

PRIME MINISTER

The Chancellor has reported by telephone from Washington. G5 have issued an agreed statement at the end of their meeting which covers a number of subjects and you will be able to get the full text from the tape. But the key passage is to the effect that "Ministers and governors reaffirmed their commitment made at Williamsburg to undertake guaranteed intervention in the market as necessary".

The Chancellor said that it was unprecedented for G5 to issue a statement and that in itself should have an effect on the market, as well as the content of the statement. But he said that it was not bluff and if the statement was tested by a further significant upward movement in the dollar, the G5 countries had agreed that there would be concerted intervention on a significant scale. The United Kingdom, French and Germans are having a private meeting later this evening in Washington to tie up the practical arrangements for such intervention.

The Chancellor added that the Prime Minister's message had had a substantial effect in altering US attitudes. He believes that, as a result of that message, he could have got a separate statement from the United States about action to prevent a further fall in the value of the pound. But he thinks that both on political grounds and in terms of the impact on the market this more general statement on behalf of all the members of G5 would have a more significant effect. The Chancellor said that he was very pleased with this outcome which gave him all that he had hoped for when he came to Washington. He suggested that we let the statement speak for itself and I have suggested to Bernard that if asked about it he should simply say that we are extremely satisfied with this outcome of the G5 meeting.

The statement does not cover the United States deficit, but the Chancellor said that the line on that was that all other G5 members expressed their grave concern at the size and persistence of the United States deficit. The Chancellor said that Secretary Regan thought this line would be helpful to him in working for a reduction of the deficit.

As regards your talks with Chancellor Kohl tomorrow, there was nothing that Mr Lawson particularly wanted you to say other than to express your satisfaction at the unanimity which had been achieved and at the similarity of view between Mr Lawson and Herr Stoltenberg.

Robin Butler

17 January 1985