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FRAME ECONOMIC

CHANCELLOR KOHL'S SPEECH : ECONOMIC AND MONETARY UNION

SUMMARY

1. KOHL SAYS THAT HE HAS PUT TO MITTERRAND A CONCRETE PROGRAMME OF WORK WHICH ENVISAGES COMPLETING ALL NECESSARY DECISIONS BY 1994. HE HAS LINKED THIS WITH A PROPOSAL FOR INCREASING THE RIGHTS OF THE EUROPEAN PARLIAMENT.

DETAIL

2. KOHL INTERRUPTED THE PREPARED TEXT OF HIS SPEECH TO THE BUNDESTAG THIS MORNING WITH A SHORT PASSAGE ON ECONOMIC AND MONETARY UNION. AFTER REFERRING TO THE AGREEMENT TO BEGIN STAGE I OF EMU ON 1 JULY 1990 TOGETHER WITH THE LIBERALISATION OF CAPITAL MOVEMENTS, HE SAID THAT A DECISION WOULD BE NEEDED ON HOW TO PROCEED WITH FURTHER STAGES. HE EMPHASISED THAT THE EUROPEAN COUNCIL IN MADRID HAD DECIDED THAT AN IGC SHOULD BE CALLED AS SOON AS IT HAD BEEN COMPREHENSIVELY AND PROPERLY PREPARED. SINCE THIS WAS A SENSITIVE AREA INVOLVING THE BUNDESBANK AND THE STABILITY OF THE CURRENCY, EVERY STEP WOULD HAVE TO BE CAREFULLY CONSIDERED IN THE LIGHT OF THE GOVERNMENT'S RESPONSIBILITY BOTH TOWARDS THE FEDERAL REPUBLIC AND TOWARDS THE FUTURE OF THE EC. HE SAW IT AS A SUCCESS THAT THE PREPARATORY WORK SO FAR HAD BEEN BASED ON THE FRG'S OWN PROVEN STRUCTURE OF MONETARY MANAGEMENT. THE GERMANS WOULD HOLD FAST TO THIS IN THE YEAR AHEAD IN STRIVING FOR A CONSENSUS ON THE AIMS AND CONTENT OF EMU BEFORE BEGINNING THE ACTUAL NEGOTIATIONS ON A TREATY AMENDMENT.

3. KOHL SAID THAT HE HAD RECENTLY SUGGESTED A CONCRETE PROGRAMME OF WORK TO PRESIDENT MITTERRAND. HIS AIM WHICH HE SAID HE WANTED UNDERSTOOD WAS THAT THE NEGOTIATIONS AND NECESSARY PARLIAMENTARY RATIFICATIONS BY THE MEMBER STATES SHOULD BE COMPLETED IN GOOD TIME FOR THE NEXT EUROPEAN PARLIAMENTARY ELECTIONS IN 1994. HE WOULD ALSO WANT TO DISCUSS IN STRASBOURG HOW THE RIGHTS OF THE EUROPEAN PARLIAMENT COULD BE EXTENDED. IT WAS OUT OF THE QUESTION TO GO INTO

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THE 1994 ELECTIONS ON THE BASIS OF THE PRESENT RIGHTS OF THE EUROPEAN PARLIAMENT, WHICH WERE A LONG WAY BEHIND THE EXPECTATIONS OF THE EUROPEAN VOTING PUBLIC.

COMMENT

4. THIELE (CHANCELLERY) IS EITHER UNABLE OR UNWILLING TO GIVE DETAILS OF THE WORK PROGRAMME KOHL SUGGESTED TO MITTERRAND. WE SHALL PURSUE THIS FURTHER. HE DID NOT DISSENT FROM THE PROPOSITION THAT TO MEET KOHL'S OWN DEADLINE OF 1994, IT WAS NOT NECESSARY TO CALL AN INTER-GOVERNMENTAL CONFERENCE IN 1990, NOR TO AGREE TO DO THIS AT STRASBOURG. THE PHRASE "IN THE YEAR AHEAD" (PARA 2 ABOVE) WHICH HAS BEEN SUBSTITUTED IN THE WRITTEN TRANSCRIPT FOR SOME OTHER PHRASE, CONVEYS THE IMPRESSION THAT AT STRASBOURG, KOHL WILL GIVE HIS AGREEMENT TO AN IGC IN 1990. THIS MAY WELL BE HIS INTENTION, JUST AS IT MAY ALSO BE DELIBERATE THAT HE HAS NOT COMMITTED HIMSELF IN TERMS. A CONVERSATION BETWEEN THE MINISTER AND HARTMANN (CHANCELLERY) THIS MORNING, AND BEFORE DELIVERY OF THE SPEECH, CONVEYED THE IMPRESSION THAT KOHL'S DECISION DEPENDS UPON WHETHER (UNSPECIFIED) GERMAN CONDITIONS WERE MET.

5. IT HAS ALWAYS BEEN A PART OF THE GERMAN GOVERNMENT'S POSITION THAT THEY WANTED TO KNOW THE WHOLE STORY BEFORE EMBARKING. HARTMANN WARNED THE MINISTER THAT KOHL WOULD RAISE THE POWERS OF THE PARLIAMENT AT STRASBOURG. HARTMANN ARGUED THAT EMU WOULD BE DISCREDITED IF EUROPEAN VOTERS CONTINUED TO TREAT THE EUROPEAN PARLIAMENT WITH THEIR CURRENT DEGREE OF INDIFFERENCE. THE ONLY WAY TO REMEDY THIS WAS TO INCREASE THE IMPORTANCE OF THE PARLIAMENT BY INCREASING ITS POWERS AND RESPONSIBILITIES. PROBING REVEALED THAT GERMAN THINKING HAD GONE NO FURTHER THAN THIS GENERAL PROPOSITION.

6. IT IS NOT CLEAR WHY KOHL CHOSE TO GO PUBLIC NOW. IT COULD BE ARGUED THAT HE IS FLYING A KITE TO ASSESS REACTIONS. HE MAY BE SOFTENING DOMESTIC OPINION UP FOR A DECISION. BY SETTING A TARGET DATE FOR THE END OF THE PROCESS, HE MAY BE PUTTING PRESSURE ON THE FRENCH TO ACQUIESCE IN HIS WORK PROGRAMME. OR, BY INTRODUCING THE PARLIAMENTARY FACTOR, HE COULD BE DELIBERATELY OVER LOADING THE BARQUE. THIS LAST SEEMS LESS PROBABLE THAN THE OTHER HYPOTHESES, WHICH ARE NOT MUTUALLY EXCLUSIVE. WE SHALL INVESTIGATE FURTHER.

7. FCO PLEASE ADVANCE TO ARTHUR ECD(I), MRS BROWN TREASURY, ARROWSMITH BANK OF ENGLAND

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