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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20508

418000

F0006-10

June 12, 1986

INFORMATION

MEMORANDUM FOR JOHN M. POINDEXTER

Natl Sec Advisor  
has seen

THRU: ~~STEPHEN I. DANZANSKY~~

FROM: ~~ALEXANDER H. PLATT~~

SUBJECT: OP-ED Piece on Trade

Attached for your review is the OP-ED piece on trade at the Tokyo Summit (Tab I) revised to take into account some of Ron Sable's comments. Specifically, there is a new introduction putting the statement into the context of international security (political stability and growth of democratic institutions).

In addition, Ron Sable recommends that the timing of publication be closely attuned to activity on trade legislation in the Senate.

Attachment  
Tab I Revised OP-ED Piece

cc: Ron Sable  
Lynn Sachs  
Karna Small

June 19, 1986

Text has been retyped to incorporate changes made by Admiral Poindexter.

cc: Ron Sable  
Karna Small

The President's trip to the Far East this spring took him to Indonesia to meet with representatives of the ASEAN nations and culminated in the 12th Economic Summit of the leading industrialized nations in Tokyo. Throughout the trip, and during the President's numerous meetings with foreign leaders, no subject, with the possible exception of terrorism, resulted in as much discussion as the issue of international trade and, more specifically, how the United States proposed to deal with growing domestic protectionist pressures.

The acute interest of our allies and trading partners is easily understood. Since the end of the Second World War, the nations of the free world have looked to the United States for leadership in supporting a free and open multilateral trading system. Through U.S. leadership, the last forty years have been a period of unprecedented prosperity and expansion of trade, the fruits of which have been increased international political stability and the unprecedented growth of democratic institutions. History has shown there is a direct convergence of economic and political freedoms: that the freedom of the marketplace, free and fair trade, open investment opportunities and freedom from external disruption are mutually reinforcing.

With good reason our world partners are anxious that the United States remain true to its principles. The recent passage of the Omnibus Trade bill suggests a regrettable willingness on the part of the House of Representatives to risk severe damage to the international trading system. Fortunately, at the Tokyo Economic Summit, the President chose to continue to seek expanded opportunity for American businesses rather than fall prey to the protectionist defeatism exemplified by the House bill.

As debate continues in the coming months on international trade and the U.S. trade deficit, it is important to review the President's accomplishments at Tokyo and consider their long term effects. Where the House chose to restrict access to markets as a solution to the large trade imbalance, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even more -- an approach which promises a constructive solution to the trade deficit problem.

Let's review the progress on trade made at the Economic Summit:

First, the decision of the Summit nations to work more closely together in the coordination of economic policies will have a significant long term impact on resolving the problem of large trade imbalances. Clearly, the high exchange value of the dollar in recent years has caused havoc within trade-sensitive American industries and has compounded the U.S. trade deficit. This high value stemmed mainly from underlying imbalances in economic performance here and abroad. Under the Tokyo Summit proposal, the Finance Ministers of the seven nations, using agreed domestic indicators, will be able to identify sources of economic imbalances in their countries and examine the compatibility of economic measures. These policies should contribute toward avoiding future imbalances and achieving more stable exchange rates, which in turn will have a positive effect on the ability of U.S. and foreign businesses to plan future trade activity. Increased confidence will enhance trade.

Draft with  
JMP revisions —

The President's trip to the Far East this spring, ~~the longest of his Presidency,~~ took him to Indonesia to meet with representatives of the ASEAN nations and culminated in the 12th Economic Summit of the leading industrialized nations <sup>in Tokyo.</sup> Throughout ~~the~~ trip, and during the President's numerous meetings with foreign leaders, no subject, with the possible exception of terrorism, <sup>resulted in</sup> ~~attracted~~ as much discussion as the issue of international trade~~x~~ and, more specifically, how the United States proposed to deal with ~~the~~ growing domestic protectionist pressures.

The <sup>acute</sup> ~~interest~~ of our allies and ~~our~~ trading partners is easily understood. Since the end of the Second World War, the nations of the free world have looked to the United States for leadership in supporting a free and open multilateral trading system. Through U.S. leadership, the last forty years <sup>has</sup> ~~has~~ been a period of unprecedented prosperity and expansion of trade, the fruits of which have been <sup>our</sup> ~~increased~~ <sup>international</sup> political stability and the unprecedented growth of democratic institutions. History has shown <sup>there is</sup> ~~a~~ direct convergence of economic and political freedoms: that the freedom of the marketplace, free and fair trade, open investment opportunities and <sup>freedom</sup> ~~security~~ from external disruption are mutually reinforcing.

With good reason our world partners are anxious that the United States remain true to its principles. The recent passage of the Omnibus Trade bill suggests a regrettable willingness on the part of the House of Representatives to risk severe damage to the international trading system. Fortunately, at the Tokyo Economic Summit, the President chose to continue to seek expanded

opportunity for American businesses rather than fall prey to the protectionist defeatism exemplified by the House bill.

As debate continues in the coming months on international trade and the U.S. trade deficit, it is important to review the President's accomplishments at Tokyo and consider their long term effects. Where the House chose to restrict access to markets as a solution to the large trade imbalance, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even more -- an approach which promises a constructive solution to the trade deficit problem.

Let's review the progress on trade made at the Economic Summit:

First, the decision of the Summit nations to work more closely <sup>together</sup> in the coordination of economic policies will have a significant, long term impact on resolving the problem of large trade imbalances. Clearly, the high <sup>exchange</sup> value of the dollar ~~over the~~ <sup>in recent</sup> ~~past few~~ years has <sup>caused</sup> ~~wreaked~~ havoc within trade-sensitive American industries and has compounded the U.S. trade deficit. This high value stemmed mainly from underlying imbalances in economic performance here and abroad. Under the Tokyo Summit proposal, the Finance Ministers of the seven nations, using agreed ~~upon~~ domestic indicators, will be able to identify sources of economic imbalances in their countries and examine the compatibility of economic measures. These policies should contribute <sup>toward</sup> ~~to~~ avoiding future imbalances and achieving more stable exchange rates, which <sup>in turn</sup> will have a positive effect on the ability of U.S. and foreign

businesses to plan future trade activity. Increased confidence will enhance trade.

<sup>Next</sup>  
 Second, the strong endorsement by the Tokyo Economic Summit for the commencement of a new round of multilateral trade negotiations represents important support for the preparatory process currently under way. In their <sup>previous</sup> ~~past~~ four ~~annual~~ Economic Summits, the Summit countries have discussed the importance of trade liberalization and a new round of trade talks. <sup>During</sup> ~~In~~ the past year, through the establishment of a Preparatory Committee, great progress has been made towards ~~making~~ making the new round a reality. The final decision on when to launch the negotiations is scheduled to be taken in September at a meeting <sup>in Uruguay</sup> ~~of~~ trade ministers from the contracting parties of the General Agreement on Tariffs and Trade ~~in Uruguay~~. The Summit's endorsement of a new round indicates the commitment of the leading industrial nations to ~~seeking~~ a market opening solution to the problem of trade imbalances.

Third, although the United States has been a leader in the effort to launch ~~the~~ new trade negotiations, it has done so with the conviction that the only worthwhile negotiations will be those that cover all aspects of international trade. Only when every issue is on the table will ~~the trading~~ nations be able to balance the many elements of ~~the~~ modern day trading ~~system~~, where trade in goods may only be a small percentage of ~~the~~ overall transfers between nations and many trading activities are not addressed at all by existing international rules or <sup>not</sup> properly accounted for in computing ~~the~~ trade statistics.

Among the successes of ~~the~~ Tokyo Summit was ~~the~~ recognition by the Summit nations of the importance of adapting the world trading system to new developments and bringing new issues under international discipline. In response ~~to U.S.~~ <sup>to</sup> initiatives <sup>by the U.S.,</sup> the Summit Economic Declaration included a reference to specific areas which should be addressed in the new round that have not <sup>previously</sup> been included ~~before~~ in the GATT framework. These are: trade in services, intellectual property rights, and foreign direct investment. While not intended as an exclusive list, progress in identifying barriers to trade in these areas and <sup>in</sup> seeking increased market access will be of particular importance to U.S. industries in the coming years.

Finally, beyond ~~the~~ progress in solidifying support for the new round, ~~in Tokyo,~~ <sup>in Tokyo</sup> the President also initiated discussions <sup>on</sup> another trade related issue, ~~which has~~ <sup>with that</sup> important international economic ramifications: agriculture. <sup>Under</sup> ~~With~~ the President's leadership, for the first time at an Economic Summit the Heads of State talked extensively of their <sup>mutual</sup> ~~shared~~ problem of costly agricultural programs, that represent major drains on the economies of each nation. The seven Summit nations <sup>currently</sup> spend about \$100 billion on these programs while farmers only receive about 60 percent of the ~~total~~ total. These programs also tend to distort the world market. Regulation, control, and subsidization of agriculture results in excess productive capacity and inflated land prices. The cost of <sup>such</sup> ~~these~~ market distortions is then shifted <sup>on</sup> ~~to~~ world markets <sup>that</sup> by programs which subsidize agricultural exports, <sup>yet</sup> and restrict imports. The present

international trading regime, containing almost no discipline over agricultural trade, makes frictions such as the current dispute between the United States and the European Community extremely difficult to resolve.

Once broached, ~~it was found~~ <sup>recognized</sup> in Tokyo, ~~that there was~~ <sup>clearly</sup> ~~clear~~ <sup>was evident</sup> consensus among the Summit nations, ~~that existing agricultural policies~~ <sup>only</sup> promise the perpetuation of inefficiencies and distortions in the international marketplace. It was recognized <sup>that,</sup> in working together, the Summit nations might begin to find a solution to the problem without undercutting support for each ~~country's~~ nation's agricultural objectives. The Tokyo Economic Declaration ~~thus~~ reflects the agreement that action is needed to redirect policies and make necessary structural adjustments in order to align agriculture production to world demand. The new trade round will be a most important forum to ~~fashion~~ <sup>craft</sup> a resolution of the agricultural trade problem. The President's aim is to provide a level playing field for U.S. farmers in the international marketplace.

The accomplishments on trade of the Tokyo Economic Summit ~~■~~ were thoughtful, constructive and positive. No quick fixes were proposed because, contrary to the House proposal, no quick fixes are possible. In Tokyo, the foundation was laid for a rational response to an important challenge. With time and effort -- effort we, our allies and trading partners are willing to make -- a stronger international trading system will be built on that foundation. American workers, consumers and businesses will be ~~the~~ <sup>the</sup> ~~its~~ chief beneficiaries.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

Natl Sec Advisor  
has seen

June 10, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: ALEXANDER H. PLATT

SUBJECT: OP-ED Article: Achievements on Trade at the Tokyo Summit

Attached is another draft of the Trade OP-ED piece revised to reflect comments from State and Don Regan (Tab I). This should replace the draft sent yesterday.

RECOMMENDATION:

That you substitute the attached draft for the one you received yesterday.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachment  
Tab I Revised OP-ED Piece

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

June 9, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: ~~STEPHEN~~ I. DANZANSKY

FROM: ~~ALEXANDER~~ H. PLATT

SUBJECT: OP-ED Article: Achievements on Trade at the Tokyo Summit

The attached OP-ED article was circulated for comment last Tuesday, June 3, to Shultz, Baker and Yeutter with cross copies to Regan, Buchanan, Kingon and Miller (Tab B).

To date we have received comments (consisting of minor word changes) from USTR, OMB and Kingon (noted in draft at Tab A).

RECOMMENDATION:

Given the Admiral's desire to publish the piece (Tab A) this week, we recommend that steps necessary for publication should now be taken.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachments

- Tab A OP-ED Article w/Changes
- Tab B Memo to Shultz/Baker/Yeutter

The House of Representatives, with the recent passage of its Omnibus Trade Bill, has vividly illustrated one type of response to the challenge of the trade deficit. Confronted with increased international competition, supporters of the bill would seek to shield the American economy from its effects -- on the misguided premise that in a protected environment, U.S. industry will grow to its full potential. A better approach to the same challenge was demonstrated at the Tokyo Economic Summit in early May. As debate is joined in the coming months on the trade issue, it is important to review the accomplishments at Tokyo and their long term effects on the problem which the House of Representatives claims to have addressed.

Where the House bill would restrict access to markets as a solution to the large trade imbalances, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even further. Instead of defeatism and retreat, under the President's leadership, the Economic Summit nations chose to seek expanded opportunity.

Let's review what the U.S. accomplished on trade at the Economic Summit and how it promises a constructive solution to the trade deficit problem:

First, the decision of the Summit nations to work more closely in the coordination of economic policies will have a significant long term impact on resolving the problem of large trade imbalances. Clearly the high value of the dollar over the past few years has wreaked havoc within trade-sensitive American industries and has compounded the U.S. trade deficit. This high value stemmed mainly from underlying imbalances in economic

performance here and abroad. Under the Tokyo Summit proposal, the Finance Ministers of the seven nations, using agreed upon domestic indicators, will be able to identify sources of economic imbalances in their countries and examine the compatibility of economic measures. These policies should contribute to avoiding future imbalances and achieving more stable exchange rates which will have a positive effect on the ability of U.S. and foreign businesses to plan future trade activity. Increased confidence will enhance trade.

Second, the strong endorsement by the Tokyo Economic Summit for the commencement of a new round of multilateral trade negotiations represents important support for the preparatory process currently under way. In their past four annual Economic Summits, the Summit countries have discussed the importance of trade liberalization and a new round of trade talks. In the past year, through the establishment of a Preparatory Committee, great progress has been made towards making the new round a reality. The final decision on when to launch the negotiations is scheduled to be taken in September at a meeting of trade ministers from the contracting parties of the General Agreement on Tariffs and Trade in Uruguay. The Summit's endorsement of a new round indicates the commitment of the leading industrial nations to seeking a market opening solution to the problem of trade imbalances.

Third, although the United States has been a leader in the effort to launch the new trade negotiations, it has done so with the conviction that the only worthwhile negotiations will be

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THE WHITE HOUSE  
WASHINGTON

June 3, 1986

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

THE HONORABLE JAMES A. BAKER, III  
The Secretary of the Treasury

THE HONORABLE CLAYTON K. YEUTTER  
United States Trade Representative

SUBJECT: Achievements on Trade at the Tokyo Summit:  
OP-ED Article

As part of the overall Administration response to the threatened trade bill, I wish to publish the attached OP-ED piece next week highlighting the President's successes at the Tokyo Economic Summit on the trade issue. I welcome your comments.



John M. Poindexter

Attachment  
Tab A OP-ED Article

cc: Donald T. Regan  
Patrick Buchanan  
Alfred H. Kingon  
Jim Miller

cc: McAllister  
Stucky

The House of Representatives, with the passage of its Omnibus Trade Bill last week, has vividly illustrated one type of response to the challenge of the trade deficit. Confronted with increased international competition, supporters of the bill would seek to shield the American economy from its effects -- on the misguided premise that in a protected environment, U.S. industry will grow to its full potential. A better approach to the same challenge was demonstrated at the Tokyo Economic Summit in early May. As debate is joined in the coming months on the trade issue, it is important to review the accomplishments at Tokyo and their long term effects on the problem which the House of Representatives claims to have addressed.

Where the House bill would restrict access to markets as a solution to the large trade imbalances, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even further. Instead of defeatism and retreat, under the President's leadership, the Economic Summit nations chose to seek expanded opportunity.

Let's review what the U.S. accomplished on trade at the Economic Summit and how it promises a constructive solution to the trade deficit problem:

First, the decision of the Summit nations to work more closely in the coordination of economic policies will have a significant long term impact on resolving the problem of large trade imbalances. Clearly the large misalignment in the value of the dollar over the past few years has wreaked havoc within ~~trade~~ <sup>trade</sup> sensitive American industries and has compounded the U.S. trade deficit. Under the Tokyo Summit proposal, the Finance

Ministers of the seven nations, using agreed upon domestic indicators, will be able to review those underlying economic policies which contribute to either convergence or divergence of performance, thereby identifying trends and anomalies which could lead to future imbalances. In addition, these policies should contribute to more stable exchange rates which will have a positive effect on the ability of U.S. and foreign businesses to plan future trading activity. Increased confidence will enhance trade.

Second, the strong endorsement by the Tokyo Economic Summit for the commencement of a new round of multilateral trade negotiations represents important support for the preparatory process currently under way. *The new round has been a U.S. initiative since the Williamsburg summit in 1983.* ~~The new round was first proposed by the President at the Bonn Economic Summit in 1985.~~ In the past year through the establishment of a Preparatory Committee, great progress has been made towards making *the new round* ~~that proposal~~ a reality.

The final decision on when to launch the negotiations is scheduled to be taken in September at a meeting of *trade* Ministers of *from the* the General Agreement on Tariffs and Trade in Uruguay. *concerning* The Summit's endorsement of the new round, and its targeting of the September meeting for decisive progress, indicates the commitment of the leading industrial nations to seeking a market opening solution to the problem of trade imbalances. *parties*

Third, although the United States has been a leader in the effort to launch the new trade negotiations, it has done so with the conviction that the only worthwhile negotiations will be those that cover all aspects of international trade. Only when

*inconsistent  
we have been  
proceeding for a  
new round  
since  
Sept 1984*

every issue is on the table will the trading nations be able to balance the many elements of the modern day trading system, where trade in goods may only be a small percentage of the overall transfers between nations and many trading activities are not addressed at all by existing international rules or properly accounted for in computing the trade statistics.

Among the successes of the Tokyo Summit was the recognition by the Summit nations of the importance of adapting the world trading system to new developments and ~~the~~ bringing ~~of~~ new issues under international discipline. In response to U.S. initiatives, the Summit Economic Declaration included a reference to specific areas which should be addressed in the new round that have not been included before in the GATT framework. These are: trade in services, intellectual property rights and foreign direct investment. While not intended as an exclusive list, progress in identifying barriers to trade in these areas and seeking increased market access will be of particular importance to U.S. industries in the coming years.

Finally, beyond the progress in solidifying support for the new round in Tokyo, the President also led discussions on another trade related issue, which has important international economic ramifications: agriculture. With the President's leadership, for the first time at an Economic Summit the Heads of State talked extensively of their shared problem of costly agricultural programs that represent major drains on the economies of each nation. The seven Summit nations spend about \$100 billion on these programs while farmers only receive about 60 percent of

this total. These programs also tend to distort the world market. Regulation, control and subsidization of agriculture results in excess productive capacity and inflated land prices. The cost of these market distortions is then shifted on to world markets by programs which subsidize agriculture exports and restrict imports. The present international trading regime, containing almost no discipline over agricultural trade, makes frictions such as the current dispute between the United States and the European Community extremely difficult to resolve.

Once broached, it was found in Tokyo that there was consensus among the Summit nations that existing agricultural policies promise the perpetuation of inefficiencies and distortions in the international marketplace. It was recognized that in concert the Summit nations might begin to find a solution to the problem without undercutting support for each nation's agricultural objectives. The Tokyo Economic Declaration reflects the agreement that action is needed to redirect policies and make necessary structural adjustments in order to align agriculture production to world demand. The new trade round will be a most important forum to fashion a resolution of the agricultural trade problem. The President's aim is to provide a level playing field for U.S. farmers in the international marketplace.

The accomplishments on trade of the Tokyo Economic Summit were thoughtful, constructive and positive. No quick fixes were proposed because no quick fixes are possible. In Tokyo, the foundation was laid for a rational response to an important challenge. With time and effort, a stronger international

trading system will be built on that foundation and American workers, consumers and businesses will be its chief beneficiaries.

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

June 6, 1986

MEMORANDUM

TO: ADMIRAL JOHN M. POINDEXTER  
FROM: AMBASSADOR CLAYTON YEUTTER *CY*  
SUBJECT: ACHIEVEMENTS ON TRADE AT THE TOKYO SUMMIT (OP-ED ARTICLE)

John, I had a chance to review your excellent op-ed piece on the trade bill and the President's achievements at the Summit. I encourage you to go ahead and have it published and appreciate your effort to help us keep a bad bill from reaching the President's desk.

Paul,  
Let's get the other  
comments in and  
talk to Ron Soble  
about appropriate  
timing for publication

National Security Council  
The White House

BT

86 JUN 19 P 3: 35

System # \_\_\_\_\_  
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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)

Send copy to Arlan w/  
attached note.

Done! 2.7. 1856 BR

27

National Security Council  
The White House

86 JUN 12 P 7: 17

System # I  
Package # 4238  
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John Poindexter	<u>4</u>	<u>J</u>	<u>A</u>
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Situation Room			

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cc: VP   Regan   Buchanan   Other \_\_\_\_\_

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(Date/Time)

*For release and publication  
at appropriate time.*

*J*

H.S.W.

National Security Council  
The White House

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cc: VP    Regan    Buchanan    Other \_\_\_\_\_

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National Security Council  
The White House

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86 JUN 9

P 3: 27

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cc: VP Regan Buchanan Other \_\_\_\_\_

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FROM PLATT

DOCDATE 29 MAY 86

PLATT

02 JUN 86

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03 JUN 86

KEYWORDS: TOKYO SUMMIT

INTL TRADE

MEDIA

SUBJECT: OP-ED ARTICLE ON TRADE & TOKYO SUMMIT

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THE WHITE HOUSE  
WASHINGTON

June 3, 1986

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FG006-12

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

THE HONORABLE JAMES A. BAKER, III  
The Secretary of the Treasury

THE HONORABLE CLAYTON K. YEUTTER  
United States Trade Representative

SUBJECT: Achievements on Trade at the Tokyo Summit:  
OP-ED Article

As part of the overall Administration response to the threatened trade bill, I wish to publish the attached OP-ED piece next week highlighting the President's successes at the Tokyo Economic Summit on the trade issue. I welcome your comments.

John M. Poindexter

Attachment  
Tab A          OP-ED Article

cc: Donald T. Regan  
Patrick Buchanan  
Alfred H. Kingon  
Jim Miller

6/3  
Revised  
pages  
for 4238

MSC 8604238

The House of Representatives, with the passage of its Omnibus Trade Bill last week, has vividly illustrated one type of response to the challenge of the trade deficit. Confronted with increased international competition, supporters of the bill would seek to shield the American economy from its effects -- on the misguided premise that in a protected environment, U.S. industry will grow to its full potential. A better approach to the same challenge was demonstrated at the Tokyo Economic Summit in early May. As debate is joined in the coming months on the trade issue, it is important to review the accomplishments at Tokyo and their long term effects on the problem which the House of Representatives claims to have addressed.

Where the House bill would restrict access to markets as a solution to the large trade imbalances, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even further. Instead of defeatism and retreat, under the President's leadership, the Economic Summit nations chose to seek expanded opportunity.

Let's review what the U.S. accomplished on trade at the Economic Summit and how it promises a constructive solution to the trade deficit problem:

First, the decision of the Summit nations to work more closely in the coordination of economic policies will have a significant long term impact on resolving the problem of large trade imbalances. Clearly the large misalignment in the value of the dollar over the past few years has wreaked havoc within export-sensitive American industries and has compounded the U.S. trade deficit. Under the Tokyo Summit proposal, the Finance

Ministers of the seven nations, using agreed upon domestic indicators, will be able to review those underlying economic policies which contribute to either convergence or divergence of performance, thereby identifying trends and anomalies which could lead to future imbalances. In addition, these policies should contribute to more stable exchange rates which will have a positive effect on the ability of U.S. and foreign businesses to plan future trading activity. Increased confidence will enhance trade.

Second, the strong endorsement by the Tokyo Economic Summit for the commencement of a new round of multilateral trade negotiations represents important support for the preparatory process currently under way. The new round was first proposed by the President at the Bonn Economic Summit in 1985. In the past year, through the establishment of a Preparatory Committee, great progress has been made towards making that proposal a reality. The final decision on when to launch the negotiations is scheduled to be taken in September at a meeting of Ministers of the General Agreement on Tariffs and Trade in Uruguay. The Summit's endorsement of the new round, and its targeting of the September meeting for decisive progress, indicates the commitment of the leading industrial nations to seeking a market opening solution to the problem of trade imbalances.

Third, although the United States has been a leader in the effort to launch the new trade negotiations, it has done so with the conviction that the only worthwhile negotiations will be those that cover all aspects of international trade. Only when

every issue is on the table will the trading nations be able to balance the many elements of the modern day trading system, where trade in goods may only be a small percentage of the overall transfers between nations and many trading activities are not addressed at all by existing international rules or properly accounted for in computing the trade statistics.

Among the successes of the Tokyo Summit was the recognition by the Summit nations of the importance of adapting the world trading system to new developments and the bringing of new issues under international discipline. In response to U.S. initiatives, the Summit Economic Declaration included a reference to specific areas which should be addressed in the new round that have not been included before in the GATT framework. These are: trade in services, intellectual property rights and foreign direct investment. While not intended as an exclusive list, progress in identifying barriers to trade in these areas and seeking increased market access will be of particular importance to U.S. industries in the coming years.

Finally, beyond the progress in solidifying support for the new round in Tokyo, the President also led discussions on another trade related issue, which has important international economic ramifications: agriculture. With the President's leadership, for the first time at an Economic Summit the Heads of State talked extensively of their shared problem of costly agricultural programs that represent major drains on the economies of each nation. The seven Summit nations spend about \$100 billion on these programs while farmers only receive about 60 percent of

this total. These programs also tend to distort the world market. Regulation, control and subsidization of agriculture results in excess productive capacity and inflated land prices. The cost of these market distortions is then shifted on to world markets by programs which subsidize agriculture exports and restrict imports. The present international trading regime, containing almost no discipline over agricultural trade, makes frictions such as the current dispute between the United States and the European Community extremely difficult to resolve.

Once broached, it was found in Tokyo that there was consensus among the Summit nations that existing agricultural policies promise the perpetuation of inefficiencies and distortions in the international marketplace. It was recognized that in concert the Summit nations might begin to find a solution to the problem without undercutting support for each nation's agricultural objectives. The Tokyo Economic Declaration reflects the agreement that action is needed to redirect policies and make necessary structural adjustments in order to align agriculture production to world demand. The new trade round will be a most important forum to fashion a resolution of the agricultural trade problem. The President's aim is to provide a level playing field for U.S. farmers in the international marketplace.

The accomplishments on trade of the Tokyo Economic Summit were thoughtful, constructive and positive. No quick fixes were proposed because no quick fixes are possible. In Tokyo, the foundation was laid for a rational response to an important challenge. With time and effort, a stronger international

trading system will be built on that foundation and American workers, consumers and businesses will be its chief beneficiaries.

NATIONAL SECURITY COUNCIL  
 WASHINGTON, D.C. 20506

June 2, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: ALEXANDER H. PLATT

SUBJECT: OP-ED Article on Trade and the Tokyo Summit

Attached for your signature is a memorandum forwarding your OP-ED piece on trade at the Tokyo Summit to Secretaries Shultz and Baker and Ambassador Yeutter for comment (Tab I).

RECOMMENDATION:

That you sign the memorandum at Tab I.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachments

Tab I

Memo to Shultz/Baker/Yeutter

Tab A OP-ED Article

Tab II

Platt Memo of May 29 w/Poindexter Notations

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

May 29, 1986

INFORMATION

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: ~~ALEXANDER H. PLATT~~

SUBJECT: OP-ED Article on Trade and the Tokyo Summit

As you requested, attached is a draft OP-ED article addressing accomplishments on trade at the Tokyo Economic Summit (Tab A).

Attachment  
Tab A

OP-ED Article

OK with mods.

Prepare a brief memo for me to: Shultz, Baker and  
Gentle for comment. Say I want to publish next  
week. CC to Regan, Kingon, Buchanan.

J

The House of Representatives, with the passage of its Omnibus Trade Bill last week, has vividly illustrated one type of response to the challenge of the trade deficit. Confronted with increased international competition, supporters of the bill would seek to shield the American economy from its effects -- on the misguided premise that in a protected environment, U.S. industry will grow to its full potential. A better approach to the same challenge was demonstrated at the Tokyo Economic Summit in early May. As debate is joined in the coming months on the trade issue, it is important to review the accomplishments at Tokyo and their long term effects on the problem which the House Democratic leadership claims to have addressed.

Where the House bill would restrict access to markets as a solution to the large trade imbalances, the Economic Summit partners chose to address the underlying causes of the imbalance and to commit to a means of opening international markets even further. Instead of defeatism and retreat, under the President's leadership, the Economic Summit nations chose to seek expanded opportunity.

Let's review what the U.S. accomplished on trade at the Economic Summit and how it promises a constructive solution to the trade deficit problem:

To address the underlying causes of the trade problem was a major objective of the United States going into the Tokyo Economic Summit. Accomplishing that objective was an important Summit achievement. Long term, the decision of the Summit nations to work more closely in the coordination of economic policies in order to create more stable exchange markets will have the most significant impact on resolving the trade imbalance

problem. Finance Ministers will consult closely and continually to make economic policies more compatible and to stabilize exchange markets. More stable exchange rates will have a demonstrable effect on the ability of U.S. and foreign businesses to plan future trading activity. Increased confidence will enhance trade.

The strong endorsement by the Tokyo Economic Summit for the commencement of the new round of multilateral trade negotiations represents important support for the preparatory process currently under way. The new round was first proposed by the President at the Bonn Economic Summit in 1985. In the past year, through the establishment of a Preparatory Committee, great progress has been made towards making that proposal a reality. The decision on <sup>final</sup> ~~whether~~ <sup>when</sup> to launch the negotiations is scheduled to be taken at the meeting of GATT <sup>spell out</sup> Ministers in September in Uruguay. The Summit's endorsement of the new round, ~~and its~~ <sup>step</sup> ~~targeting of the September meeting for decisive progress,~~ indicates the commitment of the leading industrial nations to seeking a market opening solution to the problem of trade imbalances.

Although the United States has been a leader in the effort to launch the new trade negotiations, it has done so with the conviction that the only worthwhile negotiations will be those that cover all aspects of international trade. Only when every issue is on the table will the trading nations be able to balance the many elements of the modern day trading system, where trade in goods may only be a small percentage of the overall transfers

of the  
General  
Agreement  
on Tariffs  
and Trade

between nations and many trading activities are not addressed at all by existing international rules or properly accounted for in computing the trade statistics.

Among the successes of the Tokyo Summit was the recognition by the Summit nations of the importance of adapting the world trading system to new developments and the bringing of new issues under international discipline. In response to U.S. initiatives, the Summit Economic Declaration included a reference to specific areas which should be addressed in the new round that have not been included before in the GATT framework. These are: trade in services, intellectual property rights and foreign direct investment. While not intended as an exclusive list, progress in identifying barriers to trade in these areas and seeking increased market access will be of particular importance to U.S. industries in the coming years.

Beyond the progress in solidifying support for the new round in Tokyo, the President also led discussions on another trade related issue, which has important international economic ramifications: agriculture. With the President's leadership, for the first time at an Economic Summit the Heads of States talked extensively <sup>F</sup> on their shared problem of costly agricultural programs that represent ~~not only~~ major budget drains on <sup>the economies of</sup> each nation, <sup>The seven Summit nations spend about \$100 billion on these programs</sup> but tend to distort the world market. Regulation, <sup>These programs also</sup> control and subsidization of agriculture results in excess productive capacity and inflated land prices. The cost of these market distortions is then shifted on to the world markets by programs which subsidize agriculture exports and restrict

*while farmers only receive about 60 percent of this total.*

imports. The present international trading regime, containing almost no discipline over agricultural trade, makes frictions such as the current dispute between the United States and the European Community extremely difficult to resolve.

Once broached, it was found in Tokyo that there was consensus among the Summit nations that existing agricultural policies promise the perpetuation of inefficiencies and distortions in the international marketplace. It was recognized that in concert the Summit nations might begin to find a solution to the problem without undercutting support for each nation's agricultural objectives. The Tokyo Economic Declaration reflects the agreement that action is needed to redirect policies and make necessary structural adjustments in order to align agriculture production to world demand. The new trade round will be a most important forum to fashion a resolution of the agricultural trade problem. The President's aim is to provide a level playing field for U.S. farmers in the international marketplace.

The accomplishments on trade of the Tokyo Economic Summit were thoughtful, constructive and positive. No quick fixes were proposed because no quick fixes are possible. In Tokyo, the foundation was laid for a rational response to an important challenge. With time and effort, a stronger international trading system will be built on that foundation and American workers, consumers and businesses will be its chief beneficiaries.





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TO POINDEXTER FROM PLATT  
 PLATT  
 POINDEXTER

DOCDATE 29 MAY 86  
 02 JUN 86  
 03 JUN 86

KEYWORDS: TOKYO SUMMIT INTL TRADE  
 MEDIA

SUBJECT: OP-ED ARTICLE ON TRADE & TOKYO SUMMIT

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 ACTION: FOR INFORMATION DUE: STATUS C FILES WH

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 FOR ACTION FOR CONCURRENCE FOR INFO  
 POINDEXTER

COMMENTS

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FILE \_\_\_\_\_ (C)