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FM FCO
TO IMMEDIATE PARIS
TELNO 902
OF 031700Z NOVEMBER 89
AND TO IMMEDIATE OTHER EC POSTS
INFO PRIORITY UKREP BRUSSELS

EMU: WESTMINSTER VIEWS

1. THE DEBATE ON ECONOMIC AND MONETARY UNION IN THE HOUSE OF COMMONS ON 2 NOVEMBER SHOWED A STRIKING ALL-PARTY CONSENSUS FROM ALL PARTIES, NOT JUST GOVERNMENT SUPPORTERS, IN REJECTING STAGES 2 AND 3 OF THE DELORS REPORT. IN SPEAKING TO CONTACTS, YOU MAY WISH TO DRAW ATTENTION TO THIS FACT (DRAWING AS NECESSARY ON THE QUOTATIONS BELOW).

2. MR JOHN SMITH (LABOUR SPOKESMAN ON ECONOMIC AFFAIRS) QUOTE THE PROPOSALS SET OUT BY THE DELORS COMMITTEE FOR STAGES 2 AND 3 OF EMU ARE VERY FAR REACHING AND REPRESENT ONLY ONE AMONG A NUMBER OF POSSIBLE PROPOSALS TO ACHIEVE GREATER MONETARY COOPERATION AND ECONOMIC CONVERGENCE..... THERE HAS BEEN COGENT CRITICISM OF THE DELORS REPORT. IN MANY WAYS, IT IS FAR TOO SCHEMATIC IN TONE. IT MAKES ASSUMPTIONS WHICH ARE NEITHER ARGUED NOR JUSTIFIED, AND IT IS ON THE WHOLE DANGEROUSLY INSENSITIVE TO THE POLITICAL DIMENSION OF ECONOMIC DECISION-TAKING AND THE NEED FOR DEMOCRATIC ACCOUNTABILITY.... THE DELORS REPORT MAY BE A USEFUL STARTING POINT FOR DEBATE AND DISCUSSION, BUT IT COULD NEVER BE REGARDED AS A BLUEPRINT FOR THE FUTURE OF EUROPE..... LET ME MAKE IT CLEAR THAT WE WOULD NOT BE WILLING TO ACCEPT ANY SYSTEM OF CENTRAL BANKS WHICH WOULD BE INDEPENDENT OF POLITICAL CONTROL..... AND WE DO NOT ACCEPT THAT BINDING RULES FOR BUDGETARY OR FISCAL POLICY ARE A NECESSARY CONDITION FOR THE ACHIEVEMENT OF MONETARY UNION. I REMIND THE HOUSE THAT THAT IS ONE OF THE CENTRAL PARTS OF STAGES 2 AND 3.... IN THE PROPOSED SYSTEM OF INDEPENDENT CENTRAL BANKS THERE IS NO DEMOCRATIC ACCOUNTABILITY AT ALL..... THAT IS A FUNDAMENTAL OBJECTION TO THE PROPOSAL, AND THAT WILL BE THE UNANIMOUS VIEW OF MY RIGHT HON AND HON FRIENDS. UNQUOTE

3. MR SMITH DREW ATTENTION TO THE CONCLUSION OF THE TREASURY AND CIVIL SERVICE COMMITTEE THAT QUOTE THE POWER OF THE HOUSE OF COMMONS OVER THE CENTURIES HAS DEPENDED FUNDAMENTALLY ON THE CONTROL OF MONEY, BOTH TAXATION AND EXPENDITURE. THIS WOULD BE

JEOPARDISED BY THE FORM OF MONETARY UNION PROPOSED BY THE DELORS REPORT WHICH WOULD INVOLVE CENTRAL UNDEMOCRATIC DIRECTION FROM WITHIN EUROPE ON DOMESTIC BUDGETARY POLICIES. UNQUOTE HE COMMENTED QUOTE I AM HAPPY TO ACCEPT THAT ENTHUSIASTICALLY, AND I AM SURE THAT ALL OPPOSITION MEMBERS ACCEPT IT TOO. UNQUOTE

4. DR DAVID OWEN, FOR THE SDP, SPOKE OF QUOTE THE MORE FOOLISH ASPECTS OF THE EUROPEAN ECONOMIC AND MONETARY UNION THAT ARE CONTAINED IN THE DELORS REPORT, UNQUOTE AND COMMENTED THAT QUOTE I SPEAK AS A LIFE-LONG EUROPEAN, BUT I BELIEVE THAT TO FORCE THE EC DOWN THE FEDERALIST ROUTE WOULD NOT ONLY DAMAGE THE COMMUNITY BUT POSSIBLY DESTROY IT.... IT HAS NEVER BEFORE BEEN GIVEN SUCH A MASSIVE FEDERAL TWIST AS BY THE DELORS REPORT. THE CONCEPT OF AN INDEPENDENT AND FREE NATION GIVING UP THE RIGHT TO FIX ITS OWN LEVELS OF DIRECT TAXATION AND ITS OWN BORROWING REQUIREMENT IS TO EMASCULATE THE NATION STATE TO THE EXTENT THAT THERE WOULD BE NO OTHER OPTION THAN TO BE A UNITED STATES OF EUROPE.... IF THAT FEDERALIST MODEL WERE FORCED ON EUROPE, IT WOULD EVENTUALLY SPLIT IT APART.... I CANNOT OFFER A BLUEPRINT SQUARE BRACKETS BEGINS FOR FUTURE INSTITUTIONAL DEVELOPMENT SQUARE BRACKETS ENDS AS I THINK THAT IT WOULD BE IMPOSSIBLE EVEN TO DESIGN SUCH A BLUEPRINT UNTIL WE WERE WITHIN THE EXCHANGE RATE MECHANISM, SEEN IT WORK AND WE WERE A LITTLE PAST 1992. JACQUES DELORS MUST FRANKLY BE TOLD - I HOPE BY MORE THAN ONE COUNTRY, BRITAIN - THAT A LOT OF THE STUFF HE

PROPOSES IS ARRANT NONSENSE. UNQUOTE

6. MR ALAN BEITH, FOR THE LIBERAL DEMOCRATS, SPOKE IN FAVOUR OF A EUROPEAN CENTRAL BANKING SYSTEM QUOTE SOMEWHAT ON THE LINES OF THAT PROPOSED BY DELORS, UNQUOTE BUT ADDED THAT QUOTE IT DOES NOT FOLLOW FROM WHAT I HAVE SAID THAT I HAVE TO AGREE WITH EVERY WORD WRITTEN IN THE DELORS REPORT. IT WOULD BE DIFFICULT TO DO SO, BECAUSE THE DELORS REPORT WENT BEYOND THE OBJECTIVE OF MONETARY UNION INTO OTHER AREAS... AS THEY SEARCHED FOR OTHER DIMENSIONS OF ECONOMIC POLICY ON WHICH UNION COULD BE ACHIEVED. THAT IS WHY THE DELORS REPORT WENT WRONG IN AREAS OF FISCAL HARMONISATION WHICH ARE NOT TECHNICALLY NECESSARY TO MONETARY UNION, ARE NOT OF PRACTICAL ADVANTAGE IN SECURING IT AND WHICH ARE LIKELY GREATLY TO INCREASE THE UNPOPULARITY OF ANY OTHER MOVES THAT WE ARE TRYING TO MAKE IN EUROPE. CONTROL AT EUROPEAN LEVEL OF NATIONAL BUDGETS HAS NO REASONABLE BASIS IN THE ARGUMENT FOR MONETARY UNION. UNQUOTE

PRESS COMMENT

7. GRATEFUL FOR SHORT SUMMARIES OF GENERAL PRESS COMMENT ON THE UK ALTERNATIVE APPROACH, TOGETHER WITH ANY PUBLIC

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STATEMENTS BY GOVERNMENTS, BY CLOSE ON 9 NOVEMBER.

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