

ACTION

CONFIDENTIAL

Euro Pol 1.

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

CP(78) 80

COPY NO 2

13 July 1978

CABINET

BRITAIN, GERMANY AND THE PROPOSED EUROPEAN MONETARY SYSTEM

Memorandum by the Secretary of State for Energy

1. The Franco-German determination to go ahead with a European Monetary System (EMS) whether or not Britain agrees, threatens to split the European Community. This initiative places us in a difficult situation. If we accept the proposals we shall become locked into a form of union which may ruin our long-term economic future and destroy our remaining political independence. If we refuse, we may be blamed for wrecking the Community and perpetuating a highly unstable situation which damages all countries.

2. Since we cannot in the end accept a union which would be disastrous for us, the time must be coming for a British "non" of Gaullist clarity and resonance. We have the indisputable right to veto a major development of the Community which is strongly contrary to our interests.

3. If the "Non" is to be effective it must be accompanied by a clear analysis and counter-proposals. An agenda of demands for minor reform is not enough because it leaves us wide open to compromise concessions which would force us to concede the main issue.

This is not
a
Community
wreck!
if we have no
veto