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TO IMMEDIATE FCO

TELEGRAM NUMBER 595 OF 3 JULY 1981

INFO PRIORITY WASHINGTON, BONN, TOKYO, ROME AND UKREP BRUSSELS

YOUR TELNO 200 TO OTTAWA: OTTAWA ECONOMIC SUMMIT

1. THE OTTAWA SUMMIT WILL BE THE FIRST OCCASION ON WHICH M MITTERRAND WILL PARTICIPATE IN A MEETING OF THE SEVEN. HIS IMMEDIATE OBJECTIVE MAY BE TO DEMONSTRATE TO FRENCH AND WORLD OPINION THAT HE IS JUST AS CAPABLE AS HIS PREDECESSOR OF TAKING HIS PLACE AMONG THE FOREMOST STATESMEN OF THE WORLD AND DEFENDING FRANCE'S PRESTIGE AND INTERESTS AT THIS LEVEL. THIS CONSIDERATION MAY INCLINE HIM TO WISH THE SUMMIT TO BE A PRESENTATIONAL SUCCESS IN WHICH FRANCE IS SHOWN TO CONTINUE TO ENJOY EQUAL TREATMENT WITH THE OTHER PARTICIPANTS AND IN WHICH FRANCE'S NEW VOICE IS CLEARLY HEARD. HE WILL CERTAINLY WANT IT TO SOUND NEW.

2. THE ASSESSMENT OF FRANCE'S OBJECTIVES ON THE DETAILED AGENDA POINTS IS BASED ON DISCUSSIONS WITH JEANNENEY (M MITTERRAND'S PERSONAL REPRESENTATIVE) AND PAYE (QUAI D'ORSAY). PRESIDENT MITTERRAND SEEMS NOT YET TO HAVE GIVEN CLEAR DIRECTIVES ON THE LINE WHICH HE WILL TAKE, SO THAT THERE REMAINS AN ELEMENT OF SPECULATION IN THE ACCOUNT GIVEN BY OFFICIALS.

INTERNATIONAL ECONOMIC SITUATION

3. M MITTERRAND APPARENTLY REGARDS THIS SECTION AS THE MOST SIGNIFICANT PART OF THE DISCUSSION. HE IS LIKELY TO ADOPT A SIMILAR LINE TO HIS INTERVENTION AT THE EUROPEAN COUNCIL ON THE NEED TO PLACE FIRST PRIORITY ON MEASURES TO GENERATE EMPLOYMENT AND TO IMPROVE SOCIAL CONDITIONS. THIS WOULD ENTAIL REVERSING THE PRESENT PROCESS OF RESTRICTING BUDGETARY EXPENDITURE AND EMBARKING INSTEAD ON EXPANSIONARY MEASURES ON A MODERATE SCALE, WHILE RETAINING REASONABLE MONETARY AND FISCAL CONTROLS. IN THIS CONTEXT M MITTERRAND WILL WANT THE EUROPEAN PARTICIPANTS TO BE SEEN TO HAVE MADE A FIRM JOINT APPROACH TO PRESIDENT REAGAN TO UNDERLINE THE ADVERSE EFFECTS ON THEIR ECONOMIES OF THE PRESENT LEVEL OF US INTEREST RATES.

RELATIONS WITH DEVELOPING COUNTRIES

4. THIS IS ALSO A SUBJECT ON WHICH M MITTERRAND WILL APPARENTLY WISH TO MAKE A MAJOR CONTRIBUTION. THE LINES OF HIS INTERVENTION ARE STILL NOT CLEAR TO OFFICIALS BUT THE OBJECTIVE IS LIKELY TO BE TO TRY TO ENSURE FIRSTLY THAT PRESIDENT REAGAN GOES TO THE CUNCUN MEETING WITH A MORE OPEN MIND THAN THE FRENCH CONSIDER HE

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HAS SHOWN SO FAR, AND SECONDLY THAT THERE SHOULD BE AN INFORMAL WIDE-RANGING DISCUSSION AT CANCUN. MITTERRAND IS LIKELY TO ARGUE IN FAVOUR OF THE PROPOSAL FOR AN ENERGY AFFILIATE OF THE WORLD BANK.

TRADE

5. MITTERRAND IS LIKELY TO TAKE A FIRM LINE ON JAPANESE TRADE POLICIES. HE WILL PROBABLY ARGUE THAT THE BASIS FOR INTERNATIONAL FREE TRADE CANNOT BE SUSTAINED IF CERTAIN COUNTRIES DELIBERATELY CONCENTRATE THEIR EXPORTS IN SENSITIVE SECTORS WHILE LIMITING THE IMPORT OF GOODS FROM OTHER COUNTRIES. HE MAY POINT TO THE DANGERS OF A NEW WAVE OF PROTECTIONISM IF INTERNATIONAL TRADE IS NOT PLACED ON A MORE BALANCED BASIS. HE IS UNLIKELY TO WISH TO GO INTO DETAIL ON SPECIFIC SUBJECTS SUCH AS EXPORT CREDITS OR A NEW TOKYO ROUND.

EAST/WEST RELATIONS

6. PAYE SAID THAT THE US PAPER HAD STILL NOT BEEN SUBMITTED TO PRESIDENT MITTERRAND. HE THOUGHT THAT PRESIDENT MITTERRAND WAS LIKELY TO BE GENERALLY SYMPATHETIC TO THE AMERICAN APPROACH, THOUGH NOT TO ALL THE DETAILED PROPOSALS FOR COORDINATION OF WESTERN POSITIONS.

STRUCTURE OF MEETING

7. ACCORDING TO M JEANNENEY PRESIDENT MITTERRAND ATTACHES IMPORTANCE TO HAVING A FREE-RANGING DEBATE AT THE SUMMIT WHICH WOULD NOT BE CONSTRAINED BY A PREFABRICATED COMMUNIQUE. HE IS ALSO ANXIOUS THAT THE SUMMIT SHOULD NOT BECOME A TOP-LEVEL COMMUNIQUE DRAFTING SESSION. HE WOULD LIKE THE PRE-SUMMIT DRAFTING OF THE COMMUNIQUE TO BE SUFFICIENTLY FLEXIBLE TO ALLOW THE FINAL VERSION TO REFLECT FULLY THE ACTUAL CONTENTS OF THE DISCUSSION. IN GENERAL PRESIDENT MITTERRAND'S PERSONALITY AND BACKGROUND FAVOUR A BROAD PHILOSOPHICAL APPROACH TO ECONOMIC AND POLITICAL ISSUES, AND HE WILL PROBABLY WANT TO AVOID DETAILED DISCUSSION OF TECHNICAL MATTERS.

HIBBERT.

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2

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