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FOLLOWING FOR SECRETARY OF STATE'S PARTY

ANGLO/FRENCH SUMMIT: 24 JUNE: SCENE SETTER

SUMMARY

1. MITTERRAND'S PERSPECTIVE PRIMARILY DOMESTIC AT THE MOMENT. BUT THIS DOES NOT CONFLICT WITH HIS MAIN OBJECTIVES IN THE IGC'S ESPECIALLY EMU, ON WHICH HE WANTS EARLY PROGRESS.

DETAIL

2. THE ANGLO/FRENCH SUMMIT WILL BE HELD IN DUNKIRK ON 24 JUNE. DUNKIRK WAS CHOSEN BECAUSE IT WAS THE NEAREST SOCIALIST-HELD TOWN TO THE TUNNEL. A TUNNEL VISIT PROVED IMPOSSIBLE TO FIT IN, BUT THE SETTING STUCK. IT IS HARDLY A CONVENIENT LOCATION, BUT THE RECCE CONFIRMED THAT THE MAYOR, DELEBARRE, MINISTER FOR TOWNS, AND ONE OF THE PRESIDENT'S MOST SENIOR ALLIES, HAS PULLED OUT THE STOPS. HE WILL BE AROUND, IN A CEREMONIAL CAPACITY.

POLITICAL BACKGROUND

3. THE FRENCH POLITICAL BACKGROUND HAS GREATLY CHANGED SINCE LAST YEAR'S SUMMIT AT WADDESDON MANOR. THEN THE ATMOSPHERE WAS OF MID-TERM CALM AND REASONABLE CONFIDENCE. NOW THE DEBATE HAS SHARPENED WITH THE IMPENDING REGIONAL ELECTIONS IN 1992, AND ELECTIONS TO THE ASSEMBLY DUE BY MAY 1993, BUT WHICH COULD BE HELD EARLIER. ON MADAME CRESSON, THE JURY IS STILL OUT. BUT SHE HAS NOT SO FAR PROVED THE MAGIC FORMULA WITH WHICH MITTERRAND HOPES TO REVIVE SOCIALIST PARTY FORTUNES. THE TERMAGANT JUNIOR MINISTER HAS YET TO SHOW THE BALANCE AND COMMAND OF A PRIME MINISTER. THE DIVISIONS IN THE SOCIALIST PARTY ARE UNHEALED. THE GOVERNMENT CAN THEORETICALLY SURVIVE FOR ITS FULL TERM PROVIDED THE COMMUNISTS VOTE FOR IT OR ABSTAIN (THEY ARE NOT GOING TO COMMIT SUICIDE BY DOING OTHERWISE). BUT THERE ARE INTERNAL CONTRADICTIONS, EG OVER ECONOMIC POLICY WHICH COULD MAKE LONG TERM SURVIVAL DIFFICULT. THE KEY POINT FOR THE SUMMIT IS THAT THE CRESSON GOVERNMENT IS SEEN AS MITTERRAND'S CREATION. HE CANNOT FALL BACK ON OLYMPIAN CRITICISM OF IT AS HE DID

REGULARLY WITH ROCARD'S. THIS PERSONAL IDENTIFICATION, AND THE CHOPPY POLITICAL WATER OF PUBLIC AND PRIVATE SECTOR PAY DEMANDS, URBAN DISTURBANCES AND THE IMMIGRATION ISSUE (SEE MY SEPARATE TELEGRAM) MEANS THAT THE PRESIDENT'S CURRENT PERSPECTIVE IS MAINLY DOMESTIC, AND HE IS LOOKING AT INTERNATIONAL POLICIES THROUGH THIS LENS.

THE FRENCH ECONOMY

4. IT IS STILL DOING BETTER THAN THE BRITISH ECONOMY. BUT THERE ARE A LOT OF UNDER-LYING PROBLEMS. THE FRANC LANGUISHES AT THE BOTTOM OF THE EXCHANGE RATE MECHANISM, OBLIGING INTEREST RATES TO REMAIN MUCH HIGHER THAN THE GOVERNMENT WOULD WISH AT A TIME OF RECESSION. THIS YEAR'S BUDGET IS PROVING INCREASING HARD TO BALANCE WITH THE DIP IN RECEIPTS CAUSED BY LOWER GROWTH. THE LARGE GAPS IN FINANCING PENSIONS AND HEALTH ARE MORE DIFFICULT TO FILL. INSPITE OF HIGH UNEMPLOYMENT PRESSURE ON PAY IS GROWING, AND ALTHOUGH THE GOVERNMENT STICKS DOGGEDLY TO BEREGOVY'S STRICT ANTI-INFLATIONARY POLICY, ITS UNCOMFORTABLE RIGOURS ARE CAUSING SOME TO WONDER IF THE ELECTORAL COST IT TOO HIGH.

SUMMIT ISSUES

(I) IGCS AND LUXEMBOURG SUMMIT.

5. THE PRESIDENT STILL WANTS TO GET A MOVE ON ON EUROPE, AT LEAST ON THOSE ISSUES WHERE THERE IS A MAJOR FRENCH NATIONAL INTEREST AT STAKE. THAT APPLIES PARTICULARLY TO EMU, WHERE HE IS MORE WORRIED ABOUT SIGNS OF WEAKENING GERMAN COMMITMENT THAN ABOUT THEIR ENTHUSIASM FOR POLITICAL UNION. HE WILL HAVE HIS SIGHTS SET ON A SIGNIFICANT STEP FORWARD AT MAASTRICHT AND, GIVEN THE CURRENT ASSUMPTION IN THE FRENCH PRESS THAT OUR ELECTIONS MAY WELL NOT TAKE PLACE UNTIL NEXT YEAR, HE MAY BE LESS LIKELY THAN BEFORE TO HELP US OR LUXEMBOURG IF HE THINKS THAT THAT WOULD IMPERIL HIS SPECIFIC END - YEAR OBJECTIVES. I JUDGE THAT HE WOULD NOT HESITATE TO FORCE US INTO A CORNER, EG ON THE TIMETABLE FOR EMU AND A SINGLE CURRENCY, AT EITHER EUROPEAN COUNCIL IF HE THOUGH THAT THE GERMANS WOULD ACCEPT THIS. HIS EMBARRASSING FAILURE WITH HIS CONFEDERATION PROPOSAL MAY INCREASE HIS DETERMINATION TO PRESS AHEAD IN THE IGCS, AND TO GIVE A AS LITTLE GROUND AS POSSIBLE.

(II) EUROPEAN SECURITY AND DEFENCE

6. MITTERRAND SAW THE DPC DECISION ON FUTURE FORCE STRUCTURE AS AN ATTEMPT TO BY NATO TO PRE-EMPT MOVES TOWARDS COMMON EUROPEAN DEFENCE. THE SHORT-TERM POLITICAL SITUATION ENCOURAGES HIM TO STRESS FRANCE'S DISTANCE FROM NATO STRUCTURES. DESPITE RELATIVE HARMONY AT

THE COPENHAGEN NAC, HE MAY STILL FEEL BRUISED. A FRENCH EFFORT TO 'REDRESS THE BALANCE' AT THE 27 JUNE WEU MINISTERIAL OR THE EUROPEAN COUNCIL CANNOT BE RULED OUT. BUT MITTERRAND WILL PROBABLY KEEP HIS POWDER DRY FOR THE AUTUMN.

7. THE UNDERLYING GAP BETWEEN US REMAINS WIDE. DESPITE HIS GENUINE COMMITMENT TO A STRONG NATO AND HIS REALISTIC VIEW OF EUROPE'S PRESENT DEFENCE CAPACITY, MITTERRAND IS DETERMINED TO SECURE A REFERENCE TO COMMON EUROPEAN DEFENCE IN THE POLITICAL UNION TREATIES. NON-ACCEPTANCE OF THE CONSEQUENT LOGIC OF GREATER FRENCH MILITARY INTEGRATION WITH NEIGHBOURS, MEANS THAT FRENCH DEFENCE POLICY APPEARS TO BE DRIFTING. THESE ARE VERY FUNDAMENTAL ISSUES AND I REGRET THAT THERE WILL BE SO LITTLE TIME FOR DISCUSSION OF THEM BETWEEN THE PRIME MINISTER AND MITTERRAND.

(III) OTHER INTERNATIONAL ISSUES

8. THOSE WITH DOMESTIC RESONANCE ARE DESTABILISATION AT THE BORDER OF EUROPE (EAST AND SOUTH) LEADING TO MORE IMMIGRATION, AND THE KURDS. ON THE FIRST, MITTERRAND'S PERSONAL INCLINATION MAY BE TO ARGUE FOR MORE FINANCIAL HELP PARTICULARLY FOR THE MAGHREB. ON THE MIDDLE EAST, THE FRENCH ARE CLOSE TO OUR POSITION ON THE KURDS. THE PRESIDENT WILL FEEL DOMESTICALLY VULNERABLE IF, AFTER ALL THE ALLIES' EFFORTS, THE KURDISH POSITION IN NORTHERN IRAQ IS NOT STABILISED. HE IS CONCERNED ABOUT THE RISK THAT THE U.S. MAY CUT AND RUN. IN THE RUN-UP TO THE G7 SUMMIT, HE IS CERTAIN TO MENTION THE SOVIET UNION, AND HIS LIKELY CONTINUING INTENTION TO OFFER VERBAL, IF NOT FINANCIAL, SUPPORT TO GORBACHEV.

COMMENT

9. THE ORGANISATION OF THE SUMMIT HAS BEEN POOR. THE SECRETARY GENERAL OF THE ELYSEE, TO WHOM I SPOKE ON 18 JUNE, MAKING CLEAR HOW DISAPPOINTED WE WERE THAT THE TOP LEVEL BILATERAL WAS SO REDUCED, AS GOOD AS APOLOGISED FOR THE MESS. BUT, THEY HAD WOKEN UP TOO LATE TO MITTERRAND'S UNBREAKABLE COMMITMENT IN THE MORNING IN RELATION TO THE PRIME MINISTER'S IN THE AFTERNOON. THIS HAS SQUEEZED THINGS. HE MADE CLEAR THAT THE ELYSEE REGARD THE LUNCH AS A CONTINUATION OF THE TETE-A-TETE-, AND IF MR MAJOR AND THE PRESIDENT SHOULD FIND THEMSELVES IN MID-STREAM ON MATTERS OF IMPORTANCE, I SUPPOSE THAT THE PLENARY MIGHT BE PARTLY DISPENSED WITH.

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