



## 10 DOWNING STREET

*From the Private Secretary*

25 November, 1985.

Many thanks for your letter of 19 November with its very interesting account of your meeting with Giscard d'Estaing. I have showed it to the Prime Minister who was fascinated. She saw Giscard in the summer when he delivered himself of a long homily on the EMS. Your description of our views on membership is right: we are ready to join when the conditions are right.

Giscard's assessment of the Summit prospects is shown to have been pretty good. As regards the Channel Brunnel, there's enthusiasm but no decision will be taken on which project - if any - is to get the go-ahead before January.

Giscard's account of politics in France was not dissimilar to that which he gave to the Prime Minister in July except, as you say, his personal hopes for a role after the National Assembly elections were clearly higher in the summer.

The Prime Minister has asked me to say how much she enjoyed your letter. She hopes you will find time to let us know of any further such conversations.

Shall we see you both again at the Diplomatic Reception?

Charles Powell

The Rt. Hon. The Earl of Cromer, K.G., G.C.M.G., M.B.E.

from: The Rt. Hon. The Earl of Cromer, K.G., G.C.M.G., M.B.E., P.C.

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CONFIDENTIAL.

Dear Charles,

Last week I was in Paris for an IBM (Europe) meeting and at his invitation called on Giscard d'Estaing who you may remember was a good friend of mine when he was Minister of Finance since when we have kept in fairly regular and close touch. I spent about an hour with him.

Although most of what we discussed will be known to you through 'the proper channels' there was one thing he, so to speak, commissioned me to do. If you were not at No 10 I would ordinarily have written to the Prime Minister but knowing how burdened she must be it seemed kinder to her to land you with the need to react or not react as the case may be !

The first topic that Giscard introduced was the EMS and the Ecu. The PM knows my views on this, but it was Giscard who raised it. He said that he was meeting with Helmut Schmidt on December 2nd, whom he regarded as his fellow co-sponsor of the EMS and that he hoped it might be possible as soon as convenient after that to have some private meeting with the PM (without publicity) to discuss the matter.

He asked me if I knew where in the UK lay the opposition to Britain joining the EMS. I told him in all honesty that I did not know; I knew that the Bank of England was in favour, my best and recent information was that the Treasury bureaucracy was not opposed and the PM had been reported as not being opposed "at the right time". Certainly those in the circles I moved in, in the City and in Industry thought we should join but it was not a topic that seemed to arouse any great enthusiasm for or against. To his enquiry as what was likely to prove the right time I had to confess that I was mystified as within this year we had seen the sterling/dollar exchange rate fluctuate between just over \$1 to some \$1.44 within which band it might have been expected somewhere lay "the right time." It might be true that the Socialists might try to exploit such a move as tying ourselves to German deflationary tendencies thereby worsening unemployment in the UK but this seemed a pretty thin argument and certainly not such a real threat to employment as "a hard fall for the \$." For some reason there seemed to be lack in the UK of the political initiative and lure to make this move forward and a reluctance to accept the degree that sterling must look to the EMS countries when there is a dollar crisis.

Giscard did not believe (any more than I do) that the American initiative collectively to try to rig the dollar exchange rate is likely to work over any length of time as the scale of

intervention necessary over time will inevitably exceed the volume of support that the G5 will be willing (or perhaps able within their judgment of prudence) to make available. [Although I did not mention this, our experience of trying to support the sterling rate in the past makes one's mind boggle to think of the volume of intervention that would be called for to affect the much larger dollar overhang.]

On the disarmament front he thought that the most that could be expected of the Geneva meetings would be an agreement to continue talking (but not about the French or British independent deterrent).

Giscard asked if there was any widespread interest in the UK in the Channel Tunnel to which I replied not yet as the public interest was only just being aroused by the potential participant groups. We both agreed on the desirability of the principal but feared that political lobbying of steel interests and unemployment might lead to the wrong choice of alternatives.

In France he thought that M. Mitterand would of course soldier on after losing the Parliamentary Elections in March. He pointed out that although the French and the American Constitutions were wholly different and there could be no comparison between a White House of one party complexion and Congress of the opposite, nonetheless under the Constitution of the Fifth Republic (based on identical wording in this respect to the 1875 Constitution) the President could quite well carry on provided he does not attempt to introduce any controversial legislation. The President apparently does not have the power of veto. He said that one of the useful things that Mitterand had inadvertently accomplished was the demise of the Communist Party as a political force in France. The move to the right intellectually of much traditional Socialist support would not be helpful electorally to the genuine traditional right. He thought that Mitterand would appoint Chirac Prime Minister - said with an element of contempt.

I got the impression although naturally we did not speak about it that Giscard's own expectations for his own future have been diminishing since I last saw him in the Summer although his interest in the political scene is as lively as ever. He is, as I am sure you are aware a great admirer of Mr T although not always agreeing. He did go out of his way to pay respect to Mrs T's policy on South Africa with which he personally agreed and I naturally expressed my strong support.

Knowing how well HMG is served in reporting this letter is probably largely superfluous but maybe you may find in this ragbag one or two shreds of interest.

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*ever*  
Rowley

Best regards to Carla