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FM PARIS 011707Z JUN 84

TO PRIORITY FCO

TELEGRAM NUMBER 690 OF 1ST JUNE

INFO ROUTINE BONN, ROME, WASHINGTON, OTTAWA, TOKYO, UKREP
BRUSSELS.

YOUR TELNO 297 TO BONN: LONDON ECONOMIC SUMMIT.

SUMMARY.

1. MITTERRAND WILL WANT THE SUMMIT TO BE SEEN TO GIVE A PUSH TO MULTILATERAL MEASURES TO COPE WITH THIRD WORLD DEBT. PRESENTATIONALLY HE WILL WANT TO SHOW THAT THE RENEWED FRANCO-GERMAN ALLIANCE IS WORKING WELL.

2. MITTERRAND PROFESSES TO BE SCEPTICAL ABOUT ECONOMIC SUMMITS. HIS OWN VERSAILLES WAS AN EXTRAVAGANT FLOP AND AFTER WILLIAMSBURG HE WAS CRITICISED AT HOME FOR HAVING AGREED TO THE DECLARATION ON SECURITY.

DETAIL.

ECONOMIC STRATEGY.

3. ALTHOUGH HE HAS MODIFIED HIS OWN ECONOMIC POLICY, IT IS STILL A LITTLE AWKWARD FOR MITTERRAND TO ASSOCIATE HIMSELF CLOSELY IN PUBLIC WITH THE MACRO-ECONOMIC STRATEGY OF MOST OTHER SUMMIT GOVERNMENTS. BUT HE WILL CERTAINLY NOT QUARREL IN PRIVATE WITH THE MAIN THRUST OF THE DRAFT ECONOMIC DECLARATION, WHICH COINCIDES WITH HIS MORE RECENT PRONOUNCEMENTS.

DEBT.

4. WITH THEIR MASSIVE LENDING TO THE THIRD WORLD AND HEAVY DEPENDENCE ON THIRD WORLD MARKETS, THE FRENCH FEEL ACUTELY THE COMMON ANXIETY OVER LDC DEBT. THE PRESS IS GIVING PLAY TO THE SPECTRE OF A BANKING CRISIS. THE AUTHORITIES ARE REASONABLY CONFIDENT OF THE CAPACITY OF CENTRAL BANKS TO PREVENT A CRASH, BUT THEY ARE CONCERNED BY THE POLITICISATION OF THE DEBT ISSUE BY THE LATIN AMERICANS, WHOM THEY CRITICISE IN PRIVATE. DELORS IS TELLING MITTERRAND THAT THE SUMMIT SHOULD ENDORSE HIS (DELORS') CALL FOR AN SDR ISSUE. MITTERRAND MAY DO SO BRIEFLY. MORE REALISTICALLY, HE WILL WANT THE SUMMIT TO ENDORSE CLOSER IMF-WORLD BANK COOPERATION, MORE WORLD BANK PROGRAMME LENDING AND A CAPITAL INCREASE FOR THE BANK. MITTERRAND WILL LOOK TO EUROPEAN PARTICIPANTS, PARTICULARLY THE GERMANS, TO JOIN HIM IN PRESSING THE AMERICANS TO CHANGE THEIR STANCE ON THE FAMILIAR NEXUS: US FEDERAL DEFICIT - INTEREST RATES - LDC DEBT. HE WILL NOT EXPECT A QUICK RESPONSE. I DOUBT HE WILL COURT REBUFF BY PUSHING HARD HIS HOBBY-HORSE OF AN INTERNATIONAL SUMMIT ON MONETARY REFORM. HE IS BEING ADVISED THAT AT THIS STAGE MONETARY AND TRADE MATTERS ARE BEST DISCUSSED WITH THIRD WORLD REPRESENTATIVES IN THE INTERIM COMMITTEE, NOT IN A JUMBO GATHERING.

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TRADE

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5. WITH THE ADJUSTMENT OF THE FRENCH ECONOMY FAR FROM COMPLETE, MITTERRAND WILL CONTINUE TO TAKE A NEGATIVE STAND ON TRADE LIBERALISATION IN GENERAL AND AMERICAN AND JAPANESE PROPOSALS FOR NEW MULTILATERAL NEGOTIATIONS IN PARTICULAR. HE WILL SAY THE LATTER ARE PREMATURE.

POLITICAL ASPECTS.

6. THE FRENCH ARE ALWAYS AFRAID THAT ECONOMIC SUMMITS WILL LEAVE THEM LOOKING AS THOUGH THEY HAVE BEEN REGIMENTED BY THE US. HENCE THEIR AVERSION AS A RULE TO THE DISCUSSION OF NON-ECONOMIC SUBJECTS AND TO PROLIFERATION OF MEETINGS OF THE SEVEN. MITTERRAND WAS CRITICISED AFTER HE BROKE THIS RULE BY SIGNING THE WILLIAMSBURG DECLARATION ON SECURITY. SIGNIFICANTLY WHEN JOSPIN (FIRST SECRETARY OF THE SOCIALIST PARTY) EMERGED ON 30 MAY FROM A MEETING WITH MITTERRAND TO DISCUSS THE SUMMIT (THE FIRST OF A SERIES MITTERRAND IS HAVING WITH LEADERS OF ALL THE MAIN POLITICAL PARTIES) HE STRESSED THE NEED TO CONCENTRATE ON ECONOMIC SUBJECTS AND CRITICISED THE TEMPTATION CERTAIN COUNTRIES FELT TO TURN THEMSELVES INTO A WORLD POLITICAL DIRECTORATE,

7. THAT SAID, WE HAVE RECEIVED NO INDICATION THAT MITTERRAND WILL MAKE PROBLEMS OVER THE LONDON CHARTER. HE MAY ALSO ACCEPT THE NEED FOR THE SEVEN TO SHOW PUBLICLY THEIR (MODERATE) CONCERN AT THE SITUATION IN THE GULF. HOWEVER, HE WOULD PROBABLY OPPOSE SHULTZ'S SUGGESTION OF MEETINGS OF FOREIGN MINISTERS OF THE SEVEN (WASHINGTON TELNO 1653) AND BE INCLINED TO DOWNPLAY THE QUESTION OF TERRORISM. WHILE, ACCORDING TO CHEYSSON, HE IS READY TO GO ALONG WITH A GENERAL STATEMENT BY THE PRIME MINISTER ON TERRORISM, HE WILL PROBABLY WANT IT TO BE AS NON-BINDING AS POSSIBLE, ESPECIALLY AS REGARDS FOLLOW-UP AMONG THE SEVEN.

SPACE.

8. MITTERRAND IS KEEN ON THE IDEA OF A SPACE STATION WHICH HE REGARDS AS A FAR-SIGHTED CONCEPT IN THE SAME MOULD AS DE GAULLE'S VISION WHICH HAS NOW BORNE FRUIT IN THE SHAPE OF ARIANE AND OTHER SUCCESSES OF THE FRENCH SPACE PROGRAMME. THE NATIONAL PRESTIGE WHICH ATTACHES TO SUCH PROJECTS GIVES THEM AN IMPORTANT POLITICAL APPEAL IN FRANCE. MITTERRAND'S SPEECH AT THE HAGUE ILLUSTRATED THE SYMBOLIC IMPORTANCE WHICH A SPACE STATION WOULD HAVE FOR EUROPE. IF JOINT PARTICIPATION WITH THE US COULD BE ARRANGED IN SUCH A WAY AS TO RETAIN SEPARATE IDENTITY FOR THE EUROPEAN CONTRIBUTION, SUCH A VENTURE WOULD OFFER GREATER SCOPE FOR SYMBOLISM AND PRESTIGE THAN MIGHT BE ACHIEVED BY EUROPE ACTING ALONE AND WOULD THEREFORE BE ALL THE MORE WELCOME TO THE FRENCH.

2
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9. MITTERRAND IS LIKELY TO SEEK FURTHER CREDIT FOR THE DEVELOPMENTS WHICH HAVE STEMMED FROM HIS INITIATIVE AT THE VERSAILLES SUMMIT ON TECHNOLOGY, GROWTH AND EMPLOYMENT. HE SEES HIMSELF AS A MAN WHO UNDERSTANDS THE ASPIRATIONS OF SCIENTISTS AND THE LONG-TERM IMPLICATIONS OF THEIR WORK AND MIGHT WELL SEEK TO USE THE REPORT OF THE WORKING GROUP ON TECHNOLOGY, GROWTH AND EMPLOYMENT AS A PRETEXT FOR FURTHER DISCUSSION OF MODERN SCIENTIFIC DEVELOPMENTS AND HIGH TECHNOLOGY.

ENVIRONMENT.

10. ENVIRONMENTAL ISSUES COULD COME UP IN THAT CONTEXT OR SEPARATELY. MITTERRAND'S RECENT MESSAGE TO EUROPEAN ENVIRONMENTAL GROUPS (MY TELNO 592) SUGGESTS THAT HE WOULD BE LIKELY TO RESPOND POSITIVELY TO (IF NOT EVEN TAKE CREDIT FOR) ANY SUGGESTION FOR ACTION ON SUCH MATTERS.

MEDIA.

11. THE MEDIA HAVE NOT YET PUBLISHED MUCH ON THE SUMMIT PROSPECTS. I WILL REVERT NEXT WEEK.

FRETWELL

ECONOMIC SUMMIT
LIMITED
ERD
ESID
WED
FED
NAD
ECD's
PLANNING STAFF
TRED
ES&SD
SOV D
EED
NEWS D

PROTOCOL D
SEC D
MAED
PUSD
DEF D
ACDD
PS
PS/LADY YOUNG
PS/MR RIFKIND
PS/MR WHITNEY
PS/MR RAISON
PS/PUS

SIR C TICKELL
SIR J BULLARD
MR RENWICK
MR J THOMAS
MR WILSON
MR WRIGHT
MR CARTLEDGE
MR ADAMS
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