

EXAMINATION OF THE U.K. PROPOSAL FOR A HARD ECU  
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Issues for discussion

1. We could take as a starting point of our discussion the note of H.M. Treasury of 8.8.1990 which outlines the key requirements for any approach for moving onwards from stage 1 to the further development of EMU.

The basic principles set out in paragraphs 5 - 6 of the aforementioned note are :

- The process should be evolutionary, because in that way any costs and shocks to member states' economies are likely to be reduced.
  - It should ensure, to the maximum degree possible, anti-inflationary pressure and movement toward stable prices and exchange rates, in order to reinforce economic convergence.
  - It should work with the grain of the market and individual choice. In this way economic efficiency will be maximised and political acceptability increased.
  - It should maintain the clarity of responsibility between Community and National institutions, while respecting the principle of subsidiarity.
  - It should provide a framework within which all member states can proceed together along the path of financial and economic integration towards the Community's agreed objective of economic and monetary union.
2. Do the Alternates agree with these basic principles ? Do they feel that the technical features of the proposed scheme make it viable and consistent with those principles ?
  3. Are the proposals to be considered as a valuable transitional phase to the broadly endorsed strategy which is outlined in the DELORS report and which rests, inter alia, on a clear and unambiguous commitment to the final aims of EMU and on a agreed perception of the modalities of stage three ? Or could it be regarded as a substitute for both stages 2 and 3, leaving further evolution towards EMU as an open question, depend on market evolutions ?

4. If the proposals are only to be conceived as a useful contribution to the transitory phase :

would this contribution apply to the scheme as a whole or only to some specific elements ? E.g. the role of the ECU, of the proposed EMF or both ?

- is this contribution dependent upon the acceptance of a substantive and prolonged stage two - as opposed to a short technical stage only needed for setting up the ESCB - or can some element of the U.K. proposals still be integrated in the present design of stage one ?

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