



Duty Clerk

Here are the four letters
I spoke to you about. They
should have been attached to
the Chancellor's minute of yesterday
on EMU.

J. G. G. G.

QK

Please date (James)
Please also do
separate copy for

DRAFT LETTER FROM THE PRIME MINISTER TO PRESIDENT SANTER

Hohl / Lubbers, &
Gonzalez & Caraco

INTER GOVERNMENTAL CONFERENCE ON EMU

Libra, omitting the
phrase in square brackets
(used in the
Santer only)
ch

I very much welcomed the opportunity to meet you in Rome, and I look forward to continuing our very important discussions on the future of Europe [under your able Presidency]. I made it clear, in Rome, that the British Government was determined to approach the discussions in the political and EMU Inter Governmental Conferences in a constructive and optimistic spirit. I genuinely believe that, given goodwill, we can find a way forward that is acceptable to us all. It is in that spirit that we are about to submit our suggestions for Treaty Amendments to the EMU IGC. These amendments would provide for the establishment of a European Monetary Fund charged with managing a "hard ecu" in line with the proposals that Norman Lamont and I have outlined and developed over the past few months.

I am writing to you now because I wanted to let you know personally that we intend to table the texts formally on Tuesday 8 January. Norman Lamont will be writing to Jean-Claude Juncker to submit them formally; I will ensure that you and he receive copies before they are released to the press.

The texts, as they stand, do no more than implement our proposals for what has become known as Stage 2 of EMU. However, I have of course always made it clear that although we are not able to make a commitment to the principle of a single currency, the hard ecu could develop into a single currency if the Governments and peoples of Member States so chose. If other Member States wished to suggest ways of building on our proposals in ways that would meet their aspirations, we would certainly not object. Indeed we would be happy to participate constructively in such discussions. Like other Member States, we cannot commit ourselves to accepting any Treaty amendment arising from the IGC until we see its precise terms. As you know, we are firmly of the view that the best chance of early progress in the IGC lies in concentrating our discussion on how Stage 2 can best be structured so as to ensure

anti-inflationary convergence; we believe our proposals would provide for early, practical, steps to that end. They provide for a common Community currency, for the moment called the hard ecu, and a new monetary institution, the European Monetary Fund.

When we were in Rome, I was struck by how much common ground there was between Member States. This augurs well for the progress of the IGC. Many Member States are in accord on an overriding commitment to price stability, on the importance of ensuring that there is at no stage any confusion of responsibility for monetary policy and on the need to ensure that convergence is achieved in an anti-inflationary manner. I think that the IGC will want to consider very carefully how these objectives might be achieved during Stage 2. Our proposals are put forward as a basis for discussion, not a blueprint, and I would welcome discussion of how they could be developed and improved.

I am sure that the IGC will make early and constructive progress under the Luxembourg Presidency.

JOHN MAJOR

DRAFT LETTER FROM THE PRIME MINISTER TO PRIME MINISTER GONZALEZ
INTER GOVERNMENTAL CONFERENCE ON EMU

I very much welcomed the opportunity to meet you in Rome and I look forward to our future discussions on the future development of Europe.

I made clear, in Rome, that the British Government was determined to approach the discussions in the political and EMU Inter Governmental Conferences in a constructive and optimistic spirit. I genuinely believe that, given goodwill, we can find a way forward that is acceptable to us all. It is in that spirit that we are about to submit our suggestions for Treaty Amendments to the EMU IGC. These amendments would provide for the establishment of a European Monetary Fund charged with managing a "hard ecu" in line with the proposals that I and Norman Lamont have outlined and developed over the past few months.

I am writing to you now because I wanted to let you know personally that we intend to table the texts formally on Tuesday 8 January, and because I know that you share some of our views on the way forward. I will endeavour to ensure that you receive a copy before they are released to the press.

I think there is a good deal of common ground between us. We are agreed on the importance of an evolutionary, market-driven approach to EMU; and on the need for full discussion of how what has become known of Stage 2 can best ensure anti-inflationary convergence between the economies of Member States. It is to facilitate discussion of how we might best achieve those ends that we are tabling our texts.

The texts, as they stand, do no more than implement our proposals for Stage 2. They provide for a common Community currency, tentatively called the hard ecu, and a new monetary institution, the European Monetary Fund. I know that you have been kind enough to suggest that these proposals could be the basis for the transitional to an ultimate goal of a single currency and monetary policy. As you know, I have of course always made it clear that the hard ecu could develop into a single currency if the Governments and peoples of Member States so chose.

Our proposals are put forward as a basis for discussion, not a blueprint, and I would welcome discussion of how they could be developed and improved. If you, or indeed other Member States, wished to suggest ways of building on our proposals in ways that would meet your aspirations, we would certainly not object. Indeed we would be happy to participate constructively in such discussions, provided it remained clear that we are not able to make a commitment to the principle of a single currency. Like other Member States, we cannot commit ourselves to accepting any Treaty amendment arising from the IGC until we see its precise terms.

I do believe that there is much in our ideas that you will find interesting and constructive. And I look forward to seeing your views on them in due course.

JOHN MAJOR

Papers removed from file

Date

28/12

SANTER.

DRAFT LETTER FROM THE PRIME MINISTER TO PRESIDENT SANTER

INTER GOVERNMENTAL CONFERENCE ON EMU

I very much welcomed the opportunity to meet you in Rome, and I look forward to continuing our very important discussions on the future of Europe under your able Presidency. I made it clear, in Rome, that the British Government was determined to approach the discussions in the political and EMU Inter Governmental Conferences in a constructive and optimistic spirit. I genuinely believe that, given goodwill, we can find a way forward that is acceptable to us all. It is in that spirit that we are about to submit our suggestions for Treaty Amendments to the EMU IGC. These amendments would provide for the establishment of a European Monetary Fund charged with managing a "hard ecu" in line with the proposals that Norman Lamont and I have outlined and developed over the past few months.

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The texts, as they stand, do no more than implement our proposals for what has become known as Stage 2 of EMU. However, I have of course always made it clear that the hard ecu could develop into a single currency if the Governments and peoples of Member States so chose. If other Member States wished to suggest ways of building on our proposals in ways that would meet their aspirations, we would certainly not object. Indeed we would be happy to participate constructively in such discussions, provided it remained clear that we are not able to make a commitment to the principle of a single currency. Like other Member States, we cannot commit ourselves to accepting any Treaty amendment arising from the IGC until we see its precise terms. As you know, we are

firmly of the view that the best chance of early progress in the IGC lies in concentrating our discussion on how Stage 2 can best be structured so as to ensure anti-inflationary convergence; we believe our proposals would provide for early, practical, steps to that end. They provide for a common Community currency, tentatively called the hard ecu, and a new monetary institution, the European Monetary Fund.

When we were in Rome, I was struck by how much common ground there was between Member States. This augurs well for the progress of the IGC. Many Member States are in accord on an overriding commitment to price stability, on the importance of ensuring that there is at no stage any confusion of responsibility for monetary policy and on the need to ensure that convergence is achieved in an anti-inflationary manner. I think that the IGC will want to consider very carefully how these objectives might be achieved during Stage 2. Our proposals are put forward as a basis for discussion, not a blueprint, and I would welcome discussion of how they could be developed and improved.

I am sure that the IGC will make early and constructive progress under the Luxembourg Presidency.

JOHN MAJOR

DRAFT LETTER FROM THE PRIME MINISTER TO CHANCELLOR KOHL

I very much welcomed the opportunity we had in Rome to meet and discuss future developments in the Community. I look forward very much to continuing these discussions.

I mentioned, in Rome, that we were determined to approach the discussions in the political and EMU Inter Governmental Conferences in a constructive and optimistic spirit. I genuinely believe that, given goodwill, we can find a way forward that is acceptable to us all. It is in that spirit that we are about to submit our suggestions for Treaty Amendments to the EMU IGC. These amendments would provide for the establishment of a European Monetary Fund charged with managing a "hard ecu" in line with the proposals that I and Norman Lamont have outlined and developed over the past few months.

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When we were in Rome, I was struck by how much common ground there was between us on EMU. We are agreed on an overriding commitment to price stability, on the importance of ensuring that there is at no stage any confusion of responsibility for monetary policy and on the need to ensure that convergence is achieved in an anti-inflationary manner. I think that the IGC will want to consider very carefully how these objectives might be achieved during Stage

2. I know that you have reservation about the hard ecu proposals. But I would urge you to look at them as one possible way of meeting our jointly held objectives for Stage 2. They are put forward as a basis for discussion, not a blueprint, and I would welcome discussion of how they could be developed and improved.

JOHN MAJOR

DRAFT LETTER FROM THE PRIME MINISTER TO PRIME MINISTER LUBBERS

INTER GOVERNMENTAL CONFERENCE ON EMU

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