FROM: N L WICKS
DATE: 11 OCTOBER 1989
Ext : 4369

CHANCELLOR OF THE EXCHEQUER

cc PMG
EST
Sir P Middleton
Sir T Burns
Mr H P Evans
Mr Odling-Smee
Mr Scholar
Mr R I G Allen
Mr Peretz
Mr Riley
Mrs M E Brown
Mrs Chaplin (CX)
Mr Tyrie (FST)

RN

EMU: PAPER FOR ECOFIN

I attach a further version of the paper together with a draft Private Secretary letter to go to No 10. A draft letter is also attached to go to the Governor's Private Secretary.

2. The draft has grown longer, I hope, with substance, not padding. Even so, I am conscious that the section on "Beyond Stage 1" still looks thin; by contrast to the Delors Report, it lacks great practical lists of measures which need to be introduced. But that is at the heart of the difference between our market based approach and Delors' bureaucratic/institutional approach. With the market approach, it is virtually impossible to predict what will happen, in what form and when. The Delors approach, with its institutional creation, gives a purported precision and sense of activity.

3. The Prime Minister may have most difficulty with the paper's theme that competition of monetary policies takes place within the context of the ERM and the hints, for example in paragraphs 20 and 32 that beyond Stage 1 the ERM might be strengthened by narrowing its bands. But if that element is removed, the content of beyond Stage 1 becomes somewhat diaphanous and would carry no conviction, especially with the Bundesbank who, for reasons explained below, are a crucial audience. This line of argument is probably best

left for the bilateral, and is not deployed in the covering letter.

4. The paper still includes some square brackets; but these can be sorted out next week after your talk with the Prime Minister. One of the square brackets is around paragraph 19 about the removal by Community Central Banks of all restrictions on the official use of their currencies, for intervention and reserve holdings. That is certainly a development which we would welcome. But it is something that the Germans, and particularly the Bundesbank, find repugnant. Our paper, if it is to succeed, must sway the Bundesbank and through them the German Government. Indeed, if the paper could elicit a statement from President Poehl that he agreed with its general thrust, we would certainly have moved forward. But statements like that in paragraph 19 will not help the paper's reception in the Bundesbank. Nor would it produce compensating benefits elsewhere in the Community. I am therefore inclined to omit this paragraph.

5. This issue underlines the paper's crucial audience - the West Germans. Increasingly it is becoming clear that their voice will be decisive in determining the way forward on EMU. The Italians, French, Danes and even the Dutch, as well as the smaller Member States, see EMU and particularly MU and Delors' ESCB, as a means of obtaining a handle on German monetary policy. Recent German increases in interest rates have added to the incentive here; even Ruding criticised the recent German interest rate increase. This handle would not be used in an anti-inflationary direction. Its use would be in the direction of relaxation of monetary stringency and higher inflation in Europe.

6. The Bundesbank now probably see that (though why Poehl did not see it before signing up the to the Delors Report defies comprehension). The German Finance Ministry purport to, and may indeed actually not, accept the point. They still hanker after the holy grail of an ESCB and a common European monetary policy. So one of our objectives in presenting the paper - and your talk with Waigel will be important here - will be to persuade the Germans that the Delors route will lead to higher inflation and that the

approach in your paper - based on competing monetary policies - is the better route to a low inflation Europe. This line of argument is, of course, double-edged. To the extent that we secure the Bundesbank and through them the West German Government, the more likely we are to alienate other Member States who see the Delors route as a means for breaking the "hegemonic" (a word used yesterday by one of my Community colleagues in the High Level Group) domination of the European monetary situation.

7. The draft letter to the Prime Minister but touches these arguments. You can deploy them in more detail in your oral presentation.

8. We have also tried to couch the paper in language likely to be attractive to other Member States. For example, it does not refer in paragraph 27 to the consequences of binding budgetary rules for national sovereignty, but to subsidiarity which is fast becoming a hallowed, if ill defined, concept. The draft does, however, retain some robust political points about a European Finance Ministry at the end of paragraph 30. Mr Kerr in the FCO wants to omit that paragraph because some in the Community would like nothing more than a European Finance Ministry - Sarcinelli virtually argued as such yesterday in the HLG. My preference is to keep it. What do you think?

9. You will want to consider whether to send a copy of the letter to No 10 to the Foreign Secretary's Private Office. One possibility might be to send him a blind copy on the understanding that he does not press to come to the bilateral.

10. I also attach a provisional timetable. You might like to have it to hand for your discussion with the Prime Minister. This requires a meeting of the Ministerial group, if it has to take place, on 23-24 October, though a time has not yet, I think, been fixed. You should settle its timing and its composition at the bilateral.

11. I suggest that at the same time as your Private Secretary writes to No 10, he should send the draft of the paper (but not

the letter to No 10), to the Governor's Office in response to his letter of today. The points raised by the Governor - not relying on Stage 1 alone and the possibility of an ultimate step to locked parities - are dealt with in the latest version of the paper. You might offer to discuss the draft with the Governor next week. We need to secure the Bank to our approach if its presentation is to have maximum impact.

N.L.W.

N L WICKS

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THE MARKET APPROACH TO ECONOMIC AND MONETARY UNION (EMU)

Introduction

The European Council agreed at its meeting in Madrid in June to launch the first Stage of EMU on 1 July 1990. The Council also confirmed the objective of the progressive realisation of EMU but did not specify how that objective was to be realised. By common consent the next steps in economic and monetary integration of the twelve Member States will be crucial to the future economic development of the European Community. That development must be based on firm and durable foundations which reflect both the diversity and the unity of the economic and monetary situation in the Community. This paper suggests how such sound foundations should be laid in a way which avoids the pitfalls of other approaches now under consideration.

2. Whatever the approach to economic and monetary union, be it as in the UK's approach in this paper, or that described elsewhere, eg in the Delors Report, it is important to be clear about objectives. The objectives of economic union are well established and include sustained increases in living standards and more flexible economies. The objectives of monetary union, which are more complex, include:

- price and currency stability;
- lower costs of financial transactions, especially for trade between countries;
- equal access to financial instruments and services by all citizens and other borrowers within the Community.

3. Stage 1 will lead to substantial progress on each of these objectives. Beyond Stage 1, the UK proposes a gradual, evolutionary approach that will lead to further steps towards the progressive realisation of economic and monetary union.

Stage 1

4. The starting point for any consideration of future economic and monetary arrangements in the Community has to be the developments identified in the Delors Report as Stage 1 of EMU. It includes the following major steps:

- through completion of the single market programme, to dismantle long-standing barriers to the movement of people, goods and services;

- to strengthen competition policy;

- to liberalise capital movements;

- to strengthen coordination of economic and monetary policies;

- to include all currencies in the ERM on equal terms.

5. Stage 1 will bring about massive changes in the European economy. It will progressively increase freedom of trade in both goods and services, and freedom of movement of capital and labour. The Cecchini Report painted a picture of a Community, following completion of the single market, in which regulations and technical barriers will be drastically reduced; frontier delays will be cut; industries will be restructured to reflect comparative advantage and reap economies of scale; businesses in all sectors will become more efficient as they are exposed to Community-wide competition; and consumers will benefit from lower prices and increased choice. The forces released in Stage 1 will reshape all our economies along new European lines. By any standards it is a major endeavour. Its significance cannot be overstated.

6. In this environment, there will be a powerful stimulus for monetary authorities to adopt policies aimed at low inflation. The main factor is the removal of exchange controls within the context of the ERM and the creation of the single financial area. Any indication that a currency might have to be devalued within the ERM could cause a major outflow of capital against which intervention would not be effective for long. The authorities would have to move quickly to tighten monetary policy and maintain the exchange rate. There are important asymmetries between currencies subject to downward pressure and those subject to upward pressure:

(a) devaluations damage the credibility of national policy, and raise inflationary expectations. There are no equivalent costs to revaluation;

(b) foreign currency, reserves are finite. Faced with a weak currency, intervention is a less sustainable instrument for buying time than intervention to hold down a strong currency.

These asymmetries, together with the need to act quickly, will provide a powerful stimulus for monetary authorities to aim at an inflation performance in line with the best in the Community.

7. In addition, the changes in Stage 1 will increase the amount of currency substitution. Greater use will be made of low inflation currencies at the expense of high inflation ones in both transactions and deposits, mainly because the value of low inflation currencies is more predictable. Governments do not like to see their currencies displaced by others, if only because of the loss of seigniorage ie the resources that accrue to the monetary authorities from the creation of currency. National authorities will therefore have an incentive to pursue non-inflationary policies in line with the best in the Community.

8. Finally, increased integration of Member States' economies will increase the mobility of labour and capital. Location decisions will be influenced by relative economic performances - and in particular the relative stability of prices, and by levels of competitiveness - of different member states, governments will have an incentive to minimise inflation in order to attract economic activity.

9. So these three factors - the removal of exchange controls within the context of the ERM and the creation of the single financial area, the possibility of currency substitution and the influence of prices on capital and labour mobility - will all exercise a powerful stimulus towards stable prices.

10. There is considerable evidence that these mechanisms work in practice:-

- in recent years, we have seen much greater convergence of inflation within the EMS, and fewer realignments;

- in the past, there were big differences between domestic and euro-market interest rates. With the dismantling of controls, these differentials have declined;

11. The integration of member states' economies during Stage 1 will have important implications too for payments arrangements and for the conduct of monetary policies. Greater mobility of people, goods and capital will lead to increased demand for efficient Community-wide payments mechanisms. Moreover, the creation of a single market in banking and other financial services will provide the competitive spur to ensure that improved mechanisms emerge. These may involve some or all of:

- more competitive electronic funds transfer facilities (eg credit cards, debit cards, charge cards);

- improved and lower cost international cheque clearing systems;

- simpler and lower cost currency exchange arrangements.

The result will be a significant diminution over time in the transactions costs and inconvenience of the multi-currency system.

Beyond Stage 1

12. The path on which the Community will be thrust as a result of the changes in Stage 1 is impossible to map with any precision. The competitive forces set free in Stage 1 will lead to a period of increased integration of member states' economies that will not be complete for many years thereafter. This will be an evolutionary process: it will take many years for the forces to work themselves through - as is evident from the less comprehensive liberalisations already enacted in some individual countries.

13. The history of the Werner report is a warning against seeking to move quickly to a theoretical blueprint of ultimate economic and monetary arrangements, worked out before market realities have had a chance to point the way forward. To try to decide now - even before Stage 1 has begun - precisely how later stages of the progressive realisation of EMU should be carried forward is both hazardous and unnecessary. There is still much to be done to ensure that Stage 1 is effective. For example, half of the 279 single market measures have still to be agreed by Community institutions; and hardly any have been implemented in the legislation of all twelve Member States. Key measures, such as those to bring down barriers in the provision of financial services will not even start to come into effect until January 1993. And it will take much longer for the full economic effects of such measures to be felt. The UK's experience of liberalising its own financial system and of implementing a far-reaching programme of supply-side measures has shown that the process of adjustment is a long and continuing one.

14. Yet despite the uncertainties, it seems clear that during Stage 1, if its objectives are realised, inflationary pressures will have been sharply reduced, and with them the pressure for exchange rate changes between the currencies of member states. The ERM will have become more stable as a result of a natural process - and the benefits of further integration in Europe will follow through increased trade and long-term capital flows.

15. It follows that in seeking to identify, on a provisional basis, the further measures to be taken after Stage 1, priority should be given to those which would assist and accelerate the beneficial trends towards economic and financial integration in Europe, created by Stage 1. Two categories of such measures can be identified now.

16. First, the pressures on governments to keep down inflation and enhance the stability of currencies would be increased by the complete removal of all unnecessary restrictions on the use of Community currencies. Even after Stage 1 is complete there will remain many restrictions on the availability of financial services and the use of all currencies throughout the Community. For example, restrictions on the currency and geographical location of the assets of long-term savings institutions exist in many countries, often beyond the limits of what is essential for prudential purposes. And access to financial services throughout the single financial area will be less uniform than it should be because of unnecessary differences in, for example, conduct of business rules, compensation schemes, the regulatory requirements for establishing insurance companies, and the financial techniques and distribution channels which are permitted. All these should be examined with a presumption that changes should be made to enhance the process, already underway in Stage 1, of completing the single financial area.

17. Second, the costs of changing between Community currencies - including the margin between buying and selling prices, and the costs of moving funds between banking systems - could be reduced further by tackling remaining barriers to the use of relatively cheap means of payment and by developing technologies geared to such transactions. [Example or two, possibly relating to credit cards. Work still continuing.] Greater use of the private ECU could also reduce transactions costs, and the ECU itself could be made stronger and more attractive by fixing its currency weights for all time.

18. In practice, transactions costs would be reduced because:

- greater exchange rate stability would mean less need to hedge exchange risks and lower insurance costs;

- greater competition between institutions and currencies would lead to lower margins between bid/offer prices.

- the ability to use financial instruments of other currencies and the ability of banks to trade between countries could lead to the emergence of more international instruments - payments cards, credit cards, euro-cheque clearing. Which was most successful would depend in part on technology and how costs of the service developed. But competition and emergence of larger open market would offer greater returns to scale.

[19. In addition, there would be a case for Community Central Banks removing all restrictions on the official use of their currencies. This should lead to the increasing use of different EMS currencies for intervention and increased cross-holdings of EMS currencies in national reserves.]

20. Over time, all these measures would strengthen the process of convergence on price and exchange rate stability. Realignments would become rarer, fluctuations within the ERM bands would become smaller, and the EMS could devolve into a system of more or less fixed exchange rates. Concurrently, with minimal exchange rate uncertainty and reduced costs of switching between currencies, all Community currencies would become effectively interchangeable. In this way monetary union would be achieved as the result of a gradual evolutionary process.

21. But a third category of measure may also be needed. Sound monetary policies impose their own constraints on national budgetary policies. Within these, Member States would remain free to set their own budgets, with pressures from the integrated European capital market and multilateral surveillance ensuring that the results do not undermine monetary stability. The discipline of the capital market will be beneficial and the Community should not undermine it by bailing out governments which run excessive deficits. There may also be a need for a commitment that deficits will not be financed by monetary financing.

22. Regional and structural disparities in the Community should be alleviated primarily through the operation of the market. The strengthening of market mechanisms which is central to the achievement of economic union will enable the countries with the lowest per capita GNP to exploit market advantages, such as their low costs, and hence to maximise rates of return and profitable investment opportunities and attract the flows of private capital required to finance them. This is the way to ensure catching up and the achievement of genuine and sustainable growth. This is the way the United States caught up with and subsequently overtook Europe in the nineteenth century.

23. The UK Government believes that the Community should move forward, through Stage 1 and beyond, by way of the approach identified in this paper. It has as it basis the following fundamental principles for successful economic and monetary integration:

- Increasing the influence of markets and competition, reflecting the worldwide consensus in favour of working wherever possible with the grain of the market. This is the philosophy behind the 1992 programme. Competitive pressures so released will contribute, over time, to the convergence of economic performance and policies in the Community.

- Respecting the principle of subsidiarity As the Delors Report (paragraph 20) explained, "the functions of higher levels of government should be as limited as possible and should be subsidiary to those of lower levels. . All policy functions which could be carried out at national (and regional and local) levels without adverse repercussions on the cohesion and functioning of the economic and monetary union would remain within the competence of the member countries".

- Strengthening the forces tending to bring about stable prices, which must be the overriding objective of monetary policy in the Community.

The Delors Report

24. The approach described above sets out a broad path to economic and monetary union through an evolutionary process resulting from the operation of the market. By contrast, the Delors Report envisages moving by administrative fiat and institutional change first to irrevocably fixed exchange rates, then to a single currency. Responsibility for monetary policy would be transferred to a European System of Central Banks (ESCB), independent of both governments and Community authorities. There would be binding rules on the size of national budget deficits. And there would be enhanced finance for regional and structural policies through the Community Budget.

25. The Delors Committee was charged with "the task of studying and proposing concrete stages leading towards" EMU. The analysis in the Report is a valuable contribution to the debate It sets out a helpful prescription for Stage 1 and its analysis of later stages has thrown up important issues. But there are flaws in the prescription it proposes for those later stages.

26. First, binding Community rules on the size of budget deficits are neither necessary nor desirable. They are unnecessary because deficits of different size and composition in different countries will be perfectly compatible with the sound monetary policies which the ERM and competition will encourage governments to pursue. Fixed exchange rate regimes have in the past operated successfully without such rules, as do the overwhelming majority of federal states today. Market pressures and multilateral surveillance will prevent deficits becoming unsustainable or unneighbourly.

27. Binding Community rules are undesirable because, being unnecessary, they infringe the principle of subsidiarity. Moreover, since there is no agreed view about the role or effects of fiscal policy, so centrally devised rules would inevitably be controversial, difficult to monitor, and quite likely to have undesirable effects. They would encourage the development of misleading accounting devices aimed at avoiding the impact of the rules.

28. Second, the Report's structural and regional proposals are defective. There must of course be opportunities for the living standards of the less prosperous regions to rise towards that of the more prosperous. But there is no reason to think that moves to EMU, properly managed, would have a negative impact on the less prosperous areas which would require compensatory action by governments. Indeed, recent history provides ample evidence that interventionist policies by governments create more problems than they solve.

29. Third, there is worldwide acknowledgement that monetary policy is at the heart of macro-economic policy. Countries vary in the degree of independence of their central bank with respect to political controls. There are arrangements in some countries for accountability to national governments and in all countries for co-operation. Where central banks have a high degree of independence, this is the product of a particular historical and cultural context. That context cannot be created by stipulations in a Treaty in favour of autonomy and independence.

30. The proposals in the Delors Report explicitly make no provision for accountability to national governments. So elected governments would have no means at their disposal to influence the key area of macro-economic policy in Europe. Nor would governments be able to bring the central banking system to account for major failings - there can be no guarantee that an ESCB would pursue successful anti-inflationary policies whatever Treaties might say. So an ESCB could impose higher inflation on at least some Community countries. Yet the electorate would still hold governments and national authorities responsible for their economic well being. So the consequence of the Delors Report's proposals would be to create an imbalance of power between the ESCB and the twelve Finance Ministers of the Member States. That imbalance could only be rectified by centralising the power of the Finance Ministers requiring a European Finance Ministry and with it a European Government. There is certainly no agreement among the Member States on the desirability of making that move.

Conclusions

31. In short, there are major political and economic risks in moving to a single currency. The Delors Report was not asked to and did not set out the economic gains from such a move. They are unlikely to outweigh the risks. In any event, there is an alternative course available which would provide an evolutionary approach to economic and monetary integration in the Community. This approach builds on the major changes that all governments are committed to in the course of Stage 1

32. The evolutionary approach maintains national monetary policies within the context of a strengthening ERM, and allows currencies to compete to provide the non-inflationary anchor in the European Monetary System. This approach is centred upon national monetary authorities. It thus minimises problems of political accountability and harnesses the strengths of national monetary traditions to Community objectives. It permits an evolutionary and robust way forward which can develop with the grain of economic and financial integration in Europe.

33. The evolutionary approach to EMU has already been agreed as the basis of Stage 1. It should be allowed to evolve in the period beyond Stage 1 until the Community achieves economic and monetary union. The strength of this form of union is its reliance on many currencies. Deciding now that monetary union has to have a single currency precludes debate and removes any role for the market in favour of a central plan. Moreover, by eliminating competition and accountability from members' monetary policies, the Delors Report version of union risks producing a higher inflation rate in Europe - one in which performance approximates more to the average than to the best. The administratively imposed changes that are required would inevitably fail to foresee future developments. And they involve constitutional and institutional changes which are wholly unnecessary.

34. By contrast, the form of monetary union advocated in this paper would develop naturally towards the commonly agreed objective of stable prices achieved by the alignment, through competitive mechanisms, of the twelve Member States' monetary policies. It is a multi-currency solution with increasingly interchangeable Community currencies. It involves no major constitutional change. As realignments become increasingly rare and exchange rates fluctuate in narrower bands, the system could evolve into one of fixed exchange rates. But that cannot and should not be decided now.

H M Treasury
11 October 1989

DRAFT LETTER FOR PRINCIPAL PRIVATE SECRETARY TO

PS/PRIME MINISTER

EMU: CHANCELLOR'S PAPER FOR ECOFIN

The Chancellor would like to discuss with the Prime Minister at his bilateral on Monday his paper for ECOFIN on EMU. The latest draft is attached. The Chancellor wants to do more work on the text, but would be grateful to have the Prime Minister's views first.

2. The Chancellor has asked me to draw the following points to your attention.

(i) The paper is long, and in parts quite technical. But he thinks that a substantial piece is necessary if we are to stand any chance of securing support in the Community for our approach.

(ii) Its emphasis has deliberately been cast on competing monetary policies, and therefore currencies, as the better route, compared to Delors', for securing a low inflation Europe. There is a possibility that if the argument is put this way, it will gain some support from Poehl and the Bundesbank, who may in turn influence Chancellor Kohl. The Chancellor can elaborate further on tactics on Monday.

(iii) The drafting of the paper requires a decision on whether to distinguish between developments in Stage 1 and later Stages; or whether to elide the whole process into a "super" Stage 1 and to argue that nothing is necessary thereafter. The latter approach would, of course, reflect the most desirable outcome from our point of view. But the Chancellor believes that we should opt for the former approach. The Madrid communique, and most Member States, appear to accept - and in most cases actively to seek - that there should be some development after Stage 1. For us now to argue that Stage 1 is the end of the process would court the risk of having our paper dismissed from the outset, even by those who have some sympathy for our viewpoint.

(iv) The general presentation of the paper is intended to appeal to its Community audience; hence some of the language.

(v) The Chancellor believes it important for the paper to be circulated to Community Finance Ministers very early in November, so that it can be properly studied before ECOFIN on Monday 13 November. Directly the paper has been circulated to Community capitals, the Chancellor intends to make it available to the press here though a press conference, and place a copy in the Library of the House. The timing of the outstanding Scrutiny Committee debate on various Community documents concerning European economic and monetary matters is also relevant. This is currently expected in the week beginning 6 November.

3. [I am sending a copy of this letter to the Private Secretary to the Foreign & Commonwealth Secretary.]

DRAFT LETTER FOR PPS TO SEND TO

PS/GOVERNOR

The Chancellor was most grateful for the Governor's letter of 11 November about the paper which he is preparing for the November ECOFIN.

2. As the Governor says in his letter, several drafts have been prepared since the one passed to him in Washington. A further version is attached which the Chancellor believes takes account of the points raised by the Governor. The Chancellor will be working further on the draft next week and he would be very willing to discuss it with the Governor if he thought that would be helpful.

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EMU: CHANCELLOR'S PAPER

PROVISIONAL TIMETABLE

11th/12th October - revised draft to Chancellor

13th October - paper sent to No 10, (copied to Foreign Secretary?)

Week beginning 16th October - bilateral between Chancellor and Prime Minister

20th October - paper to Ministerial group

23rd/24th October - Ministerial group meeting (not yet fixed)

27th October - final draft of paper to Chancellor and Prime Minister

End October/
Early Nov - paper circulated to EC Finance Ministers, followed - preferably at least a day later - by Press briefing (and briefing to overseas posts, etc.)

Week beginning 6th November - debate in Commons (to be arranged)

13th November - paper discussed at ECOFIN ec.ss/allen/EMUTABLES2

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EMU: TIMETABLE OF MEETINGS/EVENTS

† key meeting
* key documents to issue

(as at 11 October 1989)

Date	**Meeting/Event**	**Comments/UK objectives**
† 10th October -	High Level Group	Presidency paper with list of questions on EMU circulated: entirely unsatisfactory. UK seeking major amendments.
[10th-13th October-	Party conference]	
*11th/12th October -	Revised draft paper to Chancellor	
*13th October -	Paper to PM (copied to Foreign Secretary?)	
14th/15th October -	Informal meeting of Foreign Ministers - Chateau d'Eschimont	EMU will be discussed. FCO brief to be cleared with HMT.
16th/17th October -	MEPs European Democratic Group seminar on EMU	See 25th October.
Week beginning 16th October -	Bilateral Chancellor/PM	

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16th October -	High Level Group	Further work on Presidency paper.
[17th/18th October-	Mr Ridley's visit to Bonn]	Speech on 18th expected to include section on EMU.
[18th-24th October-	Commonwealth Heads of Government meeting]	PM absent from UK.
[19th October-	Treasury First Order Questions]	No questions on EMU, but supplementaries possible.
†20th October -	Informal meeting of Monetary Committee-Portugal	Due to focus on longer term but possible further discussion of Stage 1, including legal texts.
*20th October -	Draft paper to Ministerial group	PPS/Chancellor to contact No 10 about timing and cast.
†23rd/24th October(?) -	Ministerial Group meeting on Chancellor's Paper.	
25th October -	European Parliament debate on EMU	UK MEPs have asked for briefing on Stage 1 texts and if possible UK views on longer term.

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[25th-27th October-	Mr Maude's visit to Copenhagen]	No indication of programme as yet.
†26th October -	High Level Group	To finalise draft report to ECOFIN and FAC.
26th/27th October -	Economic Policy Committee	To discuss budgetary policy coordination during Stage 1.
*27th October -	Final draft of paper to Chancellor and PM	
27th October -	Quadrilateral meeting of officials - Paris	Substantive discussion of EMU unlikely.
30th October -	Anglo-French bilateral meeting of officials	EMU top of the agenda.
*End October-	High Level Group progress report to be circulated	This timing was imposed by Mme Guigou on 18 September, (not agreed).
*End October/early November -	Circulate Chancellor's paper - press briefing etc.	Paper to be issued to EC Finance Ministers shortly ahead of issue to Press. Posts and foreign Press will also need briefing.

Early November -	Meeting between Sir Leon Brittan and PM	No indication yet of agenda, but EMU likely to arise. Likely date 2nd/3rd November but not certain.
Week beginning - 6th November	Debate in Commons	Date not yet arranged. Debate principally on Delors Report but will also cover Stage 1 texts; and ECU reweighting, which there is a separate scrutiny remit. Chancellor may want to present the ideas in his paper.
[9th-10th November	Possible visit to Bonn by Mr Maude]	Agenda unknown.
†13th November -	ECOFIN	Presidency hope for common position on Stage 1 legal texts. Discussion of longer term, including Chancellor's paper. Will also consider reports from the High Level Group and Monetary Committee.
13th November -	Central Bank Governors - alternates	May consider consequences of revising 1964 Decision - rules of procedure, strengthening of secretariat - but not yet clear.
14th November -	Central Bank Governors	As above.

23rd November -	Monetary Committee	No agenda yet: will be determined in light of 13 November ECOFIN.
27th/28th November -	Foreign Affairs Council- Brussels	To consider report by High Level Group.
†8th/9th December -	European Council - Strasbourg	Presidency likely to seek political agreement on Stage 1 texts (though formal adoption for ECOFIN). Discussion on longer term on basis of report by High Level Group. Attempt (possibly) to get agreement on IGC.
11th December -	EC Coordinating Group	(Attended by Sir Peter Middleton).
11th December -	Central Bank Governors - alternates	see below.
12th December -	Central Bank Governors	No indication of agenda, but possibly as 14th November.
†18th December -	ECOFIN	Presidency hope for adoption of Stage 1 legal texts (but will need opinions of European Parliament and Economic and Social Committee first, so not certain). Discussion on longer term? (not known).
19th December -	Foreign Affairs Council	Agenda not known.