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RECORD OF THE PRIME MINISTER'S CONVERSATION WITH PRESIDENT
GISCARD D'ESTAING AT THE ELYSEE IN PARIS ON 5 JUNE 1979 AT 1110

<u>Present</u>	Prime Minister	President Giscard d'Estaing
	Mr. B.G. Cartledge	M. Jacques Wahl
		M. Christopher Thierry

European Policy

After welcoming the Prime Minister, President Giscard asked her how she would like to arrange their discussions and invited her to begin them. The Prime Minister said that she would like first to explain to the President that there would be two fundamental changes in the policy of the British Government. The first would be designed to strengthen the British economy and the Government would be moving towards the same kind of policies which had been pursued in France in recent years. It was essential that there should be changes in the law concerning the trade unions and these would be made. The Government had the advantage of a good working majority and there should be no doubt of their determination to put into effect the policies for which they had been elected. Secondly, the Prime Minister went on, there would be a change in British policy towards Europe. The Prime Minister said that she was the leader of a Party devoted in its philosophy to Europe, dedicated to the idea of the European Community and determined to pursue a policy of genuine co-operation. In such co-operation lay the best interests both of Europe and of the UK. There were, of course, particular problems over which the UK would have to fight for her interests but this would be done against a background of committed Europeanism. The Prime Minister suggested, and President Giscard agreed, that during their tete-a-tete discussion they might concentrate on European issues, with the forthcoming European Council meeting in mind, turning to wider international issues, including that of energy, when Monsieur Raymond Barre and Lord Carrington had joined them in an hour's time.

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Following up her reference to energy, the Prime Minister said that this was an issue on which there had been a great deal of analysis but too little work on possible solutions; a great deal of thought had been devoted to objectives so far as relations between the consumer and the producer countries were concerned but very little to the methods by which these could be achieved. The Prime Minister said that it had been her particular wish to visit a French nuclear plant during her brief visit because France had been the first European country to take fundamental decisions on energy policy, decisions which would stand her in very good stead in the future.

President Giscard said that France and the United Kingdom had a long history of partnership. He would like to speak very frankly about recent developments in their relations. With Jim Callaghan, President Giscard said, he had enjoyed a good and easy personal relationship. He had tried to build on to this a good working relationship but this had not really been possible since the last British Government had shown no interest in joint action in Europe nor any faith in the European Community. They had been interested only in unilateral advantage. This had been the experience not only of France but of the other governments in the Community, even those who might have sympathised, because of their Socialist beliefs, with a Labour Government. The result had been the formation of a kind of front from which the UK had been excluded. Despite their history as adversaries, France and the FRG had formed the habit of working very closely together. President Giscard said that the Germans were easy people to work with: they were constructive, showed good faith and kept their promises. There had been no intention on the part of France or Germany to exclude Great Britain from their deliberations; indeed, the FRG had tried very hard to bring Britain in. But, following a series of disappointments, it had proved impossible to do this.

President Giscard went on to say that the larger membership of the Community, soon to grow larger still, introduced difficulties and complications into its work. The smaller Community members were inclined to resent the fact that some decisions were, inevitably, imposed upon them. The larger members did their best to take account of the legitimate pride and interests of

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the smaller countries: but the fact was that important goals could only be achieved by those countries which had the means to do so. President Giscard said that he hoped that the United Kingdom would now be a more active partner in the Community. Her contribution was badly needed; she had, for example, a much wider international experience than the FRG.

The Prime Minister said that there was a very real determination on the part of the new British Government to play their full part in Europe. So far as the Anglo-French bilateral relationship was concerned, there were things in common between France and Britain which did not exist as between Britain and the FRG. This was particularly true in some defence matters, where the division of Germany created a different dimension in the German approach. The Prime Minister said that it was her special wish that bilateral relations between France and the UK should go well, not just at the time of major meetings but for twelve months of the year. President Giscard said that his reading of history and historical biography had impressed him with the very special nature of the Anglo-French relationship: there had been competition between them for hundreds of years, interspersed by close links and bitter fights. During the nineteenth century, the relationship had been characterised by suspicion and irritation. It was his personal belief that this period was now over: neither country was any longer competing with the other for international supremacy, since the period of empire had come to an end. Both countries now faced similar problems. Against this background, it should not be difficult to create an atmosphere of partnership between France and Britain.

Commenting further on the British approach to the EEC, President Giscard recalled that the UK had joined the Community late and had then engaged in a so-called renegotiation; the result had seemed to be that the UK had never been at ease within the Community. Having entered under special terms, there had always been a feeling that the UK was pleading a special case.

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EEC Budget

The Prime Minister told President Giscard that the present structure of the Community budget presented the UK with a very major problem: at the end of the transitional period, the UK would be making a net contribution of £1500 million. The Government would like to have some of this money to pay for domestic tax reductions. The Prime Minister said that she hoped very much that this question could be given a place on the agenda for the next meeting of the European Council at Strasbourg. She had already asked the President of the Commission to establish the facts. The present situation was a grave embarrassment to the Government's efforts to push the case for Europe in the UK; it was unjust and unreasonable. The UK certainly did not expect to get out of the Community exactly what she put into it; the Government also expected to improve the UK's economic performance. The budgetary situation in 1980, however, would nevertheless be acutely difficult. A constructive discussion at Strasbourg, leading to solutions, would be a great help to the Government in putting the case for Europe to the British people. The Prime Minister expressed the view that the problems of the CAP and those of the Community budget could and should be kept separate; there was also a clear distinction between the CAP as such and the way in which it was financed. The Prime Minister said that, as a committed European, she did not wish this one major problem to dominate the UK's future discussions with her partners any longer.

President Giscard said that he understood the Prime Minister's view. He recalled that, in the past, the UK had always supported higher expenditure by the Community, while asking that she should pay a smaller share of it. It was necessary to adjust in both directions. The Community's budget was now far too lavish; it was absurd that money should be thrown away on a building of 110,000 sq.m. in Brussels. The French Government favoured a tight budgetary policy for the Community. They also strongly favoured the "own resources" system of calculating the contributions: import duties paid in Rotterdam should not belong to the Dutch but to European trade as a whole. France had agreed to allocate 1% of VAT revenue to the Community budget but this should be sufficient.

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Turning to the problem of the MCAs, President Giscard said that France was opposed to them and believed that they could be quickly eliminated if it were not for the UK and Italian positions. ^{On the Community budget,} 1979 was the last year in which some of the UK contribution would be refunded: the question was, should this period be extended further? The Prime Minister said that this would be one possibility. She showed President Giscard the table of figures, from her briefs, setting out the UK net contribution in 1980. President Giscard admitted that there was a problem. The Prime Minister pointed out that a 50% reduction in the UK's net contribution would be the equivalent of a 2% reduction in income tax. She went on to say that the MCAs had never been intended to operate as they now did: the UK could produce more food, particularly butter and bacon, very competitively. President Giscard commented that the agreement reached in Dublin on the corrective mechanism lasted only until 1979 and the Prime Minister pointed out that, since it required three years of balance of payments deficit, it would not operate in any case for the UK, because of North Sea oil. The Prime Minister said that, although the Government hoped that the UK's GNP would grow, it was nevertheless wrong in the meantime that, with only 15½% of the Community's GNP, the UK should account for 18% of the Community's budget.

President Giscard told the Prime Minister that if the UK wished to ask the European Council to include the problem of the budget in the agenda for Strasbourg, France would have no reason to object although, for formal reasons, she would have to consult the other members. He for his part would be prepared to circulate appropriate proposals for the agenda and would suggest to the Prime Minister an appropriate formulation on the budget. He suggested that there should be, at Strasbourg, a general discussion of the budget lasting for, say, half an hour, and that the Council could then instruct the President of the Commission to establish the facts and analyse the situation; then, at their next meeting in Dublin, the Council could draw the necessary conclusions. The Prime Minister commented that the facts had already been established: they could be laid before the Strasbourg Council and the Commission could then be asked,

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not for facts, but for ideas on how the position could be corrected. President Giscard said that he could agree to this. The Council could conclude that a problem existed and ask the Commission to suggest ways of correcting distortions in the situation. It would be necessary to work closely with the Germans and to have discussions with them behind the scenes.

CAP

President Giscard said that France had earned a bad reputation so far as the CAP was concerned and he wished to change it. France was the largest producer of agricultural products in the Community, although in some areas such as meat and dairy products she was not the most competitive. France wished to compete on fair terms. The French Government would, he repeated, be glad to see the MCAs eliminated but any such move was blocked by the UK's attitude on the question of a price freeze. It was difficult for any Government to reduce the prices payable to their farmers: Chancellor Schmidt had agreed to reduce the MCAs provided that there was a nominal increase in prices at the same time. An increase of 2%, for example, would reduce positive MCAs to zero. It would be possible for the UK to share this position while opposing any increase in the prices of products which were in surplus. President Giscard said he hoped the British Government could reconsider their attitude on this matter. France, for her part, had no desire to increase the surpluses still further and was, indeed, prepared to contribute to their reduction. France was nevertheless profoundly attached to the principle of a single market in agriculture and to the maintenance of a barrier around the Community against the rest of the world. Although the proposal was still confidential and he did not wish the press to learn of it, the French Government was thinking of suggesting that a system should be devised in which those countries which were responsible for creating the agricultural surpluses should also be responsible for financing them.

/The Prime Minister

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The Prime Minister pointed out that the UK was quite capable of engaging in fair competition but could not be expected to compete against subsidised produce. She expected heavy competition from France and Germany in manufactures, an area in which the UK was herself less efficient, but the UK's efficiency in agriculture did not bring a fair reward. President Giscard commented that the UK would encounter problems in endeavouring to change the situation - not from France, but from countries such as the Netherlands, Denmark and Ireland. If the UK were to concentrate her efforts at reform on the problem of agricultural surpluses, she would encounter no adverse reaction from France; there would, however, be a French reaction if the concept of the single market for agriculture were to come under attack. The organisation of the CAP and the method of financing it were different questions.

EMS

Turning to the EMS, the Prime Minister noted that the review of the exchange rate system would be taking place in three months' time. The UK had, at present, a high exchange rate for sterling, not because of the UK's economic performance but because of North Sea oil. The Government needed to keep the rate high for the time being and this would make it difficult to enter the EMS straight away. It might, however, prove possible at the time of the exchange rate review to swap some of the UK's reserves for ECUs. In the longer term, the UK was keen to join the European Monetary System if this was feasible. President Giscard commented that it was not necessary for the UK to reach a final decision on joining the EMS quickly. It would, however, be significant if the UK were to create the conditions for joining; he recommended a progressive approach to entry, which would be better than to attempt to move too fast.

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At 1215 the Prime Minister and President Giscard were joined by:

M. Raymond Barre
The Foreign and Commonwealth Secretary
Mr. G. G. Walden
M. Robin

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Energy and the Tokyo Summit

President Giscard summarised the subjects which he and the Prime Minister had already covered during their tete-a-tete discussion and said that the Prime Minister had suggested that, with Lord Carrington and M. Barre, they should discuss the forthcoming Economic Summit in Tokyo and the problem of energy, before moving on to wider international issues.

The Prime Minister said that energy was expected to be the main item on the agenda of the Tokyo Summit. The problem was how the leading energy users could persuade the leading energy producers not to raise their prices still further and thereby cause a world recession. Western objectives were thus quite clear but the methods by which they might be achieved were very unclear. Specific ideas were needed. The problem was common to many Western countries, although France had moved further along the road to a solution than any other country in Europe, through her nuclear programme. The UK, for her part, had found only a temporary solution in her North Sea oil. President Giscard asked how temporary a solution this was. The Prime Minister said that it would last for 15 to 20 years. President Giscard commented that this was a help. The Prime Minister went on to say that the alternatives facing some countries were either to go all out for nuclear power, or, if they were unwilling to do this, to accept a significant reduction in their standard of living.

The Prime Minister said that she had never attended an Economic Summit but she had studied their communique closely: they were always the same. Meanwhile, the world's economic problems continued;

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and so did the communiques. President Giscard agreed and said that, although discussions at Economic Summits had become academic, the first such meeting, at Rambouillet, had produced useful results in the form of a stabilisation of exchange rates. Unfortunately, however, participation in the Summits had then been enlarged: their communiques were now just words. President Giscard agreed with the Prime Minister that the next Economic Summit should concentrate on energy. He thought that it should, despite everything, be possible to achieve some useful results. He would like to suggest what these might be.

Firstly, President Giscard said, the Summit could demonstrate a real determination on the part of the major energy users to reduce their consumption. France, for her part, would lower temperatures in public buildings and impose a ceiling on the amount of oil consumed by power stations. These measures could be discussed at the European Council meeting in Strasbourg.

Secondly, it was a fact that the operation of the spot market in oil produced unacceptable results. The international oil companies should be asked to keep out of the spot market during, in the first instance, the month of June. Chancellor Schmidt, in a recent discussion with M. Barre, had agreed that this measure should be taken in order to produce a moderating effect on prices. It was a fact that every Gulf ruler had the latest spot market price on his desk first thing every morning.

Thirdly, agreement should be reached on an annual approach by the major users to the major producers in order to assess whether the savings planned by the users during the coming year, as well as the production levels planned by the producers, would be sufficient and in phase with each other.

Fourthly, the Summit participants should discuss a programme for exploiting alternative sources of energy. This was mainly a problem for the Europeans, since the Americans and Canadians were already making progress in this field. President Giscard added,

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in parentheses, that he had just received a report from M. Francois-Poncet, who was in Washington, to the effect that press reports about the U.S. Administration's decision to subsidise oil imports were too pessimistic: President Carter was in fact working on the introduction of quite drastic conservation measures, on a possible approach to the oil producers and on steps to stabilise the spot market in oil - precisely those measures which he was himself advocating. President Giscard said that he thought that the American approach seemed quite constructive.

Lord Carrington commented that it was essential to formulate, during the European Council meeting in Strasbourg, a European approach to the Tokyo Summit. The Prime Minister said that, ever since the Yom Kippur war, the West had managed to absorb substantial increases in the price of oil, to the extent that it would soon be economic to extract oil from the tar sands and shale - this would require a price of \$40 per barrel. A situation had been created a year ago in which the West had once again found itself with a surplus of oil but this situation would not be repeated because of events in Iran.

Describing the French nuclear power programme, President Giscard commented that an anti-nuclear demonstration in Lorraine on the previous day had attracted only 500 participants. France was currently building ten new nuclear plants: he thought that if the Government continued to give a strong, clear line, there would not be a great deal of public opposition. It would be helpful if both France and the UK were to take a strong and positive line on nuclear power in Strasbourg. The Federal German Government found itself in difficulties on nuclear power, largely because of the constitutional powers of the Länder. Germany still had no reprocessing plant.

President Giscard went on to say that he fully shared the Prime Minister's view that the objective should be to arrive at practical conclusions, first in Strasbourg and subsequently in Tokyo. The Prime Minister said that the British Government was at present pursuing a policy of requiring power stations in the UK to substitute coal for oil: if continued, however, this policy could affect the UK's capacity to build up coal stocks, which

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would be needed against the possibility of further trouble from the miners during the coming winter. The Government might, therefore, have to reconsider.

President Giscard asked who in the British Government would be responsible for preparing the UK position on energy at the European Council in Strasbourg. The Prime Minister said that she thought she would. Lord Carrington asked whether President Giscard was suggesting that it would be useful to have bilateral consultations on energy in advance of the European Council and President Giscard confirmed that he was. It was agreed that bilateral consultations would be arranged, at the highest practicable level, as a matter of urgency.

South Africa

Lord Carrington explained that the proposals put forward by the Five on Namibia were still blocked by South Africa. The British Government, which might have^a little leverage with the South Africans who felt that the new Government had a better understanding of South Africa's internal problems than the Labour Government, had decided to send an Envoy, Mr. Luce, to assess the prospects for reviving the U.N. Secretary General's proposals. Mr. Luce's assessment was that there might just be a chance of succeeding in this; if so, it was important to take it since the consequences of abandoning the plan would be very serious. The Five had therefore agreed to have another try. Lord Carrington expressed the view that the prospect of a move to impose economic sanctions against South Africa had such grave implications for the Western world that every step towards that situation demanded very careful consideration. The Prime Minister said that the British Government, for their part, could not possibly contemplate sanctions against South Africa.

Turning to Rhodesia, Lord Carrington said that the British Government's position was that five conditions had been laid down for Rhodesia's return to legality and that, by the end of 1978, the only one of those remaining unsatisfied was that requiring any settlement to be put to the test of its acceptability to the Rhodesian

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people as a whole. The Conservative Party had therefore sent observers to assess the validity of the elections held in Rhodesia last April: their report had shown that, in all the circumstances, the elections had been both free and fair. The last remaining pre-condition for Rhodesia's return to legality had, therefore, been broadly satisfied. The new Rhodesian constitution was not perfect but this was a matter for the people of the country. Looked at from the standpoint of Rhodesia/Zimbabwe, however, recognition by the UK alone would not amount to very much: what the country needed was wide international recognition. The new British Government had therefore decided to build on the recent elections and to send an Envoy to meet the Front Line Presidents, and others, to see if there was any flexibility in their attitude to the recognition issue. Progress would clearly not be easy but there were some encouraging signs, including the fact that President Nyerere seemed, at present, to be less denunciatory of the internal settlement than, for example, President Kaunda. When the British Government emissary, Lord Harlech, returned from his mission it would be possible to make a better assessment of the possibility of bringing Nkomo and Mugabe on the one hand, and Bishop Muzorewa on the other, closer together. The timetable, however, was very tight given the forthcoming Commonwealth Heads of Government meeting in Lusaka at the beginning of August.

The Prime Minister commented that most of the countries to be represented in Lusaka could not claim to hold elections on the basis of one man, one vote, with a choice between four different political parties. A more crucial deadline was, so far as the United Kingdom was concerned, the fact that sanctions against Rhodesia would lapse in November unless renewed by Parliament. There was no prospect whatsoever of such a renewal. The Prime Minister said that she, for her part, was convinced that the test of acceptability had been satisfactorily completed; this was, after all, a matter for the people inside Rhodesia to decide. It was now the British Government's duty to restore Rhodesia to full independence. She had found both the United States and the FRG co-operative in their attitude to this objective.

/President Giscard

President Giscard said that he would be happy to see a more active British policy in Africa. So far as South Africa was concerned, he agreed that sanctions must be avoided. The South African regime was not, however, acceptable in terms of its internal policies. Everything possible should be done to create a more democratic approach in South Africa. On Namibia, President Giscard agreed with Lord Carrington that the plan of the Five should not be abandoned: it was a fact that South Africa had been deceived by the United Nations. Turning to Rhodesia, President Giscard said that he had never understood the policy pursued by the United Kingdom in recent years. He had always believed that a moderate African Government offered the right solution and this would not be achieved without a new commitment to Rhodesia by the UK. What was required was a solution on the Kenyan pattern. Continuing pressure from the Front Line Presidents could only result in the installation of a radical regime in Salisbury and a bloody exodus by the Whites. The attitude of the other African countries would, however, pose serious difficulties; they had formed a collective position and most of them had links with the guerrillas. President Giscard commented that the Prime Minister could face really serious problems at the Lusaka meeting with, for example, Nigeria. The Prime Minister agreed and said that Nigeria had already taken steps to deprive British firms of contracts.

President Giscard went on to say that at the Francophone African Summit meeting at Kigali which he had recently attended he had found the position of many Heads of State and Government to be moderate towards Rhodesia; they seemed to recognise the importance of the elections which had taken place. There was, however, a problem over timing: the time was not yet right for international recognition of the new Government of Zimbabwe/Rhodesia. The prospects would be better if Bishop Muzorewa's regime was seen to adopt progressive internal measures. France, for her part, would try to use her influence helpfully: but the UK might be well advised to move forward step by step.

/ The Prime Minister

The Prime Minister said that the British Government would certainly not recognise Bishop Muzorewa's regime before the Commonwealth Conference in Lusaka. The critical time would be between that Conference and the Parliamentary debate on sanctions in November. Lord Carrington said that more would be known of the American attitude when President Carter made his determination on the Case/Javits amendment: this would probably be to the effect that the settlement was not acceptable as it stood but could be made so. There was no real distinction between the lifting of sanctions, which were imposed by a mandatory UN resolution, and recognition of the new regime.

President Giscard repeated that the French Government would do everything it could to be helpful on this issue. He pointed out that the next meeting of the Organisation of African Unity would take place before the Commonwealth meeting in Lusaka and that the one could very well have an effect on the other. The President of Liberia would be Chairman of the OAU Conference and it would obviously be useful if the UK were to make contact with him. The best outcome from the OAU meeting would be the appointment of a Committee to review the situation in Rhodesia, thus postponing any immediate judgement as to the new regime's legality. In that situation, the UK's hands would still be free at the time of Lusaka. If the OAU Conference adopted a public position, this could only be a negative one. The Prime Minister agreed and said that the prize for the West in a peaceful settlement in Rhodesia would be enormous: a prosperous Rhodesia would bring great benefit to the whole region.

Defence

The Prime Minister said that the British Government was being pressed by President Carter to support Salt II. The Government had some worries about it but had concluded that the consequences of failure by the United States Congress to ratify the Treaty would be more serious than any shortcomings in the Treaty itself. The UK was concerned about the Soviet SS20 missile, to which the Russians could easily add a third stage. The British Government also faced major decisions on the replacement of its Polaris deterrent and would have to choose between a new missile of that type or cruise missiles. She understood that France would soon have its own

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satellite guidance system for cruise missiles. President Giscard said that this was so. The Prime Minister asked President Giscard whether he thought that Europe should be directly involved in the SALT III negotiations. Lord Carrington pointed out that Europe did not as yet know even the terms of reference for SALT III: the UK could not be involved in these negotiations if they directly concerned the UK's own deterrent.

President Giscard said that he had not taken a firm position on SALT II, since no text of the Treaty had yet been made available to the French Government. Lacking a text, he could only support the agreement in principle. He expected, however, to take up a positive public position on the Treaty when the text became available in the middle of June. The President said that he took the view that failure to ratify the Treaty would do grave damage to international stability: ultimately, he saw no alternative to a decision by the U.S. Senate to ratify.

President Giscard went on to say that SALT III raised more difficult issues. It was important to France that their strategic forces should not be included, since if they were the Western ceiling would be increased, and French forces would come under de facto U.S. leadership. There was also the problem of the "grey areas". The FRG, having raised the issue, now appeared to have retracted their concerns about it, since they did not wish to be the first Western country to create a situation in which the West would have to move towards a production of a counter-poise to the SS20. He found the German position more vague now than it had been a year ago. The fact remained that any discussion of the grey areas in the absence of a Western bargaining counter would be a nonsense. Why should the Russians dismantle their SS20s? The question was, did the willingness exist on the Western side to develop such a counter weapon? If it did, the level of weapons in the grey areas could be discussed in SALT III. But Europe had a further interest which distinguished its position from that of the United States. President Giscard said that he was concerned less too many levels of parity in strategic weapons might diminish the clarity of the United States' nuclear commitment to Europe. For this reason, France was rather ambivalent about the grey area negotiations. President Giscard said that he thought that France

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would probably develop the cruise missile but without entering prior commitments on parity or equilibrium. When the Prime Minister commented that the Soviet Union had developed a very significant lead in medium-range missiles, President Giscard said that France was ahead so far as submarine launched missiles were concerned.

Lord Carrington said that the need to proceed with the modernisation of Theatre Nuclear Forces in parallel with SALT III created an added complication, along with domestic political difficulties in the Low Countries. It was likely that Belgium, the Netherlands, and the FRG would insist on a new strategic arms limitation conference as a pre-condition of TNF modernisation, perhaps even in advance of SALT III. So far, the NATO Council had decided only that there must be a decision on TNF modernisation by the end of 1979. President Giscard said that it would be useful to exchange views on this further. The French Government was at present studying France's interest in SALT III and in the development of the French deterrent after 1990. The main options under consideration were cruise missiles and mobile launching systems. The necessary scientific data would be ready during 1980. President Giscard went on to say that the French had never had a real discussion of these matters with the FRG, since they did not wish to imply a commitment to German security which would involve France's own deterrent. It was impossible not to discuss these problems with the Germans but equally impossible to have a real discussion. The Prime Minister said that she had discussed these matters with Chancellor Schmidt.

Lord Carrington said that he had some understanding of the West German view that they could not accept the deployment of medium-range systems on German soil unless a third country, in addition to the UK, did so too. President Giscard said that he thought that Belgium would probably accept medium-range systems in the end, perhaps for a limited period of time.

Defence Sales to China

President Giscard asked the Prime Minister whether the British Government had reached a final decision on the sale of Harrier aircraft to China. The Prime Minister said that the Government, for their part, were ready to sell Harriers to the Chinese

but some problems had arisen during the commercial negotiations. In response to the President's question, Lord Carrington said that the United Kingdom had it in mind to sell something under one hundred aircraft along with a licence to manufacture them in China. President Giscard said that the French Government had taken a different decision since it regarded the sale of arms to China as a major bilateral test of the relations of any country with the Soviet Union. The French Government was also a little apprehensive of the future attitudes of the Chinese military establishment. No mood of expansionism was detectable yet, but would the situation last? In view of these factors France had decided to sell the Chinese nothing more than anti-tank weapons.

Vietnamese Refugees

The Prime Minister told President Giscard that UK merchant ships in the Far East were continuing to pick up large numbers of Vietnamese refugees. There were now over 40,000 refugees in Hong Kong and the UK had agreed to take another 1,000 from the "Sibonga". The Government was now faced with the problem of 300 Chinese children on a British ship off Taiwan whom the Taiwan Government were refusing to take in. President Giscard said that France had already accepted 60,000 Vietnamese and they were coming in at the rate of 500 a month. The whole problem was in essence one for the United Nations but the UN was handling it very inefficiently. President Giscard said that he had noted the Prime Minister's message to Dr. Waldheim.

The discussion ended at 1310.

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