

RTA on it's own

Prime Minister

Copy to Mr. Heath
with y copies
then back to me
RCA

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to be



British Embassy

PARIS

14th February 1973.

6/23

D J Mitchell Esq
HM Treasury
London SW1

V. in handwriting
AR/12

Dear Dave,

1. After the meetings here on the currency crisis over the weekend, I thought it would be worth having a word with Jean-René Bernard, (Elysée) to make sure that our reasons for not going along with the idea of a joint float of Community currencies were properly understood at the Elysée.

2. As it turned out, I need not have worried. I saw him on Monday evening (ie before the final solution emerged) and he fully understood both that conditions were still some way from being right for repegging and that this applied as much to assuming a particular relationship within a bloc of European currencies floating together against the dollar as to declaring a new parity. Bernard qualified this a shade by saying that he would be failing in his duty if he did not stress that the President nevertheless remained very anxious that the pound should return to a fixed parity as soon as possible. But he added that he thought the President's wish on this score was no stronger than Mr Heath's.

3. To emphasise our good European credentials, I told him that the Chancellor had been disappointed that the noises the Germans had made on Friday night about generous support arrangements had not in practice added up to anything when the Governor had discussed the point with Emminger in Basle. But I said we were very ready to pursue the idea of reserve pooling with our partners and see what could be done. Bernard agreed that this would be important, though he himself did not seem to envisage that anything very far reaching; nor did he show much enthusiasm when I referred to the need, as I saw it, to take account in any pooling arrangements of obligations as well as of reserve instruments of all kinds. His reaction (which was obviously personal) was that not even Monnet at his wildest had envisaged full reserve pooling. But he admitted that against the background of the last two weeks' events, something much more ambitious than the European Fund for Monetary Cooperation would be needed.

This is just what Monnet does and envisage.

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4. With all the pressures that must be on the Trésor at the moment, I am not pressing to see anyone there. But I will try to collect their reactions to the final package before the end of the week.

5. I am sending a copy of this letter to Robert Armstrong. May I leave any further distribution to you if you think it necessary.

Yours ever,

D M D Thomas

D M D Thomas

cc: R.T. Armstrong Esq
10 Downing Street.

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