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PRIME MINISTER'S VISIT ON 10 JUNE: THE FRENCH SCENE

SUMMARY

1. CONVINCING SOCIALIST VICTORY ON 12 JUNE NOW LESS CERTAIN. BUT THE ODDS ARE THAT ROCARD WILL REMAIN PRIME MINISTER. THE CHANCES FOR A CONSTRUCTIVE COALITION WITH THE CENTRE WILL BE ON BOTH MEN'S MINDS. THE FRENCH ECONOMY IN REASONABLE SHAPE. EARLY MEASURES OF THE NEW GOVERNMENT GIVE PROMINENCE TO SOCIAL AFFAIRS. FEW CHANGES LIKELY IN FOREIGN POLICY OR DEFENCE FIELDS. BILATERAL RELATIONSHIP SMOOTH.

DETAIL

FRENCH INTERNAL POLITICS

2. MITTERRAND DEFEATED CHIRAC BY A CONVINCING 8 PERCENT MARGIN IN THE PRESIDENTIAL ELECTIONS LAST MONTH. HE DID SO BY PLAYING DOWN HIS SOCIALIST CREDENTIALS AND APPEALING TO THE MODERATE CENTRE. HIS APPOINTMENT OF ROCARD AS PRIME MINISTER SYMBOLISED HIS COMMITMENT TO WORK FOR A POLITICAL OPENING (QUOTE OUVERTURE UNQUOTE) TO THE CENTRE-RIGHT, WHICH HE HAS SAID HE WILL CONTINUE AFTER THE SECOND ROUND OF THE LEGISLATIVE ELECTIONS ON 12 JUNE. ALTHOUGH THE SOCIALISTS DID LESS WELL IN THE FIRST ROUND THAN EXPECTED (PARIS TELNO 566 OF 6 JUNE), THEY STILL SEEM LIKELY TO SECURE AN OVERALL MAJORITY IN THE NEW ASSEMBLY. MITTERRAND WILL NOT MIND IF IT IS A NARROW ONE SINCE THIS SHOULD FURTHER THE PROCESS OF OUVERTURE. (A NARROW RIGHT WING VICTORY CANNOT HOWEVER BE ENTIRELY EXCLUDED, IN WHICH CASE THERE COULD BE A RETURN TO COHABITATION, SOMETHING THAT WOULD BE MOST UNWELCOME TO MITTERRAND.)

3. ROCARD IS ONE OF THE MOST POPULAR POLITICIANS IN FRANCE. ON THE SOCIAL DEMOCRATIC WING OF THE PS, HE HAS A REPUTATION FOR MODERATION AND INTELLECTUAL INDEPENDENCE. HE IS A KEEN ADVOCATE OF OUVERTURE AND IS LIKELY TO REMAIN AT MATIGNON, ASSUMING THE SOCIALISTS WIN A MAJORITY. HE HAS SAID HE WANTS TO INCLUDE MORE CENTRISTS IN THE GOVERNMENT ONCE THE ELECTIONS ARE OVER. HE HAS GIVEN SOCIAL ISSUES A HIGH PRIORITY (SEE PARA 6), NOT LEAST WITH THE AIM OF COUNTERING THE

## APPEAL OF LE PEN'S EXTREMIST FRONT NATIONAL.

## ECONOMIC AND SOCIAL AFFAIRS

4. THE FRENCH ECONOMY IS PERFORMING RATHER BETTER THAN EXPECTED, THOUGH THE OUTLOOK REMAINS UNCERTAIN. PROVISIONAL FIGURES INDICATE THAT GDP GROWTH IN THE FIRST QUARTER OF 1988, FED BY CONSUMER DEMAND, ROSE BY 1.2 PERCENT, SUGGESTING A 1988 GROWTH RATE OF 2.3 PERCENT, COMPARED WITH PREVIOUS ESTIMATES OF AROUND 1.5 PERCENT. THE LATEST TRADE FIGURES POINT TO A 1988 DEFICIT OF SOME 20 BILLION FRANCS (POUNDS 2 BILLION), AN IMPROVEMENT ON 1987 BUT WITH EXPORTS OF MANUFACTURED GOODS REMAINING SLUGGISH. INFLATION HAS EDGED UP TO 2.5 PERCENT AFTER BAD APRIL FIGURES AND IS CAUSING THE GOVERNMENT SOME CONCERN, AS IS THE UPWARDS UNDERLYING TREND IN UNEMPLOYMENT (10.3 PERCENT IN APRIL).

5. THE NEW GOVERNMENT'S COMMITMENT TO BROAD CONTINUITY OF ECONOMIC POLICY, WITH PRIORITY GIVEN TO THE CONTROL OF INFLATION AND THE BUDGET DEFICIT, HAS REASSURED THE MARKETS, CONTRIBUTING TOWARDS A STRONG STOCK MARKET AND A STABLE FRANC. THE GOVERNMENT REMAINS COMMITTED TO THE REINTRODUCTION OF A WEALTH TAX, PERHAPS IN THE 1989 BUDGET TO BE PUT TO THE NATIONAL ASSEMBLY THIS AUTUMN, AND A MINIMUM INCOME MEASURE IS EXPECTED TO BE INTRODUCED LATER THIS SUMMER.

6. THERE HAVE BEEN CLEAR SIGNALS THAT THE GOVERNMENT PUTS GREATER WEIGHT THAN ITS PREDECESSOR ON SOCIAL ISSUES. ROCARD HAS ALREADY HAD FORMAL TALKS WITH TRADE UNIONS AND EMPLOYERS' ASSOCIATIONS AND THE MINISTER FOR SOCIAL AFFAIRS HAS CALLED FOR NEGOTIATIONS ON REDUNDANCY PROCEDURES. THE ELYSEE HAS TOLD US THAT THE SOCIAL DIMENSION IS TO BE A MAJOR THEME FOR THE FRENCH EC PRESIDENCY IN 1989, WITH EMPHASIS ON A DIALOGUE BETWEEN QUOTE SOCIAL PARTNERS UNQUOTE AT COMMUNITY LEVEL. DELORS'S CALL FOR A MINIMUM SET OF BASIC SOCIAL RIGHTS, A RIGHT TO TRAINING AND A EUROPEAN STATUTE ON COMPANY LAW, IS LIKELY TO FIND A SYMPATHECTIC AUDIENCE HERE.

## FOREIGN POLICY AND DEFENCE

7. THERE HAVE SO FAR BEEN FEW SIGNS OF CHANGES IN THE FOREIGN POLICY AND DEFENCE FIELDS SINCE THE NEW GOVERNMENT TOOK OFFICE. MITTERRAND'S PERSONAL COMMITMENT TO THE CONSTRUCTION OF EUROPE AND TO HELP FOR THE THIRD WORLD, PROMINENT IN HIS LETTER TO THE FRENCH PEOPLE, IS BOUND TO LEAD TO THEIR RECEIVING GREATER ATTENTION FROM A SOCIALIST GOVERNMENT: WE MAY WELL SEE SIGNS OF THIS AT HANOVER AND TORONTO. THE PRESIDENT MAY ALSO SEEK A HIGHER FRENCH PROFILE ON ARMS CONTROL AND EAST/WEST RELATIONS THAN OVER THE PAST TWO YEARS: IN HIS TIME MAGAZINE INTERVIEW OF 16 MAY, HE MADE PEACE AND DISARMAMENT AN

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EQUAL FOREIGN POLICY PRIORITY WITH ECONOMIC AND POLITICAL PROGRESS IN EUROPE. THERE HAVE BEEN RUMOURS OF A MITTERRAND-GORBACHEV SUMMIT SOON, THOUGH THE ELYSEE TELL US THAT THIS IS NOT ENVISAGED BEFORE THE END OF THIS YEAR. IN THE SAME INTERVIEW HE GAVE PROMINENCE TO EUROPEAN DEFENCE COOPERATION, AND HE AND ROCARD BOTH UNDOUBTEDLY SET STORE BY A CONTINUING IMPROVEMENT IN BILATERAL DEFENCE COOPERATION WITH THE UK, AS WELL AS WITH THE FRG AND SPAIN. ONE AREA IN WHICH CHANGE COULD OCCUR THAT WOULD BE UYNWELCOME TO US IF SANCTIONS AGAINST SOUTH AFRICA, AS THE QUAI AFRICAN DIRECTOR HINTED IN TALKS IN LONDON ON 20 MAY (FCO TELNO 320 TO PARIS).

BILATERAL

8. THERE ARE NO SERIOUS CURRENT PROBLEMS, BUT BOTH FRENCH LEADERS WILL BE KEEN TO IDENTIFY WAYS IN WHICH UK-FRENCH RELATIONS CAN BE GIVEN MORE SUBSTANCE (SEE MIFT PARA 8).

RECENT MEETINGS

9. THE FOLLOWING LEADERS HAVE RECENTLY BEEN IN FRANCE:

MULRONEY: 26 MAY  
KOHLE: 2 JUNE  
DE MITA: 3 JUNE  
TAKESHITA: 6/7 JUNE

10. SEE MIFT FOR COMMENT ON SUBSTANCE LIKELY TO BE RAISED AT THE RIFME MINISTER'S MEETINGS.

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ADDITIONAL 2

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