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*Copied to Master Set  
Top copy on: Euro. Pol, Bremen - Policy, May '78.*

NOTE OF A CONVERSATION BETWEEN THE PRIME MINISTER, PRESIDENT GISCARD  
AND CHANCELLOR SCHMIDT ON MONETARY REFORM IN THE RATHAUS, BREMEN, ON  
6 JULY 1978 AT 1820

The Prime Minister gave the following account of his discussions of European monetary reform with President Giscard and Chancellor Schmidt.

Chancellor Schmidt had accepted the principle that any scheme of reform should be associated with growth and a transfer of resources. He said that the relationship between monetary reform and resource transfer would be similar to that between the IMF and the World Bank. The EIB would go into the markets and raise loans, at rates of interest to be determined. There would thus be no direct transfer of resources but it would be open to countries such as the United Kingdom and Italy to apply to the EIB for loans as required.

The Prime Minister spoke on the lines previously agreed in commenting on the Clappier/Schulmann paper. On the question of modalities, Chancellor Schmidt said that he would like the Council to be able to announce that they had reached agreement in principle and would launch a scheme of monetary reform on 1 January 1979. The Prime Minister said that he could not accept this. Chancellor Schmidt pointed out that one of his reasons for wishing to move ahead on monetary reform was that it provided him with a means of freeing himself from the domination of the central banks and of being able to pursue a softer monetary policy. The Prime Minister indicated that, in view of the constructive elements in the Chancellor's project, he would be prepared to participate in the working out of the details of a plan of reform but that this could not be preceded by agreement in principle. He added that the impact on the markets of such an announcement was an unknown quantity.

In view of the Prime Minister's reaction, Helmut Schmidt then offered an alternative proposal which, the Prime Minister said, was far from clear but which seemed to amount to asking officials to work out the details of a scheme of reform for

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presentation to and final determination by the next European Council in late November. President Giscard had refused to accept this. He said that there must be agreement in principle at this Council and that if necessary such agreement could be subscribed to by seven of the Nine, leaving Ireland and the UK to join the scheme later. The implication was that Ireland and the UK would enjoy only observer status during the working out of the scheme. The Prime Minister had indicated that he might be prepared to consider an announcement on these lines, if it was made clear that the UK was happy to join in working out the details even if it could not agree to the scheme in principle. This was not acceptable to President Giscard. It was agreed that the Clappier/Schulmann proposals would be unfolded to the remaining six during dinner later in the evening.

In the light of these exchanges, the Prime Minister instructed Mr. Couzens to take the line, during the meeting of officials later in the evening, that the UK position was that officials should proceed with working out a scheme of European monetary reform which could then be submitted to Heads of Government for consideration. The Prime Minister said that Mr. Couzens was not to agree to any text without referring back to him. *BM.*

6 July 1978



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File

Top copy on Rhodesia,  
8/3/78  
Situation



10 DOWNING STREET

From the Private Secretary

10 July 1978

Dear Hermer,

Rhodesia: Tripartite Discussion at  
Bremen on 6 July

During the Prime Minister's private meeting with President Giscard and Chancellor Schmidt following the first session of the European Council in Bremen on the afternoon of 6 July, which had been arranged primarily to exchange views on European Monetary Reform, there was some discussion of Rhodesia.

The Prime Minister expressed to the President and the Chancellor his concerns about the situation which could arise following a complete breakdown of law and order in Rhodesia and the action, including service - assisted evacuation, which the UK might have to contemplate in those circumstances (the Prime Minister spoke in very similar terms to those which he used in Cabinet on the morning of 6 July). The Prime Minister mentioned the possible involvement of a United Nations force in the restoration of civil order in Rhodesia. Both President Giscard and Chancellor Schmidt confirmed that they would give full support to any proposal along these lines which the UK might put forward in the Security Council.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours ever,  
J. S. Wall

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

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Top copy on: Aircraft Ind.

Pt 4,

Procurement/  
Development of B.A.

Civil Aircraft

The Prime Minister reported that he had had only the briefest conversation with President Giscard, at the end of the tripartite meeting, about civil aircraft. The main point that had emerged was that President Giscard did not wish the UK to join in the B-10 project and to join in with Boeing as well - they would prefer one or the other. President Giscard said that France had decided to go ahead with the B-10. The Prime Minister said that he had explained the difficulties that faced Rolls Royce and that decisions would have to be taken soon. He said that President Giscard had evidently not understood the Rolls Royce situation and had suggested that the UK should make a proposal to deal with this problem in relation to the B-10 project - the McDonnell-Douglas proposals - and the future of Rolls Royce. The Prime Minister had explained to President Giscard that the European attitudes might force the UK to join up with the US.

KRS

6 July 1978

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