

COMMENT:

CONFIDENTIAL

FM BONN

TO PRIORITY FCO

TELNO 191

OF 251146Z FEBRUARY 91

INFO ROUTINE UKREP BRUSSELS, PARIS, LUXEMBOURG, BERLIN

FRAME GENERAL

MY THREE IPTS (SECOND NOT TO ALL) UK/FRG SUMMIT, 11 MARCH:
HANDLING OF EMU

SUMMARY

1. GAME PLAN FOR MOVING FORWARD ANGLO-GERMAN DIALOGUE ON EMU AT SUMMIT. POSSIBLE WAY OF SETTING ISSUE OF STAGE 3 ASIDE SO AS TO GET DISCUSSION GOING ON CONTENTS OF STAGE 2. IMPORTANCE OF UNINFORMATIVE LINE IN PLENARY AND PUBLIC.

DETAIL

2. THE BILATERAL SUMMIT WILL BE AN OPPORTUNITY TO BUILD ON KOHL'S REMARK DURING THE PRIME MINISTER'S VISIT TO BONN ON 11 FEBRUARY THAT BRITAIN SHOULD NOT BE 'BOXED IN' OVER EMU. AGAINST THE BACKGROUND OF THE POTENTIALLY HELPFUL WAY THE DEBATE OVER EMU IS EVOLVING HERE (MY IPT), OUR OBJECTIVE SHOULD BE TO BEGIN A DIALOGUE WITH THE GERMANS ABOUT HOW WE CAN BEACHIEVE PROGRESS TOGETHER, WITHOUT OUR DIALOGUE BEING PRESENTED IN PUBLIC IN A WAY WHICH WOULD ATTRACT COUNTER PRESSURE FROM THE FEDERALIST LOBBY AND THE FRENCH.

3. GIVEN THE SENSITIVITY OF THE ISSUES INVOLVED, IT MAY BE IMPOSSIBLE TO GO MUCH FURTHER IN A PLENARY WITH GENSCHER BE PRESENT THAN A GENERAL COMMITMENT TO DISCUSS DETAILS OF STAGE 2 AMONG EXPERTS. THE REAL WORK AT THE SUMMIT WOULD HAVE TO BE DONE BETWEEN FINANCE MINISTERS. WE BELIEVE THAT WAIGEL MIGHT NOT BE AVERSE TO AN ATTEMPT TO FIND COMMON GROUND WITH US, THOUGH HE WILL BE SENSITIVE TO THE NEED TO PROTECT HIS FLANK FROM GENSCHER.

4. WAIGEL WILL NO DOUBT HAVE BEEN BRIEFED TO CRITICISE THE HARD ECU (SEE MIPT) BECAUSE THE GERMANS THINK THAT OUR PROPOSAL DILUTES MONETARY AUTHORITY IN STAGE 2 AND FAILS TO PROVIDE FOR STAGE 3. DISCUSSION COULD QUICKLY REACH A DEAD END. A BETTER APPROACH TO GETTING A DISCUSSION OF THE NATURE OF STAGE 2 GOING MIGHT BE TO TRY TO LEAVE STAGE 3 ASIDE FOR NOW. WE ASSESS THAT THE GERMAN FINANCIAL COMMUNITY WILL BE WILLING TO TALK ABOUT STAGE 2 AND CONVERGENCE CRITERIA, IF THEY CAN BE CONVINCED THAT THIS WILL NOT LEAD TO STAGE 2 BECOMING A ROUTE TO CONVERGENCE ON AVERAGE PERFORMANCE AND THUS, IN THEIR EYES, WORSE THAN THE SITUATION PERTAINING NOW. THEY WILL NOT GIVE UP INSISTING ON THEIR VERSION OF STAGE 3 BEING THE END GOAL BUT THEY MAY BE WILLING TO DISCUSS FORMULAE FOR A 'FIREBREAK' BETWEEN THE TWO STAGES WHICH WOULD

(A) ENABLE THE GERMANS TO GO AHEAD WITHOUT US, OR

(B) ENABLE THEM TO HAVE A NATIONAL VETO ON OTHERS WANTING TO START STAGE 3 PREMATURELY.

5. IN SUCH A SCENARIO POINTS (I) - (III) BELOW WOULD NEED TO BE TAKEN AS A PACKAGE:

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You asked to see this
cm.

I) THE CONTENT OF STAGE 2: WE THINK IT MAY BE POSSIBLE TO REACH AGREEMENT ON THE PROPOSITION THAT STAGE 2 SHOULD BE COOPERATIVE AND CONSULTATIVE IN CHARACTER WITHOUT ANY DIMINUTION OF MONETARY SOVEREIGNTY AT THE NATIONAL LEVEL.

II) CONVERGENCE CRITERIA: WE MIGHT BE ABLE TO AGREE THAT EXPERTS SHOULD GET TOGETHER TO DISCUSS BILATERALLY THE PRECISE CRITERIA FOR MOVING INTO AND OUT OF STAGE 2.

III) THE END OF STAGE 2: THERE MIGHT BE SCOPE TO AGREE BOTH THAT THE LENGTH OF STAGE 2 SHOULD BE DETERMINED SOLELY BY THE ATTAINMENT OF THE CRITERIA, FOLLOWED BY A FIREBREAK BEFORE STAGE 3 REQUIRING A FURTHER UNANIMOUS DECISION OF THE COUNCIL AND FURTHER CONSULTATION OF NATIONAL PARLIAMENTS.

6. THE AIM AT THE SUMMIT SHOULD BE TO AGREE ON THIS APPROACH AND LAUNCH THE BILATERAL DIALOGUE, FOLLOWING IT UP DISCREETLY THEREAFTER.

MALLABY

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ADVANCE	21	
.FRAME GENERAL		1
PS		1
PS/MR GAREL-JONES		1
PS/PUS		1
MR BAYNE		1
MR JAY		1
HD/ECD(I)		3
HD/NEWS D		1
HD/WED		1
MR D A HADLEY CABINET OFFICE		1
MR B BENDER CABINET OFFICE		1
MS MANDERSON-JONES (CABINET OFFICE)		1
MR N L WICKS HMT		1
MR H P EVANS HMT		1
MR R ALLEN HMT		1
MR M. MERCER HMT		1
MR C ROBERTS DTI VIC ST		1
PERMAMENT SECRETARY MAFF		1
RESIDENT CLERK		1
MAIN	400	
.FRAME GENERAL		387
ECD (I) [-]		1
WED		11
MR GREENSTOCK		1
ADDITIONAL	1	
FRAME		1
[B.MCCALL]		