

PRIME MINISTER

EMS : Reference in the Luxembourg Speech

You may wish to consider, briefly, with your colleagues tomorrow morning the question of whether or not to include a paragraph about EMS in your Luxembourg speech.

It is probably not worth saying anything if you agree with the line put forward by Treasury officials that we could go no farther now than the words to the effect that "we are reviewing the prospects for sterling in the light of the development of our new policies and of external factors"; and that we will take a decision about entry into the Exchange Rate Mechanism in the light of that review.

If, on the other hand, you felt able to say:-

- (a) that the EMS is an essential part of the Community's defences against monetary instability; and
- (b) that Britain's objective is to enter the Mechanism when the position of sterling has stabilised sufficiently (i.e. repeat the line you took in Rome),

The impact of your speech would undoubtedly be enhanced.

I attach a copy of a recent telegram from Sir O. Wright on the EMS question. It was in a batch of telegrams which I do not think you have seen. His argument, in brief, is that the EMS is a vital piece of Community machinery and that it is difficult to claim that we are full members of the Community so long as we stand aside from the Exchange Rate Mechanism.

*Ant*

16 October 1979