

EMU

- Lusser 1. A potentially useful new quote for tomorrow:

→ "The British authorities have understood the essential point: monetary integration should proceed along the path from stability to unity, and not that from unity to stability."

(Markus Lusser, Governor of the Swiss National Bank, Zurich, 21 November, speaking about the UK 2 November "Evolutionary Approach" paper.)

2. The most useful of the Pohl quotes in our Strasbourg kit was, I think, this one, also on the "Evolutionary Approach" paper:

Pohl "... a realistic and sensible description of what monetary policy should concentrate on in future years".

(Pohl: Frankfurt, 7 November.)

EMU: STATEMENTS BY KARL OTTO PÖHL

Statements helpful to UK line

1. The President of the Bundesbank has made a number of recent statements helpful to the UK line on EMU:

- Article in Handelsblatt, 30.12.88: "Economic and Monetary Union cannot be achieved by revolution, but by an evolutionary process [which, although it will not be without its setbacks, is already irreversible]."

"Today, however, the creation of supra-national institutions able to make binding decisions in the most important areas of economic and monetary policy appears visionary. This includes the goal of a European Central Bank System."

"The next steps towards a new European future do not require drastic institutional changes [nor should they lead to dangerous detours such as a parallel currency]."

- Interview in "Le Figaro", 11-12 March: "To move from the EMS to a new monetary Europe will require Treaty change. But the road will be long, and it will be wholly premature to expect the creation of a European Central Bank in the near future."

- Press Conference, 18.4.89: "In Germany and some other countries capital movements have been free of restrictions for a long time. Other countries, however, still impose considerable restrictions on money and capital movements. Before one considers a European monetary union, all existing restrictions should first be lifted. I find it somewhat astonishing that the countries which are making the strongest calls for an economic and monetary union.... are the very countries which are unable to observe the comparatively easy rules of the European Monetary System."

My thoughts in the this connection go particularly to Italy and Spain."

"In the interest of European integration, which I personally advocate most strongly and which I gladly support, one should warn against false expectations. Failure would be the worst thing that could happen to us. You know what became of the Werner Report and similar expert reports."

- Interview in Le Monde, 23.5.89: "Whether or not there will one day be a decision-making institution involving, as Mrs Thatcher rightly said, a far-reaching transfer of sovereignty, is a political decision."

- Speech to German Saving Banks' Congress, 8.6.89: "The British Government is not the only one which has difficulties in accepting the transfer of sovereign rights to supra-national institutions. That goes for the Federal Republic too. For example, the creation of a European Central Bank System equipped with real monetary policy powers... would require far-reaching changes to the Bundesbank and I do not know whether there would be broad agreement for such changes in the Federal Republic in the foreseeable future."

"In my opinion, it would be a serious mistake to begin inter-Governmental negotiations on this at an early stage as some people have suggested... if we advise caution, this does not mean we are against economic and monetary union, but that we assess the chances realistically."

"More important than amendments to the EC Treaty and the creation of new institutions is the need to expand existing developments towards an economic and monetary union and to implement those decisions which have already been taken.... The institutional prerequisites for closer economic, financial and monetary cooperation among EC member states already exist (ECOFIN, Monetary Committee, Committee of EC

Central Bank Governors, EMS Treaty). No new Treaty and no new institutions are required for the time being."

- Speech in Munich, 22.6.89: "I myself doubt whether the time has come for such a comprehensive renunciation of sovereignty, namely the transfer of monetary powers to supra-national institutions. I can only repeat what I said a little while ago. Neither a single currency nor a European Central Bank is necessary for an economic and monetary union to function... As I see it, there are two risks associated with a premature and badly prepared "Inter-Governmental Conference" on such a Treaty: it could lead to considerable tension and conflict within the EC. Worse still is the possibility of failure."

- Interview in FT, 1.7.89: "I think one should not start on such a venture [an IGC/Treaty change] unless there is a good chance of finishing the process. If the danger of failure was judged relatively great - and it is my view that it is relatively great, to start with, at least - then it would be better to wait."

- Speech in Frankfurt on 7.11.89: Pöhl repeated his criticism of pressure for an IGC in the second half of 1990 and said that in the view of the Bundesbank there was no obvious reason to move quickly to a common EC monetary policy. He said he was very sympathetic towards the British paper, which he described as "a realistic and sensible description of what monetary policy should concentrate on in future years."

Others Statements

2. M Delors commented during his meeting with the Prime Minister on 1 December that Herr Pöhl tended to make conflicting statements. There is some truth in this:

- In a speech on 26 January, Pöhl said: "I am wholly in favour of the creation of a European Central Bank and a

European currency". He went on, however, to say that "the enormous practical and political difficulties involved are obvious to anyone who is familiar with the material. A European Reserve Bank and a European currency would also, as the British Chancellor of the Exchequer has recently pointed out, involve Governments giving up important areas of financial sovereignty. This may be desirable, but it is for the foreseeable future impracticable."

- At his press conference on 18 April, Pöhl said: "One can only enter the first stage if it is agreed that at the end of the first stage there is the second and then the third stage. One cannot start a journey without knowing the destination."

3. Herr Pöhl is also a leading advocate of UK membership of the ERM, for which he called in virtually all of the statements listed above.

EMU: STATEMENTS BY KARL OTTO PÖHL

Statements helpful to UK line

1. The President of the Bundesbank has made a number of recent statements helpful to the UK line on EMU:

- Article in Handelsblatt, 30.12.88: "Economic and Monetary Union cannot be achieved by revolution, but by an evolutionary process [which, although it will not be without its setbacks, is already irreversible]."

"Today, however, the creation of supra-national institutions able to make binding decisions in the most important areas of economic and monetary policy appears visionary. This includes the goal of a European Central Bank System."

"The next steps towards a new European future do not require drastic institutional changes [nor should they lead to dangerous detours such as a parallel currency]."

- Interview in "Le Figaro", 11-12 March: "To move from the EMS to a new monetary Europe will require Treaty change. But the road will be long, and it will be wholly premature to expect the creation of a European Central Bank in the near future."

- Press Conference, 18.4.89: "In Germany and some other countries capital movements have been free of restrictions for a long time. Other countries, however, still impose considerable restrictions on money and capital movements. Before one considers a European monetary union, all existing restrictions should first be lifted. I find it somewhat astonishing that the countries which are making the strongest calls for an economic and monetary union.... are the very countries which are unable to observe the comparatively easy rules of the European Monetary System."

My thoughts in the this connection go particularly to Italy and Spain."

"In the interest of European integration, which I personally advocate most strongly and which I gladly support, one should warn against false expectations. Failure would be the worst thing that could happen to us. You know what became of the Werner Report and similar expert reports."

- Interview in Le Monde, 23.5.89: "Whether or not there will one day be a decision-making institution involving, as Mrs Thatcher rightly said, a far-reaching transfer of sovereignty, is a political decision."

- Speech to German Saving Banks' Congress, 8.6.89: "The British Government is not the only one which has difficulties in accepting the transfer of sovereign rights to supra-national institutions. That goes for the Federal Republic too. For example, the creation of a European Central Bank System equipped with real monetary policy powers... would require far-reaching changes to the Bundesbank and I do not know whether there would be broad agreement for such changes in the Federal Republic in the foreseeable future."

"In my opinion, it would be a serious mistake to begin inter-Governmental negotiations on this at an early stage as some people have suggested... if we advise caution, this does not mean we are against economic and monetary union, but that we assess the chances realistically."

"More important than amendments to the EC Treaty and the creation of new institutions is the need to expand existing developments towards an economic and monetary union and to implement those decisions which have already been taken.... The institutional prerequisites for closer economic, financial and monetary cooperation among EC member states already exist (ECOFIN, Monetary Committee, Committee of EC

Central Bank Governors, EMS Treaty). No new Treaty and no new institutions are required for the time being."

- Speech in Munich, 22.6.89: "I myself doubt whether the time has come for such a comprehensive renunciation of sovereignty, namely the transfer of monetary powers to supra-national institutions. I can only repeat what I said a little while ago. Neither a single currency nor a European Central Bank is necessary for an economic and monetary union to function... As I see it, there are two risks associated with a premature and badly prepared "Inter-Governmental Conference" on such a Treaty: it could lead to considerable tension and conflict within the EC. Worse still is the possibility of failure."

- Interview in FT, 1.7.89: "I think one should not start on such a venture [an IGC/Treaty change] unless there is a good chance of finishing the process. If the danger of failure was judged relatively great - and it is my view that it is relatively great, to start with, at least - then it would be better to wait."

- Speech in Frankfurt on 7.11.89: Pöhl repeated his criticism of pressure for an IGC in the second half of 1990 and said that in the view of the Bundesbank there was no obvious reason to move quickly to a common EC monetary policy. He said he was very sympathetic towards the British paper, which he described as "a realistic and sensible description of what monetary policy should concentrate on in future years."

Others Statements

2. M Delors commented during his meeting with the Prime Minister on 1 December that Herr Pöhl tended to make conflicting statements. There is some truth in this:

- In a speech on 26 January, Pöhl said: "I am wholly in favour of the creation of a European Central Bank and a

European currency". He went on, however, to say that "the enormous practical and political difficulties involved are obvious to anyone who is familiar with the material. A European Reserve Bank and a European currency would also, as the British Chancellor of the Exchequer has recently pointed out, involve Governments giving up important areas of financial sovereignty. This may be desirable, but it is for the foreseeable future impracticable."

- At his press conference on 18 April, Pöhl said: "One can only enter the first stage if it is agreed that at the end of the first stage there is the second and then the third stage. One cannot start a journey without knowing the destination."

3. Herr Pöhl is also a leading advocate of UK membership of the ERM, for which he called in virtually all of the statements listed above.

OPPOSITION SUPPORTING STATEMENTS ON DELORS 2 AND 3 - A
CHECKLIST:

There is widespread agreement across parties on the problems presented by Stages 2 and 3 of the Delors Report.

John Smith, Shadow Chancellor

"The proposals set out by the Delors Committee for Stages 2 and 3 of economic and monetary union are very far-reaching, and represent only one among a number of possible proposals to achieve greater monetary cooperation and economic convergence."
(Hansard, 2 November 1989, Col 502)

"There has been cogent criticism of the Delors Report. In many ways it is too schematic in tone. It makes assumptions which are neither argued nor justified, and it is on the whole dangerously insensitive to the political dimension of economic decision-making and the need for democratic accountability." (ibid)

"The Delors Report may be a useful starting point for debate and discussion, but it could never be regarded as a blueprint for the future of Europe." (ibid)

"We do not accept that binding rules for budgetary and fiscal policy are a necessary condition for the achievement of monetary union. I remind the House that that is one of the central parts of Stages 2 and 3." (ibid)

"The Chancellor of the Exchequer drew attention to the Select Committee's conclusion that:

'The power of the House of Commons has depended fundamentally on the control of money, both taxation and expenditure. This would be jeopardised by the form of monetary union proposed by the Delors Report...'

I am happy to accept that enthusiastically, and I am sure that all Opposition Members accept it too." (Col 503)

Dr David Owen

"I speak as a life-long European, but I believe that to force the Community down the federalist road would not only damage the European Community but possibly destroy it... it has never before been given such a massive federalist twist than by the Delors Report." (Hansard, 2 November 1989, Col 522).

"In the potential break-up of the Soviet Union... we are seeing all the dangers of forcing independent nations into an artificial grouping." (ibid)

"Few have been able to predict the path of European development in the past, and the title of the Government paper 'An Evolutionary Approach to European Economic and Monetary Union' uses well chosen words." (ibid)

"Jacques Delors must frankly be told - I hope by more than one country, Britain - that a lot of stuff he proposes is arrant nonsense. It may serve as his presidential launch pad, but it does not make sense within an evolving European Community."
(ibid, Col 524)

Even Tony Benn declared:

"I detected in the speech of the new Chancellor of the Exchequer a certain healthy caution [vis a vis the Delors Report]" (ibid, Col 535).

KINNOCK AND EUROPE

On EC membership:

"We want out of the Common Market" (News of the World, 15 May 1983)

"The prospects for withdrawal are nil." (the Independent, 4 February 1988)

On '1992':

"Completing the internal market isn't a policy, it's an abdication of responsibility. An apology for action." (Speech to the Iron and Steel Trades Confederation Conference, 24 June 1986).

OPPOSITION SUPPORTING STATEMENTS ON DELORS 2 AND 3 - A
CHECKLIST:

There is widespread agreement across parties on the problems presented by Stages 2 and 3 of the Delors Report.

John Smith, Shadow Chancellor

"The proposals set out by the Delors Committee for Stages 2 and 3 of economic and monetary union are very far-reaching, and represent only one among a number of possible proposals to achieve greater monetary cooperation and economic convergence."
(Hansard, 2 November 1989, Col 502)

"There has been cogent criticism of the Delors Report. In many ways it is too schematic in tone. It makes assumptions which are neither argued nor justified, and it is on the whole dangerously insensitive to the political dimension of economic decision-making and the need for democratic accountability." (ibid)

"The Delors Report may be a useful starting point for debate and discussion, but it could never be regarded as a blueprint for the future of Europe." (ibid)

"We do not accept that binding rules for budgetary and fiscal policy are a necessary condition for the achievement of monetary union. I remind the House that that is one of the central parts of Stages 2 and 3." (ibid)

"The Chancellor of the Exchequer drew attention to the Select Committee's conclusion that:

'The power of the House of Commons has depended fundamentally on the control of money, both taxation and expenditure. This would be jeopardised by the form of monetary union proposed by the Delors Report...'

I am happy to accept that enthusiastically, and I am sure that all Opposition Members accept it too." (Col 503)

Dr David Owen

"I speak as a life-long European, but I believe that to force the Community down the federalist road would not only damage the European Community but possibly destroy it... it has never before been given such a massive federalist twist than by the Delors Report." (Hansard, 2 November 1989, Col 522).

"In the potential break-up of the Soviet Union... we are seeing all the dangers of forcing independent nations into an artificial grouping." (ibid)

"Few have been able to predict the path of European development in the past, and the title of the Government paper '*An Evolutionary Approach to European Economic and Monetary Union*' uses well chosen words." (ibid)

"Jacques Delors must frankly be told - I hope by more than one country, Britain - that a lot of stuff he proposes is arrant nonsense. It may serve as his presidential launch pad, but it does not make sense within an evolving European Community."
(ibid, Col 524)

Even Tony Benn declared:

"I detected in the speech of the new Chancellor of the Exchequer a certain healthy caution [vis a vis the Delors Report]" (ibid, Col 535).

KINNOCK AND EUROPE

On EC membership:

"We want out of the Common Market" (News of the World, 15 May 1983)

"The prospects for withdrawal are nil." (the Independent, 4 February 1988)

On '1992':

"Completing the internal market isn't a policy, it's an abdication of responsibility. An apology for action." (Speech to the Iron and Steel Trades Confederation Conference, 24 June 1986).