



M. MITTERRAND'S DEBUT AS PRESIDENT

SUMMARY

1. After President Mitterrand's first 100 days in office it is time to examine his performance (para 1).
2. The Left's landslide victory in this year's elections has given President Mitterrand a free hand. He has skilfully avoided clearly defined policy commitments and, without himself pretending to be a centrist, has managed to create the impression that he leads a moderate administration (paras 2 and 3). The Socialist Parliamentary Group is being kept out of mischief by a heavy legislative workload. M. Mitterrand is likely to serve his full 7-year term but the long term character of his Presidency remains to be defined (paras 4 and 5).
3. There is considerable uncertainty about the way in which policy is shaped within the new government. The sweeping personnel changes in broadcasting, the police, the prefectural corps and the higher reaches of the civil service together with the government's plans for decentralisation will prolong the period of administrative uncertainty (paras 6 - 9).
4. M. Mitterrand's foreign and defence policies are a blend of continuity and change designed to balance Socialist ideology and French national interests. Decisions difficult for France are not being faced. The true character of M.

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Mitterrand's foreign policy will take time to emerge (para 10).

5. The economy, and in particular the fight against unemployment, is the key area of activity. M. Mitterrand himself has little feel for economics. The government's first short term package of economic measures has not checked the deterioration in the economic situation (paras 11 - 13). There is a strong ideological motivation behind some of the government's economic policies (paras 14 and 15). The test for the government's economic strategy is likely to come in the course of 1982. The prospects are not encouraging (paras 16 and 17). The farming lobby will continue to exercise disproportionate influence (para 18).

6. President Mitterrand has a very strong political position but has given highest priority to solving a very intractable problem, unemployment. It is difficult to believe he will succeed. Failure or part-failure would probably make it more difficult to extract positive decisions from France on awkward issues (paras 19 and 20).

7. The Anglo/French summit provides an important opportunity to try to persuade President Mitterrand that the achievement of his long term objectives requires the resolution of the outstanding community issues of interest to the UK (para 20).



BRITISH EMBASSY,
PARIS.

2 September 1981

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Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

My Lord,

M. MITTERRAND'S DEBUT AS PRESIDENT

1. With the end of the holidays, M. Mitterrand's honeymoon period ("period of grace" in French parlance) is over. It is time to examine what he is doing.
2. It has been an odd experience to live in France for the past three to four months. The change from President Giscard to President Mitterrand, from right or centre right to left, was as decisive and total as it was unexpected, and yet the ordinary French citizen felt no material change. Disaster had been promised if the left won, but all that happened was a great increase in talk. The subject matter was mostly new; but the style, ex cathedra, based on a plethora of Ministerial pronouncements and press interviews, was recognisably Fifth Republican. The first point to make is that President Mitterrand's victory was so overwhelming that it left France stunned for a while, the left wing stunned with its own success and unreadiness for it, and the centre and right stunned by the size of their rout. M. Mitterrand was able to take his time in installing himself,

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setting up his government and beginning to make policy, because his victory was quickly doubled. His immediate tactic of dissolving the National Assembly and calling fresh parliamentary elections succeeded even more totally than his own election to the Presidency. By 21 June the Socialist Party had an absolute majority in the National Assembly, an unbelievable luxury for a Socialist President. President Mitterrand became free to do what he liked, and he is still in that happy situation.

3. While spending his first weeks gathering the power needed for the first 5 years of his 7-year Presidency, M. Mitterrand deployed his considerable skills of ambiguity and impenetrability to elude clearly defined commitments. He says that he will carry out the commitments which he made in his election campaign, no less and no more. This is a vaguer undertaking than it looks. It distances him from the Socialist Party's manifesto; but the absence of any collection of his campaign speeches and broadcasts makes it difficult to say with certainty what he would regard himself as bound to implement. He seems to be in a position to pick and choose from the 110 propositions which the Socialist Party put forward in opposition. He makes no pretence of being a moderate or centrist, but in fact he makes it easy for those who wish to do so to conclude that that is what he is. His choice of M. Pierre Mauroy as Prime Minister and his willingness to devolve responsibility to him for the details of government have played an important part in creating an atmosphere of moderation in a climate of Socialist ascendancy. This is where the secret of M. Mitterrand's initial success lies. He has at his disposal a powerful and enthusiastic Socialist Party

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with a strong left wing element and he takes care to cultivate it; but he has managed to give the impression that he is determined to be the arbiter of France's fate in the tradition of 5th Republic Presidents and that he will not be narrowly partisan. The opinion polls show that he has so far succeeded in keeping a solid majority of French opinion behind him.

4. As soon as the new National Assembly met, the government heaped work on to it. This keeps the many newcomers to the Socialist benches happily occupied. There was a first package of socio-economic measures (increase in social welfare benefits, measures to reduce unemployment and the revenue measures necessary to pay for these). There were the Amnesty Bill and the Bill to abolish the State Security Court. Then there was the radical (but not specifically socialist) proposal to decentralise France's administration, which will pre-occupy the National Assembly for many months as the full range of its implications unfolds. Promised for the autumn are measures to nationalise banking and certain key industries, a full debate on France's energy policy, various projects of legal reform, the customary processing of next year's budget and adoption of an interim 2-year plan. This is a busy legislative programme, but it does not of itself indicate with any certainty what sort of Presidency M. Mitterrand's is going to be. It is full of promise (or menace, depending on the point of view) but leaves many question marks over France's future shape.

5. It is the generally accepted view in Paris that M. Mitterrand's

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economic policies will determine his future reputation and perhaps his fate (although it is difficult to see how, with so strong a parliamentary majority for the next five years, his fate could be other than to serve out his 7-year period). But before coming to economic questions I think it may be best to review briefly what is being done in two or three other fields.

6. The government as a whole does not have even yet any clear character. This is largely because no-one is sure how decisions are taken. Everyone knew under M. Giscard that decisions were taken only in the Elysée by M. Giscard himself, and the broad lines of the policy advice given by M. Barre and his ministerial team were very well known, as was the character of M. Giscard the decision taker. Everyone assumes that M. Mitterrand too intends to take all the essential decisions, but it is not known how he takes advice and from whom. M. Mauroy as Prime Minister seems to play a leading rôle, but he is not a Mitterrandist and it is not easy to see him balancing for M. Mitterrand the various forces and factions at work within the Socialist Party. The Elysée staff are not forthcoming about their relative functions and try as often as not to pretend that only the different Ministries and not the Elysée can answer for the government's actions. This is simply not credible in France. Until the degrees of influence enjoyed by President Mitterrand's senior collaborators become more defined, the government's character will remain uncertain. In theory M. Delors is master of the economy, M. Cheysson of foreign affairs, M. Hernu of defence and M. Dreyfus of industrial policy. These are all moderate men. But M. Jacques

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Attali sits in the room next to the President at the Elysée; M. Bérégovoy is very busy as Secretary General at the Elysée although it is uncertain what he is busy doing; M. Jospin has the key rôle of First Secretary of the Party; M. Joxe runs, and speaks for, the Socialist group in the National Assembly. These men are much more concerned with keeping a Socialist government in step with the Socialist Party; but the means by which they influence policy, first in the individual Ministries, then at the Matignon and finally at the Elysée, or more likely in the reverse order, remain to be identified. And there are other influential figures in the government, for example Mme Questiaux the welfare state conscience, M. Fabius who brings socialism to the budget and M. Chevènement the leader of the left-wing Ceres faction who now, as Mr Benn once did in the UK, promises to shape advanced technology and science in the service of socialism. M. Rocard, the moderate who challenged M. Mitterrand as presidential candidate, should not be forgotten as he sits, eclipsed for the time being, in charge of the State Plan. The significance of all these personalities in the formation of government policy has yet to emerge. For the present the government remains fairly shapeless and something of a conundrum.

7. Image-making is one of the first concerns of modern governments. The uncertainty about the government's character extends into this field too. M. Giscard filled the radio and television and much of the press with his own partisans. The Socialists used to complain bitterly about this and it was expected that there would be far-reaching changes if they came

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to power. Now that the changes are occurring the question arises whether the Socialist Party is simply doing the same as Giscard or, having changed the leading men, is going to institute a degree of autonomy for the media. M. Mauroy insists that his intentions are honourable, but M. Mitterrand does not comment and the question persists whether a Socialist president and government can risk allowing the media to go free. It is promised that the reform of the Broadcasting Statute will be put before the National Assembly next spring. Judgement will have to be suspended until then on the degree of liberalism of which the Mitterrand régime will be capable.

8. The personnel changes which have been effected at the top of the broadcasting and TV companies have been paralleled in the Police and Prefectoral corps. Men who were known to enjoy M. Giscard's confidence have moved out, down or sideways: men who have enjoyed close relations with M. Defferre, the Minister of the Interior who has for long been Mayor of Marseilles, or who have worked well with other socialist magnates who are mayors of important towns, move up. These changes are the equivalent of the changes which occur in most countries when there is a change of ruling party. In the case of France, énarque tends to replace énarque. The chief significance of the changes at present is that there are a lot of learners in important jobs throughout France and this leads to a slow-down in administrative activity. The slow-down is made worse by the fact that outgoing Ministers and other office holders tend to remove or destroy all the papers held by their Cabinets, that is to say all the papers which they regard as "political". The new Cabinets find the cupboards bare

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and have to start building their own dossiers with the help of the official archives of their Ministries and departments. This helps to explain the slowness of the Mitterrand administration in getting going.

9. It seems possible that the first three or so years of M. Mitterrand's presidency will be years of continuing administrative uncertainty and even confusion. The government committed itself in the opening session of the new National Assembly to carry through the complicated process of decentralising France's administration. The undertaking is immense as it is not simply a question of changing the name of the Prefects to Commissaires de la République and removing the powers which they enjoyed hitherto by virtue of being the executants of decision by local bodies as well as the executants of central government policies. Delicate questions of financial devolution and demarcation between the different levels of local assemblies remain to be resolved. No-one is sure how departmental and regional assemblies will behave when they sense that some genuine power has been given to them. M. Mitterrand appears to have set out to change the nature of France. Some doubt whether he really means it. Others doubt whether he will succeed. It is possible to say with certainty only that he has given himself an enduring internal pre-occupation which will demand a great deal of his political attention and energy as time goes on.


10. The continuing uncertainty about the true character of M. Mitterrand's administration extends also to foreign affairs

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and defence. M. Cheysson is undoubtedly a very active minister of "external relations" (the term itself has an ideological value as it was first used in the First Republic). He has carried out a very full series of visits abroad, has received innumerable visitors to Paris and has issued a stream of somewhat garrulous statements on a wide range of foreign affairs questions. His message seems to be that French policy is going to be the same only different, that is to say it is going to be based as before on the "independence" of France but with new accents in East/West relations, in relations with the Third World and in human rights. It is not yet possible to be sure whether the elements of sameness will be more noticeable in action (as distinct from words) than the elements of difference. As far as action is concerned, the new French government has so far been anxious to avoid it, particularly in the European Community. The Community has been urged to become an auxiliary of President Mitterrand's anti-unemployment campaign by agreeing to set up a European social area, but this seems to be a case of setting up an alibi for the President rather than proposing a practical course of action; and the decision taking process remains in suspense on Europe's contentious dossiers. A close relationship with the Federal Republic of Germany (still "privileged" in all but name) remains a cardinal point of French policy because it gives France the capacity to manoeuvre with and against others. A good relationship with the United States is much prized at present because M. Mitterrand cannot afford to appear to be sympathetic to the Soviet Union while he is playing his complicated game with the French Communist Party. In other matters M.

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Mitterrand appears to be feeling his way and M. Cheysson talking his way towards policies which will enable France to balance successfully between ideological attitudes dear to the Socialist Party and national interests which continue to impose themselves regardless of the government's political colour. The exigencies of this balancing act in the Middle Eastern, Southern African, Central American, Iraqi, Iranian and Asian questions have already filled many telegrams and letters to and from this post. Some aspects of the balancing act have been particularly meant to please the US government in order to compensate for the ideologically motivated policy innovations which rouse misgiving in Washington. These aspects have been extraordinarily well received abroad, for example the French government's support for NATO's Theatre Nuclear Force modernisation programme and France's more critical line against the Soviet Union on Afghanistan and Poland. I hope I shall not be thought churlish if I cast a shadow of doubt on the motivation behind these things. In Paris it seems obvious that principle plays less part and tactical considerations a greater part in them than the President and his government claim. The true character of the new France's foreign policy has yet to reveal itself. The process is likely to be slow, because M. Mitterrand's principal aim seems to be to keep the external world in play by declarations, promises and exhortations so that it does not obtrude too much on the work of reform being undertaken in France and perhaps even assists by easing some of the economic problems which reform seems bound to precipitate.

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11. The key area of activity for M. Mitterrand is indeed the economy. During his election campaign he made a main issue of the "failures" of M. Giscard's and M. Barre's economic policy, with particular emphasis on growing unemployment, and he promised to create new employment if he was elected. He has continued ever since his election to make the fight against unemployment his main theme, while taking care to say that it would take time to correct the grave mistakes of the previous régime. There can be no doubt about M. Mitterrand's commitment to reduce unemployment. The doubt is about whether he can do it.

12. Even M. Mitterrand's closest associates do not pretend that he has a feeling for figures or economic management. He prides himself on being a creative man, a sort of political poet or artist, a man of ideas, a writer. There is a danger that he may not understand in any detail the complexity of the economic problems facing France. His attitude appears to be that he imagines and sets the political objective and others must then contrive the economic means. This is a dangerous starting point in an age of economic crisis.

13. The economy is the area in which the new government is likely to face its most severe and decisive test. It was clear that 1981 would be a difficult year for the French economy whichever way the elections went. The recession in most Western countries, the contraction in world trade, the increase in the foreign exchange cost of imported energy, the decline in EMS currencies against the dollar and the pre-electoral manoeuvres

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of the previous government guaranteed that there would be some heavy bills to be paid later in the year. Since the election the foreign exchange markets and the Bourse have reacted adversely to the advent of an inexperienced government identified with ill-defined but far-reaching, radical innovations. A sharp fall in the franc immediately necessitated domestic support measures which, through record interest rate levels, have exerted a severe squeeze on company cash flow and profitability. The government's first, short-term, package of measures has so far not improved the situation. The increase in minimum wages has added to wage costs generally: ironically the most adversely affected are the smaller companies, which the Socialist Party pledged itself to look after most carefully. The number of bankruptcies has risen sharply, in spite of the government's more accommodating policy on credit controls. Inflation is now creeping up and further fuel price rises which seem inevitable before the end of the year will make it worse.

14. The government's medium-term strategy (1982-83) includes nationalisations, decentralisation, reduction of working time, the creation of 210,000 jobs in the public sector and the introduction of a wealth tax. This strategy looks as if it too will run into contradictions between aims and results or between political ideology and reality. In accordance with the Socialist Party's longstanding election pledge, the government will introduce a draft bill in the autumn session of Parliament to nationalise nearly all the private sector banking and credit institutions, a number of major industrial

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groups and the bulk of the steel industry. A series of options as to ways of achieving nationalisation was debated within the government, ranging from minority participation through increased capital funding to outright state ownership. Although the draft bill has not yet been finalised, it seems that the government will opt for the more extreme solution of one hundred per cent state ownership, largely it is said at the insistence of President Mitterrand himself. The moderates, notably the Ministers of the Economy (M. Delors) and the Plan (M. Rocard) appear to have been overruled. The trade unions have argued that nationalisation will bring important social advantages, but most people in France outside the Elysée and the radical wing of the Socialist Party doubt whether it will serve any useful economic purpose. The most that people are prepared to say in its favour is that it might not make much operational difference. The general conclusion is that the move will add to France's existing burdens and that the motivation for it is exclusively ideological: it is simply part of the Socialist (and Communist) legacy.

15. The government's plans for the introduction of a wealth tax also seem to be inspired by ideology. The tax is unlikely to be a major source of new revenue. Wealthy Frenchmen will continue to do all they can to conceal worldly wealth from the tax collector, although this now becomes a more hazardous activity as the Socialist Party has a long period of power in prospect. While promising to squeeze the rich the government is committed to introduce shorter working time, including a

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35-hour week by 1985. This is being handled cautiously through negotiations between both sides of industry, and early retirement is being encouraged. The main pressure will fall on company managements.

16. The emphasis which President Mitterrand's administration is placing on short-term employment considerations and the maintenance of activity is in stark contrast to the policies of most other Western governments who consider that the longterm prerequisite for sustained growth and secure job creation is to master inflation. The French government's strategy reposes on the calculation, some would say gamble, that a modest degree of domestic reflation can be administered without an upsurge in inflation and imports. Past experience has shown that the French economy has various built-in factors which tend to produce relatively high and constant levels of inflation and a high propensity to import. It is hard to believe that these tendencies have been other than reinforced recently.

17. Although the French economy has been in recession during most of 1981, modest recovery in production is likely towards the end of the year due to the increase in domestic demand created by the government's measures to stimulate personal consumption and public works and the growth in external demand derived from deliveries on earlier contracts for major projects, aided by improved food exports. Next year this moderate recovery in output may be preserved provided the much-heralded upsurge in Western economies takes place and there are no

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sudden major oil price rises. On the other hand wage costs, the rate of inflation, the budget deficit and unemployment seem destined to rise next year, and there is so far little sign of a recovery in productive investment, a significant fall in interest rates or a return of business confidence. The exchange rate can be expected to come under further pressure as the competitiveness of French industry declines. This may lead to a franc devaluation, possibly within a general EMS realignment. If, as expected, the employment effects of the government's measures prove disappointing, the present wary cooperation of the trade unions could begin to wear thin. Senior French officials do not conceal the fact that the success or failure of the present strategy could turn upon wage moderation. Sooner or later, and probably in the course of 1982, the government is likely to have to make some hard choices between maintaining the rhythm of activity or controlling inflation, between social welfare and other spending, between the exchange rate and sustaining high domestic interest rates, between limiting wage rises and appeasing union demands, and between funding the public sector borrowing requirement and private industry. Perhaps President Mitterrand will succeed in steering French policy through this minefield. But experience since the War in other countries is not encouraging about the course he has chosen so far. If the experience of others is borne out in France, there may in time be a considerable weakening of the relatively robust French economy.

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18. In the agricultural field, the government faces a special dilemma. M. Mitterrand and his ministers cannot fail to be conscious of the acute structural problems of French agriculture and the need to promote greater efficiency in certain sectors; but they also have to take account of the expectations of small farmers, whose incomes and living conditions they undertook during the election campaign to improve. The disturbances in the fruit and wine producing areas of the Midi, more severe than usual this summer, have reflected these greater expectations of government sympathy, as well as the usual frustration at low prices and increased imports. The Minister of Agriculture's performance so far has not inspired much confidence and she has almost certainly laid up difficulties for herself by widening the scope of consultation with farmers' organisations to include extreme left-wing bodies which hitherto enjoyed no official recognition. The Prime Minister showed himself no more robust than his predecessors over the troubles in the Midi during the summer. The fact is that the new Socialist government cannot stand up to France's farmers any more than the previous government could. This is particularly true in the South-West from which so much of the Socialist Party's support comes.

19. Having written this despatch by putting the key economic problem last, it becomes possible to sum up by putting it first. President Mitterrand has acquired a political position of virtually irresistible strength, but he has set as his primary objective the reduction of something which may unfortunately prove to be relatively immovable, i.e., France's large total

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of nearly 2,000,000 unemployed. It must be assumed that the Mauroy government will subordinate all other considerations to this domestic preoccupation. It is already possible to see the alibis being prepared in case of failure or partial failure - the insistence on the unhelpfulness of the United States in maintaining high interest rates, the demand that the European Community should turn as a matter of priority to creating a European Social Area, the repetitive condemnation of the monetarist policies of others as having already failed. Nationalisation and decentralisation within France will provide diversions for demanding Socialist Party members. But eventually it will be the employment figure by which M. Mitterrand will have to justify himself. He may be lucky if the world economy takes a turn for the better. It seems more likely that he will find himself in increasing difficulties from next year onwards. It is not possible to predict how policy will evolve when the difficulties begin; but that is when the real character of the Mitterrand administration will begin to emerge.

20. For the moment France is in a stage of indecision as far as the issues which concern the UK are concerned. There will be a danger that, as France's economic difficulties grow more severe, France's indecisiveness will turn to negativness. It seems important to try to engage the French government as soon as possible on the difficult outstanding Community issues so that they face the hard choices which need to be made before their domestic reforms run into trouble. For this reason, I

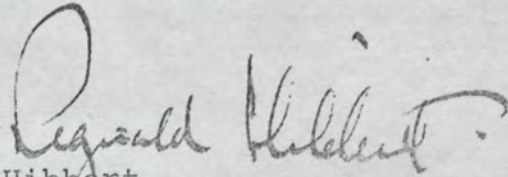
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think it is important that the Anglo-French summit is taking place next week at the earliest possible date, and I hope that it will be possible to use it to move M. Mitterrand and his colleagues towards the crucial Community decisions which they have so far avoided tackling. M. Mitterrand's France is, I fear, not going to be noticeably easier to deal with than M. Giscard's, although it will be less assertively abrasive. The root of the difficulty lies in the narrow franco-centrism of their outlook. France needs the outside world and is probably going to need it even more as her internal complications grow, but the new government believes like its predecessor that it can choose its path fairly freely and sees no need to hurry to concede anything to Britain. The problem facing the British Government is to find some way of convincing the French government that it will hardly be able to achieve its own long-term objectives unless it goes through the painful process of addressing itself also to the problems which interest Britain and finding an equitable solution for them.

21. I am sending copies of this despatch to Her Majesty's Representatives at Community posts, Her Majesty's Ambassadors at Moscow and Washington, the United Kingdom Permanent Representative on the North Atlantic Council and Her Majesty's Consuls General in France.

I have the honour to be
Your Lordship's obedient servant


Reginald Hibbert