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Dear Jean-Jacques

Andrew Crockett and I have read with interest your report on the Alternates' discussion of the Hard Ecu. We would like to suggest some limited, but to us important, revisions to the sections on pages 4-5, most of which relate to Andrew's reply to comments made at the meeting. The text we would suggest is shown below:-

"In his response, Mr Crockett acknowledged the concerns expressed by Alternates; but he felt that closer examination of the UK proposals would show that they either addressed these concerns, or could be readily adapted to do so -

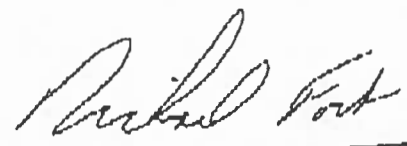
- he argued that the UK proposals for Stage Two were not designed to retard the progress to EMU and did not prevent the final stage being defined at the same time; the role of the EMF would need to be entirely consistent with the progressive institutional development of the ECB, and in many respects the EMF would have to enjoy the same statute as the ECB, inter alia with regard to independence;
- he accepted that it was possible to be sceptical concerning the development of the hard ecu in retail use, but argued that the new unit should rather be seen as a standard to which other currencies would peg;
- the UK proposals had been devised to achieve price stability, even more than exchange rate stability. Indeed, if it was desired to exert disinflationary pressure, the EMF would be able by increasing the yield of the hard ecu to put pressure on other Community currencies and to force them to tighten their monetary policies accordingly;

- the introduction of a hard ecu was not seen in the UK as being incompatible with the continuation of existing contracts in basket ecu. Over time, it was expected that the hard ecu would displace the basket ecu in new contracts, but this was not a requirement of the scheme.

Conclusion (additional sentence)

Moreover, the Alternates did not have time for a detailed consideration of the responses made by Mr Crockett to the objections raised to other elements of the proposal."

Yours sincerely,



Richard Fort

