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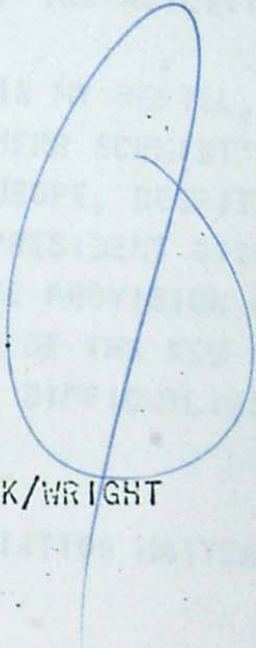
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TO IMMEDIATE FCO TEL NO 521 OF 25 JUNE
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MY TEL NO 518 AND TELECON RESIDENT CLERK/WRIGHT

GISCARD/SCHMIDT MEETING IN HAMBURG

1. AGENCE FRANCE PRESSE AND LE MONDE CARRIED REPORTS ON 24 JUNE ABOUT THIS MEETING, BASED ON BRIEFING FROM THE ELYSEE.
2. ACCORDING TO THESE REPORTS MONETARY QUESTIONS WERE THE CHIEF TOPIC OF DISCUSSION. AGREEMENT WAS REACHED AT THE MEETING TO PRESENT A JOINT FRANCO-GERMAN TEXT ON EUROPEAN MONETARY COOPERATION TO THE EUROPEAN COUNCIL. PRESIDENT GISCARD EXPRESSED HIMSELF VERY SATISFIED WITH THE PROGRESS ACHIEVED DURING HIS MEETING WITH HERR SCHMIDT TOWARDS THE CREATION OF A ZONE OF MONETARY STABILITY IN EUROPE, WHICH IS SEEN AS AN ESSENTIAL PRE-CONDITION FOR ANY PROGRAMME TO STIMULATE THE WESTERN ECONOMIES WHICH MIGHT EMERGE FROM THE BONN SUMMIT.
3. LE MONDE STATES THAT THE JOINT PROPOSAL WILL INVOLVE SEVERAL STAGES. AFP SUGGESTS THAT THREE MEASURES ARE TO BE PROPOSED:-

- (A) THE EXISTING SNARE WILL BE SUPPLEMENTED BY THE CONCERTED FLOATING OF THE NON-SNAKE CURRENCIES WITHIN WIDER MARGINS.
- (B) FIXING OF TARGET ZONES FOR THE NON-SNAKE CURRENCIES IN RELATION TO BASKET OF CURRENCIES.
- (C) CREATION OF A EUROPEAN MONETARY FUND, WITH POOLING OF RESERVES.

THE RELATIONSHIP WITH THE DOLLAR WOULD ALSO HAVE TO BE SETTLED, SINCE THIS COULD BE A FURTHER SOURCE OF INSTABILITY.

4. OUR ASSESMENT IS THAT, AS FORCAST IN MY REFTEL, PRESIDENT GISCARD HAS GIVEN HIS FULL BACKING TO HERR SCHMIDT'S WISH TO SEE WIDER MONETARY COOPERATION IN EUROPE, DESPITE THE RESERVATIONS FELT BY OURSELVES AND OTHERS. PRESIDENT GISCARD HAS ALWAYS BEEN IN FAVOUR OF THIS IN PRINCIPLE: THE PROVISION OF LARGER SUPPORT FACILITIES AND THE INTRODUCTION OF THE NEW SYSTEM BY STAGES WOULD HELP TO MEET THE PRACTICAL DIFFICUTLIES FACED BY THE FRENCH.

5. WE HAVE NO INDICATION THAT CIVIL AVIATION MATTERS WERE DISCUSSED.

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*Copy: Mr. Walsh
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