

Ministerialdirektor
Dr. Horst Schulmann
BUNDESKANZLERAMT

SECRET

53 Bonn 12, den 19. Mai 1978

Postfach
Fernruf 56 ...2400
oder 561 (Vermittlung)

Mr. Kenneth Couzens
Second Permanent Secretary
of the Treasury
Parliament Street
London SW 1 P 3 AG

Per Eilbote

Personal

Dear Ken,

Please find attached a summary of our recent discussions in Paris. I hope it is a fair record of what was said and a useful basis for further discussions.

I look forward to seeing you in Washington next week.

Best regards,

Horst

Possible Elements of a New European Exchange Rate Scheme

1. The elements of such a scheme can be discussed under the following headings:

- (a) margins for intra-Community exchange rate changes,
- (b) Community exchange rate policy vis-à-vis third currencies,
- (c) currencies of intervention,
- (d) financial mechanisms to support interventions,
- (e) role of EUA as a reserve medium,
- (f) supplementary financial mechanisms.

These points will be taken up in turn in the following paragraphs.

2. It is probably useful to think of such a scheme as an evolutionary one, i.e. not all participants need be subject to the same rules from the outset; it is desirable, however, that all Community member countries participate in the scheme from the very beginning. Although a two-tier "snake" is technically feasible it is politically not very attractive. In view of the relatively long time that some European currencies have spent outside the snake, a gradual, flexible approach to greater intra-Community exchange rate stability seems appropriate, however. Current exchange rates between snake and non-snake currencies in the Community appear to be roughly in equilibrium; the question is how tenable they are over a six or twelve month period. A

...

