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PRIME MINISTER'S VISIT TO PARIS 29 JULY

SCENE-SETTER

SUMMARY

1. HOLIDAY SEASON UNDERWAY, BUT CHIRAC STILL ACTIVE. PROBABLY ENCOURAGED BY LATEST POLLS AND SOME BETTER ECONOMIC NEWS. BUT GOVERNMENT EMBROILED IN CRISIS WITH IRAN AND LITTLE ROOM FOR MANOEUVRE. MITTERRAND AND CHIRAC PROFESS WISH TO WORK CLOSELY WITH US ON EC ISSUES TO MAKE COPENHAGEN COUNCIL SUCCEED. NO RECENT COMMENT BY MITTERRAND OR CHIRAC ON EAST/WEST OR ARMS CONTROL, BUT THEY WILL WISH TO DISCUSS IN LIGHT OF PM'S TALKS IN WASHINGTON AND LATEST SOVIET POSITION.

DETAIL

MOOD AND POLITICAL SITUATION

2. PARIS IS ALREADY RUNNING AT A HOLIDAY RHYTHM. SINCE THE 14 JULY CELEBRATIONS MITTERRAND HAS KEPT OUT OF THE NEWS AND WAS AT HIS COUNTRY HOUSE WHEN NEWS CAME OF THE CAR ACCIDENT IN SPAIN IN WHICH HIS SON AND GRAND-CHILDREN WERE INJURED. CHIRAC ON THE OTHER HAND IS DISPLAYING GREAT ACTIVITY. HE WAS IN BRAZZAVILLE LAST WEEK FOR A MEETING OF FRANCOPHONE MAYORS, RETURNED TO PARIS FOR THE END OF THE TOUR DE FRANCE BICYCLE RACE ON 26 JULY AND VISITED THE SOUTH-WEST ON 27 JULY. HE IS DUE TO BEGIN A HOLIDAY ON 10 AUGUST, BUT THE IRAN CRISIS (PARAGRAPH 4 BELOW) MAY PREVENT THIS: HIS NATURAL INSTINCT IN THE FACE OF POLITICAL TROUBLE IS TO BUSY ABOUT.

3. MITTERRAND IS UNLIKELY TO DECIDE FINALLY WHETHER TO STAND AGAIN IN NEXT SPRING'S PRESIDENTIAL ELECTIONS UNTIL MUCH NEARER THE TIME. THE LATEST OPINION POLL SHOWS THAT HE IS NOW SLIGHTLY LESS POPULAR AND CHIRAC LESS UNPOPULAR THAN IN RECENT MONTHS, BUT THE GAP REMAINS WIDE. CHIRAC WILL HAVE BEEN CHEERED BY THE CONSERVATIVE VICTORY IN THE UK ELECTIONS AND BY THE RECENT DROPS IN FRENCH UNEMPLOYMENT (PARAGRAPH 5 BELOW). HIS LATEST SPEECHES ARGUE THAT THERE IS NO ALTERNATIVE TO CURRENT TOUGH ECONOMIC POLICIES. BUT MEMORIES OF HIS WEAKNESS UNDER PRESSURE LAST AUTUMN LINGER (AND MAY BE A FACTOR IN PROLONGING THE CURRENT DISPUTES INVOLVING AIR TRAFFIC CONTROLLERS AND AIR-INTER FLIGHT ENGINEERS).

4. BOTH MITTERRAND AND CHIRAC WILL APPROACH THEIR FIRST PROPER BILATERAL EXCHANGES WITH THE PRIME MINISTER SINCE THE GENERAL ELECTION WITH A SENSE OF THE ADVANTAGE TO FRANCE AND EUROPE OF STRONG STABLE GOVERNMENT IN BRITAIN TEMPERED BY THEIR NERVOUSNESS THAT FRANCE'S DIRECT INTERESTS IN NEGOTIATIONS WHERE THEY DO NOT EXACTLY COINCIDE WITH SO REDOUBTABLE A PARTNER, MAY BE THE MORE DIFFICULT TO SECURE.

ECONOMY

5. THE ATTACK OF GLOOM AND INTROSPECTION WHICH GRIPPED THE FRENCH PRESS AND PUBLIC OPINION AS THEY PREPARED FOR THE HOLIDAYS HAS NOW PASSED ITS PEAK, WITH THE FADING OF THE IMPACT OF THE POOR ECONOMIC RESULTS, NOTABLY IN FOREIGN TRADE, WHICH HELPED TO TRIGGER IT OFF. GOVERNMENT EFFORTS, TO WHICH MITTERRAND ALSO CONTRIBUTED, TO DEMONSTRATE THAT THE WIDE-SPREAD DEBATE ABOUT INEVITABLE NATIONAL DECLINE WAS NOT JUSTIFIED BY THE FIGURES HAVE HAD SOME SUCCESS. THEY HAVE BEEN ABLE TO POINT TO AN INFLATION RATE STILL UNDER CONTROL (CURRENTLY 3.4 PERCENT), THE CONTINUING MODERATION OF WAGE RISES, INCREASED CORPORATE PROFITABILITY, SIGNS OF INVESTMENT PICKING UP AND A SMALL DROP IN UNEMPLOYMENT OVER THE LAST THREE MONTHS, REFLECTING THE EFFECT OF GOVERNMENT SPECIAL MEASURES. CHIRAC IN PARTICULAR HAS CONTINUED TO ARGUE THAT, WITH THE RIGHT POLICIES (HIS OWN), THERE IS NO REASON WHY FRANCE SHOULD NOT LEAD EUROPE ECONOMICALLY IN TWO OR THREE YEARS' TIME. MINISTERS CONTINUE TO STRESS THE SIGNIFICANCE OF THE 1992 TARGET DATE FOR THE UNIFIED COMMON MARKET. NEVERTHELESS THE UNDERLYING MOOD REMAINS PESSIMISTIC AND COULD BE REINFORCED BY MORE BAD FIGURES IN THE NEXT FEW MONTHS. IMPORTANT AREAS OF EXPORT INDUSTRY (VIZ. DEFENCE) ARE FACING SERIOUS DIFFICULTY. AND A LONG-RUNNING AIR TRAFFIC CONTROLLERS' DISPUTE IS A NAGGING CONCERN.

EC ISSUES

6. MITTERRAND AND CHIRAC WERE GENERALLY PLEASED WITH THE WAY THINGS WENT AT THE LAST EUROPEAN COUNCIL, NOT LEAST BECAUSE OF BETTER RESULTS FROM FRANCO-GERMAN COOPERATION AFTER A DIFFICULT PERIOD. THERE HAS BEEN NO ATTEMPT TO PLAY UP ARTIFICIALLY THE DISAGREED OUTCOME. INDEED, AS MY OWN INTRODUCTORY CALLS HAVE SHOWN, THE FRENCH GOVERNMENT AT ALL LEVELS, INCLUDING BOTH MITTERRAND AND CHIRAC, ARE ANXIOUS TO WORK CLOSELY WITH US AT THE COPENHAGEN COUNCIL. AS NET CONTRIBUTORS THEY PERCEIVE THAT WE HAVE MUCH IN COMMON IN AIMING TO GET COMMUNITY EXPENDITURE UNDER MORE EFFECTIVE CONTROL AND IT IS OBVIOUSLY IN OUR INTEREST TO MAKE THE MOST OF THIS THROUGH FREQUENT AND REGULAR CONSULTATION WITH THE FRENCH. BUT BOTH MITTERRAND AND CHIRAC REMAIN UNCERTAIN WHETHER WE SHARE THE SAME MEDIUM TO LONG TERM VIEW OF THE PLACE OF AGRICULTURE IN SOCIETY AND ARE WORRIED ABOUT THE SOCIAL CONSEQUENCES OF RELIANCE ON THE PRICE MECHANISM TO RESTRAIN AGRICULTURAL PRODUCTION. THIS IS ONE REASON WHY CHIRAC ARGUES WITH SUCH TIRESOME PERSISTENCE FOR AN OILS AND FATS TAX.

MIDDLE EAST

7. ONCE AGAIN THE GOVERNMENT IS EMBROILED IN A PARTLY SELF-INFLICTED MIDDLE EAST CRISIS WITH DOMESTIC REPERCUSSIONS. FRENCH VULNERABILITY TO ISLAMIC EXTREMISTS IS AGAIN MANIFEST IN THE GULF AND LEBANON. THE AIR AFRIQUE HIJACKING WAS EVEN NEARER HOME, BUT THERE HAS SO FAR BEEN NO RESURGENCE OF TERRORIST ATTACKS IN FRANCE ITSELF, WHERE THE SECURITY FORCES HAVE HAD A GOOD YEAR SO FAR. THE GOVERNMENT HAS LEFT ITSELF LITTLE ROOM FOR MANOEUVRE BETWEEN A PUBLIC CLIMB-DOWN OR AN ESCALATION OF THE CRISIS. MITTERRAND AND CHIRAC PRESENT A PUBLIC IMAGE OF UNITY IN FAVOUR OF FIRMNESS. MITTERRAND HAS CONTRIVED (AND SUCCEEDED) TO GIVE THE IMPRESSION THAT IT IS HE RATHER THAN CHIRAC WHOSE POLICY IS BASED ON THIS PRINCIPLE. THE COLLAPSE OF THE GOVERNMENT'S EFFORTS TO CONCILIATE IRAN AND SECURE THE HOSTAGES' RELEASE HAS RAISED QUESTIONS ABOUT HOW CHIRAC COULD HAVE BELIEVED SUCCESS POSSIBLE WHILE FRANCE CONTINUED OPENLY TO SUPPLY ARMS TO IRAN. THE FRENCH PRESS HAS TENDED TO BE RATHER CRITICAL ON THIS POINT AND TO PLAY UP INTERNAL CONTRADICTIONS. THE BILATERAL CRISIS SEEMS TO BE DIVERTING FRENCH LEADERS' ATTENTION FROM THE UN DISCUSSION OF IRAN/IRAQ OR THE GENERAL ISSUES OF SECURITY OF NAVIGATION IN THE GULF. THE QUAI REFLEX IS TO TRY TO CALM TENSION AND AVOID PROVOCATION.

IRAQ?

EAST/WEST AND ARMS CONTROL

8. BOTH MITTERRAND AND CHIRAC WILL PROBABLY WISH TO DISCUSS THIS IN THE LIGHT OF THE PRIME MINISTER'S VISIT TO WASHINGTON AND THE LATEST SOVIET PROPOSALS. DIFFERENCES BETWEEN THEM ON INF HAVE BEEN PAPERED OVER, ALTHOUGH GOVERNMENT MINISTERS HAVE CONTINUED TO EXPRESS DOUBTS ABOUT DOUBLE ZERO. THEY MAY SEEK TO PROBE OUR VIEWS OF AN ALLIANCE BOTTOM-LINE ON PERSHING 1AS. MITTERRAND MAY HAVE A MORE HARD-HEADED VIEW THAN CHIRAC OF FRG THINKING. THE ANNOUNCEMENT OF HONECKER'S VISIT TO THE FRG HAS SLIGHTLY WORRIED THE RIGHT-WING PRESS, AND REINFORCED THOSE WHO FEAR ANY HINT OF GERMAN NEUTRALISM. ON FRANCO-BRITISH DEFENCE COOPERATION BOTH SHOULD BE PLEASED WITH PROGRESS, ALTHOUGH IT IS FRANCO-GERMAN COOPERATION WHICH MAKES THE HEADLINES. CHIRAC MAY GIVE ANOTHER PLUG FOR A WEU CHARTER, ON WHICH WE ARE WORKING WELL TOGETHER.

FERGUSSON