

TRANSCRIPTION OF FOREIGN & COMMONWEALTH SECRETARY'S NOTES

On para 3.6 the Belgian Prime Minister said that when a currency crosses the "threshold of divergence" this results in a presumption that the authorities concerned should correct the situation by adequate measures, amongst which are diversified intervention, measures of domestic monetary policy, changes in central rates or other measures of policy.

In case such measures are not taken the reasons for this aberration are given to other authorities especially in the concertation between central banks. Forward consultation between governments will then take place.

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President Giscard said the text was now totally changed round. We should keep to 3.6 - prepared to consider 4 categories instead of 3.

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Herr Schmidt said he could not give the impression that his central banks were committed to intervene.

monthly  
6/2 review would cover innocent debts.

Also add "these provisions and their effects shall ...".

Any emphasis on bias will only concentrate attention on the lira - will weaken it.

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President Giscard said provisions will be examined (then take up the Italian text - after 6 <sup>months</sup> A their provisions will be expand in the light of experience. Provisions will be examined if the need arises of accumulated debt.

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Mr Jenkins said these provisions, including the possibility of balances being accumulated by involuntary creditors and debtors, should be reviewed in the light of experience.



Signor Andreotti said he would consider this but feared he had no room for manoeuvre.

Discussion as to whether in special circumstances a central bank could vote not to intervene when under involuntary pressures to intervene.

President Giscard: Short term increase over the present situation, medium term all countries.

Herr Schmidt: Those not participating in ERR:

- not have access to very short term
- any member full access to medium term including enlargement of the facility
- any member of EEC entitled to use short term money support as hitherto
- enlargement available for all those who participate in the ERR.

The Prime Minister reserved position on the last category.

President Giscard: Short term facility amongst central banks.

Herr Schmidt: Gentleman's agreement. If matter of substance deal with it here.

The Prime Minister said principle more than substance.

Mr Jenkins: Community principle - short term increase arises out of new systems. Obligation to intervene. Gentleman's agreement.

For instance a country not wishing to participate. This country declares that it is not going to use the short term facilities more than to the extent already exists.

/President Giscard



President Giscard: Again we must be clear - cannot be secret - must be able to answer clearly as to whether it is done by distinguishing between the enlargement or a gentleman's agreement. The question of distribution was put to officials.

on para 5.2: ? approach other countries. Danish suggestion to approach Norway. There was a general concensus that Norway as an existing member of the Snake could be approached as adherent to former system. No direct contact for other countries. Let them approach us.

On para 5.3: Dutch suggestion to add: "This implies that due attention should be paid to the interests of the developing countries."

The Prime Minister suggested it should be dealt with in the Presidency's conclusions.

The Dutch suggested the addition of "inter alia" after implies. It was agreed to put it in the Presidency conclusions.

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On para 6.1: Dutch - not "adopt" "make decision on".

Schmidt: I can live with it so as to make it clear what the intention is "evaluate and decide".

M. Ortoli: be clear "ECU against reserves"; "ECU for central banks".

Mr Jenkins: "Maintenance of the CAP outside the EMS would confirm the position of the CAP outside the EMS." Willing to further study the Danish proposal overnight.

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President Giscard: Technicians should discuss it.

- Introduction of EMS should not of itself affect the existing agro-economic system.

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Mr Jenkins spoke of moving from F<sup>0</sup> to C<sup>0</sup> without changing the weather.

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/Herr Schmidt



Herr Schmidt: "We are introducing a new thermometer, not changing the weather!"

Addendum to 6.1(c).

On para 3.1. Accelerated implementation of existing loan programs.

On para 3.2. Interest rate subsidies 2%. Not on all loans, only new additional loans.

On para 3.3. Preference for a special edition of the Regional Fund.

The Commission (Mr Jenkins)

Wider questions raised by the Prime Minister may be a problem, but one cannot exclude MCAs. MCA: as a consumer subsidy rather than export subsidy.

On para 3.2. (accept). 2% interest subsidy. Difficulty in applying this to new loans from now since the Ortoli facility already applying. Makes the Ortoli facility ineffective.

Para 3.3 accept.

Luxembourg

On para 3.2 prefer 2% interest.

On para 3.3 prefer a special section of the RBF rather than a special credit line.

Danish accept para 3.3.

Belgium accepts para 3.3.

Prime Minister (general introduction)

Essential for the EMU to tackle the problem of convergence. It must be seen to be compatible with the stag-standards.