

RESTRICTED
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INFO PRIORITY EUROPEAN COMMUNITY POSTS

FRAME ECONOMIC

FOREIGN AFFAIRS COUNCIL: 17 JULY 1989
FOLLOW UP TO EUROPEAN COUNCIL

SUMMARY

1. A LENGTHY TOUR DE TABLE ON FUTURE WORK ON EMU. SOME PRESSURE FOR A STRONG COORDINATING ROLE FOR THE FOREIGN AFFAIRS COUNCIL (FAC). FRANCE ANXIOUS FOR RAPID PROGRESS. THE PRESIDENCY PROMISED PROCEDURAL PROPOSALS, POSSIBLY INVOLVING THE SETTING UP OF A HIGH LEVEL GROUP.

DETAIL

2. DELORS (COMMISSION) RECALLED THE DISCUSSION AT THE ECOFIN COUNCIL. THE WHOLE OF THE 9/10 SEPTEMBER INFORMAL MEETING WAS TO BE DEVOTED TO STAGE I. THEY WOULD NEED TO CONSIDER IN PARTICULAR THE STRENGTHENING OF THE ROLE OF THE COMMITTEE OF GOVERNORS OF CENTRAL BANKS. AS FOR LATER STAGES (HE WOULD NOT CALL THEM STAGES II AND III SINCE THE DELORS REPORT HAD NOT BEEN ADOPTED AS SUCH), THERE WERE SIX QUESTIONS FOR THE FOREIGN AFFAIRS COMMITTEE TO CONSIDER:

(A) SHOULD THERE BE GREATER CENTRALISATION FOR MONETARY THAN FOR ECONOMIC POLICIES AS HIS REPORT HAD SUGGESTED, IN VIEW OF THE SMALL PROPORTION OF PUBLIC EXPENDITURE WHICH WOULD BE CENTRALISED COMPARED WITH TYPICAL FEDERAL STATES?

(B) WHAT BINDING RULES SHOULD THERE BE ON MEMBER STATES AND CENTRAL BANKS? SHOULD THESE FOCUS ON DEFICITS AND THEIR FINANCING?

(C) HOW MUCH COHESION WAS NEEDED?

(D) WAS THE NEW FEDERAL CENTRAL BANK PROPOSED IN HIS REPORT ACCEPTABLE?

No bank.

(E) SHOULD THE EUROPEAN CENTRAL BANK BE ACCOUNTABLE TO THE EUROPEAN PARLIAMENT AND EUROPEAN COUNCIL?

(F) SHOULD THERE BE SOME DEMOCRATIC QUID PRO QUO FOR THE GROWING ROLE OF THE SYSTEM?

3. DUMAS (PRESIDENCY) NOTED THAT THE MADRID CONCLUSIONS INCLUDED THE FOREIGN AFFAIRS COUNCIL AMONG THE BODIES WHO WERE TO DO FOLLOW UP WORK. ITS ROLE SHOULD BE ONE OF OVERALL COORDINATION AND THE PRESIDENCY WOULD PUT FORWARD SPECIFIC PROPOSALS. EYSKENS (BELGIUM) THOUGHT THE FOREIGN AFFAIRS COUNCIL SHOULD HAVE A CREATIVE ROLE PARTICULARLY ON INSTITUTIONAL ISSUES, IN ADDITION TO ITS COORDINATING ROLE. SOLBES (SPAIN) SAID THE FAC'S ROLE WAS MORE ONE OF PROCEDURE THAN OF SUBSTANCE. MADAME CRESSON (FRANCE) EMPHASISED THE NEED FOR SPEED. THE COMMISSION SHOULD SUBMIT ITS IDEAS AS SOON AS POSSIBLE SO THAT THE TIMETABLE COULD BE ADHERED TO.

4. GENSCHER (GERMANY) SAID IT WAS FOR THE PRESIDENCY TO DECIDE ON THE PRECISE ROLE OF THE FAC WHICH SHOULD COMBINE COORDINATION WITH MAKING ITS OWN CONTRIBUTION. MRS CHALKER REFERRED TO THE CONCLUSIONS OF ECOFIN ON 10 JULY, EMPHASISING THAT THE ECOFIN COUNCIL SHOULD TAKE THE LEAD ON THE BASIS OF THE WORK PROGRAMME WHICH THEY HAD DISCUSSED. THE SIX QUESTIONS POSED BY DELORS WERE NOT EXHAUSTIVE AND WE SHOULD 'HASTEN SLOWLY'. CALAMIA (ITALY) AND MOLLER (DENMARK) ALSO SUPPORTED THE NEED FOR A SUBSTANTIAL ROLE FOR THE FOREIGN AFFAIRS COUNCIL.

5. POOS (LUXEMBOURG) SUPPORTED THE TIMETABLE PROPOSED BY THE COMMISSION AND PRESIDENCY AT ECOFIN. THE FAC SHOULD HAVE ITS NORMAL COORDINATING ROLE AND SHOULD HAVE EMU PERMANENTLY ON ITS AGENDA. PAPOULIAS (GREECE) EMPHASISED THE IMPORTANCE OF STRUCTURAL POLICY AS PART OF STAGE I AND AGREED WITH THE 10 JULY ECOFIN CONCLUSIONS. COLLINS (IRELAND) AGREED WITH THE PRESIDENCY PROPOSALS FOR THE TIMETABLE. PINEIRO (PORTUGAL) SAID IT WAS IMPORTANT TO AVOID CLASHES WITH ECOFIN AND TO DEFINE CAREFULLY THE RESPECTIVE ROLES OF THE TWO COUNCILS. NIEMAN (NETHERLANDS) SAID IT WAS FOR THE PRESIDENCY TO DECIDE HOW TO SPLIT UP THE WORK BETWEEN THE FAC AND ECOFIN.

6. CHRISTOFFERSEN (COMMISSION) SAID THE COUNCIL AND COMMISSION HAD AGREED ON THE TIMETABLE PRESENTED TO ECOFIN. ECOFIN'S ROLE WAS TO DEAL WITH THE SUBSTANCE OF STAGE I AND THE MACROECONOMIC ELEMENTS OF STAGES II AND III. THE FAC'S ROLE WAS TO MONITOR THE WORK, TO PREPARE FOR THE EUROPEAN COUNCIL, TO DEAL WITH INSTITUTIONAL QUESTIONS AND SOME ASSOCIATED POLICIES AND TO PREPARE FOR THE IGC. THE TIMETABLE AGREED AT ECOFIN WAS A TIGHT ONE. STAGE I MUST BE PREPARED DURING THE FRENCH PRESIDENCY, WITH AGREEMENT IN PRINCIPLE AT THE NOVEMBER ECOFIN SO THAT THE STRASBOURG EUROPEAN COUNCIL COULD

TAKE STOCK OF THE WORK ON STAGE I.

7. DUMAS SAID THAT AT STRASBOURG IT MUST BE POSSIBLE TO SHOW DEFINITIVE PROGRESS ON STAGE I AND USEFUL PROGRESS ON STAGES II AND III. TO MAKE THIS POSSIBLE THE COMMISSION'S PAPER SHOULD BE READY IN THE FIRST HALF OF SEPTEMBER NOT THE SECOND. HE ALSO SUGGESTED THAT ONE WAY OF IMPROVING COORDINATION WOULD BE TO SET UP A HIGH LEVEL GROUP OF PERSONAL REPRESENTATIVES, LIKE THE DONDELINGER GROUP SET UP IN CONNECTION WITH THE SINGLE EUROPEAN ACT. THE PRESIDENCY WERE THINKING OF PUTTING FORWARD PROPOSALS ON THESE LINES.

8. DELORS SAID A PAPER COULD BE PRODUCED BY MID SEPTEMBER BUT IT WOULD BE A PAPER SETTING OUT THE PROBLEMS, NOT GIVING FINAL ANSWERS. THE COMMISSION NEEDED MORE TIME FOR REFLECTION AND TO LISTEN TO MEMBER STATE'S VIEWS.

9. MRS CHALKER SAID ANY PAPER SHOULD BE PREPARED FOR THE SEPTEMBER INFORMAL ECOFIN, RATHER THAN FOR THE FAC. WE WERE DOUBTFUL ABOUT THE IDEA OF A HIGH LEVEL GROUP: THE DONDELINGER GROUP HAD BEEN SET UP AFTER THE CONVOCAION OF THE IGC ON THE SEA. POOS AND NIEMAN SAID THEY WERE NOT KEEN ON A HIGH LEVEL GROUP. GENSCHER SAID HE WAS.

10. DUMAS CONCLUDED THAT THE COMMISSION HAD ACCEPTED HIS PROPOSAL TO PRODUCE A DOCUMENT BY 15 SEPTEMBER AND THAT THE PRESIDENCY WOULD SUBMIT CONCRETE PROPOSALS ABOUT THE FAC'S COORDINATING ROLE.

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