

RESTRICTED
FM UKREP BRUSSELS
TO IMMEDIATE FCO
TELNO 797
OF 101725Z MARCH 89
INFO ROUTINE EUROPEAN COMMUNITY POSTS

FRAME ECONOMIC

EMS MONETARY UNION AND FRAUD

SUMMARY

1. IN A PRESS CONFERENCE DELORS REITERATES WISH FOR STERLING'S FULL MEMBERSHIP OF ERM: MAKES CLEAR THAT A REPORT ON MONETARY UNION WILL APPEAR FROM HIS GROUP IN APRIL AS SCHEDULED: AND ON FRAUD STRESSES THAT ANY DISCUSSION AT THE MADRID SUMMIT MUST NOT PREVENT LIBERATIONS ON OTHER IMPORTANT TOPICS.

DETAIL

2. IN A PRESS CONFERENCE TODAY CALLED PRIMARILY TO COMMEMORATE THE 10TH ANNIVERSARY OF THE EMS (WHICH FALLS ON 13 MARCH), PRESIDENT DELORS MADE THE FOLLOWING POINTS WHICH ARE WORTH RECORDING:

EMS

3. HIS LONG STANDING WISH FOR STERLING'S FULL MEMBERSHIP WAS AS STRONG AS EVER. IN THIS CONNECTION HE HAD APPROVED RECENT REMARKS IN LONDON BY SIR LEON BRITTAN, (TO THE EFFECT THAT STERLING JOINING THE ERM WOULD GIVE MORE CREDENCE TO THE GOVERNMENTS CALL FOR A STEP BY STEP APPROACH TO MONETARY UNION).

MONETARY UNION/THE DELORS GROUP

4. HE REFUSED TO BE DRAWN ON REPORTS THAT SOME MEMBERS OF HIS GROUP MIGHT BE TRYING TO PREVENT A REPORT FROM APPEARING: ONE WOULD BE PRODUCED IN APRIL, COME WHAT MAY, AS MANDATED. IT WOULD THEN BE UP TO THE SPANISH PRESIDENCY HOW TO TAKE THIS FORWARD, BUT HE WOULD BY THEN HAVE RE-DONNED HIS COMMISSION PRESIDENTIAL HAT ON THIS ISSUE AND WOULD BE PRESSING STRONGLY FOR QUICK PROGRESS.

FRAUD

5. IN ANSWER TO A QUESTION FROM PALMER (GUARDIAN) WHETHER REPORTS THAT HE WAS AGAINST FRAUD BEING DISCUSSED AT THE MADRID SUMMIT WERE TRUE, DELORS SIMPLY SAID HE WOULD BE 'VEHEMENTLY OPPOSED' TO ANY ATTEMPTS TO DISHONOUR OR DESTABILISE THE COMMISSION. HE HAD ALWAYS ENDEVOURED TO FIGHT FRAUD BUT THE COMMISSION HAD NO SUBSTANTIAL

(SIC) INVESTIGATORY POWERS FOR THIS. HE WAS SUSPICIOUS OF THE MOTIVES OF THOSE WHO MIGHT BE INTENDING TO RAISE FRAUD AT MADRID. THERE WERE OTHER VERY IMPORTANT ISSUES WHICH NEEDED DISCUSSED. FRAUD MUST NOT GET IN THEIR WAY.

COMMENT

6. IN AN ACCOMPANYING BOOKLET ON THE EMS THERE IS THE FOLLOWING REFERENCE TO NON-PARTICIPATION:-

'IT IS TRUE THAT NON-PARTICIPATING COUNTRIES, IN PARTICULAR THE UK AND SPAIN, HAVE SHOWN SIMILAR CONVERGENCE UNTIL RECENTLY TO THAT OF EXCHANGE RATE MECHANISM (ERM) COUNTRIES. ONE REASON MAY BE THAT THE EMS ZONE HAS ITSELF FORMED A REFERENCE POINT FOR NON-PARTICIPATING CURRENCIES WITHOUT WHICH THEIR PERFORMANCE MAY HAVE BEEN LESS CONVERGENT. ON THE OTHER HAND, THESE COUNTRIES HAVE RECENTLY EXPERIENCED A RESURGENCE OF INFLATION WHICH MAY HAVE BEEN AVOIDED HAD THEY BEEN PARTICIPATING IN THE ERM'

THIS GOES RATHER FURTHER THAN THE COMMISSION'S COMMUNICATION DUE TO BE INTRODUCED AT NEXT MONDAY'S ECOFIN WHICH COMMENTS:-

'THE GROWING INTERDEPENDENCE OF ECONOMIES IN THE RUN-UP TO 1992 WILL SHOW UP ALL THE MORE THE PARADOX AND THE INCONVENIENCES OF THE NON-PARTICIPATION IN THE ERM OF THOSE CURRENCIES IN A POSITION TO DO SO''.

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