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RECORD OF A TELEPHONE CONVERSATION BETWEEN CHANCELLOR SCHMIDT AND THE PRIME MINISTER ON WEDNESDAY 16 MARCH 1977

SUBJECT

17/3

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T59A/77

PM: Helmut, how are you?

Schmidt: I am very well, thank you. Did you have a good trip?

PM: Yes I had a good trip and Genscher will no doubt have told you about his visit too. As far as the Summit is concerned I spoke to Giscard and he agrees that we should have our meeting of the four on Monday morning. So, that will be agreeable to you will it?

Schmidt: Definitely.

PM: That is fine. Then what I would propose is that we should start at 1000 and we can then go straight on - on Saturday morning - and then we can go straight on through Sunday and Monday. And if that is all right by you that is what I would like to do. And Giscard would like to get away on Monday lunch time.

Schmidt: That would be around 1 p.m.?

PM: I would think so. But then between ourselves, I am quite certain that President Carter is going to stay for the Tuesday NATO Meeting and so I do not know whether you would wish to stay or not?

Schmidt: I would stay certainly. I want to be personally present at the NATO Council when he comes there and you come there. And also I need to have a two-hour talk or so with Jimmy Carter which is already in the making.

PM: That is fine.

Schmidt: It will be on Monday afternoon or Monday night.

PM: That is fine. That would be absolutely splendid. You would have enough time to do that then. Because I think that there are some things that you need to clear up with him as far as I can see. Well that is good then so we have the Monday afternoon and evening free. Now what I assumed for the two days we are together - the Saturday and the Sunday - was that it would be as before, a working Conference, no social events, except there is this one. That The Queen would be ready to give a dinner for the Heads of Government and the Finance and Foreign Ministers at the Palace on Saturday evening. Now I mentioned it to President Carter because only heard it the day I was going and he said he would very much like it. Giscard said he would. What do you feel, Helmut?

Schmidt: Well, that closes the case, I will.

PM: It does rather, yes. Still I am putting it to you formally. No, I think we will have to eat somewhere on the Saturday night, if I may put it in that way and I think it would be very nice if we went along.

Schmidt: Oh, yes!

PM: All right then.

Schmidt: I think it would also not only suit The Queen but also the British public.

PM: I think so too. I am sure it would. It would look very nice. Now on other arrangements for the Summit, President Carter said to me on a couple of occasions that he wished to see the Community strengthened and that in that context he wanted to see the Commission represented. He wanted Jenkins there. I explained to him that this was a matter entirely for the Community to decide - which he understood - and I told him that privately I did not want to say anything against

Roy Jenkins, as an old colleague, but privately my view was the Community would be adequately represented if you and Giscard and myself were there with Andreotti. But I just passed this on to you because I am sure the matter will be raised with you. I told him I would go along with the consensus, like the rest of us do.

Schmidt: That is the same attitude I am going to take. We have reserved our position so far. We have only said that of course the Community ought to be represented and we have left this open whether this is going to be done by you or by Jenkins. Giscard is rather stubborn on this point.

PM: Yes Giscard is. He said so to me again just now when I spoke to him.

Schmidt: I would not be surprised.

PM: So that is something we shall have to clear up over dinner or something when we get there.

Schmidt: Perhaps ^{as} /the Presidential Prime Minister, you should talk privately with Giscard and say that including Italy, all the other countries want Jenkins to be there. That we so far have reserved our position but that ultimately it depends on him because we could fall either way.

PM: Yes, understood. We will do that. I don't think there was anything else I wanted to mention. I don't know what Genscher said but I would President Carter to be a very impressive person. He has a well-stocked mind, a well ordered mind and knows what he wants and I think is certainly none of his initiatives have been off the cuff, they have been taken out of a background of real thinking about the issues. So I think we shall find him quite a formidable person to deal with and to have on one's side. He is very attached to Europe, there is no doubt about that. And I don't think we need have too many worries about his attitude on things like detente and arms control. He is quite realistic enough to know that some of the initiatives he has taken would

take a very long time to work out and, as he says, he doesn't know whether the Russians take him seriously, but he will test them and test their sincerity on some of these matters. So I think we shall have the opportunity of quite a good talk with them about the various issues that come up .

Schmidt: What did you hint at earlier in this conversation when you said, Jim, that I might have things to clear up with Carter?

PM: Well, I was thinking of your Brazilian contract, for example, when he was pressing me hard to get at you on it.

Schmidt: Well, I hope you will refrain from this because the more he sends envoys around and makes the Russians and other people make remarks towards me, the more stubborn this Government will have to react because we cannot tear up a contract which we have put our signature to.

PM: Well I think that any Government that is attacked publicly always reacts, Helmut, and certainly I wouldn't dream of doing that. I expressed some private reservations to you when we met before about part of it but as far as we are concerned that is where I would leave it, and I think also on reflation I have said to him that we can't pressurize a German Government - or indeed any other Government - publicly on these matters. You know my view. I think you ought to be doing more reflation but I've not said so directly in public and shall refrain from doing so. But that's our feeling about it.

Schmidt: I will certainly not give in to public pressure or to summitry pressure which I can afterwards then read in the New York Times or other papers and I'm really - and I say this quite privately - I'm really in doubt whether Jimmy Carter's programme is about to produce effective demand. If this were Germany, what he is doing there, it would only go into a greater savings rate.

PM: Is that so?

Schmidt: it would accomplish, I think.

PM: I think you should raise this point with him when we have our summitry.

Schmidt: America, of course, has got a different psychology.

PM: Yes, yes. Then Helmut, then there's another problem about the AWACS plane and the German tanks and the Leopard and all the rest of it. And you've got two or three things to clear up with him in my view. But I want you to know that as far as I am concerned, although we've gone along with AWACS that I'm beginning to think more and more that we should go to the Nimrod plane which covers our maritime needs.

Schmidt: Yes. And does that mean that you have already told them in Washington?

PM: I indicated that we were leaning this way. I said that we were not contracting out at all because we had gone along with the decisions so far.

Schmidt: How much time do you have left until a decision is necessary?

PM: Well, I would have thought about a month because you see we are funding a Nimrod programme now.

Schmidt: So you cannot wait until the so-called Summit?

PM: Oh, yes, we can wait - well I hope we can wait - I don't know. I'm not informed on that Helmut, but I will certainly try and wait till the Summit, unless I'm told that's impossible.

Schmidt: You see, this AWACS thing is one of several examples in which the new American Administration will have to learn that cooperation is not a one-way road.

PM: Yes, quite right, I understand.

Schmidt: I'm not eager on selling weapons, but I've become rather difficult if somebody tries to cheat. I feel to be misled.

PM: Do you. Well, you might like to send me a note about that because I hadn't got that impression so far. I really don't understand what-you mean when you say that.

Schmidt: Well, it might have something to do with a incoherence between the old and the new Administration. That is possible. So I'm not going to complain or to put anybody into the you know.

PM: Well, obviously at lower levels you will get a certain amount probably of dealing that isn't intended to be quite straightforward, but my guess is that this man Carter is straightforward, without too much artifice in that sense, and he will say what he means, and will try to deal with you in a straight and level way.

Schmidt: That sounds good.

PM: I really believe this.

Schmidt: And what was your impression of Vance?

PM: My impression of him? Oh, excellent. Yes, yes, a wise head, somebody who really understands these things, and is a rounded politician. That's to say, he understands the whole - he doesn't just understand intellectually the problem, but he understands all the human elements and so on that go into it.

Schmidt: May I ask a last question, Jim? Would you feel that regarding all those North/South dialogue topics, including raw material, including IDA, and debt settlement and what have you, are we to prejudice our positions which we are going to take at the Summit in Rome already, or will we try to leave our positions a little bit flexible in Rome, so as to be able to cooperate really with the Americans, or are we just to decide

on our positions, then go to London and tell the Americans that is that, you buy it or you leave it.

PM: I would like the first, namely that we should be that little bit flexible that enables us to get alongside them , because it seems to me that the American Administration which because of the Election hadn't made up its mind/^{and} that Carter and his compatriots are now very fast making up their minds, and provided they will come with a certain amount of flexibility there's every reason why we should do so. So I think the message that ought to go across the Atlantic, and which I must confess I did not actually say to him, was, look please leave yourself a little room for manoeuvre when you meet us at the Summit so that we can thrash it out and get a final position for the West.

Schmidt: Very good, so this would mean that you and I would have a chance to tell Valery as well, and we will have to see to it in Rome that the Nine and the Commission are not fixing our positions, in this field too fast, and too tight, in order to reserve a little room for manoeuvre for ourselves.

PM: I think that makes sense, Helmut, don't you? Now tell me, how's Valery going to get on in his elections?

Schmidt: Well, from the analysis which I have seen today seemed to show that in the country overall the Left Coalition has gained by 2 - 3 per cent of the whole. It doesn't seem to be a sweeping change in the domestic situation as much as Paris is concerned. The capital is considered to be likely by our analysts that Chirac might be the ultimate victor.

PM: Do you think that would precipitate an election at an earlier date?

Schmidt: No, I don't think so because, if I understand the French Constitution correctly, there is no chance for dissolving Parliament earlier than the date which has been set by law, but it will anyway lead to an enormous amount of stress of all sorts in the domestic situation between now and May 1978,

for Giscard, and he could overcome this situation only insofar as Raymond Barre is being evaluated by the French public as not only a dependable man but also as an effective and successful man.

PM: Yes, well I hope he can, because I think that he has tackled it very well, Barre has.

Schmidt: That's my impression too. By the way, are you going to that Oslo invitation?

PM: Well, I was wondering about that. It's politically (gap of silence on tape) issue here that although our Secretary for Employment is going, Albert Booth, I wondered whether I ought to go as well.

Schmidt: Anyway, I would like to tell you that I am going, for one day.

PM: You are, are you? Well perhaps then I should go too.

Schmidt: Very good.

PM: Alright, I'll arrange to go as well then. Very good. Our position over here - we are now passing through what I call the darkest hour before the dawn, that's to say our inflation rate is very high, it's very high at the moment when we're trying to get another pay settlement, but if we can only hold it - the present prices are the result of last Autumn's sterling devaluation - then we can really move on to a much better plateau next year.

Schmidt: I gave a little interview to one of your economic papers these days, in which I tried to underscore - no, to underline what you just have said.

PM: Well thank you very much. If you could say that it would be a great help to me as a matter of fact.

Schmidt: I think it's going to appear in print today or tomorrow.

PM: Good, because it's of concern to all of us. This is the real testing time of people's patience. They really feel that they've given up a lot, and have got nothing back. And yet if only they could hold on for another 3 or 4 months, this is really when the results will begin to show. So there we are .

Schmidt: Thank you very much Jim for calling.

PM: I'll look forward to seeing you in Rome. Good-bye old man, all the best.

Schmidt: Good-bye.