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Copenhagen, 17 January, 1989.

Dr. Gunter Baer
The Secretariat of the Committee
for the Study of Economic and
Monetary Union
Bank for International Settlements
Basle

Dear Sir,

At our last meeting on January 10, 1989, we were offered the opportunity to forward suggestions to you before January 20.

I have two points.

First, I think that a reference should be made to the questionnaire, indicating that we have investigated the limits within which we can make progress without change of Treaty.

I suggested at our meeting - and it was accepted by the Chairman - that it should be stated in our report that the creation of EMU presupposes a change of Treaty, and that the decision of timing rests with the Heads of State. Personally, I am not in favour of proposing fixed dates for Treaty adoption.

Second, with a view, inter alia, to analyse developments in convergence I suggested that a set of performance criteria should be agreed upon - monetary, exchange rate, fiscal etc. - and a progress report drafted at least once a year, indicating whether the move towards EMU had been positive, zero or negative. The report should be presented to the Heads of State for consideration and as a basis for further decisions. Apart from maintaining momentum in the discussions on convergence etc. the report could have an important symbolic value as it would indicate how we could proceed to stage two.

I am sending copies of this note to the members of the Committee.

Yours sincerely,

Bank Hoffmeyer

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Council
must
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of
Treaty
stage 1*