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OF 061743Z DECEMBER 90
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OFFICIAL FRENCH POSITION ON EMU
SUMMARY

1. IMPORTANT STATEMENT OF FRENCH POLICY AFTER MINISTERIAL MEETING. COMMITMENT TO ULTIMATE GOAL OF EMU COMBINED WITH EMPHASIS ON LINKAGE BETWEEN EUROFED AND THE EUROPEAN COUNCIL. ENCOURAGING NODS IN UK'S DIRECTION OVER EVOLUTION RATHER THAN IMPOSITION OF A SINGLE CURRENCY AND OVER PROGRESS A DOUZE.

DETAIL

2. AS PART OF FRENCH PREPARATION FOR THE IGCS. THE COUNCIL OF MINISTER YESTERDAY CONSIDERED BEREGOVY'S PROPOSALS ON EMU. THE COMMUNIQUE ISSUED AFTERWARDS (COPY BY FAX TO ECD(I)) INCLUDES THE FOLLOWING POINTS:

- FRANCE FULLY SUPPORTS THE OBJECTIVES OF A SINGLE CURRENCY AND A SINGLE MONETARY POLICY DIRECTED BY A EUROPEAN CENTRAL BANK INDEPENDENT OF MEMBER STATES:
- BUT SUCH INDEPENDENCE CANNOT OPERATE IN ISOLATION FROM A FULLY DEMOCRATIC 'ECONOMIC GOVERNMENT' AT WHOSE CENTRE WOULD BE THE EUROPEAN COUNCIL AND ECOFIN:
- HENCE POLITICAL UNION AND EMU MUST ADVANCE TOGETHER:
- EMU A DOUZE (IE INCLUDING THE UK) SHOULD BE THE OBJECT. NO COUNTRY SHOULD BE EXCLUDED A PRIORI JUST AS RUSE SHOULD ALLOWED TO PREVENT ALL PROGRESS:
- THE CREATION OF A SINGLE CURRENCY MUST BE DEPENDENT ON THE ATTAINMENT OF ADEQUATE ECONOMIC CONVERGENCE.
- DURING THE SECOND STAGE ALL WAYS OF DEVELOPING THE ROLE OF THE ECU SHOULD BE EXPLORED.

COMMENT

3. THE COMMUNIQUE RESTATES EXISTING FRENCH POSITIONS ON THE ULTIMATE OBJECTIVE OF EMU, ITS RELATIONSHIP WITH POLITICAL UNION, THE PRE-EMINENT ROLE OF THE EUROPEAN COUNCIL AND THE NEED FOR BRITAIN'S INCLUSION IN THE PROCESS. WITHIN THAT FRAMEWORK IS CONFIRMATION OF NEW TRENDS IN FRENCH THINKING THAT WE HAVE REPORTED RECENTLY. FIRST, THE EMPHASIS ON THE NEED FOR PRIOR ECONOMIC

CONVERGENCE AND THE ECU'S EVOLUTIONARY DEVELOPMENT SHOWS HOW OUR MESSAGE ON STAGE 2 IS GETTING THROUGH. OFFICIAL BRIEFING EMPHASIZES HOW THIS BRINGS THE FORMAL FRENCH POSITION RATHER CLOSER TO THE BRITISH THAN THE GERMAN ONE. SECOND, THE FRENCH APPROACH TO BALANCING EUROFED'S INDEPENDENCE AGAINST ITS DEMOCRATIC ACCOUNTABILITY COMES DOWN HEAVILY ON THE SIDE OF THE LATTER. AGAIN A DISTINCTION CAN BE DRAWN BETWEEN THEIR POSITION AND THAT OF THE GERMANS (OR AT LEAST THE BUNDESBANK'S)

4. MINISTERS' DISCUSSION COINCIDES WITH THEIR GROWING IRRITATION AT WHAT IS SEEN AS A GERMAN NATIONAL MONETARY POLICY WHICH FAILS TO TAKE ACCOUNT OF THE INTERESTS OF HER ERM PARTNERS. AS THE GOVERNOR OF THE BANK OF FRANCE NOTED EARLIER THIS WEEK, THIS LEADS THEM TO CONCLUDE THAT PROGRESS TOWARDS EMU, LINKED WITH THAT TOWARDS POLITICAL UNION, SHOULD BE MADE AS SOON AS PRACTICABLE. BUT TO THE EXTENT THAT THE FRENCH ARE NOW CONSIDERING MORE REALISTICALLY THE WAYS OF GETTING THERE FROM HERE, THERE IS IN THIS FORMAL STATEMENT SOMETHING TO GIVE US MODEST ENCOURAGEMENT. THE PROBLEM FOR THE FRENCH WILL BE HOW TO KEEP A SOMEWHAT RELUCTANT GERMANY ON BOARD WHILE ADDRESSING THEIR OWN CONCERN ABOUT POLITICAL ACCOUNTABILITY AND THE ONES THAT WE HAVE RAISED IN THEIR MINDS ABOUT CONVERGENCE AND EVOLUTION.

5. PLEASE ADVANCE TO H EVANS, HMT.

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