

Parliament has
debated
EC Budgetary
Control
Central Bank

Generalists dealing
with new
institutions
on structure

MONETARY

SECOND SPEAKING NOTE, FOR SUBSEQUENT USE

Some of us seem to me to underrate the significance of Stage I and the time it will inevitably take.

Let's look at the elements of Stage I as set out in paras. 51 and 52 of the Delors Report. All of us have accepted all of them, and the Community already has agreed timetables for many of them.

Take the economic side first. The Delors Report calls for the "complete removal, in Stage I, of physical, technical and fiscal barriers within the Community in line with the Internal Market programme". We all agree, and the whole world knows that our deadline is the end of 1992.

Second, Stage I involves a strengthening of Community competition policy. There is no deadline for that, but there is much to be done, given the wide existing disparities in State aids. The Commission have the matter in hand.

Third, the Structural Funds are to be doubled. We all agreed to that in February 1988, and set ourselves a programme to do it, running through to the end of 1993.

On the monetary side, we all agree that during Stage I all Community currencies should join the ERM, and that the same rules should apply to all. I made my position on that clear at Madrid: sterling will join the ERM during Stage I when our inflation is significantly lower, there is capital liberalisation in the Community, and real progress has been made towards completion of the Single Market, freedom of financial services, and strengthened competition policy. But the effects on the ERM of the £ joining will be considerable, and may take some time to work through.



Second, all impediments to the private use of the ecu are to be removed. On this the UK has taken the lead. We have been issuing ecu Treasury bills for over a year, and we are very keen to see the private ecu market develop.

Third, abolition of exchange controls. We abolished ours in 1979. The Community agreed, in June 1988, that French and Italian controls would go by next summer, and that the four countries [Spain, Ireland, Greece and Portugal] who will then still have controls will remove them by the end of 1992.

Finally, the Delors Report called for the creation of "a single financial area in which all monetary and financial instruments circulate freely, and banking, securities and insurance services are offered uniformly". Quite right; and we all know that this must be a high Community priority. But the Banking Directive, which has been agreed, will not come into effect until January 1993; work on the Investment Services Directive, also due to come into effect in January 1993, has hardly started; and there is still much to be done to liberalise the insurance market.

So what we have, and have all agreed, is a programme of Stage I steps which in some cases stretches through to 1993. Taken together, they amount to a commitment to massive change which will greatly benefit the Community. Creating a "single financial area" amounts to a "Big Bang" Community-wide. By the mid-'90s, its consequences, in greater competition and choice, increased scope for enterprise, and hence higher growth, will have strengthened all our economies, and the Community.

Let's not talk down Stage I: let's spell out its scale and dynamic.



In looking beyond Stage I, we in London believe it makes sense to envisage an evolutionary approach, building on the twin principles of a genuine Single Market and the further development of the EMS. That is what our paper explains.

But we also believe, just as strongly, that it makes no sense to try to reach firm decisions on the shape and content of further stages until the Stage I changes, and their effects, have worked through.

[When we in London embarked on the liberalisation programme which became "Big Bang", we knew that the effects would be massive and beneficial, in more competition and hence lower transaction costs. But the scale of the benefits has surprised even us. And we have had to amend the Financial Services Act which we then introduced in order better to match the requirements of a wholly new situation. The analogy is relevant to our debate today.]

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The questions asked in Mme. Guigou's report, and the paper by the Chairman of the Monetary Committee, are relevant and important. But the technical analysis which might provide a basis for answers to them has hardly started, and we need today to encourage the Monetary Committee to get cracking. Only on the basis of a thorough technical analysis, taking full account of the effects of Stage I, shall we be able to arrive at the "political consensus on the aims and content of EMU" which Chancellor Kohl rightly believes [Bundestag: 28 November] must precede consideration of the question of an Inter-Governmental Conference.

To talk about starting an Inter-Governmental Conference next autumn, when Stage I will barely have started, makes no sense.



[But I am ready to agree that we should:

- instruct the Monetary Committee to get down to the necessary prior technical work now;
- with a view to then seeking the necessary political consensus on the aims and content of EMU soon after the completion of the Single Market;
- and then taking decisions on how best to proceed, including on the question of a possible IGC.]

Meanwhile, let us:

- congratulate the Presidency on its success in securing agreement on the two texts necessary for the start of Stage I;
- confirm that Stage I will start on 1 July 1990; and
- resolve to bring out, not talk down, the full significance of Stage I, as a massive reform programme, to all elements of which all of us are fully committed, and from which the Community will greatly gain.