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LUXEMBOURG FOR UKREP

TORONTO SUMMIT: FRENCH VIEWS ON DEBT AND AGRICULTURE.

SUMMARY

1. FURTHER DETAILS ON MITTERRAND'S DEBT INITIATIVE, FOLLOWING THE PRIME MINISTER'S MEETING LAST WEEK. RESTATEMENT OF FRENCH VIEWS ON AGRICULTURE IN THE GATT ROUND: SOME CONCERN AT POSSIBLE AMERICAN HARD LINE AT TORONTO.

DETAIL

2. MADAM GUIGOU (COUNSEILLER TECHNIQUE, ELYSEE), TOOK ADVANTAGE OF TODAY'S CALL BY LAVELLE (CABINET OFFICE) AND KERR TO REPLY TO SOME OF THE POINTS ON MITTERRAND'S DEBT INITIATIVE RAISED BY THE PRIME MINISTER ON 10 JUNE, AND TO RESTATE FRENCH VIEWS ON AGRICULTURE AND THE GATT.

3. ON THE DEBT INITIATIVE MADAME GUIGOU SAID THAT ELIGIBILITY WOULD BE AS FOR THE WORLD BANK SPECIAL ASSISTANCE PROGRAMME, IE

- I) GDP PER CAPUT BELOW DOLLARS 500
- II) A DEBT SERVICE RATIO OF AT LEAST 30 PER CENT
- III) AGREEMENT TO AN IMF ADJUSTMENT PROGRAMME

SHE CONFIRMED THAT THERE WOULD BE NO FRENCH OBJECTION TO INCLUDING THIS LAST POINT IN THE TORONTO COMMUNIQUE.

4. THE CRITERIA POINTED TO A CLIENTELE OF AROUND 20 COUNTRIES, THOUGH THIS MIGHT NEED TO BE EXPANDED OVER TIME IF, EG, A COUNTRY'S DEBT SERVICE RATIO WERE TO MOVE ABOVE 30 PER CENT. (FURTHER TELEGRAM SETS OUT A LIST OF AFRICAN COUNTRIES WHICH THE QUAI D'ORSAY HAVE TOLD US SEPARATELY THEY BELIEVE WOULD BE COVERED BY THE INITIATIVE).

5. MADAME GUIGOU DESCRIBED THE THREE OPTIONS AVAILABLE FOR CREDITOR COUNTRIES ON THE LINES SET OUT IN MITTERRAND'S LETTER. SHE SAID THE

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THIRD OPTION IMPLIED THE CANCELLATION OF ONE-THIRD OF QUOTE PUBLIC DEBT AND OFFICIALLY GUARANTEED COMMERCIAL DEBT UNQUOTE. THE COST TO FRANCE WOULD BE AROUND F 800 MILLION A YEAR OVER THE NEXT 10 YEARS. THE MECHANISM WOULD BE FOR THE TREASURY TO REIMBURSE COFACE, THE FRENCH EXPORT CREDIT AGENCY, WHO WOULD IN TURN REIMBURSE THE BANKS.

6. MADAME GUIGOU SAID THAT THE FRENCH BELIEVED THAT IT WOULD BE TECHNICALLY POSSIBLE TO ENSURE EQUAL BURDEN-SHARING, TO WHICH THE PRIME MINISTER HAD SAID SHE ATTACHED IMPORTANCE. TRICHET (DIRECTEUR DU TRESOR) WOULD BE IN TOUCH WITH LITTLER ABOUT THE DETAILS.

7. WITHOUT BEING WHOLLY PRECISE, MADAME GUIGOU IMPLIED THAT FRANCE WOULD AIM FOR AGREEMENT AT TORONTO ON A SCHEME CENTERED ON FRENCH AND BRITISH IDEAS, WHICH WOULD THEN NEED TO BE AGREED MORE WIDELY IN THE PARIS CLUB. SHE SAID THAT, AS MENTIONED IN THE MITTERRAND LETTER, FRANCE INTENDED IN ANY CASE TO GO AHEAD WITH THE DEBT WRITE-OFF OPTION.

8. ON AGRICULTURE, MADAME GUIGOU TOOK THE STANDARD FRENCH LINE: THEY WANTED PROGRESS IN THE GATT ROUND AND TO KEEP TO THE AGREED TIMETABLE. BUT THERE MUST BE NO FAST TRACK FOR AGRICULTURE. THE COMMUNITY NEEDED TIME TO ABSORB THE REFORMS AGREED AT THE BRUSSELS EUROPEAN COUNCIL. THE FRENCH HOPED DISSENSION AT TORONTO COULD BE AVOIDED, BUT HAD REAL FEARS THAT ELECTORAL PRESSURES WOULD CAUSE THE AMERICANS TO TAKE AN UNHELPFULLY TOUGH LINE, FOR EXAMPLE BY UNRAVELLING THE OECD COMMUNIQUE LANGUAGE. SOME RECENT AMERICAN ACTIONS, INCLUDING THE REDUCTION IN THE SCOPE OF THE SET ASIDE PROGRAMME, WERE WORRYING. THE AMERICANS MUST REALISE THAT THE COMMUNITY HAD TAKEN TOUGH DECISIONS ON AGRICULTURAL REFORM: THE AMERICANS MUST PLAY THE GAME TOO.

9. KERR AND LAVELLE SAID WE WHOLLY AGREED ON THE IMPORTANCE OF CONSTRUCTIVE DISCUSSION AT TORONTO AND ON PROGRESS AT MONTREAL, AND ON THE NEED FOR THE AMERICANS TO ACCEPT THAT THE COMMUNITY HAD MADE REAL PROGRESS ON REFORM. WE DID NOT THINK THAT THE AMERICANS ZERO/2000 AIM WAS REALISTIC. BUT THE COMMUNITY COULD NOT REST ON ITS LAURELS. IT SHOULD WORK FOR A MEDIUM TERM PACKAGE BASED ON PSES AND INCLUDING A FREEZE IN SUPPORT AT CURRENT LEVELS. AS FOR GLOBALITY, WE COULD NOT (NOT) ACCEPT THAT THE CONVOY SHOULD MOVE AT THE PACE OF THE SLOWEST SHIP. PROGRESS WAS POSSIBLE IN SOME AREAS, SUCH AS TROPICAL PRODUCTS. MADAME GUIGOU AGREED: TROPICAL PRODUCTS WERE THE EXCEPTION THAT PROVED THE RULE.

10. PLEASE ADVANCE BRAITHWAITE, KERR, RICHARDSON, LAVELLE (CABINET

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