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FILE
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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 January 1991

Dear Richard,

INTERGOVERNMENTAL CONFERENCE ON ECONOMIC
AND MONETARY UNION

The Chancellor circulated a paper to members of OPD on 14 January (OPD(91)2) about the negotiating strategy we should adopt at the Intergovernmental Conference on Economic and Monetary Union. There is unlikely to be an opportunity for a discussion in committee. The Prime Minister suggests that any members of the Committee who have particular comments to offer on the Chancellor's proposals should circulate them in writing.

I am copying this letter to the Private Secretaries to members of OPD and to Sir Robin Butler.

Yours sincerely,

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

cc MOD
DTI
AG

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John Major

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OB

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✓
Sir Charles Powell

✓
cc Sir Robin Butler
Mr Hadley
Mr Parker

OPD, 17 JANUARY AT 11.30

I attach a brief for the Prime Minister for the OPD meeting to discuss the Chancellor's paper (OPD(91)2) on the Inter-Governmental Conference on Economic and Monetary Union.

BG

B G BENDER
16 January 1991



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OPD, 17 JANUARY 1991: CHAIRMAN'S BRIEF

INTER-GOVERNMENTAL CONFERENCE ON ECONOMIC AND MONETARY UNION

Paper for Discussion:

OPD(91)2

References:

- A. Chancellor's minute of 11 December
- B. Prime Minister's letter of 1 January to Spanish Prime Minister
- C. UK draft Treaty texts


OBJECTIVE

To establish the broad lines of the United Kingdom's approach to the Inter-Governmental Conference on Economic and Monetary Union.

BACKGROUND

The Chancellor's paper discusses the UK's broad negotiating strategy. It follows his minute of 11 December to the Prime Minister (copied only to the Foreign Secretary, not to other members of OPD) which explored in more detail how best to reconcile the UK's objectives with the likelihood that 11 member states would be ready at the end of the day to sign a Treaty envisaging a single currency; and foresaw a need to secure in the Treaty some form of "Opting-In" mechanism which would be triggered if a future UK Government and Parliament so decided (paras 8-15 of Reference A).

The Commission published its own (comprehensive) draft EMU Treaty proposals on 12 December, prior to the opening of the IGC. The



UK's Treaty texts on the European Monetary Fund and hard ecu were published on 8 January; and preceded by letters from the Prime Minister to the Heads of Government of Germany, Spain, The Netherlands and Luxembourg. In its presentation to the Press and to our EC partners, the Government made clear that the proposals were put forward as a basis for discussion, not a blueprint; and indeed, the Prime Minister's letter to Senor Gonzalez invited him to consider building on the UK proposals in a way that would meet Spanish aspirations.

The first session of the IGC at official level took place on 15 January with a procedural discussion and a first reading of some of the early Treaty Articles. Mr Wicks registered the UK reserve. Several member states indicated an intention of circulating draft Treaty language, including the Spaniards who promised a paper on the monetary aspects of Stage 2 which they described as an alternative to the UK approach. The Chancellor is meeting the Luxembourg Finance Minister, M. Juncker, on 16 January and may mention any significant points from this meeting and from the IGC session in his oral introduction.

ISSUES FOR DISCUSSION

You may wish to take OPD through the Chancellor's paper picking out the issues.

PROPOSED UK OBJECTIVES

Overall Objective (Para 5)

You may wish to note the Chancellor's view that, if we refuse to countenance any move forward, our partners would create EMU amongst themselves by agreeing a separate Treaty of Eleven (the Attorney-General could confirm that this is legally possible); and note the potential adverse consequences. You may therefore want to endorse the overall objective of reaching an agreement with member states on Treaty amendments which meet our concerns



and respect the rights of Parliament.

Objectives for Individual Policy Areas (Para 6)

a. The proposed objectives for Stage 2 are likely to be agreed without much difficulty by colleagues.

b. The Chancellor's statement of the way forward in respect of Stage 3 (involving arrangements which would provide for the possibility of the UK's participating in a single monetary policy and single currency but unambiguously making it a necessary condition for our participation that HMG and the UK Parliament should make such a choice) is, as noted earlier, rather less detailed than the ideas explored in his minute of 11 December. You may want to ask him to outline his thinking and to invite comments from colleagues. The Chancellor expresses optimism that there is a realistic chance of achieving a satisfactory outcome. You may wish to support his judgement that the exact form of the end-game cannot be predicted at this stage; and to resist any attempt at this meeting to define what forms of words are and are not acceptable.

c. The proposed objective concerning economic policy independence (avoiding binding constraints on budget deficits) is likely to be agreed by colleagues without difficulty.

d. Similarly, there is likely to be agreement to the proposed approach on the link others would make on cohesion. As noted in the paper, care will be needed over the handling of this if the Spaniards, our best allies so far on monetary cooperation, are not to be alienated.



TACTICS (paras 7 and 8)

You will wish to endorse the tactical approach proposed in para 7 (that we should be best served by taking a full part in the debate, making alliances with other member states, exposing issues where there are significant differences among other participants and concentrating attention on the realities of progress to EMU); and para 8 (negotiating under a general reserve).

DOMESTIC PRESENTATION (para 9)

You will wish to endorse the need for care to be taken to clear any references to EMU in speeches, interviews etc with Treasury officials.

CONCLUSIONS

You may be able to conclude that OPD endorses the general approach set out in the Chancellor's paper. You may also want to consider inviting him to prepare a note taking account of the OPD meeting to serve as a basis for discussion in Cabinet, perhaps on 24 January.