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SUMMARY

RAMBOUILLET: THE FRENCH VIEW

The French President, whose idea it was, counts the meeting a success. (Paragraphs 2 & 3).

He originally wanted the five Heads of Government alone to consider international monetary reform. Although he had to widen both the format and the subject matter, the meeting conformed to his idea of a conversation among principals about the need for greater economic and monetary stability in the West. (Paragraph 4).

The Declaration was positive, though the outlook is still uncertain. (Paragraph 5).

The central feature was the compromise between the French and the Americans on the monetary system. This is given by the French a political significance in terms of their general relationship with the United States and the problem of "Atlanticism". (Paragraph 6).

The French recognise our substantive part in the Rambouillet pattern and in Europe, but they have some uncertainties about us. (Paragraph 7).

Giscard seems to think that this form of meeting could be repeated, perhaps elsewhere. (Paragraph 8).



British Embassy
PARIS

25 November 1975

The Right Honourable
James Callaghan MP
etc etc etc

Sir,

1. You will have formed your own impressions of the meeting at Rambouillet, and of its relevance to our interests and those of the West as a whole; and others are in a better position than myself to record the event. But you may like a view of how the French saw it, and of its place in French policy.
2. Monsieur Giscard d'Estaing is by all accounts very pleased with the meeting and finds it to have been a success, subjectively and objectively. The idea was his. It conformed to his style and to his search for initiative. Though he had to accept changes in the original format, it represented essentially what he wanted it to represent - a conversation in depth among the main principals about the main principles, a major reckoning or prise de conscience of the leaders of the West about the need to put their economic and monetary house in order. Its conclusions, as embodied in the Declaration, were sufficiently positive for the purpose. They contained an important compromise between the previously opposing positions of France and the United States over the international monetary problem, and this in

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turn is taken by the French as significant of a better general balance and understanding with the Americans, and as some sort of justification for the French view of the Atlantic relationship. In its aftermath the success and significance of Rambouillet is regarded in the Elysée as essentially political - which is another way of saying that politics today are mainly economics; and that for Giscard the main threat to stability and thus the main concern of policy, both domestic and foreign, comes from economic pressures and disorders and their politically divisive effects.

3. It may be worth looking at each of these aspects in turn. First, on the nature of the meeting, Giscard had originally wanted the five Heads of Government alone. He had to accept a symposium of eighteen Ministers with a wider and more prepared agenda than he had envisaged, though it accorded with his concept that officials were kept out of the meetings. Having let in the Italians à contre coeur, he resisted the Canadians so obstinately because he did not want to lose control of his idea of the meeting altogether. Rambouillet, which was not big enough for everyone, had been chosen to give a house-party atmosphere. This was preserved with some difficulty. American security men, all wired for sound, thronged the corridors. Heavily armed gorillas haunted the park among autumn leaves blown off the trees by the helicopters. The mandarins were compressed rather than suppressed. The British delegation worked in Napoleon's bathroom. Monsieur Sauvagnargues, who seemed strangely

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disorientated, was reduced to a table in a corridor.

4. In the aftermath, the prise de conscience seems to the French to have been valid. But there is a difference in tone between public hope and private prognosis. The Declaration had a confident ring: "Our present policies are compatible and complementary and recovery is under way." The assumption is that the threatened crisis of capitalism has been dispelled - for the moment at least - by the traditional instruments of economic management. The French feel that they have already done enough to help the world economy on its upward path and can bank on recovery themselves. But figures published on the same day as the Declaration show that the threshold, once deemed traumatic, of one million unemployed in France has now been passed, and that the French trade gap is opening up again. The economy remains fragile, here as elsewhere.

5. In the original concept - back in July when he first floated the idea to a group of American journalists - Giscard had wanted this meeting to open the way to a new world monetary system. He had to reduce the objective and widen the subject matter. But the meeting, and the Declaration, still reflected his conviction that greater monetary stability is an essential key to economic recovery. The understanding on this between the French and the Americans was the central feature and achievement of Rambouillet. It was the product of hard and secret negotiations between the French and American Treasury officials, completed in the corners of the Château throughout the weekend. Giscard decided to bury doctrine in order to get it. He had to abandon his original

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hope for an obligation to return eventually to fixed parities, and to settle instead for a pragmatic arrangement on the relationship of the dollar to the snake currencies and a less than absolute commitment to intervene: the French Ministry of Finance could not get the United States Treasury to accept a maximum limit to currency fluctuations which would act as a trigger. Nevertheless there is a commitment of a kind and "benign neglect" will now be hard to justify. The omens for the IMF meeting in Jamaica are favourable and the prolonged doctrinal argument on the virtues of floating rates as against fixed parities has been set aside.

6. This burying of the monetary hatchet with the Americans is given a wider significance at the Elysée. It is seen in terms of resolving what the French call the problem of Atlanticism. This means recognising the need for a dialogue with the Americans while preserving the independence of France and of Europe; accepting the large and essential place of the United States in the Western system both military and monetary, while resisting any arrangements that give or appear to give the Americans a position of control over that system. The French thus think of a monetary system dominated by the dollar in much the same way as they think of the integrated structure of NATO under supreme American command: the prejudice against both is the same. Giscard sees the main threat to Western security as economic and internal rather than military and external. Moreover the search for a healthier relationship with the United States, though qualified by a prudent respect for Gaullist prejudice, is the most notable change he has brought to French policy. It is small wonder then that this should be the aspect of Rambouillet that the Elysée find the most significant.

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7. As for the French view of ourselves in the aftermath of Rambouillet they have registered the substantial part played by the Prime Minister in the proceedings. They recognise that we are a major factor in the monetary equation and in the balance of Europe; but their attitude is qualified and watchful. They understand the constraints imposed by our situation of economic disadvantage and that many of our problems represent those besetting the Western world as a whole. They did not contradict our position on selective import controls, though it causes them some forebodings. They are, so far, keeping their calm about our wish for separate representation at the Conference on International Economic Cooperation, though they do not like it at all. They see the relevance of the Prime Minister's Kingston initiative to the dialogue with the Third World. In sum, Giscard accepts the need to work with us now that our European choice is made; but, in contrast with his relationship with Herr Schmidt, he remains uncertain about the future direction of our European policy and its place in our priorities.

8. Finally, the indications are that Monsieur Giscard d'Estaing thinks not only that this form of top-level "conversation" has proved successful, but that it can and should be repeated when necessary. The worries of the smaller members of the Community about this are not rated very high here. Giscard will probably expect one of the other participants to play the host next time. Rambouillet was more than a personal success for him; he valued the process for itself and particularly for its implications in terms of his view of the concert of the West. The "Spirit of Rambouillet", of

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which we shall no doubt hear more, is perhaps for him
 / reminiscent of the "Spirit of St Louis" - a notable Atlantic
 crossing reaching Paris with a petrol problem and not
 without difficulty.

I have the honour to be
 Sir

Your obedient Servant

W. D. Dawson

c.c. to:

H M Representatives at:

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