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FM PARIS

TO IMMEDIATE FCO

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

FRAME ECONOMIC

VENICE ECONOMIC SUMMIT: FRENCH APPROACH ON ECONOMIC QUESTIONS.

SUMMARY

1. THE FRENCH SEE THIS AS A SUMMIT OF CONSOLIDATION RATHER THAN INNOVATION. THEY WILL NOT BE LOOKING FOR ANYTHING SUBSTANTIALLY NEW ON MACRO-ECONOMIC AND TRADE QUESTIONS, BUT BELIEVE THAT BY STRIKING THE RIGHT NOTE, SUMMIT LEADERS CAN REINFORCE SATISFACTORY TRENDS ALREADY UNDERWAY. ON AGRICULTURE THEY WILL STAND PAT ON THE OECD MINISTERIAL COMMUNIQUE. THEIR MAIN HOPE FOR SUMMIT DECISIONS IS FOR MORE HELP FOR THE POOREST NATIONS.

DETAIL.

MACRO-ECONOMIC.

2. WE HAVE CALLED ON MADAME GUIGOU (ELYSEE) AND RODOCANACHI (MATIGNON) TO GET THEIR ASSESSMENT OF PROSPECTS FOR VENICE. THEY THINK THAT THE BEST THAT CAN BE HOPED FOR IS CONSOLIDATION OF WORK AND TRENDS ALREADY UNDERWAY IN SOME IMPORTANT FIELDS, AND A BOOST FOR FRENCH IDEAS ON HANDLING THE DEBT OF THE LEAST DEVELOPED COUNTRIES. ON AGRICULTURE THE FRENCH WILL REFUSE TO BE DRAWN BEYOND THE OECD COMMUNIQUE, WHICH IS THE MAXIMUM ACCEPTABLE FOR THEM AT THIS STAGE.

3. RODOCANACHI SAID THAT WHILE HE VERY MUCH DOUBTED THAT THE GERMANS COULD BE PREVAILED UPON TO GIVE ADDITIONAL STIMULUS TO ECONOMIC ACTIVITY, ONE COULD NEVER BE SURE THAT ALL WAS LOST. THE EFFORT SHOULD THEREFORE BE MADE, AND HE HOPED BRITAIN WOULD JOIN FRANCE IN PRESSING THEM. GUIGOU ADDED THAT THE MOMENT HAD PASSED TO PRESS THE GERMANS TO BRING FORWARD THEIR FISCAL RELAXATION, AND THAT THE BEST HOPE WAS NOW TO PERSUADE THEM TO REDUCE INTEREST RATES. AS FELLOW EUROPEANS, GUIGOU ADDED, THE FRENCH COULD NOT POINT THE FINGER DIRECTLY AT THE GERMANS AT VENICE BUT HAD SPOKEN PLAINLY TO THEM AT THE BILATERAL SUMMIT LAST WEEK. NEITHER RODOCANACHI NOR GUIGOU HELD OUT ANY HOPE OF PERSUADING THE JAPANESE AND AMERICANS TO FURTHER COMMITMENTS ON MACRO-ECONOMIC ACTION BEYOND THOSE ALREADY GIVEN. IT WOULD BE HARD ENOUGH FOR THE US TO MEET THEIR EXISTING TARGETS FOR FISCAL DEFICIT REDUCTION.

4. THE FRENCH ARE VERY CONTENT WITH THE WORK FINANCE MINISTERS HAVE DONE, AS COMMISSIONED AT TOKYO, AND WANT THE SUMMIT TO NOTE WITH SATISFACTION THE PROGRESS DETAILED IN THE GORIA REPORT. THEY ARE NOT LOOKING FOR SPECIFIC NEW COMMITMENTS, BUT RATHER A TONE AND STYLE THAT CONVINCE THE MARKETS THAT THE SUMMIT GOVERNMENTS ARE ON TOP OF EVENTS AND ARE WILLING AND ABLE TO CONTINUE TO MASTER THE SITUATION - A PROLONGATION OF THE LOUVRE AGREEMENT EFFECT.

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TRADE

TRADE AND AGRICULTURE.

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5. THE FRENCH ARE SATISFIED WITH SUMMIT PREPARATION ON TRADE AND AGRICULTURAL QUESTIONS. THEY ARE NOT OPPOSED IN PRINCIPLE TO THE HOLDING OF A MINISTERIAL MEETING IN THE URUGUAY ROUND UNDER THE GATT BEFORE THE STIPULATED 4 YEARS ARE UP, BUT WILL OPPOSE THE FIXING OF A DATE BY THE SEVEN MEETING ALONE. THEY WILL TAKE THE POSITION THEY TOOK AT BONN THAT IT IS NOT FOR THE SEVEN TO DECIDE ON BEHALF OF THE 86 WHEN A MINISTERIAL MEETING SHOULD BE HELD.

6. ON AGRICULTURE, THEY OF COURSE REMAIN OPPOSED TO THE FAST TRACK CONCEPT. BUT GUIGOU ADDED, SPEAKING PERSONALLY, THAT IF AN EQUITABLE AGREEMENT ON AGRICULTURE COULD BE REACHED BEFORE AGREEMENTS WERE READY ON OTHER SUBJECTS, A MEETING ON AGRICULTURE ALONE COULD THEN BE HELD. WHAT WAS UNACCEPTABLE WAS AN NEXT TWO WORDS UNDERLINED A PRIORI COMMITMENT TO THIS.

7. THE FRENCH BELIEVE THAT THE AMERICANS AND CANADIANS WILL RENEW AT VENICE PRESSURE PUT ON AT OECD FOR ACCEPTANCE OF THE PRINCIPLE THAT DIRECT INCOME SUPPORT SHOULD REPLACE EXPORT RESTITUTIONS IN AGRICULTURE. GUIGOU SAID CHIRAC IS PAYING PARTICULAR ATTENTION TO THIS.

DEBT OF LEAST DEVELOPED COUNTRIES.

8. GUIGOU SAID THAT IT WAS ON THIS QUESTION THAT THE FRENCH HOPED FOR MOST FROM THE SUMMIT. MITTERRAND WILL MAKE AS MUCH POLITICAL CAPITAL AS HE CAN BY PURSUING THE FOUR-POINT APPEAL TO THE QUOTE RICH COUNTRIES UNQUOTE WHICH HE LAUNCHED IN TORONTO ON 14 MAY (SURPLUS COUNTRIES SHOULD USE THEIR MARGIN OF MANOEUVRE TO SUSTAIN THEIR OWN GROWTH AND STIMULATE THAT OF OTHERS, EXCHANGE RATE STABILITY TO BE ACCOMPANIED BY REDUCTION OF INTEREST RATES, RESISTANCE TO PROTECTIONISM AND FURTHER OPENING OF DEVELOPED COUNTRY MARKETS TO PRODUCTS OF LDCS). WHILE ENDORSING BALLADUR'S PROPOSALS FOR DEALING WITH THE DEBT OF LEAST DEVELOPED COUNTRIES, MITTERRAND WILL PROFESS A WISH TO GO FURTHER, ACCORDING TO GUIGOU, PRESSING SURPLUS COUNTRIES TO RECYCLE THROUGH THE IMF. FRANCE WOULD BE PREPARED TO CONTRIBUTE WHAT IT CAN TO THIS (NOT LIKELY TO BE MUCH, GIVEN THE PROSPECTS FOR HER BALANCE OF PAYMENTS).

9. AS AT TOKYO, MITTERRAND AND CHIRAC WILL WISH TO PRESENT A UNITED FRONT ON FUNDAMENTALS WHILE VYING FOR POLITICAL ADVANTAGE IN THEIR TACTICS.

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FRANCE ECONOMIC

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