

cc PH



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7 January 1991

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Dear Richard

INTERGOVERNMENTAL CONFERENCE ON ECONOMIC AND MONETARY UNION

... The Government will, tomorrow, 8 January, be publishing its proposals for possible amendments to the EC Treaty. I attach a copy of the Treaty Texts and accompanying press notice.

The Treaty Texts were foreshadowed by the Prime Minister and Chancellor at the Rome Meetings of the European Council and the EMU IGC in December. The Prime Minister subsequently informed the House of our intention to publish.

Doubtless there will be speculation about the significance of these Texts. As the Chancellor makes clear in the press notice, they do no more than put into legal form the proposals for a "hard ecu" and European Monetary Fund first outlined by the Prime Minister, when Chancellor, last June. As the proposals have been developed, the Chancellor has made clear that the hard ecu could develop into a single currency if peoples and governments so choose. But as is also made clear in the Introduction to the Treaty Texts, the Government does not accept the imposition of a single currency and the Texts do not provide for this.

I am copying this letter, and attachments to the Private Secretaries of Ministers in the Cabinet, the Governor and Deputy Governor of the Bank of England and Sir Robin Butler.

T. Tarkowski

T TARKOWSKI
Private Secretary

CHANCELLOR TABLES TREATY AMENDMENTS TO ESTABLISH "HARD ECU"

The Chancellor of the Exchequer, the Rt Hon Norman Lamont MP, today put forward a detailed plan to give effect to the British proposals for a common Community currency - tentatively called the hard ecu - and a new monetary institution - the European Monetary Fund.

Recalling that his predecessor, Mr John Major MP, first outlined the British proposals in June, Mr Lamont said today that he now wished to table the necessary amendments to the Treaty of Rome to bring the common Community currency into effect.

Mr Lamont said:

"At the first meeting, in Rome, of the Inter Governmental Conference on EMU. I made it clear that the UK intended to **negotiate constructively on the basis of the hard ecu/EMF** proposals put forward by the Prime Minister last June when he was Chancellor. I am today submitting, to the Luxembourg Presidency, proposed Treaty amendments which would bring the British proposals into effect.

At the Rome meeting, a number of Member States expressed their interest in the hard ecu. Indeed, a number of other countries are putting forward their own proposals too. The positive and cooperative atmosphere reinforces my belief that our proposals can provide a basis for an agreement which meets both British concerns and also the aspirations of our Community partners and keeps all Member States moving forward together"

Mr Lamont made it clear that the proposals were put forward as a basis for discussion in the IGC.

The Treaty texts, as they stand, do no more than implement our proposals for what has become known as Stage 2 of EMU. However, as you know, I have 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 proposal in ways that would meet their aspirations, we would not object. Indeed, we would participate constructively in such discussions provided it is clear that our position remains that we are not able to accept the imposition of a single currency and a single monetary policy".

The proposed amendments to the Treaty of Rome, together with an explanatory commentary, are attached.

Notes for Editors

The British proposals for a hard ecu and European Monetary Fund were first put forward by the present Prime Minister, then Chancellor, in a speech to the German Industry Forum on 20 June 1990. The document released today puts those proposals in to the legal form of amendments to the Treaty of Rome and a Statute of the European Monetary Fund.

The UK proposals would create a European Monetary Fund (EMF), which would manage the hard ecu. This would not be basket of currencies, like the current ecu, but a currency in its own right. The hard ecu would be powerful force for anti-inflationary convergence throughout the Community. It would be managed by the EMF to ensure it was never devalued against other EC currencies at realignments of the Exchange Rate Mechanism. This would require the EMF to pursue a monetary policy at least as tight as the most rigorous national monetary policy in the Community.

Full details are set out in the Autumn 1990 Treasury Bulletin.

The first meeting of the Inter Governmental Conference was held in Rome on 15 December 1990. The European Commission submitted formal Treaty amendments to the IGC, designed to bring economic and monetary union into effect. A number of Member States expressed doubts about particular aspects of the Commission's proposals and indicated that they would be submitting papers of their own to the IGC. The Chancellor reaffirmed that the UK could not accept the imposition of a single currency, and added that the UK, would also be submitting proposals for discussion. The attached texts meet that remit.

Meetings of the IGC will be held monthly through the Luxembourg Presidency of the EC timed to coincide with the regular monthly meetings of Economic and Finance Ministers (ECOFIN). The next meeting will be on 28 January in Brussels. The Chancellor will represent the UK. The IGC will be supported by meetings of special representatives meeting twice a month. The first meeting will be on 15 January. Mr Nigel Wicks, second permanent secretary to the Treasury will be the Chancellor's special representative.

H M TREASURY

8 January 1991

