



GENERAL MANAGER'S OFFICE

DR. BAER

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Bank of England
London EC2R 8AH

The Governor

2 February 1989

M. Jacques Delors
President
Commission des Communautés Europeenes
200 Rue de la Loi
B-1049 Bruxelles

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Dear President,

Since our last meeting I have been reflecting further on how our Committee's report should deal with the question of a treaty change. I have been prompted in this partly by Erik Hoffmeyer's letter to Dr Baer of 17 January and by his reiteration of the point which I and others have endorsed, that while we can say that the creation of EMU pre-supposes a change of treaty, the decision on timing must rest with heads of government. I believe that point was accepted at our meeting, as was my own view that reference in our report to a treaty change should not extend to proposing any particular timetable.

I have however also begun to have further thoughts on whether it is appropriate for our Committee to make a judgment on the nature of the treaty change that may be appropriate or necessary; in particular, I doubt whether we should assert that a framework treaty would be preferable to a series of treaty changes or amendments as the various stages towards EMU develop. In the first place we are monetary rather than constitutional experts. Moreover, to describe the form or content of treaty change pre-supposes that we are clear about the situation which will prevail at any given time in the future when the treaty is invoked (which we clearly cannot be) and that we have answered certain difficult questions, for instance those posed by regional imbalances, which as yet we have not.

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I know that we discussed the nature of treaty change at our December meeting but we did not go into it in any great detail; since then we have decided that we should be silent about the timetable and it may consequently be logical to be silent also about the nature. After all, we concluded that it would be wrong to link stage one specifically to any specific date such as 1990 or 1992, although there were hopes that the conditions for moving to stage two would be fulfilled sooner rather than later. The appropriate time to consider treaty change must surely be when those conditions are fulfilled, rather than at the outset, when both the timing and the detailed nature of the fulfilment are still unclear?

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So even if there was to be consideration of drafting of a treaty change towards the end of stage one, after the strengthening of existing institutions, the direction that drafting should take must be a decision for heads of governments. That decision may well have to flow from experience with stage one, rather than from the outline provided by our report.

Yours sincerely,

Robin Leigh-Pemberton

i.e. Levels of stake check

- horizon of bank
- concept of bank
- direction of the stability of bank (= context?)