

PRIME MINISTER

MEETING WITH SIR MICHAEL BUTLER

Sir Michael Butler is coming in to see you tomorrow morning for a brief word about his paper on EMU. His purpose is to persuade you to adopt something like the proposal in his paper for the second stage of EMU, either in a speech or a letter to your fellow Heads of Government.

You did, of course, discuss this with the Chancellor of the Exchequer and others yesterday. You accepted the need to put forward a new proposal which would include an institution, and thus satisfy the demand elsewhere in the Community for treaty amendment. To that extent, we were already committed to doing what Michael Butler suggests. You asked for an appraisal of the differences between the Butler proposal for Stage 2 and the proposal in the Treasury paper. It may be possible to combine elements from both of them.

The key judgement is whether our proposal would secure the support of the other Eleven. The clear implication of Michael Butler's note is that if you did put forward a substantive proposal for Stage 2, then we have a chance of postponing Stage 3 to the Greek Kalends. The view taken by the Chancellor, however, was that other Member States might be attracted by our ideas for Stage 2, but would still demand a commitment to the objective of full economic and monetary union as defined in Stage 3 of the Delors plan, and insist that this be embodied in any treaty amendment. That would not be acceptable to you.

So the two questions you might put to Michael Butler are:

- Single Currency*
- How can we best ensure that our proposal for Stage 2 is accepted by the others as all that it is necessary for the community to agree upon for now (subsuming Stages 2 and 3 of Delors), without any commitment to full EMU?

- If they still insist on commitment to full EMU, is there any procedural device which would enable them to sign up to this goal, but would not commit us to it?

CDP

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19 April 1990

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