

5. FRANCE'S PARTICIPATION IN THE TORONTO SUMMIT, 19-21 JUNE 1988

The Toronto Summit, which marked the end of the forum's second seven year cycle, stands out as having been one of the most harmonious of the G-7 leaders' gatherings to date. The fact that it was President Reagan's final summit appearance, continued economic growth despite the October 1987 stock market crash, as well as improved East-West relations, all contributed to the impression of relative unity and optimism.

From the French perspective, Toronto amounted to a publicly understated but clear foreign policy success, as measured by the achievement of specific goals. In addition, domestic political uncertainty at the time apparently did not diminish the effectiveness of either President Mitterrand's or other members of the French delegation's participation in the proceedings.

Mitterrand's victory in the May 1988 presidential elections put an end to "cohabitation". As such, the President regained full and undisputed control of French foreign policy. However, the fact that Mitterrand's socialist party won a relative majority in the 12 June 1988 legislative elections - as opposed to the absolute majority it had lost in March 1986 - could have been detrimental in two ways: first, giving rise to a perception by other leaders and the media of Mitterrand as somewhat of a lame duck still hampered by the possibility of a "cohabitation" type of power sharing arrangement; second and more probably, preoccupation with critical ongoing domestic political negotiations could have led the President and senior French representatives to pay less sustained attention to summit matters than they would have under more normal circumstances. In the final analysis, these factors did not diminish the effectiveness of France's participation. Once again, Mitterrand's sherpa was Jacques Attali, while the Foreign and Finance Ministers of the caretaker socialist government were Roland Dumas and Pierre Beregovoy respectively. Both were veterans in the same capacities of the 1984 and 1985 summits.⁷²

In preparation for the Toronto summit, France had clearly set out its three priorities: the continuation and reinforcement of international economic policy co-ordination; maintaining EEC as well as OECD positions on GATT and agricultural subsidies, set out in February and May 1988 respectively; and obtaining G-7 support and implementation of the least developed countries (LLDC's) debt relief three option plan or menu, proposed by President Mitterrand to his counterparts in a 6 June 1988 letter (see Appendix I). At the summit's end, these three French goals had been achieved.

On 18 May 1988, in a speech to participants at the OECD ministerial meeting, President Mitterrand reiterated France's call for reform of the international monetary system. This was in keeping with the enduring French objective of exchange rate stabilization, as well as with Mitterrand's own repeated demands for a "new Bretton Woods". In view of US and other G-7 members' resistance to such a broad and interventionist approach, it was unlikely that Toronto would see any major change in monetary policy methods. However, the institutional development of the finance ministers' G-7 as an international policy co-ordination body, especially through its multilateral surveillance function, had led to an

incremental stabilization of exchange rates, a process to which France had given its full support. In discussions on monetary policy in Toronto, it was expected that the French would promote, firstly, "reference zones" designed to limit the scope of currency fluctuations, and secondly, a further institutionalization of the multilateral surveillance function of the G-7.

The summit's economic declaration praised the effectiveness of the "intensified process of policy co-ordination" begun with the September 1985 Plaza agreement, and the refinement of the analytical use of indicators in multilateral surveillance. The addition of a commodity-price indicator could be seen as a sign of co-ordination expanding beyond strictly monetary matters. The key point for the French was the statement that "progress in co-ordination is contributing to the process of further improving the functioning of the international monetary system."⁷³

This was presented by officials as a vindication of traditional but recently still-spurned French views. As for "reference zones", in a press briefing, Finance Minister Bérégovoy claimed that the validity of this concept was now implicitly recognized by the G-7 and found its full expression in the current central bank coordinated existence of distinct EMS, US dollar and Japanese yen zones.⁷⁴

On GATT and agricultural subsidies, France was successful in avoiding any departure from the EEC position of "globalité", despite strong American, Canadian and to some degree British pressures. "Globalité" represents a form of linkage between the EEC's common agricultural policy (CAP) and GATT. It has served to protect a subsidies program making up more than half of the Community's budget and of which France has been one of the main beneficiaries. The latest CAP guidelines had been set in February 1988, with budgetary targets established until 1992, at which time Europe's internal barrier-free united market is to be in operation. In keeping with G-7 and OECD positions, the EEC began to reduce the CAP's size, that is to limit its growth from a previous annual rate of 5% to a new 2%. These changes were worked out in very difficult negotiations, which were shaped by internal EEC relations - the recent admission of agricultural producers Spain, Portugal and Greece being an important new factor - and the need to reallocate Community funds to other programmes.⁷⁵

In what were reportedly the most heated exchanges among the leaders, President Reagan and Prime Minister Mulroney, with the support of Prime Minister Thatcher (whose position was not, however, presented as a breach of EEC solidarity by French officials⁷⁶), argued with President Mitterrand, who led European opposition to any "fast-tracking" of the agricultural subsidies issue, as taken separately from the liberalization of trade in industrial products and services. In his post-summit press conference, Mitterrand underlined both the EEC's February 1988 commitments to change and what he termed the reality of protectionism practiced by some G-7 advocates of liberalization.⁷⁷ Thus, concerning agricultural subsidies, France could claim at least a temporary success, with support from its EEC partners (Germany, Italy and of course the European Commission), as it succeeded in insuring that: first, the economic declaration distinguished between short and long term reduction measures, something which the US had so far opposed; second, the GATT Uruguay Round negotiations' objective remained reduction and not the American-proposed

elimination of the subsidies; third, the fact that the declaration clearly and positively referred to the structural reforms undertaken by certain members of the G-7, which could be read as a recognition of the validity of the EEC's February 1988 decisions; and fourth, in keeping with the EEC position, the declaration emphasized that the Uruguay Round should remain a global negotiation covering services, agricultural and industrial products, in which all participants should find satisfaction through balanced results.

In the lead up to the Toronto Summit - including bilateral meetings with Kohl, Thatcher, Takeshita and Mulroney - the issue of LLDC debt relief was the centerpiece of Mitterrand's activity. This was in keeping with traditional French interest in North-South relations, as well as with Mitterrand's own personal commitment to changes in the international economic order and with proposals made at the 1987 Venice Summit.

On June 6, 1988, the French President wrote to his summit colleagues (see Appendix I). He suggested three ways to help LLDC's at that time (that is to say principally Sub-Saharan Africa's poorest countries). Mitterrand's plan, or menu, put forward three options for Western creditor governments belonging to the Paris Club. These options applied to direct official development assistance loans, but also to government - guaranteed private loans, an important departure from established practice. These options were: 1. A cut in the value of total debt, including treasury and export credit business, by one-third and the rescheduling of the balance over about ten years; 2. The consolidation of debt at commercial rates, but with repayments over twenty-five years. (The maximum then being twenty years); and 3. The consolidation of debt and rescheduling at preferential interest rates, specifically half the rate charged. Repayment would then be over fifteen years.

Before Mitterrand's arrival in Toronto, France had already committed itself to unilaterally proceed along the lines of the first option. This write-off of a third of LLDC loans was estimated to cost the French treasury FF 800 million a year. France's outstanding loans to Sub-Saharan African states at the time totalled FF 80 billion, out of FF 283 billion it had already lent to third world states via the Paris Club. The French carried 22% of the Paris Club's rescheduled debt, which made them the biggest single public creditor in the club.⁷⁸

The amounts at stake were a measure of French commitment to solving or alleviating the problem of LLDC debt. This must be understood in the light of deep political, military and economic involvement in former Sub-Saharan colonies, which form a very real French sphere of influence. One striking example of the pervasiveness of these Franco-African relations can be found in the fact that the common currency of the former French colonies in question here - the CFA Franc - has been guaranteed by the Bank of France since these states became independent. Furthermore, in a proportion which remains unstated, the writing off of a third of publicly guaranteed loans corresponded to funds that the French treasury would otherwise have had to advance, directly or indirectly, to the LLDC's in order ensure the re-financing of their debt.⁷⁹

The relevance of these implications in explaining France's initiative did not, however, reduce it to simple opportunism on its part. Indeed, this initiative reflected a traditional French belief in the improvement of the terms of North-South exchanges as a means of ultimately creating shared, balanced economic growth. This belief was summed up by

Mitterrand in the following sibylline manner: "By helping the third world, we help ourselves."⁸⁰

It must be noted that the origins of the three option plan or menu proposed by Mitterrand in his letter was not entirely French. This proposal came in the wake of the British "Lawson Plan", statements by the US Treasury Secretary James Baker to the African Development Bank and a similar plan put forward by Canada. However, in terms of the immediate pre-summit dynamics, France took what can be considered the leading role in giving impetus to progress in what is widely regarded as one of its own traditional areas of activism. At the summit itself, French officials adopted a low key approach which had at least two purposes: first, avoiding any excessive negative impact on French credibility if the plan had not been adopted; second, allowing other states to move on the issue at their own pace, while presenting France's already stated position as an example of initiative.

In Toronto, the French menu approach was endorsed, and its specifics were to be implemented by the end of 1988 via the Paris Club - whose President was then senior French Finance Ministry official (Directeur du Trésor) Jean-Claude Trichet. The flexibility of the three options or menu approach is generally considered to have been essential in rallying all the G-7 members, in particular the US which could not undertake any writing off without congressional approval. The three criteria set for determination of eligibility of LLDC debtors was an average annual income of US \$450.00 per person, a debt load superior in value to 30% of the annual export value, and a commitment to apply Paris Club - IMF guidelines. In time, this could permit expansion of the "beneficiaries" group beyond the approximately twenty Sub-Saharan states, a development which would have implications for G-7 members having interests in other regions of the third world.

The issue of structural reform, as linked to international trade liberalization and deregulation of domestic economies, received considerable attention in the economic declaration. France expressed support for this concept, in as much as it presented the EEC's 1992 united barrier-free market in compatible terms. Furthermore, Finance Minister Bérégovoy, in obvious references to the all out liberalization espoused by at least the US and UK, made the following statement several times: "The market is useful, but its organization is indispensable."⁸¹ In doing so, he pointed out the French socialist government's self-described "pragmatic" view of economic management, while underscoring the post-1985 successes of policy co-ordination, which he reminded listeners France had found itself isolated in advocating at early 1980's summits.

France expressed its overall satisfaction with exchanges concerning the Toronto political agenda, as reflected in the substance and form of the political declaration issued. In keeping with their view of the summit's object as principally economic, the French were successful in limiting the political declaration to three main issues, and thus avoiding any catalogue of "directoire" type pronouncements pertaining to world problems.

The key issue dealt with was East-West relations. French officials underlined both the prudent statements and measured tone of the comments on the current improvement in these relations, as signs of a new, more realistic summit approach to this subject.⁸² France considered two specific aspects of the statement as particularly positive. The first was the

explicit recognition of the priority in the post INF era of conventional disarmament in Europe: "Our goal is enhanced security and stability at lower levels of forces after having eliminated the present imbalances."⁸³ This was interpreted by French officials as a clear call for progress in Mutual Balanced Force Reductions (MBFR) negotiations then taking place, as well as an opening to a possibly broader conventional disarmament process in which the Western Europeans would be full participants.⁸⁴

Secondly, on the question of East-West trade, a cause of past Franco-American confrontation, France stressed its intention of continued autonomy in these matters. This was presented as compatible with the summit statement that:

"East-West economic relations can be expanded and serve our common interests so long as the commercial basis is sound, they are conducted within the framework of the basic principles and rules of the international trade and payments system, and are consistent with the security interests of each of our countries."⁸⁵

This approach and broad interpretation of the G-7 position fitted in with President Mitterrand's and Chancellor Kohl's emphasis during the leaders' political discussions on current developments in individual Eastern European countries, as well as with the importance of the June 1988 formal recognition of the EEC by its Soviet bloc counterpart, the COMECON. *Vis à vis* the US, French and West European determination to obtain a satisfactory share of the commercial benefits of improved East-West relations were manifest.

The other two issues dealt with in the political declaration were terrorism and narcotics. In both cases, while supporting both statements which called for greater international co-operation, French officials emphasized that the summit was not a decisional body and could only refer these complex problems to the attention of qualified institutions. In fact, as concerned the American priority of international organization in the control of the narcotics trade, France objected to the creation of a specific summit body. Consequently, the size of this new body's membership was not set in the declaration. Nonetheless, France chose "to abstain on this point", a practice which, without vetoing the initiative, did indicate serious reservations on its part.⁸⁶

As concerned the Middle East, South Africa and Cambodia, France succeeded in restricting comments to a separate summit Chairman's summary of political issues. This served to maintain a hierarchy in the agenda, while reflecting a much lesser degree of consensus among the summit over these regional conflicts. In the same vein, the political declaration itself did not refer to an American-backed initiative of a relief and reconstruction plan for Afghanistan. In addition, France blocked US and Japanese demands for expressed support targeted specifically at helping in the return to democracy of the Philippines. The argument put forward was that this was but one manifestation of a general problem and that one country could therefore not be singled out, in a manner judged detrimental to others and reflecting the national priorities of just two members of the G-7. It must be noted that this effective argument later backfired on its author when France was unable to obtain a collective statement condemning a coup d'etat then unfolding in Haiti.

Finally, during the summit President Mitterrand had customary bilateral meetings with

other leaders, namely President Reagan, Chancellor Kohl and Prime Minister Mulroney. The Franco-Canadian meeting was of great interest to the media, in as much as Mitterrand discussed a series of pressing bilateral issues with his host. These exchanges, concerning the St. Pierre Miquelon territorial dispute, as well as French bids to sell Canada nuclear-powered submarines and Airbus commercial jet airplanes, underscored the more obviously pragmatic uses of multilateral summitry.

From a broader political perspective, Le Monde's diplomatic editor Jacques Amalric concluded that: "Toronto was marked by the affirmation of two new poles of influence: the EC as a true European entity and Japan."⁸⁷ Were he proven right, then this fourteenth summit could stand out as an important turning point in the summit process for France, a weighty and active member of the EEC.

In conclusion, during his post-summit press conference, President Mitterrand indicated his general satisfaction with the form of the proceedings in Toronto and identified the LLDC debt relief plan as the summit's and France's major 1988 Summit achievement. In response to questions pertaining to the very warm collective tribute paid to outgoing President Ronald Reagan by the summit's Chairman, Prime Minister Brian Mulroney, Mitterrand chose to put these laudatory comments in perspective as being no more than the normal expression of courtesy amongst the G-7 leaders. When asked about the 1989 Summit meeting which he would host, he expressed his commitment to the third cycle of summits, as well as the now traditional French view that their effectiveness is a function of their conduct as a forum in which policy orientations can be discussed and eventually agreed upon, but not as a systematic decision-making body or "directoire". As to questions about issues in the coming year, he pointed out the influence of unfolding current events on any summit agenda, but insisted that the emphasis he placed on North-South relations would in no way be diminished.⁸⁸