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WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/27/87 ACTION/CONCURRENCE/COMMENT DUE BY: NOON on 5/28/87

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 type="checkbox"/>
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DONATELLI	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments directly to Tony Dolan by noon on Thursday, May 28th, with an info copy to my office. Thank you.

RESPONSE: 29 MAY 27 12:29 PM '87
RECEIVED OPL-WW

Rhett Dawson
Ext. 2702

the same rules as any other. Every government which is part of or deals with the West's major economic institutions does so with open books and in good faith; 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.

Time will tell if the signs of evolution in the Soviet Union reflect 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, should 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 celebrities. We are waiting for signs of an end to genocidal killing in Afghanistan ~~or~~ a pull back from the aggressive subversion in the developing world.

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."

THE WHITE HOUSE

WASHINGTON

May 28, 1987

MEMORANDUM FOR MARI MASENG

FROM: LINAS KOJFLIS

SUBJECT: Presidential Address: Pre-Economic Summit Address

This office has reviewed the address, subject as above, and recommends the following small changes:

Page 13, ¶1:

- In the third sentence, the word, "should," should be changed to "must."

- In the last sentence, the word "and" should be substituted for "or" in the phrase, "killing in Afghanistan or a pull back..."

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REMARKS: Please provide any comments directly to Tony Dolan by noon on Thursday, May 28th, with an info copy to my office. Thank you.

RESPONSE: I concur with the President's Pre-Economic Summit Address with the exception of the attached comments.

Dan L. Crippen
Deputy Assistant to the President Rhett Dawson
Ext. 2702

cc: Rhett B. Dawson ✓

May 28, 1987

Comments on President's Pre-Economic Summit Address

I recommend the addition of two paragraphs and the deletion of one clause as follows:

on page 7, after "...the entire free world trading system.", insert something like the following:

Our Congress is now considering trade legislation. I have already made it clear that the bill passed by the House of Representatives is unacceptable. I have also said that the legislation reported by the Senate Finance Committee makes significant improvements over the House bill, but still has some problems—"...what we have seen so far is not encouraging." I will continue to work with the Congress to attempt to develop a trade bill. But I want to make it clear to everyone here, as I will with our Allies in these next few days, that I will not accept protectionist legislation and will work vigorously for the defeat of any bill that attempts to restrict rather than expand world trade.

on page 9, after "...economically powerful rivals, friendly competitors.", insert something like:

The countries who have prospered over the last 40 years, share the consequences of the problems of the Third World nations. Without reforms and economic development, there cannot be stable political conditions and expanding markets for world trade. Without encouragement and assistance to these countries, there cannot be the global economic expansion so important to maintain our international economic order. Japan has made some important strides in this direction by offering to share some of its wealth—some of its trade surplus—with the lesser developed nations. I hope that during the course of this Summit Japan will clarify what form that aid will take. I also hope that other countries will consider following Japan's good example.

on page 12, strike:

, if they wish their country to be a part of the economic institutions of the West,

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RESPONSE:

no changes

(Rohrabacher/ARD)

May 27, 1987

10:30 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 Week, which we will proclaim today, coincides with the upcoming European summit. I'm certain that if Marshall were with us, he 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 coveted 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 than 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, in this time of almost blinding prosperity, to imagine the destitution and hopelessness that pervaded Europe after the close of the Second World War. The conflict had taken the lives of many millions of Europeans. A generation of vigorous young leaders, the greatest asset of any society, had been slaughtered in 6 years of unprecedented bloodletting.

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 monstrous job of rebuilding overwhelmed the shell-shocked survivors.

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

Forty years ago June 5th, ^{then} 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.

(NO)
Provide a little of Marshall's history - how he got from Army Chief of Staff to Sec of State - there is no connection here.

wasn't he just Army COS?

In today's ~~money~~ ^{dollars} (10), the Marshall Plan was a commitment of about \$70 billion. With that: bombed-out French harbors were restored, the Corinth Canal was built 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 small businesses were given a helping hand. One allocation of \$1,200, for example, permitted a Danish bicycle firm to purchase ball bearings and thus stay in business. All these and so many, many more projects, large and small, were direct beneficiaries of American largess. *generosity*

The list is impressive, yet, if the Marshall Plan had simply been a transfer 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 cash itself.

(1) First, *the Marshall Plan* (it) was designed to generate hope where there was none, to activate subdued and listless peoples. 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 at Harvard 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 and to work out a way among themselves to bring down the political barriers which stifle economic activity and growth. America could have dealt with each recipient country bilaterally, playing one off against the other for our own advantage. Instead, we insisted on unprecedented cooperation among European governments. We used our leverage 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 American mandate, more than the inflow of American capital, that brought dramatic results.

In 1947, European economies were operating at one-quarter to two-thirds of pre-war levels. By the summer of 1951, with the Marshall Plan in full swing, those economies had surpassed pre-war capacity by 43 percent; per capita G.N.P. had grown 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. went from \$2,426 in 1947 to \$8,815 in 1985. For our own people, it went from \$6,332 to \$13,655 during that time.

The Marshall Plan, in a very real sense, led to the creation of institutions that today are the pillars of the free world economy -- the European Common Market, the General Agreement on Tariffs and Trade, the O.E.C.D., NATO, and, yes, even the World Bank and the I.M.F. The Marshall Plan was an act of generosity, but it was no 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. Our country is still looked to for leadership, yet the power formula has changed, 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, not pressure or domination by any one government. 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 are now democratic partners, in the full sense of that expression, 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 democratic heads of state, 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, whether we like it or not. Instantaneous communications, multi-national corporations, the flow of international investment, widespread computer technology, and the integration of financial ~~systems~~^{markets} are facts of life.

The progress of mankind, however, remains dependent on political as well as economic and technological momentum. Today, we face some of the same challenges confronted by struggling Europeans four decades ago. They sought to achieve prosperity; we seek to ^{preserve} (protect) 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. That goes for people inside and outside of government.

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 willingness to accept unequal trade arrangements, must realize that times have changed. The post-war era is behind us now. Today, any country selling heavily in the United States, whose markets are not totally open to American goods, is risking a devastating 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 pounded home in Venice.

It will also be made clear, especially to our friends in Japan and the Federal Republic of Germany, that growth-oriented domestic policies are needed to bolster a world trading system upon which they depend. Partnership today should translate into equality and a level playing field. Preserving a growing world economy is the business of every member of the world trading community.

Thorny issues will continue to be studied and discussed, but words must lead to actions. We are still waiting, for example, for movement on those commitments made by our allies concerning

→ (exchange rate stability.)
economic growth
??

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

One concern shared by the industrialized powers is what to do about those Third World countries which are not developing, not progressing; countries that, if something does not happen, will be left behind. As I noted about the European example of four decades ago, the transfer of cash alone is no 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 bombed-out shell. If Ludwig Ehardt and Conrad Adhenaer, the courageous democratic post-war leaders of that country, had not dramatically, in one fell swoop, eliminated the massive government controls on the German economy in 1947, 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 and the profit motive work.

They work so well that the United States now must maneuver with economically powerful rivals, friendly competitors.

Clearly, there is recognizable friction among the great democracies about trade and economic questions. Our disputes are often front-page news. The heated debates and maneuverings, however, are a healthy sign. This is to be expected, even among close friends, during a time of great forward economic movement, and let no one 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 into 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.

Last week, 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, part of a military presence in the Persian Gulf that deters aggression and reaffirms 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, it will be made clear that we expect nothing less than full support when a stand is taken that is so fundamental to the interests of every member of the alliance. The future belongs to the brave. Free men should not cower before such challenges, and they should not expect to stand alone.

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 a Soviet-orchestrated opposition campaign.

Let me emphasize here, those who believe we take pleasure in military spending are grotesquely 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 force 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 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.

The pessimists, however, have been proven stupendously 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 like Prime Minister Thatcher, individuals who were firm, and rejected the hysteria and defeatism of those who would have accepted the Soviet nuclear domination of Europe. Prime Minister Thatcher and other European leaders have proven again that ^{achieving} peace through strength is a fact of life.

Strength and realism are the watch words for real progress in dealing with our Soviet adversaries. We view changes which seem to be happening in the Soviet Union with cautious optimism. Let it be remembered that the Kremlin bosses of four decades ago rejected Soviet participation in the Marshall Plan.

If the current crop of Soviet leaders 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 economic ^{community} ~~institutions~~ of the West, we welcome the change. Let there be no mistake, however, the Soviet government is subject to

(W) this means World Bank; IMF - don't think that is our policy.

the same rules as any other. Every government which is part of or deals with the West's major economic institutions does so with open books and in good faith; 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.

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1948 was a volatile political year for our country. I was a Democrat back then. President Truman was under attack from the left wing of his own party, and the opposition controlled both Houses of Congress -- and believe me, I know how frustrating that can be. One of his aides, before the package was sent to the Hill, suggested that the Marshall Plan should be called the Truman Plan. It is reported that President Truman curtly replied that if it went before Congress with his name on it, the plan would lay there for a while, quiver, and then die.

President Truman understood both the weaknesses and the strengths of democracy. Even amidst the deep political divisions so evident in 1948, the Marshall Plan and Truman Doctrine military aid were approved by Congress. In the end, it was our ability to overcome our own domestic political discord that made the difference. Greece and Turkey were saved. Western Europe was put on the path to recovery. Human freedom was given a chance.

Today, we face challenges of similar magnitude. The influx of thousands of Eastern bloc and Cuban advisers and over a billion dollars of sophisticated Soviet military equipment poured into Central America menace the security of the hemisphere and should be viewed as a strategic maneuver of concern to every member of the alliance. Again, the United States is looked to for leadership. Again, we are in a volatile political situation at home.

I leave for Europe, however, 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.

With that said, I will sign the order proclaiming George C. Marshall Week.

Thank you and God bless you.

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RESPONSE:

See pp 3 otherwise OK gnd

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The list is impressive, yet, if the Marshall Plan had simply been a transfer 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 cash itself.

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/27/87 ACTION/CONCURRENCE/COMMENT DUE BY: NOON on 5/28/87

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 type="checkbox"/>
DUBERSTEIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HENKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOBBS	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input type="checkbox"/>	MASENG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARLUCCI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RISQUE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRIBB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CRIPPEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DAWSON	<input checked="" 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: Please provide any comments directly to Tony Dolan by noon on Thursday, May 28th, with an info copy to my office. Thank you.

RESPONSE:

THE WHITE HOUSE

WASHINGTON

5/22/87

MEMORANDUM

TO: FRANK CARLUCCI
FROM: FREDERICK J. RYAN, JR. *FR*
SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

MEETING: Pre-Economic Summit Address

DATE: June 1, 1987

TIME: 3:00 pm

DURATION: 15 minutes

LOCATION: East Room

BACKUP LOCATION:

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Coordinate with Press Office

FIRST LADY

PARTICIPATION: Optional

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

W. Ball
J. Lamb
R. Dawson
J. Courtemanche
M. Coyne
E. Crispen
F. Donatelli
T. Griscom
D. Dellinger
A. Dolan
J. Erkenbeck
L. Faulkner
C. Fuller

W. Henkel
J. Hooley
N. Risque
J. Kuhn
M. Archambault
J. Miller
R. Riley
R. Shaddick
B. Shaddix
M. Fitzwater
G. Walters
WHCA Audio/Visual
WHCA Operations

G. Green

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET



- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Rhett Dawson

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Presidential Address: Pre-Economic Summit
Address

ROUTE TO:	ACTION	DISPOSITION
Office/Agency (Staff Name)	Action Code Tracking Date YY/MM/DD	Type of Response Code Completion Date YY/MM/DD
<u>cuhol</u>	ORIGINATOR <u>87 05 27</u>	<u>C 87 05 28</u> ^{RO}
<u>cuat (26)</u>	Referral Note: <u>for APC</u> <u>I 87 05 27</u>	<u>C 87 05 28</u> ^{RO}
<u>cuclv</u>	Referral Note: <u>S 87 05 28</u>	<u>C 87 05 28</u> ^{RO}
	Referral Note: <u>May 28 87 APC memo to Sony Dolan</u>	
	Referral Note: _____	
	Referral Note: _____	

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: Reply directly to Sony Dolan with a copy to Rhett Dawson

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOb).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

THE WHITE HOUSE

WASHINGTON

May 28, 1987

MEMORANDUM FOR ANTHONY R. DOLAN
DEPUTY ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF SPEECHWRITING

FROM: ARTHUR B. CULVAHOUSE, JR.
COUNSEL TO THE PRESIDENT

Original Signed by ABC

SUBJECT: Presidential Address: Pre-Economic Summit Address

As requested, this office has reviewed the draft of the Pre-Economic Summit Address to be delivered by the President on Monday, June 1, 1987. We have no legal objection or other comment.

Thank you for submitting this draft for our review.

cc: Rhett B. Dawson

THE WHITE HOUSE

WASHINGTON

May 28, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: C. CHRISTOPHER COX *CC*

SUBJECT: Presidential Address: Pre-Economic Summit Address

As requested, the attached memorandum to Tony Dolan is for your initials.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/27/87 ACTION/CONCURRENCE/COMMENT DUE BY: NOON on 5/28/87

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"/>
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MILLER - OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOBBS	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input type="checkbox"/>	MASENG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARLUCCI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RISQUE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRIBB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CRIPPEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input checked="" type="checkbox"/>	<input 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: Please provide any comments directly to Tony Dolan by noon on Thursday, May 28th, with an info copy to my office. Thank you.

RESPONSE:

(Rohrabacher/ARD)
May 27, 1987
10:30 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 Week, which we will proclaim today, coincides with the upcoming European summit. I'm certain that if Marshall were with us, he 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 coveted 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 than 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, in this time of almost blinding prosperity, to imagine the destitution and hopelessness that pervaded Europe after the close of the Second World War. The conflict had taken the lives of many millions of Europeans. A generation of vigorous young leaders, the greatest asset of any society, had been slaughtered in 6 years of unprecedented bloodletting.

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 monstrous job of rebuilding overwhelmed the shell-shocked survivors.

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 about \$70 billion. With that: bombed-out French harbors were restored, the Corinth Canal was built 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 small businesses were given a helping hand. One allocation of \$1,200, for example, permitted a Danish bicycle firm to purchase ball bearings and thus stay in business. All these and so many, many more projects, large and small, were direct beneficiaries of American largess.

The list is impressive, yet, if the Marshall Plan had simply been a transfer 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 cash itself.

First, it was designed to generate hope where there was none, to activate subdued and listless peoples. 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 at Harvard 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 and to work out a way among themselves to bring down the political barriers which stifle economic activity and growth. America could have dealt with each recipient country bilaterally, playing one off against the other for our own advantage. Instead, we insisted on unprecedented cooperation among European governments. We used our leverage 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 American mandate, more than the inflow of American capital, that brought dramatic results.

In 1947, European economies were operating at one-quarter to two-thirds of pre-war levels. By the summer of 1951, with the Marshall Plan in full swing, those economies had surpassed pre-war capacity by 43 percent; per capita G.N.P. had grown 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. went from \$2,426 in 1947 to \$8,815 in 1985. For our own people, it went from \$6,332 to \$13,655 during that time.

The Marshall Plan, in a very real sense, led to the creation of institutions that today are the pillars of the free world economy -- the European Common Market, the General Agreement on Tariffs and Trade, the O.E.C.D., NATO, and, yes, even the World Bank and the I.M.F. The Marshall Plan was an act of generosity, but it was no 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. Our country is still looked to for leadership, yet the power formula has changed, 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, not pressure or domination by any one government. 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 are now democratic partners, in the full sense of that expression, 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 democratic heads of state, 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, whether we like it or not. Instantaneous communications, multi-national corporations, the flow of international investment, widespread computer technology, and the integration of financial systems are facts of life.

The progress of mankind, however, remains dependent on political as well as economic and technological momentum. Today, we face some of the same challenges confronted by struggling Europeans four decades ago. They sought to achieve prosperity; we seek to protect 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. That goes for people inside and outside of government.

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 willingness to accept unequal trade arrangements, must realize that times have changed. The post-war era is behind us now. Today, any country selling heavily in the United States, whose markets are not totally open to American goods, is risking a devastating 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 pounded home in Venice.

It will also be made clear, especially to our friends in Japan and the Federal Republic of Germany, that growth-oriented domestic policies are needed to bolster a world trading system upon which they depend. Partnership today should translate into equality and a level playing field. Preserving a growing world economy is the business of every member of the world trading community.

Thorny issues will continue to be studied and discussed, but words must lead to actions. We are still waiting, for example, for movement on those commitments made by our allies concerning exchange rate stability.

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

One concern shared by the industrialized powers is what to do about those Third World countries which are not developing, not progressing; countries that, if something does not happen, will be left behind. As I noted about the European example of four decades ago, the transfer of cash alone is no 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 bombed-out shell. If Ludwig Ehardt and Conrad Adenauer, the courageous democratic post-war leaders of that country, had not dramatically, in one fell swoop, eliminated the massive government controls on the German economy in 1947, 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 and the profit motive work.

They work so well that the United States now must maneuver with economically powerful rivals, friendly competitors.

Clearly, there is recognizable friction among the great democracies about trade and economic questions. Our disputes are often front-page news. The heated debates and maneuverings, however, are a healthy sign. This is to be expected, even among close friends, during a time of great forward economic movement, and let no one 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 into 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.

Last week, 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, part of a military presence in the Persian Gulf that deters aggression and reaffirms 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, it will be made clear that we expect nothing less than full support when a stand is taken that is so fundamental to the interests of every member of the alliance. The future belongs to the brave. Free men should not cower before such challenges, and they should not expect to stand alone.

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 a Soviet-orchestrated opposition campaign.

Let me emphasize here, those who believe we take pleasure in military spending are grotesquely 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 force 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 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.

The pessimists, however, have been proven stupendously 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 like Prime Minister Thatcher, individuals who were firm, and rejected the hysteria and defeatism of those who would have accepted the Soviet nuclear domination of Europe. Prime Minister Thatcher and other European leaders have proven again that peace through strength is a fact of life.

Strength and realism are the watch words for real progress in dealing with our Soviet adversaries. We view changes which seem to be happening in the Soviet Union with cautious optimism. Let it be remembered that the Kremlin bosses of four decades ago rejected Soviet participation in the Marshall Plan.

If the current crop of Soviet leaders 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 economic institutions of the West, we welcome the change. Let there be no mistake, however, the Soviet government is subject to

the same rules as any other. Every government which is part of or deals with the West's major economic institutions does so with open books and in good faith; 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.

Time will tell if the signs of evolution in the Soviet Union reflect 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, should 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 celebrities. We are waiting for signs of an end to genocidal killing in Afghanistan or a pull back from the aggressive subversion in the developing world.

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."

1948 was a volatile political year for our country. I was a Democrat back then. President Truman was under attack from the left wing of his own party, and the opposition controlled both Houses of Congress -- and believe me, I know how frustrating that can be. One of his aides, before the package was sent to the Hill, suggested that the Marshall Plan should be called the Truman Plan. It is reported that President Truman curtly replied that if it went before Congress with his name on it, the plan would lay there for a while, quiver, and then die.

President Truman understood both the weaknesses and the strengths of democracy. Even amidst the deep political divisions so evident in 1948, the Marshall Plan and Truman Doctrine military aid were approved by Congress. In the end, it was our ability to overcome our own domestic political discord that made the difference. Greece and Turkey were saved. Western Europe was put on the path to recovery. Human freedom was given a chance.

Today, we face challenges of similar magnitude. The influx of thousands of Eastern bloc and Cuban advisers and over a billion dollars of sophisticated Soviet military equipment poured into Central America menace the security of the hemisphere and should be viewed as a strategic maneuver of concern to every member of the alliance. Again, the United States is looked to for leadership. Again, we are in a volatile political situation at home.

I leave for Europe, however, 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.

With that said, I will sign the order proclaiming George C. Marshall Week.

Thank you and God bless you.