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(FRAME GENERAL)

MITTERRAND AND 1989 : THE FINAL PUSH

SUMMARY

1. MITTERRAND IS DETERMINED TO MAINTAIN FRANCE'S HIGH PROFILE THROUGH TO THE END OF THE YEAR. HIS INTERNAL POLITICAL BASE IS STRONG. ROCARD, LEFT WITH THE DAY TO DAY GOVERNMENT, IS MANAGING WELL, WITH INDUSTRIAL RELATIONS HIS MAIN PROBLEM. WITH NO INTERNAL ELECTIONS LIKELY FOR SEVERAL YEARS, MITTERRAND MAY GIVE LESS PRIORITY TO PLEASING THE CENTRE THAN HIS PARTY'S LEFT-WING. A VISIBLE SUCCESS AT THE STRASBOURG EUROPEAN COUNCIL WILL BE IMPORTANT FOR HIM.

2. BEHIND THE DIPLOMATIC SPECTACULARS OF 1989, FRANCE'S MAIN CONCERN, INCREASED BY RECENT EVENTS, REMAINS HOW TO HANDLE GERMANY AND THE UNSETTLING EFFECTS OF CHANGE IN E EUROPE. THOUGH SOME OF THE FORMS OF EUROPEAN COMMUNITY ACCELERATION FAVOURED BY MITTERRAND CAUSE US MAJOR PROBLEMS, HIS UNDERLYING PURPOSE - TO ANCHOR GERMANY - IS ONE WE SHARE

DETAIL

3. MITTERRAND'S SPEECH ON 25 OCTOBER TO THE EUROPEAN PARLIAMENT (UKREP BRUSSELS TELNO 3203) WAS A PART OF HIS DRIVE TO MAINTAIN FRANCE'S HIGH PROFILE ON EUROPEAN AND INTERNATIONAL ISSUES THROUGH TO, AND IF POSSIBLE BEYOND, THE END OF THIS YEAR. HE PUT A LOT OF WORK INTO IT HIMSELF. MITTERRAND HAD LONG INTENDED 1989 TO BE A SIGNIFICANT YEAR FOR FRANCE. THE COMBINATION OF THE BICENTENARY AND THE FRENCH EC PRESIDENCY FUELLED THE FRENCH PENCHANT FOR FLAG-PLANTING DIPLOMACY (WHETHER OR NOT ON A SOLID BASIS: FRENCH INITIATIVES THIS YEAR ON CW, HUMAN RIGHTS AND ABOVE ALL CAMBODIA AND LEBANON HAVE RESULTED IN LITTLE). MOREOVER, MITTERRAND IS CONSCIOUS THAT HIS PRESIDENTIAL MANDATE WILL NOT EXTEND TO THE NEXT FRENCH EC PRESIDENCY IN 1995: THE STAGE WILL NEVER AGAIN BE SET FOR HIM IN QUITE THIS WAY. IT IS NOT SURPRISING, THEREFORE, THAT THE STRASBOURG SPEECH SHOULD HAVE SIGNALLED THAT THE INTENSITY OF EFFORT

IS TO CONTINUE. HE APPEARS TO BE LARGELY UNAWARE THAT, WHILE HIS OWN POSITION BRINGS HIM THE AUTHORITY AND THE TIME TO CONCENTRATE ON EXTERNAL AFFAIRS, THE GOVERNMENT MACHINE BELOW HIM IS SORELY PRESSED TO COPE WITH THE RANGE AND NUMBER OF CONFERENCES, INITIATIVES AND TARGETS WITH WHICH THEY HAVE BEEN LANDED. IT CREAKS AUDIBLY.

4. IT IS A BIG ADVANTAGE FOR THE PRESIDENT THAT THE INTERNAL POLITICAL SCENE IN FRANCE CAUSES HIM NO PROBLEMS IN THE SHORT TO MEDIUM TERM. HE DOMINATES THE STAGE, SETTING A PRESIDENTIAL STYLE WHICH NO OTHER POLITICIAN CAN MATCH. HIS CREATION, THE PARTI SOCIALISTE (PS), IS AT PRESENT THE ONLY SINGLE PARTY CAPABLE OF GOVERNING: ALTHOUGH IT DOES NOT COMMAND AN OVERALL MAJORITY IN THE NATIONAL ASSEMBLY, THE OPPOSITION PARTIES ARE SO DIVIDED THAT THERE IS LITTLE PROSPECT OF A CENSURE MOTION SUCCEEDING - THE TWO PUT FORWARD SO FAR IN THE PRESENT SESSION HAVE CAUSED SCARCELY A RIPPLE. MITTERRAND CAN CONTINUE TO CHOOSE THE ISSUES OF INTEREST TO HIM, WHILE DISCREETLY PULLING ON INTERNAL POLITICAL STRINGS AND LEAVING DAY TO DAY GOVERNMENT TO ROCARD AND HIS MINISTERS.

5. ROCARD, THE PRESIDENT'S CHOICE BUT NOT HIS FAVOURITE, CONTINUES TO JUDGE HIS AWKWARD ASSIGNMENT WELL. HE SO VISIBLY CARES ABOUT PROVIDING FRANCE WITH GOOD GOVERNMENT THAT HIS POPULARITY RATING HAS REMAINED AS HIGH AS THE PRESIDENT'S (CONSISTENTLY OVER 50 PER CENT). HE AND THE PRAGMATIC BEREGOVY HAVE PROTECTED THE ECONOMY FROM TOO MUCH IDEALOGY OR INTERFERENCE. GROWTH HAS HELD UP BETTER THAN EXPECTED AND THE FRANC HAS SO FAR RESISTED DEVALUATION AGAINST THE DEUTSCHMARK. INFLATION REMAINS LOW: THE QUID PRO QUO MAY BE THAT UNEMPLOYMENT REMAINS UNCOMFORTABLY HIGH AT 9.5 PER CENT, BUT SOMEHOW HAS ESCAPED BEING AN EMBARRASSING ISSUE FOR THE GOVERNMENT, EVEN AGAINST THE RHETORICAL BACKCLOTH OF THE EUROPEAN SOCIAL DIMENSION.

6. ROCARD HAS BEEN LESS LUCKY WITH INDUSTRIAL RELATIONS: UGLY STRIKES BY TAX INSPECTORS AND PRISON WARDERS, AND RUMBLINGS IN CORSICA AND IN THE GENDARMERIE, ARE THE SURFACE MANIFESTATIONS OF A WIDESPREAD FEELING AMONGST PUBLIC SECTOR WORKERS THAT A SOCIALIST GOVERNMENT SHOULD BE PUSHED FOR CONCESSIONS. PRESSURE HERE WILL PROBABLY CONTINUE THROUGHOUT THE WINTER. BUT THE GOVERNMENT HAS SHOWN SKILL IN HEADING OFF TROUBLE IN OTHER SECTORS AND HAS PROBABLY BEEN RIGHT SO FAR TO PURSUE A CASE-BY-CASE RATHER THAN A COMPREHENSIVE APPROACH, WHICH WOULD NEED THE ACQUIESCENCE OF TOO MANY LOBBY GROUPS TO SUCCEED. JOSPIN'S EDUCATION REFORMS, A MAJOR GOVERNMENT PRIORITY, HAVE BECOME BOGGED DOWN FOR THIS REASON.

7. THE POLITICAL CALENDER OFFERS NO REAL EXCITEMENTS UNTIL THE NEXT PARLIAMENTATRY ELECTIONS (AT THE LATEST, JUNE 1993). THE VACUUM WILL BE BAD FOR PARTY DISCIPLINE. MITTERRAND HAS ALREADY LET IT BE KNOWN, IN HIS INDIRECT WAY, THAT HE WOULD LIKE THE GOVERNMENT TO BE MORE ACTIVE ON PROGRAMMES ATTRACTIVE TO THE LEFT-WING OF THE PS, WHOSE LOYALTY MIGHT OTHERWISE DISSIPATE. THE PRESENT COMMUNIST PARTY DOES NOT POSE A THREAT, BUT MITTERRAND WANTS NO RENAISSANCE. THE PS CONGRESS NEXT MARCH WILL DEVELOP A GOOD DEAL OF NOISE ON SOCIAL ISSUES AND IDEALOGY, ALL THE MORE SO BECAUSE MITTERRAND IS DETERMINED TO RESTRICT ANY DIRECT IN-FIGHTING BETWEEN THE CANDIDATES FOR HIS EVENTUAL SUCCESSION. ALL THIS MEANS INEVITABLE DISCOMFORT FOR ROCARD.

8. MITTERRAND MAY FIND IT LESS EASY TO SET THE COUNTRY ITS OBJECTIVES AND KEEP THE FACTIONS UNDER CONTROL WHEN, AFTER THE END OF THIS YEAR, THE PLATFORMS FOR FRENCH LEADERSHIP AND EUROPEAN AND INTERNATIONAL AFFAIRS ARE HARDER TO CONSTRUCT. ALTHOUGH HIS HEALTH IS GENERALLY GOOD, HE IS GROWING VISIBLY OLDER AND HIS CAPACITY FOR INTENSE EFFORT OR CONCENTRATION WILL DIMINISH. A STRASBOURG COUNCIL AT WHICH FRANCE HELPED TO SET THE AGENDA FOR THE NEXT YEAR OR MORE WOULD BE A DEFINITE ADVANTAGE TO HIM IN KEEPING HIS MOMENTUM GOING. WE CAN EXPECT HIS 'EMPHASIS' TO REMAIN ON EUROPEAN INTEGRATION AND RELATIONS BETWEEN EASTERN AND WESTERN EUROPE, WITH THE N/S DIALOGUE HYDRA RAISING AN OCCASIONAL HEAD. WITH HIS LONG EXPERIENCE AND SENSE OF HISTORY, HE SEES HIMSELF AS HAVING A MAJOR ROLE TO PLAY IN MANAGING CURRENT CHANGE, MAINTAINING/CREATING AN ORDER IN WHICH GERMAN RESLESSNESS WILL BE CONTROLLED, AND PRESERVING FRENCH INFLUENCE. HE REMAINS THE ARCHITECT OF POLICY, THOUGH THE IMPORTANCE OF DUMAS IN THE CONDUCT OF FRENCH POLICY IN THE APPROACH TO STRASBOURG HARDLY NEED UNDERLINING.

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SAVING TELEGRAM

UNCLASSIFIED

FRAME ECONOMIC

FROM PARIS SAVING TEL.NO.38 OF 14 NOVEMBER 1989

TO FCO

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FRANCE: ECONOMIC REPORT FOR OCTOBER 1989

SUMMARY

- Revised second quarter National Accounts figures uprate marketed GDP growth to 0.8%.
- Unemployment rises slightly in October: rate remains 9.5%.
- Industrial unrest reducing in October.
- Consumer prices rise by 0.2% in September (no change in annual inflation rate of 3.4%).
- Provisional, unadjusted, August trade deficit of F3.92 billion.
- Bank of France raises leading interest rates by 0.75% following Bundesbank hike in October: compulsory reserves also increased.
- August money supply figures above bottom end of target range.
- Taxation side of 1990 Budget passes through National Assembly in October.
- Bourse falls by 6.9% on 16 October after Wall Street slide.

DETAIL

1. (NB: Industrial disputes in the Finance Ministry and INSEE have disrupted the flow of information and statistics on which the economic report and accompanying tables are normally based.)

I ECONOMIC ACTIVITY

2. Revised second quarter National Accounts figures were published by INSEE in October. They showed marketed GDP (at 1980 prices and over the previous quarter) to have grown by 0.8%, a slight increase on the original estimate of 0.7%.

3. Manufacturing production was reported to have grown by 0.5% during the second quarter, due largely to growth of 2.8% in the capital goods sector. Production of intermediate goods fell. Energy production rose by 2.4%, having fallen by 2.7% during the first three months of the year. Industrial production rose by 0.7%.

4. Imports rose by 2.1% in the second quarter after first quarter growth of 2%. Imports of manufactured goods grew by 1.7% (4.1% in Q1); intermediate goods by 0.3% (1.5% in Q1). Capital good imports rose by 3.7% (2.5% in Q1).

5. Exports grew by 0.8%. Exports of services rose by 5.4% (due largely to tourism). Exports of transport material fell by 1.6% (having grown by 9.9% in the first quarter).

6. Household consumption grew by 0.2% during the second quarter (0.7% in Q1). Consumption of manufactured goods fell by 1.2%.

7. The INSEE index of industrial production (excluding building) for the months July and August rose to 114.6 (1980 = 100), an increase of 1% over June and 4.6% higher than July and August 1988. The index of industrial production (including building) rose by 1.7% over June and 4.7% over a year ago to reach 113.0. The manufacturing index rose to 112.1 from 110.7 in June. The graph below shows the progress of the index of industrial production (including building) since 1985.

SAVING TELEGRAM

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FROM PARIS SAVING TELNO 36 01 30 OCTOBER 1989

TO FCO

REPEATED FOR INFORMATION TO: EC POSTS, UKREP BRUSSELS, UKDEL STRASBO
WASHINGTON, MOSCOW, HMGC'S FRANCE

FRANCE: INTERNAL POLITICAL SITUATION: OCTOBER

SUMMARY

1. Mitterrand and Rocard still popular in the polls. Rocard currently best-placed in the Presidential succession stakes, despite criticism from some Socialists that his presidential ambitions could lose them the next legislative elections. Little trouble so far getting the 1990 Budget through Parliament, thanks to key abstentions by Communists and Barristes. Giscard calls for a single Opposition party and eclipses Chirac. France divided over whether Muslim girls should be allowed to wear headscarves in school.

DETAIL

Mitterrand/Rocard

2. In October's opinion polls the President and the Prime Minister continued to score well: (L'Express - Louis Harris Poll of 13/14 October: 51% approval rate for Mitterrand, 48% for Rocard, as against 28% and 31% respectively who disapproved). As always, Rocard's popularity profile was slightly to the Right of that of Mitterrand. One poll (Sofres-Figaro Magazine) in mid October unexpectedly placed Rocard five points ahead of Mitterrand (62% who «had confidence in» the Prime Minister, 57% in the President), giving rise to press speculation that Rocard was becoming too popular for Mitterrand's comfort. A week later Mitterrand damped down the speculation by telling an AFP journalist that «if Rocard is the Socialists' candidate I will support him as I want a Socialist to succeed me, not a right-winger». Asked who his own favourite candidate was, the President replied «Let the best man win!», adding that, given the differences in age between Rocard, Jospin and Fabius, there was time for each to take his turn.

Socialist Party Tactics

3. Mitterrand is however believed to consider that Rocard is not doing enough now, with the next elections well away but the Socialist Party Congress due next March, to keep his own party happy. The President has been consistently reported in the press as quietly pressing his Prime Minister to concede more to social policies in the 1990 Budget. Mitterrand is also rumoured to share the concern expressed by some in the Socialist Party that Rocard is concentrating too much on preserving his popularity for the 1995 Presidential elections and not enough on rallying support from the broad Left to carry the Socialists through the 1993 Legislative elections, which could be difficult for them. The President is reported not to relish the prospect of spending the last two years of his term in cohabitation with the Right. Much of the press comment comes from off-the-record briefings by the Elysée. Mitterrand's concern may be genuine, but such briefings also have to be seen as short-term and tactical - one of the ways in which the President makes his influence felt, not least at Matignon.

Socialist Party Congress(March 1990)

4. Signs are that, at this early stage in his second septennat, Mitterrand is keen at the Congress to avoid a split in the Mitterrand tendency of the Socialist Party between Jospin and Fabius, which would damage his own support base in the party. It now looks more likely than it did last month that some compromise will be hammered out between Jospin and Fabius by next January's key pre-Congress meeting of the PS' Political Committee. But one of Mitterrand's supporters, Jean Poperen, told the Ambassador recently that, whatever happens, he at least will break away at the next Congress, hoping to pick up votes from left-wingers discontent with the Government's policies.

National Assembly

5. The French Parliament re-opened on 3 October. After two weeks of unfinished business the new political season began with the opening of the 1990 Budget debate on 17 October. This is expected to run until mid-November. The contents of the Budget are reported in my telno 1246.

6. Although the Socialist Government are 15 seats short of an absolute majority in the Assembly they have not so far looked in danger, despite the fact that there have already this Parliament been two Opposition censure motions against the Government. Neither the Communists nor the Opposition are in any fit state to fight a new election now. Both want to be seen to oppose Rocard, without actually bringing him down. The first (receipts) half of the 1990 Budget accordingly went through by emergency procedure (article 49.3) on 20 October and an Opposition censure motion attracted only 240 votes, when 288 would have been needed to bring down the Government. The missing votes included 26 Communists, Raymond Barre and six of his supporters, and a number of Independents.

The Opposition

7. The Opposition are still ineffective, more concerned with fighting amongst themselves than with offering viable alternatives to Socialist policies. One hopeful sign for them has been that the newly-established Opposition Cross-Party Parliamentary co-ordinating body, the «intergroupe», is still functioning and has recently been strengthened by a more democratic decision-making procedure. Thanks to pressure from «rénovateurs» like Charles Millon (UDF Group President) and from Giscard d'Estaing, decisions are now taken by majority vote of all Opposition deputies, and not just by the three Opposition Group leaders (Méhaignerie, Millon, Pons).

8. Earlier this month Giscard called openly for the first time for a single, unified Opposition party for the next elections. In doing so he brought himself into line with the rénovateurs and put Jacques Chirac and most of the Gaullist Old Guard onto the defensive. Although those closest to Giscard remain sceptical that he will ever again become President, no one doubts Giscard's

own determination to make a comeback, or his capacity to dominate the Opposition over the next couple of years. Some younger RPR MPs privately approve of Giscard's strategy. Discontent with Chirac's hesitant leadership appears to be growing within the RPR.

Communists

9. Following George Marchais' much-delayed visit to Moscow in late September, two Communist former Ministers, Charles Fiterman and Anicet Le Pors, came out openly at this month's Central Committee Meeting of the French Communist Party (PCF) in favour of reforming the party to take account of Gorbachev's thinking. Fiterman is recovering from a serious car accident and has been expressing his views from his hospital bed. Marchais has reacted by paying lipservice to Soviet perestroika, whilst making it clear that he sees no need to change the PCF. A purge is currently underway within the PCF to remove from office those few who might sympathise with Fiterman. Most recent young PCF supporters are hardliners, a far cry from party intellectuals like Fiterman, Le Pors and Sève.

Society: Immigration

10. Immigration issues made the headlines in France this month. On 20 October the Ministry of Solidarity, Health and Social Protection released figures on immigration for 1988 and the first half of 1989, showing that immigration into France was up by 20% overall. Asylum-seekers were up by 24%, and totalled nearly 35,000 for 1988, the highest figure ever recorded.

11. The press subsequently picked up on a number of immigration problems in French schools, the most serious of which concerned two Muslim girls in Creil, just outside Paris, who were sent home for wearing Islamic headscarves (Angela Wilkins' letter to Roger Kershaw of 28 October reports in depth). The episode was seen here as a challenge by religious fundamentalists to France's tradition of secular education. Views have been divided both within the Socialist Party and the Opposition Party over whether it should be met with tolerance or firmness. The Education Minister, Jospin, has spoken in support of secular education but has appealed for tolerance in the last instance. Both the immigration figures and the «headscarves affair» have been political gifts to the extreme Right "Front National" Party, which has called for a National Referendum on immigration.

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