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cc: CO
Master NFR

10 DOWNING STREET

From the Private Secretary

21 November 1980

New Genfe,

Telephone Conversation with President Giscard

At the end of their conversation last week (my letter of 14 November refers) the Prime Minister suggested to President Giscard that she should ring him some time this week following her meeting with Chancellor Schmidt. In the event it was not possible for her to ring until today. The telephone conversation took place at 1545.

The Prime Minister began by summarising some of the salient points of her conversation with Chancellor Schmidt. She referred to the discussion on East/West relations, to that on the world economic situation and to that on the Community. The main points of interest were that the Prime Minister told President Giscard that there was some difference of opinion between her and the Chancellor on the scale of the Soviet threat; that the Prime Minister and President Giscard agreed that Chancellor Schmidt was on occasion inclined to be too gloomy about the state of the world; that they agreed there should be a discussion in Luxembourg about trade with Japan; and that President Giscard appeared to be unaware of the joint SPD/FDP Document on reform of the CAP about which Chancellor Schmidt had told the Prime Minister in Bonn.

Middle East

The Prime Minister told President Giscard that we wanted to ensure that the outcome of the discussion on the Middle East in Luxembourg was such as "to keep some movement going". Four good documents had been produced. These should enable the Nine to continue the process of clearing their minds on what various phrases such as self-determination meant. In short, we were wary of taking a major new initiative but wished to continue with the one that had been started in Venice. President Giscard replied "this is also my view". He had been surprised by the statement attributed to Lord Carrington in the International Herald Tribune. He knew it had been inaccurately reported but a certain impression had been left. It was important not to give the appearance that the Nine were retreating from their position. The Nine were engaged in serious work and were analysing the situation with a view to proposing "at the proper time" some elements for a solution.

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Heads of Government could review the report made by the Foreign Ministers, comment on it and instruct them to go on with their work. There was no need to take an initiative which involved proposing or suggesting something precise. The point was to demonstrate that work was continuing on the study which the Nine had begun.

The Prime Minister said that the Foreign and Commonwealth Secretary had been worried about the headline in the International Herald Tribune because it did not accurately reflect his views. Both he and the Prime Minister wanted things to continue very much along the lines described by President Giscard. It was important to prove to e.g. the Israelis that the Venice Summit Declaration was not dead. President Giscard, agreeing, said that it would create great disappointment in the moderate Arab countries if it appeared that the Nine were losing interest in the problems. But it was clear that we could not articulate formal proposals at present because of the need for the new American Administration to be given time to find its feet. The Heads of Government should therefore make plain their continued support for the Venice Declaration and say that they were working on the documents which had been prepared for them and were getting into the practical aspects of the issues. The Prime Minister and President Giscard agreed that they were wholly in agreement!

Quadripartite Summit

The Prime Minister said that she had been asked at the Press Conference in Bonn about the holding of a Guadeloupe Summit. She had replied that there were already rather a lot of high level international meetings which had been arranged for next year. She thought that Governor Reagan would require some time after becoming President to prepare himself for a Summit. President Giscard said that he had not formed a definitive view on the problem. It was too early to do so. But there would be a need to coordinate policy with the new President and to analyse together the world's problems as they would be "in the winter or early spring". He did not yet know whether it would be better to do this on a bilateral basis or to have a rather larger meeting. This would depend on the attitude of the new American Administration. A quadripartite meeting could be a useful solution if the international situation required "a quick and open discussion" between the allies or if the Americans themselves wanted it. If, on the other hand, circumstances permitted a slower process, they might be satisfied with bilateral talks. There would be no need to form a judgement on this until the end of January.

The Prime Minister and President Giscard agreed that if they were tackled on this question during their forthcoming visits to Rome, they would say that for the moment no proposals had been made and that they had, therefore, not formulated a position on the question.

/ Commission Portfolios

Commission Portfolios

The Prime Minister asked whether President Giscard had any particular views on the allocation of portfolios in the new European Commission. President Giscard said that he had not decided who France's nominees would be. But he was very keen to retain the development portfolio. France had close links with many developing countries in Africa who would resent any change. It was a portfolio to which his Government were deeply attached. France had held the portfolio since the first Commission had been formed. He knew that this could not go on for ever but he was anxious to retain the portfolio in the next Commission. The Prime Minister said that Mr. Richard was well qualified for the development portfolio. However, she wanted to know the views of President Giscard so that we could "adjust our views accordingly". She did not want to have a clash with the French Government on this issue. The British Government were particularly anxious to retain the budget portfolio. The two Governments should keep in touch, perhaps through M. Wahl.

New Zealand

The Prime Minister referred to the message which she had sent President Giscard earlier in the week about New Zealand butter. She had not herself gone into the details of the matter but it was something which mattered a very great deal to New Zealand and should not be too difficult for Europe. She hoped that the Foreign Ministers could sort the problem out at their next meeting. President Giscard said that he had received the Prime Minister's message and had instructed M. Francois-Poncet to review the question in a friendly way. There was a certain contradiction in the British position. On the one hand they criticised the stockpile of butter in the Community and on the other hand asked for greater imports. But France understood that New Zealand's interests were at stake and hoped that it would be possible to find a fair solution at the next meeting.

Luxembourg

Both the Prime Minister and President Giscard agreed that it would be useful if an opportunity could be found to have a private conversation during their stay in Luxembourg in 10 days time.

I am sending a copy of this letter to David Wright (Cabinet Office). I should be grateful if, as usual, it could be given a limited distribution.

Yours ever

Richard Alexander

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

SUBJECT

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No: T.227/80

T.227/80

PRIME MINISTER'S TELEPHONE CONVERSATION WITH PRESIDENT GISCARD
D'ESTAING ON FRIDAY 21 NOVEMBER 1980 AT 1545 HOURS

PM: Hello, Mr. President. How are you?

PG: I am very well, how are you?

PM: I am very well. We've had a very difficult and very full week but it's all been all right.

PG: Employment or ...

PM: A mixture of things. We completed our public expenditure review all right. Then we had the State Visit of the King of Nepal then we had the State Opening of Parliament yesterday.

PG: Oh yes. The Queen's Speech has been well received by the majority?

PM: Yes, it has. I hope we're not overburdening them with too much legislation. It looks short. But it will be longer than they think. And the talks at the beginning of the week, Chancellor Schmidt will have telephone you about. I enjoyed them very much and found them very valuable. But I was glad we had just had a talk before. I think your feelings were perhaps right. I think really the only difference, if I might call it that, is a difference of view on the scale of the threat East/West. I think it is a bigger threat than Chancellor Schmidt. But I don't want to say anything over the telephone because we are open line. On the economic matters, I think it is very gloomy indeed on the world recession. I think he thinks there's going to be a very very severe one indeed.

PG: Sometimes, you remember, sometimes he has a view that is rather, well pessimist. I suppose he has some arguments for it but it's my experience that his views are perhaps a little beyond the normal attitude.

PM: I have that impression too. He doesn't easily seem to come out of the depression and life does go on. And it will go on. And the recession will end. But he's very depressed about it,

/ because

because he thinks there are great big structural changes arising from really the re-distribution of income between the rest of the world and the OPEC countries. And one cannot deny that that re-distribution has taken place. We also had a talk about protectionism. He is very very robust on it. I felt that we ought to talk about it at Luxembourg because I am a little worried about the Japanese position.

PG: So are we.

PM: We have a lot of goods here and we can't get equal access to their markets.

PG: Absolutely.

PM: And I felt that / ^{they} have to pay for all their energy, they're paying for it really by exporting to us. I don't mind that if we can export to them. But I thought that we ought to perhaps talk about it at Luxembourg.

PG: Yes, I am certainly ready to support such talks, such a conversation.

PM: And Chancellor Schmidt does point out that we have to keep the Japanese in the Western world because they are friends, we will have to rely upon them quite a good deal in their part of the world. And that I wholly accept. But it's a question of getting something more that we can call fair than we've got at the moment.

PG: It is true, it is a fact also, that they have practically no defence expenditure.

PM: I know, they're lucky.

PG: And of course it changes some facts in the competition.

PM: Yes. We also talked about the Community and you will be aware, better than I am, that Chancellor Schmidt and Herr Genscher have just agreed their attitude in a document on the Common Agricultural Policy between the two parties of the coalition.

It's not, I think, published yet but I am sure you will have had a copy of it. And we all agreed on the 1 per cent VAT ceiling and we must stick to that. And try to find a mechanism for having fewer surpluses. I think that was pretty well all on the main things. The Middle East, I just wanted to ask you exactly what you think should happen after the Luxembourg Council. I think our view would be that we must somehow keep some movement going and there are 4 very good documents which I understand each of our countries has produced one. So that we can clear our thoughts on what we mean by certain phrases like self-determination and security. But I think we would be a little bit wary of taking any new initiative but nevertheless continue with the one we started in Venice. Would that accord with your feelings?

PG: Yes. This is also my view. We were surprised by Lord Carrington's statements to the New York Herald Tribune. I know it was not correctly published but anyway that's the general feeling. Because we think we must not give the impression that we are retreating from our position. We are engaged in serious work to analyse the situation and to propose at the proper time some element for a solution. And I think we must go on like this. That is to review the report made by the Foreign Secretaries, by the experts, have some comments on it to see how we react to some of the problems it raises. Then to instruct them to continue, to go on with their work. Not to take an initiative that is to propose or suggest at the moment something very precise. But to show that we are working on on the study we are engaged into.

PM: Lord Carrington also was very worried about that headline. Because it did not reflect his view. He feels very much that we must continue very much along the lines you've indicated. Because I think he's been very concerned that the Israelis have thought that the Venice Summit Declaration was dead and he's very anxious that we must prove that it isn't.

PG: Yes, and you will create a great disappointment in the moderate Arab countries if we look like taking no more interest in the problems. And so it's clear that we cannot articulate informal proposals now because of the time for the new American Administration to start its work. But we can say first that we keep on to our

M: Not before. But we keep a wholly open mind on it at the moment. I am going to Rome I think 2 or 3 days before you.

PG: Ah, yes. This week.

PM: Yes, I'm going on Sunday. Then I have to be back because we're making a statement, the Chancellor of the Exchequer's making a statement in Parliament on Monday. I just felt that I might be tackled about the quadripartite matter. And we'll just play it the way as best I can.

PG: Well I think the answer is that there is no for instance, for the moment there is no proposal to hold such a meeting, so there's no position to take about it. Now probably I will have some questions when I go to Rome and I will say the same.

PM: Just a word if I may about Commission portfolios. I'm not quite sure what the position is and I wondered if you had any particular views because when we came to Paris I know that you weren't quite certain whom you were appointing and you asked me about portfolios. And I wondered if you still have any particular views because they will soon be deciding.

PG: Yes, about the people we have not decided yet about the French representatives. But there is one portfolio we are very keen to keep, that is the portfolio of, I don't know what is the name, it's for cooperation. It's due to the fact that we still have and we will keep for a few years ahead a rather close relationship with the sub-African countries and for them to see it change will probably be resented like some distance we are taking from their interests. So it's a reason for which I meant to talk, that is really the portfolio to which we are deeply attached. The others could be discussed on a, in an open way. But I ask Wahl to tell your assistant, to avoid any conflict on this because we don't want to have a dispute.

PM: Yes, that's why I asked. I don't want to have a dispute either. As you know Mr. Richard has done a lot of work in that sphere and therefore I wanted to know what your views were so that we can adjust ours accordingly.

/ PG:

G: Yes. This we have discussed deeply and there is a very strong desire because it has been like this since the beginning. We know very well that it cannot last forever. But for the moment there is still an expressed desire by our partners so ...

PM: Yes, well we would very much like to keep the budget this year. We've had it just 4 years and Mr. Tugendhat's staying and we would, for similar reasons, very much like to keep the budget. But if Mr. Wahl keeps in touch, we keep in touch with Mr. Wahl then that will see that we don't clash. There's only one other thing may I mention, I had messages from Mr. Muldoon of New Zealand, very concerned, which is why I did send a message Mr. President to you earlier in the week about New Zealand butter which matters a very great deal to them. It's a small amount to Europe and I myself have not gone into the details. May I just say therefore that I hope our Foreign Ministers can sort it out at their next meeting. Hello, hello?

PG: Well, I'm sorry I don't hear you too well.

PM: Oh, I'm so sorry. I sent a message which I had received from Mr. Muldoon about New Zealand butter.

PG: Yes, I received it.

PM: Yes, he's very concerned. It means a lot to his economy and comparatively little to us and I just hope that our Foreign Ministers can sort out the matter at the next Council of Foreign Ministers. I myself have not gone into the detail; we would like to help a person whose been a very great friend of Europe.

PG: Yes, well I received your message and I also instructed Francois-Poncet to study, to review the question in a friendly attitude. I just will mention that there is some contradiction between British attitudes. One is to criticise the excess of stockpile of butter in the Community and the other is to ask for broader imports. But we understand that of course New Zealand interests are at stake in this question so I hope it will be possible to find a fair solution at the next meeting.

/ PM:

M: I hope so. Well I think those were all the points, Mr. President, that I had made a note to raise.

PG: And so you are going to Rome on Sunday? And Monday?

PM: Sunday and seeing Signor Forlani and having a dinner on Sunday and we shall carry on talks really quite late on Sunday night. Seeing the President early Monday morning and I hope the Pope and then I have to get back to Parliament for half past three. So it will be a short visit.

PG: busy for you We have our meeting on Monday and Tuesday the following week. We are invited by the Grand Duke of Luxembourg who is a very kind man, for lunch on Monday, so I intend to go to this lunch.

PM: I'm not quite certain whether we have been invited, I think we have been invited too, which invitation was certainly accepted. He's a charming man isn't he. A delightful family. And we very much look forward to that and we'll be able to have a talk in the margins of the meeting.

PG: I hope so.

PM: I very much look forward to that.

PG: We will ask of course Helmut to make a private report of the dinner, of his conversation with Reagan and I hope we will have the time and the possibility to have a private conversation.

PM: Yes. I was very glad he saw Governor Reagan, it will help enormously.

PG: Thank you for calling.

PM: Thank you, Mr. President. I look forward to seeing you in Luxembourg. Goodbye.