



10 DOWNING STREET

16 January 1986

From the Private Secretary

Dear Colin,

PRIME MINISTER'S MEETING WITH MONSIEUR RAYMOND BARRE

The Prime Minister had a talk with Monsieur Raymond Barre this evening.

French Political Situation

M. Barre expected the Right to win the National Assembly Elections. He hoped it would be a massive victory which would make it inevitable for President Mitterrand to resign. But victory should not be taken for granted. An election was only won when the results were in. Public opinion in France was rather sluggish.

M. Barre expected a difficult period between 1986 and 1988. Cohabitation between a Socialist President and a Centre Right government risked a return to the conditions of the Fourth Republic. He had no personal animosity towards President Mitterrand. Indeed he thought he had shown himself a President with authority. But France faced severe economic difficulties. The problems could be managed only if political confusion and uncertainty were avoided. This was the reason why he had made clear that he would not serve in harness with President Mitterrand. Consistency was the key to his own political success.

French Economy

M. Barre said that the rosy picture given by the present government bore little relation to reality. The real situation resembled that which had faced the Conservative Government in 1979. The books had been cooked. The reduction in inflation was more apparent than real and depended on the existence of price controls. 600,000 people had been put into early retirement at 55 to reduce the unemployment statistics. In 1980 the Budget deficit had been less than 1 per cent of GNP: in 1986 it would be 3.3 per cent. Fifty five per cent of the working population was employed in the public sector. The disastrous state of the Renault company, which recently had to sack 14,000 people, was evidence of the consequences of socialism.

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International Economic Situation

M. Barre said that he had visited Peru, Venezuela and Brazil last July. All three understood that their economic policies were foolish. But they continued to follow them nonetheless. The economic situation of Africa was even more precarious. He was worried about the prospect of a fall in oil prices which would cause still greater problems for countries such as Mexico and Nigeria. He hoped that the oil price would find a floor. The most pressing needs were to get a reduction in interest rates and to resist protectionism in the United States.

East/West Relations

M. Barre was sceptical about the Strategic Defence Initiative. He thought that in practice it would amount to no more than a point defence system which would reduce the credibility of the United Kingdom and French nuclear forces. The United States seemed to underestimate the fundamental importance for the European countries of maintaining deterrence. The Camp David Four Points continued to offer the best guide for Western policy. But he did not agree with the present French government in opposing participation in SDI research. Everyone could benefit from the research programme. He wished there had been agreement between European governments to let their firms participate if they so wished. On the arms control front, he had an intuitive feeling that the United States and the Soviet Union both wanted an agreement. But how were we to safeguard the specific interests of Europe when they reached an agreement? The means which the United States employed to advance their security interests would not necessarily be adequate to protect Europe's interests.

Franco/German Co-operation

M. Barre noted that France and Germany were increasingly talking to each other about defence problems. The French had to convince the Germans that they were with them and not just on the balcony. He would like to see this co-operation with Germany balanced by much closer co-operation between France and the United Kingdom in the nuclear and defence fields.

South Africa

M. Barre was concerned about the situation in South Africa. He hoped that President Botha would move rapidly to get rid of apartheid legislation altogether. But one man, one vote was not a realistic prospect for South Africa.

Middle East

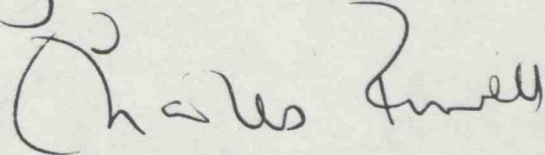
M. Barre said that Europe had a political view of the Middle East while the United States had a strategic view. The European countries wanted to see a political settlement. The Americans were worried about their lines of

communication. He would be visiting Saudi Arabia at the end of January.

EUROPE

M. Barre saw two priorities for Europe: completion of the internal market and the strengthening of technological co-operation. He expressed himself a strong partisan of variable geometry Europe. He very much regretted that the Council of Ministers had not taken the European Assembly to the Court in 1980. That failure had opened the way for the European Assembly to consistently overplay its hand on the Budget. He recognised the need to adapt farm policies and structures in France and more widely in Europe. Even the farmers themselves understood that the Community could not go on with its present policies. He was scathing about the results of the Luxembourg Summit. One did not reform the Community by changing from unanimity to qualified majority voting on a handful of Treaty articles.

I am copying this letter to Rachel Lomax (HM Treasury), Richard Mottram (Ministry of Defence) and Michael Stark (Cabinet Office).

Yours sincerely,

(C.D. Powell)

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Foreign and Commonwealth Office