

T248A/78

P.A.
Jan
28/11

PRIME MINISTER'S CONVERSATION WITH CHANCELLOR SCHMIDT
AT APPROX. 1605 HRS., SUNDAY 26 NOVEMBER 1978

Copy on:
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FOREIGN POL,
Oct 78,
Quadrangle
Summit.

Prime Minister: Helmut, good afternoon, this is Jim.

Chancellor Schmidt: Good afternoon Jim, how are you?

PM: I'm fine and how are you?

HS: Well thank you, I'm fine.

PM: Are you in Hamburg?

HS: Yes.

Oh, well done.

PM: / I thought I would just telephone to tell you that I had a very good meeting with Giscard. I think that perhaps you had something to do with it.

HS: Well I don't know.

PM: Well I think perhaps you did because he was extremely kind and gracious about everything and it made discussions very easy.

HS: It's good to hear.

PM: I talked to him about the European Monetary Scheme and we - he told us what he had in mind; I told him roughly what I told you that I would like to see such a scheme established that we shall certainly do everything we can to ensure that it is and we would like to play a part in it with certain reservations that you know about.

HS: Yes.

PM: So that I think is the broad position, I've got meetings with the Party this week and we shall have a Parliamentary debate this week and I'll let you know after that what the position is.

HS: Yes.

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PERSONAL MESSAGE
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PM: Good. And how do you see it?

HS: Well, I haven't heard any news from Giscard.

PM: No.

HS: I have great difficulties with my Central Bank Council.

PM: Ah, yes.

HS: And I think I will prevail. I undertake the very unusual step which has only been done once, 30 years ago by Adenauer, to appear in that Council on Thursday this week.

PM: Oh. Yes that's very important. That would be the Central Bankers themselves from the Lander and so on.

HS: Yes.

PM: I see. And you'll be trying to get from them what it is that they object to and how you can overcome it.

HS: Yes.

PM: Well I wish you luck.

HS: They are opposing the whole thing because they fear it means a destabilisation.

PM: Well you have always felt that you were taking that risk for political reasons, haven't you?

HS: But I must not say so publicly.

PM: No, I understand.

HS: If I admit this publicly then they would get the upper hand.

PM: Yes, yes. I don't know what reports you've seen of my speech at the Guildhall, but it was not an anti-Community speech. I know that is the parts that the ...

HS: No, no I do not, I would never believe that you made an anti-Community speech.

PM: No, it was - those are the parts of course that the Press picked up, but you know what I have been saying about financial contributions for some time.

HS: How was the meeting with Andreotti?

PM: Very interesting. He certainly would like to join. You have made his task much easier by giving him the 6 per cent margins.

HS: Yes.

PM: They are technically very worried, I think, Helmut. I think that it would be a political decision for them to join if they decide to do so and it would be a technical decision if they decided not to join the EMS itself.

HS: My feeling tells me that the political decision will prevail.

PM: That is possible. I think they're still having discussions there, but I think you're probably right. That may also be true of Jack Lynch.

HS: Yes.

PM: It depends on how much money you can give him. He's a hard-headed Irishman!

HS: (laughter) Yes.

PM: (laughter)

HS: Do you think we should give them money?

PM: Well I think that they will want quite a bit if they're to accept.

HS: You mean in terms of resources loan?

PM: Yes, yes, he wants resources. So I thought I would just let you know, I don't think my position is any different from what it was when I talked to you privately. We've got a lot of political interest here in it but really what we are faced with is not so much the normal political opposition, but the technical doubts, and it is a combination of political opposition which could be overcome with technical doubts which is going to be the difficulty for me. So we'll see. Anyway ...

HS: How do you manage the wage increases with Ford in Dagenham?

PM: Well I don't think Ford's will be repeated everywhere. There are a number of settlements that are taking place at very much lower levels. Ford's is a very profitable company and therefore they can pay it and they've decided to do so and they are multi-national and they don't want their operations held up throughout Europe. But if I were asked I would say the general level of settlements will be much lower than the Ford settlement. But we have to take some steps about Ford otherwise the whole thing collapses.

HS: Yes.

PM: I'm going to have my principal trouble with the public sector. People like water workers, sewage workers, these sort of people who are doing an essential service and we shall try and keep them down to a very small increase. I daresay I shall have a lot of strikes this winter.

HS: Yes.

PM: However ...

HS: We have a steel strike on Tuesday.

PM: Steel?

HS: They are going for a 35 hour week.

PM: Ah, yes. Yes, our people are asking for that sort of thing but their members don't really want it. They want the overtime.

HS: Yes.

PM: How long will your steel strike last?

HS: Well, it could last a couple of days, maybe even ten days.

PM: Oh, that's lucky.

HS: I don't know.

PM: You shouldn't worry about ten days. You're doing well.

HS: (laughter).

PM: What do you think about the American economy now then?

HS: Well to be frank it's a beginning in the right direction but it's not more than a beginning.

PM: No.

HS: And it depends whether they stick to the course they have chosen as regards their budgetary policies and their money supply policy.

PM: Yes.

HS: The question is whether they can stick to it once it shows that in the first place they are adding to unemployment.

PM: Yes. I think Jimmy Carter will stick to it myself.

HS: In the long run if he sticks to it for let us say two years or so, it will pay.

PM: Yes, yes. Well he has an election in 1980, but I have a feeling he will stick once he's got his mind to it. I hope so.

HS: We are to a great degree helping the dollar by intervention.

PM: Yes, I know you are.

HS: It's going into the billions already since 1st of November.

PM: I heard the figures, yes, yes it is. But it's slowing down a bit now isn't it, it's getting better now.

HS: Yes, I'm not sure whether he at all is aware of that.

PM: No. Perhaps not. On another point Helmut, I had a good talk with Giscard about our other preoccupations.

HS: Yes.

PM: And found him very ready to talk as you no doubt did and I think that we will be able to have a very valuable conversation later on.

HS: And have you heard whether he and the fourth big ...

PM: Yes.

HS: Are agreed about the place?

PM: Yes, there was no doubt raised in my mind by him, but I did hear elsewhere it might not be at the particular place that we originally discussed .

HS: Ah ha.

PM: I think that they are worried that the Press can get at it too easily.

HS: Ah ha.

PM: We did say that it would only be ourselves and wives plus one adviser. That I am fully in agreement with and I think we can have - the three of us - the three of us might have a talk perhaps in the margins of the European Council.

HS: Yes.

PM: Just a short exchange of views.

HS: I proposed to Jimmy last Monday that he should offer Valery the opportunity to act as the host.

PM: Yes.

HS: And he said he would propose this to Valery, but I have not heard the outcome.

PM: Oh well there is a place being mentioned that is French.

HS: Yes.

PM: As you may know.

HS: Yes.

PM: And I understand that it's still on, but as I said to you I did hear also some doubts about it.

HS: Ah ha.

PM: But those are not American doubts, those are French doubts.

HS: Ah ha.

PM: The French are worried whether the Press would be too easily able to get at it.

HS: Yes.

PM: Anyway, I think its definitely on. But not to be announced for a little while yet.

HS: Oh, certainly.

PM: Good. Alright Helmut.

HS: Well, Jim thank you very much for this information. I wish you all the best in your Parliamentary debate.

PM: Thank you. Let me say that I think you helped my conversations with Giscard quite a bit. I'm very grateful to you. Thank you

HS: Thank you very much for saying so.

PM: Right ho old man, all the best.

HS: All the best.

PM: Goodbye.