a Mrs. Hunt

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10, Downing Street. Whitehall.



Prime Minister's Personal Minute No. M29/13

## CHANCELLOR OF THE EXCHEQUER

I have now read the telegrams which report your meetings in Brussels yesterday, and I look forward to hearing your own account of the restricted meetings in due course.

You and I both recognise the difficulties which prevent us from joining the Community float immediately, and in the circumstances the result of the meetings is as good as we could hope for, in that it keeps the various possibilities open. But in terms of the credibility of our European policies arrangements in which other members of the Community join with non-Community countries while we have to stand aside cannot be regarded as a very satisfactory outcome. There can be no doubt that the longer we have to stay out the more damage we shall do to our wider interests in membership of the I do not think that the Treasury and the Bank of Community. England are sufficiently aware of these wider implications. I quite understand that they do not want to see a repetition of the events of 1964 to 1967. But we did not join the Community in order to behave like little Englanders.

Monetary co-operation is an area in which the Community sees an opportunity of making progress. So long as we are detached from that progress, our ability to influence Community policies and the willingness of other members to accommodate Community policies to our needs will be diminished. Moreover,

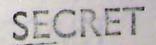
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even if one looks at it only from the monetary point of view, the longer we delay our full participation in the Community arrangements, the less likely we are to be able to benefit from the advantageous terms and conditions which the Germans are willing to offer, including the exchange guarantee for the sterling balances.

We now need to do everything in our power to minimise these consequences. I hope you will agree that our actions during the coming days and weeks should be governed by the following principles:

- i) It is our firm intention to participate fully in the Community arrangements not later than a target date on which we should now agree.
- ii) In the meantime, we should seek in practice to keep sterling in line with the other Community currencies, even though we are not technically committed to do so.
- iii) It is clear that the Community is not yet ready for the major step forward implicit in your proposals of 4 March. We must therefore study as a matter of urgency our negotiating position on the proposals that now hold the field, and decide what are the minimum changes required to enable us to participate.
  - iv) Our representatives in the Monetary Committee and other bodies should take a full part in the technical studies of the next few days and thereafter, with instructions to work positively and constructively towards Community arrangements in which we can take a full part not later than our agreed target date.

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I should like to hold an early meeting with you, to which you would no doubt wish to bring Sir Douglas Allen, Mr. Mitchell, the Governor and perhaps Mr. Gordon Richardson to discuss all this and to set the course.

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12 March 1973