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FM MADRID
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INFO ROUTINE UKREP BRUSSELS, OTHER EC POSTS

FRAME ECONOMIC

SPAIN AND THE EUROPEAN MONETARY SYSTEM

SUMMARY

1. SPAIN HAS CONFIRMED FOR THE FIRST TIME THAT THE PESETA WILL ENTER THE ECU BASKET AT THE SEPTEMBER 1989 REVIEW. THERE ARE SIGNS THAT ENTRY INTO THE EMS WILL NOT BE LONG DELAYED THEREAFTER.

DETAIL

2. SOLCHAGA (MINISTER OF ECONOMY AND FINANCE) SPOKE AT A MEETING OF THE COMMITTEE ON EUROPEAN MONETARY UNION IN MADRID ON 5 JULY. HE SAID THAT THE PESETA WILL BE INCLUDED IN THE BASKET OF CURRENCIES USED TO DETERMINE THE VALUE OF THE ECU IN SEPTEMBER 1989. THIS COINCIDES WITH THE 5-YEAR REVIEW OF THE WEIGHTING GIVEN TO THE CURRENCIES WITHIN THE ECU. HE ADDED THAT THIS MOVE IS A NECESSARY PRELIMINARY TO SPANISH INTEGRATION IN THE EXCHANGE RATE MECHANISM OF THE EMS, THE TIMING OF WHICH DEPENDED UPON POLITICAL AND ECONOMIC FACTORS WHICH WOULD BE CLEARER BY THE END OF THE SPANISH PRESIDENCY IN MID-1989.

3. MIGUEL BOYER, THE SPANISH CHAIRMAN OF THE COMMITTEE MEETING, ELABORATED ON SOLCHAGA'S REMARKS AT A SUBSEQUENT PRESS CONFERENCE. HE SAID THAT SOLCHAGA HAD INDICATED THAT SPAIN MIGHT NOT WAIT UNTIL THE END OF THE TRANSITIONAL PERIOD IN 1992 TO IMPLEMENT A FULL LIBERALISATION OF CAPITAL MOVEMENTS. FURTHERMORE THE LIKELIHOOD WAS THAT THE ENTRY OF THE PESETA INTO THE EMS WOULD TAKE PLACE AFTER INTEGRATION IN THE ECU BUT BEFORE LIBERALISATION. BOYER SAID THAT HE INTERPRETED SOLCHAGA TO MEAN THAT EMS ENTRY WOULD NOT BE LONG DELAYED AND PERHAPS WOULD TAKE PLACE BEFORE 1990.

COMMENT

4. THE OPTION OF INCLUDING THE PESETA IN THE ECU WAS FORESEEN IN A JOINT DECLARATION ANNEXED IN THE TREATY OF ACCESSION, WITH THE 5-YEAR REVIEW NOTED AS THE FIRST OPPORTUNITY FOR APPLICATION. THIS IS THE FIRST PUBLIC STATEMENT BY THE SPANISH GOVERNMENT OF THEIR INTENTION TO APPLY FOR THE PESETA'S INCORPORATION AT THE REVIEW

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