

RECORD OF THE PLENARY SESSION HELD AT THE ELYSEE PALACE ON  
FRIDAY 19 SEPTEMBER 1980 AT 1500 HOURS

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Present:

President Giscard d'Estaing

M. Raymond Barre, Prime Minister

M. Jean Francois-Poncet, Minister of Foreign  
Affairs

M. Rene Monory, Minister for the Economy

M. Andre Giraud, Minister for Industry

M. Joel Le Theule, Minister of Transport

M. Pierre Bernard-Reymond, Secretary of State,  
Ministry of Foreign Affairs

H.E. M. Jean Sauvagnargues, French Ambassador  
to Great Britain

M. Jacques Wahl, Secretary-General of the  
Presidency of the Republic

H.E. M. Bruno de Leusse, Secretary-General of  
the Ministry of Foreign Affairs

M. Jacques Blot, Press Counsellor, Presidency  
of the Republic

M. Patrick Leclercq, Diplomatic Counsellor,  
Presidency of the Republic

M. Guy de Panafieu, Counsellor, Ministry of  
Foreign Affairs

M. Jean-Yves Haberer, Director of the Treasury

M. Michel Freyche, Ministry of Foreign Trade

M. Pierre Achard, Office of the Prime Minister

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Prime Minister

Chancellor of the Exchequer

Secretary of State for Industry

Lord Privy Seal

Secretary of State for Trade

H.E. Sir Reginald Hibbert, HM Ambassador, Paris

Sir Robert Armstrong  
Sir Michael Palliser  
Sir Kenneth Couzens  
Mr. Gordon Manzie  
Mr. Russell Sunderland  
Mr. Clive Whitmore  
Mr. Bernard Ingham  
Mr. Michael Alexander  
Mr. John Wiggins

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General

President Giscard welcomed the Prime Minister and her colleagues warmly to the traditional concluding session. He saw these annual bilateral discussions between the two Governments as an opportunity to strengthen relations and to discuss international, regional and European problems; but they were not the occasion to settle problems within the European Community, for which other machinery was available. He recognised the major contribution the United Kingdom had to make to the development of Europe and to the world as a whole, and commended the present brave UK economic policy. He saw an urgent need for Europe to play a more important and more effective role in free world affairs.

The Prime Minister thanked the President for his welcome and for the opportunity to have fruitful talks. She wanted Britain and Europe to play a larger role in world affairs, and noted that the long experience of both France and Britain had enabled them to see the world in a different perspective. She wanted the two Governments to cooperate more closely both bilaterally and in the Community; in the present world situation it was desirable for both countries to concert their reactions with their European partners and with the United States. Britain and France together represented a way of life - of democracy and freedom - which needed to be defended and protected. She hoped that now recent problems were behind us European Community issues would always be settled harmoniously in future.



Foreign Affairs

M. Francois-Poncet said that there was little for him and the Lord Privy Seal to add to what had been discussed at the enlarged session in the morning and at lunch. He would, however, like to report on their discussion on Namibia. The UN negotiations on the basis of the plan of the five Western countries were going rather slowly, but South Africa and SWAPO apparently wanted talks under independent auspices like those of the UN; a Security Council debate was expected soon. A solution on Namibia was the key to future peace in Southern Africa - a satisfactory settlement could assure stability for ten years. But there was a danger that the Security Council might be faced with a resolution Britain and France could not accept. The Prime Minister noted that it would be essential for Britain and France to act together over Namibia.

Economic Affairs

M. Monory gave an account of his two-hour meeting with the Chancellor. They had surveyed the problems of the poorest countries and noted that it was sensible to discriminate between the more and the less successful of the developing countries. They had also recognised the problems associated with pressures to turn official aid into a sort of international tax system. The Chancellor had emphasised the growing contribution of private capital flows to the developing world. On the conjunctural situation in the two countries they had noted the improving price performance in both, while the position on output and employment was tending to deteriorate. Unemployment was a general problem, and the labour force had to adapt if industry were to be made healthy and competitive despite the high exchange rates for the pound sterling and the French franc. M. Monory noted that the United Kingdom was perhaps doing rather better than France at present in the struggle against inflation. On the question of pre-accession assistance for Portugal, the French side had proposed equal amounts of aid and EIB loans - 115 MUA of each. The Chancellor had, however, suggested a higher contribution from the EIB - 175 MUA. Both Ministers had agreed on the importance of maintaining the present 1 per cent VAT ceiling on contributions to the Community Budget.

/ The Chancellor



The Chancellor noted the UK and French determination to cooperate more effectively in the international financial institutions. He explained UK reservations about sterling joining the EMS, given present world uncertainties. He fully accepted the need for the EIB to be prudent about the volume of loans and their concentration on particular borrowers, and looked forward to further exchanges with his French colleagues on the question of how the irresistible demands for additional expenditure on agriculture were to be reconciled with an unchanged VAT ceiling.

The Prime Minister commented on the French success in resisting pressures for reflation. M. Barre noted that the Government faced a demand for "relance" regularly twice a year, at the end of the summer holidays in September and again in the spring; the difficulty was that there were too many people who did not fully understand the prescriptions of Keynes. President Giscard commented that France was the only western country with - apart from 1975 - a continuous record of economic growth in recent years. In 1975 and 1976 the attempt to oblige the company sector to absorb the higher costs of oil had been a mistake which had led to unbalanced growth; this had been redressed by the abolition of price controls in 1978, and the Government were anxious now not to increase industrial costs (and the costs of social security which employers had to bear). The 1981 budget objective would be to increase industrial investment demand.

Industrial Matters

M. Giraud reported on his useful exchanges about industrial policy with the Secretary of State for Industry. Both Governments were looking for ways of making industry more healthy and competitive, but greater efforts were needed to achieve further administrative simplifications. Industry also needed to make better use of research and development, and officials of the two Governments would be meeting to discuss this. Greater attention was needed to the improvement of training and the development of skills - in particular the apprenticeship system. The two

/ Ministers



Ministers had discussed the threat posed by Japanese imports in a small number of sensitive industrial sectors; by contrast UK, France, US and Germany all had widely diversified exports, which did not threaten particular industries in other countries. In order to avoid undesirable general protectionism, it was necessary to deal with the Japanese problem industry by industry; the French side thought self denial on the part of Japanese would not be enough - there remained the problem of Japanese direct investment. The European steel industry was facing a new crisis, and both countries were taking vigorous measures; they were agreed on the need for a further production cut-back under Article 58 of the Treaty of Rome. Textiles presented further problems in the trade sector; US exports were in effect dumped because of the cheap energy and raw material prices they enjoyed, and further use would need to be made of the trigger price arrangement to secure more effective protection. The Multifibre Agreement should be maintained in force. Finally, it would be desirable to harmonise the two countries' specifications for telecommunications equipment.

The Secretary of State for Industry endorsed M. Giraud's summary of their talks; he was particularly interested in the removal of "faux chomeurs" from French statistics.

Maritime and Aviation Matters

M. Le Theule gave a brief account of his discussions with the Secretary of State for Trade. They had touched on the problem of navigation in the Channel and on the question of air fares, where the French attitude to derestriction was more reserved than that of the United Kingdom. He also referred to the useful talks he had had a few days earlier with the Minister of Agriculture about fisheries policy.

The Session concluded at 1600.

*JWH.*

24 September 1980