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TO IMMEDIATE FCO  
TELNO 1337  
OF 191219Z OCTOBER 90  
INFO IMMEDIATE UKREP BRUSSELS, OTHER EC POSTS

FRAME ECONOMIC

PARIS TELNO 1252: EMU

SUMMARY

1. KOHL'S MOVE TO SET A DATE FOR STAGE 2 WILL HAVE PLEASED THE EUROPEAN LOBBY AND DISPLEASED THE FINANCIAL COMMUNITY.

DETAIL

2. WE ASKED THIELE, FEDERAL CHANCELLERY, FOR AN EXPLANATION OF THE CHANCELLOR'S MOVE. WHY HAD KOHL PLUMPED FOR 1994, NOT 1993 AS SOME WERE DEMANDING ?. WHAT WAS THE POINT OF DECIDING WHEN TO BEGIN THE SECOND STAGE WHEN ONE DID NOT YET KNOW WHAT IT WOULD CONTAIN ?. WAS THE COMMITMENT TO MOVE FORWARD ON 1 JANUARY 1994 ABSOLUTE OR WAS IT GOVERNED BY PRECONDITIONS ?.

3. THIELE SAID THAT THE CHANCELLOR HAD CONSIDERED SETTING 1 JANUARY 1993 ON THE DATE BUT HAD THOUGHT IT WISE TO ALLOW MORE TIME FOR NEGOTIATIONS AND RATIFICATION OF A TREATY AMENDMENT. HE HAD NOT WANTED IT TO APPEAR THAT THE COMMUNITY WAS ACTING UNDER UNDUE TIME PRESSURE. ON THE OTHER HAND, HE HAD WANTED TO SET A TIMETABLE WHICH WOULD GIVE THE EC SOMETHING TO AIM FOR AND ENCOURAGE IT TO GET A MOVE ON. ADMITTEDLY SETTING A DATE BEFORE KNOWING THE CONTENT OF STAGE II MIGHT APPEAR TO PUT THE CART BEFORE THE HORSE: BUT ONE HAD TO ASK WHETHER DOING THINGS THE OTHER WAY ROUND WOULD IN FACT HAVE HELPED REACH EARLY AGREEMENT IN THE COMMUNITY ON THE NEXT STEP. THE CHANCELLOR HAD FELT THAT IT WOULD NOT.

4. AS TO THE CONTENT OF STAGE II, THAT REMAINED TO BE WORKED OUT IN THE IGC NEGOTIATIONS. THIELE SAID THAT THE GERMANS WOULD WANT TO ENSURE THAT THERE WAS A REAL SUBSTANTIVE DIFFERENCE BETWEEN THE SECOND AND THE FIRST STAGE, BUT JOKED THAT IF THERE WAS NOT MUCH DIFFERENCE, THEY WOULD DO THEIR BEST TO MAKE IT SEEM AS IF THERE WAS. HE WOULD NOT BE DRAWN ON WHETHER THE DATE WAS ABSOLUTE: CLEARLY THERE WERE CONDITIONS, INCLUDING A COMMITMENT TO AN INDEPENDENT CENTRAL BANK AND BROAD CONVERGENCE OF ECONOMIES AND FISCAL POLICIES.

FULL CONVERGENCE COULD NOT BE ACHIEVED BY 1994, BUT THE MEMBER STATES SHOULD BE THEN BE ON THE RIGHT GLIDE PATH TO REACH THE RUNWAY.

COMMENT

5. BY AGREEING TO SET A DATE KOHL WILL HAVE PLEASED THE EUROPEAN LOBBY IN PARIS AND BRUSSELS. HIS INTENTION WAS TO DEMONSTRATE TO THEM THAT GERMANY'S INTEGRATIONIST CREDENTIALS WERE INTACT. THE GERMAN FINANCIAL COMMUNITY, WHO WERE ARGUING FOR CAUTION AND THE AVOIDANCE OF TIMETABLES WILL BE LESS PLEASED. KOHL CAN ARGUE THAT HE HAS SET PRECONDITIONS FOR MOVING FORWARD AND THAT HE HAS GIVEN NOTHING AWAY ON THE SUBSTANCE OF THE MOVE OR ON THE TIMING OF STAGE III. BUT THE OPPONENTS OF HASTE, INCLUDING POEHL, MAY WELL THINK THAT THEY ARE BEING SOLD A PIG IN A POKE.

MALLABY

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ADDITIONAL

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