL COMMENTED IN ANSWER TO A QUESTION, ON THE UK HARD ECU PROPOSAL. HE SAID THAT HIS VIEW WAS BY NO MEANS AS NEGATIVE AS THE BRITISH PRESS HAD REPORTED. HE PERSONALLY DID NOT, FOR EXAMPLE, THINK THAT THE HARD ECU WOULD BE INFLATIONARY. HIS MAIN CRITICISM OF IT WAS THAT IT DID NOT ADDRESS THE REAL PROBLEM, WHICH WAS THE LACK OF CO-DECISION ON INTEREST RATE POLICY. IN PRESENT CIRCUMSTANCES, WHENEVER THE BUNDESBANK RAISED THE INTEREST RATE, OTHER GOVERNMENTS WERE FORCED TO FOLLOW. THAT CREATED TENSION OF THE KIND WHICH HAD NOW ARISEN WITH PARIS. (HE COMMENTED THAT IT WAS NOT HELPFUL TO INITIATE A PUBLIC DEBATE ABOUT A G7 MEETING: THESE MATTERS SHOULD BE DECIDED PRIVATELY.) OTHER GOVERNMENTS THEREFORE WANTED A RIGHT OF CO-DECISION ON INTEREST RATES BUT THIS COULD ONLY BE GRANTED IN THE CONTEXT OF A MOVE TO FIX EXCHANGE RATES IRREVOCABLY. THE ISSUE OF A 'SINGLE CURRENCY', WHICH WORRIED THE BRITISH, WAS NOT THE REAL POINT. ONCE EXCHANGE RATES WERE IRREVOCABLY FIXED, THE COMMUNITY COULD MOVE TO A SINGLE CURRENCY IF IT WISHED, BUT IT NEED NOT DO SO, AND THAT WAS NOT THE AIM OF THE EXERCISE.

3. POEHL CLAIMED THAT HE HAD NEVER SOUGHT TO RUBBISH THE UK