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FM PARIS

TO IMMEDIATE FCO

TELNO 407

OF 161458Z APRIL 86

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

INFO SAVING UKDEL OECD

YOUR TELNO 267 : FRENCH AIMS AT THE TOKYO SUMMIT

SUMMARY

1. FRENCH ECONOMIC OBJECTIVES AT THE SUMMIT WILL PROBABLY BE TO ENSURE SOME MOVEMENT ON MONETARY REFORM, MAINTAIN PARALLELISM BETWEEN MONETARY AND TRADE ISSUES, ACHIEVE A COORDINATED REDUCTION IN INTEREST RATES (IF IT HAS NOT ALREADY HAPPENED) AND PUT PRESSURE ON THE JAPANESE TO IMPORT MORE. MITTERRAND AND CHIRAC VERY CONCERNED WITH THEIR RELATIVE STATUS.

DETAIL

2. THE ELABORATION OF THE FRENCH APPROACH (OR APPROACHES, GIVEN THE COMPLICATIONS INTRODUCED BY COHABITATION) HAS NOT YET ADVANCED VERY FAR. WE HAVE SPOKEN TO MME GUIGOU AT THE ELYSEE AND MME OBOLENSKY AT THE TRESOR. ON 17 APRIL WE WILL DISCUSS WITH HEILBRONNERAT MATIGNON.

3. LIKE OTHERS, THE FRENCH COMPLAIN OF A LACK OF DIRECTION BY THE JAPANESE, AND DESCRIBE THEIR PAPERS AS EVEN MORE EMPTY THAN THOSE NORMALLY CIRCULATING AT THIS STAGE. THEY FIND IT HARD TO PREDICT WHAT ISSUES WILL DOMINATE THE SUMMIT, BUT WITH THE EXCEPTION OF TRADE MATTERS ARE NOT ANXIOUS ABOUT THE OUTCOME, INDEED FIND THE PROSPECTS PROMISING IN SOME RESPECTS.

4. ON TRADE, THEY DETECT A JAPANESE EFFORT TO ENSURE THAT DISCUSSION DOES NOT FOCUS ON THEIR SURPLUS, AND THEY SUSPECT THE US OF COLLABORATING IN THIS, POINTING TO ALLEGATIONS OF EUROPEAN PROTECTIONISM MADE BY WALLIS. UNSURPRISINGLY, THEY SEE THE NAKOSONE/REAGAN TALKS AS HAVING A CRUCIAL INFLUENCE ON THE JAPANESE AND AMERICAN APPROACH TO THE SUMMIT AND WOULD LIKE TO EXCHANGE WITH US ANYTHING WE MAY HAVE LEARNT ABOUT THIS BILATERAL.

5. ON MONETARY REFORM, MME OBOLENSKY SAID THE FRENCH WERE HEARTENED BY INDICATIONS (EG. BAKER'S SPEECHES IN WASHINGTON) THAT THE AMERICANS WERE MOVING TOWARDS ACCEPTANCE OF THE NEED FOR THE SUMMIT

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SEVEN TO CONSIDER TOGETHER HOW EXCHANGE RATES SHOULD BE STABILIZED. THIS WOULD NOT NECESSARILY RESULT IN ADOPTION OF TECHNIQUES ADVOCATED BY THE FRENCH BUT MIGHT LEAD TO ACCEPTANCE OF SOME OF THEIR BASIC PHILOSOPHY. IN JAPAN, THERE WERE CLEARLY 2 SCHOOLS OF THOUGHT ON THIS ISSUE, WITH NAKASONE WELL-DISPOSED AND TAKESHITA OPPOSED.

6. THE FRENCH CONSIDER THAT PARALLELISM BETWEEN MONETARY AND TRADE POLICIES HAS BEEN ESTABLISHED "FOR SEVERAL SEMESTERS TO COME". WITH THE AMERICANS POINTING TO THE LOGICAL LINK BETWEEN THE TWO, THEY THEMSELVES NO LONGER NEEDED TO HARP ON IT. LIKewise THE PROCEURAL LINK DID NOT NEED TO BE MADE EXPLICIT SINCE "THE FILE IS OPEN ON THE TABLE".

7. ON G5/G7, BAKER HAD TOLD BALLADUR IN TERMS, AT THEIR WASHINGTON BILATERAL, THAT THE US AIM WAS TO TRANSFORM THE G5 INTO G7, IMPLYING THAT IT WAS THE PRESIDENT RATHER THAN HE WHO WANTED THIS. MME OBOLENSKY SPECULATED THAT THIS MIGHT BE ONE AMERICAN GOAL FOR THE TOKYO SUMMIT. AS WE WOULD KNOW, MITTERRAND DID NOT WANT THE G5 TO DISAPPEAR. FOR HIS PART, SHE ADDED, BALLADUR IS VERY ATTACHED TO THE G5 STRUCTURE.

8. THE FRENCH CONSIDER THAT VIEWS AMONG CENTRAL BANK GOVERNORS HAVE DEVELOPED TO A POINT WHICH MAKES A CONCERTED FURTHER REDUCTION IN INTEREST RATES PROBABLE IN THE NEXT FEW WEEKS, IMMEDIATELY AFTER TOKYO IF NOT BEFORE.

9. THE FRENCH DO NOT EXPECT DEBT TO LOOM LARGE AT TOKYO BECAUSE THERE IS A CONSENSUS AMONGST INDUSTRIALISED COUNTRIES THAT THE BAKER PLAN IS BEING QUIETLY IMPLEMENTED IN THE APPROPRIATE FORA.

10. THE FRENCH CLEARLY DO NOT KNOW NOW SERIOUSLY TO TAKE THE LINKAGE ESTABLISHED IN WASHINGTON BY THE JAPANESE BETWEEN THEIR CONTRIBUTION TO IDA8 AND THE SIZE OF THEIR SHARE-HOLDING IN THE WORLD BANK.

11. SINCE THE CHIRAC GOVERNMENT WAS NOT YET IN BEING AT THE TIME OF THE LAST PREPARATORY MEETING, IT IS IMPOSSIBLE TO BE SURE WHETHER CHIRAC AND MITTERRAND ARE REALLY IN FULL AGREEMENT ON MATTERS OF SUBSTANCE. THERE HAS BEEN A WRANGLE ON PROTOCOL, AND WITH CHIRAC PLANNING ONLY TO ARRIVE IN TIME FOR THE PHOTOGRAPH ON THE SECOND DAY THERE IS NO ATTEMPT TO CREATE AN IMPRESSION OF A SINGLE, CLOSE-KNIT DELEGATION. GUIGOU MADE CLEAR TO FINANCIAL COUNSELLOR THAT ATTALI WAS UNLIKELY TO ASK FOR ANY SPECIAL FAVOURS FOR A CHIRAC ADVISER TO JOIN THE RESTRICTED DRAFTING SESSIONS AT HIS SIDE. HOWEVER AT THIS

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STAGE OF COHABITATION BOTH PARTIES WILL WANT TO AVOID ANY PUBLIC APPEARANCE OF DISUNITY ON SUBSTANCE OR PROTOCOL.

11. FCO PLEASE ADVANCE TO :
FCO : MR BRAITHWAITE, HD/ERD
CABINET OFFICE : SIR R ARMSTRONG
HMT : SIR G LITTLER AND EF2 DIVISION.

ADVANCED AS REQUESTED

FRETWELL

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10 DOWNING STREET

From the Private Secretary

Prime Minister

Economic Summit

The French are in a great state
about who goes to what.
In particular, they want both
Rittermond & Chirac at the
closing dinner. To serve this, they
propose that everyone goes up to
two participants.

I have told RTA that you
would oppose increasing numbers, which
spoils any chance of real discussion.
We should therefore argue against, but not
die in the last ditch. Agree? CDP 17/6