

Charles

CM

I have agreed with Amanda
Ponsonby that I will ring
next Tuesday when you get
back from N. Y. + see if
I can be fitted in. I
do hope it will be possible
before the Party Conference
takes over in the PM's mind.

Michael



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26 September 1990

Charles Powell Esq
10 Downing Street
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Dear Charles,

EMU

May I trouble you with more advice on the Delors plan for economic and monetary union? I feel obliged to write because my conversations with those concerned in Brussels and elsewhere have convinced me that there is a risk that we shall be manoeuvred into a very weak position. This would happen if, as now seems only too probable, the Central Bank produce a Pöhl-type draft statute for a Central Bank in Stage 3 to which all the others will put their name and there will be nothing else on the table. Since it would be unacceptable to many of them to plan to ratify Treaty amendments for Stage 3 and then to do nothing for many years, this outcome would play into the hands of those who want a short Stage 2 and EMU to start with 5 or 6 members.

2. From what one or two of my French friends have let drop, I strongly suspect that an important French motive for backing this solution is to have a clear run for four or five years with the Banque de France as a principal operating arm of the ESCB and the Bank of England outside the system. This would greatly improve the competitive position of Paris (and Frankfurt) viz-a-viz London. It is therefore urgently necessary for us to table counter proposals including Treaty amendments and a draft EMF Statute to provide the institutional framework for our Stage 2.

3. Everyone I have spoken to on the Continent is firmly of the view that there could be no agreement with the UK unless we accept the aim of a single currency in Stage 3. Leon Brittan was clear about this in a talk he gave in London last week. Those who see merit in our proposals do so because they regard them as the best way of getting from Stage 2 to Stage 3 without shocks to the economy. I have stressed to Tietmeyer and others that one of the advantages of our proposals would be that the EC would not move to Stage 3 unless the markets had accepted the hard ecu and unless the European Monetary Fund was managing it successfully in the interests of price stability. The responses I got encourage me to believe that, if the Prime Minister were to accept the recommendations in my letter of 6 September, the negotiation would start to move our way.

4. The private sector members of my European Committee, who are quite a powerful set of City practitioners, unanimously approved a paper at the Committee's meeting on 12 September recommending to the Government that it should accept in the Treaty the aim of a single currency one day and should now table proposals for the institutional and Treaty implementation of Stage 2.

5. The Prime Minister may feel that it is too early to make any move. But this is one of those situations which arise in the EC from time to time when an early move enables one to gain a lot more ground than the same move made later on when the negotiation has passed on.

Yours ever

Michael

Sir Michael Butler



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The second paragraph discusses the various aspects of the...
The third paragraph provides a detailed analysis of the...
The fourth paragraph concludes the document with a summary of the...
The fifth paragraph discusses the future prospects of the...
The sixth paragraph provides a final overview of the...
The seventh paragraph discusses the impact of the...
The eighth paragraph concludes the document with a final statement.

The ninth paragraph discusses the various aspects of the...
The tenth paragraph provides a detailed analysis of the...
The eleventh paragraph concludes the document with a summary of the...
The twelfth paragraph discusses the future prospects of the...
The thirteenth paragraph provides a final overview of the...
The fourteenth paragraph discusses the impact of the...
The fifteenth paragraph concludes the document with a final statement.

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