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DEPARTMENT OF STATE

2016  
S/S 7607106

Washington, D.C. 20520

April 5, 1976

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. BRENT SCOWCROFT  
THE WHITE HOUSE

Subject: Message from the President to  
Prime Minister Callaghan

Foreign Secretary James Callaghan is expected to be elected leader of the British Labor Party by a ballot (the third) of Labor members of Parliament to be counted at about noon, Monday, April 5. The announcement of the results will follow almost immediately and will be available to us at about 12:30 pm (6:30 pm London time) that day. As leader of the majority Labor Party, Callaghan will automatically become Prime Minister. We assume the President will wish to convey his congratulations and best wishes.

Attached are suggested talking points, should the President wish to telephone the Prime Minister, and a suggested message should he prefer the written channel. Another alternative would be to both telephone and send a message.

We have made arrangements to be advised as soon as the results are announced and will immediately advise a member of your staff.

  
George S. Springsteen  
Executive Secretary

Attachments:

1. Suggested talking points
2. Suggested written message

~~CONFIDENTIAL~~  
GDS

Wm 3/19/04



16

Suggested Talking Points for a Telephone Call to  
PM Callaghan:

- I am delighted to extend warm congratulations on your election as leader of your Party and designation as Prime Minister.
- It is especially pleasing to be able to say this to a person whom I have met and worked with as we have on several occasions.
- On the basis of these meetings, I am confident the UK will have in you a most experienced and strong leader.
- I hope we will be in frequent contact since we lead two of the most important industrial democracies, and in concert we can exert a very powerful positive influence on the problems and opportunities which will arise.
- Let me take this occasion to say that I am very much aware of the difficult period the UK has been going through. I admire the strong actions the government has taken in its program to control inflation and to achieve a balanced recovery.
- The success of this program is bound to affect favorably the general welfare of Britain, strengthen its important place in the world and have a favorable impact in the United States.

Draft Letter to PM Callaghan:

On this occasion of your selection to be Prime Minister, I wish to extend my most sincere congratulations and every good wish for your success in that high post. I also will take this opportunity to initiate what I hope can be a fruitful exchange of ideas and thoughts between us as we face the continuing series of problems and opportunities that will occur.

It is especially pleasing to be able to send this kind of message to a friend, as well as a respected colleague. I believe it fortunate, as we begin a new and important relationship as leaders of two major industrial states, that we know each other and have worked with each other in the past. At meetings in Washington, Brussels, Helsinki, and Rambouillet, we have consulted on important issues and, on the basis of that experience, I am confident that we will continue to maintain the excellent relations our two countries have enjoyed, and to strengthen our joint effort to help preserve the peace and well-being of the world.

I am aware of the very great strains the United Kingdom has faced in these past 18 months because of

the world recession. I greatly admire the vigorous program the British Government has undertaken to control inflation, boost export-led growth and encourage a revival of industry, while preserving your high standard of social goals. Its success will be important not only for Britain, but for all the economies of the Western world, and a cause of great satisfaction for us as your friend and ally.

You can count on my personal support and the close cooperation of the United States Government.

Warm personal regards.

# NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NUMBER
MO	DA	MO	DA	HR	
45	45	20			760 2016

INITIAL ACTION O  
*Clift*

TO: PRES ☒ FROM: SECSTATE \_\_\_\_\_ S/S 760 7106 UNCLAS LOG IN/OUT  
SCOWCROFT ☒ SECDEF \_\_\_\_\_ LOU NO FORN MODIS  
HYLAND \_\_\_\_\_ DCI \_\_\_\_\_ X REF C EYES ONLY EXDIS  
DAVIS \_\_\_\_\_ STATE EXSEC ☒ S CODEWORD  
OTHER \_\_\_\_\_ TS SENSITIVE

SUBJECT: *Pres congratulatory msg to Callaghan  
re election as new PM of Britain*

## INTERNAL ROUTING AND DISTRIBUTION

	ACTION	CONCURRENCE	COORDINATE	INFO	REC CY FOR
ADV CYS S-CROFT/ WGH					
STAFF SECRETARY					
CONGRESSIONAL					
ECONOMIC					
EUR/CANADA <del>COBANS</del>	<input checked="" type="checkbox"/>				
FAR EAST/ PRC					
INTELLIGENCE					
LATIN AMERICA					
MID EAST/ NO. AFRICA					
NSC PLANNING					
PROGRAM ANALYSIS					
SCIENTIFIC					
SUB-SAH/ AFRICA/ UN					

## ACTION REQUIRED

MEMO FOR SCOWCROFT. ☒  
MEMO FOR PRES. ☐  
REPLY FOR ☐  
APPROPRIATE ACTION ☐  
MEMO \_\_\_\_\_ TO \_\_\_\_\_ ☐  
RECOMMENDATIONS ☐  
JOINT MEMO ☐  
REFER TO ☐  
ANY ACTION NECESSARY ☒  
CONCURRENCE ☐  
DUE DATE: 4/10

## COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

*Does 1997X close this item? Yes — NO —*

## SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
4/6	Clift	NSC/S	NEAN	ans 4/5/76 under Log # 1997X AClift		
4/6			C	see 760/1997 for action		

## NSC/S DISP INSTR

DISPATCH \_\_\_\_\_ NOTIFY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

SPECIAL INDEXING: GW: 760 1997

SUSPENSE CY ATTACHED ☒

MICROFILM & FILE ROMTS

M/F D \_\_\_\_\_ BY \_\_\_\_\_

CRT ID: 1976 IF \_\_\_\_\_

OPEN ☒ SA FP

CLOSE ☒

MEMORANDUM


NATIONAL SECURITY COUNCIL

1997X

~~CONFIDENTIAL~~

ACTION  
April 5, 1976

MEMORANDUM FOR BRENT SCOWCROFT

FROM: Mr. Clift 

SUBJECT: Congratulatory Message to Prime Minister  
Callaghan

On the occasion of James Callaghan's selection by the Labor Party as new Prime Minister, I believe it would be appropriate and desirable for the President to send a message of congratulations via the Cabinet Line.

The memorandum for your signature to the President at Tab I would forward for his approval the message of congratulations at Tab A to Prime Minister Callaghan and inform him that, subject to his approval, the text will be sent to the Prime Minister via the Cabinet Line. I would also recommend that you approve the NODIS memorandum for Jeanne Davis' signature to State (Tab II), passing the text of the President's message for the information of the Department.

The President's letter has been cleared by Doug Smith in Robert Hartmann's office.

RECOMMENDATION

1. That you sign the memorandum to the President at Tab I.
2. Following Presidential approval that Jeanne Davis provide State (memorandum at Tab II) with the text of the message.

APPROVE ✓ DISAPPROVE                     

~~CONFIDENTIAL~~  
XGDS

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY         , NARA, DATE 3/9/04



219

I





MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

1997X

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: Brent Scowcroft *BS*

SUBJECT: Message of Congratulations to Prime Minister  
Callaghan

The British Labor Party on Monday elected Foreign Secretary James Callaghan as the new Prime Minister. On this occasion, it would be appropriate for you to send Prime Minister Callaghan a message of congratulations via the Cabinet Line. The message to Mr. Callaghan for your approval at Tab A would express your sincere congratulations on his selection and that you look forward to working with him as a friend and colleague. Subject to your approval of the message I will arrange for the text to be cabled to the Prime Minister via the Cabinet Line.

Your message has been cleared with Robert Hartmann's office.

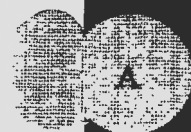
RECOMMENDATION

That you approve the message at Tab A.

APPROVE *JS* DISAPPROVE \_\_\_\_\_

~~CONFIDENTIAL~~  
XGDS

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY Ch, NARA, DATE 3/9/04



April 5, 1976

*Sent for OOR  
4/6/76 25*

VIA THE CABINET LINE --~~CONFIDENTIAL~~--  
FROM THE PRESIDENT  
TO PRIME MINISTER CALLAGHAN

Dear Mr. Prime Minister:

I wish to extend my most sincere congratulations and every good wish for success on the occasion of your selection as Prime Minister.

It is especially pleasing to send this message to a good friend, as well as a respected colleague. At our meetings in Washington, Brussels, Helsinki, and Rambouillet, we have worked together to meet the challenges facing our countries and other industrial democracies. I am confident that we will continue to maintain the excellent relations our two countries enjoy, and I look forward to strengthening further our efforts to preserve the peace and well-being of the world. You can count on my personal support and the close cooperation of the United States Government.

As you assume your high office, you have my very best wishes.

Warm personal regards,

Gerald R. Ford

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/88, STATE DEPT. GUIDELINES  
BY 21, NARA, DATE 3/9/04

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II



24

17712

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

~~CONFIDENTIAL/NODIS~~

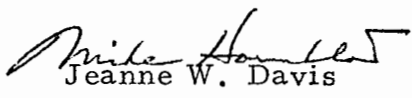
April 7, 1976

MEMORANDUM FOR

George S. Springsteen  
Executive Secretary  
Department of State

SUBJECT: Presidential Message of Congratulations to UK  
Prime Minister Callaghan (S/S 7607106)

With reference to your memorandum of April 5, 1976, a copy of the President's message of congratulations as sent to Prime Minister Callaghan is attached for the information of the Department of State.

*for*  
  
Jeanne W. Davis  
Staff Secretary

~~CONFIDENTIAL/NODIS~~

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY Ma, NARA, DATE 3/9/04

April 5, 1976

*Sent for OOR  
4/6/76*

VIA THE CABINET LINE ---~~CONFIDENTIAL~~  
FROM THE PRESIDENT  
TO PRIME MINISTER CALLAGHAN

Dear Mr. Prime Minister:

I wish to extend my most sincere congratulations and every good wish for success on the occasion of your selection as Prime Minister.

It is especially pleasing to send this message to a good friend, as well as a respected colleague. At our meetings in Washington, Brussels, Helsinki, and Rambouillet, we have worked together to meet the challenges facing our countries and other industrial democracies. I am confident that we will continue to maintain the excellent relations our two countries enjoy, and I look forward to strengthening further our efforts to preserve the peace and well-being of the world. You can count on my personal support and the close cooperation of the United States Government.

As you assume your high office, you have my very best wishes.

Warm personal regards,

Gerald R. Ford

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY       , NARA, DATE 3/9/04

NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NUMBER
MO	DA	MO	DA	HR	
4	5	4	5	18	7601997x

24

INITIAL ACTION O

SOURCE/CLASS/DESCRIPTION

TO: PRES X FROM: SECSTATE \_\_\_\_\_ S/S 7607106 UNCLAS LOG IN/OUT \_\_\_\_\_

SCOWCROFT X SECDEF \_\_\_\_\_ LOU NO FORN NODIS \_\_\_\_\_

HYLAND \_\_\_\_\_ DDI \_\_\_\_\_ X REF C EYES ONLY EXDIS \_\_\_\_\_

DAVIS \_\_\_\_\_ STATE EXSEC X S CODEWORD \_\_\_\_\_

OTHER CLIFT TS SENSITIVE \_\_\_\_\_

SUBJECT: Pres Congratulatory msg to new PM Callaghan of Britain - LA

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION					REC CY FOR	ACTION REQUIRED
	ACTION	CONCURRENCE	COORDINATE	INFO		
ADV CYS S'CROFT/WGH						MEMO FOR SCOWCROFT. _____
STAFF SECRETARY						MEMO FOR PRES. _____
CONGRESSIONAL						REPLY FOR _____
ECONOMIC						APPROPRIATE ACTION. _____
EUR/CANADA/OCEANS						MEMO _____ TO _____
FAR EAST/PRC						RECOMMENDATIONS. _____
INTELLIGENCE						JOINT MEMO. _____
LATIN AMERICA						REFER TO _____ FOR: _____
MID EAST/NO. AFRICA						ANY ACTION NECESSARY? _____
NSC PLANNING						CONCURRENCE. _____
PROGRAM ANALYSIS						DUE DATE: _____
SCIENTIFIC						COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
SUB-SAH/AFRICA/UN						

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
4/5		SCOWCROFT	X	Pres to sign msg	(4/10)	
4/5		PRES		decision		
4-6				Pres approved		

NSC/S DISP INSTR

DISPATCH \_\_\_\_\_ NOTIFY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

SPECIAL INDEXING: \_\_\_\_\_

SUSPENSE CY ATTACHED \_\_\_\_\_

MICROFILM & FILE ROOMS

M/F/D \_\_\_\_\_ BY \_\_\_\_\_

CRT ID: \_\_\_\_\_ IF \_\_\_\_\_

OPEN \_\_\_\_\_ NS DY \_\_\_\_\_

CLOSE \_\_\_\_\_ WH SA FP \_\_\_\_\_

PA \_\_\_\_\_

add on 1997 X 3

4/7 led Callaghan  
ltr to Pres

clift APR 1976

msg = m/f file  
(PA)



—

THE WHITE HOUSE  
WASHINGTON

Staff 30

4.7.76

TO: Brent Scowcroft

For Your Information: \_\_\_\_\_

For Appropriate Handling: ✓

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RDL  
Robert D. Linder

COVERING RESTRICTED



30  
BRITISH EMBASSY,  
WASHINGTON, D. C.

The President  
The White House ,

7 April 1976

Dear Mr. President

I have pleasure in forwarding a message to you from the British Prime Minister, Mr James Callaghan, the text of which is now enclosed.

Yours sincerely  
Peter Ramsbotham

(Peter Ramsbotham)  
H M Ambassador

MICROFILM	DATA
EO	✓
APR 8 1976	
ORIG	
TO	) 24 ✓
W.D.	
SUB	



COVERING RESTRICTED

RESTRICTED



30

7 April 1976

My dear Mr President

Thank you so much for your kind message which I received this morning. Your good wishes were a source of encouragement to me as I take up my duties as Prime Minister. I particularly welcomed your offer of support and co-operation, and I assure you that one of my principal aims will be to continue and foster the excellent relations between our two Governments and our two Countries.

With warm regards and best wishes,

Yours sincerely,

Jim Callaghan.

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
State Dept. Guidelines  
By Julia, NARA, Date 3/9/04



RESTRICTED

DE IMMED  
DE WTE #2489 125150Z  
O 041452Z MAY 76  
FM PRESIDENT FORD

TO PRIME MINISTER CALLAGHAN

~~CONFIDENTIAL~~ WH88648

MAY 74, 1976

FROM THE PRESIDENT  
TO PRIME MINISTER CALLAGHAN

DEAR MR. PRIME MINISTER:

I HAVE BEEN GIVING THOUGHT TO THE POSSIBLE VALUE OF ANOTHER SUMMIT MEETING SUCH AS WAS HELD LAST FALL AT RAMBOUILLET. IT IS MY TENTATIVE THOUGHT THAT IT MAY BE TIME TO REVIEW DEVELOPMENTS SINCE OUR EXCELLENT DISCUSSIONS IN NOVEMBER AND TO MAP FURTHER STEPS. SECRETARY KISSINGER DISCUSSED THIS IDEA IN GENERAL TERMS WITH THE FOREIGN SECRETARY WHEN THEY MET ON APRIL 23. I HAVE ALSO ASKED HIM TO EXPLORE IT WITH PRESIDENT GISCARD DURING HIS STOP IN PARIS ON MAY 7. I HAVE ASKED GEORGE SHULTZ TO DISCUSS THE IDEA WITH CHANCELLOR SCHMIDT ON SUNDAY, MAY 9, AND I WONDERED WHETHER YOU MIGHT HAVE TIME TO SEE SHULTZ AS WELL, PERHAPS IN LONDON ON MONDAY, MAY 10. IF THIS IS INCONVENIENT, PERHAPS ONE OF YOUR COLLEAGUES COULD RECEIVE SHULTZ AT THAT TIME. SHULTZ WOULD BE PREPARED TO EXPLORE POSSIBLE AREAS FOR INCLUSION IN THE DISCUSSIONS, TIMING AND ALSO TO EXPRESS SOME OF MY CONCERNS ABOUT ITALY. I WOULD BE MOST ANXIOUS TO HAVE YOUR THOUGHTS AND HOPE THAT A BRIEF CALL BY GEORGE SHULTZ CAN BE ARRANGED.

WARM PERSONAL REGARDS,  
GERALD R. FORD

8241

\*\*\*\*\*WHSR COMMENT\*\*\*\*\*

MYLAND, HCFARLANE, RODMAN

RECALLED  
PSN:026716 PAGE 01 OF 01 TOR:125/15:02Z DTG:041452Z MAY 76

\*\*\*\*\*CONFIDENTIAL\*\*\*\*\* COPY

DECLASSIFIED

E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES

BY NA, NARA, DATE 3/9/04



5

638

\*\*\*\*\*CONFIDENTIAL\*\*\*\*\* COPY

77777777

PRIORITY 061620Z MAY 76  
FM PRIME MINISTER CALLAGHAN

TO PRESIDENT FORD

~~CONFIDENTIAL~~ U/N 6 MAY 76

FROM THE PRIME MINISTER  
TO THE PRESIDENT

DEAR MR. PRESIDENT,

THANK YOU SO MUCH FOR YOUR MESSAGE OF 4 MAY.  
YOU WILL PROBABLY BY NOW HAVE SEEN TONY CROSLANDS  
MESSAGE TO HENRY, BUT I WANTED TO LET YOU KNOW THAT I  
LOOK FORWARD TO SEEING GEOGGE SHULTZ IN LONDON ON MONDAY,  
BOTH TO DISCUSS THE IDEAS YOU MENTION IN YOUR MESSAGE AND  
ALSO TO HEAR YOUR THOUGHTS ABOUT ITALY. IF CONVENIENT  
TO HIM, I WOULD BE HAPPY TO SEE HIM AT NOON THAT DAY.

WITH BEST WISHES AND WARM PERSONAL REGARDS,  
JIM CALLAGHAN

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY DAB, NARA, DATE 3/9/04

\*\*\*\*\*WHSR COMMENT\*\*\*\*\*

SCOWCROFT, HYLAND, MCFARLANE, RODMAN

PSN:028141 RECALLED PAGE 01 OF 01 TOR:127/16:26Z

\*\*\*\*\*CONFIDENTIAL\*\*\*\*\* COPY





10 DOWNING STREET

THE PRIME MINISTER

30 June 1976

lt. CF.4/  
W/B Hall  
~~McFadden~~  
~~Hyland~~  
Scurry

Dear Mr. President

On my return to London I wanted to send you both my thanks and congratulations for what I think we all agreed was a most successful and interesting conference in Puerto Rico.

I particularly appreciated the opportunity for a private talk with you and am grateful to you for sparing so much time during your very busy programme. I hope that we can continue to keep in close touch on the various points we discussed.

With renewed thanks for your hospitality and warm personal regards,


Yours sincerely  
Jim Callaghan

The Honourable Gerald R. Ford

THE WHITE HOUSE  
WASHINGTON760 4192~~CONFIDENTIAL~~

July 21, 1976

## MEMORANDUM FOR THE PRESIDENT

FROM: Brent Scowcroft 

SUBJECT: Telephone Call from Prime Minister Callaghan,  
8:00 a.m., Thursday, July 22, 1976

The British Prime Minister has inquired via the British Embassy in Washington if you would be available to take a telephone call from him at the opening of business Washington time on July 22. It is the Embassy's understanding from the Prime Minister's office that the Prime Minister will wish to inform you in advance of the budget cut decisions his government has just taken, and which he will be announcing on the floor of the House of Commons immediately following his call to you.

The budget has been under intense UK Cabinet review over the past several days, and we believe that Callaghan will announce a cut of at least one billion pounds for the Fiscal Year budget beginning in April 1977. This cut, it is expected, will have impact both on domestic and international British programs. It most certainly will include a cut for the Ministry of Defense.

We would expect Callaghan to advise that UK's commitments to NATO and the size of that commitment will not be reduced. We would further expect him to seek your understanding and to express the hope that the U.S. Government will avoid criticism either in Washington or in NATO.

Talking Points

1. Mr. Prime Minister, I very much appreciate your thoughtfulness in placing this call and providing advance notification of the steps you are taking.
2. As you know from our discussions, I admire the steps you have taken to deal with Great Britain's economic situation.
3. Clearly, Great Britain's contributions to NATO and to Western defense more generally are of the greatest importance to me and to the United States government.

DECLASSIFIED

E.O. 12958, SEC. 3.5

~~CONFIDENTIAL~~

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY       , NARA, DATE 3/9/04

~~CONFIDENTIAL~~

-2-

4. We are making progress on issues of great importance to the Alliance, and it is my hope that your government will continue its present level of commitment.
5. The gravity of the situation in the Eastern Mediterranean requires no elaboration. A continued British presence on Cyprus remains of great importance to stability in that region.

\* \* \* \*

6. Mr. Prime Minister, let me take the occasion of this call to express our shock and our very deep regret over the death of the British Ambassador in Dublin.

~~CONFIDENTIAL~~



MEMORANDUM

NATIONAL SECURITY COUNCIL

4192

~~CONFIDENTIAL~~

ACTION

July 21, 1976

MEMORANDUM FOR BRENT SCOWCROFT

FROM:

Mr. Clift 

SUBJECT:


Telephone Call from Prime Minister Callaghan

The memorandum for your signature to the President at Tab I will forward background information and talking points for the expected telephone call from Prime Minister Callaghan on July 22.

RECOMMENDATION

That you sign the memorandum at Tab I.

~~CONFIDENTIAL~~

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES  
BY , NARA DATE 3/9/04



## NSC CORRESPONDENCE PROFILE

DOC		REC'D			LOG NUMBER
MO	DA	MO	DA	HR	
7	21	7	22	14	7604192

INITIAL ACTION 0

TO: PRES \_\_\_\_\_ FROM: SECSTATE \_\_\_\_\_ S/S \_\_\_\_\_ UNCLAS LOG IN/OUT \_\_\_\_\_  
SCOWCROFT X SECDEF \_\_\_\_\_ LOU \_\_\_\_\_ NO FORM NODIS \_\_\_\_\_  
HYLAND \_\_\_\_\_ DCI \_\_\_\_\_ X REF \_\_\_\_\_ C EYES ONLY EXDIS \_\_\_\_\_  
DAVIS \_\_\_\_\_ STATE EXSEC \_\_\_\_\_ S CODEWORD \_\_\_\_\_  
OTHER Clift TS SENSITIVE \_\_\_\_\_

SUBJECT:

Interview & Background info for Pres telephone call to PM Callaghan of Great Britain July 22 re budget cut decisions made by government of Great Britain

## INTERNAL ROUTING AND DISTRIBUTION

	ACTION	CONCURRENCE	COORDINATE	INFO	REC CY FOR
ADV CYS S'CROFT/WGH					
STAFF SECRETARY					
CONGRESSIONAL					
ECONOMIC					
EUR/CANADA/OCEANS					
FAR EAST/PRC					
INTELLIGENCE					
LATIN AMERICA					
MID EAST/NO. AFRICA					
NSC PLANNING					
PROGRAM ANALYSIS					
SCIENTIFIC					
SUB-SAH/AFRICA/UN					

## ACTION REQUIRED

MEMO FOR SCOWCROFT. \_\_\_\_\_  
MEMO FOR PRES. \_\_\_\_\_  
REPLY FOR \_\_\_\_\_  
APPROPRIATE ACTION. \_\_\_\_\_  
MEMO \_\_\_\_\_ TO \_\_\_\_\_  
RECOMMENDATIONS. \_\_\_\_\_  
JOINT MEMO. \_\_\_\_\_  
REFER TO \_\_\_\_\_ FOR: \_\_\_\_\_  
ANY ACTION NECESSARY? \_\_\_\_\_  
CONCURRENCE. \_\_\_\_\_  
DUE DATE: \_\_\_\_\_

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

Callaghan, James

## SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
7/22		Clift	X	Pres talkers	7/22	
7/21		Pres		Talkers		
7/23		NSC/S	C	Noted by Pres		

## NSC/S DISP INSTR

DISPATCH \_\_\_\_\_ NOTIFY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

SPECIAL INDEXING: \_\_\_\_\_

SUSPENSE CY ATTACHED

MICROFILM &amp; FILE ROOMS

M/F/D

JUL 25 1976

IF

NS

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OPEN

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8

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 017601

REASON FOR WITHDRAWAL . . . . National security restriction

TYPE OF MATERIAL . . . . . Letter

CREATOR'S NAME . . . . . Prime Minister James Callaghan

RECEIVER'S NAME . . . . . President Ford

DESCRIPTION . . . . . Re nuclear weapons

CREATION DATE . . . . . 07/30/1976

VOLUME . . . . . 5 pages

COLLECTION/SERIES/FOLDER ID . 035100082

COLLECTION TITLE . . . . . NATIONAL SECURITY ADVISER. PRESIDENTIAL  
CORRESPONDENCE WITH FOREIGN LEADERS

BOX NUMBER . . . . . 4

FOLDER TITLE . . . . . United Kingdom - Prime Minister James  
Callaghan

DATE WITHDRAWN . . . . . 03/12/2004

WITHDRAWING ARCHIVIST . . . . GG

EXEMPTED

5/4/11

REDACTED

8/25/11



10 DOWNING STREET

COPY NO. 1 OF 5 COPIES

Received by Hand  
2:55 pm 8-9-76

THE PRIME MINISTER

30 July 1976

Dear Mr. President,

As you know, it has been the practice whenever the office of United States President or British Prime Minister has changed hands to reaffirm the understandings between our two Governments with regard to consultation on the use of nuclear weapons. These understandings were most recently confirmed by an exchange of letters between Mr. Wilson and yourself dated 16 December 1974 and 9 January 1975 respectively. I should like to suggest that, following my assumption of office, the understandings be reaffirmed in the usual way. For your convenience, I enclose the text of the Memorandum which was enclosed with your letter of 9 January 1975 to Mr. Wilson, and I should be most grateful for your confirmation that the understandings between our two Governments, as set forth in this Memorandum, remain fully in effect.

DECLASSIFIED w/ portions exempted

E.O. 12958 (as amended) SEC 3.3

DATE 06-06-13

plate 44 5/5/09, OSD 14 5/25/11

By dae NARA Doc 12/14/11

Yours sincerely  
Jim Callaghan



The President of the United States of America.



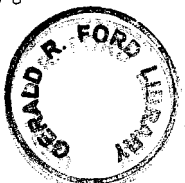
## 10 DOWNING STREET

### UNDERSTANDINGS WITH THE BRITISH ON THE USE OF BRITISH BASES AND NUCLEAR WEAPONS

1. Our understanding on the use of British bases is that the President and Prime Minister will reach a joint decision by speaking personally with each other before certain forces equipped with US nuclear weapons and operating from bases in the United Kingdom [ ] [ ] will use nuclear weapons, namely SAC, British Strike Command (excluding aircraft of such Command equipped with British nuclear weapons), forces in the United Kingdom which are assigned or earmarked for assignment to a NATO commander, US Polaris and Poseidon submarine in British territorial waters and US forces [ ]. The basic understanding is contained in the communique of 9 January 1952, covering the Truman-Churchill talks:

"Under arrangements made for the common defence, the United States has the use of certain bases in the United Kingdom. We re-affirm the understanding that the use of these bases in an emergency would be a matter for joint decision by His Majesty's Government and the United States Government in the light of circumstances prevailing at the time."

Procedures for carrying out this basic understanding were agreed upon in the Murphy-Dean Agreement of 7 June, 1958, which was approved by the President and the Prime Minister. The covering document, the Report to the President and the Prime Minister, repeats almost literally the language of the Truman-Churchill communique:



"2. The basic understanding between the United Kingdom and United States Governments, regarding the use of bases in the United Kingdom by United States forces, provides that such use in an emergency shall be a matter for joint decision by the two Governments in the light of the circumstances at the time."

2. There is a second, more general understanding with the British that we will consult with them before using nuclear weapons anywhere, if possible. The basic understanding on this point is contained in a memorandum of conversation of a meeting between the President and Eden on 9 March, 1953. Eden had asked for an assurance of consultation by the President with the Prime Minister prior to US use of any nuclear weapon:

"He (the President) said that the United States would, of course, in the event of increased tension or the threat of war, take every possible step to consult with Britain and our other allies."

The President re-affirmed this understanding when he wrote to the Prime Minister on 27 October, 1960, in connection with the Holy Loch berthing:

"With reference to the launching of missiles from US Polaris submarines, I give you the following assurance, which of course is not intended to be used publicly. In the event of an emergency, such as increased tension or the threat of war, the US will take every possible step to consult with Britain and other allies. This re-affirms the assurance I gave to Foreign Secretary Eden on 9 March, 1953."

---

This assurance is to be taken as applying with respect to fleet ballistic missile submarines (Poseidon equipped) in the same manner and to the same extent as with respect to Polaris submarines.

3. It should be noted that the agreement for joint decision by the President and the Prime Minister covers those United States forces which would operate from land bases in the United Kingdom or in United Kingdom territorial waters [REDACTED]. It follows therefore that other United States forces (i.e. those not operating from land bases in the United Kingdom or in United Kingdom territorial waters [REDACTED]) would be covered only by the more general understanding referred to in paragraph 2 above.

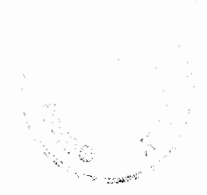
4. There is also an understanding in respect of US nuclear weapons destined for release in emergency to [REDACTED]  
[REDACTED] which was set out in an exchange of letters between Prime Minister Wilson and President Johnson in 1965. In reply to Mr. Wilson's letter of 5 August, 1965, President Johnson confirmed in a letter dated 11 November, 1965, that "The nuclear weapons intended for use [REDACTED]  
[REDACTED] would not be released for use in advance of the joint decision on release for use to United States and British forces of United States ASW nuclear weapons also stored in the United Kingdom under the same NATO plan."

DRAFT REPLY FROM THE PRESIDENT TO THE PRIME MINISTER

Quote

Thank you for your letter of ..... about the understandings between our two Governments with regard to consultation on the use of nuclear weapons. I am pleased to confirm the United States Government will regard the Memorandum of Understandings which was enclosed with your letter, and which was last reaffirmed in my letter of 9 January 1975 to Mr. Wilson, as remaining in effect.

Unquote





THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

MEMORANDUM FOR: THE PRESIDENT  
FROM: BRENT SCOWCROFT  
SUBJECT: Message from Prime Minister Callaghan

Prime Minister Callaghan, via the Cabinet line, has sent you a message (Tab A) expressing gratitude for your sympathetic response to his current difficulties and for your agreement that UK discussions with the IMF should be expedited.

Callaghan states that he is convinced that his general strategy is sound and that the pound's decline earlier this week has been almost wholly because of speculative selling. He points out that the UK has cut its rate of inflation by half in the last year, is reducing its government deficit next year to 3%, has announced a tight guideline for the money supply, obtained agreement of the trade unions to a tighter realm of incomes policy. He indicates, however, that the UK could not afford to continue support for sterling in the face of such speculation even though it realizes that a stable exchange rate is in its interest and that of the West in general. Callaghan believes that if he can get a quick and sympathetic response from the IMF on the basis of its present policies and announced objectives, the pressure of the pound should be eased, at least in the short term.

Callaghan adds, however, that sound UK policies are subject to special and separate risks resulting from the possibility of major withdrawal of sterling balances which currently overhang the market. These constantly threaten to magnify small decreased in the rate of exchange, creating chaotic conditions such as those experienced earlier this week. [There are roughly \$5.5 billion worth of sterling outstanding -- held primarily by Nigeria (\$1.5 billion), Saudi Arabia (\$1.4 billion), and Kuwait and Abu Dhabi (\$2.2 billion)]. Callaghan indicates that this overhang problem must be solved if the British economy is to be held on a straight course and if its policies are to be given a chance to succeed. He hopes that a solution could be found to this problem, which would not require any significant

DECLASSIFIED

E.O. 12958, SEC. 3.5

~~SECRET~~ - XGDS

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES, state review 9/17/03  
BY Ma, NARA, DATE 3/9/04

lending by the UK's partners over and above that being made available through the IMF and that the existence of a "contingent loan facility" linked to the sterling balances would suffice to exert a significant calming effect. Without such a solution the UK would be forced into action which would put at risk the UK's contribution "as an ally and a partner in the Western Alliance and its value as a member of the International Trading Community". He intends to do everything he can to fight against this, but it is not a problem the UK can "tackle by ourselves".

Callaghan would like to discuss these matters further with you in due course, and Denis Healey is thinking of talking to Bill Simon soon after Manila.

\* \* \* \* \*

#### Comments on Message

The two essential points of the Callaghan message are: one, that present UK policies and objectives are adequate to deal with the UK problem, thus implying that the IMF should set no new conditions on UK policy or performance. In fact, it is likely that the IMF will insist on greater restraint on public spending and slower growth in money supply. Callaghan doubtless fears that such measures would worsen Britain's unemployment level, which is at a 30-year high. Without such measures, however, Britain is likely to continue to have to borrow heavily. The difficult task will be to figure out a balance between measures necessary to achieve domestic stability and thus reduce Britain's dependence on external borrowing but which also avoids too sharp a cutback in public spending, too severe an increase in taxes, and too abrupt a drop in money creation, which would significantly worsen unemployment.

The second point is that the British are seeking a separate solution to the sterling overhang problem -- the roughly \$5.5 billion held abroad which Callaghan fears could be sold in a way which would create chaotic conditions in the currency market. For a number of years, this has been a problem for Britain. The obvious answer to the problem is success by Britain in stabilizing its domestic economy in order to increase confidence in those countries which hold sterling, coupled with enough potential borrowing power from the IMF to avoid minor disruptions in the currency market which would cause sterling holders to dump their currency. We will have to explore this issue further with the British to determine just what they have in mind.

Ed Yeo is going to the UK tonight, and should gain a clearer picture of what the British have in mind on both issues.

The British are clearly at a critical stage in their economic decision-making. Their belt-tightening efforts of the last several months are perceived as inadequate by the international financial community -- which is today less confident than in the recent past in the ability of the British government to hold down its wage and government spending policies. The settlement of the threatened seamen's strike last week was seen by a number of people as potentially inflationary; although the actual pay increase fell within the government's guidelines, fringe benefits included in the package will be very costly. In addition, the increase in the money supply for the three-month period ending in mid-August was at a rate of 16%, well above the target rate of 12%. Furthermore, roughly £900 were sold in the second quarter.

This data combined with no further progress in reducing the inflation contributed to the recent weakening of confidence in the British economic outlook. These overshadowed the recent successes of the British economy, such as lower than expected government borrowing requirement and some improvement in the trade balance. On top of these developments, pronouncements of the Labor Party conference regarding nationalization of banks and insurance companies, dissatisfaction with the government's restraint of the growth of public expenditures, and the strength of the left wing of the Labor Party in the election of the party executive, even though these have little influence on the policy of the UK government, would appear to have had an adverse influence on the foreign exchange markets.

Thus, while the drop in sterling has been in part due to a psychological reaction, or as Callaghan calls it "almost wholly speculative selling, bearing little relationship to an underlying economic position and prospect", it is also a result of the market's perception that the British economic performance still leaves something to be desired. The major question which will have to be addressed by Britain and the IMF is what actions Britain must take to make greater progress toward stability, and which of these actions Britain believes to be politically tolerable in light of its domestic unemployment situation and labor pressures. It is clearly undesirable for us to become involved in negotiations with the IMF. If, for instance, we press the IMF to be more lenient on the UK, the result may be insufficient progress in the UK toward equilibrium and thus a continued reliance on foreign borrowing. This would only postpone the inevitable crisis. On the other hand, we should be as helpful as possible to the British in encouraging them to find the most satisfactory ways of reducing their monetary supply and curbing government expenditure. If Callaghan and Healey desire it, this could mean strengthening their hand versus the Labor left by applying a combination of pressure and support.

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To Bob Hornsby  
Diffy  
Absolutely typ  
Only  
Do not share  
Bud

BRV

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~~SECRET~~

\*\*\*\*\*

77779777

WHCA/ CAB881  
IMMEDIATE  
302210Z SEP  
FROM CABINET OFFICE LONDON

TO WHITE HOUSE

~~SECRET~~

DEAR MR. PRESIDENT,  
I WANT TO THANK YOU FOR FINDING TIME TO TALK  
TO ME YESTERDAY IN WHAT I KNOW MUST BE A HECTIC PERIOD FOR YOU.  
I WAS MOST GRATEFUL FOR YOUR SYMPATHETIC RESPONSE TO OUR CURRENT  
DIFFICULTIES AND FOR YOUR AGREEMENT THAT OUR DISCUSSIONS WITH  
THE IMF SHOULD BE EXPEDITED.

I AM CONVINCED THAT OUR GENERAL STRATEGY IS A SOUND ONE AND  
THAT WHAT WE SAW IN THE EXCHANGE MARKETS EARLIER THIS WEEK WAS  
ALMOST WHOLLY SPECULATIVE SELLING, BEARING LITTLE RELATIONSHIP  
TO OUR UNDERLYING ECONOMIC POSITION AND PROSPECT. WE HAVE CUT  
OUR INFLATION RATE BY HALF IN THE LAST YEAR; WE HAVE TAKEN ACTION  
TO GET OUR GENERAL GOVERNMENT DEFICIT NEXT YEAR DOWN TO 3 PER  
CENT; WE HAVE ANNOUNCED A GUIDELINE FOR THE MONEY SUPPLY SIMILAR TO  
YOURS; AND LAST WEEK WE SOLD 1 BILLION POUNDS OF GOVERNMENT BONDS,  
ENOUGH TO KNOCK ONE AND A HALF PER CENT OFF THE MONEY SUPPLY.  
FURTHERMORE, WE HAVE OBTAINED THE AGREEMENT OF THE TRADE UNIONS  
TO A TIGHTER ROUND OF INCOMES POLICY AND WE ARE GETTING GOOD  
CO-OPERATION FROM INDUSTRY FOR OUR NEW INDUSTRIAL STRATEGY. BUT  
WE JUST COULD NOT AFFORD TO GO ON INTERVENING IN THE MARKET TO  
SUPPORT STERLING TO THE EXTENT THAT WE HAD BEEN DOING RECENTLY,  
EVEN THOUGH WE REALISE THAT A STABLE EXCHANGE RATE IS IN BOTH  
OUR INTERESTS AND THAT OF THE WESTERN DEMOCRACIES GENERALLY.

IF WE CAN GET A QUICK AND SYMPATHETIC RESPONSE FROM  
THE IMF, AND ON THE BASIS OF OUR PRESENT POLICIES AND ANNOUNCED  
OBJECTIVES, THE PRESSURE ON THE POUND SHOULD BE EASED AT LEAST  
IN THE SHORT-TERM. BUT HOWEVER SOUND OUR POLICIES, WE WILL  
CONTINUE TO FACE SPECIAL AND SEPARATE RISKS ARISING FROM THE  
POSSIBILITY OF SUBSTANTIAL WITHDRAWAL OF STERLING BALANCES.  
WHILE THESE BALANCES OVERHANG THE MARKET, THERE IS ALWAYS THE  
RISK THAT A SMALL FALL IN THE EXCHANGE RATE WILL BECOME MAGNIFIED  
INTO THE CHAOTIC CONDITIONS THAT WE SAW EARLIER THIS WEEK.

WE ARE GOING TO HAVE TO FIND A SOLUTION TO THIS PROBLEM IF

\*\*\*\*\* WHSR COMMENT \*\*\*\*\*

SCDKCROFT, WYLAND, MCFARLANE, RODMAN

PSN1000425 PAGE 01 TOR1274/22134Z DTG1302210Z SEP 70

\*\*\*\*\*

~~SECRET~~

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DECLASSIFIED *State Review*

E.O. 13526 (as amended) SEC 3.3 8/06

NSC Memo, 3/06/06, State Dept. Guidelines  
By HR NARA, Date 10/12/12



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~~SECRET~~

\*\*\*\*\*S COPY

90

THE BRITISH ECONOMY IS TO BE HELD ON A STRAIGHT COURSE  
AND IF OUR POLICIES ARE TO BE GIVEN THE CHANCE TO SUCCEED.  
I WOULD HOPE THAT A SOLUTION COULD BE FOUND WHICH WOULD NOT  
REQUIRE ANY SIGNIFICANT LENDING BY OUR PARTNERS OVER AND ABOVE  
THAT BEING MADE AVAILABLE THROUGH THE IMF AND THAT THE EXISTENCE  
OF A CONTINGENT LOAN FACILITY LINKED TO THE STERLING BALANCES  
WOULD ITSELF SUFFICE TO EXERT A SIGNIFICANT CALMING EFFECT.

MY PRIVATE FEAR IS THAT WITHOUT SUCH A SOLUTION WE WOULD BE  
FORCED INTO ACTION WHICH WOULD PUT AT RISK THIS COUNTRY'S  
CONTRIBUTION AS AN ALLY AND A PARTNER IN THE WESTERN ALLIANCE  
AND ITS VALUE AS A MEMBER OF THE INTERNATIONAL TRADING COMMUNITY.  
I INTEND TO DO EVERYTHING I CAN TO FIGHT AGAINST THIS, BUT IT  
IS NOT A PROBLEM THAT WE CAN TACKLE BY OURSELVES.

I HAVE WRITTEN FRANKLY AND PERSONALLY BECAUSE I WANT YOU TO  
KNOW WHAT IS ON MY MIND. I WOULD LIKE TO DISCUSS THESE  
MATTERS FURTHER WITH YOU IN DUE COURSE AND I KNOW THAT DENIS  
HEALEY IS THINKING OF TALKING TO BILL SIMON SOON AFTER  
MANILA.

BEST WISHES  
YOURS SINCERELY  
CALLAGHAN

\*\*\*\*\*

~~SECRET~~

\*\*\*\*\*S COPY



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B

MEMORANDUM

5505X

NATIONAL SECURITY COUNCIL

~~SECRET~~

ACTION

October 1, 1976

MEMORANDUM FOR: BRENT SCOWCROFT  
FROM: ROBERT HORMATS *RH*  
SUBJECT: Message from Prime Minister Callaghan

At Tab I is a memorandum from you to the President describing and analyzing Callaghan's message to the President at Tab A. You may wish to send the memorandum along to the President, or simply use it to brief him on the current problems faced by the UK.

RECOMMENDATION

That you sign the memorandum for the President at Tab I.

Concur: Denis Clift



*Discussed with President*

~~SECRET~~ - XGDS

DECLASSIFIED  
E.O. 12958, SEC. 3.5  
NSC MEMO, 11/24/88, STATE DEPT. GUIDELINES  
BY *dh*, NARA, DATE *3/1/04*





af

# NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NUMBER
MO	DA	MO	DA	HR	
10	01	10	01	17	7605505X

INITIAL ACTION 0

TO: PRES \_\_\_\_\_ FROM: SECSTATE \_\_\_\_\_ S/S \_\_\_\_\_ UNCLAS LOG IN/OUT \_\_\_\_\_  
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 DAVIS \_\_\_\_\_ STATE EXSEC \_\_\_\_\_ S COOEWORD  
 OTHER #ORMATS TS SENSITIVE

SUBJECT: Msg fm UK PM Callaghan - LA

## INTERNAL ROUTING AND DISTRIBUTION

	ACTION	CONCURRENCE	COORDINATE	INFO
AOV CYS SCROFT/WGH				
STAFF SECRETARY				
CONGRESSIONAL				
ECONOMIC				
EUR/CANADA/OCEANS				
FAR EAST/PRC				
INTELLIGENCE				
LATIN AMERICA				
MID EAST/NO. AFRICA				
NSC PLANNING				
PROGRAM ANALYSIS				
SCIENTIFIC				
SUB-SAH/AFRICA/UN				

REC  
CY  
FOR

## ACTION REQUIRED

MEMO FOR SCOWCROFT. \_\_\_\_\_  
 MEMO FOR PRES. \_\_\_\_\_  
 REPLY FOR \_\_\_\_\_  
 APPROPRIATE ACTION. \_\_\_\_\_  
 MEMO \_\_\_\_\_ TO \_\_\_\_\_  
 RECOMMENDATIONS. \_\_\_\_\_  
 JOINT MEMO. \_\_\_\_\_  
 REFER TO \_\_\_\_\_ FOR: \_\_\_\_\_  
 ANY ACTION NECESSARY? \_\_\_\_\_  
 CONCURRENCE. \_\_\_\_\_  
 DUE DATE: \_\_\_\_\_

## COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

Callaghan, James

## SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
10/01		Scowcroft	X	Sgn memo to Pres		
10/4				Discussed with President		

DISPATCH \_\_\_\_\_ NOTIFY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

SPECIAL INDEXING: \_\_\_\_\_

SUSPENSE CY ATTACHED \_\_\_\_\_

## MICROFILM & FILE ROMTS

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CRT ID: \_\_\_\_\_

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CLOSE \_\_\_\_\_

IF \_\_\_\_\_

NS DY

WH SA FP

PA

MEMORANDUM

NATIONAL SECURITY COUNCIL

5767

~~SECRET~~/XGDS

ACTION

October 15, 1976

MEMORANDUM FOR BRENT SCOWCROFT

FROM:

A. Denis Clift  
Robert Hormats

SUBJECT:

Original of September 30 Message  
from Callaghan to President

On October 15, the British Embassy delivered the original of Prime Minister Callaghan's message of September 30 to the President expressing gratitude for the President's sympathetic response to the UK's current economic difficulties (Tab A). The President acted on this message when it was first received by wire. We see no need for any further action. If you agree, we recommend that the original of the Prime Minister's message be forwarded to Central Files.

RECOMMENDATION

That you have the message at Tab A forwarded to Central Files, with no further action required.

~~SECRET~~/XGDS

DECLASSIFIED

E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES

BY 100, NARA, DATE 3/9/04

DECLASSIFIED

E.O. 12958 SEC. 3.6

MR04-104#5; *Alt* 8/8/06

BY *HR* NARA DATE 1/17/07

~~SECRET~~



10 DOWNING STREET

THE PRIME MINISTER

30 September 1976

*Dear Mr President*

I want to thank you for finding time to talk to me yesterday in what I know must be a hectic period for you. I was most grateful for your sympathetic response to our current difficulties and for your agreement that our discussions with the IMF should be expedited.

I am convinced that our general strategy is a sound one and that what we saw in the exchange markets earlier this week was almost wholly speculative selling, bearing little relationship to our underlying economic position and prospect. We have cut our inflation rate by half in the last year; we have taken action to get our general government deficit next year down to 3 per cent; we have announced a guideline for the money supply similar to yours; and last week we sold £1 billion government bonds, enough to knock 1½ per cent off the money supply. Furthermore, we have obtained the agreement of the trade unions to a tighter round of incomes policy and we are getting good cooperation from industry for our new industrial strategy. But we just could not afford to go on intervening in the market to support sterling to the extent that we had been doing recently, even though we realise that a stable exchange rate is in both our interests and that of the Western democracies generally.

If we can get a quick and sympathetic response from the IMF, and on the basis of our present policies and announced objectives, the pressure on the pound should be eased at least in the short-term. But however sound our policies, we will continue to face special and separate risks arising from the possibility of substantial withdrawal of sterling balances. While these balances overhang

/the market

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- 2 -

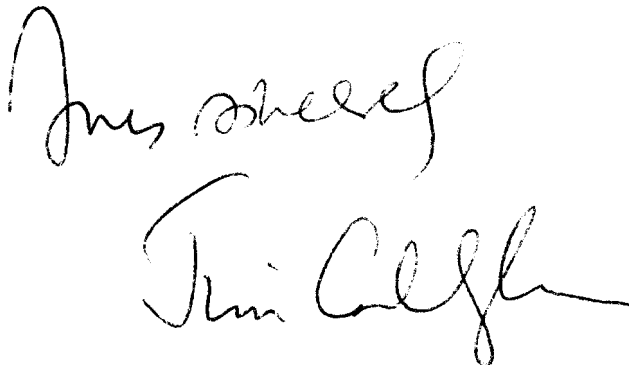
the market, there is always the risk that a small fall in the exchange rate will become magnified into the chaotic conditions that we saw earlier this week.

We are going to have to find a solution to this problem if the British economy is to be held on a straight course and if our policies are to be given the chance to succeed. I would hope that a solution could be found which would not require any significant lending by our partners over and above that being made available through the IMF and that the existence of a contingent loan facility linked to the sterling balances would itself suffice to exert a significant calming effect.

My private fear is that without such a solution we would be forced into action which would put at risk this country's contribution as an ally and a partner in the western alliance and its value as a member of the International Trading Community. I intend to do everything I can to fight against this, but it is not a problem that we can tackle by ourselves.

I have written frankly and personally because I want you to know what is on my mind. I would like to discuss these matters further with you in due course and I know that Denis Healey is thinking of talking to Bill Simon soon after Manila.

Best wishes,

A handwritten signature in dark ink, appearing to read "Jim Callaghan". The signature is written in a cursive, flowing style with a large initial "J" and a long, sweeping underline.

The President of the United States of America.

~~SECRET~~

THE WHITE HOUSE  
WASHINGTON

10/21

Loretta:

Scowcroft approved the recom on this memo that original be sent to Central Files since Pres already acted on msg when it was received by wire, however since it is classified it should go to Ed not Central Files , even if it was not classified it should still go to him, they do not know our system.

tom

## NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NUMBER
MO	DA	MO	DA	HR	
10	15	10	15	18	7605767

INITIAL ACTION O

TO: PRES \_\_\_\_\_ FROM: SECSTATE \_\_\_\_\_ S/S \_\_\_\_\_ UNELAS LOG IN/OUT \_\_\_\_\_  
SCOWCROFT X SECDEF \_\_\_\_\_ LOU \_\_\_\_\_ NO FORN MODIS \_\_\_\_\_  
MYLAND \_\_\_\_\_ DCI \_\_\_\_\_ X REF \_\_\_\_\_ C \_\_\_\_\_ EYES ONLY EXDIS \_\_\_\_\_  
DAVIS \_\_\_\_\_ Clift Hornets S \_\_\_\_\_ CODEWORD \_\_\_\_\_  
OTHER \_\_\_\_\_ TS \_\_\_\_\_ SENSITIVE \_\_\_\_\_

SUBJECT: Orig of 30 Sep msg fm PM Callaghan  
of Britain to Pres re UK economic  
problems

## INTERNAL ROUTING AND DISTRIBUTION

	ACTION	CONCURRENCE	COORDINATE	INFO	REC CY FOR	ACTION REQUIRED
ADV CYS S'CROFT/ WGH						MEMO FOR SCOWCROFT. _____
STAFF SECRETARY						MEMO FOR PRES. _____
CONGRESSIONAL						REPLY FOR _____
ECONOMIC						APPROPRIATE ACTION. _____
EUR/CANADA/OCEANS						MEMO _____ TO _____
FAR EAST/PRC						RECOMMENDATIONS. _____
INTELLIGENCE						JOINT MEMO. _____
LATIN AMERICA						REFER TO _____ FOR: _____
MID EAST/NO. AFRICA						ANY ACTION NECESSARY? _____
NSC PLANNING						CONCURRENCE. _____
PROGRAM ANALYSIS						DUE DATE: _____
SCIENTIFIC						COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
SUB-SAH/AFRICA/UN						

## SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
10/15		Scraft	X	Decision		(10/22)
10/21		"C"		S'CROFT APPROVED RECOM		

## NSC/S DISP INSTR

DISPATCH <u>done at 10/21</u>	NOTIFY _____
SPECIAL DISPOSITION: _____	
SPECIAL INDEXING: _____	
SUSPENSE CY ATTACHED <u>X</u>	

MICROFILM &amp; FILE ROOMS

OCT 26 1976

CRT ID: \_\_\_\_\_ BY \_\_\_\_\_  
OPEN R NS DY  
CLOSE R WH SA FP  
PA

~~SECRET~~



10 DOWNING STREET

THE PRIME MINISTER

12 November 1976

*Dear Mr President,*

I was most grateful to you for agreeing that Harold Lever should come over to Washington at such short notice, and in particular for your willingness to see him yourself.

Harold comes very much as my personal emissary. He will not, of course, be expecting specific decisions during the course of his visit and we shall endeavour to play down the visit with the Press. Nevertheless the British Government is going to face critical decisions in the next ten days: and if we were forced to go in a certain direction it would be bad both for us and for the Alliance. I want you therefore to know what is in my mind and also the kind of help that would be most valuable.

At Puerto Rico I told you that we were determined to take firm action to get our economy back on course even if it meant delaying or sacrificing some of our political goals. We took this action in July when we chopped no less than £2 billion off the prospective Government deficit next year by cutting programmes and raising taxation. This was in addition to the £3 billion cuts made earlier in the year. In political terms this was difficult to do, particularly at a time of high unemployment: but nevertheless we did it, and hoped we were through the worst.

DECLASSIFIED  
E.O. 12958 SEC. 3.2

*Same as MR 04-104 #1*  
*State Letter 8/8/06*  
BY HR NARA DATE 1/12/07

/ Since then

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~~SECRET~~

- 2 -

Since then, two things have gone against us. Firstly, the pace of world recovery has been less than we all expected and has thus helped us less: and due largely to the recession and the movement of interest rates, the Government deficit next year is now forecast to increase. Thus despite the July cuts we find ourselves running hard to stay in the same place. Secondly, we are living under the continual shadow of withdrawal of the sterling balances. As a result of these two factors we have had to apply to the I.M.F. in order to repay what we have drawn from the \$5.3 billion stand-by and to finance the deficit we expect next year.

The I.M.F. team are currently with us and we are discussing the situation very frankly with them. It may be - although we have not conceded this yet - that we shall have to take some further action to reduce the Government deficit. I am however quite clear about one thing: the orthodox approach of the bankers and monetarists to solve the problem through massive deflation would be catastrophic, not just for this Government but in a wider sense. If we were to undertake further significant deflation, the economy would be on an unacceptable downward ratchet, with revenues down, unemployment up, and production hardly moving. We should be pressed to look at a strategy of long-term protection with all that that would imply. But I think that it could also strain the social cohesion of our people to a very dangerous extent. We have often talked privately about the problems of the Southern Flank: and I do not think you would want to see us either ~~as~~ irresolute as an ally or turning to political extremes of either Left or Right.

In fact, our prospects are good provided we can get through to 1980 when we shall reap the benefits, both of North Sea oil and our industrial strategy. Furthermore, I am determined to see this through. Our recent Parliamentary difficulties have been exaggerated out of all proportion in the Press. But if we are to pursue our present path steadfastly, we need a new factor in the

/ situation,

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- 3 -

situation, and we shall need help from the major contributors to the I.M.F. to ensure that the latter do not try to push us too far.

Even so I will have a big political problem in carrying with my Cabinet and my Party the decisions we shall have to take in the next week or so unless I can feel assured that the action we take will not thereafter be undermined by having pressure arising from the overhang of the sterling balances. Harold Lever can explain our ideas to you, both as regards method and timing.

You have been a good friend to us, and I know that you remain so. What I am asking is that you and Henry will take a close interest in the discussions of our economic problems over the next few weeks, to ensure that the orthodoxy of the monetarists is tempered by wider political considerations that can have an effect not only on Britain's domestic scene but have repercussions in the broader world scene.

*With warm regards  
Mrs V. Sineer  
Jim Callaghan*

The President of the United States of America.

~~SECRET~~



13<sup>2</sup>

THE WHITE HOUSE  
WASHINGTON

Brent Scowcroft

Returned



THE WHITE HOUSE  
WASHINGTON

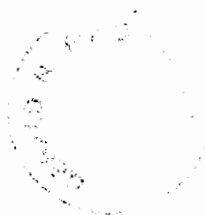
December 11, 1976

Mr. President:

The British are arriving today to negotiate with Treasury on the sterling balance and the Germans are currently planning to come here next Tuesday.

  
Brent

*Sterling balances*  
*Poehl*



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

December 11, 1976

~~TOP SECRET~~

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT *BS*

DECLASSIFIED  
E.O. 11652 (as amended) SEC 3.3

CRJ 11-066, #13

State Dept Review 5/8/11

del. 9/14/12

The following cable has been received from Prime Minister Callaghan:

"Dear Mr. President:

"Since writing to you yesterday, I have learned of the arrangements being made to discuss a safety net or similar facility both at Basel on Sunday/Monday and in Washington on Monday/Tuesday. I have had an opportunity this evening to discuss the matter with Henry Kissinger and it is with his encouragement that I want to put to you a critical point on timing.

"A lot of work is being put into these consultations and I am grateful for the efforts being made. I am, however, troubled because the consultations yesterday between Ed Yeo and Derek Mitchell indicate that the approach being considered in Washington may differ from that on which a great deal of work has been done by the B.I.S. in Basel. The reconciliation of two different approaches could not be achieved without damaging delay.

"Our timetable for securing Parliamentary backing for the measures which we have agreed, must be secured before the House rises for Christmas. This requires that the Cabinet gives approval on Tuesday to the statement which Denis Healey will make in the House on Wednesday, 15 December. It may well be that the best solution to the problem of the sterling balances has yet to be evolved; and different approaches to the problem could perhaps be combined in due course to achieve a good solution. But I cannot overstate how damaging it would be to our statement on Wednesday if we cannot then include a positive announcement that the United States Government together with the other governments concerned in the B.I.S. have reached agreement in principle on an arrangement for dealing with the problem of the sterling balances, broadly on the lines of the note which Denis Healey has already given to Bill Simon.

TOP SECRET



~~TOP SECRET~~

- 2 -

I hope you will feel able to ensure that the necessary consultations take place urgently to this end. Our representatives will of course be available in Washington as requested late on Saturday for this purpose. It will be helpful if you can use your influence to ensure that we have a response from you in time for me to inform the Cabinet on Tuesday, for this arrangement is an essential part of the package.

"I am reluctant to trouble you like this, but you have been so helpful that I venture to ask you now to see that this issue, which matters so much to us, is brought to a stage where I can make a positive statement to the Cabinet on Tuesday and to the country on Wednesday.

"Warm regards,

"With best wishes,

"Jim Callaghan."



~~TOP SECRET~~

12d

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 017606

REASON FOR WITHDRAWAL . . . . National security restriction

TYPE OF MATERIAL . . . . . Memorandum

CREATOR'S NAME . . . . . Brent Scowcroft

RECEIVER'S NAME . . . . . President Ford

DESCRIPTION . . . . . Cable from Prime Minister Callaghan to  
President Ford re British financial  
crisis

CREATION DATE . . . . . 12/09/1976

VOLUME . . . . . 1 page

COLLECTION/SERIES/FOLDER ID . 035100082

COLLECTION TITLE . . . . . NATIONAL SECURITY ADVISER. PRESIDENTIAL  
CORRESPONDENCE WITH FOREIGN LEADERS

BOX NUMBER . . . . . 4

FOLDER TITLE . . . . . United Kingdom - Prime Minister James  
Callaghan

DATE WITHDRAWN . . . . . 03/12/2004

WITHDRAWING ARCHIVIST . . . . GG

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

SECRET

December 16, 1976

MEMORANDUM FOR: THE PRESIDENT  
FROM: BRENT SCOWCROFT *BS*  
SUBJECT: Message from Prime Minister Callaghan

The following message has been received from Prime Minister Callaghan:

"Dear Jerry,

"I am most grateful to you for ensuring that we were able to include, in Denis Healey's statement yesterday, an agreed form of words on our arrangements for dealing with the sterling balances. I was also very pleased to learn of the offer of the swap facility which Arthur Burns and Bill Simon arranged. This, together with the Bundesbank's offer of a standby arrangement will help to reinforce the confidence effect of the package.

"Bill Simon's statement to the press yesterday afternoon welcoming our programme has received a lot of publicity over here and should also help us.

"My strong preference is still that we should go ahead with the B. I. S. scheme for a contingent safety net facility. This could be a forerunner to a longer-term funding scheme, if that proves to be workable; but such a scheme would take too long to negotiate to be a practical possibility for the immediate solution which is needed. We remain at risk until we have a good arrangement and I hope still that this can be achieved quickly.

SECRET

DECLASSIFIED  
E.O. 10333 (as amended) SEC 3.3  
NR 0 11-066: #14  
State Dept. Review 8/8/11  
By dal NARA 2/2/12





~~SECRET~~

- 2 -

"Finally, let me say once again how grateful I am for your continuing support during the last few weeks and indeed throughout my whole period as Prime Minister.

"With warm regards,

"Yours sincerely,

"Jim Callaghan."



~~SECRET~~