

Political Aspects of EMS

Signor Andreotti said that he had discussed the EMS with Brzezinski from the political point of view. The Americans seemed to be satisfied with their regular contacts with the EEC and did not regard the EMS as hostile. It nevertheless needed to be made very clear that the EMS was not aimed against the dollar.

The Prime Minister said that he was very glad that Signor Andreotti had raised this point as it was one which was constantly in his own mind. The United States was not very concerned about the EMS because it was not very concerned about the dollar either: the Americans were, in his view, wrong on both counts. He had told President Carter in March that the dollar/deutschmark supply had bought a few months of time for the dollar, but no more. The Americans had seemed unconcerned at that stage but were now more worried. Private talks had been going on to ensure that nothing would be done to prevent the EMS from leading to a wider development in the monetary field. The Prime Minister said that what he was about to say to Signor Andreotti could not be said by him during the European Council since it would inevitably arouse suspicion that the UK was hostile to the EMS, which was untrue. The fact was, however, that the time would come, with or without the EMS, when a world monetary system including the dollar would have to be recreated. It was possible that by the time of the Economic Summit in Tokyo political understandings could be reached on bringing greater stability to the world currencies, on a basis involving the dollar. The Prime Minister said that this would be the direction of his work during the next six months.

Signor Andreotti expressed his appreciation for this information. When Italy expressed her sincere hope that the UK would join the EMS it was because the Italians wished to see a balanced, truly European, system, rather than a possible confrontation between the dollar and the deutschmark. A truly Community institution was needed. The Prime Minister said that he thought that it should be possible to have a Community institution in which the members played different parts.