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FROM: T TARKOWSKI  
DATE: 8 JANUARY 1991  
EXTN: 4519

## NOTE FOR THE RECORD

cc Financial Secretary  
Sir P Middleton  
Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Scholar  
Mrs Lomax  
Mr Bostock  
Mr Gray  
Mr Pratt  
Mr McIntyre  
Mr S J Davies  
Mr Saunders  
Mr Macpherson  
Mr A E W White

**PUBLICATION OF EMF TREATY TEXTS: CHANCELLOR'S CONVERSATION WITH SOLCHAGA**

The Chancellor spoke to Solchaga on the telephone yesterday afternoon at about 5.00 pm to say that he would be writing formally to Juncker today to table draft treaty texts which would set out in legal form our proposals for the EMF and hard ecu. He had already written to Solchaga with a copy. The key point he wished to stress, as Solchaga would understand, was that the proposals were put forward as a basis for discussion, not at a blueprint. He was not trying to put a frame round discussion on Stage 2. He was willing to listen to what others had to say. He knew that Spain was also proposing to put forward a paper. As Solchaga knew, the UK could not accept the imposition of a single currency and monetary policy, but we acknowledged that our proposals could lead the development of a single monetary policy and a single currency, as governments and peoples chose. We were prepared to negotiate on that basis. It seemed sensible to discuss UK texts along with those tabled by others. It would be helpful to concentrate on areas of agreement. He recognised that there were differences about the end goal: others accepted that a

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single currency and a single monetary authority was the inevitable result, but we did not. However that did not prevent negotiation.

2. Unfortunately, a poor telephone line which made it difficult to hear clearly what Solchaga said prevented much of a discussion developing. Solchaga said that he had studied the advance text we had provided. He then appeared to say that the similarities between the constitution ("polis") we were proposing for the EMF and the constitution for an ESCB put forward by the Central Bank Governors would be interpreted as making it possible for the EMF to evolve into a ESCB. In any event, the proposal would have to be considered in this light. Spain would be putting forward its own treaty drafts. There would be a lot of work to do. He wished the Chancellor a happy 1991.

*Tarred Tarkowski*

T TARKOWSKI

cc: ~~Mr Powell - No.10~~  
Mr Gozney - FCO

*Handwritten initials*

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