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SUBJECT

CC MASTER

NOTE FOR THE RECORD

MEETING WITH KARL-OTTO POEHL

The Prime Minister yesterday met Karl-Otto Poehl, President of the Bundesbank for three-quarters of an hour. The Governor joined the meeting after the first 10 minutes.

Temporarily retained Roy S 29/11/10

Herr Poehl referred to the EMS. He had initially been sceptical about the EMS, but now on balance thought it was an advantage to Germany, in reducing interest rate fluctuations over about half of German trade. He would like to see the UK as a member of the system. The Prime Minister referred to the differential effect of changes in oil prices on sterling as against other European currencies and to the fact that Germany was the only major country within the EMS without exchange controls. Herr Poehl said he thought the effect of oil had been exaggerated. He wanted to see the UK as a member of the EMS to add weight to the countries which were trying to liberalise capital flows within the Community. He wondered why people were so worried about depreciation of sterling against the DM; it would be very helpful to UK exporters.

The Governor, Herr Poehl's Private Secretary and Professor Brian Griffiths then joined the meeting and the conversation became general with discussion of the US budget deficit, the problems of controlling broad money and other general economic questions. There was nothing worth recording.

DN

(DAVID NORGROVE)

21 October 1986

DCABMB

LINE TO TAKE WITH THE PRESS

The Prime Minister and Herr Poehl were glad to have an opportunity to meet for the first time. The Governor of the Bank of England was also present. This short meeting was entirely a courtesy call.