

UNCLASSIFIED

FM PARIS

TO DESKBY 091700Z FCO

TELNO 163

OF 091517Z FEBRUARY 90

AND TO DESKBY 091700Z TREASURY, BANK OF ENGLAND

INFO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS

TREASURY FOR PS/ECONOMIC SECRETARY, AND WICKS  
BANK OF ENGLAND FOR ARROWSMITH

FRAME ECONOMIC

**STERLING AND THE ERM**

## SUMMARY

1. BEREGOVY CALLS FOR ENTRY OF STERLING INTO THE ERM AND SAYS THAT WORK ON EMU SHOULD BE ACCELERATED IN THE FACE OF GERMAN UNIFICATION.

## DETAIL

2. DURING HIS WEEKLY PRESS CONFERENCE ON 8 FEBRUARY BEREGOVY (MINISTER OF FINANCE) SAID THAT A POSITIVE ELEMENT IN THE CONTEXT OF GERMAN UNIFICATION WOULD BE THE ENTRY OF STERLING INTO THE EXCHANGE RATE MECHANISM. QUOTE THIS WOULD BE A GOOD WAY OF CONSOLIDATING THE EUROPE OF THE TWELVE, AT A TIME WHEN THE CHANGES IN EASTERN EUROPE DEMAND FROM US IMAGINATION AND NERVE UNQUOTE

3. BEREGOVY IS QUOTED IN THE FIGARO AS WANTING TO STRENGTHEN THE FRANCO-BRITISH AXIS IN THE LIGHT OF GERMAN UNIFICATION, EVEN THOUGH THE ENTRY OF STERLING INTO THE ERM WOULD NOT BRIDGE THE DIFFERENCES BETWEEN PARIS AND LONDON OVER STAGES TWO AND THREE OF EMU: HE IS ALSO REPORTED AS CALLING FOR WORK ON PREPARATION OF THE IGC TO BEGIN FORTHWITH, ON THE GROUNDS THAT THE PROSPECT OF GERMAN MONETARY UNION DEMANDED FASTER PROGRESS AMONG THE TWELVE.

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PAGE 2  
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