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FM BONN  
TO PRIORITY FCO  
TELNO 1137  
OF 211731Z NOVEMBER 89  
INFO ROUTINE PARIS, UKREP BRUSSELS

FRAME ECONOMIC

MY TELNO 1050: EMU

SUMMARY

1. ANNUAL REPORT OF THE FIVE WISE MEN STRESSES THE IMPORTANCE OF MONETARY STABILITY. WARNS AGAINST RUSHING INTO MONETARY UNION.

DETAIL

2. THE ANNUAL REPORT OF THE COUNCIL OF INDEPENDENT ECONOMIC EXPERTS (THE FIVE WISE MEN) WAS PRESENTED TO CHANCELLOR KOHL ON 20 NOVEMBER. AS FORECAST IN TUR IT CONTAINS COMMENTS ON EMU WHICH CONCENTRATE MAINLY ON THE NEED FOR CURRENCY STABILITY. UNDER THE HEADING 'EUROPEAN MONETARY INTEGRATION: WARNING AGAINST OVER RAPID MEASURES' THE REPORT SAYS THAT STABILITY MUST NOT BE TAKEN FOR GRANTED. THE DELORS PROPOSALS INCLUDE IMPORTANT PRE CONDITIONS BUT THESE MAY NOT BE SUFFICIENT TO GUARANTEE STABILITY. MEMBER STATES MUST FIRST SHOW THAT THEY CAN ACHIEVE MONETARY STABILITY AND MAINTAINED IT IN THE LONG TERM. FOR CERTAIN MEMBER STATES THIS MAY MEAN SUBJECTING THEIR CURRENCY TO THE DISCIPLINE OF A FIXED EXCHANGE RATE, THOUGH AS LONG AS TENSION REMAINS BETWEEN CURRENCIES THE INSTRUMENT OF REALIGNMENT MUST ALSO REMAIN.

3. THE REPORT AGREES THAT THERE MUST BE A FRAMEWORK FOR BUDGETARY COORDINATION TO STOP MONETARY FINANCING OF BUDGETARY DEFICITS. BUT THIS FRAMEWORK SHOULD NOT IMPINGE ON MEMBER STATE'S AUTONOMY IN FISCAL POLICY.

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