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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

4 January, 1991.

Dear Felipe,

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 8/91

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 in the week beginning 7 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

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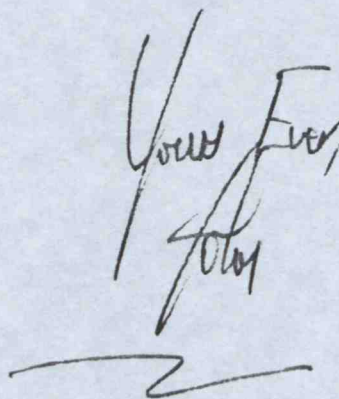
facilitate discussion of how we might best achieve those ends that we are tabling our texts.

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 transition 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 accept the imposition of a single currency and a single monetary policy. 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.

*Yours faithfully,
John*



His Excellency Senor Don Felipe Gonzalez Marquez