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**WHORM Subject File Code: FO006-13**  
(Economic Summit, Canada,  
[Toronto],06/19/1988-06/20/1988)  
**Case file Number(s): 561512 (2 of 3)**

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NSC

**WHITE HOUSE STAFFING MEMORANDUM**

DATE: 6/9/88

ACTION/CONCURRENCE/COMMENT DUE BY:

5:00 6/10/88

SUBJECT:

TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |               | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

**REMARKS:**

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

**RESPONSE:**

TO: MARION BLAKEY

June 10, 1988

The NSC staff recommends the changes noted on the attached White House Issue Brief on the Toronto Economic Summit.

*Robert M. Puck*  
 Paul Schott Stevens  
 Executive Secretary

**Rhett Dawson**  
 Ext. 2702

cc: Rhett Dawson

TORONTO ECONOMIC SUMMIT

President Reagan will participate in his eighth Economic Summit June 19-21 when he meets in Toronto with other leaders of the free world's seven major industrialized nations. In addition to the U.S., those nations are Japan, West Germany, France, the United Kingdom, Italy and Canada. The European Community will also be represented at the Toronto Summit.

MAJOR U.S. THEMES

President Reagan will pursue three major themes at the Summit, which is the 14th between the free world's economic powers.

1. The Past Eight Years: Free Markets and Open Societies

There is increasing awareness that free markets and open societies are the only ways to promote economic growth and development. State planning, intervention and control do not work. Over the past eight years, countries with free economies and open societies have had high rates of growth. The United States has been in the forefront in promoting democracy and economic freedom around the world.

2. International Cooperation and Shared Responsibilities:

Consultation and coordination among Summit participants, as well as nations that are members of the General Agreement on Tariffs and Trade (GATT) and the North Atlantic Treaty Organization (NATO), have successfully dealt with economic problems and threats to security. The United States supports this approach of shared responsibilities.

3. A Look Ahead: Removing Barriers

*the Organization for Economic Cooperation and Development (OECD)*

The future belongs to the flexible, to nations that take advantage of the free exchange of ideas, goods and services. The U.S. expects the Toronto Summit to give a major political push to removing barriers in agriculture, trade and services.

*The Uruguay Round ~~is~~ to the international flow of goods*

ECONOMIC GROWTH AMONG SUMMIT PARTICIPANTS

- o Since 1981, summits have helped set out a market-oriented strategy to bring down inflation and promote recovery and economic growth.

- o The seven summit nations have cooperated on economic policy; resisted protectionism; launched a new round of trade negotiations; and established a ~~global~~ <sup>strategic</sup> strategy to deal with the debt of developing countries.
- o For each country attending the Toronto Summit, the rate of growth in goods and services produced was significantly higher in 1987 than in 1981.
- o The table below reports growth rates in real gross national product (GNP) for the United States and Japan, and in gross domestic product (GDP) for the other countries. GDP reports production but excludes investment income.

Growth Rate of Real GNP and GDP  
in percentages

|              | 1981 | 1987 |
|--------------|------|------|
| U.S.         | 1.9  | 2.9  |
| Japan        | 3.7  | 4.2  |
| West Germany | 0.0  | 1.7  |
| France       | 0.5  | 1.9  |
| U.K.         | -1.3 | 3.6  |
| Italy        | 0.2  | 3.0  |
| Canada       | 3.7  | 3.9  |
| Summit-7     | 1.6  | 3.0  |

THE SUMMIT ISSUES

A number of specific issues are expected to arise during the Summit. Here is the U.S. position on these issues:

Coordinating Economic Policy

- o President Reagan believes in coordinating economic policies of the major industrial countries to promote a stronger world economy and a more stable financial system. The focus must not only be on exchange rates, but on whether the world economy is open and growing. Through peer pressure, nations can encourage corrective action by those with excessive trade surpluses or deficits.
- o Progress in coordination is being made:
  - At the Tokyo (1986) and Venice (1987) Summits the seven nations decided to make increased use of economic indicators to survey the economy, and agreed on economic goals for the future.

- In October 1987, the benefits of increased coordination were demonstrated during the decline in the stock market. A worldwide financial panic was avoided.
- o In part, the President favors:
  - Assurance that countries with a trade surplus (particularly the Federal Republic of Germany and Japan) will continue to improve their growth and reduce trade imbalances.
  - Reduction of our own budget deficit. In fiscal year 1987, the U.S. reduced its budget deficit by \$71 billion, from \$221 billion to \$150 billion. Under the President's proposed budget for FY 1989, the deficit would decline to \$23 billion by FY 1993.
  - Stable exchange rates. Excessive fluctuation of those rates, or a dramatic change in the value of the dollar, could damage the prospect for growth in the world economy.
  - A new index for commodity prices that would include the price of gold as well as other commodities such as wheat and oil. This would be an additional instrument with which to examine global price trends.
  - A review of <sup>"structural" issues</sup> ~~tax reform~~ among the nations <sup>eg. tax reform</sup> as well as measures to reduce government interference in markets, including financial markets, and deregulation. The U.S. also favors reductions in subsidies to agriculture and other industries, and steps to make labor more mobile.

Agriculture

- o The goal of the Reagan Administration is the eventual elimination of all subsidies and import restrictions to allow all farmers to compete on a level playing field. ~~without the subsidies now required.~~ <sup>Assistance to farmers, de-linked to production and prices will be allowed.</sup>
- o The Administration has asked the 95 members of GATT to phase out over 10 years all agricultural subsidies which directly or indirectly distort trade. Long-term goals for reform of agriculture worldwide should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

International Trade

- o The Toronto Summit should reaffirm its opposition to protectionist trading measures ~~that promote high tariffs.~~ <sup>and give priority to non-tariff measures</sup> ~~In 1930, the average tariff on manufactured goods was 50 percent. Today it is about 5 percent.~~ <sup>The Reagan Administration is committed to complete</sup>

For additional information, call the White House Office of Public Affairs; 456-7170.

*to that end progress at the Round's December, 1988 mid-term review is essential.*

*As well as by 1990.*

- o Summit participants should discuss how other nations, including the ~~Newly Industrialized Countries~~ (NICs) can contribute to a more prosperous world. *economies*

International Debt

- o By the end of 1987, Third World countries were \$1.2 trillion in debt, more than twice their 1979 debt. The U.S. believes economic growth is the key to restoring the credit of those debtor nations.

- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of financing options to help debtor nations reform their economies. The U.S. supports the case-by-case menu approach.

- o Substantial progress has been made since the Venice Summit:

? -- Brazil ~~and Mexico~~ [~~which could~~] have ~~renounced their debts, instead~~ agreed to reschedule ~~their~~ obligations.

-- Eight of the 15 major debtor nations achieved growth of 4 percent to 5 percent in 1987. Only three countries achieved that in 1986. Debt service and the ratio of debt to interest has fallen by at least one-fourth since 1982.

- o Summit countries that can do so should provide interest-rate concessions to countries with low incomes and heavy debts and reschedule those debts. (The U.S. cannot provide interest rates below the cost of funds for policy and budgetary reasons.)

Other Topics

Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; ~~drugs~~; and the environment.

*narco*

The U.S. is willing to support a differentiated approach for the poorest countries. Creditor countries in a position to do so could provide - on a case by case basis - interest rate concessions. Other countries might consider a broader range of maturities.

PUBLIC LIAISON

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| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
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**RESPONSE:**

*See attached insert on International Trade*

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- In October 1987, the benefits of increased coordination were demonstrated during the decline in the stock market. A worldwide financial panic was avoided.
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  - A review of tax reform among the nations, as well as measures to reduce government interference in markets, including financial markets, and deregulation. The U.S. also favors reductions in subsidies to agriculture and other industries, and steps to make labor more mobile.

Agriculture

- o The goal of the Reagan Administration is the eventual elimination of all subsidies and import restrictions to allow all farmers to compete on a level playing field without the subsidies now required.
- o The Administration has asked the 95 members of GATT to phase out over 10 years all agricultural subsidies which directly or indirectly distort trade. Long-term goals for reform of agriculture worldwide should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

International Trade

- o The Toronto Summit should reaffirm its opposition to protectionist trading measures that promote high tariffs. In 1930, the average tariff on manufactured goods was 50 percent. Today it is about 5 percent.

Pls  
see  
attached

- o Summit participants should discuss how other nations, including the Newly Industrialized Countries (NICs) can contribute to a more prosperous world.

#### International Debt

- o By the end of 1987, Third World countries were \$1.2 trillion in debt, more than twice their 1979 debt. The U.S. believes economic growth is the key to restoring the credit of those debtor nations.
- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of financing options to help debtor nations reform their economies. The U.S. supports the case-by-case menu approach.
- o Substantial progress has been made since the Venice Summit:
  - Brazil and Mexico, which could have renounced their debts, instead agreed to reschedule their obligations.
  - Eight of the 15 major debtor nations achieved growth of 4 percent to 5 percent in 1987. Only three countries achieved that in 1986. Debt service and the ratio of debt to interest has fallen by at least one-fourth since 1982.
- o Summit countries that can do so should provide interest-rate concessions to countries with low incomes and heavy debts and reschedule those debts. (The U.S. cannot provide interest rates below the cost of funds for policy and budgetary reasons.)

#### Other Topics

Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; drugs; and the environment.

## International Trade

- o The President seeks to promote open markets and liberalized international trade. This would include an affirmation of support among the summit nations for a successful mid-term review of the GATT Uruguay Round in December 1988.
- o In the area of agriculture:
  - The Administration's goal is the eventual elimination of all trade-distorting subsidies and import restrictions so that farmers will be able to compete on a level playing field.
  - During the Uruguay Round negotiations, the Administration proposed that the 96 members of the GATT phase out over ten years all agricultural subsidies that directly or indirectly distort trade. Long-term goals for worldwide reform of agriculture should be completed when trade ministers meet in Montreal to review progress in the Uruguay Round.
- o The President is seeking an endorsement of a framework approach for the negotiations in other Uruguay Round issues. This framework will lay out specific goals, a road map and a timetable to the finish line. We would like to see the Summit leaders give their ministers a push on intellectual property, services, investment the functioning of the GATT system, and the integration of the Newly Industrialized Countries (NICs) into the GATT.

CABINET AFFAIRS

**WHITE HOUSE STAFFING MEMORANDUM**

1988 JUN 10 PM 5  
 RECEIVED

DATE: 6/9/88 ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 6/10/88

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**RESPONSE:**

NR  
 WOODWARD  
 MARONI - see 1,2,3,4  
 HAUPTL - OK  
 TREASURY - see 1,4 + insert  
 USTR - see replacement  
 Commerce - see pg 2

Rhett Dawson  
Ext. 2702

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ENDING (TREAS.)  
IMPRESSIVE (TREAS.)

2. International Cooperation and Shared Responsibilities:

Consultation and coordination among Summit participants, as well as nations that are members of the General Agreement on Tariffs and Trade (GATT) and the North Atlantic Treaty Organization (NATO), have [successfully] dealt with economic problems and threats to security. The United States supports this approach of shared responsibilities.

EPL

3. A Look Ahead: Removing Barriers

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Growth Rate of Real GNP and GDP in percentages

|              | 1981           | 1987               |
|--------------|----------------|--------------------|
| U.S.         | 1.9            | 2.9                |
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| West Germany | 0.0            | 1.7                |
| France       | <del>1.2</del> | <del>1.9</del> 2.3 |
| U.K.         | <del>1.2</del> | <del>3.8</del> 4.5 |
| Italy        | <del>1.1</del> | <del>2.8</del> 3.1 |
| Canada       | 3.7            | 3.9                |
| Summit-7     | <del>1.7</del> | <del>3.0</del> 3.5 |

DOC  
 Why were 1981 + 1987 isolated when 1981 was a recession year?

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- o President Reagan believes in coordinating economic policies of the major industrial countries to promote a stronger world economy and a more stable financial system. ~~The focus must not only be on exchange rates, but on whether the world economy is open and growing. Through peer pressure, nations can encourage corrective action by those with excessive trade surpluses or deficits.~~ THE DEVELOPMENT OF CONSISTENT AND COMPATIBLE POLICIES AND ECONOMIC PERFORMANCE WILL FOSTER IMPROVED GROWTH, REDUCTION OF TRADE IMBALANCES AND GREATER EXCHANGE RATE STABILITY
- o Progress in coordination is being made:
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- In October 1987, the benefits of increased coordination were demonstrated during the decline in the stock market. A worldwide ~~financial panic~~ was avoided.

RECESSION

In part, the President favors:

THE CONTINUED STEP BY STEP STRENGTHENING OF THE COORDINATION PROCESS IN ORDER TO ACHIEVE A SOUND WORLD ECONOMY AND STABLE FINANCIAL MARKETS.

- Assurance that countries with a trade surplus (particularly the Federal Republic of Germany and Japan) will continue to improve their growth and reduce trade imbalances.
- Reduction of our own budget deficit. In fiscal year 1987, the U.S. reduced its budget deficit by \$71 billion, from \$221 billion to \$150 billion. Under the President's proposed budget for FY 1989, the deficit would decline to \$23 billion by FY 1993.
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AN AGREEMENT TOWARD

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- o The Toronto Summit should reaffirm its opposition to protectionist trading measures that promote high tariffs. In 1930, the average tariff on manufactured goods was 50 percent. Today it is about 5 percent.

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*See inserts*

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Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; drugs; and the environment.

*(ECC)*

- o *SPECIAL EFFORTS SHOULD BE MADE BY THE SUMMIT PARTNERS TO REAFFIRM SUPPORT FOR WORK IN SERVICES, INVESTMENT, INTELLECTUAL PROPERTY, AND FUNCTIONING OF THE GATT SYSTEM. PROGRESS IN THESE NEW ISSUES IS CRITICAL TO THE SUCCESS OF THE MID-TERM REVIEW OF THE URUGUAY ROUND TO BE HELD IN DECEMBER.*

(TREASURY)

REPLACEMENT FOR SECTION ON PAGE 4

International Debt

- o Considerable progress is being made under the growth-oriented debt strategy in supporting debtor nations' efforts to achieve sustained growth, restore investor confidence, and enhance their return to credit-worthiness.
  - The major debtors have placed increased emphasis on market-based policies to increase economic efficiency.
  - They are implementing macro-economic and structural reforms to promote growth, trade, and capital flows. These include privatizing public sector enterprises, tax system reforms, trade liberalization, removal of price controls, and the promotion of realistic exchange and interest rates.
  - Eight of the major debtors achieved growth of 4 percent or better last year while debt service ratios have fallen by one-fourth since 1982.
- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of alternative market-driven financial instruments to help meet the diverse interests of both debtor nations and the banking community in devising new financing packages.
  - The "menu" includes both new money and voluntary, market-based debt conversion options.
- o Significant steps have also been taken to assist the low-income countries, including providing additional concessional support through the IMF and World Bank.
- o We will be seeking a reaffirmation of Summit support for the case-by-case debt strategy and for measures to assist the poorest countries undergoing reforms, including a more flexible approach on debt reschedulings in the Paris Club.

## USTR COMMENTS ON SUMMIT ISSUE BRIEF

Replace Agriculture and Trade Sections with the following:

### International Trade

- o The President seeks to promote open markets and liberalized international trade. This would include an affirmation of support among the summit nations for a successful mid-term review of the GATT Uruguay Round in December 1988.
- o In the area of agriculture:
  - The Administration's goal is the eventual elimination of all trade-distorting subsidies and import restrictions so that farmers will be able to compete on a level playing field.
  - During the Uruguay Round negotiations, the Administration proposed that the 96 members of the GATT phase out over ten years all agricultural subsidies that directly or indirectly distort trade. Long-term goals for worldwide reform of agriculture should be completed when trade ministers meet in Montreal to review progress in the Uruguay Round.
- o The President is seeking an endorsement of a framework approach for the negotiations in other Uruguay Round issues. This framework will lay out specific goals, a road map and a timetable to the finish line. We would like to see the Summit leaders give their ministers a push on intellectual property, services, investment the functioning of the GATT system, and the integration of the Newly Industrialized Countries (NICs) into the GATT.

CEA

Action - C. Hakkeid

cc: TC M  
ML M

WHITE HOUSE STAFFING MEMORANDUM

DATE: 6/9/88

ACTION/CONCURRENCE/COMMENT DUE BY:

1988 JUN 13 5:00 PM '88

SUBJECT:

TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |               | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

REMARKS:

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

RESPONSE:

See Comments  
Mr. Mason

Rhett Dawson  
Ext. 2702

TORONTO ECONOMIC SUMMIT

President Reagan will participate in his eighth Economic Summit June 19-21 when he meets in Toronto with other leaders of the free world's seven major industrialized nations. In addition to the U.S., those nations are Japan, West Germany, France, the United Kingdom, Italy and Canada. The European Community will also be represented at the Toronto Summit.

MAJOR U.S. THEMES

President Reagan will pursue three major themes at the Summit, which is the 14th ~~between~~ <sup>among</sup> the free world's economic powers. ✓

1. The Past Eight Years: Free Markets and Open Societies

There is increasing <sup>acceptance</sup> ~~awareness~~ that free markets and open societies are the only ways to promote economic growth and development. State planning, intervention and control do not work. Over the past eight years, countries with free economies and open societies have had high rates of growth. The United States has been in the forefront in promoting democracy and economic freedom around the world. S+157

2. International Cooperation and Shared Responsibilities:

Consultation and coordination among Summit participants, as well as nations that are members of the General Agreement on Tariffs and Trade (GATT) and the North Atlantic Treaty Organization (NATO), have successfully dealt with economic problems and threats to security. The United States supports this approach of shared responsibilities.

3. A Look Ahead: Removing Barriers

The future belongs to the flexible, to nations that take advantage of the free exchange of ideas, goods and services. The U.S. expects the Toronto Summit to give a major political push to removing barriers in agriculture, trade and services.

ECONOMIC GROWTH AMONG SUMMIT PARTICIPANTS

- o Since 1981, summits have helped set out a market-oriented strategy to bring down inflation and promote recovery and economic growth.

- o The seven summit nations have cooperated on economic policy; resisted protectionism; launched a new round of trade negotiations; and established a global strategy to deal with the debt of developing countries.
- o For each country attending the Toronto Summit, the rate of growth in goods and services produced was significantly higher in 1987 than in 1981.
- o The table below reports growth rates in real gross national product (GNP) for the United States and Japan, and in gross domestic product (GDP) for the other countries. GDP reports production but excludes ~~investment income~~

Growth Rate of Real GNP and GDP  
in percentages  
*net factor payments from abroad.*

*Date from  
OECD Econ  
Outlook*

|              | 1981                            | 1987                              |
|--------------|---------------------------------|-----------------------------------|
| U.S.         | 1.9                             | 2.9                               |
| Japan        | 3.7                             | 4.2                               |
| West Germany | 0.0                             | 1.7                               |
| France       | <del>1.2</del> <del>0.5</del>   | <del>1.9</del> 2.2                |
| U.K.         | <del>-1.1</del> <del>-1.3</del> | <del>3.6</del> <del>4.5</del> 3.7 |
| Italy        | <del>1.1</del> <del>0.2</del>   | <del>3.0</del> 3.1                |
| Canada       | 3.7                             | 3.9                               |
| Summit-7     | <del>1.7</del> <del>1.6</del>   | <del>3.0</del> <del>2.8</del> 3.1 |

*[This is Treasury figure]*

THE SUMMIT ISSUES

A number of specific issues are expected to arise during the Summit. Here is the U.S. position on these issues:

Coordinating Economic Policy

- o President Reagan believes in coordinating economic policies of the major industrial countries to promote a stronger world economy and a more stable financial system. The focus must not only be on exchange rates, but on whether the world economy is open and growing. Through ~~peer pressure~~, nations can encourage corrective action by those with excessive trade surpluses or deficits.
- o Progress in coordination is being made:
  - At the Tokyo (1986) and Venice (1987) Summits the seven nations decided to make increased use of economic indicators to survey the economy, and agreed on economic goals for the future.

*also* ✓  
*consultation,* ✓

*following*

- In October 1987, the benefits of increased coordination were demonstrated ~~during~~ the decline in the stock market. ~~A worldwide financial panic was avoided.~~  
*The world economy survived with little damage.*
- o In part, the President favors:
  - Assurance that countries with a trade surplus (particularly the Federal Republic of Germany and Japan) will continue to improve their growth and reduce trade imbalances.
  - Reduction of our own budget deficit. *domestic* In fiscal year 1987, the U.S. reduced its budget deficit by ~~\$71~~ \$72 billion, from \$221 billion to ~~\$150~~ billion. Under the President's proposed budget for FY 1989, the deficit would decline to \$23 billion by FY 1993. *\$149*
  - Stable exchange rates. Excessive fluctuation of those rates, or a dramatic change in the value of the dollar, could damage the prospect for growth in the world economy. *Furthermore, stable and consistent macro policies will contribute to exchange rate stability.*
  - A new index for commodity prices that would include the price of gold as well as other commodities such as wheat and oil. This would be an additional instrument with which to examine global price trends.
  - A review of tax reform among the nations, as well as measures to reduce government interference in markets, including financial markets, and deregulation. The U.S. also favors reductions in subsidies to agriculture and other industries, and steps to make labor more mobile.

Agriculture

- o The goal of the Reagan Administration is the eventual elimination of all subsidies and import restrictions to allow all farmers to compete on a level playing field without ~~the subsidies, now required.~~
- o The Administration has asked the 95 members of GATT to phase out over 10 years all agricultural ~~subsidies~~ *programs* which directly or indirectly distort trade. ~~Long-term goals~~ *framework* for reform of agriculture worldwide should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

International Trade

- o The Toronto Summit should reaffirm its opposition to protectionist trading measures that promote high tariffs. In ~~1930~~, the average tariff ~~on manufactured goods~~ *rate* was ~~50-59~~ percent. Today it is about *4* percent.

1939

*rate* (4)

- o Summit participants should discuss how other nations, including the Newly Industrialized Countries (NICs) can contribute to a more prosperous world.

International Debt

*[do not think 1987 data is available. Therefore numbers are suspect.]*

- o By the end of 1987 Third World countries were \$1.2 trillion in debt, more than twice their 1979 debt. The U.S. believes economic growth is the key to restoring the credit of those debtor nations.
- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of financing options to help debtor nations reform their economies. The U.S. supports the case-by-case menu approach.
- o Substantial progress has been made since the Venice Summit:

- Brazil and Mexico, which could have renounced their debts, instead agreed to reschedule their obligations.

*1987 data not available for most most of these countries publicly*

- Eight of the 15 major debtor nations achieved growth of 4 percent to 5 percent in 1987. ~~only three~~ *At least six* countries achieved ~~that~~ in 1986. Debt service and the ratio of debt to interest has fallen by at least one-fourth since 1982. *growth faster than 4%*

- o Summit countries that can do so should provide interest-rate concessions to countries with low incomes and heavy debts and reschedule those debts. (The U.S. cannot provide interest rates below the cost of funds for policy and budgetary reasons.) *may be overstated*

Other Topics

Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; drugs; and the environment.

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 6/9/88 ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 6/10/88

SUBJECT: TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |               | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

**REMARKS:**

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

**RESPONSE:**

*no comment*

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| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

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**RESPONSE:**

Rhett Dawson  
Ext. 2702

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TORONTO ECONOMIC SUMMIT

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2. International Cooperation and Shared Responsibilities:

Consultation and coordination among Summit participants, as well as nations that are members of the General Agreement on Tariffs and Trade (GATT) and the North Atlantic Treaty Organization (NATO), have successfully dealt with economic problems and threats to security. The United States supports this approach of shared responsibilities.

3. A Look Ahead: Removing Barriers

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- o Since 1981, summits have helped set out a market-oriented strategy to bring down inflation and promote recovery and economic growth.

- o The seven summit nations have cooperated on economic policy; resisted protectionism; launched a new round of trade negotiations; and established a global strategy to deal with the debt of developing countries.
- o For each country attending the Toronto Summit, the rate of growth in goods and services produced was significantly higher in 1987 than in 1981.
- o The table below reports growth rates in real gross national product (GNP) for the United States and Japan, and in gross domestic product (GDP) for the other countries. GDP reports production but excludes investment income.

Growth Rate of Real GNP and GDP  
in percentages

|              | 1981 | 1987 |
|--------------|------|------|
| U.S.         | 1.9  | 2.9  |
| Japan        | 3.7  | 4.2  |
| West Germany | 0.0  | 1.7  |
| France       | 0.5  | 1.9  |
| U.K.         | -1.3 | 3.6  |
| Italy        | 0.2  | 3.0  |
| Canada       | 3.7  | 3.9  |
| Summit-7     | 1.6  | 3.0  |

THE SUMMIT ISSUES

A number of specific issues are expected to arise during the Summit. Here is the U.S. position on these issues:

Coordinating Economic Policy

- o President Reagan believes in coordinating economic policies of the major industrial countries to promote a stronger world economy and a more stable financial system. The focus must not only be on exchange rates, but on whether the world economy is open and growing. Through peer pressure, nations can encourage corrective action by those with excessive trade surpluses or deficits.
- o Progress in coordination is being made:
  - At the Tokyo (1986) and Venice (1987) Summits the seven nations decided to make increased use of economic indicators to survey the economy, and agreed on economic goals for the future.

- In October 1987, the benefits of increased coordination were demonstrated during the decline in the stock market. A worldwide financial panic was avoided.
- o In part, the President favors:
  - Assurance that countries with a trade surplus (particularly the Federal Republic of Germany and Japan) will continue to improve their growth and reduce trade imbalances.
  - Reduction of our own budget deficit. In fiscal year 1987, the U.S. reduced its budget deficit by \$71 billion, from \$221 billion to \$150 billion. Under the President's proposed budget for FY 1989, the deficit would decline to \$23 billion by FY 1993.
  - Stable exchange rates. Excessive fluctuation of those rates, or a dramatic change in the value of the dollar, could damage the prospect for growth in the world economy.
  - A new index for commodity prices that would include the price of gold as well as other commodities such as wheat and oil. This would be an additional instrument with which to examine global price trends.
  - A review of tax reform among the nations, as well as measures to reduce government interference in markets, including financial markets, and deregulation. The U.S. also favors reductions in subsidies to agriculture and other industries, and steps to make labor more mobile.

#### Agriculture

- o The goal of the Reagan Administration is the eventual elimination of all subsidies and import restrictions to allow all farmers to compete on a level playing field without the subsidies now required.
- o The Administration has asked the 95 members of GATT to phase out over 10 years all agricultural subsidies which directly or indirectly distort trade. Long-term goals for reform of agriculture worldwide should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

#### International Trade

- o The Toronto Summit should reaffirm its opposition to protectionist trading measures that promote high tariffs. In 1930, the average tariff on manufactured goods was 50 percent. Today it is about 5 percent.

- o Summit participants should discuss how other nations, including the Newly Industrialized Countries (NICs) can contribute to a more prosperous world.

#### International Debt

- o By the end of 1987, Third World countries were \$1.2 trillion in debt, more than twice their 1979 debt. The U.S. believes economic growth is the key to restoring the credit of those debtor nations.
- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of financing options to help debtor nations reform their economies. The U.S. supports the case-by-case menu approach.
- o Substantial progress has been made since the Venice Summit:
  - Brazil and Mexico, which could have renounced their debts, instead agreed to reschedule their obligations.
  - Eight of the 15 major debtor nations achieved growth of 4 percent to 5 percent in 1987. Only three countries achieved that in 1986. Debt service and the ratio of debt to interest has fallen by at least one-fourth since 1982.
- o Summit countries that can do so should provide interest-rate concessions to countries with low incomes and heavy debts and reschedule those debts. (The U.S. cannot provide interest rates below the cost of funds for policy and budgetary reasons.)

#### Other Topics

Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; drugs; and the environment.

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 6/9/88

ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 PM 6/10/88

SUBJECT: TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |               | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

REMARKS:

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

RESPONSE:

*OK*  
*JD*  
*called Blakey 6/10*

**WHITE HOUSE STAFFING MEMORANDUM**

DATE: 6/9/88

ACTION/CONCURRENCE/COMMENT DUE BY:

1988 JUN 10 5:00 PM  
5:00 6/10/88

SUBJECT: \_\_\_\_\_

TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |               | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE        | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <u>BLAKEY</u> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | _____         | <input type="checkbox"/>            | <input type="checkbox"/>            |

**REMARKS:**

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

**RESPONSE:**

*Legis. Aff: No objection.*  
*EDX*  
*10 June*

**Rhett Dawson**  
Ext. 2702

**WHITE HOUSE STAFFING MEMORANDUM**

DATE: 6/9/88 ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 6/10/88

SUBJECT: TORONTO ECONOMIC SUMMIT

|                | ACTION FYI                          |                                     |           | ACTION FYI                          |                                     |
|----------------|-------------------------------------|-------------------------------------|-----------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOBBS     | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BAKER          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | HOOLEY    | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DUBERSTEIN     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | KRANOWITZ | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| MILLER - OMB   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | POWELL    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| BAUER          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RANGE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIBB          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RISQUE    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| CRIPPEN        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | RYAN      | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CULVAHOUSE     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | SPRINKEL  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| DAWSON         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | TUTTLE    | <input type="checkbox"/>            | <input type="checkbox"/>            |
| DONATELLI      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | BLAKEY    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| FITZWATER      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |           | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GRISCOM        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |           | <input type="checkbox"/>            | <input type="checkbox"/>            |

**REMARKS:**

Please provide your comments/recommendations directly to Marion Blakey's office with an info copy to my office by 5:00 Friday, June 10. Thank you.

*esp for 4.20*

**RESPONSE:**

*What about adding a drug initiative (give it more importance) (we need to seize the drug issue)*

*None of this is "action" or "active" oriented. Rather it is worded passively. Add phrases or sentences that indicate the actions the U.S. will take on these themes + issue*

**Rhett Dawson**  
Ext. 2702  
*This needs to be done*

TORONTO ECONOMIC SUMMIT

President Reagan will participate in his eighth Economic Summit June 19-21 when he meets in Toronto with other leaders of the free world's seven major industrialized nations. In addition to the U.S., those nations are Japan, West Germany, France, the United Kingdom, Italy and Canada. The European Community will also be represented at the Toronto Summit.

MAJOR U.S. THEMES

President Reagan will pursue three major themes at the Summit, which is the 14th between the free world's economic powers.

1. The Past Eight Years: Free Markets and Open Societies

There is increasing awareness that free markets and open societies are the only ways to promote economic growth and development. State planning, intervention and control do not work. Over the past eight years, countries with free economies and open societies have had high rates of growth. The United States has been in the forefront in promoting democracy and economic freedom around the world.

2. International Cooperation and Shared Responsibilities:

Consultation and coordination among Summit participants, as well as nations that are members of the General Agreement on Tariffs and Trade (GATT) and the North Atlantic Treaty Organization (NATO), have successfully dealt with economic problems and threats to security. The United States supports this approach of shared responsibilities.

3. A Look Ahead: Removing Barriers

The future belongs to the flexible, to nations that take advantage of the free exchange of ideas, goods and services. The U.S. expects the Toronto Summit to ~~give a major~~ <sup>take significant</sup> ~~political~~ push to removing barriers in agriculture, trade and services.

ECONOMIC GROWTH AMONG SUMMIT PARTICIPANTS

- o Since 1981, summits have helped set out a market-oriented strategy to bring down inflation and promote recovery and economic growth.

- o The seven summit nations have cooperated on economic policy; resisted protectionism; launched a new round of trade negotiations; and established a global strategy to deal with the debt of developing countries.
- o For each country attending the Toronto Summit, the rate of growth in goods and services produced was significantly higher in 1987 than in 1981.
- o The table below reports growth rates in real gross national product (GNP) for the United States and Japan, and in gross domestic product (GDP) for the other countries. GDP reports production but excludes investment income.

Growth Rate of Real GNP and GDP  
in percentages

|              | 1981 | 1987 |
|--------------|------|------|
| U.S.         | 1.9  | 2.9  |
| Japan        | 3.7  | 4.2  |
| West Germany | 0.0  | 1.7  |
| France       | 0.5  | 1.9  |
| U.K.         | -1.3 | 3.6  |
| Italy        | 0.2  | 3.0  |
| Canada       | 3.7  | 3.9  |
| Summit-7     | 1.6  | 3.0  |

THE SUMMIT ISSUES

A number of specific issues are expected to arise during the Summit. Here is the U.S. position on these issues:

Coordinating Economic Policy

- o President Reagan believes in coordinating economic policies of the major industrial countries to promote a stronger world economy and a more stable financial system. The focus must not only be on exchange rates, but on whether the world economy is open and growing. Through peer pressure, nations can encourage corrective action by those with excessive trade surpluses or deficits.
- o Progress in coordination is being made:
  - At the Tokyo (1986) and Venice (1987) Summits the seven nations decided to make increased use of economic indicators to survey the economy, and agreed on economic goals for the future.

-- In October 1987, the benefits of increased coordination were demonstrated during the decline in the stock market. A worldwide financial panic was avoided.

o *Among other things*  
~~In part, the President favors~~ *is encouraging:* or *calls for:*

-- Assurance that countries with a trade surplus (particularly the Federal Republic of Germany and Japan) will continue to improve their growth and reduce trade imbalances.

-- Reduction of our own budget deficit. In fiscal year 1987, the U.S. reduced its budget deficit by \$71 billion, from \$221 billion to \$150 billion. Under the President's proposed budget for FY 1989, the deficit would decline to \$23 billion by FY 1993.

-- Stable exchange rates. Excessive fluctuation of those rates, or a dramatic change in the value of the dollar, could damage the prospect for growth in the world economy.

-- A new index for commodity prices that would include the price of gold as well as other commodities such as wheat and oil. This would be an additional instrument with which to examine global price trends.

-- *And, most importantly,*  
A review of tax reform among the nations, ~~measures to reduce government interference in markets, including financial markets, and deregulation.~~ The U.S. also favors reductions in subsidies to agriculture and other industries, and steps to make labor more mobile.

*move this to a more prominent position on the list.*  
Agriculture

*that would move the world to a market oriented economy.*

o The goal of the Reagan Administration is the eventual elimination of all subsidies and import restrictions to allow all farmers to compete on a level playing field ~~without~~ without the subsidies now ~~required.~~ *in effect.*

o The Administration has asked the 95 members of GATT to phase out over 10 years all agricultural subsidies which directly or indirectly distort trade. Long-term goals for reform of agriculture worldwide should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

International Trade

o The Toronto Summit should reaffirm its opposition to protectionist trading measures that promote high tariffs. In 1930, the average tariff on manufactured goods was 50 percent. Today it is about 5 percent.

- o Summit participants should discuss how other nations, including the Newly Industrialized Countries (NICs) can contribute to a more prosperous world.

International Debt

- o By the end of 1987, Third World countries were \$1.2 trillion in debt, more than twice their 1979 debt. The U.S. believes economic growth is the key to restoring the credit of those debtor nations.
- o At the Venice Summit in 1987, participants encouraged efforts by commercial banks and debtor countries to develop a "menu" of financing options to help debtor nations reform their economies. The U.S. supports the case-by-case menu approach.
- o Substantial progress has been made since the Venice Summit:
  - Brazil and Mexico, <sup>instead of</sup> ~~which could have~~ <sup>ing</sup> renounced their debts, ~~instead~~ <sup>have</sup> agreed to reschedule their obligations.
  - Eight of the 15 major debtor nations achieved growth of 4 percent to 5 percent in 1987. Only three countries achieved that in 1986. Debt service and the ratio of debt to interest has fallen by at least one-fourth since 1982.
- o Summit countries that can do so should provide interest-rate concessions to countries with low incomes and heavy debts and reschedule those debts. (The U.S. cannot provide interest rates below the cost of funds for policy and budgetary reasons.)

Other Topics

Among other topics that could be discussed at the Toronto Summit are these: East-West economic relations and implications for allied security; regional issues; cooperation against terrorism; drugs; and the environment.