

The Economic Club of New York

The Honorable Francois Mitterrand
President of France

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Questioners: Jack Myers
Publisher, TIME Magazine

Sandy Weill
President, American Express

Introduction

Chairman F. Ross Johnson

Mr. President, distinguished guests, and ladies and gentlemen, this is a very special occasion and towards which we, in the Economic Club, have aspired for many years. If I might divert, you should have an instrument on your table which will allow for the translations, Channel 2 for English, and Channel 3 for French. And we'll have a skill testing question at the end of the session to see how well we did. Also in order to keep the Economic Club financially viable, we would appreciate it if everybody would return these at the end of the meeting. (Laughter)

To begin with, despite our abiding interest in the French nation, this is only the third time in the long history of the club that we have managed to have a citizen of France as our speaker and as our guest of honor. In 1968, Pierre-Paul Schweitzer spoke to us in his capacity as the Managing Director of the International Monetary Fund. In 1976, Claude Cheysson, who today is the Foreign Minister of this great country, addressed us as a member of the Commission of European Communities. And now our third speaker from France, and for his appearance, we are indebted in great measure to Felix Rohatyn, a member and former trustee of the Economic Club, and aided by his close personal and business ties to France, along with his persuasive eloquence, Felix did everything he could to encourage the acceptance of our cordial invitation, and thank you Felix.

Mr. President, the friendship between our two countries has indeed been significant. It has endured more than 200 years and has never been found wanting. And because of this close relationship, and because of this audience's knowledge of your distinguished career and above all because of your high office, I feel justified in following an old and respected American custom. We never introduce our President. We simply announce, as I will do now, with one change only. Mesdames et Messieurs, le President de la Republique France, Monsieur Francois Mitterrand.

The Honorable Francois Mitterrand

President of France

Monsieur Le President, Mesdames et Messieurs...(Speaking in French)...(Translator picks up)...At the end of a seven-day visit in the United States, here I am then in New York, your great, great city, center of culture, finance, industry. And yet I am talking to a large number of those who in fact are responsible for the fact that the United States is the top world economic power. And I very much appreciate your invitation. I do not see why I'm only the third, why am I the third visitor? I think the French should have come here much more often before me, because this kind of relationship, this kind of discussion and dialogue is, in my view, extremely useful for my own country in particular. And I hope that this will also prove of some use to your country or to you.

In Washington I had conversations with your president and the main political leaders of your country. And in all the places where I've been – Georgia, California, Illinois – I've been able to denote the great dynamic qualities, the vitality of your country. And everywhere I have listened to what people had to say and I've asked questions. And then after one week of meeting people and talking with people, I'm going to give you the way I see things.

First of all, as has just been said by your president, after two centuries, well, things are going well. And after all, it's not all that easy to live together for so long. Everyone knows that there can be difficulties. But one can say that all the same, well, the longer it lasts, perhaps the better one gets on together too. And that is, in fact, what is happening with your country and mine.

There is no important historical event or circumstance that has taken place where we were not, in fact, side by side, coming to the help of one or the other. And I do not forget, the great debt of gratitude that France owes to your country.

But it seems to me that the United States and France nowadays do not well assess and appreciate the degree of solidarity that exists between their two countries. Our two countries belong to the same alliance, and they defend the same type of civilization based on freedom. But to go further and to act together in order to move out of the recession, the crisis, together, well, it looks as if they don't dare take that step together. They're too shy perhaps, I don't know. But in war, they are allies. But afterwards perhaps they are not; they remain separated too much when it's time to build peace.

And yet there is this solidarity, you can't deny that it exists in many fields. Take the monetary field for example. You are captains of industry, you are bankers, businessmen, but I'm sure that all of you would like the dollar to have a stable value, realistic, in accordance with the cost of production. Because of the dollar is too high, I imagine it paralyzes your sales. If it's too weak, it makes it difficult for you to move out abroad. And if it varies too much, if it moves around too much, well, then it adds to your uncertainties when you're investing and when you're trading. And likewise for interest rates. If they're too low, then the result is inflation which is a good thing for no one. And too high, they slow down the resumption of economic activity.

Well, this is what you have in your minds. Well, we have that on our minds even more so. We believe these things even more than you for obvious reasons, because our situation is a weaker one than yours, more fragile. And the other thing is that we are not at the very center of economic power in the world.

Now like us, I imagine and I hope that you would like it to be more quiet on the monetary front. I know it's difficult for decision makers in a world where everything changes all the time, unless of course that is a stimulant and that makes things, that forces people to do things even better. Remember what Archimedes said, give me a fulcrum and I will raise the universe.

Now by refusing to discuss together a new international monetary system, I think that we are

refusing for ourselves the necessary fulcrum, the necessary leverage that we need in order to raise the world, to lift the world. In the field of relations with the Third World, what we're doing at present is that too often we refuse to see things as they are, reality. In other words, you see there is solidarity in our interests. Our interests are common interests. And yet there are a lot of warning signals. Sometimes there are local conflicts in various parts of the world that are born of ethnic, racial, territorial conflicts, and of course enhanced by extreme poverty and also sometimes increased by foreign ties. And this can threaten the very balance of whole continents, and this can jeopardize the stability also of our supplies. And then sometimes there are financial crises like in Mexico and Brazil and in many other countries also.

And these things can be, can even upset the balance of the greatest, the biggest banks in the world and they can be pushed into the red. Now there are a number of bankers and financiers in this city, in this hall today. And I know that for a number of you the last two or three years haven't been all that comfortable. Now is it too much to ask that dialogue should be resumed, a really active dialogue? Is that too much to ask? That the specialized agencies should get together in order at last to consider the problem of the debt, the indebtedness. Is it too much to ask that at last we should do something about the increasing famine in the world and the deserts that are gaining ground?

If the future were absolutely assured, then we could perhaps run the risk of not listening to these warnings. But solidarity is primarily mutual knowledge, knowing each other. And that is why it

is now my plan to talk to you about the French economy to dispel some misunderstandings in order that there should be an expansion of our exchanges in trade. And I will tell you about our difficulties and the efforts that we're making and also the signs of recovery that are here. And I will speak to you with a kind of direct and frank note that people in positions of responsibilities like yourselves are entitled to expect.

Very often I read in the press that, well, people seem to be surprised that the President of the French Republic elected in 1981 with a majority that you know about, having set up the government that you're aware of, people say, well, it's strange that in 1984 he would find himself entirely at ease in the United States. Well, it so happens that is the way things are. And I feel perfectly at ease, perfectly at home in the United States. We didn't burn down churches. We didn't close industry. We haven't set up an _____. I've made my point I think. What I'm saying is that we have chosen liberty. It's our way, our form of freedom, our form of liberty, because we think that collective and social freedoms after all were also important, not only public liberties. They're all part of the same freedom. But that's all I wanted to say on that. What I'm really saying is that France would not be able to live with that triple deficit – the budget, foreign trade, and balance of payments. France wouldn't be able to do that. And that is why we have tackled several of those fields as you will see, sometimes with success.

Our imports represent one-quarter of our domestic product. We have to buy and pay in dollars two-thirds of our energy, and 70% of our raw materials. France is one of the countries which is

most open to the rest of the world. We refuse, we reject protectionism, but if there remain certain ends of protectionism and there are such islands of protectionism including in our own country, well, as I was saying, to others, we must put everything on the table. And we must stop this, throwing accusations between ourselves – Europe, United States, and within Europe, France, Germany, Great Britain, and outside France and the United States. We mustn't just accuse ourselves of these things. First we must...(Recording issue)...in the real situation of these protectionisms which in fact do exist and they tend to cancel each other out. We are against protectionism, and I am prepared to eliminate all barriers which remain as long as that is not unilateral.

In order to finance our imports, we, the French, we have to win on foreign markets by innovation, by prices, by being good at trading. We don't always win. We don't always succeed. But if we don't manage to succeed, we will be completely submerged by the imports which, as I told you, are expensive, and which immediately destroy our balances, our equilibria. Now of course, what would be tempting, well, there is a sort of temptation to close oneself, up into oneself. It would be a facile solution to turn inwards. And that I reject, totally reject because there you're sure of decline. To remain where you think you should be, you must accept, you must accept battle. It's in competition, and not in rest or in fight that energy can be forged.

And that is the option. That is the decision that we have taken. That is our choice in order to create the right circumstances for resumption of growth. There are two goals. First of all, we

establish our foreign account equilibrium. And secondly, reduce inflation until it becomes comparable to the inflation in the other great developed countries.

Well, where are we at present? What is the present situation? In order to reduce inflation, we have acted simultaneously on the government deficit, public deficit, on currency, and on income. Right at the very beginning of 1982, as early as that, the French government at my request limited the national, the national budget, to one of the lowest levels in the western world, thanks to a really substantial savings, cuts and expenditures, and considerable progress in the way things are managed. The deficit is on the order of 3% of GDP.

As to inflation, I will say to you in a moment, I will describe in a moment, it's declining. In monetary matters, our goal is certainly not a laxist one as some people seem to think, nor deflationary. We try to tune them as accurately as possible to the foreseeable resumption of activity. For example, for this year, our monetary authorities have fixed a figure of 5 ½ %...6 ½% the rate of growth of the money supply.

At the same time, we are making an unprecedented effort for our country to break down these harmful sort of interconnections and gearings that existed up until 1982. France, for a very long time, got used to a sort of quarterly indexation of income on prices. Well, since 1982 it's once a year, and on the basis of the government goal, there are wage negotiations.

Our anti-inflation policy is pragmatic. We are striving to tackle our own specific weaknesses.

What about the results then? When I was elected President of the Republic, I found on the table an inflation running at 14%, 14% from one year to the next. And for the seven preceding years, the figure had always been between 9 ½ and 14% – 14% in 1974, then 10% in the ensuing years, 14% again in 1981, from the middle of 1980 to the middle of 1981, 14%.

And as we were, people said to us, and this was in a way true at that time, well, in those days we had the best economists, how could we do better than that? But people never seem to forget about the results of what the great economists did. Now since that time, since 1981, the results are encouraging because we, in fact, have reduced by five points our inflation. That is still too much. We were down to 9.2% last year. But at present we've been running, for the last four or five months, at a rate of 7%, and our goal is to get down to 5% because that would enable us to remain among the countries that are doing well in Europe and elsewhere in controlling inflation.

Now despite, despite the considerable increase in the dollar, and without jeopardizing our action on employment which remains a difficult form of action, I plan to continue these efforts at reducing our rate of inflation. We have reduced by half the deficit in foreign trade. The second half of 1983 our foreign trade was in fact nearing equilibrium, was almost balanced. And, well, the last two months haven't been quite so good. Our oil and gas supplies have counted fairly heavily on the balance. But in total, all in all, we remain on the line that we have decided upon and the balance, well the current account balance in the last quarter of 1983 has become in

surplus, it's positive again, and the foreign exchange reserves in France were \$53 billion.

These strict policies in political and economic fields is only a means to an end actually. That isn't our purpose to have these rigorous policies. It's just a way of getting through difficult times and for France to be able to get going on the right foot, get going again. So our economic policy is, first of all, to prepare for the future by a succession of deliberate action to favor industry. For example, this year while the average expenditure of the government remains stable, roundabout the rate of inflation as calculated over the last six months, the budget for research will increase over and above this by 8% in volume. Measures taken for employment and vocational training will also increase in real terms; I'm talking about real terms over and above inflation, by at least 6%.

Now this policy of incentives and modernization is beginning to bear fruit and that's to be expected. Industrial production has been increasing in the last six months. And for the first time, for a very long time, this year we expect that there will be an increase in the volume of industrial investments because corporations have begun to understand the need to invest. And many people from abroad have decided to invest in our country. And we are very happy to welcome them, we welcome them with open arms and we will help foreign investors to establish themselves under the best possible conditions in our country.

And right now we must get out of this rather facile picture of France incapable, incapable of high

tech industries and just simply specialized in food and luxury articles. All right, for food and luxury articles we intend to remain where we are, but we must prepare the future. And to prepare the future it's important to spin out the effort better because there will be no national recovery of France without better national solidarity and more justice for everyone. That is what I'm absolutely convinced about. In 1983, and despite the present strict policies, the purchasing power of the lowest income groups has been maintained by way of compensation. In the higher income groups, their purchasing power to some extent have reduced. But the overall result will be an increase which we wanted that everyone in his work, whatever his calling is, everyone must be associated in this collective effort. And that's why we have, you see, these absolutely vital industrial mutations that are taking place in certain sectors, every industry which is no longer competitive and certain sectors which have become somewhat archaic. Mind you, all this has happened because the necessary transformations were not carried out in time. The necessary computerization wasn't carried out in time. This would have made certain sectors to revive. There's no sector that is condemned. There are individual companies that are condemned and that is quite different. Okay, if it's the iron and steel industry, coal, shipyards, problem areas. And we've tried to devise an active social policy in order to train people, they'd offer other activities.

And anyway, restructurization is a very difficult problem because it hits hard so many people in their own day to day life, and this is not only a problem for France. Yesterday I was in Pittsburgh and I had been here some years before, and I was able to see the renaissance, recovery of

Pittsburgh, who had to get out of the terrible crisis of their industry in order to tackle modern times which they are doing in Pittsburgh, very intelligently.

Now I don't want to deny the realities of the economic situation. And I do know that a policy is difficult to put into effect to this one where modernization in which we are accelerating. I know that this kind of policy necessarily produces here and there sort of areas of unemployment. And we're tackling these problems by training individuals, by giving training facilities. But we must also diversify our production more. And I particularly have in mind high tech technologies. In other words, we must modernize the French industrial structure because if we modernize after our competitors have done so, then we're sure to fail.

Well, ladies and gentlemen, those are the main aspects of what you might call the sort of French version of a supply policy. And the purpose of the policy is not to apply an economic theory, whatever it may be. No, it's simply based on the analysis, the assessment of the world as it is with its constraints and its prospects. And it takes into account what France has that is original, its traditions, what is slow, what is heavy, and what is difficult in France. But also the trump cards, the things that work very well in France. And there are things which really do well.

And I'm going to say something that will perhaps surprise you. I'm going to talk about the nationalizations. We have nationalized industries and I do not regret this. We have nationalized less, however, than General de Gaulle in 1945 mind you. And some of the nationalizations that

I'm criticized for fairly vigorously, well, some of the nationalizations go back to the kings, back to the 15th century, Louis XI, Frances I, at the beginning of the 16th century, Louis XIV. Yes, they nationalized the postal services, the telecommunications; if you can use the word telecommunications, all these things were placed under state control, state authority by King Louis XI, 15th century. Well, Louis was a very fine man, but I'd rather not have to bear the burden of his decisions because it is a French tradition. I don't mind sharing such a burden in a way. But anyway, please understand that this is a responsibility shared by these fine gentlemen who I've just named. It's not only me.

Anyway, French nationalized industries, and corporations are the ones that are doing best at present in France in the high tech areas. The electro-nuclear sector is perhaps one of the strongest in the world. Fifty percent of our electricity supply is nuclear. And that proportion will soon be 75%. We can build in less than five years 900-megawatt power stations. We can produce electricity at a highly competitive cost which means we can export electricity and that reduces the dependency of Europe on outside supplies. So that is the situation. We've caught up. In telecommunications we've caught up because we were lagging behind. And our electronic switching device is one of the most modern in the world and we've got 30 countries to buy them. Let's wait for the 31st which would be here, this one, yours.

And there's another example of what we've been able to do, the high speed train. The high speed train is a new generation of railway technology because it means that the commercial average

speed can be 170 kilometers now, but in fact from between Paris and Lyon, the train runs at 250 kilometers an hour. And, well, I haven't mentioned aeronautics and the medical industry, because you've given me, you've loaned me a certain amount of time and I don't want to speak for too long. But I think that all these nationalizations have been successful.

Now iron and steel is a different problem. That's a very difficult problem in its own right in the whole of Europe. But apart from iron and steel, I think all the nationalized industries will be in balance at the end of...in 1985. But in France there aren't only nationalized industries. We haven't collectivized our economy. I don't want that at all. France is an old country. It's part of the West and civilized in structure would not enable us, and this would not be a desirable thing anyway. And so the vast majority of French companies, medium, small, large, belong to the private sector. More than 80,000 companies were set up in the last six months. These are, here you'll find audacity, initiative, and for us this is a powerful way, by giving them more responsibilities, so more responsibility, it's a powerful way of developing all sorts of technologies. For example, well, the venture capital area. And investors have understood that there are possibilities in France. In 1983, you will have noticed the Paris stock exchange went up by plus 56% which is not that bad.

Well, all right, we know, ladies and gentlemen, we know that there's still a lot to be done in order to really improve things, in order to be able to fight against too much bureaucracy and also too much centralization on Paris, and to resist the sort of natural tendency of public expenditure

to increase. So we have introduced that reform, decentralization for example. This is a decentralization delegating authority to the provinces – it hasn't been done in this way since Napoleon I at the beginning of the 19th century – by giving more power to the local authorities. And I have asked the Minister of Finance which is difficult, I've asked him to reduce taxes and compulsory levies this year, because in the last ten years they have been increasing regularly. This year they will be reduced in the 1985 exercise.

Well, I can assure you, ladies and gentlemen, that France is not evading the necessity of getting down to work. And she is not simply hiding in dreams and illusions, and she knows what the difficulties are. France wants to be effective and efficient in economic areas, but she also wants social justice at the same time. This won't happen by waving a magic wand. No, it will call for general effort and for a real fight against the problems. We must struggle against the problems.

Now France is a European country. This means that we have around us, in the Economic European Community, which is all right for a crisis or difficulties, but they need something which is alive, which is living, which is continuing. And we have, and our fate is linked to our nine partners and we hope with Spain and Portugal, that soon it will be eleven partners. Europe is not lagging behind. Europe is not sort of past the idea, but Europe has not a sufficient political awareness of what she really is economically and in the fields of trade. And we would give a firm resolve and determination to Europe. That is what we must do. Determination in the political sense for its unity, but it must also be general determination also from the point of view

of defense and security probably.

Well, ladies and gentlemen, I will now come to a close. And I will say that in these last two weeks, it will now be three weeks mind you because I've been a week in the United States, Europe in two weeks decided to launch a new aircraft, the 150-seat Airbus. Then there was another success, as you know, with the Ariane satellite launcher. And scientific industrial corporation systems have just been set up for all information technologies, and that is the ESPRIT Program of the EEC.

So what is known as the old continent isn't doing all that badly. But we mustn't close our doors to the outside world. There is room for all dynamic efforts in Europe, all the alliances are possible. And in the field of aero-engines, our own national company, Snecma, has developed with General Electric in the United States, a new generation development program, CFM56. And the American army has ordered several hundreds of this new engine for its own aircraft. And the same way, for building, manufacturing satellites, the French, SNIAS, is cooperating with the Ford aerospace division. And I've met several people here today who said, well, our company has operations in France and we're happy with that situation. And if they aren't happy enough, well, they must come and see me. If there's a problem, we'll find a solution.

And what's important too is that you should come. You should come because, to produce the employment activity. And working on the ____, you will be giving us part of the riches that you

create and you'll be getting something out of it too, far better than even one could imagine. So all the entrepreneurs who already established in France, I want to say that we're really happy that they're there and wish them the best possible success, and I want to thank them.

What I wanted to say, ladies and gentlemen, I've taken this opportunity of speaking to you of the effort that we are engaged in. I could have also described our difficulties, if you like, but just read the newspapers. The newspapers are there to tell you about the problems. If I don't myself come and correct the somewhat distorted picture, well, who else would do it? But I can assure you, you can check what I'm saying. I'm really giving you a true picture of my country. And I want to increase the solidarity between us. We have differences, and it's better that way. There should be differences. But in the face of the regimes which are based on force and brutality, liberty can perhaps be a weakness if everyone acts in isolation, but it is a great strength if we work together, and the recent past has shown this. In the years to come, ladies and gentlemen, liberty will have to show its real determination and stand up to many attacks. Democracy at present is very much a minority in the world.

Well, there you are. I wish you best success in all your operations and corporations. We have common ambitions and I want to thank your club for listening to me. I'm really flattered to have been here and I want to say how grateful I am. Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN F. ROSS JOHNSON: Thank you Mr. President. Now in the tradition of the club, in line with our distinguished speaker we have two distinguished members who will act as interlockers. On my left, Mr. Jack Myers, the publisher of TIME Magazine, who showed impeccable timing by having the cover, President Mitterrand on TIME this week. Now we know how the decisions are made there. And on my right, Mr. Sandy Weill, the President of American Express. We'll have our first question from Mr. Weill.

SANDY WEILL: Mr. President, in your view, does the change of leadership in Moscow offer the U.S. and Europe a window of opportunity for reducing tensions?

THE HONORABLE FRANCOIS MITTERRAND: It's not a question of different people. It's related to the realities of the situation and to a certain number of relationships, not so much of force, but of reality in the political and economic and defense areas. Now it's true, individual personalities are different. Mr. Andropov wasn't the same as Mr. Brezhnev. Mr. Chernenko isn't really like Mr. Andropov. And that is not insignificant. I mean the men do count, even in the most structured situations. But you mustn't imagine that the Soviet Union policy is determined elsewhere than in a sort of collegial operation. There's a limited number of people. So I think the policies in the future will be very similar to the policies of yesterday. But I think these policies will probably be more open than people think. Be more prepared for possible dialogue because it

has become a necessity for them and for the others.

JACK MYERS: Mr. President, on the question of high technology, U.S. venture capitalists, especially in the high technology area, say their opportunities have been greatly enhanced by the reduction by 50% of the capital gains tax. Would France consider a similar reduction in its profit tax in order to encourage such high tech ventures?

THE HONORABLE FRANCOIS MITTERRAND: Yes, we have started looking at this problem from the tax angle, and it is essential for us to do this because investments must be freed more and more of its burdens, well, not entirely naturally, but there must be a genuine incentive, a powerful incentive to invest, and particularly for venture capital. I've asked the Minister of Finance, the economy started to put before our Cabinet some very practical measures, measures in order to give venture capital the best possible opportunities. Because we found in the United States it's one of the ways of increasing high technology and we've certainly learned the lesson.

SANDY WEILL: Mr. President, if this former U.S. Secretary of State Henry Kissinger has proposed a major reshaping of the Western Military Alliance...(Recording issue)... if necessary, what would the French role be in such a reordered alliance?

THE HONORABLE FRANCOIS MITTERRAND: France, as you know, is a member of the Atlantic Alliance. It is a military defensive alliance and France is part of it, a role limited to a

specific geographical area. So we must just, I think, stay there, and just leave it at that. It's a very good thing. But France is not part of the Integrated NATO Command. That is where the difference is. France left the integrated military command following a decision taken by General de Gaulle. And there's no question of France going back into integrated military command especially as France has independent nuclear force which cannot be placed under the control of anyone else. And the French legislation is very clear about that. The ultimate decision has to be taken by the Head of the French State. So this is a discussion which I'm interested in, the discussion about NATO, because we're in the alliance and because it's our friends who are talking about these things. And because if there were a mutual danger, then we would of course be associated in all this. But as to the organization of NATO itself and integrated military command, well, we can perhaps give an opinion, but it would be rather selfish because in any case it wouldn't affect us. We are not within the military, integrated military command and there's no question of getting back into it. And if the members of the integrated military command want to reorganize the way they do things, well, let them do it. It would be, I think, out of place for me to say whether the Supreme Commander should be American, Dutch, German, or English. It wouldn't be a French...anyway. So after all, I mean there are good military men everywhere so choose the best. It's really your business. We trust you to make the right decision.

JACK MYERS: Mr. President, would you assess for us the status of the European community in the aftermath of the Brussels Summit? We assume that the gap between Britain and the Nine are bridgeable.

THE HONORABLE FRANCOIS MITTERRAND: The European Economic Community has in recent years, in fact, been spending more than it's earned. Rather, the community hasn't given itself adequate resources. But let's be very clear about this, the budget of the community is a very small budget. It's very small. It's devoted to the agriculture common market and to a certain number of operations, aid the development of a specific area, the south of Italy for example or certain parts of Ireland and so on. And the budget also comprises the extensions of it to new European resources because now Greece is in the community, and Spain and Portugal, they will join the community. So that is the budget you see. Now the budget is 1% of the GDP of the ten countries of the community, and some of these countries have very small GDPs. So it's a small amount because the community, it's not just the budget, it's something very different from that. There's no industrial budget. And yet Germany and Great Britain and ourselves in certain areas, we have made considerable leaps forward in industry thanks to the common market. But that doesn't come into the budget. It's not accounted for in the budget. The budget, this 1% budget is based on three things. First of all, the VAT, the added value tax. I think it's a tax that was invented by the French. It's an indirect tax which has certain aspects of direct taxation, and that by different rates it can distinguish between certain sectors of the economy. Now each country gives to the community 1% of its own VAT income. Now the two other resources of the community are very clear. First of all, there are customs duties. When goods come into the community through France or Great Britain, a customs duty is paid. That money is community money that goes into the community budget. And secondly, the agricultural levies, it's maybe a

bit complicated seen from outside, so I'll simplify matters. But basically when a country, one of the ten buys a farm product outside the community, for example if Great Britain buys New Zealand sheep, or lamb, or butter, or Italy buys beef carcasses from Argentina, in that case the country buying from outside must pay the price differential to the community budget. So forgive my being a bit lengthy on this, but this is what all this is about. When one talks about money in the common budget, what it means is that the customs duties and this agriculture levy that compensates for lower world prices, that is community money that belongs to the community. Now the VAT, that's different. The tax money, that is in fact, national money. Nations have their own tax proceeds and 1% goes to the budget. But all this is a small budget and the crisis relates to this small budget. There are many other things that are happening in Europe. Big credit operations based on the ECU which are going strong. The difficulty springs from an agreement that was made in 1980 between the ten, or rather the nine, and the U.K. At that time, the leaders, and France and Germany in particular, they accepted to give to Great Britain, to give back some of the money that Great Britain was, well, accepted to give back two-thirds of what the money going from the U.K. into the European budget. Why? Well, because France...Great Britain found that as far as the VAT tax is concerned, they found that their GDP was only number 7 in the list. So they were paying large amounts of money for general income which wasn't all that high. So Great Britain asked that, in 1980, that part of that money be reimbursed. But she also asked that two-thirds of the customs tax, of the customs duties and the agriculture levies should also be paid back, despite the fact that that is community money and not English money. Now I think that the leaders who accepted that, well, they accepted the idea and I think that was a weakness on their

part. Anyway, this was done. So for four years this has been the case. So the point is now that the nine countries, nine other countries of the community no longer accept to in fact pay back to Great Britain money that is community money. It was if goods, if goods come in via a British port, what Great Britain is now asking is that she should get back two-thirds of the money that is just transiting through Great Britain. The Dutch don't ask us for Rotterdam, the Belgians don't ask us for Antwerp. But as this had been granted to Great Britain in 1980, the U.K. is saying, well, this is a precedent. You shouldn't have given me the money in 1980 if you didn't want to go on doing it. Well, to be perfectly clear, in a few countries, France and Germany in particular, there were elections just around the corner, fairly shortly afterwards, but this is a purely personal remark on my part, you will appreciate, that may to some extent explain the situation. Anyway, the idea was that no one wanted a crisis in Europe. But now we are saying no, no. We're quite prepared to contribute. The British are our friends. And I personally have very, very many ties with Britain. And I have a lot of very interesting discussions with Mrs. Thatcher and we're really do useful work together. But on this particular subject, I don't want to destroy the basic treaty by the community which is the Treaty of Rome. The Treaty of Rome prohibits that kind of practice. And what I naturally accept, like the others, that one should reimburse the U.K. part of the VAT but we don't want to give back part of the resources which don't belong to the U.K. which is community money. And this is part of the dispute. Well, historically mind you, since 1980 the U.K. is right because it started in 1980, but legally and economically we think that they're wrong. But I repeat, all this only relates to the very narrow sector of the agricultural budget. It doesn't apply to all the rest of what Europe is doing. So we have very broad sectors which are

going ahead. And as to the agricultural thing, I really hope that we will sort this out. I'm quite prepared to do everything that's necessary to find a solution.

SANDY WEILL: There's never any major breakdown of consensus in France over France's participation in the peace-keeping effort in Lebanon, even after your forces suffered tragic casualties as there were in the United States. And two, what is your assessment of the current situation in Lebanon?

THE HONORABLE FRANCOIS MITTERRAND: Well, in Lebanon, France, she has ties going back many centuries. Even before Lebanon existed, this was known as the _____. And since the 14th century there have been constant ties because Lebanon today is a country which culturally is very close to France. Economically too mind you, and politically too, but basically culturally. And our language, French, is quite widespread in Lebanon. We have friendship for each other. So we can't, we the French, not be there when there are vital questions, vital issues for Lebanon. We had a protectorate, a national mandate for Lebanon as you know after the first big World War. That's the first point. The second point is that in Lebanon, there's been a war, just one more war. It was when Israel felt that it was necessary, in order to ensure her own security, to clear Lebanon of the Palestinian armies that were present. Some people may say this was a good thing or bad thing on the part of Israel. Anyway, it's accelerated the process of decomposition, if you like, that we're still suffering from. Israel was very successful in military terms. It was even more successful in military terms in the Six-Day War. And very quickly, Israel had more or less

covered the whole of the territory except just where the Syrian armies were, and no one wanted a war between the two countries. And in particular, Israel occupied East Beirut. And it is then that the Palestinians were completely, they were submerged by the bombs. In West Beirut they called for help. And internationally it was felt necessary at the request of the Lebanese government to intervene in order to save lives, to serve peace. And so it was, with the agreement of the Israeli government, the agreement with the Israeli government, then we moved in. The French were the first to arrive and helped to evacuate 4,000 Palestinians who were able to leave with their, not with their heavy armament but with a light armament, and in dignified conditions. At that time, we were the interpositioned force, was the phrase, we were there in between the fighters who were Americans, Italians, British, and ourselves. And then we came back. We went away. The mission was finished. And then alas there were the massacres of Sabra and Shatila. And at the request of the Lebanese government and all Lebanese factions, the ones that are infighting terribly at present, we accepted to go back, to return to Lebanon in order to try to protect the population from the massacres. There were the Jews, the Christians, the Christians and the Jews, all sorts of people that would have massacred each other. And we did, we were able to do this. We prevented yet additional tragedies which would have been even more serious than the initial bombings and bombardments. And we had very good relations with our partners within the multinational force. Each force remained under national command. There was no unified command but there were consultations and things were done together. And when the terrorists from outside, when the terrorists from outside killed in an abominable fashion 250 American soldiers and 58 French soldiers, we felt even more solidarity between us. And myself, I went to

Beirut the day after this happened. And the first thing I went to do, apart from the French forces, I also went to visit the American army and go and pay my respects to those who had lost their lives. Our political relatives may be different. The United States has a very close alliance with Israel. We are friends of Israel but we don't have that kind of close agreement. And with the Arab countries we have traditional relations. In other words, we have our own specific set-ups. And we also have relations with Syria. We have difficulties but we still have close relations with Syria. So we are able to do a number of things—two in particular. The evacuation of the Palestinians from Tripoli, and they were really being shot down by the Syrians, with the Greeks. Greek ships were able to help get the soldiers out. There were about 4,000 again. And then at the request of Israel and the others, we carried out the exchange of prisoners between Israeli prisoners and Palestinian prisoners, another 3,500. And then you and we in the sectors where we were implanted, in conjunction with the Lebanese government and full agreement among ourselves, we were able to save lives and we managed to restore some sort of peace. We were able to protect the young, the old. The schools were able to continue thanks to our presence. But this was very costly in human lives, our human lives. And there came a time when one had the impression that we were sort of getting caught up in a civil war and several governments felt that it was necessary to leave Lebanon. This was the case of the U.S., of the U.K. and Italy. We stayed up until now. We stayed until now because, I repeat, we have a sort of special historical tie with Lebanon. And not only with the Head of the State, Mr. Gemayel—we're friends of Mr. Gemayel – but also because we're fighting him. We aren't, this isn't a double or treble game that we're playing. But it so happens that they just come to see us quite naturally, all of them. Mr.

Nabih Berri, the Head of the Shiites, came to see me just as I see President Gemayel. I have longstanding relations with Mr. Jumblat. I was a friend of his father's. These are traditions which go back a very long time. And we know all the leaders who are fighting each other. Mr. Franjeh, the Christian of the north who is pro-Syrian, Mr. Khatame(?) in Tripoli a Muslim, he is also pro-Syrian and then the others, the whole lot of them. What we wanted was to get the agreement of all these different people in order to make sure that our departure would not cause chaos once we left. And these conditions are now met and it is with their agreement. And I say this, the day before the beginning of our departure, well, what they have asked us to do, nevertheless, was that we should stay. And it is incidentally the French military post that the meetings were able to take place between hostile factions. It was the only place that they could actually, where they could actually meet and talk. And as soon as we started withdrawal, our return to France, as you know the Lebanese government with the agreement of the military committee representing the four main factions have just asked us to send, they've asked to send observers and assistance in the largest possible number. And this is the problem that I'm looking at right now. So there have been no specific difficulties with the United States in all this. We are the same army. We are the same people. We're neighboring armies. And we were sort of visiting each mutually. We did not leave together because, well, our policies are not entirely exactly the same and our resources, our facilities aren't the same. Our means are not the same. That doesn't mean that there was any dissension between us. It simply showed that we are ___ in different countries. And that is the way international society works and should work.

JACK MYERS: What is France's view of the situation in Central America? If there were a situation of similar instability in an area where France was traditionally influential and which was geographically close to France, what would France do differently from what the United States is doing in both Nicaragua and El Salvador?

THE HONORABLE FRANCOIS MITTERRAND: That would appear to be a rather delicate question. And I certainly won't reason on the basis of sort of speculation of what would France do? Well, it isn't France that's there. France is keenly interested in what's going on in Central America, but France is not a neighboring country of Central America so our situations are not similar. I think, and I don't want to offend anyone in saying this, but I've said this to President Reagan. I've said to many American political leaders, this is sort of a constant feature in our, I've never said this brutally, but I've always said this very frankly, that my assessment of the situation is different from the administrations. I think Central American countries, mostly Latin American countries which are most of them; I think these countries need to succeed in two kinds of revolutions. First of all, they must get away from the old powerful oligarchies or the land being run by the same people more or less, and most of the industry and other resources. They must get rid of that situation. They must also get rid of the bloodthirsty dictatorships that they have suffered from very severely. And I think that then this dual revolution which is necessary and which, well, in a more violent shape, similar to the kind of revolutions that we had in Europe all along the 19th century, I think that in that general movement of opinion, people wanting more national dependence and more individual freedom, I think that the role played by the West would

be to help in all this, that is to help more than it does. Because I'm in favor of, I consider that the first thing to do if you want democracy is to fight against underdevelopment. And if you look at the situation of the Soviet Union or Russia in 1917, between 1917 and 1920, I often say that the main factor there wasn't Lenin. No, it was underdevelopment. That was what was happening. And Lenin plus underdevelopment, that led to Stalin. How many countries, underdeveloped countries or developing countries, in light terms, how many are actually living in a democracy? The first thing if you want democracy is there must be development. And if you want to reduce tension, then one should have, and it's perhaps not too late, this would be a plan, and we'd be prepared to participate. But the United States naturally, because of their power and because they're so near, they would have a very big role to play in this and perhaps the eminent role to play. I think that such a plan, which would be to contribute to get people freedom from economic servitude because this, at the same time, would achieve freedom from dictatorship by the same token. Now naturally these revolutionary movements, they're fighting against, well, the existing authorities. Well, the existing authorities therefore, they harden their attitudes. Civil War leads to Civil War. And then at the same time, the rebels they need help. They look for help because heavy armaments aren't manufactured on their own soil. So where do they find such aid? Well, they find aid among those who are delighted at the difficulties that could beset the democracies and in particular, the United States. So quite naturally, the more we push things in that direction, the more the rebels have to go and find help. Precisely, well, in Cuba and the Soviet Union anyway. So in other words, this is a sort of infernal cycle. And there will come a time when people will be able to say, yes, well, you see they were Communist societies and therefore we

couldn't allow them to develop, because think of the danger, think of the base that that would be in order to fight American democracy. But you see my point is that if that situation, if we do end up in that situation, well, it'll be too late to moralize the past. One would sort of point fingers at the people who made the mistake. But is there not still time to avoid such a tragic era? Is there not still time to understand, can we not still understand that these Mideast movements could find in the West a democratic contribution? Because look at the example of the Dominican Republic, a striking example. They were in exactly the same process, exactly the same process. And today, the Dominican Republic has a fairly normal way of life with institutions which are, well, adequately democratic and there's no violence to speak of. I personally think that one should perhaps ask the Contadora Group more for advice, Venezuela, Colombia, Mexico, and Panama. I really think that we should use their advice more because they are people who know the situation well. They don't want sort of a gangrene of civil wars to gain ground. Well, that is my opinion so I don't want to offend any American conscience, because I know that what I'm saying isn't necessarily the policy that you have chosen to pursue. But, well, what would I do here at this rostrum if when people of your caliber and importance ask me questions, well, there wouldn't be much point in my being here if I didn't say what I really felt. And I will continue with your permission saying exactly how I feel. (Applause)

CHAIRMAN F. ROSS JOHNSON: Thank you Mr. President. Once again in the tradition of our club, and in gratitude and appreciation, we would like to present to you our symbol. We look upon New York as being The Big Apple. I don't know...Le Grand Pomme. We would like to

present that to you with our appreciation. (Applause) Ladies and gentlemen, for security reasons, I would now like to ask the audience to remain seated while I escort the President and his party to their cars.

End of Meeting