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PRIME MINISTER

EUROPEAN COUNCIL: EUROPEAN MONETARY UNION

*atras*

Since I last wrote to you on 11 September I have continued to take every opportunity to press for our proposals for a hard ecu and a European Monetary Fund. Although some countries remain sceptical, our approach has clearly struck a chord with those who are concerned that the Delors approach may not allow enough time for economic convergence, and who fear that the twelve will not be able to move forward together. I think it is for this reason that certain countries, in particular Spain, have incorporated aspects of our proposals in their own plans for EMU.

At the same time, all the other member states remain firmly in favour of what they see as the ultimate objective of a single currency. And this is reflected in the Italian Presidency's report on EMU for the European Council.

Our proposals remain on the table, and I am confident that they will receive a thorough examination at the Intergovernmental Conference. I believe they could play a role in the final outcome, but, if they are to do so, I think that we will have to take every opportunity to reiterate the message that although the hard ecu must be considered as a parallel currency it could ultimately evolve into a single currency if peoples and governments so choose.

CHANCELLOR  
MINUTE

**CONFIDENTIAL**



We agreed this formula when I launched our proposals in a speech to the German Industry Forum on 20 June and it is deliberately vague. It does, of course, ensure that the House of Commons retains a practical veto on further movement (a point I made in Tuesday's debate). And continuing to repeat it will maximise our practical influence on decisions.

A handwritten signature in blue ink, appearing to read 'John', with a long horizontal flourish underneath.

[J.M.]

25 October 1990

**CONFIDENTIAL**

Euro Per: EMS 178

