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FRANCE: INTERNAL POLITICAL SITUATION: LATE OCTOBER/NOVEMBER 1990

SUMMARY

1. A period of social unrest puts new strain on the Rocard-Mitterrand relationship. Renewed public disgruntlement with political life; Mitterrand criticised within his own party; Extreme Right and Greens still making ground at the expense of the traditional parties. Cross-party splits over European issues could surface soon.

DETAIL

Social Unrest

2. Over the past weeks the Government has faced waves of protests and demonstrations by various interest groups. The farmers who protested noisily in front of Mitterrand wherever he went in early autumn were eventually pacified by promises of government help and by Mermaz's tough stance in the EC/GATT negotiations. They were replaced in November by the lycée school children (my telsnos 1371 and 1372), who were pacified only when Mitterrand received them on 12 November and prompted the Government to find an extra 4.5 billion francs to meet their demands. Last week the civil servants took to the streets to demand more money in this year's pay round. They are expected to demonstrate again on 30 November and 7 December.

Mitterrand/Rocard

3. Pressure on the social front led to only half-concealed tension between the Elysée and Matignon over how the Government should react. Rocard's priorities were to keep the Government within its spending targets and to encourage people to settle their claims through negotiation with the Government rather than by street protest. Mitterrand appeared anxious to show that he was prepared to listen to the farmers' and the school children's demands, even if that meant the Government having to find extra cash to buy peace. His approach was in line with his speeches last Spring (my saving telno 19) warning that the Government needed to demonstrate that economic success could bring more social justice. Rocard publicly took the Elysée armtwisting with a stiff upper lip. But instead of absorbing all the extra expenditure into the Government's running costs, he chose to fall short by 2 billion francs of his declared 1991 target for reducing the budget deficit, thus highlighting the price paid for Presidential "sympathy" with the demonstration.

4. Rumours of Presidential disapproval of Rocard re-emerged when Mitterrand refrained from using his influence with certain centre/right deputies to help Rocard defeat an Opposition censure motion on 19 November (my telsnos 1395 and 1424). In the end Rocard survived by just 5 votes without the Elysée's help. In the following day's Council of Ministers meeting Mitterrand congratulated the Government and urged it to continue its work, claiming that he had never been worried that it might fall. This carried less than 100% conviction.

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Opinion Polls
5. All prominent political figures lost ground in the polls as public disgruntlement with French political life resurfaced after a brief respite during the summer Gulf crisis. A l'Express/Louis Harris poll at the end of October showed Mitterrand down to 60% approval (-7% since late September) and Rocard down to 49% (-7%). Other Opinion polls have shown the decline continuing throughout November. The consolation for Rocard is that all polls show him as the man most people expect will become France's next President (he is followed by Jacques Delors, Raymond Barre and Valéry Giscard d'Estaing, in that order).

Mitterrand's popularity
6. In a striking reversal of the traditional President/Prime Minister relationship, it is President Mitterrand whose image appears to have suffered most from the tensions and speculations of the past few weeks. Serge July, the well-informed political editor of "Libération", took a surprisingly critical line (15 November) on the President's treatment of his Prime Minister, arguing that it was irresponsible of him to want to put pressure on Rocard, whilst keeping his distance from the government's actions: "By playing cat and mouse with his Ministers and confusing the public with his shifting moods the President risks seriously wearying public opinion." On 27 November "Libération" revealed growing criticism within the Socialist party of Mitterrand's style of leadership, amounting to "a real crisis of authority". Some Socialists were quoted as blaming the President for failing to stop press speculation on his relations with his Prime Minister, which they felt was feeding public malaise. Others suggested that he should give the country a moral lead by making "a Churchill-style speech".

7. Next May Mitterrand will have been President for ten years. In October 1991 he will have outstripped de Gaulle to become the Fifth Republic's longest-serving President.

The Political Parties
8. All the traditional parties of left and right continue to have difficulty attracting new membership. The Opposition UDF and RPR received a major setback when a signing ceremony scheduled for 21 November to formalise agreement on a new system of Presidential primaries had to be cancelled after a last minute quarrel between Giscard and Chirac. The dispute, which is still unsettled, concerns what should happen if a Presidential election is called unexpectedly early. Giscard is worried that a shortened primaries campaign under present arrangements would give an unfair advantage to Chirac, whose more disciplined supporters would be more likely to turn out to vote at short notice. The dispute has caused both Chirac and Giscard damage in the opinion polls, although Giscard seems so far to have come off worse.

9. The newer political parties, the Greens and the Front National (FN), by contrast are making steady progress to the extent that neither the Government nor the moderate Opposition would at present welcome having to go into major elections. Efforts by the Socialists to split the Greens before their General Assembly in Strasbourg on 2-3 November failed conspicuously. Antoine Waechter was restored to his former position as the Movement's spokesman. He suceeded too in maintaining unity behind his "independent" line of no electoral

deals with either left or right. The outcome deeply disappointed the PS, which needs to attract some of the Greens' current support if it is to stand a chance of winning the 1993 Legislative elections.

10. The <u>Front National</u> believes that it has built up enough support in the Provence/Alpes-Maritimes region to stand a good chance of gaining control of the region after the 1992 Regional Elections. It has decided to build up its presence there by fielding high-profile candidates for local by-elections. Le Pen looks likely to run for Nice Town Hall if, as rumour has it, a by-election is provoked there in early 1991.

<u>Political attitudes to EC issues</u>

11. Several French commentators have suggested that the approach of the Intergovernmental conferences on EMU and Political Union and the departure of Mrs Thatcher risk smoking out publicly the splits which have existed for some time within the French Socialist and Opposition parties over Europe.

12. On 21 November the PS published a declaration by its <u>Bureau Exécutif</u> on "The Socialists and the Future of the European Community". Matignon, the Elysée and Delors had all been consulted on it before publication. It is broadly in line with the Government's current policies on Europe, albeit with more rhetorical emphasis on the need for social justice. It represents the majority view within the party - but a significant and vocal minority on the left around Jean-Pierre Chevènement takes a radically different view, much closer to the Opposition Gaullists. Chevènement has declared himself a firm nationalist: he is against the Delors Plan and a single European currency, and in favour of early enlargement. The Right for its part is split into at least three tendencies - the federalists (mainly Centrists); the anti-Brussels pro-decentralisation free-marketeers (some Parti républicain, some RPR); the Gaullist nationalists (most RPR).

<u>Conclusion</u>

13. By recent standards this has been a difficult period. Despite the range of problems, Rocard looks safe enough at the Matignon for the time being, provided the President goes on supporting him (just). For the moment the President appears to have no better alternative. But there is another bout of press speculation about the "crisis" in French politics (cover story of last week's 'Le Point': "Crise de Régime") and even some understandable speculation as to whether the President really will run to term however well he is doing for the moment in holding the centre together against the extremes on the Gulf issues. I can see no basis for such speculation. In the short term, only health reasons would be likely to persuade the President to step down, and (despite his waxen complexion) the President's health appears to be not bad.

LLEWELLYN SMITH

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SAVING TELEGRAM
UNCLASSIFIED
FRAME ECONOMIC
FROM PARIS SAVING TEL. NO. 28 OF 8 NOVEMBER 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 OCTOBER 1990

SUMMARY

Further confirmation of a marked slowdown during the second quarter continuing into the third quarter. Non-oil inflation stable, but worrying signs of wage cost pressures. September trade figures very bad reflecting dearer oil and a drop in exports. Corporate investment holding up, but industrialists pessimistic over future production trends. Marginal rise in unemployment.

KEY FIGURES (£1 = F9.76 on 12.11.90)

- Second quarter marketed GDP growth figure revised upwards to 0.2%, from 0.1%;

- September unemployment rises by 0.4%, over the 2.5 million barrier;

- September inflation rises to 3.8% under effect of higher oil prices;

- September trade deficit worst since 1982 at F10.13 billion, but total for first nine months close to 1989 figure;

- Money supply continuing below government target bands;

- Bank of France lowers interest rates by 0.25% a day before Germans increase Lombard rate by 0.5%

- French fixed investment overseas continuing high in first half of 1990: EC main recipient.

FRANCE: ECONOMIC REPORT FOR OCTOBER 1990

DETAIL

I ECONOMIC ACTIVITY

Second Quarter

1. Revised second quarter national accounts figures were released by INSEE and showed marketed GDP growth (at 1980 prices and over the previous quarter) of 0.2%. Growth for the first quarter was revised back to 0.6%.

2. Production of manufactured goods fell by 0.4% in the second quarter, intermediate goods by 1.1% and capital goods by 0.5%. There was a fall of 0.5% in production in the building and public works sector. The increase in energy production of 4.1% however permitted an increase in total industrial production of 0.2%. Production prices rose by 0.5% in the second quarter, the same as in the two previous quarters.

3. Domestic consumption rose by 0.6% during the second quarter, lower than the 1.1% increase in the first quarter. Consumption of manufactured goods fell by 0.6% following the increase of 2.5% in the first quarter. The purchasing power of disposable income rose by 0.5%, as it did in the first quarter, and although the savings rate fell to 12.7% in the second quarter, from 12.8% in the first, it remained above the average level for 1989.

4. Imports fell by 0.8% in the second quarter. Imports of manufactured goods remained stable while intermediate goods imports rose by 1.7%. Import prices fell by 2.2% (including a 14.2% fall in the price of imported energy products). Exports fell by 3.9% in the second quarter, with capital goods exports, still affected by low Airbus sales following the British Aerospace strike, falling 7.6%. Export prices fell by 0.5%.

5. Company investment fell by 1.8% in the second quarter, having risen by 3.2% in the first. Investment in transport fell by 7.0% after an increase of 10.6% in the first three months of the year. The company savings rate fell in the second quarter reducing the ability of firms to finance their investments. The self financing, or internal funding rate fell to 77%. It stood at 94.4% and 85.9% in 1988 and 1989 respectively.

6. Unit wage costs rose by 1.1% in the second quarter, down on the 1.5% increase in the first quarter.

7. Productivity fell by 0.1% in the second quarter, having remained stable in the first quarter, because an increase in the workforce of 0.5% (0.7% in the first quarter) outstripped production growth.