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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT
(WHORM): SUBJECT FILE

Withdrawer

DLB 3/15/2010

File Folder CO051 (FRANCE) (125000-153999)

FOIA

S10-306

Box Number 72

SYSTEMATIC

385

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
87581	PAPER	RE: FRANCE AND ISSUES	3	ND	B1
87582	CABLE	PARIS 21915 R 8/20/2019 DEPT. OF STATE WAIVER	4	6/9/1983	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

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B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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3/31
MEMORANDUM

NATIONAL SECURITY COUNCIL

January 5, 1983

0075

C.F. MW
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CO051
PW
WPG HAS SEEN F6006-12

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*

SUBJECT: New York Times Article by French Journalist

I draw your attention to the attached article (Tab I) published in the New York Times January 4, 1983 by a conservative French journalist.

The opening paragraph can serve as a summary: "No French government, Socialist or otherwise, will ever follow the United States into any global commercial strategy against the Soviet Union."

If he is right, and there is ample evidence that he is, we should be prepared for a renewal of inter-allied conflict once the famous "studies" are completed.

Yves Guhanec

Attachment

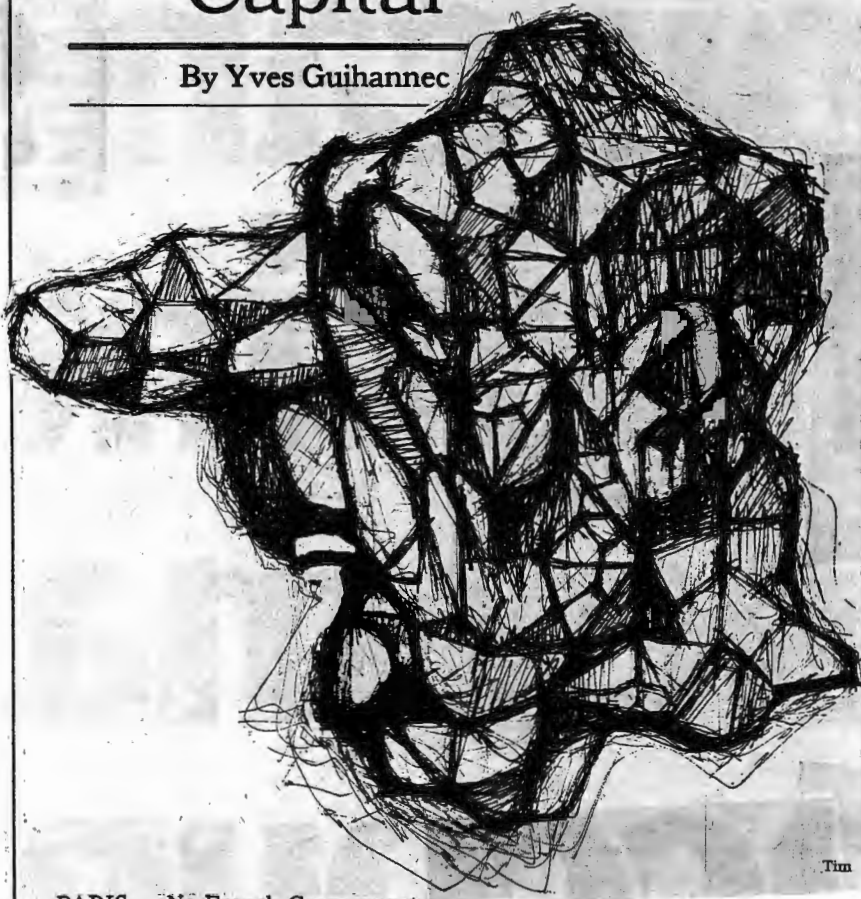
Tab I New York Times Article

cc: Roger Robinson
Gus Weiss
Paula Dobriansky
Dennis Blair
Don Fortier

NSC # 8300075

Washington Isn't France's Capital

By Yves Guihannec



PARIS — No French Government, Socialist or otherwise, will ever follow the United States into any global commercial strategy against the Soviet Union.

If some Americans have been deceived or have deceived themselves into thinking otherwise after Secretary of State George P. Shultz's pleasant visit to Paris in mid-December, the illusion must be quickly dispelled.

I happen to be what Americans call a conservative: This means that in international matters my main, indeed my only, concern is the Soviet threat, and that all possible means to diminish this threat seem to me worth examining — including the use of a commercial strategy. But my sympathy for American aims does nothing to alter my conviction that any attempt by the Americans to draw France into a global economic strategy against the Soviet Union is doomed to failure.

The constant misunderstanding that seems to be the natural state of Franco-American relations goes beyond the interpretation of facts; it also affects the way they are reported. After Mr. Shultz's visit to Paris, I heard and read a lot in American newspapers about a supposed agreement — even a "joint statement" — by the French and the Americans on the issue of commerce with the East.

True, after dinner at the Quai d'Orsay, Mr. Shultz and French Foreign Minister Claude Cheysson, both dressed in dinner jackets, sipping drinks and speaking in English — a sign, I suppose, of the Frenchman's extraordinary willingness to please — jointly briefed a few reporters. That hardly amounted to a joint statement, much less a formal agreement.

The French position is clear and unchanged. Whenever security is at stake, the French will take part in joint discussions. In all other circumstances, they feel free to do as they please. As for energy, France does not plan to buy from the Soviet Union more than 5 percent of total French consumption. The figure may eventually be altered somewhat, but it is a matter for the French to decide for themselves. On the question of credits extended to Moscow, Mr. Cheysson merely noted that credits from the West are declining because the Soviet Union does not appear as financially sound as it used to be.

Mr. Shultz and Mr. Cheysson did agree to pursue what they called "studies" of East-West trade. But this hardly represents a change in the French attitude: The organization known as Cocom, the Organization for

Economic Cooperation and Development and the various forums of the North Atlantic Treaty Organization seem to the French perfectly good places to discuss such issues — as indeed they have for some 30 years. That is the only reason why this time the French have not made the sort of public fuss they so much enjoy.

But all future efforts to broaden the various studies into a general economic strategy will be met by the French with at best delaying tactics — and, at worst, with open opposition.

Why? There are three reasons.

First, European governments do not believe in economic weapons. History provides no example of a successful, lasting economic campaign — and, for Europeans, the price is too high for a very uncertain outcome.

Second, the French in particular are very concerned about the independence of their foreign policy. Under President Charles de Gaulle, they pulled out of the integrated command of NATO and built up their own nuclear defense; today, they will not take part in any "economic NATO."

This is not just a question of national pride. The French feel that American policy making is too largely influenced by internal politics. Like other Europeans, they were baffled by President Reagan's decision to resume grain sales to the Soviet Union and by the lifting of a number of sanctions against Poland — without any significant improvement in the Polish situation — just after the midterm elections. In theory, then, the economic weapon seems to make sense. When it is put into practice by an American President, both the ends and the means keep shifting.

Third, the presence of Communist ministers in the Government probably plays an important part in France's resistance. The Communists had to

put up with the Socialist Government's strong anti-Soviet statements after the imposition of martial law in Poland, but they will not let the Socialists go so far as to take action against the Soviet Union. When martial law was imposed a year ago, French public opinion was strongly anti-Soviet, but the Communists have effectively exploited the controversy over the natural-gas pipeline: Arguing that the Americans are telling us what to do, they have encouraged French nationalism and defiance.

These are France's reasons for opposing the American strategy, but it seems clear to me that the other major European powers feel basically like the French, and that some, like West Germany, have obvious, objective reasons for not pushing the Russians too hard. What's more, I think the others are secretly delighted that France should so willingly play the spoiler and take all the blame on itself.

Yves Guihannec writes a column on business and economics for the French newspaper *Le Figaro*.

PRESIDENT JOHN CORRY

NATIONAL SECURITY COUNCIL

January 5, 1983

TO: JOHN POINDEXTER

FROM: ROGER ROBINSON

Attached are excerpts from my "annual review" which may be of interest.

The first paragraph may put the so-called "pipeline dispute" in perspective for the President if you think it indicated.

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National Security Council The White House

RECEIVED

Package # 0075

83 JAN 5 P 1: 23

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[Signature]</u>	<u>I</u>
Bud McFarlane	<u>2</u>	<u>[Signature]</u>	
Jacque Hill	<u>3</u>	<u>[Signature]</u>	
Judge Clark	<u>4</u>		<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

RECEIVED 05 JAN 83 12

TO CLARK FROM BAILEY

DOCDATE 05 JAN 83

KEYWORDS: ECONOMICS EAST WEST ECONOMICS GUIHANNEC, YVES
 INTL TRADE SANCTIONS
 USSR POLAND

SUBJECT: NEW YORK TIMES ARTICLE BY FRENCH JOURNALIST RE FRENCH RESPONSE TO
 GLOBAL COMMERCIAL STRATEGY AGAINST USSR

ACTION: FOR INFORMATION DUE: STATUS IX FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
CLARK		ROBINSON
		WEISS
		DOBRIANSKY
		BLAIR
		FORTIER

COMMENTS

REF# LOG NSCIFID (N /)

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	JAN 1 0 1983	<i>Clark noted</i>		<i>MB</i>

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MEMORANDUM

1255

NATIONAL SECURITY COUNCIL

March 1, 1983

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PR008

PR016-01

MEMORANDUM FOR FREDERICK J. RYAN, JR.

ws

FROM: MICHAEL O. WHEELER MW

Mihlan, Lawrence J.

SUBJECT: Satellite TV exchange of Greetings between the President and President Mitterrand at the opening of the Paris Air Show

NSC has no objection to this proposal. It will come two days before the opening of the Williamsburg Economic Summit on May 28, and it may therefore be difficult to schedule both the President and President Mitterrand.

NSC# 8301255

MEMORANDUM**NATIONAL SECURITY COUNCIL**ACTION

February 28, 1983

MEMORANDUM FOR MICHAEL O. WHEELER

THROUGH: CHARLES P. TYSON *CP*FROM: DENNIS C. BLAIR *DCB*SUBJECT: Satellite TV Exchange of Greetings between the
President and President Mitterrand at the Opening
of the Paris Air Show

Attached for your signature is a memo to Fred Ryan saying that
the NSC has no objection to this proposal.

Rye, Pollock and Raymond concur.

RECOMMENDATION

That you sign the memo at Tab I.

Approve

Disapprove

Tab I Memo to Ryan
Tab II Scheduling memo

AIR AND SPACE BICENTENNIAL

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February 16, 1983

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President
Williams International
Eugene M. Zuckert
Zuckert, Scoutt, Rasenberger
& Delaney

The Honorable Ronald Reagan
President of the United States of America
The White House
Washington, D.C. 20500

Dear Mr. President,

Speaking personally and for all of us of the board and management of the United States Air and Space Bicentennial, I send heartfelt thanks to you for your leadership and support of this national effort to reaffirm American preeminence in aerospace science, technology and commerce.

Your presentation in the East Room February 7 was an inspiration to both government and private sector executives who are working together to reach the ambitious goals set for the American effort this year and next. Already we can detect tangible benefits from the effort, both here at home and in our relations with France among others in Europe also planning events to honor past achievements in aviation and the promise of space flight.

We will certainly keep your staff informed of our plans and actions as the year progresses. I am grateful for your support and look forward to other occasions in the months ahead when we might meet again to advance the noble mission to which the United States Air and Space Bicentennial is devoted.

Respectfully yours,

Lawrence F. Mihlon
Managing Director

LFM:jd

cc: The Honorable Charles McC. Mathias, Jr.
Maj. Gen. Clifton F. von Kann, USA (Ret.)
bcc: ✓ Mr. Michael K. Deaver

General Counsel
ally C. Andrews
Rose, Schmidt, Dixon & Hasley

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Honorary Vice Chairman George Bush, Vice President of the United States

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Aeronautic Association

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Publisher, Aviation Week &
Space Technology
H. Ross Perot, Jr.
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Vice President/Publisher
Business Week
Valerian Podmolik
President and CEO
RCA Global Communications, Inc.
Bernard Schriever
General USAF (Ret.)
Schriever & McKee
Stansfield Turner
Admiral USN (Ret.)
Dr. Sam B. Williams
President
Williams International
Eugene M. Zuckert
Zuckert, Scoutt, Rasenberger
& Delaney

General Counsel
C. Andrews
Rose, Schmidt, Dixon & Hasley

February 16, 1983

Mr. Michael K. Deaver
Assistant to the President and
Deputy Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Deaver:

Once again I send thanks to you and your associates at the White House for the opportunity to advance the mission of the United States Air and Space Bicentennial. The advice, counsel and assistance provided by all involved in the February 7 meeting with the President is greatly appreciated.

With the President's leadership this effort so important to all Americans is well under way. The message that the United States intends to maintain its lead in aviation and space is being heard in this country and abroad.

During the year ahead, there are one or two additional events at which an appearance by the President or Vice President can be vital to administration objectives as well as to those of this national undertaking.

The first is the opening of the U.S. Pavilion at the Paris Air Show, being planned now with high officials of the French government to coincide with the anniversary of Charles Lindbergh's first transatlantic flight, May 20. To mark the occasion and set the tone for our presence at the show, the USAF will fly to Paris the 26 foot tall sculpture of our logo to be erected in front of the U.S. pavilion and thus dominate Le Bourget. Coincident with the sculpture's arrival in Paris, we have been asked by the French government the possibilities of arranging a satellite TV exchange of greetings between President Reagan and President Mitterrand. Assuming such an event to be possible (our technical people assure us

Bills
Staff to Karma Small

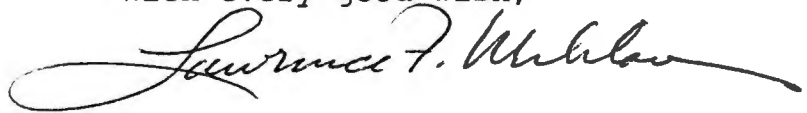
Mr. Michael K. Deaver
February 16, 1983
Page Two

that it is) it would be the first time ever that Washington and Paris have been so connected.

Coming as it would just days before the economic summit at Williamsburg, such an event could be of great interest to American television news people and to all of Eurovision. The event would provide the President with an unusual, live, opportunity to reinforce his foreign affairs policies and to heighten awareness of the need to cooperate in aerospace even as our nation welcomes competition from Europe in the field.

Should this opportunity appeal to you, I would welcome being able to discuss it with you further. I do believe the event is consistent with Presidential objectives.

With every good wish,

A handwritten signature in cursive script, reading "Lawrence F. Mihlon". The signature is written in dark ink and is positioned below the typed name.

Lawrence F. Mihlon
Managing Director

LFM:jd

Enclosure

cc: The Honorable Charles McC. Mathias, Jr.
Maj. Gen. Clifton F. von Kann, USA (Ret.)

NSC/S PROFILE

UNCLASSIFIED

ID 8301255

RECEIVED 24 FEB 83 12

TO CLARK

FROM SADLEIR, W

DOCDATE 22 FEB 83

KEYWORDS: FRANCE

SPACE PROGRAMS

MITTERRAND, FRANCOIS

AP

SUBJECT: REQUEST SATELLITE EXCHANGE OF GREETINGS BTW PRES & MITTERRAND AT THE
OPENING OF THE PARIS AIR SHOW

ACTION: APPROPRIATE ACTION

DUE: 28 FEB 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

FORTIER

RYE

RAYMOND

TYSON

POLLOCK

WHEELER

COMMENTS ** IF POSITIVE RESPONSE PREPARE A MEMO CLARK TO SADLEIR,
IF NEGATIVE, PREPARE MEMO WHEELER TO RYAN.

REF# LOG NSCIFID (M /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C	3/1 Wheeler off memo to Ryan		mwt, SB, CT

DISPATCH *gds 707*

W/ATTCH FILE *wgt* (C) *ms*

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FG0061

FG114

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

March 25, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: DONALD R. FORTIER *DF*

SUBJECT: Luncheon with Ambassador Vernier- Palliez

French Ambassador Vernier-Palliez is more than a little eager to invite you to a private lunch at his residence. He recently called to propose any of the following dates: March 28, or April 12, 22, or 25. I have had a number of helpful discussions with the Ambassador in recent days and believe he does merit your attention. Vernier-Palliez seems to be going to special efforts to promote better Franco-American understanding. Moreover, a private meeting between yourself and the Ambassador in late April might indeed fit very well into the summit strategy which Chuck Tyson, Henry Nau, and I are currently trying to put together.

RECOMMENDATION

OK

NO

✓

—

That you authorize me to accept Vernier-Palliez's invitation for one of the dates set forth above.

NSC # 8301994

National Security Council
The White House

594

Package #

1994

145 pm
2/25/83

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>J</u>	<u> </u>
Bud McFarlane	<u>2</u>	<u>m</u>	<u> </u>
Jacque Hill	<u>3</u>	<u> </u>	<u> </u>
Judge Clark	<u>4</u>	<u>✓</u>	<u>A</u>
John Poindexter	<u> </u>	<u> </u>	<u> </u>
Staff Secretary	<u> </u>	<u> </u>	<u> </u>
Sit Room	<u> </u>	<u> </u>	<u> </u>

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other

COMMENTS

Appat Request April 12, 22, 25

I recommend you accept this.
copy for Jacque, please
done 4/5

RECEIVED 25 MAR 83 15

TO CLARK FROM FORTIER

DOCDATE 25 MAR 83

KEYWORDS: FRANCE

AC

VERNIER-PALLIEZ

SUBJECT: REQUEST MTG W/ CLARK RE FRANCE - US RELATIONS

ACTION: FOR DECISION

DUE: 28 MAR 83 STATUS X FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

HILL

COMMENTS

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C 4/5	Clark approved recom		JH, DF

DISPATCH W/ATTCH FILE WH (C)

THE WHITE HOUSE
WASHINGTON

April 21, 1983

2729
142022
CO 051
FG006-12

MEMORANDUM FOR MICHAEL O. WHEELER
STAFF SECRETARY, NSC

FROM:

DEE JEPSEN *deej*

SUBJECT:

MEETING WITH YVETTE ROUDY,
FRENCH MINISTRY OF WOMEN'S RIGHTS

On Thursday, April 21, at 4:00 p.m., I am scheduled to meet with Yvette Roudy, French Ministry of Women's Rights. Accompanying her will be her secretary, Henri Maurel, and Marianne Faure and Michele Coquinnat with the American French Embassy.

Although I was unaware of the proper channels of communication for such a visit prior to a conversation today with Bob Kimmit, I did want to let you know that she would be visiting with me.

In the future, please be assured that I will work closely with you and the NSC staff on appointments with visiting and local foreign dignitaries.

cc: Don Fortier

NSC # 8302729

RECEIVED 21 APR 83 17

TO WHEELER

FROM JEPSEN, D

DOCDATE 21 APR 83

KEYWORDS: FRANCE

ROUDY, YVETTE

MAUREL, HENRI

FAURE, MARIANNE

SUBJECT: JEPSEN MTG W/ ROUDY RE WOMEN RIGHTS

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

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FOR ACTION

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FORTIER

COMMENTS

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MEMORANDUM

INFORMATION

NATIONAL SECURITY COUNCIL

April 11, 1983

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON

FROM: DENNIS C. BLAIR

SUBJECT: Meeting with the President for Former French
President Valery Giscard d'Estaing

Giscard will be in the United States 28-30 April and is taking soundings as to whether the President would receive him for a brief visit. We are discouraging the idea in our contacts with State for the following reasons:

-- The President is busy at that time (meeting Trudeau on the 28th, leaving on a trip on the 29th);

-- Giscard's star is waning as the leader of the French Right as Chirac's gets brighter;

-- In our current delicate state of relations with Mitterrand, we should go easy on meetings with opposition leaders.

Unless you have strong feels to the contrary, we will continue to discourage the idea of Giscard coming to Washington.

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WFO HAS SEEN
FG006-12
NEED TO BE SEEN

NSC# 8302421

National Security Council
The White House

617

Package #

2421

'83 APR 11 P7:03

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	1	my	I
Jacque Hill	2	✓	_____
Judge Clark	3	✓	_____
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch N-No further Action

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cc: VP Meese Baker Deaver Other _____

COMMENTS

[Handwritten signature]

RECEIVED 11 APR 83 19

TO CLARK

FROM BLAIR

DOCDATE 11 APR 83

TYSON

11 APR 83

KEYWORDS: FRANCE

AP

SUBJECT: REQUEST FOR MTG W/ PRES FOR FORMER FRENCH PRESIDENT VALERY GISCARD
D'ESTAING 28 - 30 APR

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

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FRENCH COMPANY HANDBOOK

1, rue Bourdaloue, 75009 Paris (France)
Téléphone : 285.13.16 - Téléc : 290179 F

Paris, April 1983

Mr. Fred F. Fielding
Counsel to the President
White House Staff
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

CF
142655 cu
4620
3500
C0051
PK
FG006-01
FD00502

Dear Mr. Fielding:

Enclosed is your complimentary copy of the new completely revised 1983 edition of French Company Handbook, published in cooperation with the International Herald Tribune.

While French companies have become increasingly active throughout the world, there was, until our first edition in 1981, no handy business and financial guide to them in English.

French Company Handbook brings you detailed information on 80 of the most important of these companies, in addition to other key facts on French industry and finance, the Paris stock exchange, and a practical bilingual dictionary of financial terms.

We are pleased to send you this new reference work, and we would very much welcome your comments regarding your interest in receiving future complimentary annual editions of French Company Handbook. Because we, as publishers, are constantly concerned with assuring the maximum usefulness of this reference work, we would also particularly appreciate your informing us as to whether and how it has increased your knowledge about French companies and been of assistance in your business decisions.

With thanks in advance, we remain

Sincerely,

Barton Reichert *Irving Sedar*

Barton Reichert and Irving Sedar
Publishers

P.S. If you would like to order additional copies of French Company Handbook 1983, they may be obtained from Addor Associates, P.O. Box 2128, Westport, Connecticut 06880, tel. 203-226-9791, at \$38 each. (Checks payable to Addor Associates, Inc.)

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E.O. 12356: DECL: OADR
 TAGS: EFIN, EIND, FR
 SUBJECT: THE FRENCH PUBLIC INDUSTRIAL SECTOR: AN IMMENSE

FEAR IS THAT THESE FIRMS WOULD BE HAMPERED BY A HEAVY-HANDED BUREAUCRACY AND PUSHED AROUND BY SHIFTING POLITICAL AND INDUSTRIAL POLICIES AND NON-ECONOMIC SOCIAL GOALS. BUT THERE IS SOME JUSTIFICATION FOR IMAGINING A DEVELOPMENT THAT IS ALMOST THE OBVERS: A GROUP OF POWERFUL ORGANIZATIONS WITH STRONG MEN AT THEIR HEADS IS MORE THAN A MATCH FOR THE GOVERNMENT'S BUREAUCRACY. THESE MEN HAVE SUCCEEDED IN FIRING ONE MINISTER FOR INDUSTRY WHO THOUGHT HE COULD PUSH THEM AROUND, AND MAY BE MORE AND MORE IN A POSITION TO LAY CLAIM TO SPECIAL TREATMENT, SUBSIDIES, INVESTMENT CAPITAL -- EVEN PROTECTION FROM COMPETITION. THIS COULD CONCEIVABLY BE ACCOMPANIED BY GROWING EFFICIENCY AND RATIONALIZATION, BUT IT IS EASIER TO IMAGINE A REPETITION OF THE MISTAKES MADE BY THE UK AND THE DEVELOPMENT OF A DEPENDENT AND INEFFICIENT INDUSTRIAL SECTOR. FURTHERMORE, THE FINANCIAL PROBLEMS FACING MANY OF THESE FIRMS DOES NOT FOSTER GREAT INDEPENDENCE AND BRAVADO BY MANAGEMENT.

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PARIS 21915 01 OF 04 092203Z 1235 EUR3075 DATED ACCOUNTING SYSTEM. THE PUBLIC SECTOR INCLUDES A HETEROGENEOUS COLLECTION OF SMALL AND LARGE ENTERPRISES, SOME OF WHICH PERFORM FUNCTIONS THAT ARE TRADITIONALLY PROVIDED BY ALL GOVERNMENTS (E.G., THE POSTAL SYSTEM); SOME ARE NATURAL MONOPOLIES THAT ARE EITHER GOVERNMENT OWNED OR CLOSELY REGULATED IN MOST COUNTRIES (E.G., PUBLIC UTILITIES AND RAILROADS); FINALLY, THERE IS THE GROUP OF COMPANIES THAT COMPETE BOTH DOMESTICALLY AND ABROAD. THIS LATTER GROUP INCLUDES BOTH "OLD" (PREVIOUSLY) NATIONALIZED COMPANIES -- THE MAJORITY CAME UNDER GOVERNMENT CONTROL IMMEDIATELY FOLLOWING WWII -- AND THE NEW GROUP NATIONALIZED IN 1981.

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E.O. 12356: DECL: OADR TAGS: EFIN, EIND, FR SUBJECT: THE FRENCH PUBLIC INDUSTRIAL SECTOR: AN IMMENSE FINANCIAL BURDEN

REF: PARIS 20869

1. ENTIRE TEXT - C

2. SUMMARY:

- THE FRENCH PUBLIC INDUSTRIAL SECTOR -- A COMPLEX OF LARGE AND SMALL, LONG-TIME AND NEWLY NATIONALIZED FIRMS MAKING EVERYTHING FROM MATCHES TO MILITARY ELECTRONICS -- IS IN A FINANCIAL MESS. THIS IS PARTLY A REFLECTION OF THE GENERALLY POOR CONDITION OF THE FRENCH MANUFACTURING SECTOR, PARTLY DUE TO PRE-EXISTING WEAKNESSES OF THE RECENTLY NATIONALIZED FIRMS, AND PARTLY DUE TO THE DISRUPTIONS ASSOCIATED WITH THEIR NATIONALIZATION. ALTHOUGH IT IS IMPOSSIBLE TO DRAW UP A CONSOLIDATED BALANCE SHEET WITH ALL THE ELEMENTS INTERNALLY CONSISTENT FOR THIS DIVERSE SECTOR, THERE ARE ENOUGH FIGURES AVAILABLE FROM DIFFERENT SOURCES TO SUPPORT THE CONCLUSION THAT THE SECTOR IS RESPONSIBLE FOR A SIGNIFICANT DRAIN ON PUBLIC FINANCES AND ON THE FINANCIAL SYSTEM AS A WHOLE. THE SECTOR MAY RETURN TO PROFITABILITY IN THE FUTURE -- INDEED, IT WOULD BE UNTENABLE FOR THE ENTIRE COMPETITIVE GOODS PRODUCING PART OF THIS SECTOR TO BE IN PERMANENT DEFICIT. IT WILL TAKE A LONG TIME BEFORE THE RESULTS OF THIS EXPERIMENT BECOME EVIDENT, BUT THERE ARE GROUNDS TO SUPPORT THE FEAR THAT THE SECTOR'S RETURN TO PAPER PROFITABILITY MAY INVOLVE AN INCREASING DEPENDENCY ON GOVERNMENT PROTECTION. GOVERNMENT-INDUSTRY RELATIONS HAVE NEVER BEEN AT ARMS' LENGTH IN FRANCE, BUT THE TIGHTER EMBRACE IMPLIED BY NATIONALIZATION MAY TURN OUT TO BE A VERY COSTLY EXPERIMENT THAT WOULD BE DIFFICULT IF NOT IMPOSSIBLE TO REVERSE UNDER ANY FUTURE GOVERNMENT.

END SUMMARY.

A MIXED GROUP

3. THE NATIONALIZED INDUSTRIAL SECTOR OF THE FRENCH ECONOMY CLEARLY REPRESENTS A MAJOR FINANCIAL DRAIN ON THE GOVERNMENT AND ON THE ECONOMY. THE AGGREGATE LOSSES WERE MASSIVE IN 1982 AND COULD GROW EVEN MORE THIS YEAR. THERE IS, HOWEVER, NO SIMPLE WAY TO MEASURE THE DRAIN ON THE GOVERNMENT. THE FIRST PROBLEM IS THAT THERE IS NO UNAMBIGUOUS DEFINITION OF THE PUBLIC SECTOR, LET ALONE A CONSOLI-

LOSSES SOAR

4. THE PROFIT AND LOSS STATEMENTS OF THE LARGEST NATIONALIZED ENTERPRISES, INCLUDING THE NEWLY NATIONALIZED ONES, GIVE A FIRST INSIGHT INTO THEIR FINANCIAL SITUATIONS. THESE SHOW A SEVERE DETERIORATION BETWEEN 1980 AND 1982. IN 1981, THE MAIN "OLD PUBLIC SECTOR" FIRMS COLLECTIVELY TURNED A PROFIT OF 420 MILLION FRANCS, MAINLY ON THE STRENGTH OF A 1.5 BILLION PROFIT BY RENAULT. IN 1982, THE SAME GROUP OF FIRMS SHOWED A 21 BILLION FRANC LOSS: EDF, THE ELECTRIC COMPANY, LOST 8 BILLION; GDF, THE GAS COMPANY, 2.5 BILLION.

- THE EIGHT BIG COMPANIES NATIONALIZED IN 1981 HAD A MIXED YEAR IN 1980. SEVERAL OF THEM HAD BEEN MAKING A MODEST PROFIT, BUT THREE WERE ALREADY IN DEEP TROUBLE: THE TWO STEEL COMPANIES, SACILOR AND USINOR, TOGETHER LOST 3.1 BILLION FRANCS, AND PHONE-POULEVIC, THE CHEMICALS AND TEXTILE FIRM, LOST ALMOST 2 BILLION FRANCS. TOTAL LOSSES FOR THE GROUP CAME TO 3.1 BILLION; IN ADDITION TO THE ABOVE-MENTIONED COMPANIES, THOSE NATIONALIZED IN 1981 INCLUDE: COMPAGNIE GENERAL DE L'ELECTRICITE, SAINT GOBAIN, THOMPSON, PECHINEY UGINE KUHLMAN, AND CII-HONEYWELL-BULL. BY THE END OF 1982, HOWEVER, THE DIFFICULTIES OF THE NEWLY NATIONALIZED COMPANIES HAD TURNED

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INTO A DISASTER. ONLY TWO, SAINT GOBAIN AND CGE, WERE STILL IN THE BLACK WITH PROFITS OF 800 MILLION BETWEEN THEM. THOMPSON WENT FROM A SMALL PROFIT IN 1980 TO A 1.5 BILLION FRANC LOSS IN 1982; PUK TO A LOSS OF 4 BILLION; AND THE TWO STEEL COMPANIES LOST OVER 8 BILLION FRANCS TOGETHER. TOTAL LOSSES OF THE OLD AND NEW PUBLIC SECTOR MOVED FROM 2.1 BILLION FRANCS IN 1980 TO 36.5 BILLION FRANCS IN 1982.

THE PROFIT AND LOSS STATEMENTS SHOW AN IMPORTANT FACET OF THE PUBLIC SECTOR'S CONDITION -- BUT AGGREGATE LOSSES CANNOT SIMPLY BE SEEN AS IDENTICAL TO THE AMOUNT OF THE ANNUAL FINANCIAL DRAIN ON THE GOVERNMENT'S BUDGET, NOR ON THE CAPITAL MARKETS. THE LOSSES, BASED ON BUSINESS ACCOUNTING PRINCIPLES, TAKE ACCOUNT OF INVESTMENT AND DEPRECIATION, AND CAN BE EITHER GREATER OR LESS DURING AN ACCOUNTING PERIOD BY A CORRESPONDING INFLOW OF FUNDS.

GOVERNMENT SUPPORT

5. A SECOND PERSPECTIVE ON THE PUBLIC SECTOR COMES FROM GOVERNMENT BUDGETARY SUPPORT. IN 1980, THE GOVERNMENT SUBSIDIZED THE PUBLIC INDUSTRIAL SECTOR FOR A TOTAL OF 35 BILLION FRANCS OUT OF A TOTAL BUDGET OF 592 BILLION, WHICH WAS 24 BILLION IN DEFICIT. IN 1982, ACCORDING TO SOURCES AVAILABLE TO US, 58.4 BILLION FRANCS WERE ALLOCATED TO THE PUBLIC SECTOR; 25 BILLION FRANCS OF SUBSIDIES TO THE "OLD" PUBLIC SECTOR; 17 BILLION FOR RETIREMENT EXPENSES FOR MINERS AND RAILROAD WORKERS; 12 BILLION IN EQUITY CAPITAL, OF WHICH 8.1 TO THE NEW PUBLIC SECTOR; 1 BILLION IN LOANS; AND 3.3 BILLION FRANCS FOR INDEMNIZATION TO FORMER SHAREHOLDERS. IN 1982, TOTAL BUDGET EXPENDITURES BY THE GOF CAME TO ABOUT 900 BILLION FRANCS, WITH A DEFICIT OF AROUND 100 BILLION. IN ADDITION TO THE 58 BILLION IN GOVERNMENT AID, SUBSIDIES, INVESTMENT, ETC., TO THE PUBLIC SECTOR, THE MOSTLY NATIONALIZED BANKING SYSTEM WAS REQUIRED TO PUT IN 5 BILLION FRANCS, HALF IN THE FORM OF STRAIGHT EQUITY CAPITAL, HALF IN THE FORM OF SUBORDINATED LOANS.

DEBTS RISE

6. A THIRD PERSPECTIVE ON THE NATIONALIZED SECTOR COMES FROM ITS BORROWING ON THE DOMESTIC AND INTERNATIONAL BOND MARKETS. ACCORDING TO ONE PUBLISHED SOURCE, THE FOUR LARGEST BORROWERS, THE ELECTRIC COMPANY, THE GAS COMPANY, THE RAILROAD AND THE COAL MINES INCREASED THEIR MEDIUM-

AND LONG-TERM DEBT BETWEEN 1980 AND 1982 BY 94 BILLION: FROM 133 BILLION FRANCS TO 227 BILLION FRANCS. ANOTHER PUBLISHED SOURCE GIVES A GROWTH IN THE WHOLE PUBLIC SECTOR'S MEDIUM- AND LONG-TERM DEBT AS 142 BILLION OVER THE SAME PERIOD, WITH AN ESTIMATE FOR A FURTHER GROWTH OF 87 BILLION IN 1983.

A BURDEN ON THE FINANCIAL SYSTEM

7. THE CURRENT DRAIN ON GOVERNMENT RESOURCES OF THE NATIONALIZED SECTOR AS A WHOLE IS SUBSTANTIAL, BEING EQUAL TO ABOUT HALF THE DEFICIT OR 1.5 PERCENT OF GDP. SOME OF THIS DRAIN, HOWEVER, REPRESENTS EITHER DELIBERATE SUBSIDIZATION OF PUBLIC SERVICES, AND A PART OF IT IS DESIGNED TO GO FOR INVESTMENT THAT WILL THEORETICALLY BE PRODUCTIVE IN THE FUTURE. THE FINANCIAL SITUATION OF THE PUBLIC SECTOR IS PRIMARILY A PROBLEM FOR DOMESTIC FINANCIAL EQUILIBRIUM, BUT IT ALSO HAS A FOREIGN DIMENSION. FRANCE HAS TRADITIONALLY USED ITS PUBLIC UTILITIES AS A CONDUIT FOR FOREIGN CURRENCY BORROWING, IRRESPECTIVE OF THOSE FIRMS' NEEDS FOR FOREIGN AS OPPOSED TO DOMESTIC CURRENCY WITH A MUCH EXPANDED INDUSTRIAL SECTOR FOR WHICH THE STATE IS AN IMPLICIT GUARANTOR, WITH MUCH GREATER AGGREGATE FINANCING NEEDS, AND WITH FRANCE NOW BORROWING ABROAD IN ITS OWN NAME, THE PICTURE IS SOMEWHAT ALTERED.

8. THE GOVERNMENT AND GOVERNMENT-OWNED ENTERPRISES ARE ALREADY PAYING MORE FOR FUNDS. ACCORDING TO A REPRESENTATIVE OF ONE OF THE MAJOR FRENCH BANKS ACTIVE IN THE NEW YORK COMMERCIAL PAPER MARKET, FRENCH BORROWERS ARE NOW PAYING A 25-50 BASIS POINT PREMIUM DUE TO THE "WEAKENED ECONOMIC OUTLOOK IN FRANCE AND WORRY ABOUT THE SOCIALIST LEADERSHIP." BUT THERE IS -- PERHAPS SURPRISINGLY -- NO GENERALIZED REDUCTION IN EXPOSURE TO FRANCE. DESPITE THE SHARP INCREASE IN LOSSES BY THE NATIONALIZED ENTERPRISES, THE MAGNITUDE OF GOF BUDGETING DEFICITS, THE TROUBLING GROWTH IN FOREIGN BORROWINGS AND WIDESPREAD CON-

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E.O. 12356: DECL: OADR
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SUBJECT: THE FRENCH PUBLIC INDUSTRIAL SECTOR: AN IMMENSE

CERC ABOUT ECONOMIC PROSPECTS, FRANCE SHOULD HAVE LITTLE
DIFFICULTY RAISING THE FUNDS IT REQUIRES THIS YEAR.

9. BASED ON OUR CONVERSATIONS WITH NEARLY ALL THE AMERICAN BANKS LOCATED IN FRANCE AND SEVERAL FOREIGN INSTITUTIONS, THE FRENCH WILL BE ABLE TO TAP THE INTERNATIONAL MARKET SUCCESSFULLY THROUGHOUT THE REMAINDER OF 1983. SEVERAL FACTORS -- SOME TROUBLING -- HAVE APPARENTLY CONTRIBUTED TO BANK LENDING ATTITUDES REGARDING FRANCE. FIRST, AS NOTED REFTEL, THERE IS AN APPARENT GROWING PREFERENCE TO FAVOR OECD LENDING AT THE EXPENSE OF THE LDC'S. SECOND, SINCE FRANCE IS VIEWED AS CRUCIALLY ENTWINED IN THE WESTERN ALLIANCE, THE FINANCIAL COMMUNITY FEELS ASSURED THAT OTHER EC NATIONS AND PARTICULARLY THE U.S. WOULD STEP IN TO RESCUE FRANCE, INCLUDING SALVAGING A SOCIO-COMMUNIST GOVERNMENT IF THE COUNTRY FACED A SEVERE FINANCIAL CRISIS. THIRD, THERE ARE INDICATIONS THAT SOME BANKS WISH TO EXPLOIT THE CREDIT DEMANDS OF THE FRENCH AUTHORITIES IN AN EFFORT TO OBTAIN AN INCREASE IN THEIR ENCADREMENT (I.E., GOVERNMENT-IMPOSED LIMITS ON CREDITS WHICH HAVE SERVED TO CONSTRAIN SOME FOREIGN BANKS IN EXPANDING IN THE FRENCH MARKET).

IMPLICATIONS FOR THE FUTURE

10. HOW DID THE PUBLIC SECTOR GET INTO SUCH A MESS; WHAT ARE THE IMPLICATIONS FOR THE IMMEDIATE FUTURE? THE OLD PUBLIC SECTOR, WITH SEVERAL EXCEPTIONS SUCH AS RENAULT AND AIR FRANCE, IS MOSTLY COMPOSED OF COMPANIES THAT HAVE A MONOPOLY OR AT LEAST A PROTECTED MARKET. THE ELECTRIC, GAS AND RAILROAD COMPANIES ARE LOSING MONEY PARTLY AS A RESULT OF INEFFICIENCIES, BUT ALSO BECAUSE OF DELIBERATE POLICIES TO KEEP DOWN RATES CHARGED TO CONSUMERS. THE NEWLY NATIONALIZED COMPANIES ARE IN A DIFFERENT SITUATION. THEY CANNOT SURVIVE INDEFINITELY AS LOSS-MAKING OPERATIONS; THE ECONOMY CANNOT AFFORD THIS, AND THERE IS NO PUBLIC POLICY JUSTIFICATION FOR SUBSIDIZING THEIR OUTPUT OVER AN EXTENDED PERIOD.

11. THERE ARE THREE PRINCIPAL ELEMENTS IN THE PROBLEM. FIRST, WITH THE EXCEPTION OF CGE, ALL OF THE NEWLY NATIONALIZED FIRMS WERE ALREADY IN SOME SORT OF TROUBLE AT THE TIME OF THEIR NATIONALIZATION. THE STEEL COMPANIES CAN BE PUT INTO A SPECIAL CATEGORY: DYING FIRMS WHOSE NATIONALIZATION MERELY RATIFIED A DE FACTO TRANSFER FROM PRIVATE TO PUBLIC OWNERSHIP. EXAMINATION OF THE OTHERS, ONE BY ONE, REVEALS SERIOUS STRUCTURAL AND STRATEGIC DIFFI-

CULTIES. SAINT GOBAIN WAS SAVED BY THE BELL FROM MOOHING BANKRUPTCY; RHONE-POULENC WAS BEING PAINFULLY NURSED BACK TO HEALTH IN THE MIDST OF HEAVY LAYOFFS AND UNION CONFLICTS; PUK WAS SADDLED WITH A STEEL-MAKING OPERATT00; CII-HONEYWELL-BULL WAS SEARCHING FOR A MARKET NICHE BETWEEN IBM AND THE SMALL COMPANIES AND TRYING TO REORIENT ITS PRODUCT LINE. THOMPSON WAS HAVING TROUBLE WITH MOST OF ITS PRODUCT LINES, WITH THE NOTABLE EXCEPTION OF THE DOMESTIC MILITARY MARKET.

12. THE SECOND ELEMENT, NOT UNRELATED TO THE FIRST, IS THE GENERAL DOWNTURN IN ECONOMIC ACTIVITY, PARTICULARLY FOR MANUFACTURING FIRMS AND FOR EXPORTERS. IN THIS RESPECT, THE NEWLY NATIONALIZED COMPANIES, WHICH ARE DISPROPORTIONATELY ENGAGED IN THE MANUFACTURE AND EXPORT OF CAPITAL GOODS AND INTERMEDIATE PRODUCTS, SHARED THE GENERAL MISERY OF THIS PART OF THE ECONOMY. PRODUCTION OF MANUFACTURED GOODS WHICH HAD EARLIER BEEN RISING, WENT FLAT IN 1980, WHILE IMPORTS OF INDUSTRIAL GOODS SURGED IN 1981 AND 1982. MORE AND MORE FIRMS REPORTED FINANCIAL DIFFICULTIES IN RESPONSE TO SURVEY QUESTIONS, AND BY MID-1982 THE BANKING SYSTEM WAS RECEIVING GENERAL GUIDANCE TO KEEP ON LENDING WHEREVER POSSIBLE TO COMPANIES FACING BANKRUPTCY. THE GOVERNMENT WAS, THEREFORE, INDIRECTLY TRANSFERRING FUNDS BACK TO THE PRIVATE MANUFACTURING SECTOR THROUGH A LOOSENEED CREDIT POLICY.

13. THE THIRD ELEMENT AND PERHAPS THE MOST IMPORTANT IS THE LONG-TERM DISRUPTION OF THESE FIRMS BY THE NATIONALIZATION PROCESS PER SE: CONFUSION OVER STRATEGIC PLANNING, SHAKEUPS AND DEMORALIZATION IN TOP MANAGEMENT, DEVELOPMENT OF A MODUS VIVENDI BETWEEN THE COMPANIES AND THE GOVERNMENT MINISTRIES SUPERVISING THEM.

Short-term

14. THE LONGER TERM IMPLICATIONS OF NATIONALIZATION OF A SIZEABLE PORTION OF FRANCE'S INDUSTRIAL SECTOR WILL BE MUCH SLOWER TO BECOME EVIDENT. THE MOST WIDELY-VOICED

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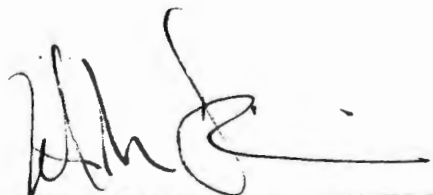
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Thank you.

Ellen
Ellen Hancock
Usher's Office
May 26, 1983

FRENCH COMPANY HANDBOOK

1, rue Bourdaloue, 75009 Paris (France)
Téléphone : 285.13.16 - Télex : 290179 F

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Ass't. to the President - Policy Development
White House Executive Agencies
1600 Pennsylvania Avenue, N.W.
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Dear Mr. Harper:

Enclosed is your complimentary copy of the new completely revised 1983 edition of French Company Handbook, published in cooperation with the International Herald Tribune.

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With thanks in advance, we remain

Sincerely,

Barton Reichert *Irving Sedar*

Barton Reichert and Irving Sedar
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