



FCS/84/334

CHANCELLOR OF THE EXCHEQUEREMS and the Dooge Committee

1. Thank you for your minute of 17 December.
2. We are preparing briefing material on all aspects of the Dooge Committee's Interim Report (which is due to be published in mid-January). This will be circulated to all interested Departments early in the New Year.
3. I agree that if we are asked about the references on page 2 of the Report to economic and monetary union and on page 10 to the eventual creation of a common independent Central Bank system, a European Monetary Fund and a common currency we should draw attention to the reserve entered by Malcolm Rifkind. We have been assured by the Council Secretariat that this and other UK reserves will definitely appear in the published version.
4. I do not think, however, that we need take a defensive position. Our overall strategy towards the work of the Dooge Committee is to show that in practice we are at least as forthcoming as other Member States. We should therefore try to bring the discussion back on to ground of our own choosing, for example by emphasising that:
- no-one is keener than we are on achieving a more united European economy by strengthening the internal market, not only by removing barriers to trade in goods and services, but also by liberalising capital movements. As we both well remember, we were the first EC country to lift exchange controls.
  - we agree that the continued convergence of economic policies and performances of the Member Countries

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would help to strengthen the EMS. We have welcomed growing consensus in the Community (reflected in the Commission's latest Annual Economic Paper) that firm monetary policies and better supply performance offers the best prospect of sustained growth and rising employment

- we have welcomed the growth in the private use of the ECU (unlike the Bundesbank which does not permit German residents to hold ECU deposits). London is an important centre for the market in ECU-dominated assets
- we have accepted the Commission's recent package of proposals to promote the official use of the ECU by Central Banks, including the ECU mobilisation scheme
- progress on all these issues - the elimination of internal barriers to trade in goods and services, liberalisation of capital movements, greater convergence of economic policies and performance, and further development of the official use of the ecu - would be an essential prerequisite for any more far-reaching developments.

5. When discussions resume in the Dooge Committee our aim will be to steer the Committee away from commitments which are unrealistic and unacceptable to a number of other Member States as well as the UK. I agree that the advice which the Dooge Committee is likely to receive from the Monetary Committee and Central Bank Chairman should be helpful in this respect. I hope that it will also be possible to establish some common ground with the Germans. You will remember that Tietmeyer was at pains during the last ECOFIN Council to emphasise that the



Germans do not think the time is ripe for further developments in the EMS. Herr Pohl's recent speech in Bonn also makes it quite clear that the Bundesbank is not prepared to accept the reduction of its autonomy which would result from transferring Central Bank functions to a European Monetary Fund. In the light of these firm statements from the Bundesbank and the German Finance Ministry, it may be difficult for Herr Ruhfus to continue to associate himself with some of the propositions to which he has hitherto lent support in the Dooge Committee.

6. I am sending copies of this minute to the Prime Minister and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

28 December, 1984



10 DOWNING STREET

Prime Minister

EMS.

You may like to see these papers, which deal with the altitude we should take to proposals for developing the EMS. Both Treasury & FCO agree that the proposals made in the Dooze Committee are unrealistic & must be opposed - though the FCO want to say some positive things too.

No decision required at this stage.  
CDP 2/5

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bc: Sir P. Craddock

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10 DOWNING STREET

From the Private Secretary

3 January 1985

EMS AND THE DOOGE COMMITTEE

The Prime Minister has noted the Chancellor's minute of 17 December to the Foreign Secretary on the Government's attitude to the recommendations of the Dooge Committee on the future development of the EMS, and the Foreign Secretary's minute of 28 December in reply. The Prime Minister agrees that our opposition to the unrealistic and undesirable proposals which have been put forward in the Dooge Committee and are identified in the Chancellor's minute must be made clear, and that we should make a major effort when discussions resume in the Dooge Committee to have such proposals dropped. She hopes that, as suggested in the Foreign Secretary's minute, we can obtain German support for our position.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office) and David Williamson (Cabinet Office).

Charles Powell

David Peretz, Esq.,  
H.M. Treasury.

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MISS LAMBERT

DECISION BY CONSTITUTIONAL COUNCIL OF FRANCE ON TRANSFER OF  
POWERS TO COMMUNITY INSTITUTIONS

This information from the British Embassy, Paris, was helpful. As in all such decisions there is some ambiguity but I still think that we can judiciously use in discussions on the work of the Dooge Committee or elsewhere the fact that the Constitutional Council ruled that any new "limitation" of French sovereignty must be agreed by treaty and could not result from the progressive, internal development of the Communities and that a "transfer" of sovereignty would require not only a treaty but also prior revision of the French Constitution.

D F Williamson

D F WILLIAMSON

11 December 1984

cc: Mr Powell, 10 Downing Street, minute only.  
Mr Renwick, FCO  
Mr Hatfield, minute only  
Mr Stapleton