

PRIME MINISTER

MEETING WITH M. GISCARD D'ESTAING

You are seeing M. Giscard for an hour tomorrow morning. Lord Whitelaw is subsequently giving him lunch at Dorneywood. The main purpose of his visit is to give a lecture at Ditchley on "The ECU and its contribution to the stability of the international monetary system".

Subjects which you might cover are:

- the political prospects in France (parliamentary elections in 1986, Presidential elections in 1988);
- the EMS. He will be trying to divine how open-minded you are towards putting sterling in the ERM;
- the European Community. You might go over the ground on where Milan went wrong and the way ahead. You will want to get some feel for how he would handle EC affairs if returned to power;
- the Franco/German axis. We increasingly feel that it is seen by both sides as exclusive (of us). How does he feel?
- the SDI. He has doubts about it, though thinks that French companies should take part in research;
- prospects for the European and US economies. He has recently come out in favour of liberal solutions, i.e. getting rid of controls and regulations (not what he did in office).

C.D.P.

11 July 1985

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Foreign and Commonwealth Office

London SW1A 2AH

10 July, 1985

*Dear Charles,*

Call by M. Giscard D'Estaing on the Prime Minister: Friday 12 July

The Prime Minister has agreed to receive M. Giscard d'Estaing at 10 Downing Street on 12 July at 11.30 for about an hour.

With this call in mind, our Ambassador at Paris has given his assessment of Giscard's current preoccupations and future prospects. Sir John Fretwell subsequently called on ex-President Giscard to discuss the subjects which he hopes to raise with the Prime Minister and has sent a further report. Copies of these two letters are enclosed - I think they provide ample briefing for the Prime Minister.

I also enclose details of Giscard's programme, a biographical note covering his career up to 1982 (the date at which Sir John Fretwell's account of his fortunes begins), and, in case this is of interest to the Prime Minister, the guest list for the lunch which Lord and Lady Whitelaw are giving for M. and Mme. Giscard immediately after his call.

I am sending copies of this letter and its enclosures to Richard Hatfield (Cabinet Office), Ron Lawrence (Privy Council Office) and Adrian Ellis (HM Treasury).

*Yours ever,  
Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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BRITISH EMEASSY,  
PARIS.

FROM THE AMBASSADOR

2 July 1985

D M D Thomas Esq CMG  
DUSS  
FCO

*Dear Dick,*

#### GISCARD'S CALL ON THE PRIME MINISTER

1. When ex-President Giscard d'Estaing calls on the Prime Minister on 12 July, she is likely to find him in relaxed and confident form. The period of dejection and bitterness which followed his 1981 defeat has passed. He has recovered his buoyancy, and gives the impression of being mellower, more reflective, and less arrogant.

#### Giscard's Comeback

2. He has shown considerable courage and determination in climbing out of the pit. Instead of abandoning public life in a huff, as some expected, he has set about rebuilding his political career from the base upwards. To the surprise of many, he stood for election to the humble post of municipal councillor in Chamalières in Clermont-Ferrand, in 1983, winning comfortably; and followed this, in the autumn of 1984, with an impressive victory in a by-election in the Puy-de-Dôme for a seat in the National Assembly. The momentum provided by these two victories has since helped him to reassert his authority in the Parti Republicain and within the wider UDF formation, and so counter the surge of support in both organisations in favour of Barre, one of his two principal rivals (along with Chirac) for the leadership of the opposition. He has also reasserted his control over the nationwide network of liberal political clubs, Perspectives et Réalités, so that in June he was able

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to stage a huge liberal Convention in Paris, which both Barre and Chirac reluctantly attended, but at which he was himself unquestionably the star. At the Convention and elsewhere he has recently succeeded in putting himself over as the candidate who prizes the cause of unity above personal ambition, in contrast to the other two: an astute piece of political manoeuvring.

### Giscard's Prospects

3. But even though Giscard has made a notable return to the centre of the political stage, there are still obstacles on the path back to high office:

(i) He is not particularly popular in the country at large. Barre and Chirac are both ahead of him in the polls; and both are seen as better opposition candidates for the presidency in 1988. The high marks Giscard is given for the way he has picked himself up since the 1981 defeat show no signs yet of translating into popular enthusiasm for his return to the Elysée.

(ii) His influence within his own party, and within the wider non-gaullist opposition, is challenged not only by Barre, but by the emergence of an exciting newcomer, François Léotard. The latter is the Republican Party's Secretary General whom, ironically, Giscard hand-picked for the post. Relatively young (43), dynamic, and an excellent speaker with outspokenly liberal views, Léotard has struck a chord with many Frenchmen who are looking for new faces and new ideas. He continues to insist on his loyalty to Giscard: but the protestations sound less convincing than they did. Increasingly he is being seen not so much as Giscard's faithful lieutenant but as his heir-apparent, and one who is impatient to get his hands upon the crown.

4. So where does this leave Giscard? The answer is: in with a chance; but much will depend on circumstances over which he himself will have little control:

(i) In the short term, it is not impossible that Giscard could become Prime Minister after the Parliamentary elections scheduled for next March. If, against current expectation, the outcome of those elections allowed Mitterrand to put together some form of centrist coalition, incorporating the socialist party and a large



part of the UDF, he might ask Giscard to lead it. And Giscard would almost certainly be tempted. Publicly he would justify acceptance on the basis that France had entered a very difficult period politically and had an overriding need for good government, which could best be provided by experienced men. He would therefore rise to the occasion and do his duty. (There have already been hints of this line in his speeches.) Privately, he would calculate, like many other French politicians, that whoever held the premiership during the 1986-88 period might have an advantage over his rivals in the race to succeed Mitterrand in the Elysée. (It would of course be a high risk strategy because not only Chirac and Barre but also Mitterrand himself would be working for the eventual defeat of the incumbent.)

(ii) In the longer term, it is not impossible that Giscard could indeed recapture the Elysée in 1988; but (whether or not he were to become Prime Minister in the meantime) two things would have to move in his favour. The first is that Barre, who is currently the opposition front-runner in the polls, would have to lose ground so that there was less to choose between him, Chirac and Giscard in terms of popularity. The second is that the rivalry between Barre and Chirac would divide the opposition to the point where neither could hope to present himself as the presidential candidate of a united Centre-Right. (This looks unlikely at present, but it is not impossible. Barre's and Chirac's relations with each other are worse than the relations between either of them and Giscard.) Assuming Léotard's fortunes have not prospered to the point where he would then throw his own hat into the presidential ring (again unlikely but not impossible), this would leave Giscard with a good chance. There are a lot of ifs in all this: but not so many that a second Giscard presidency can be ruled out. And we can be quite sure that Giscard will be manoeuvring to maximise his chances. He has unrivalled experience in this game and has been playing his cards with great skill.

#### Giscard's Preoccupations

5. I cannot be certain what topics Giscard will raise with the Prime Minister when he sees her; but it is clear from recent speeches and interviews that he has been giving a great deal of thought to economic issues

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and to the role of the state. He advocates 'liberal' solutions to France's problems, by which he means making a bonfire of controls and regulations (eg the scrapping of price controls), and a break with France's étatiste/dirigiste past. When asked why he did not practise in office what he is now preaching, he claims that French attitudes have changed in the last five years and that, whereas there is now a wide measure of support for a 'liberal' approach, there was not when he was President. There is an element of truth in this, although I remain to be convinced that if Giscard were ever to find himself back in the Elysée he would act differently from last time and actually seek to reduce the all-embracing power of the Presidency and of the French State. But his interests go wider than domestic French issues. He has been arguing for the more rapid development of the EC, as the only way to meet the US/Japanese industrial and technological challenge; he has called for better Franco-German relations, which he claims have been jeopardised during the Mitterrand/Kohl period; and he has expressed concern over SDI, warning that it will have a destabilising effect on arms control with serious consequences for Europe. He may want to sound out the Prime Minister on any or all of these topics.

6. Giscard will see his call on the Prime Minister as useful in confirming to French opinion his continued acceptance at the international top table and as a welcome chance to talk over some broad political and economic questions. It will be a good opportunity to get across to him why we want progress on substance in the European Community and not flights of rhetorical fantasy. If the Prime Minister were able to refer to progress made during Giscard's Presidency, to what has been achieved since and to our practical objectives for the future I think this would be helpful in keeping Giscard on the rails in the next stage of political debate in France. In one way or another he will continue to exercise considerable influence.

*John Fretwell*

John Fretwell

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Mr. Clark

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BRITISH EMBASSY,  
PARIS.

FROM THE AMBASSADOR

4 July 1985

D M D Thomas Esq CMG  
DUS  
FCO

Dear Jack,

FORMER PRESIDENT GISCARD'S VISIT TO LONDON

1. I called on Giscard this morning to discuss a few of the subjects which he hopes to talk about in London, particularly at his meeting with the Prime Minister (my letter of 2 July). He raised three in particular: the EMS, European Community matters and SDI.

EMS

2. This will be the subject of his lecture at Ditchley Park. He wondered whether the British government still saw the same objections to taking part in the exchange rate mechanism. I explained the problem on familiar lines: the pressures on sterling which could arise from movements in oil prices; the risk that intervention could interfere with effective control of the money supply etc. I noted that the subject was one of continuing interest and lively debate in the UK. Giscard said he thought our fears about the need for frequent intervention might be exaggerated. Leaving aside the three French devaluations, there had been relatively little need for intervention to maintain the agreed parities, even by the Italians. It was largely a question of confidence: if currency operators accepted that the system was there to stay and that parities would be maintained, the belief that they could profit from currency movements was weakened. He understood the special factors applying to sterling, but was glad to know that the question of participation in the ERM was kept under review.

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### Europe

3. I gave him a fairly full account of what had happened at Milan, the content of our own proposals and our hopes for practical progress. I suggested that the Italians had perhaps been carried away by a touch of Euro-romanticism and the dream of staging a second Messina. Giscard agreed that the important point was to improve the practical working of the Council of Ministers and seemed to approve our ideas for this purpose. He commented that life had moved, on since de Gaulle created the Luxembourg Compromise in 1965, but that in the final analysis there had to be a power of veto if only over such matters as the enlargement of the Community. This led him into a disquisition on the impossibility of ever admitting Turkey, which would produce a sort of Islamic Europe, although he noted that the Germans had been a bit wobbly on this at one time. He then expressed doubts about whether he had been right in promoting the admission of Greece. He had wanted to back Karamanlis, but Papandreou was proving quite impossible.

4. Giscard also acknowledged that it seemed excessive to call an Inter-Governmental Conference to consider amending two articles of the Treaty. He accepted that French and British positions were not far apart in substance on the broad range of Community questions. He did not think there was any significant lobby in favour of giving extensive powers to the European Parliament, other than the members of the Parliament themselves. He was interested in the evolution of attitudes in the British Labour Party towards the Community and was surprised to learn that, strictly speaking, the Party is still committed to withdrawal. I said that I did not believe there would ever be a majority in the House of Commons for withdrawal.

### SDI

5. I explained the Camp David four points, which Giscard accepted as a reasonable basis for public presentation at this stage of the game. He seemed uneasy, however, about what might happen later. He said that on his recent visit to the United States he had derived a clear impression that the Democrats would continue with SDI if they won the next elections. He had also sensed that the Americans would seek to avoid a situation in which there was a clear break between research and deployment, which would create an obligation to negotiate

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with Europe and with the Russians before proceeding beyond a certain stage. He thought the Americans would want to progress quite a long way and then offer to negotiate restraints on the system, rather than seek agreement to its installation. He thought the ABM Treaty was ambiguous on all of this. He also asked our position on accepting SDI contracts and whether we took seriously the fear of having our best brains poached by the Americans. I said that if worthwhile contracts were on offer we would expect to compete to get them: the resources thus made available would help to pay for more research and researchers. Giscard said he agreed and was baffled by the French government's resistance to this simple proposition. He approved the broad idea of Eureka as an encouragement to European cooperation in high technology, but saw no problem in also participating in SDI research.

#### French Internal

6. Giscard asked how Mrs Thatcher would view the prospect of cooperating with a liberal-minded government in France after the legislative elections. I said that if an answer were needed the Prime Minister would no doubt be happy to reassure him. He thought that in some ways it might be easier to move in a liberal direction in France than it had been in the UK, where Socialist practices and the power of the Trade Unions were more deeply entrenched. I asked how he thought the relationship would work out between a liberal-minded French government and a Socialist President. Giscard said he thought that Mitterrand, with whom he had discussed the question, underestimated the difficulties. French Presidents under the Fifth Republic had misused the Constitution by turning the President into the Chief Executive. He had himself followed the example of de Gaulle and Pompidou in this respect, as had Mitterrand. But this was not really the role of the President; and next year executive power would have to return to the government, where it properly belonged. This could lead to some difficulties, eg in Community policy, which would fall to the government not the Presidency.

7. Giscard continued that some people thought for this reason that it would be a good idea for the President to be more or less forced out. The polls however recorded French opinion as holding the opposite view (which he personally shared) that if the President wanted to stay he should not be made to go. Moreover there would be difficult problems to tackle in economic management, with little prospect of visible early success on unemployment

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in particular. Why then should one aggravate the difficulties and alarm French opinion by confronting the nation with a consitutional crisis as well? He personally would seek to avoid one.

8. I told him that the Prime Minister took a close interest in the French political scene and would probably be interested to hear his views on the prospects for 1986.

*James wa,  
John*

John Fretwell



## VISIT OF M. GISCARD D'ESTAING: 11-13 JULY 1985

Thursday 11 July

17.30

Arrive Heathrow by BA313 from Paris.  
Accompanied by Mme Giscard and a bodyguard/  
aide-de-camp, M. Gerard Cagnard

To be met by FCO special representative  
(Sir John Stow), the French  
Ambassador (M. Jacques Viot) and a representative  
of Ditchley Park (Ms Heather Weekes)

Drive to French Ambassador's Residence  
(Kensington Palace Gardens)  
Dinner given by the French Ambassador and  
Mme Viot.

Overnight at the Residence.

Friday 12 July

11.30

Call on Prime Minister at 10 Downing Street

12.30 approx

Return to French Embassy

Drive to Dorneywood

13.30

Lunch given by Lord and Lady Whitelaw at  
Dorneywood

15.30 approx

Depart Dorneywood for Ditchley Park

16.30 approx

Arrive Ditchley Park

18.15

Deliver Ditchley lecture 1985 on "The ECU and  
its contribution to the stability of the  
international monetary system"

Attend buffet supper at Ditchley Park

Overnight at Ditchley Park

Saturday 13 July

12.00 approx

Depart Ditchley Park for Heathrow

14.30

Depart Heathrow by BA312 for Paris  
(French Embassy and FCO representatives to  
be present on departure).

## GISCARD D'ESTAING, VALERY

Former President of the Republic.

Born 1926. Graduate of the Ecole Polytechnique and the Ecole Nationale d'Administration. Served in the War (Croix de Guerre). Inspecteur des Finances, 1954. Assistant Directeur de Cabinet to Edgar Faure, Prime Minister, 1955. Independent Republican Deputy for the Puy-de-Dôme, 1956-74. Secrétaire d'Etat (Junior Minister) at the Ministry of Finance, 1959-62. Minister of Finance and Economic Affairs, 1962-66. President of the National Federation of Independent Republicans, 1966. Minister of the Economy and Finance, 1969-74. President of France, 1974-81. Member of the Departmental Council of Puy-de-Dôme since 1982.

From the start Giscard was groomed for high office. He became a deputy at 30 (inheriting a safe seat from his maternal grandfather), a Minister at 36 and set up his own party when de Gaulle removed him from the Government in 1966. When he returned to office under Pompidou he remained loyal to the President, even when the Government's policies were coming under fire. But the Gaullists were reluctant to forgive him and his party for voting 'no' in the 1969 referendum. His cold and calculating character made him a difficult colleague. By contrast, in the country at large, he maintained an unusually high standing for a Finance Minister and successfully created a public identity of his own. These tactics were vindicated in the presidential campaign of 1974 when he was elected by the narrowest of margins.

At first Giscard's relaxed, informal style and his programme of reform seemed to catch the imagination of the French. But he under-estimated the conservatism of his countrymen. By the end of 1975, the lustre of the 'advanced liberal society' had begun to wear off. Innovations were denounced as gimmickry, and reforms represented as irrelevant or, worse, as probing too deeply into the pockets of the French. The fiasco of the modest capital gains tax

which passed so painfully through Parliament in the summer of 1976 marked the end of any real attempt to redistribute wealth. His reformist creed, in principle if not in practice, was spelt out in a much-publicised book, 'Democratie Francaise', in 1976.

Giscard must be given credit for seven years of relative social peace and prosperity, despite mounting economic difficulties. However, he abandoned, or at least postponed, his attempts of 1974/75 to create a moderate reformist political centre in France. In domestic political terms his greatest success was his foreign policy. His skill in making foreign policy seem like a string of privileged relationships, and in putting France firmly at the front of the international stage, struck a responsive chord across a wide spectrum of the electorate.

As President, Giscard was widely admired for his intelligence and his mastery of the details of Government policy. But he remained for most Frenchmen a cold, remote and uncharismatic figure, not untouched by the whiff of scandal following the Bokassa diamonds affair. Critics said that beneath his liberal mask, Giscard was an authoritarian, brooking no resistance in any matter of state, however trivial. These personal criticisms played an important part in his defeat.

After his defeat, many of his former political allies deserted him. With reluctance he accepted at first that his long-term interests were best served by remaining in the background. During 1982 he began to adopt a higher profile, making more frequent public and television appearances.

Giscard is married to an attractive wife who has shown little taste for political activity. They have four children. He speaks good English; hers is excellent.



LUNCH TO BE GIVEN BY LORD AND LADY WHITELOW IN HONOUR  
OF MONSIEUR LE PRESIDENT AND MADAME VALERY GISCARD D'ESTAING  
AT DORNEYWOOD ON 12 JULY 1985

Guest List

Monsieur le President and Madame Valery Giscard d'Estaing  
His Excellency Monsieur l'Ambassadeur and Madame Jacques Viot  
The Lord Soames GCMG GCVO CH CBE and Dame Mary Soames DBE  
The Lord Ezra of Horsham MBE and the Lady Ezra of Horsham  
Sir Robert Armstrong GCB CVO  
The Lord Hunt of Tanworth GCB and The Lady Hunt of Tanworth  
Mr R T Renton MP and Mrs Renton  
Mr B H I H Stewart MP  
Mr G G H Walden CMG MP and Mrs Walden

10 July 1985.

