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FRAME ECONOMIC

FRANCE AND THE EC

SUMMARY
1. BEREGOVOY CONFIRMS FRANCE WILL NOT BLOCK EC CAPITAL LIBERALISATION IN 1990, AND SUGGESTS NATIONAL MEASURES TO OBVIATE A DISPLACEMENT OF CAPITAL IF NO AGREEMENT ON TAX HARMONISATION IS POSSIBLE. COMMENTS ON OTHER EC SUBJECTS INCLUDING FRANC/DM IN THE EMS.

DETAIL
2. TAKING QUESTIONS ON THE FRENCH ECONOMY IN 1989 BEFORE A CONFERENCE OF BUSINESSMEN ON 5 JANUARY, BEREGOVOY (MINISTER OF THE ECONOMY) MADE A NUMBER OF OBSERVATIONS ON EC SUBJECTS.

TAXATION OF FINANCIAL ASSETS
3. BEREGOVOY SAID HE WAS AWAITING COMMISSION PROPOSALS ON THE HARMONISATION OF TAXATION OF FINANCIAL ASSETS. HOWEVER, HE EMPHASISED THAT THE DECISION TO ABOLISH CAPITAL CONTROLS IN 1990 WAS ALREADY TAKEN. FRANCE WAS NOT GOING TO CHALLENGE IT. HE HOPED AND BELIEVED THAT, WITH THE HELP OF THE GERMANS, AGREEMENT ON THE FORTHCOMING COMMISSION PROPOSALS WOULD BE POSSIBLE. BUT IF NOT, HE WOULD TAKE THE NECESSARY STEPS TO AVOID A DISPLACEMENT OF FRENCH CAPITAL BY CUTTING THE RELEVANT FRENCH TAXATION RATES BEFORE 1990. THESE WOULD HAVE A BUDGETARY COST OF SOME F15 BILLION. BUT THEY WOULD ALSO HAVE THE ADVANTAGE OF ENCOURAGING FRENCH SAVINGS - A SEPARATE IMPORTANT MACROECONOMIC OBJECTIVE TO HELP CURB EXCESS DEMAND.

VAT APPROXIMATION
4. BEREGOVOY SAID VAT HARMONISATION DID NOT MEAN UNIFORMITY. BUT HE DID THINK NARROWING OF EC RATES WAS NECESSARY AND DESIRABLE BY 1992. FRENCH VAT RATES WOULD BE LOWERED, AND ALTHOUGH THERE WOULD BE A BUDGETARY COST OF SOME F20-25 BILLION PER ANNUM FOR THE FOUR BUDGETS OVER THE PERIOD 1990-1993, THIS WOULD BE MANAGEABLE IF THE ECONOMY

CONTINUED TO GROW AT ITS PRESENT RATE (WHICH IN TURN WAS A FUNCTION OF THE GROWTH OF THE EUROPEAN ECONOMY).

EMS

5. BEREGOVOY UNDERLINED THE CARDINAL IMPORTANCE OF EXCHANGE RATE STABILITY, AND IN PARTICULAR TYING THE FRANC TO THE DM. THERE WAS NO QUESTION OF FRANCE SEEKING A DEVALUATION OF THE FRANC OR A REALIGNMENT IN THE EMS. ASKED IF THAT MEANT THAT IF THE DM WERE REVALUED THE FRANC WOULD BE TOO, BEREGOVOY SAID YES. HE AND STOLTENBERG HAD MADE IT CLEAR THEY WERE SATISFIED WITH THE CURRENT FRANC/DM PARITY.

EC/US

6. BEREGOVOY SAID HE WANTED TO DE-DRAMATISE THE CURRENT EC/US DIFFERENCES. EUROPE HAD TO BE A GREAT MARKET, NOT A FORTRESS. IT WAS VITAL TO COMBAT PROTECTIONISM EVERYWHERE. THE BIG PROBLEM WAS AGRICULTURE, WHERE EVERYONE WAS COMPETING TO PROVIDE SUBSIDIES TO THEIR FARMERS. THE IMPORTANT THING WAS TO PLACE ALL SUBSIDIES ON THE TABLE. IT WOULD NOT BE EASY, BUT A NEGOTIATION IN THE GATT WAS POSSIBLE. NO ONE HAD ANYTHING TO GAIN IN A TRADE WAR.

FRANCE AND 1992

7. ASKED HOW A FRENCH GOVERNMENT OBLIGED BY THE PARLIAMENTARY SITUATION TO TAKE ACCOUNT OF COMMUNIST VIEWS COULD SQUARE UP TO 1992, BEREGOVOY SAID THAT FOR FRANCE THE EUROPEAN COMMUNITY WAS A SOCIAL NECESSITY. THE LIBERALISATION OF CAPITAL, TRADE AND LABOUR WAS NEEDED TO STIMULATE ENTERPRISE AND CREATE JOBS. THE SOCIAL DIMENSION COULD NOT BE IGNORED, BUT WHAT IT REALLY AMOUNTED TO WAS A BETTER SHARING OF THE FRUITS OF CREATED WEALTH.

LLEWELLYN SMITH

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