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MIPT

FRG/FRANCE: MEETING OF SCHMIDT AND GISCARD IN AACHEN:  
COMMENTS OF OFFICIALS.

1. THE FEDERAL CHANCELLOR'S OFFICE (VON DER GABLENTZ) TELL US THAT THERE IS NO MISTAKING THE POLITICAL IMPORTANCE ATTACHED BY THE TWO LEADERS TO THE EMS PROJECT OR THEIR SATISFACTION AT THE PROGRESS ACHIEVED ON THIS AT AACHEN. VON DER GABLENTZ COMMENTED THAT GISCARD LOOKED LIKE A MAN PREPARING HIMSELF FOR A SECOND TERM AS PRESIDENT AND IN THE MOOD TO TACKLE LONG TERM PROBLEMS.
2. MINISTER ECONOMIC HAS DISCUSSED THE RESULTS BRIEFLY WITH LAUTENSCHLAGER (FEDERAL FOREIGN MINISTRY AND SCHULMANN CHANCELLOR'S OFFICE). LAUTENSCHLAGER SAID THAT IT WOULD BE A COUPLE OF DAYS BEFORE THE COURSE OF THE VARIOUS CONVERSATIONS COULD BE COLLECTED AND ASSESSED, AND HE DID NOT KNOW THE DETAILS OF THE FINAL FORMULATION. (HE CONFIRMED IN THIS CONTEXT THAT THE EXPERTS WERE UP ALL NIGHT AFTER A FIRST DISCUSSION BETWEEN SCHMIDT AND GISCARD, AND THAT THE KEY ISSUES WERE THEN DISCUSSED AGAIN IN A VERY RESTRICTED CIRCLE). BUT THERE HAD BEEN AGREEMENT ON A COMBINED SYSTEM, WITH STRONG ELEMENTS OF THE SNAKE. GERMANY COULD NOT HAVE ACCEPTED ANY SYSTEM WHICH WOULD ADD TO INFLATION. THERE COULD HAVE BEEN DISAGREEMENT SINCE IMPORTANT AND DELICATE QUESTIONS WERE AT ISSUE: THERE WAS IN FACT UNITY. BOTH SIDES REMAINED DETERMINED TO GET A DECISION BY MID-DECEMBER TO IMPLEMENT THE EMS, FOR ECONOMIC AS WELL AS POLITICAL REASONS. THE EMS COULD NATURALLY NOT BE SETTLED BY BILATERAL AGREEMENT, IT WOULD NOW BE DISCUSSED THROUGH THE COMMUNITY MACHINERY AND THE VIEWS OF OTHERS TAKEN INTO ACCOUNT. BUT IT WAS IMPORTANT THAT FRANCE AND GERMANY WERE AGREED ON THE PRINCIPLES OF THE SYSTEM SINCE THIS MADE PROGRESS AND IMPLEMENTATION POSSIBLE.

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3. SCHULMANN WAS UNDERSTANDABLY CAUTIOUS AND RETICENT IN VIEW OF THE POLITICAL DELICACY OF THE WHOLE SUBJECT HERE AND THE DANGER OF PREJUDICING THE LINE TO BE TAKEN BY HERR MATTHOEFER IN THE COUNCIL MEETING ON MONDAY. THE DISCUSSION ON THE DETAILS OF AN EMS WAS NOT BY ANY MEANS CONCLUDED, HE EMPHASIZED. ISSUES AND ALTERNATIVES DISCUSSED BEFORE HAD BEEN CONSIDERED AGAIN IN AACHEN, AND ALL MODELS HAD THEIR DIFFICULTIES AS WELL AS THEIR ADVANTAGES. THESE HAD BEEN EXAMINED IN DETAIL AT THE RECENT MEETING OF CENTRAL BANK GOVERNORS. OVERTON PRESSED HIM ON THE NUMERAIRE AND SCHULMANN CONCEDED THAT THE SYSTEM AGREED AT AACHEN WOULD HAVE MANY OF THE QUALITIES OF THE SNAKE SYSTEM AND WAS NEARER THE FIXED GRID THAN THE VARIOUS FORMS OF BASKET. ON INTERVENTION, THE PRESS WAS CORRECT IN SUGGESTING THAT THE ESSENTIAL FEATURES OF THE AGREEMENT REACHED WERE A MORE FLEXIBLE AND AUTOMATIC SYSTEM OF SHORT TERM CREDITS, AND PROVISION FOR BIGGER MEDIUM AND LONG TERM CREDITS COMBINED WITH STRICTER ECONOMIC DISCIPLINES. ON THE FUND, CERTAIN FEATURES REMAINED TO BE DISCUSSED AGAIN, BUT HE COULD CONFIRM THAT CENTRAL BANKS WOULD RETAIN THEIR AUTHORITY AND RESPONSIBILITIES AND THE FUND ITSELF WOULD NOT HAVE POWER TO INTERVENE. SCHULMANN AGREED TO GIVE A MORE DETAILED BRIEFING AFTER THE FINANCE COUNCIL.

AIRBUS

4. OVERTON ALSO RAISED THIS WITH LAUTENSCHLAGER AND SCHULMANN. NEITHER OF THEM ATTENDED THE DISCUSSION ON AIRBUS, BUT THEY CONFIRMED THAT IT WAS DISCUSSED, LATE IN THE AACHEN MEETING, AND THAT TO THE BEST OF THEIR KNOWLEDGE THERE WAS NOTHING MAJOR TO REPORT, BOTH SIDES MAINTAINING THEIR POSITIONS ON BRITISH MEMBERSHIP, (THIS IS ALSO THE LINE TAKEN BY THE ONLY NEWSPAPER REPORTING ON THE SUBJECT). SCHULMANN ADDED THAT HE HAD A PERSONAL IMPRESSION OF SOME MOVEMENT IN POSITIONS NEVERTHELESS AND HE WAS MORE OPTIMISTIC THAN BEFORE. THE NEXT MOVE WAS FOR THE FRENCH: THEY WOULD NO DOUBT GET IN TOUCH WITH HMG FOR FURTHER DISCUSSION (LAUTENSCHLAGER CONFIRMED THAT THE GERMANS WISHED TO GET OUT OF THE UNCOMFORTABLE POSTURE OF NEGOTIATING WITH THE FRENCH ON BEHALF OF THE UK). BOTH COMPLAINED OF THE UNHELPFUL PUBLIC LINE TAKEN BY BRITISH AIRWAYS AND SAID THAT THE STAINTON ARTICLE HAD BEEN EMBARRASSING AND MADE IT DIFFICULT FOR THE GERMAN SIDE TO ANSWER THE FRENCH CASE.

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TO IMMEDIATE F C O 800 OF 16 SEPTEMBER  
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FRG/FRANCE: MEETING OF SCHMIDT AND GISCARD IN AACHEN  
14-15 SEPTEMBER

1. THIS MEETING, THE 32ND IN THE SERIES STARTED BY THE FRANCO-GERMAN TREATY OF 1963, IS BEING PRESENTED TO THE PUBLIC HERE AS OF EXCEPTIONAL IMPORTANCE. REFERENCES TO CHARLEMAGNE ABOUND. THE TONE WAS SET BY GISCARD AND SCHMIDT IN THEIR SPEECHES AT DINNER ON THE FIRST EVENING, WHICH ONE PAPER DESCRIBES AS PRESENTING THE SPECIAL FRANCO-GERMAN RELATIONSHIP IN TERMS UNMATCHED EVEN DURING THE ADENAUER-DE GAULLE HONEYMOON. PRESS COVERAGE HOWEVER REFLECTS THE SLIGHT CONTRADICTION OF HAVING TO MAINTAIN (A) THAT FRANCO-GERMAN COOPERATION IS MORE THAN EVER THE KERNEL AND MAINSPRING OF THE COMMUNITY, THANKS TO THE PLAN FOR A EUROPEAN MONETARY SYSTEM (EMS) AND GISCARD'S PROPOSALS ON A STUDY OF WAYS TO IMPROVE COMMUNITY PROCEDURES BUT ALSO (B) THAT NO DECISIONS HAVE BEEN TAKEN BEHIND THE BACKS OF THE OTHER MEMBERS.

2. ALL PAPERS PLACE THE EMS AT THE CENTRE OF THE DISCUSSIONS. THEY REPORT BROAD AGREEMENT ON MAJOR ELEMENTS OF THE SYSTEM. AGREEMENT IS SAID TO HAVE BEEN REACHED ON THE DEFINITION AND ROLE OF THE NUMERAIRE, RULES FOR INTERVENTION AND THE VOLUME AND STRUCTURE OF THE EMF.

3. DETAILS HAD BEEN WITHHELD, ALL PAPERS REPORT, OUT OF RESPECT FOR COMMUNITY PARTNERS--BUT ARE TO BE GIVEN TO THE FINANCE COUNCIL ON MONDAY. MEANWHILE THE PRESS ARE PRESENTING

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Prime Minister

2 Feb. 6am  
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THE RESULT AS A COMPROMISE, BUT ONE LEANING STRONGLY THE GERMAN WAY. THERE WILL BE NO SACRIFICE OF STABILITY POLICY; AND THE INTERVENTION OBLIGATIONS OF THE BUNDESBANK WILL NOT BE OPEN ENDED OR THE COMPETENCE OF CENTRAL BANKS AFFECTED. THE FAZ SPECULATES THAT SCHMIDT AND GISCARD AGREED TO ADOPT THE EUA AS THE TECHNICAL UNIT OF ACCOUNT BUT AT FIRST NOT FOR THE ESTABLISHMENT OF CENTRAL AND INTERVENTION RATES. MOST PAPERS GIVE THE IMPRESSION THAT FRANCE AND GERMANY ARE DETERMINED TO ADHERE TO THE BREMEN TIMETABLE (ALTHOUGH DIE WELT THINKS THIS IMPOSSIBLE).

4. NO TEXTS ARE BEING RELEASED HERE UNTIL MONDAY, BUT THE PRESS REPORTS THAT GISCARD AND SCHMIDT AGREED ON THE FOLLOWING:

- A) ENLARGEMENT: CONFIRMATION THAT THE APPLICANTS SHOULD ALL BE INVOLVED MORE CLOSELY IN POLITICAL COOPERATION;
- B) THE GISCARD PROPOSALS (THREE WISE MEN) TO BE EXAMINED IN THE NEXT WEEK;
- C) ESTABLISHMENT OF A FRANCO-GERMAN TECHNOLOGICAL INSTITUTE AT SARREGUEMINES;
- D) REGULAR 9-MONTH EXCHANGES OF FRENCH AND GERMAN OFFICIALS;
- E) EXPERTS TO STUDY THE QUESTION OF COMPENSATION FOR 60,000 ALSATIANS SAID TO HAVE BEEN FORCIBLY CONSCRIPTED INTO THE WEHRMACHT DURING THE WAR;
- F) PROGRESS ON SPACE LAB/ARIANE;
- G) ENERGY: BOTH FAVOURED NEW ENERGY SAVING MEASURES;
- H) FRENCH AND GERMAN POLITICAL DIRECTORS TO WORK OUT A JOINT CONCEPT FOR THE PROJECTED EEC-ASEAN DIALOGUE.

5. THERE WAS ALSO DISCUSSION, ONE PAPER REPORTS, OF SECURITY AND DISARMAMENT QUESTIONS; AND OF THE MTNS, WITH BOTH SIDES RESOLVED TO BRING THE CURRENT NEGOTIATIONS TO A SUCCESSFUL CONCLUSION BY DECEMBER.

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