December 27, 1985

MEMORANDUM FOR MR. DONALD T. REGAN
AND VADM JOHN M. POINDEXTER
THE WHITE HOUSE

SUBJECT: U.S. Economic Objectives for the 1986 Tokyo Economic Summit

In consultation with the other members of the Sherpa team, I have developed the attached paper outlining key U.S. economic objectives for the Tokyo Summit. As we believe it likely that we will be questioned closely on these issues during the next Summit preparatory meeting at the end of January, I would like to request a brief meeting with the President sometime in January to receive instructions.

The Secretary will be forwarding his recommendations on political objectives as we draw closer to the Summit itself.

Allen Wallis

Attachment: As stated.
U.S. Economic Objectives for the Tokyo Summit

The Setting

The Economic Summits in which President Reagan has participated, from Ottawa through Bonn, have produced a growing consensus on the central role of individual choice, operating within the rule of law, in producing economic prosperity. This has been reflected in a remarkably detailed common understanding of domestic economic policies which the Summit countries must pursue to maximize the chances for sustainable growth, both in their own economies and in the rest of the world.

As enumerated in last year’s Bonn Economic Declaration, these policies are:

-- to consolidate and enhance the progress made in bringing down inflation;

-- to follow prudent, and where necessary strengthened, monetary and fiscal policies (with a view toward stable prices, lower interest rates, and more productive investment), focusing on firm control of public spending;

-- to remove obstacles to growth and encourage initiative and enterprise, while maintaining an appropriate "safety net" for those in need;

-- to promote greater adaptability and responsiveness in all markets, particularly the labor market;

-- to encourage training to improve occupational skills, particularly for the young; and

-- to exploit the opportunities for prosperity and the creation of permanent jobs provided by economic change and technological progress.

Economic developments in the Summit countries during 1985, and prospects for 1986, are encouraging in many respects. Economic activity has strengthened in all Summit countries since the beginning of 1985 (with the possible exception of Japan). Disparities in real growth rates have narrowed, and the contribution of domestic demand components to real growth has improved outside the United States. Low inflation rates achieved by most participants should be maintained, with further convergence toward the best average performance since the mid-1960’s.
However, a number of serious imbalances cloud the outlook -- including structural impediments to employment growth and innovation (especially in Europe), unprecedentedly wide (and widening) divergences in current account positions, and failure in the United States and some other countries to bring public expenditure under control. The measures needed to deal with each of these problems are increasingly being recognized and acted upon -- a process given impetus by U.S.-inspired programs of research and policy discussion in international organizations such as the IMF and the OECD. The September 22, 1985 announcement by the G-5 Finance Ministers and Central Bank Governors represented a significant advance in the efforts of the major industrial countries to consult and collaborate on economic policies. It recognized the progress already achieved in pursuing convergence of economic policies and performance, provided concrete policy commitments to improve economic performance further, and noted the desirability of some additional appreciation of non-dollar currencies, given the present and prospective changes in economic fundamentals.

Past Economic Summits have also reflected considerable agreement on how best to assist the developing countries in coping with the international debt problems and promoting sustainable economic growth. The "case-by-case" debt strategy endorsed at Williamsburg has succeeded in dealing with immediate financial strains and initiating the adjustment efforts needed to provide a basis for sustained growth. The experiences of developing countries which have avoided external debt problems, as well as those of countries which have initiated adjustment, have underscored the central role of sound domestic policies in the economic development process -- macroeconomic policy discipline, flexible and market-oriented microeconomic policies, and an openness to foreign trade and investment.

Given a moderately favorable international environment, it would appear possible for the LDC's as a group to make significant further progress in structural adjustment and to achieve more rapid economic growth. To facilitate this, the U.S. has proposed a "Program for Sustained Growth" to strengthen the international debt strategy through adoption of growth-oriented macroeconomic and structural policy measures in troubled debtor countries. We are seeking the support of our key allies, and of the broader international community, for a program of comprehensive economic reform in the principal troubled debtor nations, supported by an expansion of
policy-based lending by the IBRD and a prudent increase in commercial bank lending to countries willing to undertake adjustment measures. We also propose a joint IMF/World Bank approach using IMF Trust Fund reflows, supplemented by World Bank and bilateral funding, to assist the poorest developing countries (located primarily in Sub-Saharan Africa).

Protectionist pressures pose a growing threat, both to the LDC adjustment process and to continued growth in the industrial world. Dollar depreciation, coupled with changes in relative cyclical positions, will reduce the U. S. trade deficit in the coming months and thereby help to moderate such pressures in the United States. In the interim it will be essential to make continued progress in dismantling unfair foreign trade practices and liberalizing trade in order to hold protectionism at bay. In addition, trade liberalization would greatly benefit the U.S. and the global economy. The most comprehensive and constructive approach would be timely initiation of a new round of multilateral trade negotiations, but the United States and like-minded countries have faced strong resistance at each step along the way to a new round in the GATT.

U.S. Economic Objectives and Strategy

1. Organize Summit economic discussions (and preparatory process) around the theme of "Economic Freedom: the Key to Prosperity." The focus in all areas of economic discussion should be on ways to unleash the energy and creativity of the individual, particularly the removal of governmentally-imposed barriers to structural adjustment and innovation.

2. Reaffirm the soundness of previously-agreed strategies for domestic economic policy in Summit countries, and obtain commitments to redoubled efforts to remove unnecessary government regulation and to reduce structural rigidities in labor and capital markets.

--- Manage the structural adjustment exercise in the OECD so as to lead to a Ministerial decision (which the Summit would endorse) for continuing research and policy discussion of factors influencing growth, job creation and adjustment.

--- The Summit should note progress in following-up the G-5 announcement, and subsequent improvements in
economic convergence, exchange rates, and prospects for external balances.

-- Depending on the outcome of the April 9-10 Interim Committee discussion, of the G-10 and G-24 reports on the functioning of the international monetary system, the Summit could either note or endorse the Committee's conclusions.

3. During the run-up to the Summit, ensure that visible progress is being made on all fronts to manage trade tensions and strengthen the international trading system. Take full advantage of opportunities to open markets and eliminate unfair trading practices abroad.

-- Summit leaders would endorse September, 1986 GATT Ministerial which will launch the new trade round, pledge their full support and best efforts toward its successful conclusion, and reaffirm the benefits of open markets. Depending on the state of preparations, we may want to have the Summit urge a successful conclusion to the Preparatory Committee's work, in line with the U.S. goal of including services in the new round.

-- During the preparatory process, note Japanese progress on financial market liberalization, MOSS talks, and other related issues, paying particular attention to any Spring 1986 initiatives to restructure the Japanese economy; while pressing firmly for continued efforts in Japan (and elsewhere).

4. Expand the dialogue with key LDC's on the development process, to enhance understanding of the central role of market-oriented domestic policies operating in a framework of open international trade and investment. Build on these countries' own growing awareness that the private sector is the source of economic growth, not governments.

-- Seek Summit endorsement of U.S. "Program for Sustained Growth" to promote structural adjustment and growth in troubled developing countries through adoption of comprehensive economic programs, supported by an increase in policy-based lending by the IBRD, and a prudent increase in commercial bank lending to countries willing to adjust.
-- Induce other Summit countries, as the largest members of these international institutions, to use their voices and votes to help build momentum for modifications in the lending policies of the IMF and IBRD.

-- Emphasize the crucial role of growth and open markets in Summit countries in coping with debt problems and promoting growth in developing countries. The U.S. has so far carried almost the entire burden; it is time for our Summit partners to do their share.

-- The Summit could also endorse, as appropriate, conclusions of the April Interim Committee meeting on the use of IMF Trust Fund reflows to promote comprehensive reforms in the poorest countries, supplemented by World Bank and bilateral financing.

5. The Summit would also note progress since Bonn in other areas of special concern which will not require detailed review:

-- Africa famine relief.
-- Cooperation on technology, environment.
-- Manned space station.
SPECIAL INSTRUCTIONS/REMARKS:

David,
Tom Dawson would like you to give this to Don Regan. This was just received by Tom at 5:21 pm 12/30.
Susan
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AND VADM JOHN M. POINDEXTER
THE WHITE HOUSE

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Economic developments in the Summit countries during 1985, and prospects for 1986, are encouraging in many respects. Economic activity has strengthened in all Summit countries since the beginning of 1985 (with the possible exception of Japan). Disparities in real growth rates have narrowed, and the contribution of domestic demand components to real growth has improved outside the United States. Low inflation rates achieved by most participants should be maintained, with further convergence toward the best average performance since the mid-1960's.
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Given a moderately favorable international environment, it would appear possible for the LDC's as a group to make significant further progress in structural adjustment and to achieve more rapid economic growth. To facilitate this, the U.S. has proposed a "Program for Sustained Growth" to strengthen the international debt strategy through adoption of growth-oriented macroeconomic and structural policy measures in troubled debtor countries. We are seeking the support of our key allies, and of the broader international community, for a program of comprehensive economic reform in the principal troubled debtor nations, supported by an expansion of
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Protectionist pressures pose a growing threat, both to the LDC adjustment process and to continued growth in the industrial world. Dollar depreciation, coupled with changes in relative cyclical positions, will reduce the U.S. trade deficit in the coming months and thereby help to moderate such pressures in the United States. In the interim it will be essential to make continued progress in dismantling unfair foreign trade practices and liberalizing trade in order to hold protectionism at bay. In addition, trade liberalization would greatly benefit the U.S. and the global economy. The most comprehensive and constructive approach would be timely initiation of a new round of multilateral trade negotiations, but the United States and like-minded countries have faced strong resistance at each step along the way to a new round in the GATT.

**U.S. Economic Objectives and Strategy**

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Depending on the outcome of the April 9-10 Interim Committee discussion, of the G-10 and G-24 reports on the functioning of the international monetary system, the Summit could either note or endorse the Committee's conclusions.

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3. During the run-up to the Summit, ensure that visible progress is being made on all fronts to manage trade tensions and strengthen the international trading system. Take full advantage of opportunities to open markets and eliminate unfair trading practices abroad.

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Summit leaders would endorse September, 1986 GATT Ministerial which will launch the new trade round, pledge their full support and best efforts toward its successful conclusion, and reaffirm the benefits of open markets. Depending on the state of preparations, we may want to have the Summit urge a successful conclusion to the Preparatory Committee's work, in line with the U.S. goal of including services in the new round.

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Drafted: E:SBrown (#364)
           12/23/85, 632-8854

Clearances: Treasury:DMulford
           NSC:SDanzansky
           USTR:GFeketekuty
           EB:DMcMinn
           E:AWallis
MEMORANDUM FOR JOHN M. POINDEXTER
DONALD R. FORTIER

FROM: STEPHEN I. DANZANSKY

SUBJECT: Tokyo Economic Summit: Request for Meeting

I would like to request a meeting with you both sometime before Friday of this week in order to review preparations for the Tokyo Economic Summit.

The preparation process is moving into high gear. On Friday there will be a third meeting of the Summit White House Working Group (which Don should attend) to review progress to date and the outcome of the Hawaii Sherpa meeting (1 p.m., Situation Room). Following this, a Summit White House Group meeting will be scheduled (to be chaired by Don Regan and John), for a final review of the Administration's Summit strategy.

It is essential that we meet to fully coordinate NSC participation in the Summit process, and to prepare for the upcoming White House planning meetings. All indications are that the NSC will take a leading role in this year's Summit. Included in our meeting would be Rod McDaniel, Johnathan Miller, Gaston Sigur and Alix Platt.

Note: I also request five minutes at the conclusion of the meeting with both of you and Rod McDaniel to discuss the staffing situation in the economics directorate, which must be resolved.

RECOMMENDATION:

That you both agree to meet with me and the above listed people some time before Friday to discuss preparations for the Tokyo Economic Summit.

Approve _______    Disapprove _______

That you both agree to meet with me and Rod McDaniel for five minutes at the conclusion of the meeting to discuss the staffing situation in the economics directorate.

Approve _______    Disapprove _______

NSC#8600931
Please move quickly

As

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

**cc:** VP Regan Buchanan Other

**Comments**

Should be seen by: ____________________________

(Date/Time)
TO: POINDEXTER
FROM: DANZANSKY

KEYWORDS: TOKYO SUMMIT

SUBJECT: REQUEST FOR MTG TO REVIEW PREPARATIONS

ACTION: FOR DECISION
DUE: 07 FEB 86
STATUS X
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FOR ACTION
POINDEXTER

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DISPATCH W/ATTACH FILE (C)
TO: FREDERICK J. RYAN, Director
     Presidential Appointments and Scheduling

FROM: RODNEY B. MCDANIEL

REQUEST: Two Meetings of Summit White House Group with
the President to review preparations for the
Tokyo Economic Summit (May 3-6).

PURPOSE: To brief the President on the preparations
overseen by the Summit White House Group for
the Tokyo Economic Summit and his meeting with
ASEAN leaders, and to review economic issues
to be discussed at the Summit.

BACKGROUND: The Summit White House Group, chaired by Regan
and Poindexter, was established by NSDD-198 to
coordinate preparation for the Tokyo Economic
Summit. A Summit White House Working Group
has met on three occasions and reported its
progress to Regan and Poindexter. A first
meeting with the President (April 7) would
provide an opportunity to report on general
preparations for the Summit. The second
meeting (April 24) would be devoted to a
review of the economic issues to be raised in
Tokyo.

PREVIOUS PARTICIPATION: The President met with members of the Summit
White House Group prior to the meeting of the
President's Personal Representatives in
Hawaii. The April 24 meeting would be
identical in format to that held on economic
issues preceding the 1985 Bonn Summit.

DATE & TIME: April 7
    DURATION: 30 minutes
April 24
    DURATION: 90 minutes

LOCATION: Cabinet Room

PARTICIPANTS: List attached (Tab A).

OUTLINE OF EVENTS: Regan and Poindexter introduction of each
meeting. Presentation of economic issues at
second meeting followed by general discussion.
2 Meetings
April 7 - 11:00
April 24 - 11:00

[Signature]
SCHEDULE PROPOSAL

TO: FREDERICK J. RYAN, Director
Presidential Appointments and Scheduling

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ACTION

February 21, 1986

MEMORANDUM FOR RODNEY B. MCDANIEL

FROM: STEPHEN I. DANZANSKY

SUBJECT: Tokyo Summit: Schedule Proposals for White House Summit Group Meetings and Briefing Time with President

Intensive preparation and briefing of the President for the Tokyo Economic Summit must begin in the three weeks preceding his April 26 departure.

Attached are two Schedule Proposals which, added to the NSC meeting proposal that has already been submitted for April 22, would provide the necessary briefing time for the President.

The proposed briefing meetings would be based on the following concept:

-- A short meeting in early April of the Summit White House Group (the oversight group established by the Tokyo NSDD) to alert the President to the upcoming event and associated issues (April 4).

-- Two one hour meetings with outside experts in mid-April similar to the sessions held before the Geneva Summit to prepare the President for the "unstructured time" on the Tokyo agenda (April 7 and 14).

-- An NSC meeting to address political and bilateral issues related to the Far Eastern trip (Schedule Proposal already submitted for April 22).

-- A final Summit White House Group meeting to discuss the economic issues to be raised at Tokyo (April 24).

Note: The final two meetings are identical to the briefing meetings held before Bonn last year, with the only difference that this year the bilateral and political session will be held as an NSC meeting.

The two sessions on April 7 and 14 would be to prepare the President for the discussions on the Japanese theme "The World Situation: Looking Towards the 21st Century, Now Less
"Than 15 Years Away," during the "unstructured time" on the Tokyo agenda. These meetings would entail presentations by panels of political and economic experts to discuss the major trends facing the United States in the coming years.

RECOMMENDATION:

That you sign the Schedule Proposals at Tabs I and II.

Approve ______ Disapprove ______

Gaston Sigur, Alta Platt and Johnathan Miller concur.

Attachment
Tab I Schedule Proposal for Summit White House Group Meetings
Tab A List of Participants
Tab II Schedule Proposal for "Unstructured Time" Briefings
REMARKS REQUIRED: None
MEDIA COVERAGE: White House photo
RECOMMENDED BY: John M. Poindexter
OPPOSED BY: None
Attachment
   Tab A    List of Participants
Participants

The President
Secretary Shultz
Secretary Baker
Donald T. Regan
Admiral John Poindexter
W. Dennis Thomas
Pat Buchanan
Larry Speakes
John C. Whitehead
Richard Darman
W. Allen Wallis
Donald R. Fortier
David Chew
William Henkel
Frederick J. Ryan, Jr.
Stephen I. Danzansky
Gaston Sigur
Johnathan Miller
David Mulford
Robert Pearson
Alexander H. Platt
THE WHITE HOUSE
WASHINGTON

Fred --

Re Tokyo Summit meetings.

I have talked with NSC folks.

Here is what is being requested:

April 7 - 30 minute meeting (tentatively on schedule) for Summit working group

[Signature]

60 min. meeting for "unstructured discussion - see attached SP which apparently has been floating around but never raised

[Signature]

April 14 "unstructured" session

[Signature]

April 22 NSC meeting on Tokyo

[Signature]

April 24 Summit group meeting (Tentatively scheduled)

Please let me know your guidance on these.

Jean
COPY REQUESTED BY WHORM37

Vranich, Janice
Mail-45  456-2266  OEOB Room  7-
THE WHITE HOUSE
WASHINGTON

SCHEDULE PROPOSAL

TO: FREDERICK J. RYAN, Director
Presidential Appointments and Scheduling

FROM: RODNEY B. MCDANIEL

REQUEST: Briefing Meetings for Tokyo Economic Summit

PURPOSE: To prepare the President for the "unstructured time" program at the Tokyo Economic Summit (May 3-6).

BACKGROUND: The agenda of this year's Tokyo Summit will include a period of "unstructured time" devoted to a discussion of the Japanese Summit theme "Looking Towards the Twenty-First Century." The other Summit leaders will be certain to look to the President for direction in these discussions. In order to prepare the President for a discussion of the political, economic and historical trends confronting the seven Summit nations in the coming years, the President should meet with various academic and political experts to discuss world developments into the next century and beyond.

PREVIOUS PARTICIPATION: These meetings would be similar in format to the outside experts meetings held before the Geneva Summit.

DATE & TIME: Two sessions (possibly working lunches):
April 7 and 14.
DURATION: 60 minutes

LOCATION: The Roosevelt Room

PARTICIPANTS: To be provided.

OUTLINE OF EVENTS: These two sessions would involve a presentation by experts on political and economic issues and would provide an opportunity for the President to ask questions.

REMARKS REQUIRED: None

MEDIA COVERAGE: White House photo

PROPOSED BY: John M. Poindexter

OPPOSED BY: None
### National Security Council
The White House

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**Legend:**
- I = Information
- A = Action
- R = Retain
- D = Dispatch
- N = No further Action

**cc:** VP, Regan, Buchanan, Other, LAM, WRP

**Comments**

Should be seen by: ________________________

(Date/Time)
TO: MCDANIEL
FROM: DANZANSKY

RECEIVED 24 FEB 86 10
DOCDATE 21 FEB 86

KEYWORDS: TOKYO SUMMIT

SUBJECT: TOKYO SUMMIT / SCHEDULE PROPOSALS FOR WH SUMMIT GRP MEETINGS & BRIEFING

TIME W/ PRES

ACTION: FOR SIGNATURE
DUE: 25 FEB 86
STATUS X
FILES WH

FOR ACTION
FOR CONCURRENCE
FOR INFO
MCDANIEL

COMMENTS

REF#
LOG
NSCIFID

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

C 2/28 Pearson Sgd 8P

DISPATCH W/ATTACH FILE
MEMORANDUM FOR DONALD T. REGAN
DENNIS THOMAS
PATRICK J. BUCHANAN

FROM: ANTHONY R. DOLAN

Two thoughts on the economic summit.

1. The President has emphasized the importance of the tie between economic and political freedom and its importance to growth and prosperity. Might this be a good time to codify this Reagan legacy with a "Tokyo Declaration of the Democratic Nations On Economic Freedom and The Developing World"? I think even Mitterand would like an opportunity to suggest to developing countries that State intervention is not the best way to run a railroad or anything else. A draft statement incorporating the President's past words on this as well as some things the former Secretary of Treasury said might be in order. Would love to help with this.

2. America's fascination with Japanese business and culture and the Japanese experience with MacArthur would make a wonderful theme for a presidential speech. A direct talk to the Japanese people about their importance in the modern world and the alliance of our two nations.