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Invent on P. 4

RR

The President has seen

(Rohrabacher/ARD)

May 29, 1987

11:00 a.m.

PRESIDENTIAL ADDRESS: PRE-ECONOMIC SUMMIT ADDRESS
MONDAY, JUNE 1, 1987

Thank you and welcome to the White House. I'd like to thank you for being here. It is a pleasant coincidence that George C. Marshall Month, which we proclaim today, coincides with the upcoming Economic Summit. I'm certain that General Marshall would approve of my taking advantage of this opportunity to speak with you also about some of our goals and expectations for that important gathering.

First and foremost, today we gather to honor George C. Marshall, a gallant soldier, a visionary statesman, and an American who set a standard of honor and accomplishment for all who have followed.

George Marshall is the only professional soldier ever to win the Nobel Prize for Peace. It was a fitting tribute. Even in time of war, Marshall was a champion of peace. During his tenure as chief of staff of the United States Army, a war -- the greatest conflagration in human history -- was won. That victory was not a triumph of conquerors in a struggle for power and domination, but a desperate fight of free peoples for the preservation of the humane values and democratic institutions they held dear.

What made the Second World War different from all those that had preceded it was that Western civilization, by its outcome, was left in the hands of leaders like George Marshall --

individuals dedicated to ideals which were not forgotten after the enemy was vanquished.

It is difficult in this time of plenty to imagine the destitution, devastation, and hopelessness that pervaded Europe after the close of the Second World War. The conflict had taken the lives of millions of Europeans, many of them the young leaders who are the greatest asset of any society.

Resources used to fuel the war machines were gone. Great destruction had been brought upon the face of Europe. Germany lay in almost total ruin. Throughout the rest of the continent, cities and factories were in disrepair, the whole economic infrastructure had been devastated. The monumental job of rebuilding seemed overwhelming.

It was at this time of utmost despair when, under the leadership of wise and decent individuals like Secretary of State George C. Marshall, our country stepped forward with a program Winston Churchill referred to as the "most unsordid act in history."

Forty years ago June 5th, Secretary of State George Marshall gave the commencement address at Harvard University. In it, he laid out a proposal for the reconstruction of Europe, the foundation for what has been the most remarkable period of peace and prosperity in the history of that continent.

In today's money, the Marshall Plan was a commitment of extraordinary proportions, about \$60 billion. With that: industry, large and small, was provided capital, harbors, canals,

roads, electric systems were rebuilt, and the production lines began to humm as Europe went back to work.

The Marshall Plan was an investment America made in its friends and in the future. If the Marshall Plan had simply been a gift of resources, there can be no doubt that it would have been a colossal failure. The success of this greatest of undertakings, the rebuilding of a battle-scarred continent, can be traced to goals that are easily distinguished from the mere transfer of money.

First, it was designed to generate hope where there was none. George Marshall, as a soldier, well understood the role of motivation. "It is the spirit which we bring to the fight that decides the issue," he once wrote. "It is morale that wins the victory."

George Marshall's speech was viewed by many Europeans as a lifeline thrown to them at a time when they were foundering. It gave them reason to work, to build, to invest. And in short order, purpose replaced aimlessness. Enterprise replaced inertia.

The second and perhaps most important goal of the Marshall Plan was to provide incentives for Europeans to find common ground, to bring down the political barriers which stifle economic activity and growth. Our leadership helped officials overcome local interest groups and work with other governments to beat back the pressures for protectionism and isolation, to free the flow of commerce, materials, and resources across international frontiers, to integrate transport and power

INSERT P. 4

But there was one most important achievement, too much overlooked. A reading of history reveals that in past wars the peace settlement laid the foundation for the next war. Hatreds & enmity remained.

Today we have known 40 or more years of peace & our true enemies are the closest of friends & allies as a result of the Marshall plan.

systems, and to develop economic and political ties that would serve as an engine for progress.

The Marshall Plan led to the creation of institutions that today are pillars of the free world's economy -- the European Economic Community, the General Agreement on Tariffs and Trade, the O.E.C.D., NATO, and created the environment where the World Bank and the I.M.F. could function. The Marshall Plan was an act of generosity, but it was not a give-away program. Instead, it was the beginning of a process of cooperation and enterprise that has carried the peoples of the Western democracies to new heights. ^(INSERT) With us today is an individual who, at President Truman's direction, took a central role in polling the leadership, gathering the ideas, and putting together a comprehensive overview of foreign policy strategy. This effort was the genesis of the Marshall Plan. His dedication, creativity, and resourcefulness was of great service to his President and his country at that pivotal moment. Clark Clifford, we are proud to have you with us today.

In a few days, I will leave for the upcoming Economic Summit in Venice. It will be the 13th time the seven major industrialized democracies have so met, and the seventh time I have been privileged to represent the United States. While our country is still looked to for leadership, the free world is now undeniably a partnership among democracies, to a large degree because of initiatives we set in motion four decades ago. Today, free world efforts -- economic, political, and security -- depend on genuine cooperation. Self-determination, as we've recognized

since the time of Woodrow Wilson, is consistent with the interaction of free peoples. We sought it and, brother, we've got it.

The governments of Western Europe, North America, and Japan face the future together, and meetings like the Economic Summit build unity and sense of purpose. That unity is increasingly important. The velocity of economic change reshaping our world is making greater demands on our governments, individually and collectively. This change flows naturally from the open economic system we've established in the West. Our peoples and countries are now operating in a global market. Instantaneous communications, multi-national corporations, the flow of international investment, widespread computer technology, and the integration of financial markets are facts of life.

The progress of mankind, however, remains dependent on political as well as economic and technological momentum. Today, we face challenges comparable to those that confronted struggling democracies four decades ago. We sought to achieve prosperity; now we seek to preserve it and ensure that our standard of living continues to improve. Nothing can be taken for granted. We must be active and vigorous to be successful, and we must work together. That is what freedom is all about. That is why we call the portion of the planet on which we live the free world. People here are not told what we must do. We talk things over and decide what to do for ourselves.

There is a story about an American and a Russian. As is often the case, the American was bragging about how in the United

States everyone is free to speak. The Russian replied, "In Russia we're just as free to speak; the difference is in your country you're free after you speak."

The greatest challenge for those of us who live in freedom is to recognize the ties of common interest that bind us, to prove wrong those cynics who would suggest that free enterprise and democracy lead to short-sighted policies and undisciplined self-interest.

Today -- and we can't say this too often -- it is in the common interest of all of us, in every free land, to work against parochialism and protectionism, to keep markets open and commerce flowing. By definition, protecting domestic producers from competition erodes national competitiveness, slows down economic activity, and raises prices. It also threatens the stability of the entire free world trading system.

Some countries, which have taken full advantage of America's past openness, must realize that times have changed. Today, any country selling heavily in the United States, whose markets are not substantially open to American goods, risks a backlash from the American people. No country that closes its own markets, or unfairly subsidizes its exports, can expect the markets of its trading partners to remain open. This point will be driven home in Venice. It was the central theme of our agreement at the Tokyo Summit in the launching of the Uruguay Trade Round.

While the vibrancy of the U.S. economy has contributed enormously to the world expansion, preserving a growing world economy is the business of every member of the world trading

community. It is the special responsibility of the larger economic powers. It will be made clear, especially to our friends in Japan and the Federal Republic of West Germany, that growth-oriented domestic policies are needed to bolster the world trading system upon which they depend.

We and our allies must also fulfill our agreements concerning exchange rate stability. Economic policy decisions made at last year's Economic Summit in Tokyo, and at this year's meetings by Group of Seven Finance Ministers at the Louvre and in Washington, cannot be ignored or forgotten. The commitments made at these meetings need to be translated into action.

Talks continue to flow about the necessity of a coordinated attack on market-distorting agricultural policies, policies which are found in almost every Western country. The time to act is fast approaching.

One concern shared by the industrialized powers is what to do about Third World countries which are not developing, not progressing; countries that, if something does not happen, will be left behind.

Japan has made admirable strides in this direction by offering to share some of its wealth -- some of its trade surplus -- with lesser-developed nations. I hope that during the course of this Summit, Japan will clarify in what form this aid will take. I also hope that other countries will consider following Japan's good example.

However, as I noted about the European example of four decades ago, the transfer of cash alone is not the solution. If

tax rates are too high, if markets are not free, if government is big, corrupt, or abusive, a country cannot expect to attract the expertise and private sector investment needed to advance, nor will its own people have the incentives needed to push their economy forward.

After the war, German industry was little more than a shell. If Ludwig Erhard and Konrad Adenauer, courageous democratic post-war leaders of that country, had not dramatically, in one fell swoop, eliminated most of the intrusive controls on the German economy in 1948, Marshall Plan aid might not have had the miraculous impact that it did. If we are serious about changing the plight of less fortunate nations, we must, at the very least, be candid with them about these economic realities -- open their eyes to the secret of Germany's restoration and the secret of the amazing growth taking place on the Pacific Rim. That secret is a Marshall Plan of ideas. It is simply that freedom of enterprise, competition, and the profit motive work. They work so well that the United States now must maneuver with economically powerful competitors, friendly competitors.

And, yes, let us admit the recognizable friction among the great democracies about trade and economic policy. Our heated debates and maneuverings -- and the fact they are front-page news -- are a healthy sign. First, during a time of great forward economic movement, close friends disagree, but no one should lose sight of the impressive strides taking place. Second, the attention paid to complex economic issues, which decades ago were subject matter only for specialists, suggests

the wide degree of consensus our nations have reached on the vital issues of war and peace, human rights, and democracy.

Today, the unity of the West on security issues is something which George Marshall and his contemporaries would look on with a deep and abiding pride. Marshall led America through war and out of isolationism. Like protectionism, isolationism is a tempting illusion. Four decades of European peace and the greatest economic expansion in history stand as evidence that isolationism and protectionism are not the way. We must work with like-minded friends to direct the course of history, or history will be determined by others who do not share our values, and we will not escape the consequences of the decisions they make.

Nowhere is this burden heavier than in the Middle East, a region that has been plagued with turmoil and death. If we retreat from the challenge, if we sail to a distance and wait passively on the sidelines, forces hostile to the free world will eventually have their way.

Two weeks ago, we lost 37 of our sons in the Persian Gulf. They were the pride and joy of their families, fine young men who volunteered to wear the uniform and serve their country. We have none better than these. They died while guarding a chokepoint of freedom, deterring aggression, and reaffirming America's willingness to protect its vital interests.

Yet, the American people are aware that it is not our interests alone that are being protected. The dependence of our allies on the flow of oil from that area is no secret. During the upcoming summit in Venice, we will be discussing the common

security interests shared by the Western democracies in the Persian Gulf. The future belongs to the brave. Free men should not cower before such challenges, and they should not expect to stand alone.

And we are working together in a number of critical areas. Our friends and allies have been cooperating ever more closely to combat the scourge of terrorism. Democracies are peculiarly vulnerable to this form of international criminality, and, at the upcoming Venice Summit, we will give renewed impetus to the momentum which has developed in the past year.

The Western Alliance, with courage and unity of purpose, has time and again thwarted threats to our prosperity and security. During the last decade, as American military spending declined, the Soviets raced ahead to gain a strategic advantage, deploying a new generation of intermediate-range missiles aimed at our European allies. This hostile maneuver -- part of a long-term strategy to separate Europe from the United States -- was countered by a united Alliance. Pershing and cruise missiles were deployed in Western Europe, even amidst the noise and clamor of sometimes violent opposition and an intensely hostile Soviet propaganda campaign.

Let no one forget, 6 years ago we offered to refrain from deploying our intermediate-range missiles, if the Soviets would agree to dismantle their own. It was called the "zero option." The other side refused. At that time, a vocal minority in Western countries, including the United States, suggested if we

moved forward with deployment of our Pershing and cruise missiles, all hope of arms control agreements would be lost.

The pessimists, however, have been proven wrong, and Western resolve is paying off. In recent months, we've witnessed considerable progress in our talks with the Soviet government. The Kremlin now, in principle, accepts the "zero option" formula in Europe and our negotiators are busy seeing if the details can be worked out. In short, we may be on the edge of an historic reduction of the number of nuclear weapons threatening mankind. If this great first step is taken, if nuclear arms reduction is achieved, it will be due to the strength and determination of Allied leaders across Western Europe who refused to accept the Soviet nuclear domination of Europe.

European leaders and indeed most Europeans have come to understand that peace comes only through strength. Strength and realism are the watchwords for real progress in dealing with our Soviet adversaries. As we view changes which seem to be happening in the Soviet Union with cautious optimism, let it be remembered that, four decades ago, the Kremlin rejected Soviet participation in the Marshall Plan.

If the current Soviet leadership seeks another path, if they reject the closed, isolated, and belligerent policies they inherited, if they wish their country to be a part of the free world economy, we welcome the change. Let there be no mistake: the Soviet government is subject to the same rules as any other. Any government which is part of or deals with the West's major economic institutions, must do so with good faith, open books,

and the open government on which both depend. Economic transactions are not maneuvers for political gain or international leverage; such destructive tactics are not tolerated. Countries which are part of the system are expected to do their best to strengthen the process and institutions, or be condemned to economic isolation.

The Soviet Union must also understand that the price of entry into the community of prosperous and productive nations is not just an economic price. There is a political price of even greater significance: Respect for and support for the values of freedom that are, in the end, the true engines of material prosperity.

Time will tell if the signs emanating from the Soviet Union reflect real change or illusion. The decisions made by the Soviet leaders themselves will determine if relations will bloom or wither. Any agreement to reduce nuclear weapons, for example, must be followed by reductions in conventional forces. We are looking closely for signs that tangible changes have been made in that country's respect for human rights; and that does not mean just letting out a few of the better-known dissidents. We are waiting for signs of an end to their aggression in Afghanistan.

This year is also the 40th anniversary of the Truman Doctrine, which fully recognized the need for economic assistance, but underscored the necessity of providing those under attack the weapons needed to defend themselves. On March 12, 1947, President Truman addressed a joint session of Congress and spelled out America's commitment. "...it must be

the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way."

1947 was a volatile political year for our country. I was a Democrat back then. President Truman was under attack from both sides of his own party, and the opposition controlled both Houses of Congress -- and believe me, I know how frustrating that can be.

Even amidst the deep political divisions so evident in 1947, the Marshall Plan and Truman Doctrine were approved by Congress. In the end, it was our ability to overcome our own domestic political discord, and forge a bipartisan approach that made the difference. Greece and Turkey were saved. Western Europe was put on the path to recovery. Human freedom was given a chance. Democracy has its weaknesses, but its strengths will prevail.

I leave for Europe with confidence. This generation of free men and women will work together and succeed. We will pass on to our children a world as filled with hope and opportunity as the one we were handed. We owe this to those who went before us, to George C. Marshall and others who shaped the world we live in.

Thank you and God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/29/87 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: PRESIDENTIAL ADDRESS: PRE-ECONOMIC SUMMIT ADDRESS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	GRISCOM	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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CRIBB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CRIPPEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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REMARKS: FYI -- The attached has been forwarded to the President.

RESPONSE:

RR -
Attached

(Rohrabacher/ARD)

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The pessimists, however, have been proven wrong, and Western resolve is paying off. In recent months, we've witnessed considerable progress in our talks with the Soviet government. The Kremlin now, in principle, accepts the "zero option" formula in Europe and our negotiators are busy seeing if the details can be worked out. In short, we may be on the edge of an historic reduction of the number of nuclear weapons threatening mankind. If this great first step is taken, if nuclear arms reduction is achieved, it will be due to the strength and determination of Allied leaders across Western Europe who refused to accept the Soviet nuclear domination of Europe.

European leaders and indeed most Europeans have come to understand that peace comes only through strength. Strength and realism are the watchwords for real progress in dealing with our Soviet adversaries. As we view changes which seem to be happening in the Soviet Union with cautious optimism, let it be remembered that, four decades ago, the Kremlin rejected Soviet participation in the Marshall Plan.

If the current Soviet leadership seeks another path, if they reject the closed, isolated, and belligerent policies they inherited, if they wish their country to be a part of the free world economy, we welcome the change. Let there be no mistake: the Soviet government is subject to the same rules as any other. Any government which is part of or deals with the West's major economic institutions, must do so with good faith, open books,

and the open government on which both depend. Economic transactions are not maneuvers for political gain or international leverage; such destructive tactics are not tolerated. Countries which are part of the system are expected to do their best to strengthen the process and institutions, or be condemned to economic isolation.

The Soviet Union must also understand that the price of entry into the community of prosperous and productive nations is not just an economic price. There is a political price of even greater significance: Respect for and support for the values of freedom that are, in the end, the true engines of material prosperity.

Time will tell if the signs emanating from the Soviet Union reflect real change or illusion. The decisions made by the Soviet leaders themselves will determine if relations will bloom or wither. Any agreement to reduce nuclear weapons, for example, must be followed by reductions in conventional forces. We are looking closely for signs that tangible changes have been made in that country's respect for human rights; and that does not mean just letting out a few of the better-known dissidents. We are waiting for signs of an end to their aggression in Afghanistan.

This year is also the 40th anniversary of the Truman Doctrine, which fully recognized the need for economic assistance, but underscored the necessity of providing those under attack the weapons needed to defend themselves. On March 12, 1947, President Truman addressed a joint session of Congress and spelled out America's commitment. "...it must be

the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way."

1947 was a volatile political year for our country. I was a Democrat back then. President Truman was under attack from both sides of his own party, and the opposition controlled both Houses of Congress -- and believe me, I know how frustrating that can be.

Even amidst the deep political divisions so evident in 1947, the Marshall Plan and Truman Doctrine were approved by Congress. In the end, it was our ability to overcome our own domestic political discord, and forge a bipartisan approach that made the difference. Greece and Turkey were saved. Western Europe was put on the path to recovery. Human freedom was given a chance. Democracy has its weaknesses, but its strengths will prevail.

I leave for Europe with confidence. This generation of free men and women will work together and succeed. We will pass on to our children a world as filled with hope and opportunity as the one we were handed. We owe this to those who went before us, to George C. Marshall and others who shaped the world we live in.

Thank you and God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/29/87 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: PRESIDENTIAL ADDRESS: PRE-ECONOMIC SUMMIT ADDRESS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	GRISCOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
DUBERSTEIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HENKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOBBS	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input type="checkbox"/>	MASENG	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CRIBB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CRIPPEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CULVAHOUSE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DAWSON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DOLAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DONATELLI	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: FYI -- The attached has been forwarded to the President.

RESPONSE:

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DUBERSTEIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HENKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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BAUER	<input type="checkbox"/>	<input type="checkbox"/>	MASENG	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CRIBB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
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DONATELLI	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: FYI -- The attached has been forwarded to the President.

RESPONSE:

11

NSC/S PROFILE

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RECEIVED 27 MAY 87 14

TO CARLUCCI

FROM DAWSON, R

DOCDATE 27 MAY 87

DANZANSKY

28 MAY 87

PLATT

28 MAY 87

KEYWORDS: VENICE SUMMIT

SPEECHES

SUBJECT: PRES ADDRESS / PRE - ECONOMIC SUMMIT SPEECH

ACTION: PREPARE MEMO GREEN TO DOLAN DUE: STATUS C FILES ~~WH~~ WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

DANZANSKY

ERMARTH

RODMAN

BATJER

GROOMS

GREEN

CARLUCCI

PEARSON

COMMENTS

REF# LOG NSCIFID (IB IB)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

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Add to File

Chron.

Carlucci noted

DISPATCH _____ W/ATTCH FILE _____ (C)

National Security Council
The White House

System # _____

Package # 4038

DOCLOG AO

87 JUN 1
11:33

SEQUENCE TO HAS SEEN DISPOSITION

Bob Pearson _____ _____

Marybel Batjer _____ _____

Grant Green _____ _____

Colin Powell _____ _____

Deputy Natl Sec Advisor
has seen

Paul Thompson _____ _____

Frank Carlucci _____ _____

Natl Sec Advisor
has seen

Grant Green _____ _____

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NSC Secretariat _____ _____

Situation Room _____ _____

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

cc: VP Baker Other _____

COMMENTS Should be seen by: _____
(Date/Time)

EYES ONLY

(Rohrabacher/ARD)

May 28, 1987

8:30 p.m.

C.P. - A sentence in P. 11 now out of context. A should raise w/r.
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PRESIDENTIAL ADDRESS: PRE-ECONOMIC SUMMIT ADDRESS
MONDAY, JUNE 1, 1987

Thank you and welcome to the White House. I'd like to thank you for being here. It is a pleasant coincidence that George C. Marshall Month, which we proclaim today, coincides with the upcoming Economic Summit. I'm certain that General Marshall would approve of my taking advantage of this opportunity to speak with you also about some of our goals and expectations for that important gathering.

First and foremost, today we gather to honor George C. Marshall, a gallant soldier, a visionary statesman, and an American who set a standard of honor and accomplishment for all who have followed.

George Marshall is the only professional soldier ever to win the Nobel Prize for Peace. It was a fitting tribute. Even in time of war, Marshall was a champion of peace. During his tenure as chief of staff of the United States Army, a war -- the greatest conflagration in human history -- was won. That victory was not a triumph of conquerors in a struggle for power and domination, but a desperate fight of free peoples for the preservation of the humane values and democratic institutions they held dear.

What made the Second World War different from all those that had preceded it was that Western civilization, by its outcome, was left in the hands of leaders like George Marshall --

ADVANCE COPY

individuals dedicated to ideals which were not forgotten after the enemy was vanquished.

It is difficult in this time of plenty to imagine the destitution, devastation, and hopelessness that pervaded Europe after the close of the Second World War. The conflict had taken the lives of millions of Europeans, many of them the young leaders which are the greatest asset of any society.

Resources used to fuel the war machines were gone, consumed. Compounding this loss, great destruction had been brought upon the face of Europe. Germany lay in almost total ruin. Throughout the rest of the continent, cities and factories were in disrepair, the whole infrastructure of a modern economy had been devastated. The monumental job of rebuilding seemed overwhelming.

It was at this time of utmost despair when, under the leadership of wise and decent individuals like Secretary of State George C. Marshall, our country stepped forward with a program Winston Churchill referred to as the "most unsordid act in history."

Forty years ago June 5th, Secretary of State George Marshall gave the commencement address at Harvard University. In it, he laid out a proposal for the reconstruction of Europe, the foundation for what has been the most remarkable period of peace and prosperity in the history of that continent.

In today's money, the Marshall Plan was a commitment of extraordinary proportions, about \$54 billion. With that: bombed-out French harbors were restored, the Corinth Canal was

reconstructed in Greece, heavy industry was modernized and rebuilt across the continent, mines were opened, coal was purchased, European specialists were sent to the United States to learn manufacturing and agricultural techniques. Large corporations were provided capital and supplied with the materials needed to get production lines rolling, small businesses were given a helping hand. Specific allocations went to enterprises such as Dutch soap factories, fishing vessels in Norway, and Danish knitting companies. All these and so many, many more projects, large and small, were direct beneficiaries.

I like to think of the Marshall Plan as an investment America made in its friends, because if the Marshall Plan had simply been a gift of resources, there can be no doubt that it would have been a colossal failure. The success of this greatest of undertakings, the rebuilding of a battle-scarred continent, can be traced to goals that are easily distinguished from the mere transfer of money.

First, it was designed to generate hope where there was none. George Marshall, as a soldier, well understood the role of motivation. "It is the spirit which we bring to the fight that decides the issue," he once wrote. "It is morale that wins the victory."

George Marshall's speech was viewed by many Europeans as a lifeline thrown to them at a time when they were foundering. It gave them reason to work, to build, to invest. And in short order, purpose replaced aimlessness. Enterprise replaced inertia.

The second and perhaps most important goal of the Marshall Plan was to provide incentives for Europeans to find common ground. They desperately needed to work out a way among themselves to bring down the political barriers which stifle economic activity and growth. We used our leadership to help officials overcome local interest groups and work with other governments to beat back the pressures for protectionism and isolation, to free the flow of commerce, materials, and resources across international frontiers, to integrate transport and power systems, and to develop economic and political ties that would serve as an engine for progress.

It was this unprecedented cooperation, more than the inflow of capital, that brought dramatic results. Between 1947 and 1951, per capita G.N.P. of Marshall Plan beneficiaries grew by 33.5 percent. In the next three decades, per capita standard of living in the Marshall Plan countries rose almost 145 percent. The average per capita G.N.P. in Western Europe nearly quadrupled between 1947 and 1985 -- where in America it doubled over the same period.

The Marshall Plan also led to the creation of institutions that today are the pillars of the free world's economy -- the European Economic Community, the General Agreement on Tariffs and Trade, the O.E.C.D., NATO, and also created the environment where the World Bank and the I.M.F. could do its work. The Marshall Plan was an act of generosity, but it was not a give-away program. Instead, it was the beginning of a process of

cooperation and enterprise that has carried the peoples of the Western democracies to new heights.

In a few days, I will leave for the upcoming Economic Summit in Venice. It will be the 13th time the seven major industrialized democracies have so met, and the seventh time I have been privileged to represent the United States. While our country is still looked to for leadership, the free world is now undeniably a partnership among democracies, to a large degree because of initiatives we set in motion four decades ago. Today, free world efforts -- economic, political, and security -- depend on genuine cooperation. Self-determination, as we've recognized since the time of Woodrow Wilson, is consistent with the interaction of free peoples. We sought it and, brother, we've got it.

The governments of Western Europe, North America, and Japan face the future together, and meetings like the Economic Summit build unity and sense of purpose. The velocity of economic change reshaping our world is making greater demands on our governments, individually and collectively. This change flows naturally from the open economic system we've established in the West. Our peoples and countries are now operating in a global market. Instantaneous communications, multi-national corporations, the flow of international investment, widespread computer technology, and the integration of financial markets are facts of life.

The progress of mankind, however, remains dependent on political as well as economic and technological momentum. Today,

we face challenges comparable to those that confronted struggling democracies four decades ago. We sought to achieve prosperity; now we seek to preserve it and ensure that our standard of living continues to improve. Nothing can be taken for granted. We must be active and vigorous to be successful, and we must work together. That is what freedom is all about. That is why we call the portion of the planet on which we live the free world. People here are not told what we must do. We talk things over and decide what to do for ourselves.

There is a story about an American and a Russian. As is often the case, the American was bragging about how in the United States everyone is free to speak. The Russian replied, "In Russia we're just as free to speak; the difference is in your country you're free after you speak."

The greatest challenge for those of us who live in freedom is to recognize the ties of common interest that bind us, to prove wrong those cynics who would suggest that free enterprise and democracy lead to short-sighted policies and undisciplined self-interest.

Today -- and we can't say this too often -- it is in the common interest of all of us, in every free land, to work against parochialism and protectionism, to keep markets open and commerce flowing. By definition, protecting domestic producers from competition erodes national competitiveness, slows down economic activity, and raises prices. It also threatens the stability of the entire free world trading system.

Some countries, which have taken full advantage of America's past openness, must realize that times have changed. Today, any country selling heavily in the United States, whose markets are not, to a large degree, open to American goods, is risking a backlash from the American people. No country that closes its own markets, or unfairly subsidizes its exports, can expect the markets of its trading partners to remain open. This point will

be driven home in Venice. *It is the central theme of our agreement at the Tokyo Summit to launch the Uruguay Trade Round*

While the vibrancy of the U.S. economy has contributed enormously to the world expansion, preserving a growing world economy is the business of every member of the world trading community. *It is the special responsibility of the largest economic powers.* It will be made clear, especially to our friends in Japan and the Federal Republic of West Germany, that growth-oriented domestic policies are needed to bolster the world trading system upon which they depend.

We and our allies must also fulfill our commitment on economic policy changes made last year at the Economic Summit in Tokyo, and were continued this year at meetings by Group of Seven Finance Ministers at the Louvre and in Washington, to bring about exchange rate stability. The commitments made at these meetings need to be translated into action.

Talks continue to flow about the necessity of a coordinated attack on market-distorting agricultural policies, policies which are found in almost every Western country. The time to act is fast approaching.

One concern shared by the industrialized powers is what to do about Third World countries which are not developing, not

progressing; countries that, if something does not happen, will be left behind.

Japan has made some important strides in this direction by offering to share some of its wealth -- some of its trade surplus -- with lesser-developed nations. I hope that during the course of this Summit, Japan will clarify in what form that aid will take. I also hope that other countries will consider following Japan's good example.

However, as I noted about the European example of four decades ago, the transfer of cash alone is not the solution. If tax rates are too high, if markets are not free, if government is big, corrupt, or abusive, a country cannot expect to attract the expertise and private sector investment needed to advance, nor will its own people have the incentives needed to push their economy forward.

After the war, German industry was little more than a shell. If Ludwig Erhard and Konrad Adenauer, courageous democratic post-war leaders of that country, had not dramatically, in one fell swoop, eliminated most of the intrusive controls on the German economy in 1948, Marshall Plan aid might not have had the miraculous impact that it did. If we are serious about changing the plight of less fortunate nations, we must, at the very least, be candid with them about these economic realities. We must tell them the secret of Germany's restoration and the secret of the amazing growth taking place on the Pacific Rim. That secret is a Marshall Plan of ideas. It is simply that freedom of enterprise, competition, and the profit motive work. They work so well that

the United States now must maneuver with economically powerful competitors, friendly competitors.

Clearly, there is recognizable friction among the great democracies about trade and economic policy. Our disputes are often front-page news. Our heated debates and maneuverings, however, are a healthy sign. During a time of great forward economic movement, close friends disagree, but no one should lose sight of the impressive strides taking place. The attention paid to complex economic issues, which decades ago were subject matter only for specialists, suggests the wide degree of consensus our nations have reached on the vital issues of war and peace, human rights, and democracy.

Today, the unity of the West on security issues is something which George Marshall and his contemporaries would look on with a deep and abiding pride. Marshall led America through war and out of isolationism. Like protectionism, isolationism is a tempting illusion. Four decades of European peace and the greatest economic expansion in history stand as evidence that isolationism and protectionism are not the way. We must work with like-minded friends to direct the course of history, or history will be determined by others who do not share our values, and we will not escape the consequences of the decisions they make.

Nowhere is this burden heavier than in the Middle East, a region that has been plagued with turmoil and death. If we retreat from the challenge, if we sail to a distance and wait passively on the sidelines, forces hostile to the free world will eventually have their way.

Two weeks ago, we lost 37 of our sons in the Persian Gulf. They were the pride and joy of their families, fine young men who volunteered to wear the uniform and serve their country. We have none better than these. They died while guarding a chokepoint of freedom, deterring aggression, and reaffirming America's willingness to protect its vital interests.

Yet, the American people are aware that it is not our interests alone that are being protected. The dependence of our allies on the flow of oil from that area is no secret. During the upcoming summit in Venice, we will be discussing the common security interests shared by the Western democracies in the Persian Gulf. The future belongs to the brave. Free men should not cower before such challenges, and they should not expect to stand alone.

And we are working together in a number of critical areas. Our friends and allies have been cooperating even more closely to combat the scourge of terrorism. Democracies are peculiarly vulnerable to this form of international criminality, and, at the upcoming Venice Summit, I hope to give renewed impetus to the momentum which has developed in the past year.

The Western Alliance, with courage and unity of purpose, has time and again thwarted threats to our prosperity and security. During the last decade, as American military spending declined, the Soviets raced ahead to gain a strategic advantage, deploying a new generation of intermediate-range missiles aimed at our European allies. This hostile maneuver -- part of a long-term strategy to separate Europe from the United States --

was countered by a united Alliance. Pershing and cruise missiles were deployed in Western Europe, even amidst the noise and clamor of sometimes violent opposition and an intensely hostile Soviet propaganda campaign.

Let me emphasize here, those who believe we take pleasure in military spending are wrong. I personally believe that pumping resources into the military, into weapons of mass destruction, like those missiles we deployed in Western Europe, is a tragic waste. If those resources were kept in the private sector, with technology already expanding, the progress, the production of new wealth, the increase in the well-being of our peoples, would be beyond our imagination.

There is only one thing that would be a bigger waste than channeling our resources into weapons, and that is war. We can not afford to spend one cent less than that which is absolutely necessary to protect our vital interests, ensure liberty, and preserve the peace. We must maintain a balance of forces with any adversary so that conflict will be deterred.

That balance, however, need not be at a high level. If a fair and verifiable arrangement can be worked out, adversaries may be able to lower their expenditures on particular weapons systems and, perhaps, even in the long run to decrease overall military spending, and yet remain equally secure. This process of balancing down can be a tool that enables us to build a more secure world.

This was the basis of our proposal 6 years ago when we offered to refrain from deploying our intermediate-range

missiles, if the Soviets would agree to dismantle their own. It was called the zero option. The other side refused. At that time, the fainthearted in Western countries, including a loud contingent here in the United States, suggested if we moved forward with deployment of our Pershing and cruise missiles, all hope of arms control agreements would be lost.

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