

UNCLASSIFIED
FM UKREP BRUSSELS
TO DESKBY 251400Z FCO
TELNO 3187
OF 251242Z OCTOBER 89

FRAME ECONOMIC

EUROPEAN PARLIAMENT PLENARY, STRASBOURG, 25 OCTOBER 1989:
DEBATE ON ECONOMIC AND MONETARY UNION

SUMMARY

whys?
BEREGOVY AND DELORS BOTH MADE SPEECHES IN THE PLENARY DEBATE ON ECONOMIC AND MONETARY UNION ON 25 OCTOBER. BEREGOVY SAID THAT THE DELORS REPORT HAD SET OUT THE WAY TO ACHIEVE EMU AND UNDERLINED THE PRESIDENCY'S INTENTION THAT THE STRASBOURG EUROPEAN COUNCIL SHOULD SET A DATE, JULY 1990, FOR THE CONVENING OF AN INTER-GOVERNMENTAL CONFERENCE TO CONSIDER TREATY AMENDMENTS. DELORS STRESSED THAT EMU COULD NOT BE BASED ON MARKET FORCES ALONE, INSTITUTIONAL CHANGE WAS ALSO NEEDED, AND SAID THAT HE AWAITED WITH EAGERNESS ANY ALTERNATIVE TO THE DELORS REPORT. MEPS' MAIN CONCERNS WERE THAT THE PACE OF EMU SHOULD BE RAPID, AND THAT THE PARLIAMENT SHOULD HAVE A FULL ROLE BOTH IN THE DECISION MAKING PROCESS AND IN THE INSTITUTIONAL STRUCTURE.

DETAIL

2. BOTH BEREGOVY AND DELORS SET OUT IN SOME DETAIL THEIR POSITION ON ECONOMIC AND MONETARY UNION AS PART OF PARLIAMENT'S DEBATE.

3. BEREGOVY SAID THAT EMU WAS AT THE CRUX OF EUROPEAN CONSTRUCTION - IT WAS CRITICAL THAT THIS HISTORIC OPPORTUNITY WAS SEIZED. HE SAID THAT THE DELORS REPORT SET OUT BOTH THE DEFINITION OF EMU AND THE WAY TO ACHIEVE IT. THE MADRID EUROPEAN COUNCIL HAD TAKEN TWO KEY DECISIONS IN ORDER TO IMPLEMENT THE THREE-STAGE PROCESS: FIRST, TO PREPARE FOR STAGE ONE, WHICH WOULD BEGIN ON 1 JULY 1990; SECOND, TO PREPARE FOR AN INTER-GOVERNMENTAL CONFERENCE TO MAKE THE TREATY CHANGES NECESSARY FOR THE SUBSEQUENT STAGES. THE TWO LOTS OF PREPARATORY WORK WERE TAKING PLACE SIMULTANEOUSLY.

4. STAGE ONE WOULD INVOLVE A BETTER AND MORE SUBTLE DIALOGUE BETWEEN MINISTERS OF FINANCE, WHO MUST GET USED TO SUBMITTING THEIR POLICY PLANS TO THE VIEWS OF THEIR COLLEAGUES. AMONGST THE TASKS OF THE CENTRAL BANK GOVERNORS HE RAISED THE POSSIBILITY OF INTEREST

RATE COORDINATION.

5. ON STAGE TWO, PREPARATION FOR AN IGC WAS UNDERWAY: THE PRESIDENCY HAD SET UP A HIGH LEVEL GROUP TO COORDINATE THE WORK, AND ALL MEMBER STATES HAD ENDORSED THIS PROCEDURE. THE PURPOSE WAS TO ANALYSE THE ELEMENTS THAT MIGHT GO INTO A NEW TREATY. THIS WOULD FORM THE TECHNICAL BASIS FOR THE STRASBOURG COUNCIL TO TAKE DECISIONS: HE EXPECTED THIS WOULD INCLUDE A DECISION THAT THE IGC SHOULD BE CONVENED IN JULY 1990.

6. BEREGOVY THEN COMMENTED ON SOME OF THE KEY ELEMENTS OF THE LATER STAGES OF EMU. AS WELL AS A COMMON MONETARY POLICY IT WOULD BE NECESSARY TO HAVE RULES ABOUT BUDGETARY POLICY. IT WAS AGREED AT THE ANTIBES INFORMAL ECOFIN THAT MONETARY FINANCING OF DEFICITS SHOULD BE PRECLUDED, BUT THE COUNCIL WAS STILL CONSIDERING WHETHER LIMITS ON THE SIZE OF DEFICITS NEEDED TO BE IMPOSED.

7. HE COULD NOT GIVE A FULL RESPONSE TO QUESTIONS ABOUT HOW THE PARLIAMENT SHOULD BE INVOLVED IN THE PROCESS, BUT HIS PERSONAL VIEW WAS THAT THE PARLIAMENT SHOULD BE INVOLVED IN RUNNING EMU, TO HELP SOLVE THE 'DEMOCRATIC DEFICIT'.

8. HE ARGUED FOR AN EXTENSION OF THE ROLE OF THE ECU, MADE SOME VAGUELY SUPPORTIVE COMMENTS ABOUT THE NEED FOR SOCIAL COHESION AND COMMENTED OBLIQUELY THAT, THOUGH RAPID PROGRESS WAS NEEDED ON EMU, THE SLOWER MOVING MEMBERS SHOULD BE ALLOWED TO CATCH UP.

9. DELORS DEALT WITH THREE MAIN POINTS: WHAT BENEFITS, IN ADDITION TO THOSE TO BE ACHIEVED BY THE SINGLE MARKET, WOULD RESULT FROM EMU: WHAT WERE THE FEATURES NECESSARY FOR EMU TO BE A SUCCESS: AND WHAT WERE THE IMPORTANT ELEMENTS OF STAGE ONE.

10. ON THE FIRST QUESTION, HE SAID THAT THE COMMISSION WERE PREPARING A DOCUMENT, ALONG THE LINES OF THE CECCHINI REPORT, ON THE BENEFITS OF EMU, WHICH WOULD BE READY BY THE END OF THE YEAR. HE EMPHASISED THE IMPACT OF GREATER STABILITY ON ECONOMIC GROWTH.

11. ON THE NECESSARY FEATURES OF EMU, HE BEGAN BY POINTING OUT THAT THE DELORS REPORT WAS THE ONLY APPROACH CURRENTLY ON THE TABLE, AND SAID THAT HE WAS LISTENING EAGERLY FOR COUNTER-PROPOSALS. HE DID NOT BELIEVE THAT EMU COULD BE ACHIEVED BY MARKET FORCES ALONE, INSTITUTIONAL CHANGE AND FIXED RULES WERE NEEDED. IN PARTICULAR, IT WOULD NOT BE ACCEPTABLE FOR THE COMMUNITY TO BE DOMINATED BY THE CURRENCY OF A SINGLE MEMBER STATE. IT WAS ALSO NECESSARY THAT

MONETARY POLICY SHOULD TAKE ACCOUNT OF ECONOMIC POLICY CONDITIONS. ON THE IDEA OF A TWO SPEED EUROPE, WITH ONLY SOME MEMBER STATES PARTICIPATING FULLY, HE DREW A DISTINCTION BETWEEN THIS AND ALLOWING PERIODS OF TRANSITION, SUCH AS THOSE ALLOWED TO CERTAIN MEMBER STATES IN THE LIBERALISATION OF CAPITAL MOVEMENTS. THIS MIGHT BE APPROPRIATE ON THE ROAD TO EMU.

12. DELORS UNDERLINED THE IMPORTANCE OF SUBSIDIARITY, POINTING OUT THAT ONLY 5 PERCENT OF SPENDING IN THE COMMUNITY WOULD BE CONTROLLED CENTRALLY. THE JURY WAS STILL OUT ON WHETHER THERE WAS A NEED FOR BINDING LIMITS ON BUDGET DEFICITS. HE STRESSED THAT NO ATTEMPT SHOULD BE MADE TO MAKE THE REDOUBLING OF THE SIZE OF THE STRUCTURAL FUNDS A CONDITION OF EMU: SUCH A STRATEGY COULD UNDERMINE THE EXISTING COMMITMENT TO DOUBLING THE FUNDS BY 1990.

13. ON STAGE ONE, DELORS IDENTIFIED THREE KEY ELEMENTS: THE STRENGTHENING OF COORDINATION BETWEEN CENTRAL BANK GOVERNORS, AND IN PARTICULAR THE CREATION OF A SECRETARIAT, LAID THE FOUNDATIONS FOR A NEW CENTRAL BANK: MINISTERS OF FINANCE WOULD GET USED TO POLICY COORDINATION: AND THE LEGAL BARRIERS TO THE USE OF THE ECU WOULD HAVE TO BE REMOVED.

14. DELORS CONCLUDED BY EXPRESSING SUPPORT FOR AN ENHANCED ROLE FOR PARLIAMENT IN THE PREPARATION AND RUNNING OF EMU, AND BY UNDERLINING HIS DESIRE THAT THE STRASBOURG EUROPEAN COUNCIL SHOULD GIVE NEW IMPETUS TO THE PROCESS BY SETTING A DATE FOR AN IGC.

15. THE OVERWHELMING MAJORITY OF SPEAKERS IN THE DEBATE WANTED RAPID PROGRESS ON EMU, WITH AN EARLY DECISION TO CALL AN IGC, AND WITH THE EUROPEAN CENTRAL BANK MADE ACCOUNTABLE TO THE EUROPEAN PARLIAMENT. GISCARD D'ESTAING (FRANCE, LIBERAL) WANTED A DEADLINE FOR STAGE TWO TO BE SET, POSSIBLY 1993. CRAVINHO (PORTUGAL, SOCIALIST SPOKESMAN) SAID THAT EMU SHOULD BE AN INSTRUMENT TO CREATE FULL EMPLOYMENT AND GROWTH, AND SHOULD ELIMINATE THE DEMOCRATIC DEFICIT. CASSIDY (UK, EDG) SOUNDED A CAUTIONARY NOTE BY POINTING OUT THE IMPORTANT CHANGES INVOLVED IN STAGE ONE, AND DRAWING ATTENTION TO POEHL'S STATEMENT THAT THE TIME WAS NOT YET RIGHT TO TRANSFER ECONOMIC AND MONETARY SOVEREIGNTY TO A CENTRAL INSITUATION. CATHERWOOD (UK, EGD) STRESSED THE NEED TO RESOLVE THE CONFLICT BETWEEN THE NEED FOR THE CENTRAL BANK TO BE BOTH INDEPENDENT AND DEMOCRATICALLY ACCOUNTABLE. CHRISTOPHERSON (COMMISSION) SPOKE BRIEFLY AT THE END OF THE DEBATE, STRESSING THE NEED FOR PARLIAMENT'S INVOLVEMENT IN THE EMU PROCESS, BUT NOTING THE SENSITIVITY OF THE SOVEREIGNTY ISSUES INVOLVED. HE ARGUED THAT EMU

UNCLASSIFIED

1121
MDHIAN 1445

AND THE SOCIAL CHARTER WERE COMPLEMENTARY ASPECTS OF COMMUNITY DEVELOPMENT.

HANNAY

YYYY

DISTRIBUTION 194

MAIN 193

.FRAME ECONOMIC

ECD (I)

ADDITIONAL 1

FRAME

NNNN