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NEW FRENCH GOVERNMENT : PRIVATISATION PROGRAMME mf

SUMMARY

1. BALLADUR SUGGESTS EARLY DISCUSSIONS ON FRENCH PRIVATISATION PROGRAMME.

DETAIL

2. BALLADUR, THE NEW FRENCH MINISTER OF FINANCE AND VIRTUAL ECONOMIC OVERLORD, TOLD ME OVER LUNCH TODAY THAT HE WOULD LIKE TO SEND EXPERTS TO LONDON TO DISCUSS BRITISH EXPERIENCE OF DENATIONALISATION. (THIS WAS A PRIVATE LUNCH ARRANGED BEFORE BALLADUR ASSUMED HIS PRESENT FUNCTIONS). HE HAD THREE PARTICULAR SUGGESTIONS:

(A) THAT CABANA, MINISTER RESPONSIBLE FOR PRIVATISATION, SHOULD SPEND A FULL DAY IN LONDON TO DISCUSS ALL ASPECTS OF THE BRITISH PROGRAMME OF DENATIONALISATION. CABANA WOULD BE ACCOMPANIED BY A MEMBER OF BALLADUR'S CABINET.

(B) THAT A SENIOR FRENCH OFFICIAL SHOULD VISIT LONDON TO DRAW ON UK EXPERIENCE OF DEREGULATION.

(C) THAT A THIRD FRENCH OFFICIAL OR A MEMBER OF BALLADUR'S CABINET SHOULD VISIT LONDON TO DRAW ON BRITISH EXPERIENCE OF WHAT HE TERMS 'DEMUNICIPALISATION' IE THE SALE OF COUNCIL HOUSING.

3. I HOPE THAT IT WILL BE POSSIBLE GIVE AN EARLY AND POSITIVE RESPONSE TO THESE THREE REQUESTS. THEY IMPLY A WELCOME DEGREE OF OPEN-MINDEDNESS AND READINESS TO DRAW ON BRITISH EXPERIENCE.

4. BALLADUR SAID HE IS MUCH LOOKING FORWARD TO MEETING THE CHANCELLOR OF THE EXCHEQUER AND WOULD BE READY TO COME TO LONDON OR TO INVITE THE CHANCELLOR TO PARIS IF THAT WERE MORE CONVENIENT. (AN EARLY ENCOUNTER IS IN ANY EVENT LIKELY AT A EUROPEAN OR INTERNATIONAL MEETING: THIS MIGHT PROVIDE AN OCCASION TO ARRANGE A PROPER BILATERAL DISCUSSION). IF THE CHANCELLOR HAS NOT YET SENT A PERSONAL MESSAGE TO BALLADUR I THINK IT WOULD BE APPROPRIATE TO INCLUDE IN IT A REFERENCE TO THESE VARIOUS REQUESTS AND SUGGESTIONS AND TO INDICATE THAT WE ARE VERY READY TO WELCOME FRENCH MINISTERS AND OFFICIALS TO LONDON TO DISCUSS THE APPLICATION OF OUR POLICIES.

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5. I TOOK THE OCCASION TO EMPHASISE THE IMPORTANCE WE ATTACH TO MAINTAINING BUDGETARY DISCIPLINE IN THE EUROPEAN COMMUNITY AND TO WARN OF THE IMPOSSIBILITY OF ANY INCREASE IN THE 1.4 PERCENT VAT CEILING. BALLADUR THOUGHT THAT THE QUESTION OF AGRICULTURAL PRICES AND COSTS WOULD BE ONE OF THE MOST THORNY DOSSIERS HE WOULD HAVE TO DEAL WITH. HE COMMENTED A LITTLE RUEFULLY ON GUILLAUME'S APPOINTMENT AND ON THE CLOSE PERSONAL INTEREST WHICH CHIRAC TOOK IN THE SUBJECT. HE HAS CLEARLY NOT YET HAD TIME TO GET TO GRIPS WITH IT. THE ONLY OTHER SUBJECT ON WHICH HE FORESAW DIFFICULTIES BETWEEN BRITAIN AND FRANCE WAS THAT OF NEW ZEALAND, LINKED ONE TO THE FATE OF THE TURENCES THAN TO AGRICULTURE QUESTIONS. I POINTED OUT THAT THE UK WAS NOT DIRECTLY INVOLVED IN THIS QUESTION AT ALL, BUT IT IS CLEAR THAT BALLADUR, LIKE MANY OTHER FRENCHMEN, IS WONDERING IF WE CAN PLAY A HELPFUL ROLE.

6. ON INTERNAL MATTERS, HE SEES THE NEXT CRITICAL PROBLEMS AS BEING THE SELECTION OF THE NEW PRESIDENT OF THE NATIONAL ASSEMBLY (WHERE HE HOPES THAT AN ACCEPTABLE COMPROMISE WILL EMERGE BETWEEN GISCARD AND CHABAN-DELMAS ON THE THIRD ROUND OF VOTING) AND THE PASSAGE OF ENABLING LEGISLATION FOR BOTH ELECTORAL AND ECONOMIC REFORM. HE CONSIDERS THAT HE HAS ABOUT SIX WEEKS TO DECIDE HOW TO HANDLE THE ECONOMY BEFORE THE PROPOSED LEGISLATION IS IN PLCAE. THIS SHORT TIMESPAN IS AN ADDITIONAL REASON FOR HIS WANTING EARLY VISITS BY HIS ADVISERS TO LONDON.

7. ON GENERAL COMMUNITY MATTERS HE VOICED DISAPPOINTMENT, WHICH IS COMMON AMONGST PEOPLE WHO WORKED CLOSE TO POMPIDOU, WITH THE COURSE OF FRANCO-BRITISH RELATIONS BETWEEN 1973-79. HE GAVE THE IMPRESSION OF ACCEPTING, EVEN IF A SHADE RELUCTANTLY, THE DECISIONS TAKEN AT THE FONTAINEBELAU SUMMIT. HE EMPHASISED THE IMPORTANCE OF NOT LEAVING THE FUTURE OF THE COMMUNITY TO BE DETERMINED SOLELY BY A FRANCO-GERMAN MOTOR. I SAID THAT ONE HAD TO BE CAUTIOUS ABOUT APPEARING TO CREATE TRIPARTITE GROUPING, BUT THAT IN PRACTICE CLOSE CONSULTATION BETWEEN BRITAIN, FRANCE AND GERMANY WAS ESSENTIAL TO KEEP THE COMMUNITY MOVING FORWARD AND TO HANDLE FOREIGN POLICY QUESTIONS IN THE REST OF THE WORLD. BALLADUR FIRMLY AGREED.

8. MY IMPRESSION AT THIS STAGE IS THAT WE SHALL FIND HIM VERY GOOD TO WORK WITH. HE IS PROBABLY IN SOME DIFFICULTY ABOUT HANDLING THE QUESTION OF AGRICULTURAL EXPENDITURE IN THE COMMUNITY BECAUSE OF CHIRAC'S OWN POLITICAL PRIORITIES, BUT HE APPEARS TO START OUT FROM A POSITION FAIRLY CLOSE TO OUR OWN.

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