

PRIME MINISTER

cc Mr. Powell

I had a long conversation at lunchtime with Nigel Wicks reporting back on the outcome of the informal Eco-fin discussion of the Delors report. I told Nigel that this morning's BBC news had been saying that the Chancellor had made a forthcoming statement on UK membership of the ERM, implying that before too long the time would be right.

Nigel said this was not the case. The Ministers had consciously agreed that they would not have a formal written communique. But there had been considerable negotiation over the terms of the Chairman's summary of the discussion which was read out at the end of the meeting and apparently made available to the press. The terms of this summary, with some further comments from Nigel on it, are attached.

At his press conference, the Chancellor had made reference to the statement in the third paragraph of the summary that "the competent bodies should prepare as a matter of urgency work for launching the measures set out in stage 1 as indicated in the report". Later the Chancellor had gone on to say that, as regards UK membership of the ERM, there was no change in the position - the UK would join when the time was right. What the Chancellor may not have brought out as explicitly as he might have done is that the reference in paragraph 3 to urgent preparation by the competent bodies for launching stage 1 measures is meant to exclude the issue of UK membership of the ERM. The Chancellor got these words agreed on the basis - which Nigel says everyone round the table recognised - that ERM membership was not a matter for the "competent bodies", it was a matter for the UK.

I told Nigel that, while I recognised this distinction, I doubted if the press or commentators would unless it was spelled out for them quite explicitly. I urged Nigel to seek

the Chancellor's authority for the Treasury Press Office to make the point explicitly; and I gather the Chancellor has now agreed to that. I think this is a point you could also bring out explicitly at your press conference tomorrow.

As regards the second indent in paragraph 3 of the Chairman's summary, Nigel said that the UK had sought to make the remit as vague as possible, and without any timetable.

As regards the start of the second paragraph of the summary (reaffirming the objective of the progressive realisation of EMU) the UK felt unable to object given that it was a direct quote from the Hanover mandate.

e.d.?

PAUL GRAY

21 May 1989

ECO-FIN CHAIRMAN'S SUMMARY OF DISCUSSION ON THE DELORS REPORT

"The Ministers had a thorough debate on the economic and political implications of the process of economic and monetary union as set out in the report of the adhoc committee created by the European Council in Hanover.

The Ministers reaffirmed the objective of the progressive realisation of economic and monetary union as stated in the mandate given by the European Council in Hanover, within a context of social and economic cohesion.

Ministers agreed that the report is a valuable and comprehensive basis for further work. While a range of different views was expressed, there was a general view that it would be useful if the competent bodies (Eco-fin Council, Commission, Monetary Committee and Committee of Central Bank Governors) should:

- prepare, as a matter of urgency, work for launching the measures set out in stage 1 as indicated in the report.
- define the operational elements of stages 2 and 3 as indicated in the report so that a decision can be taken in due course on the convocation of an intergovernmental conference."

It was agreed that the Chairman should make this summary on his own personal responsibility, but it was agreed too that the other Ministers on the Council would not seek to rebut its terms in public. The Chairman of the Council duly read the words out above but in Spanish and the English translation given to the journalists over the intercom was slightly different from the words above. So far as is known, no written text was issued.

21 May 1989