

SAVING TELEGRAM

RESTRICTED

FROM PARIS SAVING TELNO 27 11 OCTOBER 1990

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REPEAT FOR INFORMATION TO: EC POSTS, UKREP BRUSSELS, UKDEL STRASBOURG, WASHINGTON, MOSCOW, HMGs FRANCE, HOME OFFICE FOR CORY B6 DIVISION AND LANGDON

FRANCE: INTERNAL POLITICAL SITUATION: SEPTEMBER/EARLY OCTOBER

#### SUMMARY

1. Gulf crisis boosts Mitterrand's poll ratings. Rocard expecting to stay another year after a limited Ministerial reshuffle. His ambitions for the Ile-de-France region. A Fabius supporter elected President of the Socialist Party Group in Parliament. Opposition differences over Europe.

#### DETAIL

##### The Gulf/Mitterrand

2. After flagging in the polls last Spring, President Mitterrand's popularity rating shot up over the summer, thanks to his handling of the Gulf crisis. A l'Express/Louis Harris poll in late September showed that 67% of French people approved of the President's policies (six points up on the previous month, 12 points up on July). He has not achieved such a high rating since just after being returned to power in 1988.

3. Rocard has remained stable at around 56% approval rating.

##### Ministerial Reshuffle

4. After months of press speculation about Ministerial changes, Mitterrand in the end took the pundits by surprise with a last-minute reshuffle (Paris telnos 1172, 1174 and 1178) on 2 October, the day Parliament re-opened (traditionally reshuffles take place outside Parliamentary sessions). There have since been unconfirmed rumours that the reshuffle had been scheduled for next January but that the President's hand was forced by Edith Cresson's sudden decision to resign.

##### Rocard/The Ile-de-France Region

5. Several of Rocard's collaborators have told us that the Prime Minister now expects that, barring accidents, he will remain in place another year. (Comment: when he first took up office he predicted that he would stay three years). According to one collaborator, he now has his eye firmly on taking the Presidency of the Ile-de-France region in the March 1992 Regional elections. But he can only hope to win this Opposition stronghold if the electoral system for the Regionals changes from a purely proportional one to a mixed proportional/majority one (similar to that used for the Municipal elections), with the second round list drawn up at Regional level. Since the current system only benefits the Greens and the Front National, he hopes to persuade the Opposition that changing the system could be to their advantage too.

6. Meanwhile, the Government is pressing ahead with its ambitious plans to develop the Paris Region. It was announced in August that a new development zone would be created to the West of Paris, from the Arche de la Defense westwards to the Seine at Nanterre. At present this area is a run-down Communist stronghold. Unsurprisingly, Nanterre's Communist mayor - who will see her commune and electorate transformed by the construction of gleaming office blocks and high-class flats - is protesting vigorously.



Rocard/The Socialist Party

7. The Socialist Party held a major seminar on 20 September to discuss its aims for the year 2000. Rocard brought the discussion to earth with a bump by suggesting that political parties no longer had a vanguard role and that the Government needed above all to pay attention to public opinion. He argued that gradual reform by consensus was better than grandiose ideas, which usually fell by the wayside.

8. On 8 October Rocard caused another stir in the Party by announcing during a radio interview that the Rennes Congress had resulted in a "restructured majority" in the PS, as a result of which the new leader of the Socialist Group in Parliament (replacing Mermaz, just appointed Agriculture Minister) should logically be Henri Emmanuelli, supported by the Jospin and Rocard factions, rather than Jean Auroux, supported by Fabius. Until now, the Rocard-Jospin alliance against Fabius had never been officially acknowledged in the Party, not least to spare Mitterrand's feelings.

9. Unfortunately for Rocard and Jospin, the voting on 10 October resulted in the election of Jean Auroux, by just 4 votes. Chevènement helped bring about Emmanuelli's downfall by maintaining his own candidate against him. There is press speculation that Chevènement (who supported Rocard and Jospin in the last PS Congress) was angry with Rocard. Rumour has it that Rocard proposed to move Chevènement in the Ministerial reshuffle, but that Mitterrand refused. Auroux (a former Minister of Labour in the first Mauroy Government) was however undoubtedly better-liked in the Party than Emmanuelli, who is widely known to do Jospin's dirty work for him, manoeuvring in the party and criticising colleagues. The outcome is seen here as a setback for Rocard, and his open support for Emmanuelli as a tactical error.

The Opposition/Europe

10. The Opposition parties held a series of political meetings to try to reach common positions for the Autumn Parliamentary session. These served to underline their differences over several key policy issues, notably Europe. At a meeting of the "States General of the Opposition" on 6/7 October to discuss economic policy, Chirac spoke out strongly against a single European currency. A UDF/RPR joint working group on Europe has now been set up to try to thrash out the differences. Another contentious area is European defence policy. Giscard has been working on Opposition proposals for a common European defence policy which, in the view of many Gaullists, would undermine France's independent role.

11. These policy disputes risk dragging on until the prospect of elections concentrates people's minds. If the law presently going through Parliament proposing in future to hold the Cantonal and Regional elections simultaneously is adopted the next elections will not be until March 1992.

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EUROPEAN POLITICAL 251

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SAVING TELEGRAM

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FROM PARIS SAVING TEL. NO. 26 OF 5 OCTOBER 1990

TO FCO

REPEATED TO FOR INFORMATION: BONN, BRUSSELS, DUBLIN, THE HAGUE,  
COPENHAGEN, ROME, LUXEMBOURG, UKREP BRUSSELS, MADRID, WASHINGTON,  
LISBON, TOKYO, UKDEL STRASBOURG, CONSULATES GENERAL FRANCE

FRANCE: ECONOMIC REPORT FOR AUGUST AND SEPTEMBER 1990

SUMMARY

- 2nd quarter marketed GDP growth of only 0.1%;
- Industrialists increasingly pessimistic over prospects;
- Marginal drop in unemployment to 2,489,300 (8.9%)
- Increased petroleum product costs push year on year inflation up to 3.5%;
- Trade deficits over F5 billion in both July and August;
- Money supply growth continuing below targets;
- Changes in monetary aggregates announced for 1991;
- Draft 1991 budget unveiled: deficit planned to fall to F80 billion; nominal growth in government spending of 4.8%;
- Bourse index down 24% since start of Gulf crisis;
- Downwards revision of forecasters' growth predictions for 1990 and 1991.
- Overall prospects: slower growth, noticeable by mid-summer, aggravated by Gulf crisis. Economy better able to withstand higher oil prices than in 1973 and 1979. But period of lower growth relative to 1987-90 and rising inflation ahead.

DETAIL

I ECONOMIC ACTIVITY

1. Provisional second quarter national accounts figures were released by INSEE and showed marketed GDP growth (at 1980 prices and over the previous quarter) of only 0.1% following revised first quarter growth of 0.5%.
2. Production of manufactured goods fell by 0.4% in the second quarter, production of capital goods by 0.4% and intermediate goods by 1.1%. Energy production however rose by 3.9% and industrial production overall rose by 0.2%.
3. Imports of goods and services fell by 0.6% during the second quarter, after rising by 1.5% in the first, while exports of goods and services fell by 3.7% after rising by 2.5% in the first three months of the year.
4. Domestic consumption rose by 0.5% in the second quarter after a 1.1% increase in the first. Consumption of energy rose by 5.7% and purchases of manufactured goods rose by 0.8%, following an increase of 2.6% over the previous three months.
5. Company investment, which had been rising since 1987, fell by 1.6% in the second quarter, but the fall in total investment during the quarter was limited to 0.9% because domestic investment in the housing market remained stable.
6. The seasonally-adjusted index of industrial production, excluding building, rose to 113.1 in June (1985 = 100) from 112.6 in May. The index including building rose to 116.3 from 114.8 over the same period (the building and public works index alone rose from 126 to 133 (1985 = 100)) while the manufacturing index dropped to 113.9 from 114.1.
7. Domestic consumption of manufactured goods (seasonally adjusted) fell from the revised June high point of F56.13 billion to F54.62 billion and F54.91 billion in July and August respectively. Car registrations numbered 187,500 in July and 199,000 in August, on average slightly down on the levels seen in the first half of the year. The penetration rate of non-French models was 40.1% in June, 36.7% in July and 38.7% in August.
8. Business registrations totalled 22,530 in July and 21,020 in August, both below the average for the first 6 months of 1990.