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Banco de Portugal
Governador

Mr. Erich Hoffmeyer
Governor
Danmarks National Bank

Lisbon, 17th. August 1989

Dear *Erich*

I had the opportunity of reading your letter of July 28th, in which you suggest the launching of a new system of monetary policy monitoring based on comparable aggregates. That system should involve the publishing of the communly agreed targets as well as the relative performance of each of the countries concerned.

I think that your proposal is of great interest and deserves full attention as it represents a pragmatic approach to a common understanding on the need to strengthen monetary cooperation in the European Community on the way to EMU.

You also propose to contemplate initially in this exercise a restricted and more homogenous group of countries. Let me suggest however that we could gain some advantage from including all the Community members since the very begining. We could perhaps make some distinction at a different stage, for example when judging relative performances (i.e. being less severe when assessing the results of non-ERM members).

Y. A.

HC

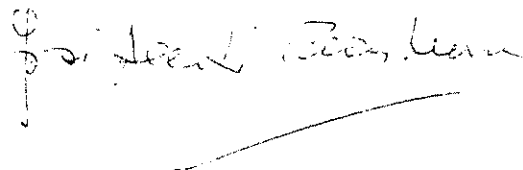
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I look forward to discussing this subject and other related issues at the time of our next Basle meeting in September.

Best regards,



José Alberto Tavares Moreira