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CONFIDENTIAL

FM PARIS 171800Z OCT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 937 OF 17 OCTOBER 1983

INFO ROUTINE EC POSTS AND WASHINGTON

CORRECTED VERSION

PRESIDENT MITTERRAND'S APPROACH TO THE ANGLO-FRENCH SUMMIT:

20 - 21 OCTOBER

SUMMARY

1. MITTERRAND IS AT PRESENT HAVING A BUMPY RIDE. HE CAN BOAST FEW SUCCESSES. AT HOME THE STATE OF THE ECONOMY IS A MAJOR CONCERN. IN FOREIGN POLICY HE IS WALKING ONE TIGHTROPE AFTER ANOTHER AND WILL NEED LUCK NOT TO TAKE A TUMBLE. HE IS OBLIGED TO TAKE A MORE PROMINENT ROLE IN DEFENDING GOVERNMENT POLICY THAN PREVIOUSLY. HE HAS LITTLE ROOM FOR MANOEUVRE. BUT HE IS UNDER NO SERIOUS POLITICAL THREAT BEFORE 1986.

DETAIL

DETAIL

FRENCH ECONOMY

2. THE PRESIDENT'S GREATEST SHORT TERM PREOCCUPATION, REDUCTION OF THE EXTERNAL DEFICIT, HAS BECOME LESS ACUTE AS TRADE FIGURES HAVE IMPROVED. THE TARGET OF REDUCING THE TRADE DEFICIT BY ONE THIRD FROM LAST YEAR SHOULD BE MET. THIS TREND SHOULD CONTINUE NEXT YEAR, THOUGH FRENCH GDP GROWTH IS LIKELY TO REMAIN AROUND ZERO.

3. THE STATE BUDGET DEFICIT IS UNDER CONTROL. INFLATION IS INCHING DOWN, BUT FRANCE WILL END THE YEAR WITH A RATE WELL ABOVE THAT OF HER MAIN COMPETITORS. THE NUMBER OF REGISTERED UNEMPLOYED HAS BEEN STABLE FOR SOME MONTHS, BUT A SUSTAINED RISE IS NOW FORECAST. A FOURTH DEVALUATION IS WIDELY EXPECTED IN THE NEXT SIXTH MONTHS. MITTERRAND MUST ALSO BE WORRIED BY THE FAILURE OF COMPANIES TO RESPOND TO GOVERNMENT EXHORTATIONS TO INVEST (INVESTMENT HAS CONTINUED TO FALL THIS YEAR) AND BY THE CONTINUING DETERIORATION IN COMPANY FINANCES. THE 1984 BUDGET PROVIDES FOR ANOTHER RISE IN THE SHARE OF NATIONAL INCOME TAKEN BY THE STATE AND THE SOCIAL SECURITY SYSTEM. FACED WITH THE UNPOPULARITY OF FURTHER TAX INCREASES, MITTERRAND HAS PROMISED TO REVERSE THE TREND IN 1985, THE YEAR BEFORE THE NEXT NATIONAL ASSEMBLY ELECTIONS, BUT HE WILL FIND IT EXTREMELY DIFFICULT TO DO SO.

IMPLICATIONS FOR FRANCE'S EUROPEAN COMMUNITY POLICY

4. TRADITIONAL FRENCH OBJECTIVES WITH REGARD TO THE EC HAVE BEEN REINFORCED BY THE ECONOMIC CLIMATE. AGRICULTURAL DEVELOPMENT AND INCREASED FOOD EXPORTS ARE SEEN AS EVEN MORE NECESSARY FOR EMPLOYMENT AND BALANCE OF PAYMENTS REASONS. FRANCE HAS NO WISH TO BECOME A NET MAJOR CONTRIBUTOR TO THE BUDGET- AND WANTS ONLY A RELATIVELY MODEST INCREASE IN OWN RESOURCES. PROBLEMS ON THE DOMESTIC INDUSTRIAL FRONT ADD ATTRACTION TO JOINT MULTILATERAL (AND SOME BILATERAL) PROJECTS AND TO PROPOSALS FOR IMPROVED RESEARCH COLLABORATION.

FOREIGN AFFAIRS

5. MITTERRAND MUST BE FEELING RATHER EMBATTLED AT THE MOMENT ON THE INTERNATIONAL FRONT. THE DESPATCH OF FRENCH TROOPS HAS BROUGHT A TEMPORARY RESPITE IN CHAD, BUT IT IS A RISKY OPERATION WITH NO SOLUTION IN SIGHT. THE FRENCH WOULD LIKE TO REDUCE THEIR MILITARY PRESENCE IN LEBANON BUT CANNOT. THEIR RETALIATION AGAINST SYRIAN OR SYRIAN-INSPIRED SHELLING HAS MADE IT HARD FOR THEM TO GET BACK ON TO THEIR PREFERRED COURSE OF BEING TRUSTED INTERMEDIARIES. MITTERRAND'S BIGGEST HEADACHE IS THE GULF WAR AND HIS COMMITMENT TO

~~MITTERRAND'S BIGGEST HEADACHE IS THE GULF WAR AND HIS COMMITMENT TO SUPPLY SUPER ETENDARDS TO IRAQ. FRANCE IS LIKELY TO BE IN THE FRONT LINE FOR IRANTIAN REPRISALS. DOMESTIC OPINION IS EITHER CRITICAL OR APPREHENSIVE ABOUT FRANCE'S INVOLVEMENT ON THESE THREE FRONTS SIMULTANEOUSLY.~~

6. ON THE OTHER HAND MITTERRAND'S HANDLING OF EAST-WEST ISSUES IS GENERALLY APPLAUDED. HIS FIRM LINE ON INF IS POPULAR AND FRANCE'S DISAPPOINTING RESPONSE AFTER THE SHOOTING DOWN OF THE KOREAN AIRLINER HAS HARDLY DENTED HIS IMAGE. MITTERRAND WILL PROBABLY WANT TO MAKE THE FIRM LINE HE AND THE PRIME MINISTER TAKE ON INF ONE OF THE MAIN THEMES OF THE SUMMIT, NOT LEAST BECAUSE HE IS WORRIED ABOUT THE GERMANS (THOUGH NOT KOHL PERSONALLY). HE WILL ALSO WANT TO STRESS THE CLOSENESS OF FRENCH AND BRITISH VIEWS ON KEEPING OUR INDEPENDENT DETERRENTS OUT OF THE PRESENT DISARMAMENT EQUATION. FOR ALL HIS FIRMNESS ON INF, MITTERRAND STILL FEELS THE TRADITIONAL FRENCH PRICKLINESS TOWARDS THE US AND DETESTS APPEARING TO FOLLOW ANY US LEAD (HE FEELS HE WAS RAILROADED AT WILLIAMSBURG INTO SIGNING THE DECLARATION ON SECURITY).

DOMESTIC

7. SINCE THE EARLY SUMMER MITTERRAND HAS MOVED INTO THE FRONTLINE IN DEFENCE OF HIS GOVERNMENT'S POLICIES, BUT GREATER MEDIA EXPOSURE HAS NOT HALTED THE SLUMP IN HIS STANDING IN THE OPINION POLLS. MITTERRAND NOW ENJOYS LESS POPULAR ESTEEM THAN ANY OF HIS PREDECESSORS AT THE ELYSEE UNDER THE 5TH REPUBLIC. HARDLY A WEEKEND GOES BY WITHOUT THE LEFT SUFFERING FURTHER SETBACKS IN LOCAL BY-ELECTIONS. THE SLIDE IN THE LEFT'S ELECTORAL FORTUNES HAS PUT THE ALLIANCE BETWEEN SOCIALISTS AND COMMUNISTS UNDER STRAIN, ALTHOUGH BREAKING POINT HAS NOT BEEN REACHED.

8. MITTERRAND HIMSELF SEEMS UNRUFFLED. HE HAS LITTLE ALTERNATIVE TO HIS PRESENT COURSE. SOPS TO THE LEFT WOULD FURTHER ALIENATE MODERATE PRO-SOCIALIST VOTERS. FURTHER RIGOUR MIGHT PUSH THE COMMUNISTS OVERBOARD. MITTERRAND'S POSITION AS PRESIDENT IS NOT HOWEVER IN ANY DANGER. HE REMAINS ASSURED OF HIS PARLIAMENTARY MAJORITY UNTIL 1986: A NO-CONFIDENCE MOTION WAS HEAVILY DEFEATED ON 12 OCTOBER. THE AUTHORITY CONFERRED ON HIM BY THE OFFICE OF PRESIDENT IS LARGELY UNAFFECTED BY THE PRESENT STATE OF PUBLIC OPINION. HE CAN COPE WITH SHORT-TERM UNPOPULARITY IN BOTH DOMESTIC AND FOREIGN AFFAIRS AS LONG AS THERE IS A PROSPECT OF REGISTERING SOME SUCCESSES IN 1985/86. BUT HE CANNOT AFFORD TO APPEAR NEGLIGENT OF FRENCH INTERESTS.

FRETWELL