PÖHL

Sprechzettel

The draft "skeleton" attempts to indicate the similarities of the two scenarios and what are the major distinctions between them. It recognises that "both scenarios see scope for immediate and meaningful measures in both the economic and monetary areas". But it then lists a number of "justifications for a more substantial first step" (see pages 5-6), as outlined in Scenario B, leaving the impression that Scenario A is the less substantial of the two scenarios.

I do not agree with that interpretation, and I would like to see that the report correctly reflects the intentions and substance of Scenario A. To this end I have prepared a new text for pages 5 and 6, beginning with the second paragraph on page 5, which lists the arguments in support of both scenarios in a balanced way, and not only those in support of one scenario.

[See proposed text] in der Hülle zum Verteilen

Moreover, I believe the report should avoid giving the impression that the Committee has agreed that there is an easy choice to be made by the political authorities between two scenarios that carry equal support within the Committee, and either of which could be implemented without great legal or other problems arising. The Governors, in particular, will be expected to give a clear judgement on these issues.

Rr [illegible]

Reservations or arguments against Scenario B

1. Substantial [economic, monetary] considerations

- The need for reform of EMS rules has not been adequately demonstrated. [So: "If it ain't broken, don't fix it."]

  Certain changes were adopted under the Basle/Nyborg Accord which have only partially been used so far. New changes could upset the balance of rights and obligations as well as between adjustment requirements and financing possibilities.

- Establishment of a European Reserve Fund (ERF) could give support to the illusion that [common] intervention by such a Fund could ease individual countries' commitment to stability-oriented domestic policies and leave them with more leeway to pursue other policy objectives. This would be wholly counterproductive.

- The emphasis on exchange rate stabilisation against third currencies (dollar, yen) through intervention as a means to strengthen cohesion between EMS currencies is highly questionable. Lacking cohesion of EMS currencies is much less due to the impact of changes affecting the dollar on them than to continuing convergence deficits within the Community which need to be eliminated. So long as they continue to exist, developments affecting the dollar, whatever their origin, will have differential effects on EMS currencies which cannot simply be neutralised through intervention or monetary policy adjustments "enforced" through an ERF.

- An undesirable side-effect would be that third countries (United States, Japan) might be inclined to rely unduly on European efforts to stabilise dollar/yen rates, thus weakening their proper responsibility.

- The first stage of both scenarios provides only for limited integration progress in non-monetary areas. Given the progress in monetary integration already achieved in the context of the EMS, establishment of an ERF would widen the discrepancy that exists already between the degrees of integration achieved so far in the two [major] categories.

- There is no clearly visible and convincing parallel action in the non-monetary area to the proposed pooling of part of the exchange reserves of participating countries.

2. Legal considerations

- The proposed ERF would operate under the full control of central banks. However, given that most central banks are subject to instructions from their governments, its ability to act independently would be heavily circumscribed. This would not be acceptable to certain central banks, given their legal status.

- Article 102A as introduced into the EEC Treaty by the Unified Act has clarified that "in so far as further development of economic and monetary policy necessitates institutional changes, the provisions of Article 236 shall be applicable". The Article comes under the heading "Co-operation in economic and monetary policy (Economic and Monetary Union)". It is thus not limited to the institutional changes proposed in the context of progress towards monetary union, but to any institutional changes in the area of monetary and economic policy. Establishment of an ERF would be an institutional change and would thus fall under the stipulated procedure of Article 236. It could thus not be undertaken under the procedures applied at the start of the EMS. This interpretation corresponds to the intentions of the German side, when it insisted on the inclusion of the clause in Article 102a quoted above.

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