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FM PARIS 251710Z APR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 351 OF 25 APRIL 1985

INFO BONN, OTTAWA, ROME, TOKYO, WASHINGTON, UKREP BRUSSELS,

UKDEL NATO, UKDEL OECD, UKMIS GENEVA

INFO SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE,  
LUXEMBOURG**BONN SUMMIT : FRENCH APPROACH**

SUMMARY

1. FRENCH WILL STAND FIRMLY ON THEIR POSITION THAT THE AGENDA FOR THE NEW GATT ROUND MUST BE CAREFULLY PREPARED BY EXPERTS TO ENSURE THAT EUROPEAN INTERESTS ARE TAKEN FULLY INTO ACCOUNT AND LDCS ARE NOT ALIENATED. TO RETAIN LEVERAGE OVER THIS, FRENCH WILL REFUSE TO AGREE THAT BONN SUMMIT SHOULD SET A DATE FOR THE OPENING OF THE NEW ROUND. THEIR IDEAS ON LINKAGE BETWEEN GATT ROUND AND MONETARY REFORM ARE LESS CLEAR. THEY WILL CONTINUE TO PRESS FOR HOLDING OF A SPECIAL INTERIM COMMITTEE DEVOTED SOLELY TO MONETARY REFORM TWO OR THREE MONTHS AFTER THE COMMITTEE HAS MET IN SEOUL. THEY WILL ALSO PURSUE AT BONN THEIR PROPOSALS TO COMBAT FAMINE AND DROUGHT IN AFRICA.

DETAIL

NEW GATT ROUND

2. MME GUIGOU (ELYSEE) BRIEFED FINANCIAL COUNSELLOR TODAY ON FRENCH APPROACH TO ECONOMIC ISSUES AT THE SUMMIT AND WE HAVE HAD AN ACCOUNT OF THE PRESS BRIEFING ON THE SUMMIT GIVEN THIS MORNING BY ATTALI.

3. IS IS CLEAR THAT MITTERRAND WILL STRONGLY RESIST THE SETTING OF A DATE FOR THE OPENING OF THE NEW GATT ROUND AT THE SUMMIT. HE WILL INSIST THAT A BALANCED AGENDA FOR THE ROUND MUST FIRST BE DRAWN UP WHICH TAKES FULLY INTO ACCOUNT EUROPEAN INTERESTS AND DOES NOT ALIENATE THE LDCS. THE FRENCH FEAR THAT THE AMERICANS, CONCERNED FOR THEIR FARMING INTEREST, WILL SEEK TO USE THE ROUND TO INCREASE THEIR SHARE OF WORLD TRADE IN AGRICULTURAL PRODUCTS. THE EUROPEANS MUST RETAIN THE LEVERAGE WHICH THE SETTING OF A DATE OFFERS THEM, IN ORDER TO INFLUENCE WORK ON THE AGENDA AT EXPERT LEVEL. THEY ALSO ATTACH IMPORTANCE TO AVOIDING THE ALIENATION OF LDCS IN THE APPROACH TO THIS ROUND, WHICH THE LDC SPOKESMAN COMPLAINED, AT THE WASHINGTON MEETINGS LAST WEEK, WAS PREMATURE SO LONG AS INDUSTRIALISED COUNTRIES HAD NOT FULLY IMPLEMENTED THEIR COMMITMENTS GIVEN IN THE PREVIOUS ROUND. THEY SUSPECT THAT THE JAPANESE WOULD SHELTER BEHIND A VAGUELY POSITIVE ATTITUDE TOWARDS THE NEW ROUND, TO AVOID PRESSURE ON THEM FOR IMPORT LIBERALISATION, IF THE PREPARATION IS RUSHED. MME GUIGOU EMPHASISED THAT THE FRENCH ARE NOT OPPOSED IN PRINCIPLE TO THE HOLDING OF A NEW ROUND. THEY WANT RATHER TO ENSURE THAT IT SUCCEEDS, WHICH IT COULD NOT DO IF PREPARED HURRIEDLY OR WITHOUT DUE CONCERN FOR COMPROMISE

*Can we have a draft agenda by Bonn day?*

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OF CONFLICTING INTERESTS.

## MONETARY REFORM

4. MME GUIGOU SAID THE FRENCH WERE FAIRLY SATISFIED WITH THE WASHINGTON DISCUSSIONS ON MONETARY MATTERS. THEY WERE PLEASED THAT THE G10 REPORT WOULD BE STUDIED BY THE INTERIM COMMITTEE (AN OBJECTIVE THEY HAD ALREADY PURSUED AT THE LONDON SUMMIT). BUT THEIR CONCERN FOR PARALLELISM BETWEEN TRADE AND MONETARY TALKS HAS NOT BEEN SATISFIED BY THIS AGREEMENT TO PUT THE SUBJECT ON THE AGENDA FOR SEUL. THEY WILL WANT AGREEMENT THAT A SPECIAL SESSION OF THE INTERIM COMMITTEE SHOULD BE HELD TWO OR THREE MONTHS AFTER SEUL, WHICH WOULD BE DEVOTED SOLELY TO MONETARY REFORM. THEY VIEW THE G10 REPORT AS JUST THE START OF LONG TERM CONSIDERATION OF WAYS TO ACHIEVE GREATER PREDICTABILITY OF EXCHANGE RATES, A PROCESS WHICH SHOULD INVOLVE LDCS AS WELL AS INDUSTRIALISED COUNTRIES.

## MACRO-ECONOMIC POLICY

5. MME GUIGOU APPEARED TO EXPECT LITTLE OF THE SUMMIT BY WAY OR MACRO-ECONOMIC COORDINATION. SHE ADDED THAT DESPITE EUROPE'S PATENT NEED FOR HIGHER GROWTH TO REDUCE UNEMPLOYMENT THE FRENCH HAD NO EXPECTATIONS OF CO-ORDINATED EUROPEAN ACTION TO ACHIEVE THIS, TO COMPENSATE FOR THE SLOWDOWN OF US GROWTH. EXTERNAL CONSTRAINTS PREVENTED FRANCE FROM ACTING ALONE AND IT WAS CLEAR THAT THE GERMANS WERE NOT READY TO USE THE MARGIN OF MANOEUVRE WHICH THE FRENCH BELIEVE THEY HAVE ON THE FISCAL SIDE. FRANCE WOULD USE WHATEVER MARGIN IT HAD TO BRING DOWN ITS INTEREST RATES BUT MUST MAINTAIN A DIFFERENTIAL WITH GERMANY, REFLECTING THE INFLATION DIFFERENTIAL, TO PROTECT THE FRANC. EUROPE'S SOCIAL SECURITY AND EMPLOYMENT PROTECTION LEGISLATION MEANT THAT IT SUFFERED FROM RIGIDITIES WHICH AMERICA DID NOT HAVE, AND WHICH MEANT THAT AMERICAN REMEDIES FOR LOW GROWTH WOULD NOT WORK ON THIS SIDE OF THE ATLANTIC.

6. IN CONTRAST TO THIS, ATTALI, IN HIS PRESS BRIEFING, SAID THAT MITTERRAND WOULD PUSH AT BONN FOR A STRATEGY OF BALANCED WORLD GROWTH, UNDER WHICH EACH COUNTRY OR REGION WOULD REDUCE ITS OWN EXISTING IMBALANCE, IE THE US ITS BUDGET DEFICIT, JAPAN ITS FOREIGN TRADE SURPLUS AND EUROPE ITS LACK OF INVESTMENT.

## FRENCH INITIATIVE ON AFRICA

7. MITTERRAND WILL ADVOCATE AT THE SUMMIT THE PROPOSALS OUTLINED BY ATTALI IN BALTIMORE TO COMBAT FAMINE AND DROUGHT IN AFRICA.

## LDC DEBT

8. THE FRENCH CLAIM TO DETECT A CERTAIN COMPLACENCY, EVEN EUPHORIA, ON THE PART OF SOME SUMMIT GOVERNMENTS ON THE SUBJECT OF LDC DEBT. THEY EMPHASISE THE CONTINUING FRAGILITY OF THE POSITION OF LATIN AMERICAN COUNTRIES BUT THERE WAS NO HINT OF ANY SPECIFIC PROPOSALS TO BE MADE BY MITTERRAND AT BONN.

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## NON-ECONOMIC SUBJECTS

9. ATTALI APPARENTLY TOLD JOURNALISTS THAT FRANCE TOOK THE VIEW THAT THERE SHOULD BE A SINGLE POLITICAL DECLARATION, THE MAIN THEME OF WHICH WOULD BE THE 40TH ANNIVERSARY OF WORLD WAR 2. IF SUMMIT LEADERS WISHED, THIS DECLARATION COULD REFER, AMONGST OTHER THINGS, TO THE GENEVA ARMS TALKS, SDI, CAMBODIA AND AFGHANISTAN. THE FRENCH WOULD ALSO SUPPORT THE GERMAN INITIATIVE ON THE ENVIRONMENT.

FCO PASS SAVING ADDRESSEES

REPEATED AS REQUESTED

FRETWELL

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