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ECONOMIC AND MONETARY UNION : SUBSEQUENT STAGES

SUMMARY

EXCHANGE OF VIEWS ON SUBSEQUENT STAGES OF ECONOMIC AND MONETARY UNION (EMU), BASED ON REPORTS FROM HIGH LEVEL (GUIGOU) GROUP AND MONETARY COMMITTEE. CHANCELLOR PRESENTED UK PAPER ON ALTERNATIVE TO DELORS' PRESCRIPTION: MOST DELEGATIONS SAID THAT IT MERITED SERIOUS STUDY, BUT COULD NOT ACCEPT THAT IT OFFERED A GENUINE ALTERNATIVE TO THE DELORS REPORT. SOME SUPPORT FROM GERMANY, LUXEMBOURG AND NETHERLANDS FOR MORE MEASURED APPROACH TOWARDS CONSIDERING EMU LATER STAGES. HAVING FAILED TO CLEAR WRITTEN CONCLUSIONS IN ADVANCE, BEREGOVY GAVE AN ORAL SUMMING UP IN WHICH HE MADE CLEAR THAT THE UK PAPER WOULD BE ONE OF THE DOCUMENTS FORWARDED FOR PREPARATION OF THE STRASBOURG EUROPEAN COUNCIL AND THAT THE GUIGOU REPORT, IN THE PRESIDENCY'S VIEW, SET OUT THE MAIN QUESTIONS NEEDING TO BE RESOLVED IN PREPARATION FOR TREATY CHANGES: IT WOULD THEREFORE BE A USEFUL TOOL FOR THE STRASBOURG EUROPEAN COUNCIL, WHICH WOULD HAVE TO DECIDE WHETHER TO CONVENE AN IGC.

DETAIL

1. BEREGOVY BEGAN BY CONGRATULATING THE HIGH LEVEL GROUP ON THEIR WORK, AND NOTING THE INTERESTING UK PAPER. HE FIRST ASKED MME GUIGOU TO PRESENT HER REPORT: SHE BEGAN BY RECALLING THE GROUP'S TERMS OF REFERENCE WHICH WERE TO, 'IDENTIFY, ANALYSE AND BRING TOGETHER THOSE ELEMENTS THAT COULD FIGURE IN A TREATY ON EMU': THAT THE GROUP HAD ESTABLISHED A FULL LIST OF QUESTIONS TO BE RESOLVED, IN DUE COURSE, BY AN INTER-GOVERNMENTAL CONFERENCE (IGC), AND ONLY BY AN IGC.

2. MME GUIGOU IDENTIFIED SOME OF THE KEY ISSUES: THE RELATIONSHIP BETWEEN CENTRAL AND NATIONAL DECISION MAKING IN A EUROPEAN SYSTEM OF CENTRAL BANKS: THE NEED FOR CONSISTENCY OF PROGRESS ON ECONOMIC AND MONETARY UNION, WHICH MIGHT IMPLY INSTITUTIONAL CHANGE IN RELATION TO ECONOMIC POLICY MAKING: AND THE NEED FOR POLITICAL

ACCOUNTABILITY. SHE DREW ATTENTION TO THE QUESTIONS PROPOSED BY THE UK, AND EMBODIED IN THE REPORT, POINTING OUT THAT THESE HAD NOT BEEN AGREED BY ALL DELEGATIONS, SINCE THEY CALLED INTO QUESTION THE CONSTITUENT ASPECTS OF MONETARY UNION. SHE CONCLUDED BY SAYING THAT THE REPORT HAD BEEN AGREED UNANIMOUSLY.

3. SARCINELLI (CHAIRMAN OF MONETARY COMMITTEE) GAVE A LONG PRESENTATION, ON A PERSONAL BASIS, OF DELIBERATIONS IN THE MONETARY COMMITTEE ON THE SUBSEQUENT STAGES OF EMU. (COPY OF TEXT BY HAND OF BROWN, HMT). HE CONCLUDED BY IDENTIFYING SOME ISSUES ON WHICH POLITICAL GUIDANCE WAS REQUIRED: THE ROLE OF BUDGETARY POLICY; THE RELATIONSHIP BETWEEN ESCB INDEPENDENCE, AND THE NEED FOR IT TO SUPPORT GENERAL COMMUNITY ECONOMIC POLICY; THE CONDITIONS FOR MOVING BEYOND STAGE 1; THE BALANCE BETWEEN STAGES 2 AND 3; AND DEMOCRATIC ACCOUNTABILITY. THE MONETARY COMMITTEE INTENDED TO PROCEED WITH THE EXAMINATION OF THE FUNDAMENTAL ELEMENTS OF EMU WITH A VIEW TO MAKING A CONTRIBUTION TO THE FUTURE DRAFTING OF THE NEW TREATY BY THE INTER-GOVERNMENTAL CONFERENCE.

4. THE CHAIRMAN OF THE ECONOMIC POLICY COMMITTEE DREW ATTENTION TO HIS COMMITTEE'S REPORT ON THIS ISSUE, BUT MADE NO SUBSTANTIVE COMMENT.

5. THE CHANCELLOR BEGAN A TOUR DE TABLE BY PRESENTING THE UK PAPER. THE UK SHARED THE CONSENSUS ON THE OBJECTIVES OF EMU, NOTABLY PRICE AND EXCHANGE RATES STABILITY, A HIGHLY INTEGRATED SINGLE MARKET, FREE MOVEMENT OF CAPITAL. UK CONCERNS RELATED TO THE METHOD OF REACHING THOSE OBJECTIVES. HE WAS NOT CONVINCED THAT THE DELORS REPORT REPRESENTED THE BEST METHOD, AND NOTED THAT ALL MAJOR POLITICAL PARTIES IN THE UK SHARED GOVERNMENT CONCERNS ABOUT THE CONSTITUTIONAL ISSUES RAISED BY THE CHANGES PROPOSED IN THE DELORS REPORT

6. THE UK PAPER WAS A GENUINE CONTRIBUTION, WHICH DEMANDED FULL CONSIDERATION AND DISCUSSION. IT WAS BASED ON THE PRINCIPLES OF MARKET FORCES: SUBSIDIARITY; AND STRENGTHENING THE FORCES LEADING TO STABLE PRICES, BUT DID NOT POSE THE SAME CONSTITUTIONAL PROBLEMS AS THE DELORS REPORT.

7. STAGE 1 WOULD PRODUCE MASSIVE CHANGES, WITH STRONG PRESSURE ON MEMBER STATES TO PURSUE LOW INFLATION POLICIES. THIS MUST BE BASIS FOR FURTHER DEVELOPMENT. THE UK APPROACH WOULD BUILD ON STAGE 1 WITH COMPETITION LEADING TO CONVERGENCE OF MONETARY POLICIES ON THE BEST, NOT THE AVERAGE. THE ANALYSIS IN THE UK PAPER SUGGESTED THAT A

NUMBER OF KEY QUESTIONS NEEDED TO BE LOOKED AT, RELATING TO THE RELATIVE BENEFITS OF THE UK APPROACH AND THE DELORS BLUEPRINT, WHICH TOGETHER WITH THE QUESTIONS RAISED BY THE GUIGOU GROUP AND THE MONETARY COMMITTEE NEEDED TO BE THOROUGHLY EXAMINED IN THE MONETARY COMMITTEE AND THE EPC.

8. HE CONCLUDED THAT A DECISION TO CONVENE AN IGC AT THE STRASBOURG EUROPEAN COUNCIL WOULD BE PREMATURE: ANSWERS TO THE QUESTIONS IN THE GUIGOU REPORT AND AN ANALYSIS OF THE UK APPROACH WERE NEEDED BEFORE AN IGC COULD SENSIBLY BE CONVENED. OTHERWISE AN IGC MIGHT NOT SUCCEED. THE GUIGOU REPORT WAS A CONTRIBUTION TO THE FULL AND ADEQUATE PREPARATION ENVISAGED AT THE MADRID EUROPEAN COUNCIL.

9. WAIGEL (GERMANY) STRESSED THE NEED FOR CONVERGENCE ON THE LOWEST POSSIBLE LEVEL OF INFLATION. THE UK PAPER WAS AN INTERESTING ANALYSIS: HE AGREED THAT THERE WERE STILL FORMIDABLE OBSTACLES TO ACHIEVING STAGE 1. A MEASURED APPROACH TO SUBSEQUENT STAGES WAS NEEDED: IT DID NOT MAKE SENSE TO START CONSTRUCTING THE ROOF WHEN THE FOUNDATIONS WERE NOT YET IN PLACE. HE NOTED THAT THE GUIGOU REPORT RAISED IMPORTANT QUESTIONS, BUT DID NOT CONSTITUTE AN EXHAUSTIVE LIST, AND THAT FUNDAMENTAL DIFFERENCES OF VIEW WERE EMERGING.

10. THAT SAID, THE COMMUNITY SHOULD USE THE CURRENT POLITICAL MOMENTUM, LINKED TO DEVELOPMENTS IN EASTERN EUROPE, TO MAKE PROGRESS. TO ACHIEVE FULL AND ADEQUATE PREPARATION, WIDE ANALYSIS WAS NOW NEEDED, INCLUDING OTHER OPTIONS, AND BASED IN DUE COURSE ON EXPERIENCE OF STAGE 1. HE WAS SURE THAT THE STRASBOURG EUROPEAN COUNCIL WOULD WANT TO TAKE THE NECESSARY DECISIONS, DRAWING ON THE WORK DONE BY ECOFIN.

11. CARLI (ITALY) LIMITED HIS REMARKS TO A CRITIQUE OF THE UK PAPER, ARGUING THAT COMPETING MONETARY POLICIES WITH FIXED EXCHANGE RATES WOULD NOT RESULT IN HIGH INFLATION CURRENCIES BEING SQUEEZED OUT: RATHER, HIGH INFLATION CURRENCIES WOULD CONTAMINATE LOW INFLATION CURRENCIES. IN THE ABSENCE OF A COMMON MONETARY POLICY IT WOULD NOT BE POSSIBLE TO MAINTAIN FREE MOVEMENT OF GOODS, CAPITAL AND PERSONS.

12. TRICHET (FRANCE) SAID THAT THE GUIGOU REPORT IDENTIFIED THE ISSUES IN CLEAR TERMS. THE UK PAPER DESERVED SERIOUS CONSIDERATION, BUT ON THE SUBSTANCE HE AGREED WITH CARLI'S ANALYSIS. HE NOTED THAT THE UK PAPER WAS VERY POSITIVE ON THE BENEFITS OF THE ERM.

13. MAYSTADT (BELGIUM) GAVE FULL SUPPORT TO THE GUIGOU REPORT AS A BASIS FOR DECISIONS ON AN IGC AT THE STRASBOURG COUNCIL. HE SAID THE UK PAPER SHOULD BE DISCUSSED, BUT DID NOT HAVE THE SAME STATUS AS THE DELORS REPORT: HE DID NOT FEEL IT REPRESENTED A GENUINE ALTERNATIVE APPROACH TO EMU. HE NOTED THAT THE UK PAPER IDENTIFIED THE SOVEREIGNTY ISSUE AND SAID THAT BELGIUM SAW THE ESTABLISHMENT OF AN ESCB AS A WAY OF PARTIALLY REGAINING THE SOVEREIGNTY THEY HAD ALREADY LOST OVER MONETARY POLICY ISSUES.

14. KOK (NETHERLANDS), IN A SOMEWHAT AMBIVALENT CONTRIBUTION, ARGUED THAT THE IGC SHOULD BE A SHORT TERM ENDEAVOUR WITH QUICK CONCLUSIONS: IT WOULD HAVE TO BE PRECEDED BY AGREEMENT ON THE KEY ISSUES, INCLUDING ON HOW TRANSFERS OF SOVEREIGNTY SHOULD TAKE PLACE, AND ON THE ENSUING SYSTEM OF ACCOUNTABILITY. THE UK HAD MADE AN IMPORTANT CONTRIBUTION, THOUGH IT WAS NOT A COMPLETE ALTERNATIVE TO DELORS.

15. IN A LONG INTERVENTION CADILHE (PORTUGAL) EXPRESSED STRONG SUPPORT FOR DELORS' APPROACH. HE SAW GENUINE PROBLEMS OF DEMOCRATIC ACCOUNTABILITY AND WITH BINDING BUDGETARY RULES, AND NOTED THAT HIS GOVERNMENT WAS CURRENTLY CONSIDERING CHANGING THEIR LAW TO PRECLUDE MONETARY FINANCING OF BUDGETARY DEFICITS.

16. SOLCHAGA (SPAIN) SAID THE TIME WAS RIGHT FOR CONVENING AN IGC, AND ARGUED THAT THE UK APPROACH WAS NOT A GENUINE ALTERNATIVE. GREECE SHARED THIS APPROACH, BUT STRESSED NEED FOR STRENGTHENED REGIONAL POLICY TO REDUCE ECONOMIC IMBALANCES AS PART OF EMU. PETERSON (DENMARK) SAID THAT THE GUIGOU GROUP HAD IDENTIFIED A NUMBER OF THORNY ISSUES, AND THAT THE UK PAPER WAS OF CONSIDERABLE INTEREST. THE DANISH GOVERNMENT WAS TO PUBLISH A MAJOR REPORT ON THE IMPLICATIONS OF EMU IN THE NEXT TWO WEEKS. SANTER (LUXEMBOURG) SAID THAT THOUGH THE UK PAPER WAS IMPORTANT, IT FELL SHORT OF THE ULTIMATE OBJECTIVE. BUT LIKEWISE THE GUIGOU REPORT WAS NOT A SUFFICIENT BASIS TO MOVE ON FROM STAGE 1: PRACTICAL EXPERIENCE FROM STAGE 1 WAS NEEDED AS BASIS FOR SUBSEQUENT STAGES. AGREEMENT ON THE OBJECTIVES OF EMU DID NOT MEAN THAT A DATE FOR AN IGC SHOULD BE AGREED NOW: AN INSUFFICIENTLY PREPARED IGC WOULD DO MORE HARM THAN GOOD.

17. REYNOLDS (IRELAND) SAID THAT WORK WAS NOW NEEDED ON THE SUBSTANTIVE ISSUES IN THE APPROPRIATE FORA, WITH DELORS AT CENTRE STAGE. THE UK PAPER WAS INTERESTING, BUT WAS NOT AN ALTERNATIVE TO THE DELORS REPORT.

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ADDITIONAL 1

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