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Foreign and Commonwealth Office

London SW1A 2AH

24 March 1987

Dear Charles,

Please his forward
to meeting for
reference

Monsieur Edouard Balladur

You have already received from HM Treasury (Andrew Kuczys' letter of 20 March) briefing for M. Balladur's call on the Prime Minister on 26 March. You may like some further background on his position within the French Government.

Balladur's relationship with Chirac goes back to 1963, when they both worked for Pompidou as Prime Minister. He has now become Chirac's principal confidant and would probably be front-runner for Prime Minister if Chirac were elected President. Currently, he is regarded as Chirac's unofficial deputy Prime Minister.

As Minister for the Economy in a government representing a wide range of political and economic views, he has had to perform a difficult balancing act: moving far enough to satisfy those who want economic reform, without antagonising the government's more traditionalist supporters. He is himself a pragmatist, rather than a committed supporter of classic French state management, and has accelerated the economic liberalisation begun under the Socialists. The change from quantitative rationing as a brake on growth of money supply to reliance on interest rates has been put into effect on schedule. A programme of privatisation has been initiated and now, following the success of the first flotations (with British merchant banks advising), accelerated. steps have been taken to remove price and exchange controls, though less rapidly than the government's election manifesto had promised. Balladur's first Budget struck a balance between reducing the deficit and honouring the election promise to reduce direct taxation. On international economic and monetary matters Balladur has proceeded cautiously, and managed sensibly the G5 Louvre meeting in February.

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It is a measure of the success of Balladur's approach that the government's economic policies have largely avoided provoking the dispute and disenchantment evident in some other fields, despite some serious underlying problems in the French economy. In particular, his resolute refusal to consider pay increases for public sector workers who went on strike in January, but eventually backed down, contrasted with the government's surrender the previous month to student protests and to railwaymen angered by proposals to reform their promotion structure.

Personally Balladur is fastidious, almost shy in manner (he is nicknamed the Canon), but nevertheless an evidently strong and decisive character. His steadiness and self-control complement well the qualities of the more impetuous Chirac.

Yours ever,

(L Parker)
Private Secretary

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