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PRIME MINISTER

MEETING WITH FORMER PRESIDENT GISCARD D'ESTAING

Former President Giscard is coming to see you on Monday afternoon. You will recall that he is now a member of the European Parliament, where he leads the Liberal group. The main reason for his visit to the United Kingdom is to attend a conference at Ditchley Park, at which Helmut Schmidt, former President Ford and Lord Callaghan will also be present. I dare say they will be up to no good.

Giscard has become a strong federalist and ardent proponent of economic and monetary union. He favours bringing forward the IGC to earlier in the year: indeed, he has said this is the first question he would like to discuss with you. He has also taken a very positive line on German unification: and he and Helmut Schmidt have written an article, which he has sent you, arguing that unification should strengthen the Franco-German axis. Indeed, in the article Europe is seen largely as the preserve of France and Germany. He may also raise with you a proposal he has made to merge the Liberals, the EPP and the EDG in the European Parliament under his leadership. Sir Christopher Prout appears amenable to this, but it is unlikely that the EPP would agree.

If you are allowed to speak!, you might explain your views and pre-occupations about German unification, emphasising the need to examine the external consequences very thoroughly. You welcome the creation of the Berlin Four plus two Germanies Group, and the proposed informal meeting of the European Council to look at the consequences for the Community. You may also like to make some comment on his article if you have time to read it. It has some positive aspects: the importance of formal recognition of the frontier between Germany and Poland, and the need to ensure that East Germany's absorption into the Community is not at the expense of others. But you strongly disagree with the assertion that the aim must be a federal Europe: and you do not accept that the future of Europe should be a function of Franco-German co-operation. Indeed, you hope that one result of recent

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developments over Germany will be closer Anglo-French co-operation, particularly in defence.

On European Community matters, you will want to make clear that you see no reason to bring forward the date of the IGC. The preparatory work has not yet been done. Anyway, Chancellor Kohl has declared himself firmly opposed to holding an IGC before the German elections. You will want to reiterate our scepticism about economic and monetary union. Giscard wants the European Parliament to play a bigger role, both in the IGC and more generally. You might make the point that, if institutional reform is to become a subject for discussion in the Community again, you will have some radical ideas to put forward on the powers of the Commission (and possibly the Parliament).

If he raises the question of an alliance in the European Parliament between the Liberals, the EPP and the EDG, you will want to make clear this is not for you to decide. In general, you are all in favour of strengthening the centre-right, but are sceptical whether it is possible to embrace the views of all the parties concerned in a single organisation.

You will find in the folder:

- a note from the FCO;
- the record of a talk between Giscard and Ewen Fergusson;
- the Giscard/Schmidt article.

C.D.T.

CHARLES POWELL

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Jean Charles,

Call by M Valéry Giscard d'Estaing: 19 February at 1430

M Valéry Giscard d'Estaing is calling on the Prime Minister at 1430 on Monday 19 February. He will see the Lord President at 1600 and the Foreign Secretary at 1700.

M Giscard d'Estaing resigned his National Assembly seat last year, following his election as an MEP but remains an influential figure on the French right and a potential Presidential candidate in 1995. As President of the UDF (Union pour la Démocratie Française), he has long been at loggerheads with M Chirac, the leader of the RPR (Gaullists). The latter has just survived a challenge at the RPR "Assizes" on 11 February. He remains leader of the RPR, but will have been weakened. This can only be to M Giscard d'Estaing's advantage.

M Giscard d'Estaing is in Britain for a conference at Ditchley Park on 17-19 February. The organisers have been rather coy about the conference, but we understand that it is an initiative of Lord Callaghan's. In addition to M Giscard d'Estaing, the other participants include former President Ford and Dr Helmut Schmidt. The subjects to be tackled at the conference include political developments in Europe, the future of the Alliances, the structure of Europe and East/West relations.

EC Issues

M Giscard d'Estaing leads the Liberal, Democratic and Reformist group (the third largest) in the European Parliament and is an influential member of the Parliament's Institutional Affairs Committee. He still has hopes of succeeding the Spanish Socialist Enrique Baron as EP President in January 1992, despite last year's deal between the Socialists and the Christian Democrats under which the latter backed Baron in return for Socialist support for a CD candidate next time. We expect Giscard to float the suggestion that the three moderate groups of the Right in the EP - the Christian Democrats, the Liberal Democratic Reformist Group and the European Democratic Group - should link up, to shift the balance of power away from the Socialist group and make the EDG's contribution more

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effective: it would also help his Presidential aspirations.
(Maurice Fraser will be in touch separately with
John Whittingdale about this.)

M Giscard d'Estaing may raise current EC subjects. The French Presidency made significant progress (65 measures) on a number of difficult Single Market issues including merger control, life assurance and air transport liberalisation. The Prime Minister might like to urge the need for all, including the EP, to maintain the Single Market momentum; and to press our current priorities - financial services, and further transport liberalisation.

M Giscard d'Estaing has been a consistent advocate of rapid progress towards Economic and Monetary Union and favours bringing forward the IGC, from the end of the year to the Summer. The European Parliament is bidding for a role at the IGC. We do not agree - and nor do most member states, including the French. We would prefer arrangements as in 1985, when the Parliament was consulted informally in the margins of the IGC. The EP also envisages a pre-Inter-Governmental Conference of the three institutions (Parliament/Council/Commission): this would be somewhat less objectionable, though we would argue that the member states should not allow themselves to be drawn into any pre-negotiation and that the Council could therefore have no more than a watching brief.

/ M Giscard d'Estaing has asked us to forward an article which he has written, jointly with Helmut Schmidt, entitled "Strengthening the Franco-German Axis in response to recent events in Eastern Europe", which appeared in the Los Angeles Times on 11 February 1990. The theme is what he describes as "incorporating the unity of the two Germanies within the strategy of establishing a federal union of the member States of the EC".

/ A personality note on M Giscard d'Estaing is attached,
/ together with telegrams describing a recent conversation
/ between M Giscard d'Estaing and Ewen Fergusson and the recent
/ "Assizes" of M Chirac's RPR.

Yours ever,
Richard Gozney

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