

SECRET: ADSO

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Sir Peter Middleton GCB  
Permanent Secretary

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Ref No: RJE/1/1

Copy No: 2 of 4

26 April 1990

*Dear Andrew,*

ERM: POSSIBLE DATES

Following our conversation earlier today, I attach a draft submission setting out possible dates for joining the ERM up to the end of September 1990. Sir Peter Middleton has agreed that I should send it to you on a personal basis at this stage, so that you can consider the implications for the Prime Minister's forward diary.

*Yours sincerely,*

*Bob Evans*

R J EVANS  
Private Secretary

SECRET: ADSO

Chancellor,

My inclination would be to hold on to this for awhile. I would however like to let

SIR/PETER MIDDLETON

Mr Turnbull have a copy on a strictly personal basis - so that he can warn us of problems with the P.M.'s

From : D L C Peretz (MG)  
Date : 24 April 1990  
x 4460

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Scholar  
Mr McIntyre

JOINING THE ERM : DATES *day.**From 20/4*

As agreed with your office, I attach a draft note to go to No.10 about possible dates between now and the end of September. I have discussed the note in draft with Mr Wicks, and it reflects his comments.

2. I have checked the "possible" dates against the Prime Minister's diary, with Mr Potter. But I suggest that when you put this forward to the Chancellor's Office they should double check on the Prime Minister's diary before finally sending the note off.

3. The Chancellor might like to reflect on what the covering letter (and note, and footnote to the table) should say about the possibility of joining during Parliamentary recess. There are arguments both way. If we think a call for recall of Parliament could be resisted, then a date during recess has considerable attractions. When the subject has been considered in the past, we have thought the Chancellor would need to be able to make a statement in the House on the Monday after joining. But I understand that the Chancellor's initial view is that it should be possible to join during a recess.

4. On a separate point, the Chancellor will want to know that we are now arranging for the Attorney General to be asked to confirm his previous advice that no legislation is need (see paragraphs 19-23 of the note attached to Mr Wicks' minute of 28 March).

5. We are working on the other aspects of joining the ERM touched on at the meeting with the Prime Minister on 17 April, and will also be working up with the Bank a note covering a more extended range of dates, up to March 1991.

*DLCP*

D L C PERETZ

DRAFT LETTER

From : PPS

To : Mr Potter, No.10

**JOINING THE ERM**

It was agreed at the meeting on 17 April that the Treasury would let you have notes about the mechanics of joining the ERM.

2. As a first instalment, I attach a note about possible dates for joining between now and the end of September. You will see that there are several possible dates in July and September. [The Chancellor would like to consider further the arguments for and against joining while Parliament is in recess, but his initial view is that it would be possible to join during a Recess].

3. We are examining separately the question of the exchange rate at which we would want to join. This will have a bearing on timing, since the presumption must be that we join with central rates for the £ against the other ERM currencies that are close to the market rates at the time.

POSSIBLE DATES FOR JOINING THE ERM

The attached table examines possible dates for joining the ERM up to the end of September 1990.

2. The following points should be noted :-

- i) It is assumed that the procedure for joining would be triggered on a Friday, leaving a weekend - if needed - for settling the details, before markets open again on Monday. This is the timing followed for ERM realignments.
- ii) The procedure is for the initial discussion of details to be between Finance Ministry and Central Bank representatives in the EC Monetary Committee. This means members of that Committee must be available for telephone consultation late on the Friday, and to meet, if necessary, on the Saturday. Since the German, Italian, French and UK Finance Ministry members of the Monetary Committee also attend meetings of the Summit Sherpas, the operation would be difficult on dates when there are Sherpa meetings. The Committee would have to meet without its Italian Chairman or UK, German and French Finance Ministry members.
- iii) It is necessary to allow for the possibility of a full meeting of EC Finance Ministers and Governors in the course of the weekend.
- iv) Dates during Parliamentary recess would be impossible if an immediate statement to Parliament were judged necessary.

- v) The Chancellor would need to be in the UK in the few days before and after joining. There would need to be ready contact with the Prime Minister, if she was overseas.
  
- vi) It would be best, so far as possible, to avoid dates when exchange market turbulence can be predicted. A final decision on a date can however be left until very late - after, for example, it is known whether a set of monthly trade figures is likely to cause exchange market difficulties.

S E C R E T

Date (Friday)	<u>Possible/Could be difficult/would be difficult/ impossible</u>	<u>Important economic statistics, holidays, etc</u>	<u>Parliament</u>	<u>Other Comments</u>	P.M. movements
<u>4 May</u>	<u>Impossible</u>	Bank holiday on 7 May	Not sitting on 7 May	Chancellor at IMF Spring Meetings in Washington, start Saturday 5 May.	
<u>11 May</u>	<u>Could be difficult</u>	-	-	RPI	
<u>18 May</u>	<u>Possible</u>	-	-	Sherpas meeting in Paris on 18 May	✓
<u>25 May</u>	<u>Possible*</u> (but would need a reason for cancelling Scottish visit).	Bank Holiday on 29 May	Whitsun Recess	Chancellor in Scotland on 24-25 May	✓
<u>1 June</u>	<u>Possible</u>	Trade figures on 23 May. Public holidays France, Germany on 4 June.	Whitsun Recess ends on 1 June		✓
<u>8 June</u>	<u>Possible</u>	-	-	Chancellor at ECOFIN on 11 June. Prime Minister in USSR.	✓
<u>15 June</u>	<u>Would be difficult</u>	-	-	Sherpas meeting in USA.	✓
<u>22 June</u>	<u>Possible</u> (but could be difficult depending on Trade Figures).	Trade figures on 22 June	-		✓ Euro Council 24/25/26

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S E C R E T

<u>Date</u>	<u>Possible/Could be difficult/would be difficult/impossible</u>	<u>Important economic statistics, holidays, etc</u>	<u>Parliament</u>	<u>Other Comments</u>	
<u>29 June</u>	<u>Would be difficult</u>	-	-	Sherpas meeting in USA.	✓
<u>6 July</u>	<u>Impossible</u>	-	-	Chancellor/PM at Economic Summit on 9 July. Chancellor departs for Washington on 7 July.	X
<u>13 July</u>	<u>Possible</u>	French holiday on 14 July.	-	-	✓
<u>20 July</u>	<u>Possible</u>	Trade Figures on 23 July.	-	ECOFIN on 23 July	✓
<u>27 July</u>	<u>Possible</u>		Recess might have to be delayed.	-	Recessed tw
<u>4 August - 31 August</u>	<u>Impossible</u>	Holidays in Europe.	in Recess.	-	
<u>7 September</u>	<u>Would be difficult</u>	-	Recess.	Informal ECOFIN on 8-9 September. Prime Minister at Balmoral.	X
<u>14 September</u>	<u>Possible*</u>	-	Recess	-	✓



S E C R E T

<u>Date</u>	<u>Possible/Could be difficult/would be difficult/ impossible</u>	<u>Important economic statistics, holidays, etc</u>	<u>Parliament</u>	<u>Other Comments</u>
<u>21 September</u>	<u>Impossible</u>	Trade figures.	Recess.	G7 Governors and Finance Ministers in Washington. PM ↳ Switzerland ↳ Europe
<u>28 September</u>	<u>Would be difficult*</u>		Recess.	IMF/IBRD Annual Meetings do not end until 27 September. ✓
3 October	Possible	—	Recess	ECOFIN 8 Cons Party conference on 9 Oct. ✓

\* Impossible, if decided that Parliament must be sitting on the Monday after joining.