

THE GOVERNORS

see 24/6.
Copies to Mr Fforde
Mr M J Balfour
Mr George
Mr Holland

MEETING WITH SIR K COUZENS

I called on Sir K Couzens on Thursday, 19 June for a general conversation, not having seen him for some weeks, and in particular with a view to discovering what had been the atmosphere in the pre-Venice Sherpa meetings.

On the latter point, he was not very forthcoming, suggesting that the emphasis would probably be as much political as economic. The only thought he could offer on what any Giscardian initiative might involve was a report that Ruggero had been told in Washington that Giscard had in mind to suggest the creation of an institution in Paris through which all aid to developing countries should be channelled, with the IBRD being used as an agent!

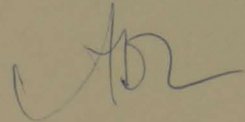
I sought to probe him whether HMT had been giving any thought to possible changes in exchange rate policy which might be induced by a major shift in the exchange rate, either upwards or downwards. Couzens seemed to regard such a shift as quite out of keeping with current Government policy, and gave no indication that HMT were looking at any alternative contingencies. He said that Terry Burns had been giving some thought to possible ways in which a "fiscal accommodation" envisaged in the medium-term strategy might be utilised, and in this context intervention was one of the five possibilities that had been considered.

He mentioned that there had been some concern on the part of the Financial Secretary at the use of swaps as a means of relieving money market shortages.

He also said that they were looking at what had been happening to sterling holdings of CMI's, with a view to doing an analytic report, without any particular policy prescriptions. He promised to let us have a look at this in draft before it was submitted to Ministers.

I took the opportunity of seeking his support in persuading the Financial Secretary that any announcement about the planned repayment of HMG I and HMG III in a preliminary P.Q. should retain the maximum flexibility about the possibility that events in the next two years might lead us not to wish to repay it all, rather than seeking to make a big splash at this time.

I also took the opportunity of bringing him up to date with banking relations with Iran.

A handwritten signature in blue ink, appearing to be 'C. A. D.', is located on the right side of the page.

23 June 1980

ADL