



Prime Minister

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And

When I was over in Paris about ten days ago, I had a chance meeting with President Giscard who chose to tell me that he attached much importance to developing over a period of time a closer relationship than now existed between the French and British Governments.

I told him that I was sure you shared this view but the hard fact was that there were a number of important sources of friction at the present time which first had to be got out of the way.

Last week I saw Jean François Deniau, who is the French Minister of Trade and very close personally to President Giscard. He took up the same theme and I asked him why the President was speaking in these terms and apparently attached such importance to it. He said that it was for a number of reasons to do with balance in the Community but most importantly - and this seemed to me to make sense - that it was not electorally good news for the French Government to be so close as they obviously are to the Germans without the counter balance that can only come from a better and more intimate relationship with us.

I spoke as you would have wished to Deniau about the budget and insisted that this was a problem that had to be resolved and that both a long term and effective solution needed to be found. I don't think he was in any doubt at the end of our talk.

Deniau went on to say something which President Giscard had not himself mentioned, that the thinking in the Elysée was that the better relations which the President is seeking could only be achieved by having talks over a broad front about the many aspects of our relationship. I replied that that was all fine and large but that there was not time for anything like this between now and the European Council and that it was essentially for us to look for satisfaction over the budget at that meeting.

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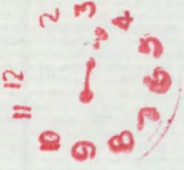
I also reminded Deniau that it was he himself who was the author of the phrase which we had accepted in the 1971 Negotiations to the effect that if the financial arrangements proved to be evidently unfair on any member state then it would be essential for the institutions of the Community to find a remedy. The moment of truth had now come.

I expect that you will find President Giscard enlarging upon all this when he comes to visit you next month.

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15th October 1979

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