

First meeting of the Committee in Basle
13th September 1988

The meeting was held at the BIS in Basle. It started at 2.00 p.m. and ended at 5.30 p.m.

It covered three points: organisational aspects, discussion of the Werner Report revisited, work programme of the Committee.

1. Organisational aspects

The following organisational matters were agreed:

- the Committee formally appointed the two rapporteurs;
- the discussions of Committee meetings will be recorded and the recording will be available for consultation in Basle to the members of the Committee and the rapporteurs only; there will be no minutes of the meetings prepared for the members of the Committee;
- there will be neither official declarations nor press communiqués at the end of the meetings; members of the Committee will be free to express their own views in public but no reference should be made to the discussions in the Committee and no member of the Committee will quote other members;
- documents will be treated as strictly confidential;
- the Chairman would not report to the Council of Ministers on the Committee's meetings;
- M. Giscard d'Estaing and Mr. Schmidt, who have asked to be heard by the Committee, will be received by President Delors, accompanied by some members of the Committee.

2. The Werner Report revisited (CSEMU/1/88)

The Committee had a long discussion on the lessons to be drawn from the experience with the Werner Report. This discussion also provided the members of the Committee with an opportunity to express some views on the desirable orientation of the Committee's work and report.

The document was generally well received and considered an adequate assessment of the experience made with the Werner Report and afterwards. In particular, there was broad agreement on the five points made in the assessment (Part III of the document). Some members, however, found that the experience with the Werner Report had to be regarded more positively than in the paper, especially in the light of the progress made in various areas since 1971. It was also observed that the conditions were now more favourable to the implementation of the Werner Report's ideas than they were at the time. Some members noted that in several areas the Community developments have gone beyond the Werner proposals.

Many interventions touched upon the question of the definition of an economic and monetary union. It was said by some members that the definition of monetary union in the Report was still valid and did not need to be changed. It was, however, also mentioned that the definition might have to be reviewed in the light of the expansion of the Community from six to twelve member countries (Andriessen) and that economic union would have to take account of existing structural divergences (Chalikias). Some comments (Pöhl, Duisenberg) on the definition of economic union stressed that an economic union implied more than the internal market without frontiers: fiscal and budgetary policy, regional policies, resource transfer mechanisms, wage policies were mentioned in this connection. All members seemed to agree that the final stage of EMU had to be defined first. Some, however, seemed to consider that this would require little more than restating the definitions of the Werner Report and hence seemed inclined to move as quickly as possible to the discussion of "concrete steps" (Larosière). Others seemed to think that the discussion of the final stage would require much time not only because the main features of an economic union were not at all clear, but also because the implementation of the requirements defining economic union raised very complex issues.

There was general agreement that it would be possible to discuss intermediate steps only after economic and monetary union had been clearly

defined. Different views were expressed on the nature of such steps: steps should be designed in such a way as to promote subsequent steps (Ciampi), steps should be very carefully designed and be as clear and as explicit as possible, but establish links between phases (Larosière: "an embryo which would be capable of growing"); the steps should be placed in the context of a rather firm timetable, imposing obligations on member countries (Rubio); the step-by-step approach should be pragmatic (Leigh-Pemberton).

Related to the question of steps was the issue of parallelism, that is the extent to which advancement should occur simultaneously on all fronts of the economic and monetary union. Views ranged from strict parallelism (Leigh-Pemberton), to priority for the economic developments as prerequisites for the monetary union (Jaans), to preferences for monetary steps designed in such a way as to promote economic progress (Thygesen, Rubio). "Steady consolidation of successive advances on all fronts" was advocated by a member. "You cannot make the same sort of progress in the same way simultaneously for all areas" was observed by another.

On the issue of monetary union a great difference was noted between "fixed but adjustable" and "fixed-fixed" exchange rates (Doyle, Pöhl). In the latter case mechanisms of adjustment other than the exchange rate would have to operate to avoid real imbalances and disequilibria to aggravate. The Ireland/United Kingdom example was mentioned. Soft union (with still some possibility for exchange rate adjustment), Werner type union (with irrevocably fixed exchange rates), and a common currency (abolition of exchange rates by definition) were mentioned as different situations.

3. Work programme

The Chairman indicated that a work programme should be discussed, but not - for the moment - a plan of the report. He also expressed the view that the Committee should "aller jusqu'au bout des difficultés techniques, qui ont été sousestimées par les gouvernements". He then recalled the different positions that had emerged in the European Council vis-à-vis the monetary union. He made various suggestions as to the future work of the Committee for the next one or two meetings. After a discussion within the Committee the following conclusions were reached:

- a short paper will be prepared by the rapporteurs on the economic and monetary union and its implications;
- a paper on the concepts and definitions of a parallel currency will be prepared by Mr. Duisenberg;
- a paper on a system of European central banks will be prepared by Prof. Thygesen;
- an assessment of how the EMS has worked will be submitted by the Chairman of the Committee of Governors;
- Mr. Pöhl has announced that two papers will be transmitted by him to the members of the Committee;
- Mr. de Larosière will contribute a paper on the hypothesis of a fund that would be set up before the final stage of monetary union is reached;
- the next meeting, to be held in Luxembourg on 10th October 1988, will be devoted to the question of the economic and monetary union.