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POUR Mr G. BAER

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DE LA PART DE J. DIXON

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OBSERVATIONS :

Brief for the Meeting of CSEMU 13 September 1988

COMMISSION  
OF THE  
EUROPEAN COMMUNITIES

Office of the President

Brussels, 9 September 1988  
JDX/cfNOTE TO THE PRESIDENTSubject : Brief for the Meeting of CSEMU 13 September 1988

In your letter of 1 September to the Members of the Committee (annex 1) you suggested that the first full meeting should have two items for its agenda: -

- a discussion of the Werner Report;
- an exchange of views on the work programme and working methods.

There are also a certain number of points of business which have been dealt with in July and which now should be formalised by the full Committee. These include:-

- the appointment of the two Rapporteurs and a definition of their tasks;
- the attendance at meetings - only the Member and no substitutes;
- the languages of the Group;
- the arrangements over minutes and records of the meetings.

I. Opening Statement

Your opening statement, as well as giving a brief explanation of the choice of the Werner Report as a starting point, could cover the following points:

The MandateThe genesis of the mandate

- Increased interest in monetary matters
- Renewed dynamism in the Community

Main points of the Mandate

- Study and propose concrete stages leading to economic and monetary union.
- The report has to be the basis for the examination by the European Council of Madrid in June 1989 of the means of achieving this union.

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- Members have been invited to participate on a personal basis by the Heads of State. Hence all are personally responsible for the quality of the Report.
- The report must be finalised by end-April. It will be submitted as it is to the European Council; but it must be finalised in time to allow the finance Ministers to study it.

#### The Time-table

- Time is short therefore the pace of activity must speed up.
- A tentative schedule of meetings was attached to the letter of 27 July (annex 2).
- More meetings of the whole group (and/or sub-groups) may be necessary.
- Activity since the mandate was given :-
  - 12 July meeting of Members who are also-Governors
  - 27 July meeting of other Members together with Mr Godeaux
  - Meetings between Chairman and the Rapporteurs; and preparation of the two papers sent with the letter of 1 September.

The Committee should have a clear vision of the significance and implications of EMU and particularly its monetary dimension in current conditions and in a post-1992 Community. The link between the internal market and EMU will have to be discussed both because it is the driving force behind the Community, and because it is relevant for the time-table for achieving EMU.

#### This Meeting

As suggested in the 1 September letter this meeting could be devoted to:

- a discussion on the basis of the paper; the Werner Report Revisited;
- an exchange of views on the work programme and working methods. To provide an element of background a concise, but tentative, paper giving a menu of the issues was circulated to the Group.

You could give a short introduction giving the main features of the paper to open the discussion on the Werner Report.

The Werner Report is a natural starting point for any discussion of EMU. Contrary to accepted wisdom its implementation was only half a failure. Also its partial failure was due to intrinsic weaknesses as well as to unfavourable circumstances. It cannot be said that all has already been studied; and that it is sufficient simply to update what is already on the table.

## II. The Werner Report (Annex 3: "The Werner Report Revisited")

The discussion should serve first to test the atmosphere of the group. On points of substance, it should concentrate on Sections III and IV of the note, (i.e. on the assessment and the short description of the post-Werner Report Period). The first two sections of the note are more factual.

### Assesment.

The note says that the ambitions of the Werner Report were not achieved partly because of (i) a failure to fully implement it and (ii) a sharp change in the economic environment, but also because of intrinsic weaknesses.

The note identifies four major weaknesses:

- insufficient constraints on national policies;
- institutional ambiguities;
- inappropriate policy conception;
- lack of internal momentum.

Hopefully this will stimulate a discussion on :

- whether the list is correct and/or complete;
- what approach would have diminished and or eliminated these weaknesses. In particular:
  - . is it necessary to impose more formal constraints on national policy than was suggested by Werner. If so, in what way, and would institutional steps be implied at an early stage?
  - . is it necessary to be more explicit on the transfer of power and the divisions of responsibilities?

### Post Werner Report Period

The purpose of this section is to show that (a) the Community is again on the move (as it was when the Werner report was written); and (b) that much of what the Werner Report had called for in the first stages has been achieved, and indeed that in some crucial areas progress has gone well beyond what was envisaged for the first stage. If the Committee agrees that these developments have given a new impetus to the process of economic and monetary integration, this might present a point of departure for a first exchange of views on the fundamental questions. The aim of this discussion should be:-

- to identify the principal issues;
- to agree on a short list of issues to be examined more closely at the next meeting.

Perhaps the first and most important issue is the relationship between economic and monetary union and to what extent would the completion of a common internal market by 1992 necessitate new measures in the monetary field? In this regard two extreme views are on the one hand, that monetary union is made necessary by the completion of the internal market and on the other that there is no link between the two. It is worth noting that the Monetary Committee at least according to the report made by the Chairman on a personal capacity to the Informal ECO/FIN has already taken a fairly extreme view on this question as the following quotation from its report to the Council shows: "But the Committee's discussion reached a clear view that the single market

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can be established on the basis of present monetary arrangements; there is no operational reason to associate with it - as a prior, parallel or even subsequent condition - a completely unified monetary system". Between the extreme views there is the whole ground of an assessment of the extent to which monetary union will allow the potential benefits of the internal market to be better realised ; and the assessment of the costs and perceived costs.

Other main issues are:-

- the principal elements defining an EMU;
- the minimum requirements in non monetary policy areas;
- implications for the process of economic policy decision-making.

Ideally the discussion will serve as a basis for (i) drawing the conclusion that the next session - the long meeting in Luxembourg - should be used for a discussion on a limited number of fundamental issues and in particular the possible links between the internal market and EMU; and (ii) identifying those major issues.

### III. Work Programme and Working Methods

As part of the background for this discussion an "Issues Paper" was attached to your letter of 1 September (Annex 4).

#### Structure of Report

There could be a preliminary exchange of views on the structure and format of the final Report. It would be desirable that the Committee agrees at this stage on the broad format of the Report. If it is agreed that the Report should be read directly by Heads of State, there are severe constraints on its length and technical complexity. It must also have significant operational content at least in asking for a political decision between major competing points of view. This could suggest a short (10 pages) political overview, followed by the main body of the Report (40-50 pages), with all technical aspects consigned to annexes.

#### Working methods

The meetings in July have already discussed working methods to some extent e.g. presence - only the Member himself, and frankness - personal capacity, no minutes etc...

Also to be considered :

- Should there be meetings of sub-groups made up of a limited number of Committee Members in addition to meetings of the full Committee? How would these be organised and what role would they play? The main advantage of sub-groups are that could make the groups' work especially of complex analytical and institutional progress faster. On the other hand there are a number of potential inconveniences in the idea of subgroups. There is a risk that they either provide an excuse for the full Committee to avoid doing the work that it should do or that they overlap with its work. There is also the danger that if Members of the Committee are asked to submit written papers that this will result in the freezing of their national position. No

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member should be asked for a paper which expresses his own position. They could however provide background papers or papers that summarise the position of the Committee.

- Hearing of outside evidence. Schmit/Giscard have asked for a hearing. (Annex 5). It is probably desirable to agree to this request. Their views are interesting and important, and the Committee should listen to others and be seen to be receptive. The Governors would probably also like this opportunity, and there are some disadvantages in their being received and by yourself or by the Rapporteurs. It does however raise the question of what other groups/individuals should be invited to give evidence to the whole group / the Rapporteurs and/or yourself?  
As it is time consuming there would have to be another meeting.
- Communications to the exterior. The deliberations of the Committee are entirely confidential, but some sort of progress report to, for example, the European Parliament may be essential.

#### Work Programme

The annex to your letter of 27 July gave a schedule of meetings; If it can be considered that there are three main stages to the work :

- discussion of the final stage;
- discussion of the intermediate step(s);
- discussion of the draft report;

It would be desirable that the Committee comes to some conclusions over the amount of time that it should spend on each of these stages. Following the meeting of 13 September a further seven meetings have been scheduled. A possible division of time could therefore be: 3 sessions on the final stage and two sessions on intermediate stage and a final two on a discussion of the draft report.

Enclosure(s): see list of annexes