

ECONOMIC SUMMIT

+34

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 MR EVANS
 MR HANNAY
 MR THOMAS
 MR HAYES

PS/NO 10 DOWNING STREET

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 MR LITTLER)
 MR BOTTRILL)

SIR R ARMSTRONG
 CABINET OFFICE

MR J CAINES)
 MR E BESTON) DOT

HD/ERD (2)
 HD/ECD (4)
 HD/ES & SD (2)
 HD/NAD
 HD/WED
 HD/FED
 HD/NEWS D
 HD/ESID (2)

MR MCMAHON BANK OF ENGLAND

MR BUIST ODA

MS BOYS DEPT OF ENERGY
 MISS DICKSON DEPT OF ENERGY

RESIDENT CLERK

RESTRICTED

FM PARIS 101545Z MAY 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 376 OF 10 MAY

INFO PRIORITY DUBLIN, ROME, LUXEMBOURG, BONN, THE HAGUE,
 UKREP BRUSSELS, BRUSSELS, COPENHAGEN, ATHENS, WASHINGTON,
 TOKYO, OTTAWA,
 INFO SAVING UKDEL OECD.

FRENCH PROPOSAL FOR A NEW BRETTON WOODS CONFERENCE.

1. WE HAVE NOW SEEN THE TEXT OF PRESIDENT MITTERRAND'S
 ADDRESS LAST NIGHT AT THE ELYSEE TO PARTICIPANTS OF THE
 OECD MINISTERIAL MEETING, IN WHICH HE CALLED INTER ALIA FOR
 A NEW INTERNATIONAL MONETARY CONFERENCE. IT IS A RAMBLING,
 POORLY STRUCTURED SPEECH WITH ALL THE HALLMARKS OF HAVING BEEN
 PUT TOGETHER HURRIEDLY. THE FOLLOWING EXTRACTS COVER THE MAIN
 POINTS:

(A) AS AFTER THE SECOND WORLD WAR, THE WORLD NEEDS REBUILDING...
 THIS WILL REQUIRE A LASTING INTERNATIONAL EFFORT - AN IMMENSE
 TASK, A TASK FOR A GENERATION: IT IS FOR US TO PREPARE MINDS

~~TASK, A TASK FOR A GENERATION:~~ IT IS FOR US TO PREPARE MINDS AND TO LAUNCH THE MOVEMENT. THE GUIDELINES SHOULD BE GROWTH, STABILISATION, DEVELOPMENT.

(B) WE NEED TO REDISCOVER TOGETHER THE PATH OF GROWTH.... BUT THE FIRST STEP WILL ONLY BE POSSIBLE BY OPTING FOR CONCERTED GROWTH WHICH WILL CREATE THE CONDITIONS OF A HEALTHY AND LASTING RECOVERY WITHOUT INFLATION. THE RECOVERY NOW APPEARING HERE AND THERE WILL FADE AWAY VERY QUICKLY, MUCH MORE QUICKLY THAN WE THINK, IF NOTHING IS DONE TO SUPPORT IT. THIS FACES US WITH THREE BASIC REQUIREMENTS:

- (I) A MASSIVE REDUCTION OF THE EXCESSIVE BUDGETARY DEFICITS WHICH ARE RESPONSIBLE FOR HIGH INTEREST RATES:
- (II) THOSE WITH ROOM FOR MANOEUVRE MUST STIMULATE GROWTH IN THEIR ECONOMIES. GOOD RESULTS IN THE BATTLE AGAINST INFLATION MUST LEAD TO MEASURES TO RELAUNCH ECONOMIC ACTIVITY:
- (III) UNEMPLOYMENT MUST BE TACKLED BY TRAINING YOUNG PEOPLE IN NEW TECHNOLOGIES AND BY SHORTENING WORKING HOURS.

(C) WE ALSO NEED TO STABILISE OUR EXCHANGE. A RETURN TO SUSTAINED GROWTH WILL BE UNATTAINABLE WITHOUT PATIENT RECONSTRUCTION OF A STABLE SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS IN THREE ESSENTIAL AREAS: CURRENCIES, TRADE AND RAW MATERIALS.... TO REDISCOVER THE CONDITIONS FOR A STABLE MONETARY SYSTEM, WITH SUFFICIENTLY FIXED RATES AT LEVELS THAT ARE ECONOMICALLY REASONABLE, IS THEREFORE AN URGENT NECESSITY.... THE TIME HAS COME TO THINK OF A NEW BRETTON WOODS.... EVEN IF EVERYTHING IS MORE COMPLICATED TODAY THAN IT WAS AT THE END OF WORLD WAR TWO, WE SHOULD NOT GIVE UP OUR ATTEMPTS TO MOVE, IN STAGES, TOWARDS A SYSTEM ADAPTED TO THE ECONOMIC CONDITIONS OF THE LATTER PART OF THE CENTURY. IN ORDER TO FACILITATE THESE REFORMS, I WOULD LIKE AN INTERNATIONAL MONETARY CONFERENCE TO BE HELD AT THE HIGHEST LEVEL WITHIN THE FRAMEWORK OF THE IMF.

(D) (IN THE FUTURE) THE THREE PRINCIPAL MONETARY ZONES, THE DOLLAR, THE YEN AND THE EUROPEAN CURRENCIES, WILL BE ABLE TO STRENGTHEN THEIR LINKS WITH EACH OTHER AND SERVE AS POLES FOR THE STABILISATION OF THE PRINCIPAL INTERNATIONAL EXCHANGE RATES.

(E) PROTECTIONISM.... CONSTITUTES.... AN OBSTACLE TO THE GROWTH OF TRADE AND TO THE DEVELOPMENT OF POOR COUNTRIES.... IT IS TIME TO SHOW.... THAT NO ONE WILL GAIN ANYTHING FROM IT.

~~MITTERRAND ALSO SPOKE AT LENGTH OF THE IMPORTANCE OF DOING MORE FOR THE THIRD WORLD. NOTHING IS POSSIBLE FOR THE NORTH~~

2. MITTERRAND ALSO SPOKE AT LENGTH OF THE IMPORTANCE OF DOING MORE FOR THE THIRD WORLD. NOTHING IS POSSIBLE FOR THE NORTH, HE SAID, IF RECOVERY IS NOT ASSURED FOR THE SOUTH. HIS PROPOSALS INCLUDED LOWERING INTEREST RATES, THE CONSOLIDATION AND EXTENSION OF STABEX, ACTION ON RAW MATERIALS AND A NEW EMERGENCY PLAN FOR AFRICA, DETAILS OF WHICH THE FRENCH GOVERNMENT WOULD RELEASE LATER.

3. MITTERRAND SAID HE WOULD REVERT TO THE SUBSTANCE OF HIS CALL FOR A REFORM OF THE INTERNATIONAL MONETARY SYSTEM AT WILLIAMSBURG, QUESTIONING THE VALUE OF SUCH TOP LEVEL INTERNATIONAL MEETINGS IF THEY FAILED TO PRODUCE RESULTS.

4. MOREL, ELYSEE, HAS CONFIRMED TO US THAT MITTERRAND'S OBJECTIVE FOR WILLIAMSBURG REMAINED AS DESCRIBED TO US LAST WEEK (MY TEL NO 369). HE SAID THAT MITTERRAND HAD NOT INTENDED ON THIS OCCASION TO GIVE SPECIAL WEIGHT TO THE IDEA OF A NEW BRETTON WOODS (SEE PARAGRAPH 5 OF MY TEL NO 369). HIS COMMENTS AND THE TIMING AND LOCATION OF MITTERRAND'S SPEECH SUGGEST A CALCULATED, IF LAST-MINUTE, ATTEMPT TO REESTABLISH A DEGREE OF FRENCH INITIATIVE PRIOR TO WILLIAMSBURG, AND TO ENSURE THAT MEMORIES OF VERSAILLES ARE NOT ECLIPSED. MITTERRAND'S ADDRESS CONTAINED SEVERAL REFERENCES TO THE ROLE OF THE VERSAILLES SUMMIT IN POINTING THE WAY FOR GREATER COOPERATION IN THIS FIELD. MITTERRAND ALSO PROBABLY HOPES THAT ANY GUIDELINES FOR FUTURE ACTION IN THE FIELD OF INTERNATIONAL MONETARY CONSULTATION SHOULD BEAR A FRENCH LABEL. HIS INITIATIVE IS PROBABLY ALSO A SIGN OF HIS DESIRE TO BE SEEN ONCE AGAIN AS A FIGURE ON THE WORLD STAGE: HIS AUDIENCE CONSISTED OF SOME 50 MINISTERIAL REPRESENTATIVES OF FOREIGN GOVERNMENTS. MITTERRAND HAS NOT RELISHED HAVING HAD TO DESCEND INTO THE FRAY OF DOMESTIC POLITICS IN RECENT WEEKS IN ORDER TO SUPPORT THE GOVERNMENT'S UNLOVED AUSTERITY PROGRAMME.

5. MITTERRAND'S SPEECH IS REPORTED EXTENSIVELY IN TODAY'S FRENCH PRESS, BUT IN GENERAL WITH LITTLE COMMENT. LE QUOTIDIEN DE PARIS (OPPOSITION) SEES IT AS AN ATTEMPT TO DISPEL ANY ILLUSION THAT THE AMERICANS, WITH THEIR PRE-WILLIAMSBURG MINISTERIAL DINNER TONIGHT, ARE THE REAL HOSTS OF THE OECD MEETING. FIGARO (ALSO OPPOSITION) ALONE COMMENTS ON THE SUBSTANCE, RATING MITTERRAND'S CHANCES OF ACHIEVING AGREEMENT ON A NEW MONETARY SYSTEM AS SLIM ON ACCOUNT OF THE DIVERGENCE OF ECONOMIC POLICIES FOLLOWED BY THE INDUSTRIALISED NATIONS. FIGARO GOES ON TO WONDER WHETHER MITTERRAND'S APPROACH IS NOT SIMPLY TACTICAL, A REFUSAL BY FRANCE'S WILLIAMSBURG PARTNERS TO ACCEPT FRENCH IDEAS PAVING

FRANCE'S WILLIAMSBURG PARTNERS TO ACCEPT FRENCH IDEAS PAVING
THE WAY FOR NATIONAL SOLUTIONS TO FRANCE'S ECONOMIC PROBLEMS,
INVOLVING WITHDRAWAL FROM THE EMS. THIS AFTERNOON'S LE MONDE
CONFINES ITSELF TO CLAIMING THAT MITTERRAND'S ANALYSIS OF THE
INTERNATIONAL ECONOMY IS IRREFUTABLE.

FRETWELL

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