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February 21, 1984

MEMORANDUM FOR MR. ROBERT C. McFARLANE
AND MR. MICHAEL K. DEAVER
THE WHITE HOUSE


Summary: All major US objectives for this meeting were met and support for the main thrust of US economic strategy, first laid out by the President at Ottawa, was even more pronounced than I could have anticipated. There was widespread agreement to the German proposal that the overarching theme of this Summit should be to strengthen the recovery which has occurred in the Summit countries and assure its spread to the rest of the world by moving to expand the openness of trade and financial markets. Even the French surprised everyone by firmly associating Mitterrand with a new-found devotion to what can best be described as Reaganomics. There are some pitfalls ahead, with continuing concern about the deficits, interest rates, the dollar and, especially, protectionist pressure in the US. Several delegations expressed serious disappointment with our positions on IDA VII and expansion of IBRD programs, resources and role, and stressed that these would be important topics for discussion at London. However, our proposed themes (Tab A) were generally endorsed (or received without objection), including at least a willingness to talk about a new round of trade negotiations. All were open to the President's proposal for joint development of a manned space station. It was agreed not to invite Australia to participate in this Summit. Procedures were agreed for the development of agenda for "political" discussions (with a French reservation) and the British will circulate revised guidelines for dealing with the press. A summary schedule of events was proposed, logistics arrangements described, and the site inspected. End Summary.

I. Substance and Themes

During two days of discussions, all US objectives were met and, in many key areas, exceeded our expectations. The Germans (Tietmeyer and Steeg) were especially helpful to us by establishing a framework for London. They stressed that the real message of the London Summit should be the strengthening
of economic recovery; assuring that the recovery endures and spreading it to the rest of the world. Their view, supported by all participants, is that these can best be accomplished by the Summit countries through effective adjustment efforts and more open markets. Concerning the special situation of developing countries, especially the major debtors, emphasis should be placed on the benefits these countries are gaining from what the industrializing countries are doing to consolidate and spread world economic recovery.

Sir Robert Armstrong (the British Chairman) led the discussion along the lines of the British paper prepared for this first Sherpa meeting. On macroeconomic policy, the most striking feature of our discussions was the high level of stated optimism about recovery. There were the usual concerns expressed over the size of the US budget deficit and high interest rates and the need to "manage" the recovery. Virtually all Summit country representatives placed strong emphasis on the need to deal effectively with the rigidities in their economies (fiscal, financial, regulatory etc.) which were inhibiting their adjustment to change and producing for most of them excessively high unemployment.

Jacques Attali, the French Sherpa, stating that he was speaking for Mitterrand, introduced the following principles which he said represented the French statement on what should be the main orientation of the economic policies of the Summit countries:

-- Summit countries must find ways to accelerate, rather than retard, the process of change to adapt to new technology;

-- the role of state intervention in society and the economy must be reduced;

-- governments must give priority to investment and profits over wages;

-- we should all work to lower budget deficits;

-- we should seek ways to stimulate the development of new, small businesses; and

-- that price controls do not control inflation (France will abolish all price controls in a year, he said).

Attali's statement marked a radical departure from recent French economic policy thinking and was received with great interest.
While there was widespread agreement with these principles, concerns were expressed with certain US policies over the past eight months. Among these was the impact on recovery by the size of our budget deficit, high interest rates and the value of the dollar, with some complaining it was too strong and others fearful that it would become too weak. Concerns over pressures for protectionism in election year 1984 also figured prominently. At our sessions, no one raised extraterritoriality as a specific area of concern.

Our discussion of trade centered on the need for and timing of a new multilateral round of trade liberalizing negotiations. There was a consensus on the need for a new round, but differences surfaced over the tactics and timing for engaging the world in this process.

Leslie Fielding of the EC stressed the importance of preparing adequately for a new round, emphasizing that great care must be taken to include non-Summit countries in the preparations, and that we should not get too far out front in what we collectively say about it at London. Helga Steeg of Germany was very helpful to us saying that there should be language in the London declaration indicating that the countries support the need for work on a new set of trade liberalizing negotiations. The French and the EC indicated that there must also be progress in the macroeconomic, monetary and financial areas before moving ahead on trade. Differences remain over how the trade issue should be handled at London, but I do not believe at this point that they are insurmountable. We have received strong support for our position from the British, Japanese, Germans and Canadians.

On the issue of developing country indebtedness, there was satisfaction with the results to date of dealing case-by-case with developing country debt problems. However, there was also strong support for finding an effective means to resolve continuing LDC debt problems in the years ahead. The Canadians, French, Italians and Japanese all argued for a stronger, differentiated role for the World Bank. We cautioned strongly against changing the nature of the Bank, both in terms of funding and programs.

Not surprisingly, the US was criticized heavily over IDA VII. We noted that the decision on the level of our contribution is final.

We raised international cooperation on the manned space station program announced by President Reagan in his State of the Union message. I noted that Jim Beggs of NASA would be
visiting Summit member capitals in March and that we would very much like to see an announcement of international cooperation on this program at London.

Concerning energy, discussions with other Sherpa teams indicated universal concern over the possible negative effects of an explosion in the Middle East. Sir Robert Armstrong, however, indicated a preference for not raising this question at London unless events dictated otherwise.

The Japanese and Canadians asked that life sciences and the environment be considered at London. As expected, the Canadians (seconded by the Germans) want to discuss acid rain. Others would also like to discuss water pollution. The Japanese seek some reference at London to the results of their spring conference on life sciences and mankind.

I indicated privately to Armstrong that East-West economic relations should be raised at the London Summit and that I would be proposing a London "theme" on this subject. Armstrong agreed that, as long as the discussion focused on a review of the excellent work being done in the OECD, IEA, COCOM and NATO on this subject, he would support a discussion in June.

In the final session, I introduced the themes which we were proposing for the Summit, using the paper at Tab A. (I later gave a copy of this paper to the British.) No one voiced particular objection to my proposals, and the trend of discussion was generally supportive. The British will draft a themes paper and circulate it by March 25, for discussion at the April 6–8 preparatory meeting.

In summing up, Armstrong noted the following themes for London:

-- to consolidate, sustain and spread recovery;
-- the need to reduce rigidities (effective adjustment);
-- trade;
-- reference to technology and the environment; and
-- a review of multilateral surveillance and convergence of economic policies.
II. Australian Participation

Armstrong raised the question of Australia's participation at the Summit at our opening dinner. I let the others do most of the talking and it quickly became apparent there was no support for the proposal. Armstrong undertook to inform the Australians, handling it much as we did last year.

III. Preparation of the Political Agenda

The British proposed that the Summit country political directors meet in Paris May 18 before the final Sherpa session (now scheduled for May 20-21) to discuss agenda for Head's discussion of political (or other) topics which they could take up during their meals together. The directors would also frame the agenda for the meetings of foreign ministers alone. All except the French agreed to the proposal. The French said that the Summit must remain an economic meeting and that they might not accept the idea of prepared "political" agenda. They also reiterated their strong objection to any formal Summit statement on political subjects.

IV. Press Guidelines

The British proposed, and it was agreed subject to consultation at home, that, for the purposes of triggering the prohibition on public interviews or statements by Heads during the meeting, the Summit would be deemed to start as of the time they convened for their first dinner the evening of June 7. Thus, the President will be free to make public statements anytime after his arrival in London up to about 6:30 p.m. on June 7. The British will also circulate a revision of the guidelines to accommodate the problems several delegates expressed about the apparent lack of restriction in the first version on the ability of ministers to make on-the-record statements at any time during the Summit.

V. Schedule of Events and Logistics

Attached (Tab B) is the British outline proposal of Summit events and tentative times. It closely parallels our Williamsburg format, with Heads meeting alone at the opening session on June 8, and during three meals. There will be at least two (and possibly three) plenary sessions. It was agreed that the Heads would decide, during their first dinner together, whether they wanted notetakers to accompany them to the June 8 morning meeting. Unlike Williamsburg, interpreters booths will have to be in the room during that meeting.
Finally, the lunch on June 9 will be in "plenary," with Heads, two ministers and the personal representatives at the same table. Thus, there are, effectively, only three opportunities for "political" talks among Heads alone. The final press statement will be issued about noon Washington time on June 9, followed by individual press conferences by Heads if they desire. The Summit will close with the Queen's state banquet that evening.

All meetings and two meals for Heads will be held in Lancaster House. Each delegation will have a suite of two rooms there for offices, as well as a third office in a building across the courtyard from Lancaster House where, for example, we could hold bilateral meetings during the Summit if desired.

Finally, the British asked to be informed as soon as possible if Mrs. Reagan will be accompanying the President. The only event in which she would participate would be the state dinner on June 9.

Annexes:

Tab A. Suggested US Themes for London Economic Summit (paper given to British)

Tab B. 1984 Economic Summit: Provisional Outline Programme (British paper)

cc: Treasury - Mr. Sprinkel
    NSC - Mr. McMinn
    USTR - Amb. Smith
    White House - Mr. McManus
Suggested US Themes for London Economic Summit

I. Economic Policy

1. As recovery strengthens, work to restrain government sector spending, thereby lowering budget deficits and encouraging continued expansion of the private sector.

2. Devote increased attention to reducing structural obstacles to higher employment by increasing labor mobility and reducing disincentives to hiring labor. As demand expands, it will be particularly important to ensure that the unemployed are drawn into productive employment.

3. Monetary policies have had considerable success in lowering the growth of monetary aggregates. Now need to work to reduce volatility of monetary growth so as to increase confidence that lower inflation environment will continue and thereby promote lower interest rates.

4. Have made significant progress in achieving convergence on lower inflation and higher growth among Summit countries. Now must work to ensure that non-inflationary growth is sustained by steady macroeconomic policies and encouragement of investment.

5. As recovery raises employment, ensure that open trading system is maintained and extended to foster growth both in the industrial countries and in the developing world.

II. Multilateral Surveillance/Convergence Consultations

1. Endorse success of multilateral surveillance process which is reflected in the convergence of inflation rates, at significantly reduced levels, and generally strong growth rates among SDR countries.

2. Reaffirm intentions to continue multilateral surveillance process to improve convergence among countries and encourage policies that will insure non-inflationary recovery is sustainable.
III. Trade

1. Now that recovery has taken hold in our economies and has begun to spread to the world economy, reinforce the future basis for sustained, non-inflationary growth with new job creation by renewed efforts to liberalize trade and consolidate our open trade system.

2. Ensure that we maintain open markets, strengthen the rules for fair trade and promote greater competition in trade.

3. Agree on the need for new multilateral trade negotiations to expand open markets; intensify our efforts to complete the GATT and OECD work programs and broaden consultations to develop a consensus on a new round by mid-decade.

IV. Debt

1. Reviewing the success of the debt management strategy agreed at Williamsburg, acknowledge that adjustment is occurring both in our own and in many debtor countries, bolstered by an IMF strengthened with new resources and the supportive new lending of commercial banks focused on countries making effective adjustment efforts.

2. Recognize that one key to longer-term successful adjustment is the ability of debtors and others to earn additional foreign exchange to service their debts and provide the financial resources needed for growth. This implies the need for both developed and developing countries to liberalize trade.

3. Recognize that a second key is increased private foreign investment in the development process, in order to reduce the debt service burden and promote growth, especially in export-oriented industries.

4. Urge developing countries to adopt sound macroeconomic policies and remove barriers to trade and capital flows in order to encourage greater private investment and diminish excessive reliance on debt financing.

V. Monetary Improvement

1. Welcome the intensive study which Finance Ministers have begun of possible improvement in the functioning of the international monetary system.
2. Recognize that genuine improvement will require consensus building among all countries and will take time.

3. Stress that closer economic convergence is a prerequisite for greater stability in the monetary system and that the studies underway are designed to lead to improved national policies that will promote such convergence.

VI. **Cooperation in Technology**

Agree in principle to cooperate in the development of an international space station, demonstrating that free nations will continue to use outer space for peaceful purposes and for the benefit of all mankind.

VII. **East-West Economic Relations**

Review and confirm the growing consensus among our countries on the economic and security implications of our economic relations with Eastern countries.
FIRST DAY (THURSDAY) 7 JUNE

1330 - 1630  ?
Delegations arrive at Gatwick Airport in reverse protocol order
Transfer from airport to Kensington Palace Gardens by helicopter. Greeting by Prime Minister at Orangery. Principals travel by car and escort to living accommodation

EVENING
1830  ?
Reception at St James's Palace

2000  ?
Separate working dinners

(1) Heads of State/Government at 10 Downing Street
(2) Foreign Ministers at Carlton Gardens
(3) Finance Ministers at 11 Downing Street or Admiralty House

SECOND DAY (FRIDAY) 8 JUNE

MORNING
0930
Photocall at Lancaster House

1000 - 1230
(1) Heads of State/Government meet in the Music Room, Lancaster House
(2) Foreign Ministers and Finance Ministers meet in State Drawing Room and Long Gallery

LUNCHEON
1300
Working lunches at Lancaster House

(1) Heads of State/Government in Gold Drawing Room
(2) Foreign Ministers and Finance Ministers in State Dining Room (separate tables)

AFTERNOON
1430 - 1700
Plenary session in Lancaster House

EVENING
2000
Separate working dinners

(1) Heads of State/Government at National Portrait Gallery
(2) Foreign and Finance Ministers - venue to be decided
THIRD DAY (SATURDAY) 9 JUNE

MORNING
0930 - 1230
Continuation of discussion at Lancaster House

LUNCHEON
1300
Plenary working lunch at Lancaster House

AFTERNOON
1700 or 1730
Joint Press Statement at Guildhall
Heads of State/Government give individual press conference afterwards. (Mrs Thatcher will do this at the Connaught Rooms.)

EVENING
2030
Banquet at Buckingham Palace

FOURTH DAY (SUNDAY) 10 JUNE

MORNING
Departure of delegations

14 February 1984
THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: JUNE 26, 1984

NAME OF CORRESPONDENT: THE HONORABLE MARIO BIAGGI

SUBJECT: WRITES CONCERNING THE MEETING WITH PRIME MINISTER THATCHER DURING THE LONDON ECONOMIC SUMMIT REGARDING NORTHERN IRELAND

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REFERRAL NOTE: ________________________________

COMMENTS: ______________________________________

ADDITIONAL CORRESPONDENTS: MEDIA: L INDIVIDUAL CODES: 1230

MAIL USER CODES: (A)________ (B)________ (C)________

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* ACTION CODES:
* A-APPROPRIATE ACTION
* C-COMMENT/RECOMMENDATION
* D-DRAFT RESPONSE
* F-FURNISH FACT SHEET
* I-INFO COPY/NO ACT NEC*
* R-DIRECT REPLY W/COPY *
* S-FOR-SIGNATURE *
* X-INTERIM REPLY *
* OUTGOING *
* CORRESPONDENCE: *
* TYPE RESP=INITIALS *
* CODE = A *
* COMPLETED = DATE OF OUTGOING *

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75,OEOB) EXT. 2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.
For: Mr. Robert C. McFarlane
National Security Council
The White House

Reference:

To: The President
From: Congressman Mario Biaggi

Date: 25 June 84
Subject: Extent of Discussions on Northern Ireland during Reagan/Thatcher Meetings at London Econ. Summit

WH Referral Dated: July 6, 1984 NSC ID# 8419284

The attached item was sent directly to the Department of State.

Action Taken:

- A draft reply is attached.
- A draft reply will be forwarded.
- A translation is attached.
- An information copy of a direct reply is attached.
- We believe no response is necessary for the reason cited below.
- The Department of State has no objection to the proposed travel.
- Other.

Remarks:

Charles Hill
Executive Secretary

UNCLASSIFIED (Classification)
Dear Mr. Biaggi:

I am responding to your letter to the President of June 25 inquiring as to the extent of any discussions on Northern Ireland and the New Ireland Forum report he may have had with Prime Minister Thatcher during his recent visit to London to participate in the Economic Summit. The President's discussions with the Prime Minister were conducted under circumstances of mutual confidentiality; if any discussions on Northern Ireland or the Forum report did take place, it would not be possible to divulge details of such an exchange.

The formal British reaction to the New Ireland Forum report was given by Northern Ireland Secretary James Prior in a July 2 statement to Parliament. Prior stated that HMG had found positive value in the report of the New Ireland Forum and welcomed its serious examination of nationalist aspirations, its emphasis on the importance of consent, its unequivocal condemnation of violence, its attempt to understand the unionist identity, and its openness to discuss other views. Prior proposed that talks be initiated between the British and Irish governments and the constitutional parties in Northern Ireland.

In a July 4 statement to the Dail, Irish Foreign Minister Peter Barry stated that he believed "the most important element in Mr. Prior's statement is his proposal to hold talks with the constitutional parties of Northern Ireland and with the Irish Government. The Irish Government will, of course, participate fully in such talks." Barry also stated that "I believe there is now considerable common ground between the two Governments .

The Honorable
Mario Biaggi,
House of Representatives.
in our analysis of what is wrong in Northern Ireland and that we have developed a good deal of common thinking on what the Forum identified as the requirements of the situation..."

I have attached copies of Prior and Barry's statements.

Sincerely,

Robert F. Turner
Acting Assistant Secretary
Legislative and Intergovernmental Affairs

Enclosure:
Statements by James Prior and Peter Barry
Correspondence returned
TO: DEPARTMENT OF STATE

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 230833

MEDIA: LETTER, DATED JUNE 25, 1984

TO: PRESIDENT REAGAN

FROM: THE HONORABLE MARIO BIAGGI
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON DC 20515

SUBJECT: AS CHAIRMAN OF THE BIPARTISAN AD HOC COMMITTEE FOR IRISH AFFAIRS, WRITES TO ASCERTAIN "THE EXTENT TO WHICH ANY DISCUSSIONS ABOUT NORTHERN IRELAND MIGHT HAVE TAKEN PLACE DURING YOUR MEETING WITH PRIME MINISTER THATCHER DURING THE LONDON ECONOMIC SUMMIT."

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE
June 28, 1984

Dear Mario:

On the President's behalf, I would like to thank you for your June 25 letter which you wrote as Chairman of the bipartisan Ad Hoc Congressional Committee for Irish Affairs.

Please know that we are sharing with the President's foreign policy advisers your request for information on any discussions about Northern Ireland which may have taken place during President Reagan's meetings with Prime Minister Thatcher. You should be hearing further as soon as they have had an opportunity to carefully check into this matter.

With best wishes,

Sincerely,

M. B. Oglesby, Jr.
Assistant to the President

The Honorable Mario Biaggi
House of Representatives
Washington, D.C. 20515

MBO/KRJ/tjr

cc: w/copy of inc to W. Tapley Bennett, Legis Affrs, State - for DIRECT response
✓ cc: w/copy of inc to NSC Secretariat - FYI
Dear Mr. President:

As Chairman of the bi-partisan Ad Hoc Congressional Committee for Irish Affairs, I am writing to ascertain the extent to which any discussions about Northern Ireland might have taken place during your meetings with Prime Minister Thatcher during the London Economic Summit.

My inquiry was especially prompted by an article in the June 19 Irish Echo newspaper entitled, "NO U.S. INTERVENTION OVER THE FORUM REPORT--REAGAN." In the article, it states:

"President Reagan said last week that it is not the place of the United States to intervene in Britain's response to the report of the New Ireland Forum as had been suggested by Fiannain Fail party leader, Charles Haughey.

'In a RTE Television interview, he said that he would 'confess to a curiousity' about how British Prime Minister Thatcher would respond and 'he could possibly ask a question about it.'"

It is to that latter point that I address my question to you and would appreciate hearing from you relative to any discussions you might have had.

With warmest regards, I am

Sincerely,

MARIO BIAGGI, M.C.

MB:bbm