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TO IMMEDIATE FCO

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COMMUNITY RESTRUCTURING: FRENCH GOVERNMENT TACTICS

1. FOLLOWING THE PUBLICATION OF THE FRENCH MEMORANDUM ON REVIVING THE COMMUNITY, M CHANDERNAGOR'S PRESS CONFERENCE ON 13 OCTOBER (MY TEL NO 884) AND RECENT DISCUSSIONS WITH FRENCH OFFICIALS IN THE MANDATE GROUP AND BILATERALLY, IT MAY BE USEFUL IF THIS POST ATTEMPTS AN ANALYSIS OF THE FRENCH GOVERNMENT'S TACTICS. THIS MAY BE HELPFUL IN PREPARING BRIEFING FOR THE LORD PRIVY SEAL'S VISIT TO PARIS ON 23 OCTOBER.

2. THE FRENCH MEMORANDUM IS THE PRODUCT OF A LONG PERIOD OF GESTATION WITHIN THE NEW FRENCH ADMINISTRATION. SOME OF THE DELAYS AND UNCERTAINTIES CONNECTED WITH IT HAVE BEEN CAUSED BY A CERTAIN INCOHERENCE WHICH AFFECTS THIS GOVERNMENT. IT IS WORTH RECALLING SOME OF THE MAIN EPISODES IN THE EVOLUTION OF THE FRENCH ATTITUDE. ON 28 MAY, NOT QUITE THREE WEEKS AFTER MITTERRAND'S PRESIDENTIAL ELECTION VICTORY, AND BEFORE THE PARLIAMENTARY ELECTIONS HAD PRODUCED AN OVERWHELMING VICTORY FOR THE SOCIALIST PARTY, M CHEYSSON TOLD YOU THAT THE FRENCH GOVERNMENT WANTED A PERIOD OF DELAY (2 OR 3 MONTHS) FOR REFLECTION ON EUROPEAN QUESTIONS. IN GENERAL THE FRENCH GOVERNMENT WANTED THE COMMUNITY'S PROBLEMS TO BE GIVEN A WIDER DIMENSION. IN A LETTER DATED 1 JUNE HE CONFIRMED THAT FRANCE WOULD BE READY TO RESUME DISCUSSIONS ON THE MANDATE FROM THE BEGINNING OF THE AUTUMN. ON 11 JUNE AT THE JUMBO ECONOMIC AND SOCIAL AFFAIRS COUNCIL M DELORS FORESHADOWED THE IDEAS WHICH HAVE SINCE BEEN ASSEMBLED UNDER THE HEADING "EUROPEAN SOCIAL AREA". AT THE EUROPEAN COUNCIL AT LUXEMBOURG ON 29/30 JUNE PRESIDENT MITTERRAND, AFTER EARLIER EFFORTS BY FRENCH OFFICIALS TO SAY THAT HE WOULD NOT BE ABLE TO CONTRIBUTE TO A DISCUSSION ON THE COMMISSION'S PAPER ABOUT IMPLEMENTATION OF THE 30 MAY MANDATE, ACQUIESCED IN THE SETTING UP OF THE MANDATE GROUP WHICH BEGAN WORK IMMEDIATELY AFTERWARDS. HE TOO SPOKE ABOUT THE EUROPEAN SOCIAL AREA. ON 8 JULY YOU SPOKE OF EUROPEAN "RENEWAL" IN YOUR KEYNOTE SPEECH AT STRASBOURG. LATER IN JULY THE TERM "RELANCE EUROPEENNE" BEGAN TO BE USED BY FRENCH OFFICIALS. AT HIS MEETING WITH MRS THATCHER ON 29 JULY AND AT THE ANGLO/FRENCH SUMMIT ON 10/11 SEPTEMBER PRESIDENT MITTERRAND DID NOT OFFER ANY DETAILED EXPLANATION OF WHAT HE HAD IN MIND. IT WAS INDICATED IN PARIS THAT HE WOULD REVEAL HIS IDEAS AT HIS FIRST PRESIDENTIAL PRESS CONFERENCE ON 24 SEPTEMBER. IN THE EVENT HE DID NOT DO SO AND FRENCH OFFICIALS FELL BACK ON PROMISING A MAJOR INITIATIVE VERY SHORTLY. M CHANDERNAGOR IS KNOWN TO HAVE BEEN TINKERING WITH THE TEXT OF THE FRENCH MEMORANDUM UP TO THE LAST MOMENT BEFORE IT WAS DISTRIBUTED. IN THE END THE FIRST RECIPIENT OF A FULL EXPOSE OF THE FRENCH IDEAS WAS CHANCELLOR SCHMIDT AT LATCH ON 7/8 OCTOBER.

3. I THINK THE PICTURE WHICH EMERGES IS OF A NEW FRENCH GOVERNMENT WHICH KNEW THAT THE COMMUNITY PROBLEMS WERE GOING TO BE VERY DIFFICULT FOR FRANCE, BUT WHICH WAS AT FIRST TOO BUSY WITH THE PARLIAMENTARY ELECTIONS AND ORGANISING ITSELF TO PAY MUCH ATTENTION TO THEM. IT FOUND, WHEN IT HAD TIME TO LOOK AT THE PROBLEMS, THAT PROGRESS ON ANY ASPECT OF THE 30 MAY MANDATE WAS GOING TO BE COSTLY FOR FRANCE, WHILE REMEMBERING THAT PRESIDENT MITTERRAND DURING HIS ELECTION CAMPAIGN HAD DECLARED THAT HE WOULD BE A TOUGHER DEFENDER OF FRENCH INTERESTS THAN PRESIDENT GISCARD HAD BEEN. BY THIS TIME IT WAS ALSO BECOMING CLEAR THAT IT WAS GOING TO BE VERY DIFFICULT TO FIND THE FUNDS TO FINANCE SOCIALIST RECONSTRUCTION IN FRANCE EVEN WITHOUT HAVING TO CONTRIBUTE RESOURCES TO COMMUNITY RECONSTRUCTIONS. IN THE COURSE OF THE SUMMER ANY IDEA WHICH SENIOR MEMBERS OF THE GOVERNMENT MAY HAVE HAD OF WORKING OUT A COMPREHENSIVE FRENCH SOLUTION TO THE QUESTIONS POSED BY THE 30 MAY MANDATE SEEMS TO HAVE EVAPORATED. THE FEELING SEEMED TO GAIN GROUND THAT FRANCE COULD BEST DEAL WITH THE SITUATION BY BEING RELATIVELY INERT ABOUT THE 30 MAY MANDATE AND THINKING UP AN ALTERNATIVE CONCEPT FOR REVIVING THE COMMUNITY WHICH WOULD IF POSSIBLE PERFORM A CUCKOO FUNCTION IN THE MANDATE NEST, WITHOUT FRANCE APPEARING TO REPUDIATE THE MANDATE DIRECTLY. THE FRENCH ADMINISTRATION HAS BECOME INCREASINGLY CONSCIOUS OF THE DANGERS FLOWING FROM THE EXISTENCE OF A GERMAN PROBLEM, AS FRANCE CANNOT AFFORD TO HAVE A DIRECT CLASH WITH THE FRG. THE DEVALUATION CRISIS ON 4 OCTOBER BROUGHT A SHARP REMINDER OF THIS. THE REACTION ON THE FRENCH SIDE APPEARS TO BE TO LEAVE IT TO THE FRG TO MAKE THE RUNNING WHILE STONEWALLING AS FAR AS POSSIBLE ON THOSE ASPECTS OF THE 30 MAY MANDATE ON WHICH THE UK IS PARTICULARLY KEEN. IT SEEMS VERY LIKELY THAT PRESIDENT MITTERRAND AND HIS ADVISERS WERE INDEED MOVED BY CONSIDERATIONS RELATED TO GERMANY WHEN POSTPONING THE LAUNCHING OF THEIR MEMORANDUM TOWARDS THE END OF SEPTEMBER. THE MEETING BETWEEN PRESIDENT MITTERRAND AND HERR SCHMIDT AT LATCH SEEMS TO HAVE ENABLED THE FRENCH GOVERNMENT TO TAKE SOME MEASURE OF THE GERMAN ATTITUDE IN THESE MATTERS AND TO MAKE A FIRST ATTEMPT TO HITCH THE FRENCH MEMORANDUM TO HERR GENSCHER'S PROPOSALS FOR PROGRESS TOWARDS EUROPEAN UNION WHICH THE FEDERAL GERMAN GOVERNMENT HAD ENDORSED ON 18 SEPTEMBER.

4. AGAINST THIS BACKGROUND IT IS PERHAPS EASIER TO UNDERSTAND WHY THE FRENCH MEMORANDUM ADDRESSES ITSELF SERIOUSLY TO ONLY ONE FAIRLY LIMITED SECTOR OF THE 30 MAY MANDATE, IE TO THE NEW POLICIES VOLET. IT IS A SURPRISINGLY UNAMBITIOUS PRODUCT FOR 4 MONTHS REFLECTION. THE FRENCH GOVERNMENT ESCHEWS ANY PROPOSALS FOR ACTUAL DEVELOPMENT OF THE COMMUNITY AND ITS INSTITUTIONS AND SIMPLY LISTS A FAIRLY LENGTHY SERIES OF PIECEMEAL MEASURES WHICH, IF ADDED TO THE STATUS QUO, WOULD MAKE IT EASIER FOR THE FRENCH GOVERNMENT TO PURSUE ITS CHOSE POLICIES AT HOME. THE PRINCIPAL MESSAGE OF THE DOCUMENT SEEMS TO BE THAT MORE ATTENTION SHOULD BE PAID TO THE SOCIAL AND EMPLOYMENT ASPECTS OF MACRO-ECONOMIC

POLICY, THAT THERE SHOULD BE TOUGHER COMMUNITY MEASURES OF PROTECTION AGAINST MANUFACTURED GOODS FROM JAPAN AND THE USA, THAT THERE SHOULD BE HARMONISATION OF ATTITUDES TOWARDS INWARD INVESTMENT (PRESUMABLY FROM JAPAN AND THE US), THAT THERE SHOULD BE PROTECTION AGAINST CEREAL SUBSTITUTES WHILE THE COMMUNITY'S OWN AGRICULTURAL EXPORTS SHOULD BE INCREASED, THAT MCAS SHOULD BE ELIMINATED SO THAT COMPETITION TO FRENCH AGRICULTURAL PRODUCTS WOULD BE REDUCED WITHIN THE EC, THAT MORE ATTENTION SHOULD BE PAID TO EXTERNAL COMMUNITY BORROWING FOR THE FINANCING OF INTERNAL NATIONAL INVESTMENT, THAT THERE SHOULD BE COOPERATION IN SCIENTIFIC AND TECHNOLOGICAL RESEARCH AND IN THE DEVELOPMENT OF HIGH TECHNOLOGY INDUSTRIAL SECTORS, THAT NEW ENERGY SOURCES SHOULD BE VIGOROUSLY DEVELOPED, AND THAT COOPERATION WITH THE DEVELOPING WORLD SHOULD BE INCREASED IN ORDER TO PROVIDE EUROPEAN INDUSTRY WITH BETTER MARKETS. AFTER ALL THIS HAD BEEN SET IN TRAIN, THE NEED FOR BUDGET RESTRUCTURING COULD BE EXAMINED (AND, IF POSSIBLE, FOUND UNNECESSARY).

5. THERE ARE OF COURSE NUMEROUS WELCOME IDEAS IN THE FRENCH MEMORANDUM. SOME OF THE ISSUES ARE ALREADY UNDER DISCUSSION IN OTHER COMMUNITY FORA. USEFUL PROGRESS COULD BE MADE IF VARIOUS OF THE FRENCH IDEAS WERE PURSUED AT THE SAME TIME AS THE MORE CRUCIAL ISSUES RAISED BY THE 30 MAY MANDATE. UNFORTUNATELY, THERE HAS BEEN GROWING EVIDENCE SINCE MID-SEPTEMBER THAT THE FRENCH GOVERNMENT MAY BE MOVING INTO A POSITION WHICH WOULD PLACE IT DIRECTLY ACROSS THE PATH OF PROGRESS TOWARDS RESOLVING ON A PERMANENT BASIS THE PROBLEM OF UNACCEPTABLE SITUATIONS. M CHANDERNAGOR'S SHARP REMARKS AT HIS PRESS CONFERENCE ABOUT JUSTE RETOUR, THE VERY NEGATIVE BRIEFING WHICH APPEARS TO BE REACHING THE FRENCH PRESS, AND THE LINE RECENTLY TAKEN BY FRENCH OFFICIALS THAT ANY BUDGETARY SOLUTION MUST BE THE RESIDUAL OF DISCUSSION ON THE OTHER TWO VOLETS AND MUST BE LIMITED, TEMPORARY AND DEGRESSIVE, DO NOT SUGGEST THAT THE NEW GOVERNMENT HAS DECIDED TO TAKE A CONSTRUCTIVE ATTITUDE TOWARDS THE UNITED KINGDOM'S MAJOR INTERESTS IN THIS AREA. THE APPARENT FRENCH ATTEMPT TO ELUDE A DISCUSSION OF GAP AT THE NOVEMBER EUROPEAN COUNCIL (BONN TELEGRAM NO 77-, PARA 4), WHICH UNDER THE FRENCH FORMULA WOULD ALSO PREVENT SUBSTANTIVE DISCUSSION OF THE BUDGETARY ASPECT, WOULD HAVE THE UNHELPFUL RESULT OF LEAVING ONLY ONE VOLET ON THE TABLE, NAMELY NEW POLICIES, AND THE FRENCH WOULD PROBABLY TRY TO ARGUE THAT THE RIGHT TEXT FOR THAT SUBJECT WAS THE FRENCH MEMORANDUM.

6. SO FAR THE FRENCH GOVERNMENT HAS NOT SOUGHT TO DELAY THE MANDATE GROUP DISCUSSIONS, ALTHOUGH IT HAS NOT GONE OUT OF ITS WAY TO BE HELPFUL EITHER. BUT THE UNWILLINGNESS OF THE FRENCH TO RISE TO THE CHALLENGE OF THE 30 MAY MANDATE CAME OUT VERY CLEARLY IN THE DISCUSSIONS BETWEEN SENIOR OFFICIALS LED BY MR FRANKLIN ON THE UK SIDE ON 14 OCTOBER. THE PROBLEM REMAINS OF TRYING TO

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CONVEY DECISIVELY TO THE FRENCH GOVERNMENT, AS MR FRANKLIN AND MR HANCOCK TRIED TO CONVEY ON THAT OCCASION TO M ACHARD AND HIS COLLEAGUES, THAT IT WILL BE IN THE FRENCH GOVERNMENT'S OWN INTEREST TO BE MORE HELPFUL OVER BUDGET RESTRUCTURING. THE FRENCH GOVERNMENT PROBABLY UNDERSTANDS THAT IT IS GOING TO HAVE TO MAKE SOME CONCESSIONS, BUT RECKONS TO MAKE ONLY THOSE ON WHICH THE FRG WOULD IN THE LAST RESORT INSIST, HOPING THAT THE "BRITISH PROBLEM" CAN BE PLAYED INTO THE MORE DISTANT FUTURE WHEN, AS THEY WOULD SEE IT, ELECTORAL EXIGENCIES AND CHANCE IN THE UNITED KINGDOM MIGHT REDUCE BRITAIN'S STRENGTH AS A NEGOTIATOR.

7. WHEN HE MEETS M CHANDERNAGOR ON 23 OCTOBER THE LORD PRIVY SEAL WILL, I THINK, NEED TO CONTINUE THE LONG TASK OF TRYING TO IMPRESS ON HIM THE BRITISH GOVERNMENT'S DETERMINATION TO INSIST AND PERSIST WITH ITS CASE AND TO SECURE A SATISFACTORY AND EQUITABLE COMMUNITY SETTLEMENT, WHICH ALONE IN THE LONG RUN CAN PROVIDE A SOUND FOUNDATION FOR THE RELAUNCHING OF THE COMMUNITY WHICH FRANCE NEEDS AS MUCH AS ANY OF HER PARTNERS.

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