



PM/80/22

PRIME MINISTEREuropean Monetary System

1. You referred at our meeting on March 26 to the draft statement prepared by the Chancellor about our attitude to the EMS.
2. As I mentioned at your meeting, I do not think that this fully reflects the conclusion of our discussion on March 19, which was in favour of option (vi) in the Treasury paper. The statement as drafted is really on the lines of option (vii). The difference between the two is that (vi) did add an expression of our willingness to discuss with the Community, how membership of the exchange rate arrangement might be combined with the control of inflation through a strict monetary policy.
3. I think it would be desirable to add an expression of willingness to discuss the issue on these lines to the Treasury brief, for use when you see the Federal German Chancellor. I believe that this would appear to Herr Schmidt as a sign of our willingness to approach the question in a more open-minded way: and that this would help him to move towards us on the budget.
4. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, the Governor of the Bank of England and to Sir Robert Armstrong.

(CARRINGTON)

Foreign and Commonwealth Office

Envoys 13.

Seen by

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