



Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

21 September 1990

Andrew Turnbull Esq
Principle Private Secretary
to the Prime Minister
10 Downing Street
LONDON
SW1

Dear Andrew,

ERM

... I attach, for the record, the agreed text of the Chancellor's statement, which has now been issued.

I am copying this letter to Paul Tucker.

Tomasz Tarkowski

T TARKOWSKI
Private Secretary

Both the Prime Minister and I have made clear that it is our policy to enter the ERM at the earliest sensible date. We are not seeking delay, just awaiting the right circumstances - as the Madrid conditions made clear.

We have, therefore, to consider relative inflation rates. And what really matters is what happens from now on. The rise in oil prices is affecting both our inflation rate and that of our European partners. Indeed in some ways we are better placed than others to handle oil price rises.

The remarks attributed to Herr Poehl the other day concerned the dangers of a premature move towards EMU. These are dangers I have been emphasising for months. His remarks did not relate to our entering the ERM - as he subsequently made crystal clear. I am sure that entry is the right policy and we will not delay when the opportunity occurs. I am confident that our entry will be welcomed by our European partners. I expect no difficulty with this - our colleagues are keen for us to join.