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Treasury Chambers, Parliament Street, SW1P 3AG
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10 January 1991

Sir Charles Powell KCMG
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

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Dear Charles,

PRIME MINISTER'S LUNCH WITH PRESIDENT MITTERRAND, 14 JANUARY

... I attach a short brief on the EMU IGC.

Tarward Tarkowski

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ECONOMIC AND MONETARY UNION

Line to take

✓ The UK put forward on 8 January suggested Treaty amendments designed to bring our proposals for a hard ecu and a European Monetary Fund (EMF) into effect. The UK does not accept the imposition of a single currency and the texts do not provide for that.

2. However, the texts are a basis for discussion not a blue print. If other member states wish to build on the proposals in ways that meet their aspirations, the UK would participate constructively and actively in such discussions, subject to our reserve.

✓ 3. The UK does not wish to hold its partners back by trying to anchor the discussions in stage 2. But by the same token, the UK must not be forced to commit itself to stage 3 against its will.

XX 4. We are grateful for the comments made by M. Beregovoy at the first meeting, in Rome, of the intergovernmental conference on EMU. We would very much welcome French suggestions on how we should build on our proposals. We look forward to discussions in the IGC. One of the key issues for the conference will be the balance between the independence and democratic accountability of the central monetary institution. The UK treaty texts put forward 2 options - the UK Government has not taken a final view. Interested to know what the French views are.

Background

5. The UK treaty texts amending the EC treaty in order to bring into effect UK proposals for hard ecu and European Monetary Fund were published on 8 January. The Chancellor spoke to M. Beregovoy to alert him to our intentions and sent him an advance copy.

6. At the first meeting of the intergovernmental conference on EMU in Rome on 15 December, M. Beregovoy commented on the need for the EMU IGC to examine the content of stage 2 and in particular to ensure that it provided a mechanism for achieving convergence and allow for the progressive implementation of the European system of central banks. He suggested that this might be achieved in part by strengthening the ecu and specifically referred to the British proposals as one possible way of achieving this which could be examined.

7. M. Beregovoy emphasised that it would be necessary to look carefully at the arrangements for moving from stage 2 to stage 3 and that it was not acceptable that any one country should block progress to stage 3.

8. Beregovoy also indicated that the French might submit treaty amending texts of their own.

9. The Luxembourgers, as current EC Presidents, have proposed that there should be monthly meetings of the ministerial IGC - timed to coincide with monthly ECOFIN. The next meeting is on 28 January. The Ministerial IGC will be supported by special representatives which will meet fortnightly. The first meeting is on 15 January.

