

SUBJECT

Mr. Shaw
Mr. McLaughlin
Mr. McNally

6/11/78
Kane

PRIME MINISTER'S TELEPHONE CONVERSATION WITH PRESIDENT CARTER,
17 APRIL 1978 AT 2030

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T88B/78

Prime Minister

How are you?

President Carter

All right. It's a great pleasure to hear from you.

Prime Minister

Well, I just thought I'd ring up just to exchange a few words.

President Carter

Well that's a pleasure for me. I've been looking forward to it.

Prime Minister

How did you get on at Camp David?

President Carter

Well we had an excellent meeting, Jim. It's the first time I've had my whole Cabinet up there just for the last weekend and I had my senior staff from the White House as well. We kind of reassessed what we had done in the first 15 months and some of the problems we have administratively and tried to identify some theme or commitments of our administration after some public opinion poll results. And I cleared the air, I think, of a lot of potential back-biting and sniping and blaming one another that can be a problem and I think we came away from there with a renewed sense of team spirit and common purpose. It was a very, very good meeting.

Prime Minister

That's good. I think it is necessary to do this sort of thing now and again. Don't you?

President Carter

It's the first time we've ever done it but I think that now about every three months or so we might just go up there - we have excellent facilities, you know, for tennis and bike-riding and skeet shooting and bowling and movies.

Prime Minister

Makes people feel they're part of a team.

President Carter

That's right, and it's a kind of a breaking down of shells and barriers and alleviation of tensions and a brief exchange over question and answer that might have caused a problem on a junior staff level. It was really good.

Prime Minister

I think as far as this end is concerned, the only thing that - well not the only thing - the issue that I think is really on the cards is whether Europe goes it alone more than operating with and co-operating with the United States. I detect this in some of the discussions that are now going on, not in the defence field obviously, and this is where you would have to remind those who want to go it alone that defence is also an issue of importance to both sides of the Atlantic. But on economic and monetary matters I detect it. There is a feeling that perhaps we ought to try and enlarge this so-called European snake, and if we did that it would only be for the purpose of trying to insulate ourselves a little from what happens to the dollar. Now I put a point to you just before Easter in which I said we ought to try to work this out on a world basis, and that is still my view. I've agreed to go along with a technical examination of what happens on the snake if it were enlarged. Frankly I don't think it would be attractive to the United Kingdom, and I don't think it would be good for the world as a whole. But that's a political judgement - the technicalities can be discussed. But I've in any case made it clear that I'm not interested in looking at any of this politically until we've got past the Summit in July. But there is this feeling and I think you ought to know about it.

President Carter

That's good. We had heard just peripheral reports of the Copenhagen meeting - nothing specific. We've been concerned to some degree but not seriously yet. I think there has been some reversal of discouragement in our own country about the future of our economy, the future of the dollar. And in the last few weeks I've tried to analyse as best I could some of the reasons. One was obviously inflation, another one was the Energy Bill not passing, another one was the Panama Canal Treaties Bill which is going to be tomorrow. There's still uncertainty, and that's been alleviated to some degree. I can certainly understand the reasons for concern in Europe and Japan about the escalating values of the yen in particular and of the deutschmark and of the decrease in value of the dollar.

Prime Minister

I think that it's wrapped up with a number of other considerations that are of concern to us all. For example the unemployment problem is of growing concern to people like Giscard as well as to myself, and there is a feeling that we've got all to be a little more - organise ourselves defensively. And now this of course is going to break up the world system if it happens. But when you link it with what has happened to the dollar I can see the case and which a number of people come along and say, well we've got to do something different, the United States is big enough to stand on its own, we've all got to get together and do what we can. And I think this would be a great misfortune if it happened.

President Carter

I think so too. One of the things that we need to do is consult, at least at the Henry Owen level, so that in a very objective and open way, not with any attempt to conceal anything, we can analyse the advantages and disadvantages for Europe and the rest of the world, certainly including ourselves, in any sort of change in our basic interdependence.

Prime Minister

I'm not sure whether - when you talk to Helmut - whether you really get his opinion or not. They are the largest and most important economy in Europe. They are likely to get stronger still, and he feels very much that Europe has got to organise itself more, because the American economy will be running separately and the dollar we don't know what's going to happen and so on. And I think you've got to get alongside Helmut, not you personally necessarily, but your people have really got to know what they're thinking there. It's a very odd situation because they've got a coalition government, Genscher and Helmut aren't necessarily on the same wavelength, the Bundesbank has an independence of its own and isn't necessarily told what Helmut is thinking, but I believe myself that I'm not sure - that you're getting the real depth of Helmut's views.

President Carter

I'm not either. Because when I talk to Helmut either in person and privately when I talk to him on the telephone or when we exchange communications by dispatch or private sealed letter,

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we have a very good meeting of the minds and when he raises a question I answer it, and he comes back and says that's a very good answer, I'm satisfied it. But I've continued ever since I've been in office to hear privately or among other people that Helmut expresses deep concerns about our policy or our relationship with the FRG, and I think you've put your finger on an important aspect of it that I've not been able to solve myself.

Prime Minister

No. Well, it's very difficult to solve if he won't tell you what he is really thinking. But my understanding of his thoughts is that he believes that the American economy cannot go on expanding, that the dollar is going to get into serious trouble, and we ought to try to insulate ourselves from it as much as possible. Now I don't know whether that thinking has got across to you, but with the strength of the German economy it could be extremely serious and I don't really know, Jimmy, how to obviate it. Giscard I think is likely to want to re-enter the snake in the middle of the year, and he might well do it before we get to the Bonn Summit. Now I very much - well I'm 99% sure I wouldn't do it myself, but in any case it would alter the whole complexion of what's likely to take place at the Summit I think in many ways. And somehow it's Helmut who's the key to this.

President Carter

He's supposed to come to see me before the NATO meeting.

Prime Minister

Well, that's the time.

President Carter

I think I might, in view of this conversation, prepare myself very carefully and let Helmut know before he gets here that I want to discuss these matters - I might discuss the exact phrases enough so that he'll think I've initiated the conversation with him, which would be accurate. And when he comes let myself be more briefed on this subject than I would ordinarily and try to get Helmut to be frank. He has an ability to speak very bluntly and frankly when he is so motivated, without embarrassment. Why he has any reticence in talking to me I don't quite comprehend. But I'll try to break down that reserve or that apparent language communication barrier when he comes and I'll take advantage of this conversation to move on him.

Prime Minister

I wonder if it would be a good idea if you were to suggest that you had perhaps Miller with you and that he might bring privately either Emminger, the Governor of his Central Bank, or whoever he wants to bring, you know.

President Carter

Yes, we could. He'll only be here a short time. We might even arrange a luncheon meeting as we did when you were here just very briefly and have a very tiny group of people in on both sides.

Prime Minister

Yes I think I would, I really do. I think if you have a tiny group in and really get him to talk. You see he knows about international finance, he understands it, he was a Minister of Finance himself, he cares about it and he believes American policy is all wrong. Now as long as that persists there's going to be trouble.

President Carter

Well I think your description of the situation and your admonition to me is very valuable.

Prime Minister

Good, right. Well I'll leave it with you on that basis. But whatever you hear from Europe you can be sure that I will not allow anything as far as I am concerned to happen before we meet at Bonn in July. And maybe by then you will have got the measure of it and we'll be able to see what you can do on that front.

President Carter

I have one reassuring sense, and that is my confidence in the strength of the American economy. Our ability to sustain growth. I think when you look at the record, even since we were in London, you know ours was the only economy among the German and Japanese and ours that did meet our goals in every possible way, that we exceeded our goals in unemployment and also in growth. I think that this year, barring some unforeseen development that we can't detect now, we'll meet our growth goals - unemployment goals for the end of the year are even met as a matter of fact. We are now dealing with inflation more effectively than we have. So I don't detect anything in the American economy that seems to be a potential.

Prime Minister

I don't think there is. I'm sure you're right. What he is concerned about, and indeed a lot of people are concerned about, is the external value of the dollar. That is a most difficult technical problem. If you could reduce your balance of payments deficit by some energy measures I think that would have a very healthy effect on the way that Helmut and others think about it.

President Carter

Well, so do I. Well Jim thank you very much. It is valuable for me to have you.

Prime Minister

Not at all. I think that the other thing we've got to do, Jimmy is in May, at the NATO Conference, we've got to have a declaration that really means something about the mutual interdependence of the United States and Europe. It is important for both of us. I take the view that the Soviet Union - and I dare say you do too - the Soviet Union believes that it's the largest European country but that it does not have a comparable influence in Western Europe as it ought to have. And I'm sure that this is a motivating view of the Soviet Union and they'll use every opportunity to strengthen that idea. Now this being so, of course, unless Europe responds and unless the United States recognises that its fortunes are bound up with Europe, then we're all going to go under one way or the other. And so I think that we need at the NATO Conference, and I've asked Harold Brown who I saw this afternoon and Mulley, our own Secretary for Defence, to work on some kind of statement - I knew you wouldn't mind me asking him to do that - that I could talk to Helmut Schmidt about when he comes to see me on Sunday. And to see whether we can't get something out of this Conference that really is going to show the Soviet Union that we are standing together on these things because of the neutron bomb and all the rest of it, and secondly that is going to show the people of the United States and of Europe the necessity of us standing together and why we stand together.

President Carter

That's very good. And that's exactly our commitment and our purpose. And one of the reasons that I wanted to escalate the NATO meeting to a much more substantive event than it has been in recent years. I think there's a new spirit among the European

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countries and I think a re-commitment in our country, and a great improvement in our attitude towards our role within NATO as a strong and permanent member. There was some doubt for a number of years but in our budget priorities and in every other way, you know, I think the proof is there of our renewed and much deeper commitment to NATO than we've had in recent years.

I agree with you that a strong ultimate communique or commitment, more than just the routine requirement of protocol, is very important.

Prime Minister

If we could do that I think it would have its repercussions on the economic side, because I always say to anybody who is critical, look here, don't forget that the defence side, when you're talking about whether we should go separately from the United States or what our attitude should be, what are we going to do about defence all of us? And you cannot have separate economic policies and yet be close allies on defence without tripping over your toes in my view. So I think that this could have a repercussive effect there. The other point that I wanted to mention to you was about the Comprehensive Test Ban Treaty. I gather that some of the experts are now saying that it's necessary - some of your people and some of ours are now saying it's necessary to have some controlled explosions of a limited capacity in order to verify that the stockpiles won't be deteriorating. Well I hope you'll go into that pretty carefully because I would myself need a lot of convincing before I would go along with that.

President Carter

I can see that that might be the need after the Treaty's own time was over, but I believe that whatever agreement of time - you know the three, four, five years - you know I believe that would kind of short-circuit the basic thrust of the Comprehensive Test Ban Agreement.

Prime Minister

So do I. I feel that very strongly. But I think that our experts are all convinced about this and so it would need a political decision and we'd have to assess the risks.

President Carter

They have brought this to me, and this has been one of the concerns that has been there for a long time, Jim Schlesinger in particular who heads our Department of Energy which is responsible for the nuclear testing programme, has had this concern as an ex-Secretary of Defence. But Harold Brown and them have all been willing to forego this testing through the time of the agreement but then we have discussed in our last meeting the possibility of a mutual monitoring of a very tiny number of explosions each year after the agreement period was over.

Prime Minister

After the expiry of the Treaty you mean? If it expires?

President Carter

If I find that something has evolved on the technical side with which I'm not familiar, I'll get back in touch with you about it.

Prime Minister

I'd be glad if you would. I did raise it with Brown this afternoon because I think that if we were to be having these small explosions during the currency of the Treaty, well if we were to propose it, I don't think anybody else would take us very seriously. So I think we've got to take a political decision on that. However, there we are. Well I think that was all I wanted to raise with you.

President Carter

Well that's a great agenda and I think that all three of those are very important points and I will follow up on all of them.

Prime Minister

Good. You got anything for me?

President Carter

It's always good to hear from you. Tell Audrey I send my love to her.

Prime Minister

I will indeed. She's sitting here in the room now as a matter of fact.

President Carter

Well put your arms around her and give her a kiss from me.

Prime Minister

I will indeed. And she's sending hers back to you. And to Rosalyn. You had a good trip to Brazil and Nigeria?

President Carter

It was tops, yes. It really went well and we didn't have any negative results from it both either in public opinion or tangible results but were all good. We've resubmitted our friendship with the Brazilians, strengthened them even with Perez, he's one of our best friends, and made the first visit of an official nature of any American President to the sub-Sahara region, made a courtesy call on Liberia which has been a very strong ally of ours ever since it was formed as a nation and I think made a new entry into Nigeria. If you'll just solve the Rhodesian and the Namibian question for us we'll be in good shape.

Prime Minister

I think that Cy Vance and David Owen will have to try and do that between them. I'm very glad Cy Vance has gone. I think in view of the other circumstances it's a good thing that he should go himself. OK. All the best, goodbye.

Jim