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FRAME ECONOMIC

EMU HIGH LEVEL GROUP: 26-27 OCTOBER

SUMMARY

1. ELEVEN HOUR DRAFTING SESSION ENDED IN AGREEMENT ON REPORT TO BE SENT TO FAC AND ECOFIN COUNCILS. REVISED TEXT TO BE CIRCULATED ON MONDAY 30 OCTOBER. UK QUESTIONS ON ALTERNATIVE APPROACH TO MONETARY UNION INCLUDED AS DISAGREED. SIX DELEGATIONS OPPOSED PRESIDENCY ATTEMPTS TO ISOLATE UK, ALTHOUGH NONE AGREED WITH SUBSTANCE OF UK POSITION. GERMAN DELEGATION ONCE AGAIN REVEALED SHARP DIFFERENCES OF VIEW BETWEEN FOREIGN AFFAIRS AND FINANCE MINISTRIES.

DETAIL

2. FIFTH MEETING OF EMU HIGH LEVEL GROUP CHAIRED BY MME GUIGOU (SEGCI) BEGAN AT 16.00 ON THURSDAY 26 AND ENDED AT 03.00 ON FRIDAY 27 ON FRIDAY 27 OCTOBER. WICKS AND KERR REPRESENTED UK. THE GROUP MADE HEAVY WEATHER OF REVISING LATEST VERSION OF REPORT (SN 3260/2/89 OF 24 OCTOBER). MOST FELT THAT DRAFT WAS IMPROVEMENT ON ITS PREDECESSORS.

3. THE UK COMPLAINED ABOUT SPECIAL TREATMENT ACCORDED TO ITS QUESTIONS ON ALTERNATIVE APPROACH TO MONETARY UNION (QUESTION ATTRIBUTED TO ONE DELEGATION ON PAGE 8 OF DRAFT REPORT). ALTHOUGH NO DELEGATION AGREED WITH UK ON SUBSTANCE, STRONG OPPOSITION TO PRESIDENCY ATTEMPT TO ISOLATE UK WAS EXPRESSED BY NIEMAN (NETHERLANDS) AND KOEHLER (GERMANY). SPAIN, DENMARK, LUXEMBOURG AND PORTUGAL ALSO SUPPORTED INCLUSION OF UK QUESTIONS. FRANCE, ITALY, BELGIUM AND COMMISSION INSISTED ON THE GROUNDS THAT THEY ATTEMPTED TO REOPEN A DEFINITION OF MONETARY UNION DATING BACK TO 1971, ON THE BASIS OF AN ALTERNATIVE APPROACH THE DETAILS OF WHICH WERE AS YET UNAVAILABLE. JELONEK (GERMANY) JOINED THESE DELEGATIONS IN DEFENCING THE 'IMPARTIALITY' OF THE PRESIDENCY'S ORIGINAL APPROACH.

4. IN THE END AT 02.05 ON FRIDAY A COMPROMISE TEXT WAS AGREED WHEREBY THE UK QUESTIONS IN SN3260/2/289 WILL BE INCLUDED UNDER THE FOLLOWING 'CHAPEAU':

'AU COURS DES DISCUSSIONS DU GROUPE LES QUESTIONS SUIVANTES ONT ETE POSEES SUR LESQUELLES LE GROUPE N'A PAS TROUVE UN ACCORD PARCE QUE, POUR DE NOMBREUSES DELEGATIONS, ELLE REMETTE EN CAUSE LES ELEMENTS CONSTITUTIFS DE L'UNION MONETAIRE''.

5. OTHER SIGNIFICANT CHANGES AGREED INCLUDE:

(I) A REFERENCE IN THE INTRODUCTION TO THE POSSIBILITY THAT THE COMPETENT BODIES (EG THE MONETARY COMMITTEE) MAY IDENTIFY ADDITIONAL QUESTIONS. (SUGGESTED BY KOEHLER).

(II) IN SECTION IA(3)(A) THE FIRST TIRET IS REPLACED BY:-

- LA COORDINATION DES POLITIQUES BUDGETAIRES DEVRAIT-ELLE ETRE DESTINEE EXCLUSIVEMENT A PREVENIR LES DESEQUILIBRES QUI PEUVENT COMPROMETTRE LA STABILITE MONETAIRE, POUR REALISER D'AUTRES OBJECTIFS DE L'UEM?

- DANS LE MANIEMENT DE LA COORDINATION BUDGETAIRE FAUT-IL SE

BASER SUR UNED COORDINATION VOLANTAIRE ON FAUT-IL DEFINIR DES DISPOSTIONS CONTRAIGNANTES? (FRENCH DRAFT TO REFLECT SPANISH SUGGESTION)

(III) SECOND TIRET ON PAGE 7 (ESCB FUNCTIONS) WILL BECOME SECOND TIRET ON PAGE 8 REVISED AS FOLLOWS:

'HOW WOULD THE CAPITAL OF THE ESCB BE SHARED, HOW WOULD ASSETS, INCLUDING FOREIGN EXCHANGE RESERVES, BE OBTAINED AND HOW WOULD PROFITS AND LOSSES BE APPORTIONED?''

(IV) PAGE 10, PARAGRAPH 2, FIRST TIRET: ADD AT END ''EN PARTICULIER CONCERNANT LES PROGRES SUBSTANTIFS REALISES DANS LA CONVERGENCE ECONOMIQUE DES PAYS MEMBRES'' (TO MEET A PORTUGUESE CONCERN).

COMMENT

6. ALTHOUGH WE CAN DRAW SOME ENCOURAGEMENT FROM THE FACT THAT PRESIDENCY ATTEMPTS TO ISOLATE UK FAILED ON THIS OCCASION, IT IS CLEAR THAT THE UK'S FORTHCOMING PAPER ON THE LATER STAGES OF EMU WILL NOT GET AN EASY RIDE. NO OTHER DELEGATION IS YET PERSUADED THAT OUR ALTERNATIVE APPROACH IS VIABLE.

HANNAY