



Treasury Chambers, Parliament Street, SW1P 3AG
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23 June 1988

CDP
24/6.

Lyn Parker Esq
PS/Secretary of State
Foreign and Commonwealth Office
King Charles Street
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Dear Lyn

COURTESY CALL BY NETHERLANDS FINANCE MINISTER

Mr Onno Ruding, the Finance Minister of the Netherlands, paid a courtesy call on the Chancellor this morning. Sir Geoffrey Littler was also present.

Toronto Summit: Debt

Ruding asked about the details of the Summit agreement on debt. In particular, did debtor countries have any discretion about the type of relief which they could have? The Chancellor assured Ruding that the choice would rest with creditor countries. Ruding commented that he was glad that the communiqué had made a link between the debt proposals and national budgetary arrangements. He was concerned that the Netherlands Aid Ministry might seek to use the agreement as a basis for increasing its expenditure. The Chancellor explained how the relief would operate in the UK.

Ruding asked about the Japanese scheme for middle income debtors. The Chancellor described the proposal. It boiled down to the IMF partly bailing out the banks. We could not accept this proposal, and nor could the United States or Germany. The Chancellor commented that the Japanese would probably now seek to revise the proposal. They might seek to take on a larger share of the burden themselves, in return for greater influence at the IMF. Ruding said that the Japanese had made a similar proposal to him, as Chairman of the Interim Committee, but that at that stage they had proposed placing the burden on the IBRD. He also suggested that the Japanese proposal, in reality, might be intended to perform the role of a stalking horse, so that - once it was rejected - the Japanese could make their own banks face up to their responsibilities.



Hanover: ERM

Ruding asked whether the Chancellor thought the French might try at Hanover to play up the line that the UK should join the ERM or pull out of the EMS. The Chancellor said that the French had never put this to us formally, nor mentioned it in any serious context. He would be very surprised if they were to press it at Hanover. The proposal was, in any case, a nonsense. No-one had the power to expel the UK from the EMS. Ruding agreed that it would be very unhelpful if the French were to try to take this line.

Hanover: European Monetary Integration

The Chancellor rehearsed briefly our position. Ruding said that the Dutch position was to be discussed at Cabinet tomorrow. He was, in principle, in favour of the idea of a European Central Bank. A study should be commissioned. But this should not be undertaken by "wise men". It should take place in the framework of the Central Bank Governors and/or the Monetary Committee. All countries should be represented on this group, which should report back within a year. If individual countries wished to bring outside experts into the group, they should be free to do so.

Hanover: Tax approximation

Ruding asked whether the Chancellor thought that tax harmonisation was a likely subject for Hanover. The Chancellor said that only the Commission had any interest in bringing this up. The Presidency should be firm in keeping any discussion to a minimum. Ruding said that whether this came up would depend on the force with which Lord Cockfield pressed the matter in the Commission. Delors had a high regard for Lord Cockfield.

I am copying this letter to Charles Powell (No.10).

Yours truly

A handwritten signature in dark ink, appearing to read 'J M G Taylor'.

J M G TAYLOR
Private Secretary

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MAY 1944