

Meeting on 12th April 1989, a.m.

Herrn K.O. Pöhl (168 - 238)

Mr. Chairman, before we talk about paragraphs shouldn't we try to get a little more clarity into what we are really going to suggest to our principles. What will we suggest? Will we suggest, as Jacques has proposed, to start negotiations on a legal text immediately on the basis of our Report? That is one alternative, or are we of the opinion as a group that that would be premature, that we should leave that - as Robin has suggested in his proposal - to the development, that we should aim first for more progress and convergence in the real economy and then in due time, when the time is ripe or right, we start this process of negotiation, the legal thing. These are the two extremes I would say. Firstly, let me say, Mr. Chairman, I am very glad that after the very natural struggles which we have had, we reached a text yesterday and in our last meeting which I think is very very co-operative. I read it, as you all did, and I think it is a good text now apart from some little drafting points (what we concluded yesterday). It would be very desirable after having reached such a high degree of agreement in very substantial points, if we could come out of this room today, if possible, also with an agreed text. I really think we should aim for some compromise between these two extreme positions. Of course, if we can't we always have the possibility of telling the world that we disagree on the follow-up and further procedures and that we describe two alternatives, but that would be the second-best solution. The best solution would be, of course, a compromise and I wonder whether the compromise could be a little bit on the lines suggested by Wim - but maybe we could redraft that. The compromise in substance could be that we say we suggest that preparatory work for a legal Treaty should be started immediately - coming a little bit in the way of Jacques - and in the competent bodies of the Community. I think that is going to happen anyway because the Monetary Committee and ECOFIN will all read the text and work

on that and if we suggest that they should continue and that, for instance, there should be a working party of the Committee of Governors to deal with details of this Report, etc., and the same in the Monetary Committee, I think that would be appropriate. We can't say nothing should happen, here is our Report and that is it, the rest we leave to you. That would not be good, anyway, because then we would give the whole thing to the politicians and we would lose all control of this process. Then we say after this preparatory work - and we leave it open when that would be - if the first stage has been implemented, which will also take time, of course, and this preparatory work will take a long time I am afraid, and then at one point there should be negotiations. That would be a kind of compromise. I don't know whether that is sufficient for both parties, but that is what I would suggest.

The Chairman (238 - 257)

I repeat that my proposal is a proposal of method only, to concentrate this point on the follow-up procedure and not to discuss the same subject three times. It is not my job to take a position on the substance, my duty is to reach a global consensus within the Committee, but if we discuss this point now, the problem remains that to concentrate our proposal at the end of the Report because it is better for the clarity of the Report and to accept the Mr. Duisenberg's amendment for para. 41. It is a question of method and not a question of substance. Do we discuss method or substance? Pres. Pöhl has proposed a compromise which we can discuss immediately, but we are not discussing this again at the end of the Report.

M. A. Lamfalussy (257 - 263)

On your question, Mr. Chairman, does your suggestion concerning the method imply that whatever we decide on the time proposal for the Treaty discussion goes at the end, or when we come to the end can we still put it back into para. 41?

The Chairman (263 - 265)

For para. 41 I propose the Mr. Duisenberg's amendment.

Mr. F. Andriessen ? (267 - 273)

I have an important point just for clarification. The text within brackets is not completely covered by the procedural proposals. "The first part is a firm political commitment to the creation of economic and monetary union, as described in Part II, would appear to be an indispensable precondition for lending credibility to the decision to embark on the first stage". That sentence we should retain anyhow.

Mr. N. Thygesen (275 - 285)

Mr. Chairman, I appreciate the effort to concentrate the discussion as much as possible and not to have it several times, but I do think we need to address the substantive issues, otherwise if we postpone this essential question including the para. that has now been left out of para. 41, we risk leaving that to so late in the day that we won't have a proper discussion of it. I regard, like Gov. de Larosière, that the 2nd part of para. 41 is essential to the whole Report. You identified yesterday four or five issues in Part III that you thought were important, I think that we ought to go through that as an agenda and also the content of the stages, I think we need to get to that as soon as possible.

M. J. de Larosière (286 - 347)

May I say something to answer what Karl-Otto said a moment ago. I do not accept being positioned in an extremist position here and I will explain why. Indeed, I do consider that the time has now come to start the process of negotiating a Treaty and that part, of course, will comprise a preparatory sub-part, but that is not an extreme position. We have been asked to deliver, to provide, to the Heads of State concrete stages or steps for the creation of an economic and monetary union. The first stage that we have put forward is a soft stage and that was not my view, as you know. I thought we had to embark on something more significant at the very beginning. I am making compromises all day and we do this for the soft stage. But I insist very much, and if I am the only one to say this then I will be happy to say it alone, that since we are going the soft first stage way and not doing something that could have been done - pooling of reserves and very concrete manifestations of our interest in this endeavour - it is very important and essential to me, and I think to others here, to show that something is happening, that there is an impulse, some dynamism that

has been put in the whole process. This impulse can only come from the launching of a process that is going to change in the future the institutional structure of all this - if we agree, of course, to do this. It is vital for me, and it is not the manifestation of an extreme position, that the softness of the first stage be in a way offset by the indication that now is the time to launch a process of negotiation. I would accept that that process of negotiation will take time, Karl-Otto, I can accept that it has to be prepared on a technical level, but the launching of the process is something that is very important. We had a long discussion last time on the importance of a signal and Alexandre made proposals on that; I thought we had agreed on the basic idea. My difficulty is not, Mr. Chairman, to concentrate the discussion on the timing of this launching of the negotiations, etc. at the end, and you know I am a very easy person to deal with, if you want to do it at the end I will be absolutely happy, but with respect to Wim there is something other than procedure in the 2nd sub-para of para. 41 and that something else is for me very important. It is the notion that if you want to lend credibility to this extremely soft first stage - let us be honest amongst ourselves, there is nothing really important in that first stage - we must indicate that some firm commitment for the creation of the whole process has to be given and that signal I think is, indeed, very important. That is my view.

Dott. C.A. Ciampi (347 - 362)

I have one point of method and one of substance. The point of method is that I cannot accept postponing this part, but if we discuss the final part together otherwise it would be unacceptable. Second point: I share many of the views expressed by Gov. de Larosière that we have to give strength to our Report as far as this important part is concerned, putting in something which is a message, to give some specific commitment. Of course, it is not a matter of time because it takes time but we have to stress it in a very clear way.

M. J. Godeaux (362 - 387)

Mr. Chairman, I would like to say that as a matter of procedure I accept your suggestion, which is in effect that there is only one part of the Report in which we discuss this important matter. As regards the substance, the heart of the matter, I would like to say this: as Gov.

de Larosière has said, as Mr. Andriessen has said, there is more than simply procedure, there is the message that has to be given. I believe personally that we have to suggest to our Heads of State and Government that a significant and visible signal of a political nature has to be given. Therefore, I should like to say that basically I am in agreement with what Jacques de Larosière and Gov. Ciampi have said as regards the heart of the matter: a clearly visible and significant political signal must be given in order to give credibility to what we say, otherwise it will be perceived by public opinion - I know it will be perceived by our own politicians in our own countries - that we Governors have simply succeeded in telling the world that we shall continue doing what we have done so far which is - and what is true - co-operating in a very effective and pleasant manner. But we have to say more than that. That is my position.

Mr. M. Rubio (388 - 407)

Mr. Chairman, I think that this proposal ... now on this para. is the most important part of this Report and I think the best thing is to discuss it now, maybe with the last para. on the question of method, but not to leave the discussion to the end, because it all depends on what we say at this point, the rest is not very important. On the question of method, I think we should tackle the most important question at the beginning because it all depends on that. On the question of substance, I think that is very important and I completely agree with M. Godeaux that if we don't say that we are saying nothing really. I think it is very important if we are able to arrive at unanimity, but maybe that is impossible in which case we would have to state clearly the different opinions on this point, because I think this is the most important point in the Report. I am not sure that we cannot compromise but I do not think we should arrive at a compromise which is meaningless.

The Chairman (407 - 423)

Can I distinguish the following procedure on one part, and I understand that all the members agree to discuss, for example, the proposal of Pres. Pöhl, the amendment of Mr. Ciampi, de Larosière, Leigh-Pemberton, in the "Suggested follow-up procedure" and can we concentrate our minds on the 2nd sub-para. of para. 41, because this is the first difficult point,

because many members express, clearly Mr. de Larosière, that in the same time of the stage one there is a necessity to have a clear political signal and this is the draft of the 2nd sub-para. Can we concentrate our minds on the 2nd sub-para., please.

Mr. W. Duisenberg (423 - 435)

Mr. Chairman, with the statement as contained in that 2nd para. between square brackets I have no serious quarrel, because it is still a general statement. ("A firm political commitment ...") (Pöhl: "The implementation of the concrete measures proposed for a stage one should be supported ...") I have made the brackets myself, you see!!!!

The Chairman (435 - 439)

Please, can we concentrate on the 2nd sub-para., because for the last sentence of the first sub-para. we have a proposal of Mr. Duisenberg to treat this point at the end of the Report. There remains the problem of the 2nd sub-para.

Mr. W. Duisenberg (439 - 455)

I have no serious quarrel with the 2nd para. as it is worded, but we know perfectly well of each other what our positions are. There are two types of amendments to this 2nd para., one type is suggested on the right page by Gov. Leigh-Pemberton, Hoffmeyer and Doyle, which also goes on the procedure, which will push the political commitment of entering into Treaty negotiations further in the future. Then there is the amendment suggested by Gov. de Larosière which will bring it forward to enter immediately into negotiations. In between those I have suggested my follow-up procedure as contained in paras. 66 and 69, that is the significance as a compromise formula between those diverging views. That is all I have intended to do here.

The Chairman (455 - 459)

But you have no objection to maintaining the 2nd sub-para.
(Duisenberg: No objection, if it is maintained as it is.)

Herrn K.O. Pöhl (459 - 534)

I'm sorry, I am not sure that I fully understood what you said, but I have strong objections to accepting this wording, this language, because, Mr. Chairman, it has been said again and again that the Heads of State and Government, and even we, are asked to give a signal, I am not sure whether that is really appropriate or reasonable. What does it mean to give a signal? To what? If we ask too much from the Governments and Parliaments in Europe, there is a very great risk that this Report will have the same fate as the Werner Report, because then the failure of the whole thing is already embedded, if we ask too much. We are all aware what the positions of the Governments are in Europe. We need unanimous support in the Council for a new Treaty, to start a Treaty, as long as it is in the framework of the EEC. So all Heads of State and Government have to agree and if we ask too much I think it is very clear that there will be no agreement and then the whole thing will be finished for the time being, and we will not even enter into stage one, because it is said that a clear commitment to start negotiations immediately on a new Treaty is a precondition for stage one as well. I am not sure whether that is really a very wise position.

On the other hand, I think the language of the first para. of para. 41 is something that all of us can subscribe to, that we say: "the Committee agreed that the creation of economic and monetary union must be viewed as a single process. Although set out in stages which guide the progressive movement to the final objective, the decision to enter the first stage should be a decision to embark on the entire process". That is a very far-reaching statement and I haven't heard any objections to that yet. The next sentence I would strongly urge you to delete because we cannot say the implementation of the concrete measures proposed for stage one should be supported by the conclusion of a new Treaty. Who knows what is going to happen. Of course, if we finish stage one we will go to stage two and that implies a Treaty, but I don't think that this is a very reasonable sentence. The 2nd part of the para. I think goes much too far: "indispensable preconditions". I mean "a firm political commitment to the creation of economic and monetary union would appear to be an indispensable precondition for lending credibility". In substance it is correct, but the expression is so dramatic and in my view this is not really the main problem. I think that Robin's text is much better and fits much better into

reality. It says the most important precondition for reaching stage two is that we finalise stage one, and stage one means that all member states participate, that we have a higher degree of convergence. How can we talk about the Treaty, about the monetary union and the European Central Bank as long as almost half of the membership of the EC is either not willing or not able to participate in the existing institutional system? The EMS: almost half of the membership, including Italy which has now for 10 years relied on a broader margin for reasons we all know, that means that 5 countries, Italy, Spain, Greece, Portugal and the UK do not participate in the EMS and as long as this is the case it makes no sense at all to talk about a monetary union, at least not a European monetary union. Then it may be a monetary union between France and Germany, including Holland, Belgium, Denmark and Ireland, but this is not a European monetary union. I think Robin's language is much better, much more realistic. Maybe with the exception of the last sentence where he is a little vague and which maybe could be strengthened. It has much more to do with reality than this strong call for negotiations on a monetary union.

The Rt. Hon. Robin Leigh-Pemberton (534 - 626)

May I start, Mr. Chairman, on what I think is a logical consequence of what we have put in stage one and stage two. The elements in stage one can be carried out without Treaty change, they are not negligible, as Jacques de Larosière says, they are concomitant to ... I have started a very important contribution and I would be obliged if you would sit down and listen. I shall start again. The logic of what we have set out in stage one and stage two seems to me to be this: what is in stage one can be carried out without Treaty change. I don't agree with Jacques de Larosière that what is in stage one is insignificant, it represents a considerable move forward from the present position in which we are to the completion of the single market and all the consequences that are going to flow from that. This does not require a Treaty change. At some stage when we are satisfied that all the things in stage one, and I suggest the implementation of the single market, are firmly established, it will become clear that the European Community is probably convergent enough and strong enough to move to stage two. That we all acknowledge requires Treaty change. It seems to me to follow from that, therefore, the relevance of Treaty change is the moment when we go from stage one to stage two. It is

perfectly clear that before we get to the end of stage one work will have to begin on the preparation of a Treaty, but I do not think that that is the same thing as saying that work should start now on the Treaty as a means of accelerating the process of stage one or the arrival of stage two, because I think that both stage one and stage two are what one might call real states of affairs on the ground which are not going to be accelerated by either institutional change or people working on Treaties. The argument for immediate work on Treaty change seems to me to stem from the need to give a political signal.

Firstly, I think we ought to be clear in our minds who we are to give a political signal. We have been asked to study steps and proposals towards economic and monetary union, does that include a requirement to make a judgement about a political signal and what the Heads of State are to do? I think not.

Secondly, even if we wished to give or suggest a political signal in the shape of Treaty change, let me say quite frankly we are not going to get it. It requires the unanimous vote of the Heads of State and I can tell you that that vote will not be unanimous, certainly over a period of years which is probably commensurate with stage one.

So I suggest that it is impractical and unhelpful to what we are trying to do to try to obtain a signal when we shall not obtain it and, indeed, I think that there is a risk that what we want to do in stage one may even be set back if we try to get something and it doesn't materialise. The other thing about the signal, the political value of immediate Treaty change, is I would like to suggest against a rather unreal background. This is exactly what K.O. Pöhl has just said. It is against a background when the countries in the Community are at various different stages. That is why in my para. I have suggested that the clearest demonstration of political commitment here, surely, is a signal which could be a real one, which could be implemented - the sort of things like much better co-ordinated implementation of economic policy, the full participation of member states in the EMS - I am absolutely committed to that, I think it is essential. Can we get the idea that those practical things are secured and then once they are secured I regard it as perfectly correct that we should think about Treaty change. It is under the background of that sort of philosophy that I have drafted this para. I would be ready to accept some degree of redrafting, maybe of the last sentence, because it perhaps doesn't convey

quite as strongly what we would want to say, but I do want to insist on something in that last sentence: that the move towards Treaty change should not be until we can clearly see stage two over the horizon from where we are standing. I don't think we can see that at the moment. That is the background of my stance, Mr. Chairman, and in those circumstances I am afraid that I would wish to ask for the exclusion in para. 41 of the last sentence of the 1st para. and the whole of the 2nd sub-para., because I think that the 2nd sub-para., although it speaks of the firm political commitment, goes too far. The question that is new this morning is whether what I am arguing for and, indeed, if I may put it in the extreme what J. de Larosière and others are arguing for, can actually be met if we accept the formula of the ... and the Duisenberg paras. 66-70. It think that this would be possible and may I be taken as not totally committing myself to this, but I do think that that is a possible way of resolving the impasse in which we find ourselves. If I may say so, I think it is absolutely essential that we discuss the substance of this matter now, Mr. Chairman, we are doing it anyway, and once we have discussed it under para. 41 the chances are that we will also have completed it under paras. 66-70. (The Chairman: If we discuss this once it is sufficient.)

Mr. M. Rubio (628 - 672)

Very briefly. I completely understand the remarks about the actual situation of the EMS and the fact that many countries are not members of the ERM, but I insist on a certain point because I think it is very important for this membership what happens in this Report and what happens in future decisions. I think I can say here in confidence that the decision of the Spanish Government will depend on the result of the discussion we are having now and maybe the Spanish Government is prepared to take a very clear decision. It will depend on the kind of conclusion that is arrived at about where we are going in the future. Then with respect to the question of membership, Spain I think is very clear and I do not think that there can be an objection to the fact that the peseta is not now in the agreement because the ... is just completely the opposite. It would make progress, it is very likely that very soon the peseta could be in the ERM. On the other hand, I want to remind you of the discussion that we had at the beginning and the discussion that we had even in the Committee of Governors, where it was explained to us very clearly that for

legal reasons it would be impossible really to change the nature of co-ordination in the Committee of Governors because there are legal obstacles to overcome. It is because of that that we thought it would be necessary to change the Treaty. At least the message by the highest political authority that the Treaty was going to be changed, and I suppose that we will allow for certain central banks to be in a different position at the moment of the discussion on monetary co-ordination, otherwise I am afraid that stage one will be just a continuation, as Mr. Godeaux said, of the actual situation. It was explained to us that it would not be possible to go further even if personally the representative of the central bank who liked the legal situation as such that we cannot make any progress in that field. Finally, of course, there is this political situation that maybe it is impossible for political reasons to make in important step and that our Report finishes like the Werner Report. Well, if there is not a political condition this Report should finish like the Werner Report because it is not possible to change it. I think it is much better to be clear on that point, maybe it is impossible to make any progress, not just to give the impression to the Public that we are going to change certain things, which in fact we know we are not going to because there is no political agreement. It doesn't depend on us, but I do not think that we should collaborate to give the wrong signals to the public opinion on that field.

M. P. Jaans (672 - 703)

When looking at the present draft of the Report, one thing which is striking is that the EMS is only mentioned in the initial version as something which had weaknesses, something the potential of which has not been fully used. We have lived 10 years with the EMS and writing a Report on progress towards economic and monetary union and talking about something which would be so much more constraining while the EMS is still incomplete, would I think not be very realistic on our part. Therefore, the suggestion to complete the EMS first and to have that as a strong, not only a single, move towards economic and monetary union seems to me a quite adequate move, and therefore, in terms of the proposal by Gov. Leigh-Pemberton, it fits my view rather well.

With regard to timing and the question of whether to embark now on a new Treaty or to embark now on preparatory work, I think we should be aware that we are not particular experts on economic union, we are not

particular experts on designing out what Ministers of Finance could in the budgetary and fiscal field see as useful co-ordination procedures, so definitely what we write in this Report are indications, but I think that the Ministers and adequate working groups of the Ministers should go in depth on that point. Therefore it would also seem to me premature to say let's start on a negotiation immediately. We should suggest to prepare a negotiation. My concern is that this Report should be realistic and build on what we have at present and not, so to say, indicate what the Werner Report did at a time when the Community had 6 members, well, we do not give a timetable, but to be overprecise about certain things. Many things have to be studied further.

Mr. N. Thygesen (704 - 741)

I would advance 3 arguments in favour of advocating a Treaty change immediately, as Gov. de Larosière has done, in addition to those of giving a signal. The first is that we have discovered in our discussion of the present EMS that the scope for intensifying co-ordination significantly beyond what exists today is very limited. That was a result of the inquiry suggested by Gov. Hoffmeyer. In order to make a qualitative improvement in the EMS, it is necessary to have a Treaty change.

The second point is that I think it is unfortunate that some members of the Committee seem to regard comprehensive membership of the present EMS as a substitute, an equally strong signal, as a Treaty change. Let me put it a bit bluntly, and I apologise to Gov. Leigh-Pemberton because some of the remarks are directed at the UK. If we look at what happens in the UK we see that monetary policy is oriented very much towards domestic concerns, volatility of interest rates and exchange rates have increased if anything, that decision-making on interest rates is highly politicised; these are factors that would within the framework of the present EMS destabilise the system rather than improve it. I think it is a somewhat facetious argument to say that comprehensive membership is an essential improvement of the EMS. Something stronger is required to accommodate a member such as the UK: a system where there is no doubt that there is an element of collective monetary policy.

My third point is that the UK authorities have in a number of statements, and you also Gov. Leigh-Pemberton, said that EMU is not on the agenda at an early time and have over-emphasised in a sense the

impossibility of having any form of independent policy within an EMU. (Leigh-Pemberton: full EMU) I think that this Committee is answering some of your concerns in other parts of the Report, notably in Part II that we discussed yesterday, and we need also for that reason to reiterate that EMU is the aim and to do so at an early stage.

Finally, I would just like to note that, in contrast to what Gov. Pöhl says, a decision to convene a conference to discuss a Treaty change is not a matter for unanimous decision but a matter for a simple majority in the European Council, as we saw in the case of the Single Act.

Mr. E. Hoffmeyer (741 - 772)

It is clear where my position is, but I think that one should be aware of the fact that we all agree that one should tell the Heads of State that if they want to realise an economic and monetary union there should be a decision to embark on the entire process. This is the fundamental issue and it is curious that we discuss in a sense political advice to the Heads of State much more than this essential thing. That is as if we were Secretaries of the Heads of State, telling them you should give a signal and one signal is more important than the other. Do you really think that a signal, when you look at all the statements and communiques that have been published during the years, do you really think that a statement by the Heads of State which is clearly unrealistic would be a better signal than, for instance, if the Heads of State said now we engage on this process and we embark on the entire process, and to show our goodwill we all join the present applications? Wouldn't you expect this to be a much stronger signal than to say we embark now on a Treaty negotiation which, well, when would it last? Do you really think that people will attach much importance to that? It is a question of being a secretary to a political authority. Then I think that one could imagine that you could say well, you will have to choose yourself, you are politicians so you will find the best signal. There are these various things and that would be a compromise. But the essence is that there you have to embark on the whole process if you want to realise it.

M. A. Lamfalussy (773 - 850)

I would like to make a few points and perhaps talk a little longer than I usually do. The first point I would like to make is about the

way I tried to draft this 2nd sub-para., which is at the centre of the discussion. When I put that to you in one of our last meetings this was done already in a spirit of compromise, the compromise comes out in the way it is drafted, and I did it rather carefully not to make it prescriptive. It is a descriptive statement. It may be strong in some of the words, one can change that, but it is a descriptive statement which of course sets the tone but does not prescribe anything to anyone. Please read it in that sense. That is simply on the way it is drafted. Now let me come to the substance, and I must say that I don't necessarily stick to this para. and I am ready myself to envisage a number of alternatives, but let me talk about the substance.

What is stage one about? The only substantive point in stage one, as it stands today, is that the Committee of Governors would shift in its practice from ex post discussion of monetary policy events gradually towards an ex ante co-ordination effort of monetary policies. If you go through the text, this is the only thing that is in that stage one. (?: may I correct you, there are many other things in stage one). This is the thing that on reading it one would really retain. This is a very important thing, I am not saying that this is an unimportant thing, it is an extremely important matter and it is important in two ways. On the one hand, because it would mean that the Governors themselves would change their method of work; and secondly, and perhaps even more importantly, they would give recommendations and express views on monetary policies, which goes even further because that involves not only themselves but in most countries it involves the Governments. They would give recommendations and that is an extremely important step. I am not complaining about the lack of substance in that stage, I think it is an important change.

Here I come to my problem of credibility. Let me quite frankly tell you that I have a rather unique position in the sense that I have participated in the meetings of the Governors for 10 years, so I saw it from inside and at the same time not being a member of the Committee, not being a Governor, I can look at it from outside as well, both sitting in this building and having some sort of external view on these events. If I take my external hat, but also looking at my own experience, I was sitting in that Committee at the time the EMS was discussed and I did even take a rather active part in some of the discussions, I think that the view of the external world is that if this Committee of Governors does not receive an

external impulse to move in the direction which is suggested in stage one, that this move from ex post discussions towards an ex ante co-ordination of policies will not happen. It will not happen because that is not the way a group of central bankers works. When the EMS was set up, it was the result of an external political impulse and this is the more so since what you ask here is that the Governors are willing and ready to give advice to Governments on monetary policy. It is a very important step. So any outside observer who will read this Report will say, but why on earth has that not happened already? If this can be done without any external political impulse it ought to have happened already. It hasn't happened, therefore why is it going to happen? This is why I used the word credibility. I am saying this very bluntly, because I do care for the Governors as much as anyone can, and I am really interested in their own credibility and also in their own ability to perform this change, which I do not think they have unless there is an external impulse. How should that external impulse come? There I can see a number of ways and I am not doctrinaire about it in any sense and I can imagine that the way the drafting is done in Wim's proposal at the end can go quite a long way in that direction, but you need an external impulse to be credible in the implementation of stage one.

Mr. M. Doyle (851 - 938)

I just want to clarify my own position first of all and try to make a suggestion. I find myself sharing a lot of the views both of Karl-Otto and Robin, on the one hand, when they say you cannot artificially create a political process just by writing something in a Report, and I also share the view of J. de Larosière and J. Godeaux that we cannot simply sit where we are. I would like to make two points: firstly, I think we ought to consider very carefully exactly what our role is and exactly what parity or force we can realistically regard our own Report as having, because if you step over that line you will undermine the authority of the whole Report. I think Erik Hoffmeyer put his finger on it when he said that we must not try in this Report to act as the Secretariat of the European Council.

The second point I would like to make is by way of appeal to the protagonists on both sides of this discussion, that I think both sides are falling into the trap of reading something into the texts, both their own texts and the other texts, that frankly isn't there. Could I address you

for a moment on the actual text that is there. In the 1st sub-para. of para. 41, look at the 2nd and 3rd sentences, they say: "The Committee agreed that the creation of EMU must be viewed as a single process". It also says that "the decision to enter the first stage should be a decision to embark on the entire process". Now that says it all, there is nothing in the 1st sentence of the 2nd sub-para. which says a firm political commitment to the creation of EMU would be an indispensable precondition for lending credibility to the decision to embark on the first stage. That is only saying the same thing in, as Karl-Otto said, a much more dramatic and may I suggest a much more provocative fashion, which is likely to be rejected by the European Council. The first statement in the first para. there says it all: it says that a decision to enter the first stage should be a decision to embark on the entire process, in other words, don't start on anything that we are setting out as being in stage one unless you intend to go to stage three, and that seems to me to be a perfectly logical and sensible thing to say to them. The reason, it seems to me, why we are in this position today is really because nobody au fonds believes, nobody in Europe really believed, what the European Council said last year, which was "we want EMU, tell us how to get there". I really do think that is the case. They didn't say we want EMU let everybody believe that, you are a bunch of technicians, tell us 1, 2, 3-17 how to get there. That is really why we are having all this discussion. Therefore, I think that is the purpose of this Report basically is to go back to the European Council and say: you said you wanted EMU do you really understand what it implies and that we have set out, and says then, alright if you still want it then this is how you go about it. That to my mind is really what this Report is saying and that is why I think there is a very careful line to be drawn here in the way you address the European Council and for my money the 1st sub-para. of that I think says it gently enough and explicitly enough without being too provocative. (**The Chairman:** Including the last sentence?) That is the mention of the Treaty, I would prefer to ignore that at the moment, Mr. Chairman if you don't mind, because that is to one side of my point. I think the first three sentences in para. 41 make the whole point that is necessary in that respect.

As regards the Treaty, because I want to come to that separately, again to clarify my own position, I am stated here as supporting Gov. Hoffmeyer's text on the right-hand side of the page, I have to make it

clear that I support the 1st sentence of that, but not the 2nd. Can I come back to texts again, if you look at Robin Leigh-Pemberton's text, the 1st sentence there again says no more than has been said in para. 41 already. It is saying it in a more elegant way and I think people are reading into it things that aren't in it, but essentially the text says no more, it is saying a clear political commitment to the final stage would lend credibility to what you are doing, but that is what the original text is saying, i.e. the decision to enter the first stage should be a decision to embark on the entire process. That is just another way of saying the same thing.

As regards the Treaty question, again I am not really sure that there is a point of substance in this at the end of the day, because a Treaty clearly is necessary to get into stage two, clearly it is going to take time to prepare a Treaty, what one needs is something that says: when you are getting towards the end of stage one, you don't only then commence considering a Treaty, you should have all that preparatory ground work out of the way so that no further time is wasted, so that when stage two can become a viable proposition you have a Treaty ready instantly to go into effect and that it doesn't become yet another excuse to waste another 5 years discussing a Treaty. I think that is the essential point and I really do believe that if you are too explicit, in a way that seems to be putting a gun to the head of the European Council and says that unless you stand up in public and swear that you are going to do X, Y and Z, I think that approach is counter-productive, I have to say. At the end of the day it is not going to change events. You may well close the minds of a whole lot of people to reading all the valid points that are in the Report already.

Mr. M. Boyer (938 -996)

Dans la manière de raisonner, nous avons toujours essayer d'accomplir notre travail du point de vue de la cohérence entre la construction économique européenne et les implications qu'elle a, sans cacher aux hommes politiques quelles sont les conséquences et les implications de cette construction. Au moment présent nous commençons à introduire de considérations politiques dans le sens de si nous mettons dans le papier noir sur blanc trop clairement qu'il faudra un traité - et nous insistons trop sur ce point - on risque de ne pas avoir une unanimité ou on risque de bloquer le processus. Je crois qu'il y a une inconséquence

parce que notre obligation dans mon point de vue est de dire quelles sont les implications de la question complète et ne pas cacher des implications ou faciliter la tâche. S'il n'y a pas un accord politique, il vaut mieux savoir qu'il n'y a pas un accord politique pour faire l'union économique et monétaire. Si on ne croit pas l'affirmation du principe qu'on veut l'union économique et monétaire - et le Gouv. Doyle disait tout à l'heure: au fonds personne n'y croit. Si ce diagnostic ... exacte et personne n'y croit à l'union économique et monétaire il vaut mieux dire clairement que les hommes politiques ou les gouvernements ne sont pas en mesure d'accepter les implications de l'union économique et monétaire, mais ne pas tricher intellectuellement de notre point de vue et cacher les implications, parce que nous avons insisté sur ce que l'union économique, l'union monétaire et les étapes sont des aspects indivisibles d'un tout. On peut faire beaucoup de choses aux stages et on en reparlera après pour voir s'il y a une volonté politique de continuer ou non. Donc les choses ne sont pas tellement indivisibles si cette thèse est exacte, alors que nous souhaitons tout le temps qu'il y a une cohérence de tout processus. Donc ce n'est pas seulement, dans mon point de vue, une question de discuter quel est le signal politique, parce que là les préférences ou les aspects que certains donnent plus d'importance à une part et d'autres à une autre part, mais en plus du signal politique qui est assez discuté il y a une question de cohérence. Si on ne veut pas atteindre le processus complet il faut dire qu'on n'atteint pas le processus complet et qu'on fera autre chose pour avancer vers une union économique et monétaire, on s'arrangera dans les institutions existantes.

Deuxièmement, je pense que dans la valorisation de ce qui serait l'engagement le plus important il y a les deux positions. L'engagement le plus important c'est se soumettre à la discipline de changes, l'engagement le plus important c'est la négociation d'un traité qui donne la logique du processus entier. Ne serait-il pas possible de trouver une synthèse entre ces deux aspects et de dire que les pas les plus importants, ou les pas qui déclenchent le processus, c'est d'une part la préparation d'un traité? Au moment où les chefs de gouvernements considéreront qu'il faut commencer cette négociation je pense que la question du moment, de l'instant précis - et M. de Larosière l'avait dit ainsi - il ne s'agit pas de commencer le mois suivant, ni de se compromettre à la négociation d'un traité pour, comme démonstration qu'on déclenche le processus mais est-ce qu'on ne peut

pas essayer de mettre dans un certain pied d'égalité la question de la négociation d'un traité et l'acceptation de la discipline de change par le plus grand nombre de pays et ? financier de la Communauté? Parce que sauf que cette possibilité me paraît sensé et pour trouver une synthèse entre les deux signales ou les deux interprétations des deux signales, sauf que la condition soit que tous les pays entrent dans la discipline de changes pour avancer dans le processus, parce qu'alors je crois que c'est l'étape ? plusieurs fois, cette position qui est extrême dans le droit de veto à n'importe quel pays ce qui est peu admissible. Mais on pourrait insister qu'un signal politique et que la logique même du processus obligent à ce que la plupart des pays ?, ou pratiquement la totalité des pays, soit prêt à accepter la discipline de changes en parallèle à la négociation du traité. Je pense que cela serait plus équilibré du point de vue de qu'est-ce-qui est plus important - discipline de change ou négociation de traité - recommander les deux choses en parallèle.

Herrn K.O. Pöhl (997 - 1058)

Mr. Chairman, I really don't know what the ... is here in this group, I really can't understand that because, firstly, I am not prepared to accept the argument that the external world is looking at us, that they expect us to give a signal and that we are losing credibility if we don't give the signal. We are not politicians, who are we, as Robin rightly said? We are not politicians who have to give signals and we are not losing our credibility. We are losing our credibility if we make proposals which are completely unrealistic. We are not here to compromise, we are not negotiating anything in this group, we have to express our views and if we can't agree we have to say that. I would regret that and I don't think it is necessary because I think we could agree. If we can't we have to say it, we are not in a government negotiation here. That is my first point.

The second point which I am not ready to accept is that the so-called first stage is only a soft version, or whatever has been said. There is a lot of substance in this so-called first stage, for instance, the fact that all the members of the Committee are prepared to say in public that they recommend to their respective governments that all member states of the EC should fully participate in the existing monetary arrangements. I think that is a very strong statement by a group like this, I think it is very courageous that the Governor of the Bank of England is

prepared to stand to this statement in public, because everybody knows that this is not the position of the British Government. I think that is a very courageous statement. So this is not nothing and I tell you that what we have in mind - I am not sure, Alexandre, that we have really agreed an ex ante co-ordination of monetary policies, that is not in the text and I would not be able to deliver, because this would not be consistent with the existing laws in the Fed. Rep. of Germany which I have to obey. In the first place the laws would have to be changed in order to achieve that. We have an independent Central Bank Council which takes decisions and I am not even sure I can deliver all the things I propose, and that is why I wanted to introduce something like: we are acting in a personal capacity. I am not the only one who is in that position, there are others who are in a similar situation. This is not nothing, there are many points, many things, and the fact that we have agreed on so many substantial points: the ECU, on the structure of a future ECBS, this is a lot of agreement so I am really not ready to accept this - how should I say - to belittle these kinds of things.

My third point is that I think that everything which is asked for is really in the text. First of all we are saying - and we agree all of us - that the Community should embark on this process, as has been said in the 1st part of para. 41 and again in the 2nd part: "a clear political commitment to the final stage, as described in Part II, would lend credibility to the intention ...". What more can you expect than that? This is a unanimous opinion. Then we are also suggesting that negotiations should start. Robin says that in his text, which I think is much better, it puts things in the right order and emphasises the necessity of changes in policies and not only in the legal framework. I think the changes in policies are much more important than these institutional and legal things. He also says at the end of the sentence that, given that background commitment by the political authorities, in good time before entering stage two, to enter into the negotiation of a new Treaty would have added significance. So we are suggesting negotiations but, of course, after appropriate preparation. In para. 68 we are saying these proposals should contain a further elaboration and concretisation, of course they should, we have not invented the ? here, in the competent bodies and they should serve as the basis for future negotiations on a revised Treaty in an intra-governmental conference to be called by the European Council. I

cannot imagine any different procedure, we cannot start a conference tomorrow, we have to prepare this. There are many many open questions. So I really don't know why we are struggling here, I don't understand that. We are suggesting everything you want.

Mr. F. Andriessen (1058 - 1103)

Apparently that is not the case for everybody in this room, Mr. Chairman. I would like, firstly, to say to Gov. Doyle that I am not sure that I can follow him in his interpretation of the mandate which has been given to us. I don't think that we are mandated to tell the Heads of State and Government what the difficulties and implications are. We have to say a bit more, we have to say how we can define concrete steps and stages to get there. That brings me to stages. We say in para. 43: "discrete but evolutionary steps", so we need stages with content and apparently we disagree upon the content of stage one. I do remember from earlier discussions that many of us were not very convinced that there was a great amount of substance in stage one, and then I hear Gov. Pöhl saying that ex ante co-ordination of consultation is not decided. One of the major elements that M. Lamfalussy was mentioning as a point of substance is going out, it's not there any more. What is then the real substance of stage one? In the definition we have given ourselves as the necessary content of a stage, so I don't agree that we can say that stage one has sufficient substance in itself to render credibility to the process we want to initiate with this first stage.

Secondly, Mr. Chairman, the Treaty is an unavoidable element already to go into stage two and we say it in our Report. Why shouldn't we say that? ... Listen, I come to the sentence you had put into brackets, the sentence: "the implementation of the concrete measures proposed for a stage one should be supported by the conclusion of a new Treaty". That is a precondition to go to stage one, so why not say it? If we then could say that it would also be a firm political commitment then I think we are going in the right direction.

That brings me to the force element and that is the factor of timing. We do agree that the negotiations on a revised Treaty will take, well, quite a bit of time, it is a complicated matter and lots of preparatory work has to be done. That is what you have said, what Gov. Duisenberg has said, etc. What does it mean in terms of going to stage two?

If we start after some years of experience with stage one in view of going to stage two, if we then start the real negotiations, in my view, we are late. There is a practical reason in my view to launching the debate, the negotiations, at an earlier stage, not only a political signal there is a practical reason as well.

Finally, Mr. Chairman, we have to look for a compromise. The two positions will not be easy to be agreed. Would it be possible to maintain the text as we have it, perhaps slightly modified, and then in that text make immediately a reference to the procedure according to the proposals of Mr. Duisenberg? It's just a suggestion.

M. J. de Larosière (1104 - 1187)

Firstly, I would like to thank Robin for his exposition, which I thought was very fair and very clear, of a matter on which we have a rather different approach between ourselves. I think it is right to expose the reasons of our positions. I think he made it very clear that the logic, as he sees it, is to do it in an evolutionary process, to start with what he thinks are indeed the fundamentals, i.e. better co-ordinating policies, building the economic fundamental conditions for the success of the whole process, getting all the countries "in" and then developing on the basis of that build-up of experience, then the phase of the negotiations. That is a very respectable view, which I do not fundamentally contest as such. I want to explain in two minutes, it will be very short, why I do not agree with that presentation.

My view is this: we have been asked by the Heads of State to tell them what was the way to move into economic and monetary union and to provide the concrete stages and steps in order to do so. I think we have to answer that question and we have to answer it more precisely, perhaps in a more accelerated fashion - that is the difference between us basically - and in a more institutional fashion, I admit, than sort of describing an evolutionary process which would build on improvements, experience and then lead in the future towards this monetary union. I think I am more in the context of the question that has been posed to us by the Heads of State than in describing the sorts of evolutionary processes that Robin has been stressing. You can do it in different ways. I have suggested, but that has not been retained by the majority and it is going to be very clear in the Report that that is not a majority, that we leap into a first stage that

would have been, e.g., putting together some of our reserves and building some institutional embryo of a central bank. It could have been possible and the fact that I have not been completely laughed out of court by some of you shows that we could have done a thing like that, but we didn't want in our totality to do it. Right, so it will not be done, but it was a way of doing that. We haven't done that and we have said, let us start off on - maybe I was not very careful in saying soft process, but I think it is a language that has been used in our discussions and I had nothing pejorative in mind, you have used it - really honestly look at what is in that. I think it is, indeed, soft without pejorative, I think it is soft, I think Alexandre was wrong, there is no ex ante co-ordination - though it is not written in, the language is very careful. No, no, no. Look at p. 31, it is very important to see what is said. It is said: "you can formulate opinions on the overall orientation of monetary and exchange rate policy", I think we can always do that and I actually believe that every month we do it, and then as well as on "measures taken by individual countries". So, we are kindly invited to formulate opinions on the overall orientations of what we gentlemen have decided as measures. I think this is no real advancement vis-à-vis what happens. Then this is the boldest thing: "in particular, the Committee would be consulted in advance of national decisions on the course of monetary policy". That is indeed the greatest advancement, but you see you are going to change it. Let us be very honest and I know you can't deliver because you have shown us, in response to Mr. Hoffmeyer's request on the legal aspects, that you couldn't do it. I am coming to my point: stage one is a very soft and modest improvement of the procedures that we have already at our disposal and it is nothing more than that. Coming back to my point, since we are not proposing something a little bit spectacular in the first stage, but the continuation with some improvement of our methods, I say that the only way we can deliver what we have been asked to do is to say, well, Ok, after that stage one you can conceive of a stage two, which is then really getting your feet into this system, and of course if you want to lend some credibility to the very soft thing you do at the beginning, you have to from the outset say that you are embarking on two and three. In order to give some concrete manifestation of backing to all this process, you have to embark on a Treaty negotiation, since stage two necessitates technically a Treaty. You have to do that from the very start. I admit that some preparatory work will be needed, that I can very well

conceive, and I admit that this is going to take time, and I admit that no Treaty will be done if there is no political support to do a Treaty. The whole logic of the steps that have been asked to us is to do it at least the way I say, but if you say, as Robin would like to say, let these three prior things happen - co-ordination and the full joining, etc. - then you are no more in the logic of what has been asked to us which is precise concrete steps. That is why I would like to have at least my view reflected in the Report, because I think I am not saying something that is unnatural.