

ajk

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

29 June 1990

C D Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles

HOUSTON ECONOMIC SUMMIT: PRIME MINISTER'S OPENING STATEMENT

The Chancellor has seen ^{the} draft opening statement that you circulated on 19 June and thinks it is generally very good. However, he thinks the passage on monetary stability and, in particular, an objective reference standard needs to be reconsidered following the Prime Minister's meeting on 19 June and the launch of our proposal for a hard ecu.

The Chancellor feels that a new suggestion on the international monetary system at Houston would be bound to distract attention from the proposals on the hard ecu and our first priority should be to keep those afloat. He will, for example, be hoping to convince the European Finance Ministers at Houston that our proposals are serious and to dispel some of the criticisms that have been raised. He does not think it would be helpful if, at the same time, he has to explain another complex set of prospects on exchange markets.

In any event, as he explained in his minute to the Prime Minister of 14 June, he is not convinced of the merits of the proposal for an objective reference standard. It is not clear that it is technically feasible. Moreover in its current form it would amount to a system of permanently fixed exchange rates for the world as a whole and he is not sure that we could reconcile advocacy of that with rejection of a fixed exchange rate system within Europe.

On these grounds, he would prefer not to include monetary stability as one of the six themes. Instead he has suggested that the Prime Minister might draw attention to the need to boost

CONFIDENTIAL



... savings worldwide to finance the investment needed to maintain growth in the West and to bring prosperity to Eastern Europe, perhaps on the lines of the draft attached. This might appear as the third theme after trade and competition.

I am sending copies of this letter to Stephen Wall, Sonia Phippard, and Nigel Wicks.

V...

JG.

JOHN GIEVE
Principal Private Secretary