

France

PRIME MINISTER

Your Visit to Paris - 5 June 1979

I attach below some new material which has been provided in the light of the discussion at your briefing meeting this afternoon:

- A - A note by Mr. Franklin on the trigger mechanism for the IEA oil sharing scheme and on the state of the Belgian franc.
- B - The latest economic report from Paris, of which the last page contains the various vital statistics which you requested, *plus some additional facts and figures.*
- C - A note by Sir Kenneth Berrill, following his talk with Dr. Marshall, on our contacts with the French concerning fast reactors and other nuclear matters.
- D - A set of cards designed to act as a memory aid during your tete-a-tete with President Giscard: I have attached to them the latest edition (revised in accordance with your suggestions) of the paper for use by UK Ministers on the Community Budget issue - this might be the best brief to refer to during your discussion as it is self-contained.

A French translation of your short response to President Giscard's toast at lunch is in preparation and should reach you later tonight.

Blair

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Qa 04134

To: SIR JOHN HUNT
From: SIR KENNETH BERRILL

No. same.

John / 4/6.

Fast Reactor

1. I have had a talk with Dr Walter Marshall (Sir John Hill being on leave) about the current state of our negotiations with the French in the fast reactor field. The main elements of the present position are as follows.
2. The French approached the Atomic Energy Authority (AEA) last January to recommence discussions on possible collaboration which had been broken off two or three years ago. In Dr Marshall's view the main object of the French approaching ^{us} was not primarily the technical information which we could exchange with them but
 - (i) the desire to prevent a US/UK link up;
 - (ii) the possibility that the Germans might have to pull out of the fast reactor field because of political opposition in their own country - which would leave the French going it alone;
 - (iii) a desire to get the first fuel processing plant located in France.

I will deal with all these points separately.

US/UK collaboration

3. There have been talks over a long time about possible UK collaboration with the US. The US fast reactor programme is in disarray because of President Carter's commitment to stop the Clinch River project. The US would see advantage in joining with the UK in part because we are technically in advance of them now and in part because it might be easier to build a commercial sized fast reactor in the UK than in the US.

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4. Such a prospect worries the French because a US/UK joint design team might be the main competitor with the French/German/Italian consortium in offering fast reactors to the world after the year 2000. In Dr Marshall's view, the main reason for the French approach last January and the main offer they have on hand would be an agreement with the UK which would effectively stop our joining with the US and stop us competing with the French (and Germans) in offering to build fast reactors in other parts of the world.

German withdrawal

5. The French desire to join with us as an insurance policy against the withdrawal of the Germans needs no elaboration.

Fuel processing plant

6. The French interest in having the first fuel cycle plant (reprocessing/refabrication) needs some comment. Both the British and the French have overcome some of the manufacturing problems in the sodium/water heat exchangers. Full exchange of technical information would be useful on both sides but there is not a great expectation that either has a lot to teach the other. As time has gone on, however, everyone has come to appreciate that the cost of the fuel cycle will be an important element in the total cost of producing electricity via a fast reactor. There will only be a need for one of these very expensive fuel cycle plants for the first ten to twenty fast reactors. The French are naturally anxious to get this plant located in France. On the other hand, at this moment, we in the UK are probably more advanced technically in this field than the French.

Conclusion

7. In Dr Marshall's view, the line to take in discussion with the French is one of playing rather 'hard to get'. It was the French who approached us. It is the French who are worried at our possible links with the US. We should not easily agree at this stage to stop our discussions with the US. The French may believe they are near getting our agreement to do this.

4 June 1979

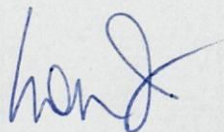
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MR CARTLEDGE

VISIT TO PRESIDENT GISCARD

The Prime Minister raised two points at the briefing meeting:-

- (a) Oil sharing: there is a scheme under the International Energy Agency (IEA) if there is a short-fall of 7 per cent compared with 12 months ago. The current figure is between 4 and 5 per cent. The French are not members of IEA. On the other hand the Community has a similar scheme which would probably be triggered off if an IEA scheme came into operation. The EEC scheme requires two months of demand reduction followed by proposals from the Commission which the Council would have to adopt by qualified majority.
- (b) EMS: some weeks ago the Belgian franc dropped below the divergence threshold. The Belgian Government took a series of measures including raising interest rates. The Belgian franc is still weak and receiving Central Bank support. One reason is thought to be that selling dollars by both the US and Germans has artificially strengthened the DM against the dollar and this has put pressure on the Belgian franc. The Continental markets are closed today, Monday.



M D M FRANKLIN

4 June 1979



Foreign and Commonwealth Office

London SW1A 2AH

4 June 1979

Dear Bryan,

Prime Minister's Visit to Paris: 5 June

You asked for a version in French of the draft speaking notes enclosed with my letter of 1 June. I attach a draft.

Yours etc

Paul

(P Lever)
Private Secretary

Bryan G Cartledge Esq
10 Downing Street
LONDON

Monsieur le Président, Monsieur le Premier
Ministre, Excellences, Messieurs,

Je suis vraiment enchantée de l'occasion
qui m'est donnée de passer une
journée en France, et de pouvoir
me'entretenir avec vous, Monsieur
le Président, des problèmes que
nous partageons, avant la réunion
à Strasbourg sous votre Présidence,
dans le courant du mois.

Je garde un souvenir très heureux de la
dernièrefois que je me suis trouvée
ici a l'Elysée, en mille neuf cent
soixante-quinze.

Les contacts de ce genre sont un aspect
très important des relations Franco-
Britanniques.

Je souhaite sincèrement que nos
rapports se maintiennent aussi bien
sur le plan officiel que sur le
plan personnel.

/ Je souhaite

Je souhaite également que des liens plus étroits se développent à tous les niveaux entre nos deux pays. J'espère que la Conférence de Fontevraud sera couronnée de succès. Pendant ces dernières années la Manche nous a parue trop large.

Aujourd'hui nous avons pu avoir un échange de vues qui je le crois, Monsieur le Président, a été précieux, au moment actuel si important si capitale pour le développement de l'Europe et alors que les élections Européennes sont imminentes.

Je crois qu'il est essentiel de tirer parti de l'immense fonds d'amitié et de bon volonté qui existe en Grande Bretagne à l'égard de la France, et je suis certaine qu'en resserrant encore davantage nos rapports bilatéraux, nous parviendrons à réaliser une collaboration toujours plus étroite dans les enceintes internationales.

/ Je voudrais

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Je voudrais maintenant porter un toast
en l'honneur de Monsieur le
Président de la République.



Foreign and Commonwealth Office

London SW1A 2AH

4 June 1979

Dear Bryan,

Prime Minister's Visit to Paris: 5 June 1979

At her briefing meeting today the Prime Minister asked for some statistics on the French economy. I enclose a fact sheet and a copy of Paris telegram number 77 reporting on the French economy in May 1979, which arrived this morning.

Yours etc

(P Lever)
Private Secretary

Bryan G Cartledge Esq
10 Downing Street
LONDON



FACT SHEET

GROWTH RATE (GDP):

<u>1978</u>	<u>1979</u>
3.3%	3.6% (Government Forecast)

UNEMPLOYMENT: (as % of total work force)

<u>JANUARY</u> 1979	<u>FEBRUARY</u> 1979	<u>MARCH</u> 1979
6.2%	6.1%	6.0%

GDP (1978):

368,791 million EUA (£244,844 million)

INFLATION:

10.1% year-on-year

EXCHANGE RATE: (Franc values in Paris in May 1979)

<u>4 May</u>	<u>11 May</u>	<u>18 May</u>	<u>25 May</u>
9.08 = £1	8.96 = £1	9.10 = £1	9.11 = £1

FRENCH DEFENCE EXPENDITURE IN 1979:

\$21,215 million (£11,100 million)
As percentage of GDP: 3.8%