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LONDON SW1A 2AA

From the Private Secretary

12 March 1990

PRIME MINISTER'S DINNER WITH FRENCH INDUSTRIALISTS

The Prime Minister had dinner at the French Embassy last night with twelve leading French industrialists (the list of those present has already been sent to you). It was quite a lively occasion and I think the main impressions that the industrialists will have received are:

- the Prime Minister's fierce pre-occupation with Germany's future economic strength and its implications for the rest of us. She did not spare them on the shift which has taken place in the relative power of Germany and France. They did not dispute her diagnosis but were less convinced about the solution (see below);

- the Prime Minister's strong interest in seeing a closer Franco/British partnership developed. The industrialists were positive in principle about this but a bit sceptical about what form it would take. The Prime Minister spoke in particular about a closer relationship in the defence field. The French Ambassador most unhelpfully said it would all depend on whether Britain chose to buy the ASMP missile;

- the divergence between French and British views on the way ahead in Europe. The industrialists clearly agreed with the Prime Minister on the difficulties and costs of the GDR's absorption into the European Community. They also agreed about the degree to which the FRG dragged up agricultural prices and maintained structural impediments which made it, for instance, very difficult for French or British firms to take over German companies. They were anxious about the implications for the Deutschmark and the ERM of German unification. But, generally, they parrotted the French Government's refrain that the way to cope with unification was to bind Germany into the European Community, above all by pressing ahead with economic and monetary union. The Prime Minister was pretty blunt in putting the opposite point of view. I think she rather shook their bland assumptions about this, but doubt that she convinced them;

- a clear difference of view about Japan, characterised by a very rugged debate between the Prime Minister and M. Calvet of Peugeot, who claimed in effect that the construction of Europe could not be carried out unless European firms were given a free run in their own market. This led to a lively discussion of whether the French were protectionist, with the Prime Minister insisting vigorously that the consequences of French policy in this field would be to turn the Community into a protectionist block, and encourage others such as North America and Japan to form exclusive blocks. M. Calvet rather gave himself away at one point, when he spoke of "allocating" Japanese investment among European countries. The Prime Minister drew the cheerful conclusion at the end of the discussion that there was not a free trader among them. They all chorused that they were for free trade but we should not over-simplify ...

It will be interesting to see what reactions Ewen Fergusson picks up, and whether any of the discussion finds its way into the French press. But I think the industrialists felt that they got their money's worth.

I am copying this letter to Martin Stanley (Department of Trade and Industry).

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

FRENCH AMBASSADOR'S DINNER FOR THE PRIME MINISTER, 11 MARCH

Summary guest list

Bernard Arnault. Chairman of LVMH, world's largest luxury goods group - champagne, brandy, perfume etc. Close links with Guinness. Private sector.

Claude Bébéar. Chairman of Axa Financial group, mainly insurance. Owns Equity and Law. Private Sector.

André Benard. Chairman of Eurotunnel, after a career with Shell.

Jacques Calvet. Chairman of Peugeot SA, third largest European car producer (Peugeot and Citroen) behind VW-Audi and Fiat. Produces at Ryton and Stoke. Private sector.

Alain Gomez. Chairman of Thomson, consumers and defence electronics company. Public sector.

Jean Pierre Desgeorges. Chairman of GEC-Alsthom: heavy capital goods sector. Alsthom-GEC merger in 1989. Private sector.

Jean-René Fourtou. Chairman of Rhône-Poulenc. France's leading chemical group. Owns Barker and May (Dagenham) and RTZ Chemicals. Public sector.

Sir James Goldsmith. Founded and built up Générale Occidentale, French conglomerate with international interests. Left France in 1987. Current French interests unclear.

Jean-Luc Lagardère. Chairman of Matra (defence electronics/missile) and Hachette, France's largest publishing/media group. Private sector. (Matra nationalised in 1982, privatised in 1988).

Lindsay Owen-Jones. British Chairman of L'Oréal, world's leading cosmetics company. Private sector.

Renaud de la Genière. Chairman, Compagnie Financière de Suez, financial conglomerate. Former Governor of the Bank of France. Private sector (nationalised 1982, privatised 1987).

Serge Tchuruk. Chairman of Total CFP, France's second largest oil company. Minority but controlling state interest.