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Very good*

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PRIME MINISTER

The Approach to President Carter

The Treasury have redrafted the covering letter and the main paper on the lines agreed at the Seminar this morning. This will reach you later this evening. All the supplementary briefing material is also in hand.

2. There is however a point about procedure which deserves a separate note.

3. The object is to get multilateral acceptance of a package of measures which can be endorsed or ratified, probably at the Bonn Summit in July, but certainly by some major gathering of Heads of Government. Only thus will the package make the necessary impact on confidence. The package will however take some time to negotiate, and it will be important to have conditional agreement on all the main elements before the actual Summit. So there are three or four difficult months ahead in which we have to steer between two twin dangers:

- (i) That individual measures will be agreed and announced one by one and allowed to dribble out without being related to the overall objective. This would reduce the impact of the eventual package and, more importantly, detract from its total effectiveness. The total is worth more than the sum of the individual parts.
- (ii) A total freeze on new international or bilateral economic agreements until the Summit.

4. A freeze is impractical. We may need action on the franc; the United States may well run out of deutschmarks before the Summit.

5. So it is essential to put all fresh measures into the context of the forthcoming package. Yet how can we do this in advance of agreement on the package itself?

6. The way through this may be as follows. You have already agreed that (subject to President Carter's agreement) a redrafted version of the main paper should be given to the preparatory group in Bonn on 31st March. That meeting

will in any event be discussing the scope and possible agenda of the Summit. We should seek to get agreement that the main elements of our proposed package should in effect be the Summit agenda and that the Heads of Government concerned should let this be known publicly at an early date. In other words they would say that they all agree on the desirability of a package covering these main elements. The details remain to be negotiated. They will finally be put to the Summit meeting in July. Individual elements may have to be activated separately before then. But henceforward, all international action must be seen as a contribution to the eventual package, each part related to the larger whole.

7. It might also be appropriate and helpful to arrange for the European Council at Copenhagen on 7th-8th April to give wider European endorsement of this approach. This would give life to the Copenhagen Summit. It would please the smaller EEC countries by associating them with the process. It would enable the Germans to act in an EEC context. It would pick up and embrace the Ortoli plan to which the Chancellor referred this morning, and would indeed give it impetus. It would enable the Community to adopt a common attitude to major world issues and to countries outside the EEC. The timing would suit us well in relation to the Budget on 11th April, which the Chancellor could then relate to the wider initiative. Per contra, a statement to which four main European Governments subscribed made shortly before or shortly after Copenhagen, but without consultation in the Community, would seem very odd and would be regarded as a snub by other EEC members and the Commission.

8. These tactics depend critically upon American support. We have therefore slightly altered the end of the main paper, and spelt this out in greater length in the covering letter which you will send to Carter.

9. I am not suggesting that we try and cross all these bridges now: but the next steps are very relevant to the whole question of guidance telegrams, messages to other Heads of Government, etc. which was touched on at this morning's Seminar. Assuming that President Carter responds well to your initiative I think it will be important also to reach agreement with him on how to follow it up. For this purpose I shall hope to bring with me to Washington



a draft of the sort of recommendation we should aim to get from the Bonn meeting on 31st March, and also of course a copy of the paper we would circulate to that meeting.

JH
(John Hunt)

15th March, 1978