

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**WHORM Subject File Code:** FO006-13  
(Economic Summit, Canada, [Toronto], 06/19/1988-  
06/20/1988)

**Case File Number(s):** 583655 (12 of 12)

---

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library inventories visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

**Withdrawer**  
DLB 4/24/2020

**File Folder** FO006-13 (583655) (12 OF 12)

**FOIA**  
F16-011

**Box Number** FO006-48

BIERGANNNS  
186

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
244899	PAPER	DUPLICATE OF #244867; BACKGROUND PAPER SPACE STATION	1	ND	B1
244900	PAPER	DUPLICATE OF #244868; POINTS TO BE MADE SPACE STATION	1	ND	B1
244901	PAPER	DUPLICATE OF #244869; BACKGROUND PAPER CHEMICAL WEAPONS (CW)	1	ND	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed In accordance with restrictions contained in donor's deed of gift.



# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

*Withdrawer*

DLB 4/24/2020

*File Folder*

FO006-13 (583655) (12 OF 12)

*FOIA*

F16-011

BIERGANNNS

*Box Number*

FO006-48

186

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restrictions</i>
244899	PAPER  DUPLICATE OF #244867; BACKGROUND PAPER SPACE STATION	1	ND	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

Ronald Reagan Library

*Collection Name*

WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

*Withdrawer*

DLB 4/24/2020

*File Folder*

FO006-13 (583655) (12 OF 12)

*FOIA*

F16-011  
BIERGANNNS

*Box Number*

FO006-48

186

---

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
244900	PAPER  DUPLICATE OF #244868; POINTS TO BE MADE SPACE STATION	1	ND	B1

---

The above documents were not referred for declassification review at time of processing  
Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.



CONFIDENTIAL

BACKGROUND PAPER  
EDUCATION

ISSUE

- U.S. After nearly two decades of decline, education in the U.S. is starting to show improvement. Most states have raised their graduation requirements, and our students have made modest gains in achievement. But more remains to be done.
- U.K. Mrs. Thatcher's Education Reform Bill (expected to become law in September) includes a national curriculum and a national program of testing, parental choice of public schools, increased parental control of schools, and allowing schools to opt out of the local educational authority.

The Prime Minister continues to be concerned with questions on how to raise the intellectual levels of students, how to encourage good behavior and discipline in the classroom, and how teachers can use the study of Western civilization to pass on democratic and moral values to successive generations.

- Canada Prime Minister Mulroney's two major education concerns are improving Canada's international competitiveness by upgrading higher education, and increasing the literacy rate of the population. The bilingualism issue (French-English) also persists.
- Italy Education reform in Italy is in some controversy, with teachers striking and pressing for better status. The Prime Minister may point out the importance of making education more relevant to employment and economic need.
- France Recently, the French have been making attempts to decentralize some of the administrative functions to the regions. There is concern about the apparent mismatch between what students learn and what employers require. Some would like higher education to become more responsible to preparation for work and to upgrade skills. France may raise the issues of relevance of education to the workplace.

DECLASSIFIED

AUTHORITY NSE/State Waiver

BY dr DATE 3/16/2008

DECLASSIFIED  
DATE 11, 2008

CONFIDENTIAL  
DECLASSIFY ON: OADR

- Japan Former Prime Minister Nakasone came out with a major education reform study last year. Although little action has been taken as of yet, proposals are being made to expand the curriculum beyond the "three R's," to include moral values, physical fitness, consciousness of country in the international community, and computer training. Basic education is seen as giving basic competencies for life-long learning in an internationally oriented, information based society.
  
- FRG The German education system is decentralized. The dual system of education in which students attend school and pursue apprenticeship training on the job is the pride of the German education system. German business provides massive support for apprenticeship training.
  
- OECD The U.S. has taken a lead in one of the Education Committee's two major priorities in education: the improvement of the quality of basic education as a foundation for participatory citizenship and flexible adaptation of the labor force to keep pace with technological change. As an integral part of this thrust, the OECD is in the process of developing a set of internationally comparable indicators of education outcomes, which will better enable countries to determine the health of their education systems and compare them with others on a regular basis.

POLITICAL TOPICS

SECRET

POLITICAL ISSUES  
BACKGROUND PAPERS / POINTS TO BE MADE

1. Nuclear and Space Talks
2. Conventional Arms Control in Europe
3. Chemical Weapons
4. Cambodia
5. Korea and the Olympics
6. Philippines
7. Panama

~~SECRET~~

DECLASSIFY ON: OADR

3/16/2020



CONFIDENTIAL

BACKGROUND PAPER  
NUCLEAR AND SPACE TALKS

BACKGROUND

- The Nuclear and Space Talks in Geneva are bilateral talks between the U.S. and U.S.S.R. The group on Intermediate-Range Nuclear Forces concluded the INF Treaty signed in Washington in December, 1987; the Strategic Arms Reduction Talks (START) and Defense & Space (D&S) Talks have completed nine rounds.

STRATEGIC ARMS REDUCTION TALKS (START)

- Reductions in strategic offensive arms were a major topic of discussion at the Moscow Summit, where we sought to make further progress toward 50% reductions in U.S. and Soviet strategic arsenals.
- Both sides agreed to continue intensive efforts to complete a START Treaty.
- The negotiators in Geneva have been working on a joint draft treaty text, building upon the areas of agreement in the Washington Summit Joint Statement, including limits of:
  - o 1600 strategic nuclear delivery vehicles;
  - o 6000 warheads on those delivery vehicles;
  - o 4900 ballistic missile warheads;
  - o 1540 warheads on 154 heavy intercontinental ballistic missiles (ICBMs), which would cut the Soviet heavy ICBM force in half.
- The Soviets have accepted 50% reductions to a new ceiling, to be explicitly specified in the Treaty, on missile throwweight.
- Important progress was made in Moscow on verification of limits on mobile ICBMs and on air launched cruise missiles.
- Important principles of verification have been agreed, going beyond the extensive INF regime; negotiators continue to work on verification protocols and the Memorandum of Understanding on Data.
- Other fundamental issues still requiring resolution include submarine-launched cruise missiles (SLCMs) and the unacceptable Soviet insistence that further limits on ballistic missile defenses are necessary to achieve START

CONFIDENTIAL

DECLASSIFY ON: OADR

DECLASSIFIED  
AUTHORITY: NSL/State Waivers  
dms 3/16/2020

reductions. In addition, numerous verification details remain to be resolved.

- The issues that remain are important, and we are determined to have a solid, unambiguous agreement that can be verified effectively. This is not a task that should be, or will be, rushed.

#### DEFENSE AND SPACE (D&S) TALKS

- In the D&S Talks, the U.S. seeks to discuss with the Soviets the relationship between strategic offense and defense and how, if effective defenses prove feasible, the U.S. and U.S.S.R. could jointly manage a stable transition to deterrence based increasingly on defenses, which threaten no one.
- At the Washington Summit, taking into account the preparation of a START Treaty, the leaders agreed to instruct the negotiators to work out an agreement that would commit the U.S. and U.S.S.R. to observe the Anti-Ballistic Missile (ABM) Treaty, as signed in 1972, while conducting their research, development and testing as required, which are permitted by the Treaty, and not to withdraw from the Treaty for a specified period of time.
- At the end of the specified period both sides would be free to choose their own course of action, including deploying defenses.
- On January 22, the U.S. tabled a draft agreement; the U.S.S.R. did so on April 22. The Soviets have agreed to work on a joint draft text of a separate D&S agreement, but progress has been difficult.

In response to Soviet concerns, the U.S. has also proposed a predictability protocol to enhance confidence in the nature of strategic defense activities undertaken by each side. A Soviet draft protocol tabled on May 8 contains some similar provisions, and the sides are currently working to resolve differences in a joint draft text.

- o The Soviet objective in the D&S Talks has been to impose constraints that would cripple or kill the SDI program. We are trying to satisfy legitimate Soviet concerns, but will never agree to provisions that would cripple SDI.



~~CONFIDENTIAL~~

BACKGROUND PAPER  
CONVENTIONAL ARMS CONTROL IN EUROPE

BACKGROUND

- Progress in nuclear arms reductions has drawn renewed attention to Warsaw Pact conventional superiority; West needs credible conventional arms forum; Mutual and Balanced Force Reduction (MBFR) talks exhausted.
- NATO has proposed two conventional security negotiations covering Europe from the Atlantic to the Urals:
  - o one among the 35 CSCE states to continue work on confidence and security building measures (CSBMs);
  - o conventional stability talks (CST) between the 16 NATO members and the 7 Warsaw Pact countries.
- Deliberations with East on CST negotiating mandate, and with Allies on CST proposal, showing progress.

U.S. AND NATO POLICY

- Objective in CST is to cut Soviet capability for surprise attack and large scale offensive operations.
- March NATO Summit set priority in CST on ground forces, e.g., tanks and artillery, essential for taking and holding ground.
- Allies agree to use equal ceilings in CST proposal to force large Eastern reductions, but France resisting U.S. concept of Alliance-wide ceilings.
- Neither CST nor the CSBMs negotiation can commence in the absence of balanced outcome to Vienna CSCE meeting.
- For now, need to retain MBFR for leverage in establishing an acceptable CST forum.

SOVIET VIEWS

- Moscow calls for elimination of disparities by cutting to lower side's level; denies conventional superiority.
- Warsaw Pact continues to seek the negotiation of nuclear capabilities in CST, but may soon relent.
- Soviets want early conventional force data exchange in order to leapfrog a balanced result to Vienna CSCE meeting.
- To divert attention from imbalance on continent, Moscow also proposes constraints on naval forces/activities.

~~CONFIDENTIAL~~

DECLASSIFY ON: OADR

DECLASSIFIED

Authority: NSC/State Univiers  
Date: 3/16/2020



# WITHDRAWAL SHEET

Ronald Reagan Library

*Collection Name*

WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

*Withdrawer*

DLB 4/24/2020

*File Folder*

FO006-13 (583655) (12 OF 12)

*FOIA*

F16-011  
BIERGANNNS

*Box Number*

FO006-48

186

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
244901	PAPER  DUPLICATE OF #244869; BACKGROUND PAPER CHEMICAL WEAPONS (CW)	1	ND	B1

The above documents were not referred for declassification review at time of processing  
Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



~~CONFIDENTIAL~~

BACKGROUND PAPER  
CAMBODIA

SOVIET-U.S. DIALOGUE

- Diplomatic activity appears to be increasing; Soviets have expressed renewed interest in conflict.
- Soviet Deputy FM Rogachev said Afghanistan could serve as "useful model" for Cambodia. Although statement has been repeated, no specifics have been offered.
- Cambodia high on our agenda with Soviets: you discussed Cambodia with Gorbachev in Washington and again at Moscow Summit.
  - o Massive Soviet aid provides Vietnam wherewithal to continue Cambodian occupation, Moscow should use influence to press Hanoi to be more forthcoming towards settlement.

VIETNAMESE CONCERNS

- Hanoi nervous about Afghan analogy, told PM Gandhi issues were dissimilar; Vietnam supports Cambodian talks, but will join only after Cambodian factions reach agreement.

OTHER DEVELOPMENTS

- Sihanouk in Pyongyang, angry at Hanoi for not meeting; has ruled out meeting Phnom Penh leader Hun Sen before end of year.
- ASEAN active: Indonesians pushing for regional meeting to include Vietnamese; Thai hope to exploit renewed Soviet interest in conflict, insist Vietnamese meet with Sihanouk.
  - o ASEANs urging us to press Soviets on Cambodia.
- Hanoi reporting massive food shortages and starvation, seeking international assistance.
  - o We are waiting for independent analysis, have no plans at present to give aid

JAPANESE INTEREST

- The Japanese have told us that they might raise Cambodia during the Summit as a matter of world concern.

(If raised, points to be made follow at next page.)

~~CONFIDENTIAL~~

DECLASSIFY ON: OADR

DECLASSIFIED

Authority: VSC/State Waivers

~~CONFIDENTIAL~~

POINTS TO BE MADE  
CAMBODIA

-- (IF RAISED) WE SHARE THE CONCERN OF THE JAPANESE GOVERNMENT FOR THE CONTINUED SUFFERING OF THE CAMBODIAN PEOPLE. THE WAR HAS GONE ON FOR FAR TOO LONG: IT SHOULD BE BROUGHT TO AN END BY MEANS OF A POLITICAL SETTLEMENT WHICH PROVIDES FOR THE WITHDRAWAL OF ALL VIETNAMESE TROOPS.

~~CONFIDENTIAL~~  
DECLASSIFY ON: OADR



~~CONFIDENTIAL~~

BACKGROUND PAPER  
KOREA AND THE OLYMPICS

INTERNATIONAL IMPACT

- Seoul hosts the 1988 Summer Olympics from September 17 through October 2. A record 161 nations will participate.
- The Olympics symbolize the Republic of Korea's coming of age, focussing international attention on its economic and political vitality.
- The Olympics have produced another significant benefit for South Korea: an excuse for Communist countries to open trade and other relations, a process which is well underway.
- The remarkable progress in South Korea contrasts markedly with the backwardness and isolation of the North. The North feels threatened and embarrassed.

POTENTIAL RISK

- We cannot discount the threat of possible disruption from North Korea. The destruction last November of a Korean airliner provides current evidence of its ruthless behavior.
- Prospects for North Korean participation in the Games are very dim. Negotiations among the International Olympic Committee (IOC), South Korea, and North Korea broke down last summer.
  - o The North initially demanded to host half the events, while the South and the IOC insisted that they had no right to host any.
  - o South Korea and the IOC ultimately offered to share with the North two full events (table tennis and archery) and three partial ones (women's volleyball, a preliminary soccer round, and the 100-km cycling race).
  - o The North has never abandoned its initial demand for "co-hosting," as opposed to "event-sharing." Its current requirement is to host five full (including all of soccer) and one partial event, and satisfactory resolution of important symbolic issues (e.g. the Games' nomenclature, sites for opening/closing ceremonies, etc.)

~~CONFIDENTIAL~~  
DECLASSIFY ON: OADR

DECLASSIFIED

Authority NEL/State Waivers  
BY ds 3/16/2020

OUTLOOK

- Both sides have subsequently mentioned, but neither has proposed, a "joint Korean team." This would now be extremely difficult to organize.
  
- Korea's Olympic preparations, particularly on security, have been exceedingly thorough. We are cooperating closely. Our alliance is firm. There is every reason to expect the Games to be a great success.



~~CONFIDENTIAL~~

BACKGROUND PAPER  
THE PHILIPPINES

U.S.-PHILIPPINE RELATIONS

- Enjoy excellent relations with this key ally.
- Strongly support democracy and Aquino Government as best chance for stability and growth.

PHILIPPINE ECONOMY

- Serious problems of poverty and unemployment plague the Philippines. Agree with Aquino that private sector is key to sustained growth.
- Encouraged by economic reforms that contributed to 5.7% growth in 1987. Continued Philippine government efforts needed.
- High levels of U.S. aid (almost \$400 million in FY 1988) despite major cutbacks elsewhere; more needed.
- Consulting with European allies, Japan, and World Bank on major international multi-year initiative to support Philippines. Strong U.S. Congressional support.
- Initiative foresees increased aid flows, foreign investment, and commercial bank lending, possibly debt reduction scheme. Key is government economic policies.
- Multilateral endorsement and participation in plan essential for success.

POLITICAL SITUATION

- Restoration of democratic government: local elections in January 1988 follow last year's adoption of a new constitution and seating of bicameral Congress.
- Pernicious communist insurgency poses greatest threat to Aquino Government, but military gaining momentum.
- Civil-military relations improving; Aquino endorsed expanded counterinsurgency operations and increased military budget; but government resources limited.
- U.S. military facilities at Clark/Subic of mutual benefit by preserving regional and global peace; also direct security and economic benefits to Philippines.
  - o Regular Military Bases Agreement review began April 5; bargaining has been tough, but optimistic we can lay groundwork for long term security relationship.

~~CONFIDENTIAL~~  
DECLASSIFY ON: OADR

DECLASSIFIED  
Authority NSC/State Waiver  
BY chr DATE 3/16/2020



CONFIDENTIAL

BACKGROUND PAPER  
PANAMA

BACKGROUND

- A sustained political crisis which began June 1987 reached a critical turn when General Manuel Antonio Noriega, Commander of the Panamanian Defense Forces (PDF) defied a February 25 order of dismissal by President Eric Arturo Delvalle (Noriega was indicted on narcotics related charges in U.S. courts February 4).
- Following dismissal order, military-controlled National Assembly voted to remove Delvalle from office. Manuel Solis Palma, Education Minister, installed as Acting Minister in Charge of the Presidency.
- Delvalle has rejected dismissal vote, on grounds that the attempted removal violated Panama's constitution. He has been in hiding since February 27. USG continues to recognize him as Panama's constitutional president.
- Delvalle Government instituted suits in U.S. courts freezing Republic of Panama funds in federally insured accounts. This caused a cash crisis in Panama's U.S. dollar based economy.
- U.S. sanctions against the Noriega regime have included: suspension of Caribbean Basin Initiative (CBI) and GSP preferences; payment of canal Treaty-based revenues into special escrow accounts; and a ban on payment by U.S. individuals and U.S. firms to the regime, ordered under the International Emergency Economic Powers Act (U.S. military and economic assistance, frozen by the Administration in July, 1987, was cut off by Congress in December).

U.S. POLICY

- USG supports Panamanian people in their efforts to establish a functioning civilian democracy.
- USG firmly committed to honoring all of its obligations under the Panama Canal Treaties.
- Noriega has been the major obstacle to democratic development in Panama. USG supports his departure from the political scene.
- The Administration will work with Congress to help rebuild the Panamanian economy in the event of Noriega's surrender of power.

CONFIDENTIAL  
DECLASSIFY ON: OADR

DECLASSIFIED  
Authority NSE/state waivers  
BY dlr INRA DATE 3/26/2020

#### IV. ECONOMIC DATA

~~CONFIDENTIAL~~ ATTACHMENTS

also 3/16/2070

**COMPARATIVE ECONOMIC CHARTS  
AND COMMENTARY ON  
SUMMIT COUNTRIES**

U.S. Department of the Treasury  
Office of Industrial Nations and Global Analyses  
May 27, 1988

~~CONFIDENTIAL~~ ATTACHMENTS

# T A B L E O F C O N T E N T S

## **A. Macroeconomic Situation and Outlook**

1. Real GNP/GDP Growth Rates
2. Consumer Price Increases
3. Unemployment Rates
4. Trade Account Balances (in dollars and as a percent of GNP/GDP)
5. Current Account Balances (in dollars and as a percent of GNP/GDP)
6. Public Sector Deficit and Expenditures as Percent of GNP/GDP
7. Exchange Rate Changes: Dollar vs. Other Currencies (From December 1980)

## **B. Structural Rigidities**

1. Labor Market Indicators I
2. Labor Market Indicators II
3. Agricultural Subsidies
4. Financial Sector Indicators
5. Tax Reform

~~CONFIDENTIAL~~

**Real GNP/GDP Growth Rates**  
(Year-over-Year Percent Change)

	1987	1988*	1989*
U.S.	2.9	2.9	3.1
U.K.	3.7	3.1	2.6
France	2.2	1.9	1.6
Germany	1.7	1.6	1.3
Japan	4.2	4.7	2.8
Canada	3.9	3.8	2.5
Italy	3.1	2.7	2.5

- Germany and France will be the slowest growing Summit countries in 1988 and 1989; German weakness contributing to dreary outlook for most of Europe. Europe as a whole likely to be growing only about 2 percent a year.
- Structural adjustment measures would help Germans (especially) and other European countries to grow faster.
- UK under Thatcher has been doing remarkably well achieving notable reductions in unemployment with recent strong growth.
- Aggregate growth in other Summit countries forecast to drop a full percentage point next year; at 3.1%, our growth rate will be nearly a point higher than the foreign aggregate. Return of growth gap may hinder adjustment of external imbalances.

\*Treasury Forecast

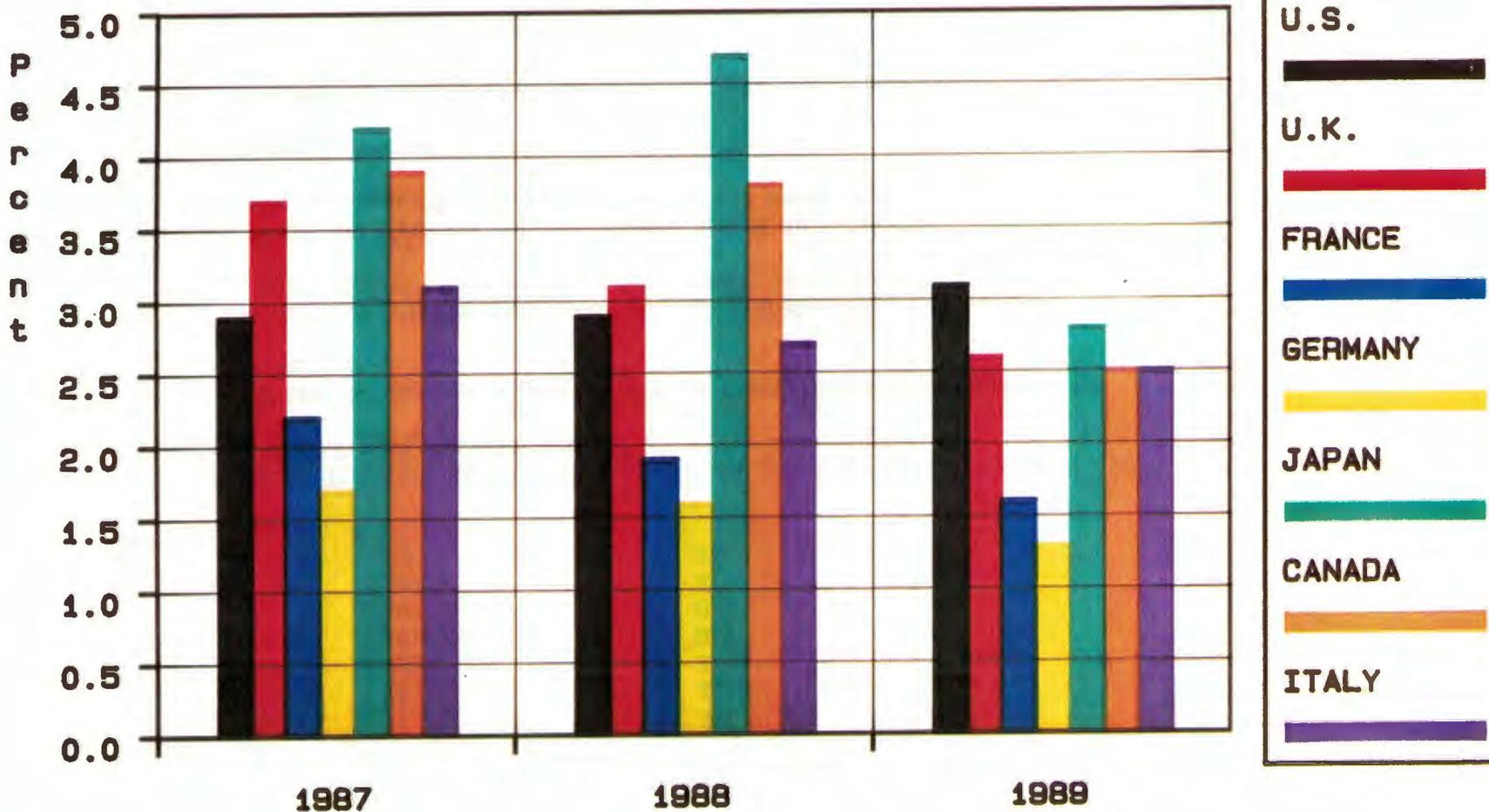
DECLASSIFIED

Authority Treas / State (Warrior)

BY 412 NABANTE Bill

~~CONFIDENTIAL~~

### Real GNP/GDP Growth Rates (year-over-year)



CONFIDENTIAL  
Priority Issues/State Waivers  
DATE 3/14/2020

Forecast

Forecast

Treasury OASIA-IMI  
May 27, 1988

CONFIDENTIAL

**Consumer Price Increases**  
(Annual Average Percent Change)

	1987	1988*	1989*
U.S.	3.7	4.3	4.1
U.K.	4.2	4.0	4.2
France	3.3	2.5	2.4
Germany	0.2	1.1	2.0
Japan	0.1	0.8	0.8
Canada	4.4	4.2	4.6
Italy	4.6	4.9	4.8

- Summit country average inflation rate will remain at lowest rates since 1967: below 3 1/2% for 1988 and 1989.
- These low rates in prospect despite solid expansion still going strong in sixth year.
- U.S. rates will rise temporarily because of higher import prices from past dollar declines, but no sign of domestically generated inflation pressures.
- Japan and Germany continue to have lowest rates. Despite projected small rise, German inflation will be below 1960s average.
- Remarkable sustained reduction in French inflation.
- Because of current boom and excessive wage gains, some concern about acceleration of UK inflation.

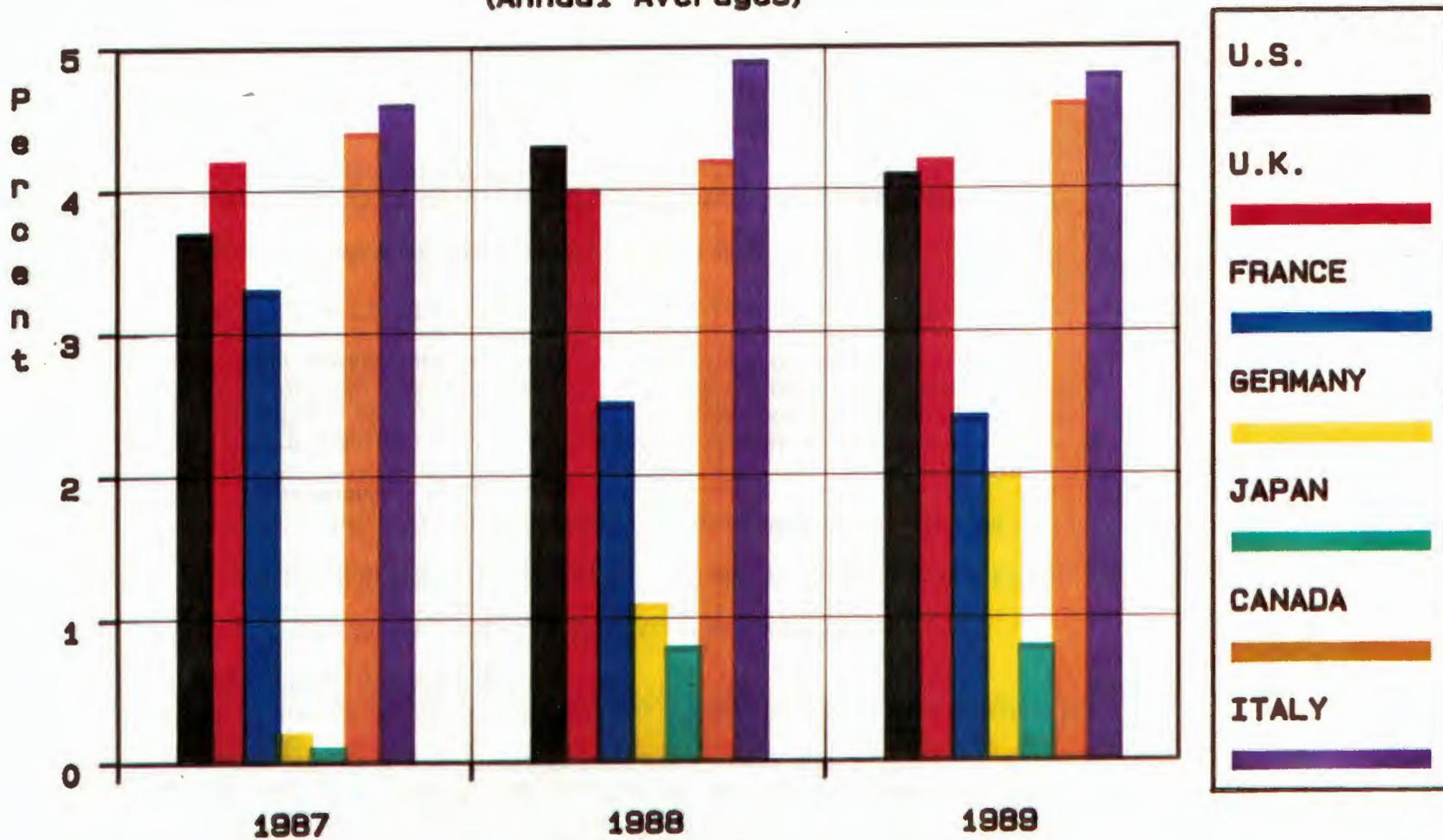
\*Treasury Forecast

*Treas/State Workers*  
BY *ds* DATE 3/16/89

CONFIDENTIAL

# Consumer Price Increases

(Annual Averages)



~~CONFIDENTIAL~~

Authority Treas. / State Waivers  
 BY db DATE 3/16/2020

Forecast

Forecast

Treasury OASIA-IMI  
 May 27, 1988

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

## Unemployment Rates

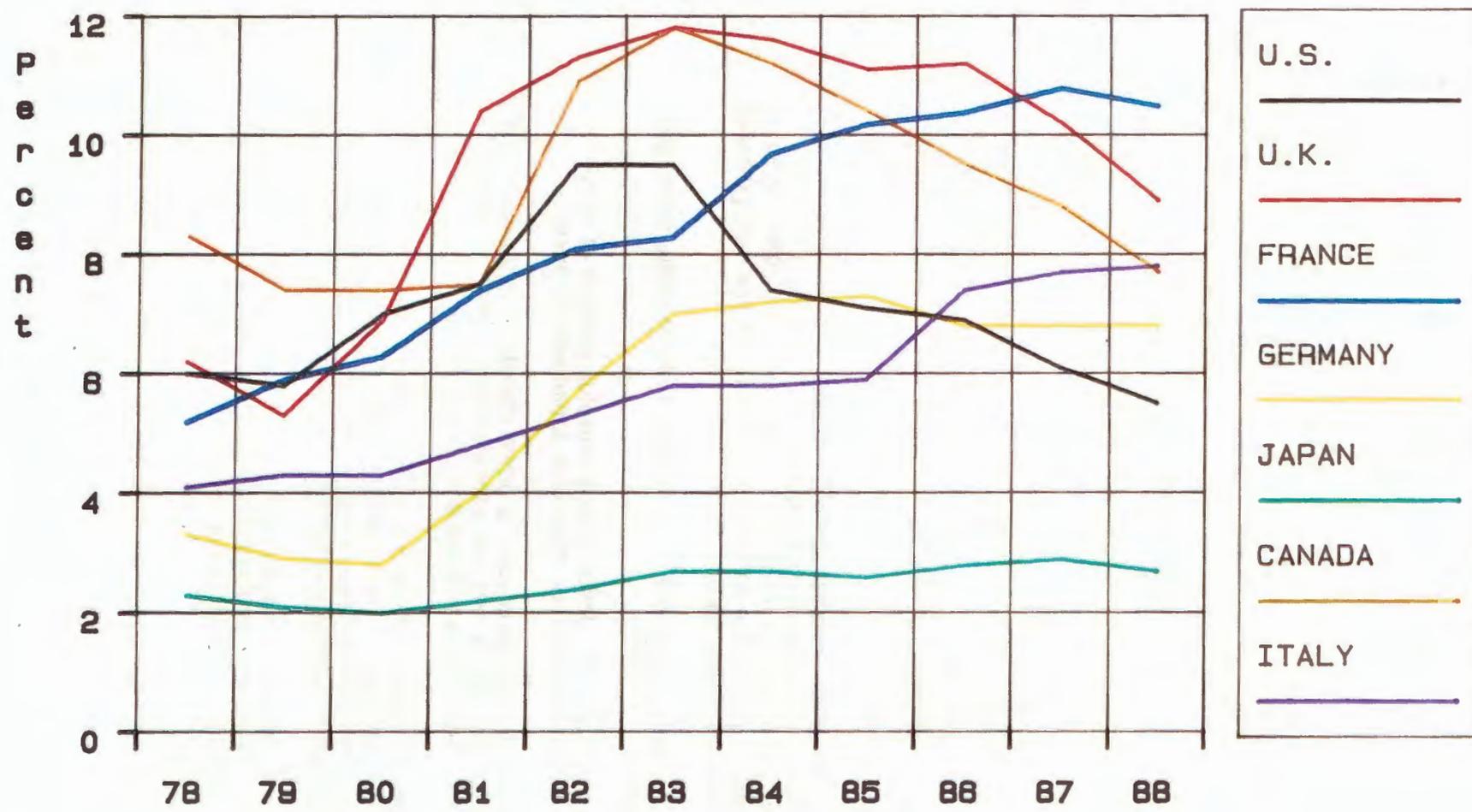
[Note: Rates shown are in some cases different from those national governments emphasize. Customary German rates, for example, do not cover self-employed. Thus Bureau of Labor Statistics measures show what foreign rates would be if unemployment were measured as it is in U.S.]

- Of all Summit countries, only U.S. has brought rates to level at or below low points of late 1970s boom.
  - o U.S. rate (5.4% in April 1988) lowest since June 1974.
  - o But inflation rate in 1974 was 11%, high and accelerating in late 1970s.
  - o Current low U.S. unemployment rates being achieved in low inflation environment.
  - o Sharp reduction of U.S. unemployment reflects not only strong expansion, but better ability of labor market to match workers with job offers -- due importantly to greater wage flexibility on the part of the labor. European labor markets have not made this kind of adjustment.
- Sharp fall in Canadian rate; UK down in last two years but still high.
- Rates for France, Germany, Italy at or near peaks for decade.
- Japan's rate above earlier levels but still low; hides substantial numbers of workers inefficiently employed.

~~CONFIDENTIAL~~

DECLASSIFIED  
AUTHORITY: Pres/state waiver  
BY: sl DATE: 3/16/2020

## Unemployment Rates (Total Labor Force, U.S. Concept)



Annual rates, except 1988 which is March for US. Treasury OASIA-IMI  
 UK, FR, GE & CA; Feb. for JA; Jan. for IT. May 27, 1988

Trade Account Balances  
(\$ Billions)

	1987	1988*	1989*
U.S.	-159.2	-135.0	-125.0
U.K.	-15.8	-24.4	-28.4
France	-9.2	-9.3	-10.0
Germany	65.3	69.4	70.8
Japan	96.4	93.4	78.0
Canada	7.7	9.2	10.4
Italy	0.2	0.5	0.5

Trade Account Balances  
(as Percent of GNP/GDP)

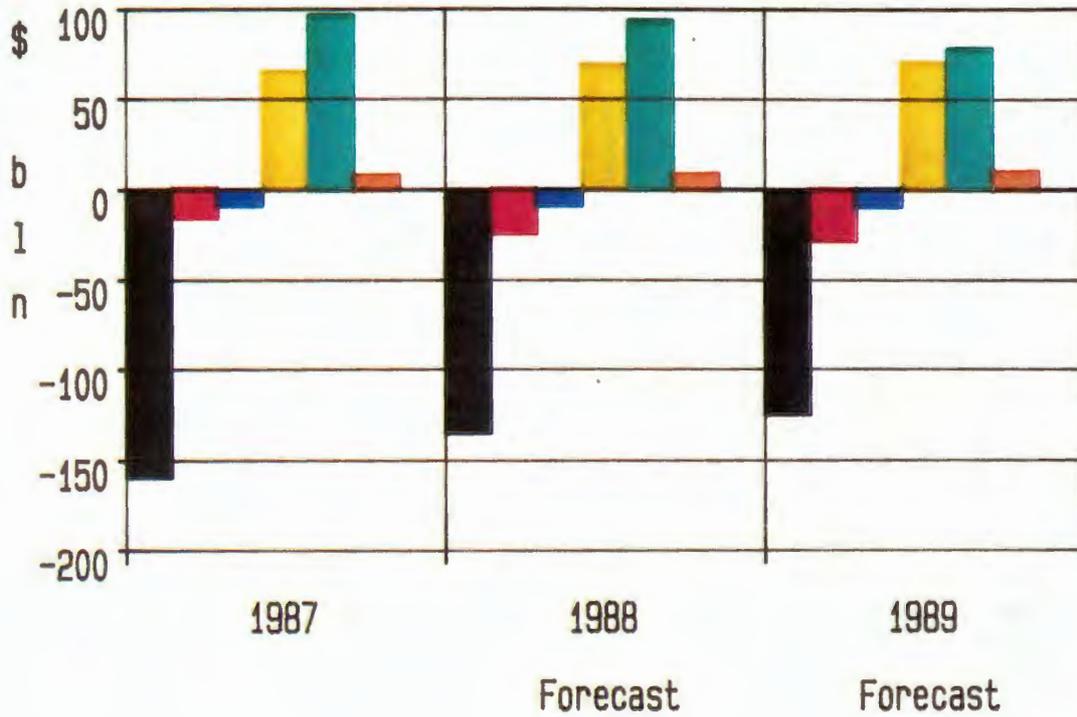
	1987	1988*	1989*
U.S.	-3.5	-2.8	-2.4
U.K.	-2.3	-3.0	-3.3
France	-1.0	-1.0	-1.0
Germany	5.8	5.5	5.3
Japan	4.1	3.2	2.6
Canada	1.9	1.9	2.0
Italy	0.0	0.1	0.0

- U.S. trade deficit forecast to decline this year by about \$25 billion after levelling off during 1987. In volume terms balance has been improving since third quarter of 1986. Reflects competitive gains from past dollar depreciation and strengthening of domestic demand abroad.
- Yet U.S. trade deficit will remain high, both in dollar terms and in proportion to GNP.
- Counterpart to U.S. deficit is large surplus position of some other industrial countries, especially Japan and Germany.
- Japan's trade surplus is coming down sharply in relation to GNP, owing to past rise of yen and strengthening of their domestic demand. But surplus will remain large even in 1989.
- German imbalance (above 5% of GNP) by far the worst. Little decline in Germany's trade balance ratio, due to slow growth, strong competitive position vis-a-vis European trading partners. Large German surplus troubling to other European countries.
- Most commentators talk about the large dollar value of U.S. deficit. But as a percentage of GNP, trade imbalances of Japan and Germany are much larger than that of U.S.

\*Treasury Forecast

DECLASSIFIED  
 Authority Treas/State Warners  
 BY ch DATE 3/16/2000

Trade Account Balances  
(Billions of U.S. Dollars)



U.S.

U.K.

FRANCE

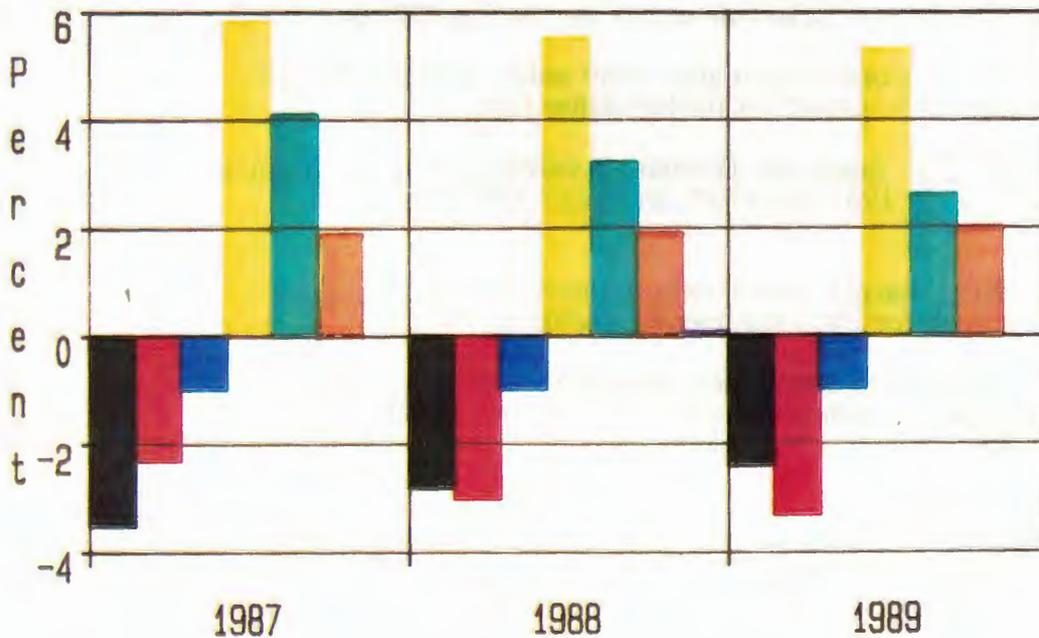
GERMANY

JAPAN

CANADA

ITALY

Trade Account Balances  
(As Percent of GNP/GDP)



DECLASSIFIED  
Authority: *Shreas./state waivers*  
BY: *clb/...* 3/16/2001

Forecast

Forecast

Current Account Balances  
(\$ Billions)

	1987	1988*	1989*
U.S.	-160.7	-145.0	-140.0
U.K.	-2.8	-8.4	-12.0
France	-4.4	-5.1	-5.8
Germany	44.2	42.7	40.8
Japan	87.0	83.6	68.0
Canada	-7.2	-8.6	-9.4
Italy	-0.7	-0.5	-0.8

Current Account Balances  
(as Percent of GNP/GDP)

	1987	1988*	1989*
U.S.	-3.6	-3.0	-2.7
U.K.	-0.4	-1.0	-1.4
France	-0.5	-0.5	-0.6
Germany	3.9	3.4	3.0
Japan	3.7	2.9	2.3
Canada	-1.7	-1.8	-1.8
Italy	-0.1	-0.1	-0.1

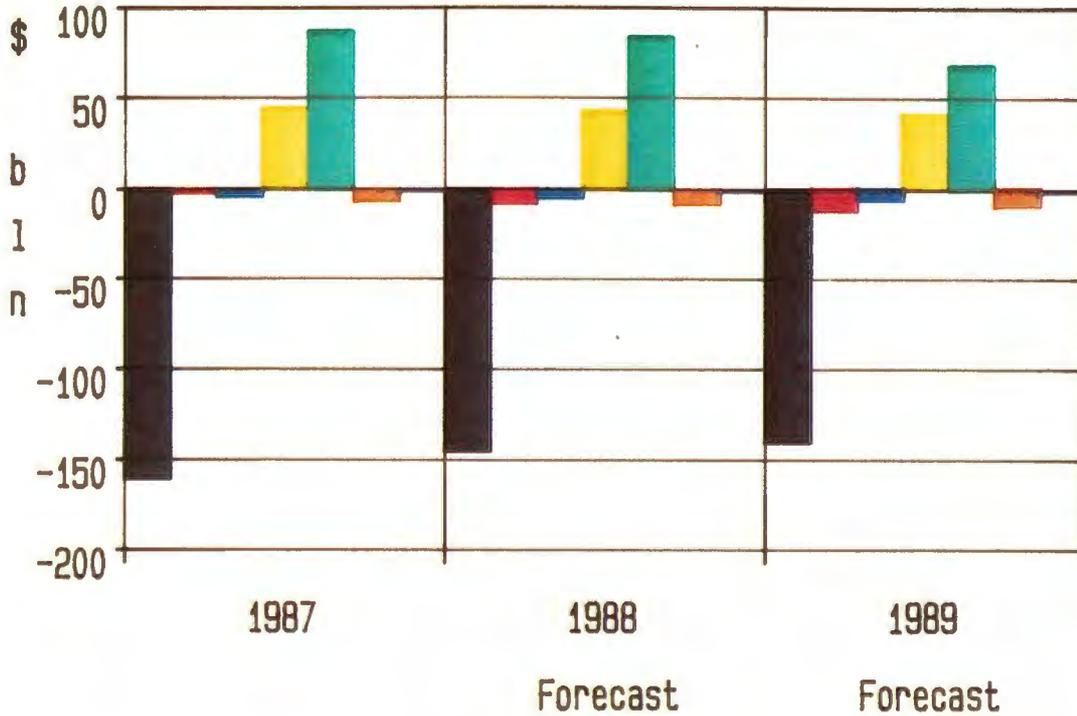
- Current account balances (which add interest, profits, travel, shipping charges, etc., to trade balance) are projected to decline significantly for U.S. and Japan between 1987 and 1989. Only small decline for Germany either in dollar terms or in proportion to GNP.
- U.S. current account deficit will be declining as trade deficit falls. But current account deficit reduction smaller because of increasing U.S. interest payments as our net foreign debt grows.
- U.S. deficit could worsen again after 1989 unless stronger foreign growth, weaker U.S. growth or further dollar fall.
- As a share of GNP, Japan and Germany's current account imbalances larger than U.S. in 1987; by 1989 Germany's will still exceed ours.
- UK deficit rising sharply, with strong domestic growth combined with weak growth for UK's continental trading partners.
- France has managed to keep deficit modest in size by restricting GNP growth and accepting higher unemployment, thereby keeping imports down.

\*Treasury Forecast

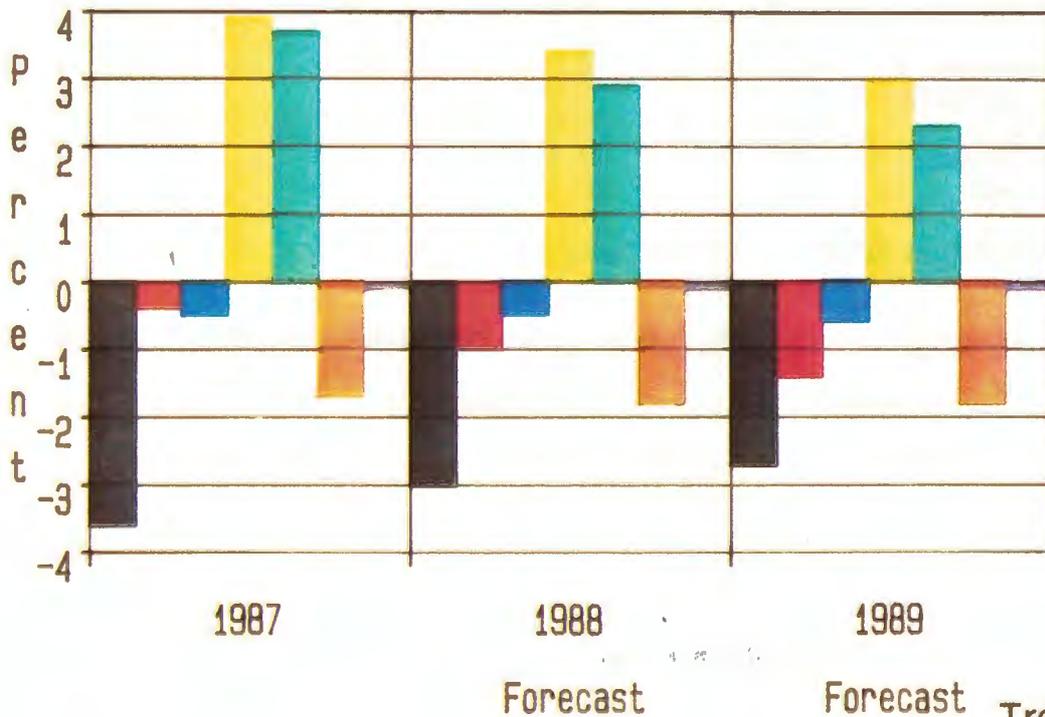
DECLASSIFIED

Authority State/Treas. Lawler's  
BY dh DATE 3/16/2020

Current Account Balances  
(Billions of U.S. Dollars)



Current Account Balances  
(As Percent of GNP/GDP)



U.S. [Black bar]

U.K. [Red bar]

FRANCE [Blue bar]

GERMANY [Yellow bar]

JAPAN [Teal bar]

CANADA [Orange bar]

ITALY [Purple bar]

EX-107-100  
Treasury/State/Wayles  
BY: [Signature] DATE: 3/14/2020

**Public Sector Budget Deficit as Percent of GNP/GDP**  
(Federal, State and Local, plus Social Security)

	1987	1988*	1989*
U.S.	2.4	1.4	1.2
U.K.	1.1	-0.5	-0.5
France	2.4	2.3	2.1
Germany	1.7	2.9	2.5
Japan	0.2	-0.5	-0.7
Canada	4.6	3.6	3.5
Italy	10.5	10.3	10.0

- U.S. total government sector budget deficit dropping sharply as Federal deficit falls; will be smallest Summit country deficit this year in proportion to GNP. (Japan, UK will have budget surpluses.)
- Italy's deficits highest in group; Canada's coming down but still high.
- German deficits rising this year, more from effect of slow growth on revenues and failure to attack large subsidy spending than from 1988 tax cut.
- To facilitate international comparisons, deficits measured on combined government sector basis and for calendar years. Thus measures differ somewhat from federal fiscal year measures, but show same trends.

**Public Sector\*\* Expenditures**  
(as Percent of GNP/GDP)

	1987	1988*	1989*
U.S.	35.0	34.4	34.1
U.K.	42.1	41.8	41.4
France	50.5	50.6	50.9
Germany	46.8	47.0	47.0
Japan	33.5	33.6	33.7
Canada	45.1	44.3	43.2
Italy	50.3	50.3	50.1

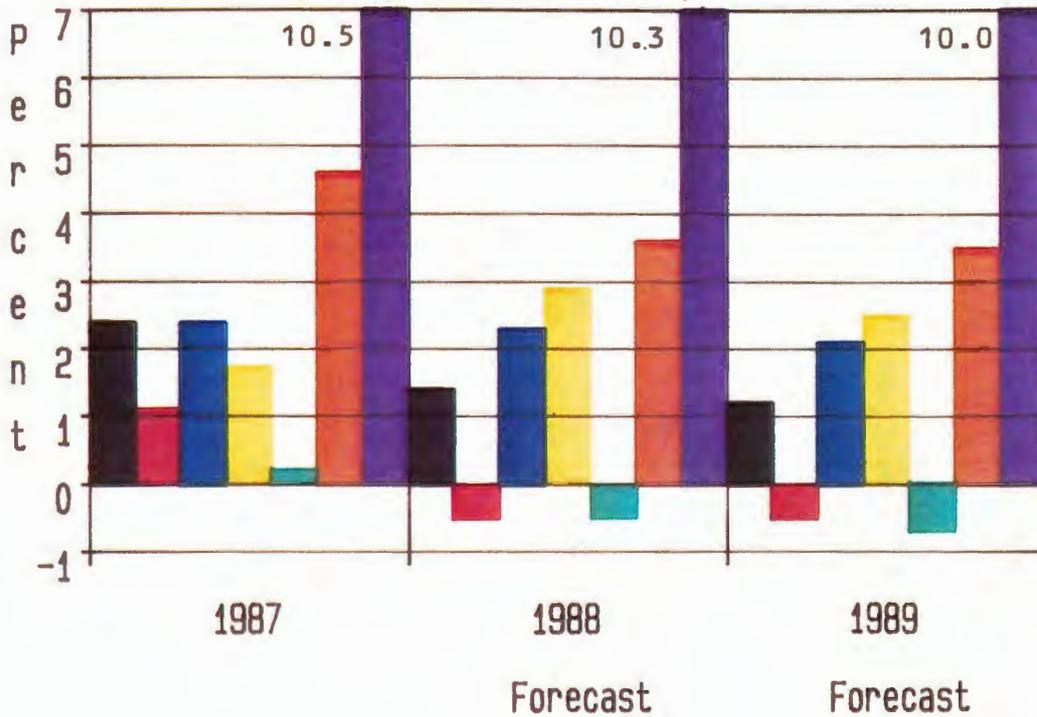
- Includes all levels of government to aid comparisons, but government enterprises such as railroads not included.
- Ratios on downtrend for U.S., UK, Canada; little change in others.
- U.S., Japan have smallest public sectors, France and Italy highest.

\* Treasury Forecast

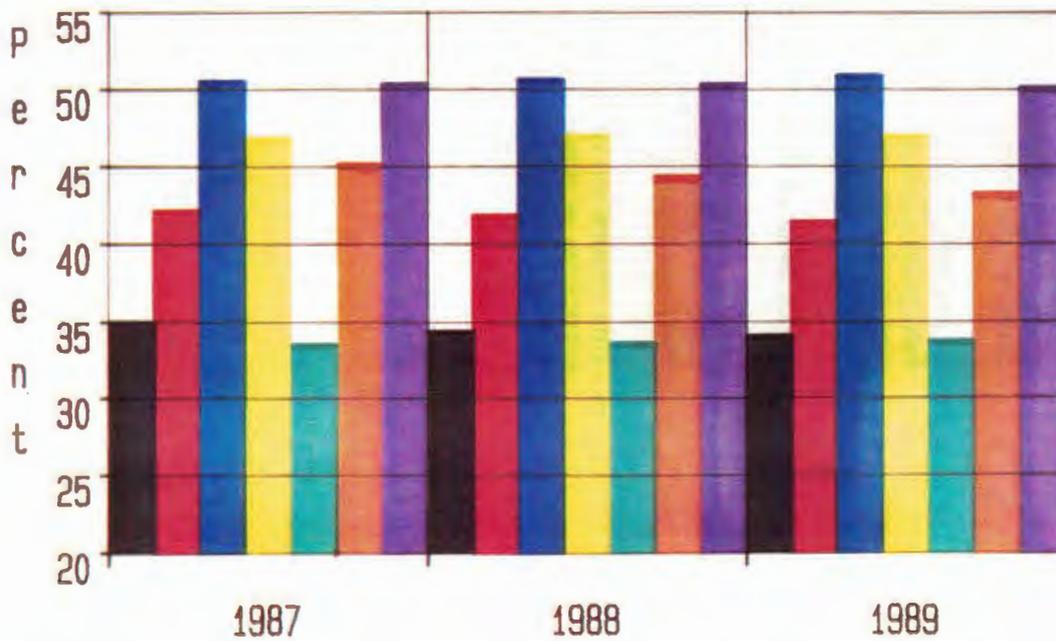
\*\* Federal, State and Local, plus Social Security

~~CONFIDENTIAL~~  
Treasury/State Workers  
dh 3/16/2020

Public Sector Deficit as Percent of GNP/GDP  
(Federal, State and Local, plus Social Security)



Public Sector Expenditures  
(As Percent of GDP/GNP)



*Handwritten:* Treas/State Waivers  
3/16/2000

~~CONFIDENTIAL~~

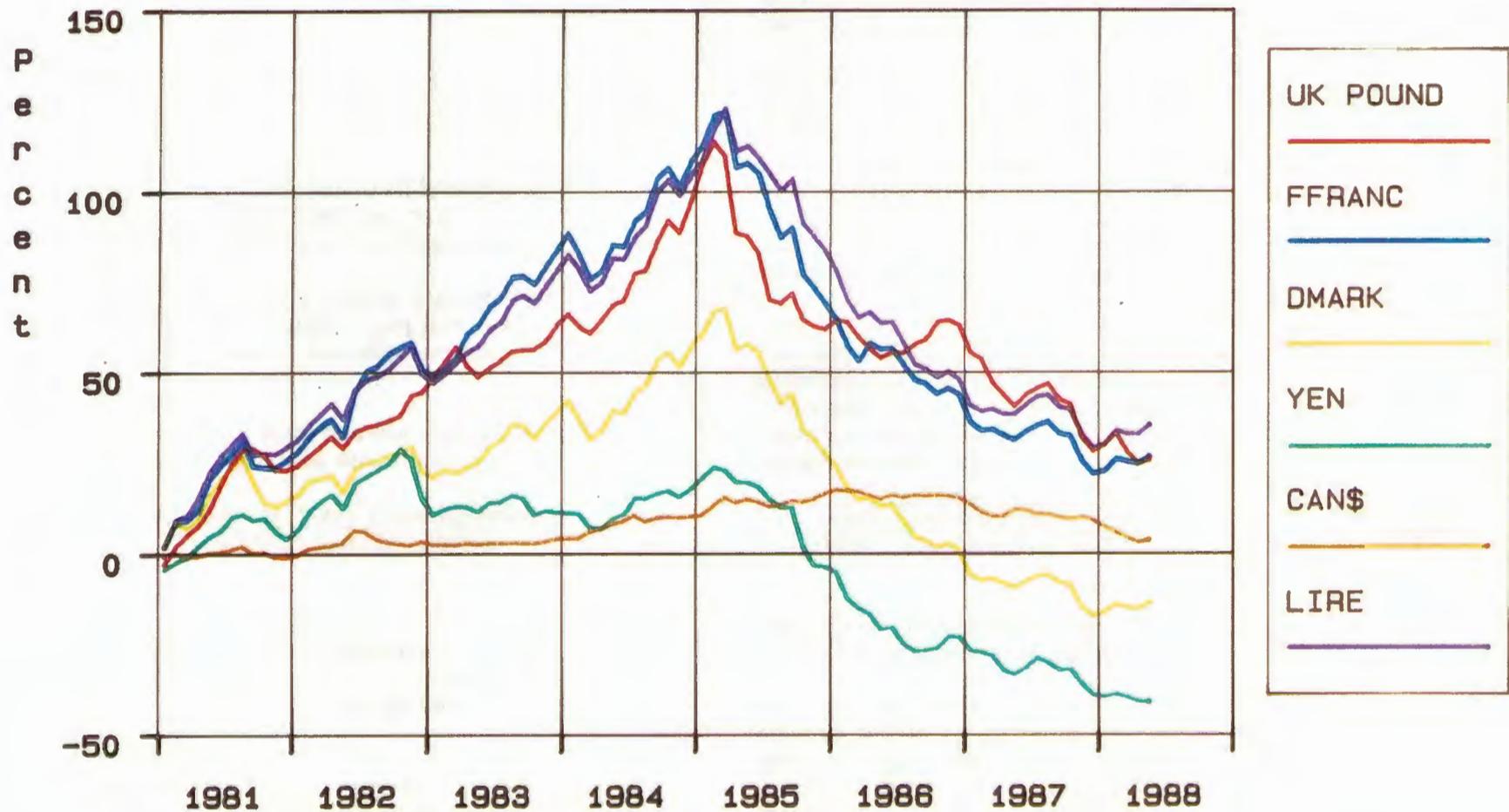
Exchange Rate Changes: U.S. Dollar vs. other Currencies  
(Percent Change Since December 1980)

- Chart shows how value of dollar has changed from the end of 1980 to early May 1988. Upward movement indicates dollar rise against the other (Summit country) currencies shown.
- In period of dollar rise to late February 1985 peak, dollar rose most against European currencies. Rise against Canadian dollar smallest. Rise against yen was moderate, but loss of competitiveness was greater owing to very low Japanese inflation.
- All or most of dollar rise against these currencies has been reversed.
- Taking relatively low U.S. inflation into account, real (inflation-adjusted) value of dollar weighted by trade shares is now lower than at beginning of 1981, indicating very large gain in U.S. trade competitiveness.
- This restoration of trade competitiveness in real terms still holds when currencies of non-Summit countries important in our trade (e.g. Korea, Mexico, Taiwan) are included in the calculation.

~~CONFIDENTIAL~~

DECLASSIFIED  
Authority: Treas/State Waivers  
BY: *ch* DATE: 3/16/2020

**Exchange Rate Changes: U.S. Dollar vs:  
(Percent Change Since December 1980)**



Monthly averages except May which is 5/25  
Upward movement indicates dollar appreciation.

Treasury OASIA-IMI  
May 27, 1988

# LABOR MARKET INDICATORS I

## Total Change in Civilian Employment (Millions of Jobs)

- U.S. employment gain of 18 million in last decade dwarfs others, although Canada has done as well in proportionate terms.
- Very little job creation (in fact, small employment loss in France) in European Summit countries.

## Long Term Unemployment (As Percent of Total Unemployment)

- High proportion of unemployed in Europe have been unemployed for a long period.
- In U.S. few are unemployed for as long as a year; nearly half have been unemployed for less than 5 weeks.
- High European ratios suggest both disincentives to take jobs and scarcity of employment opportunities.

## Youth as Percent of Unemployed and Labor Force

- Youth (defined as workers under 25) constitute a large share of the unemployed, especially in Italy and the U.S. (Full-time students are not counted as part of the labor force in these calculations.)
- Youth component of the labor force smallest in Japan and France.

## Youth Unemployment Rate vs. Adult Unemployment Rate

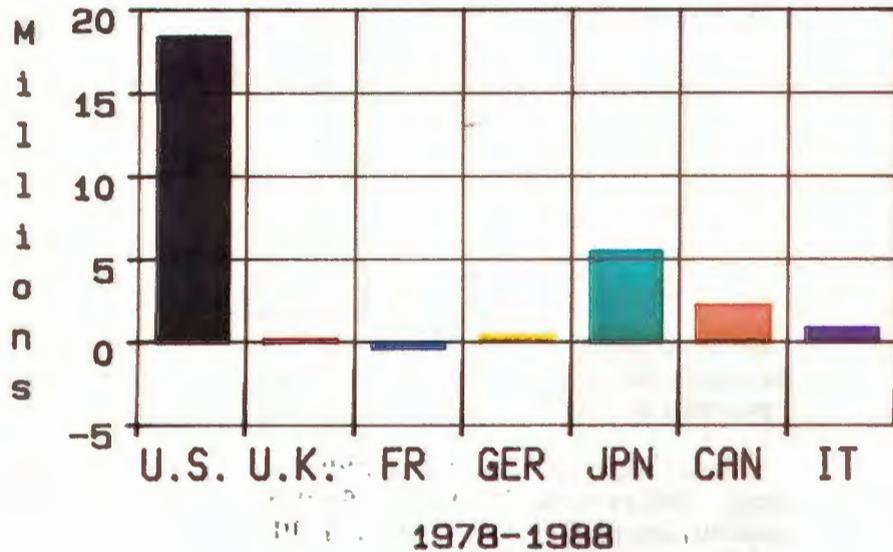
- Young workers bear disproportionate share of unemployment in most Summit countries, with most dramatic case being Italy's low adult unemployment rate and nearly 35% youth unemployment rate.
- Germany has smallest disparity.
- Disparities suggest obstacles to employment of new entrants to labor force. These may include inability to maintain wage differentials to reflect skill and experience differences (e.g., by high minimum wage rates), or rules effectively preventing layoffs. Slow job growth also is biased against entry level workers, since firms rarely replace current employees with new hires.

~~CONFIDENTIAL~~

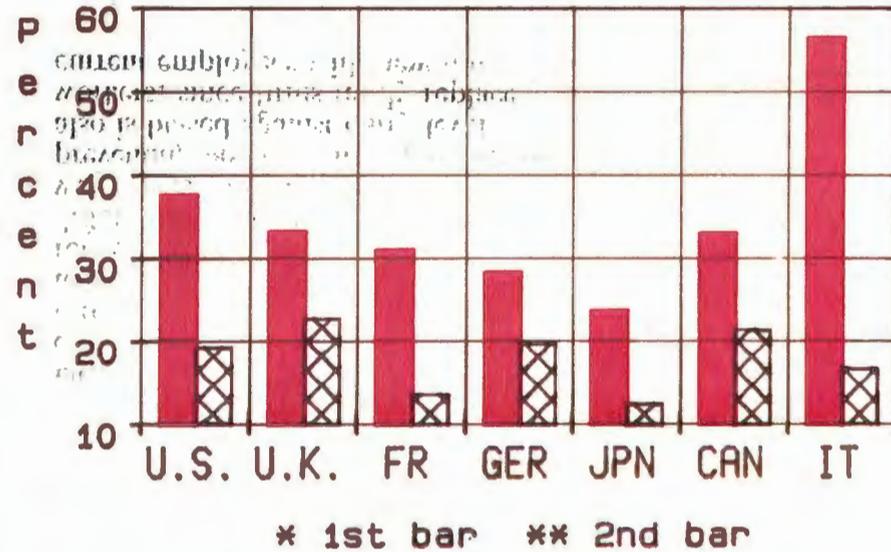
chr  
Treas/State. Wawer's  
2/16/2020

# Labor Market Indicators I

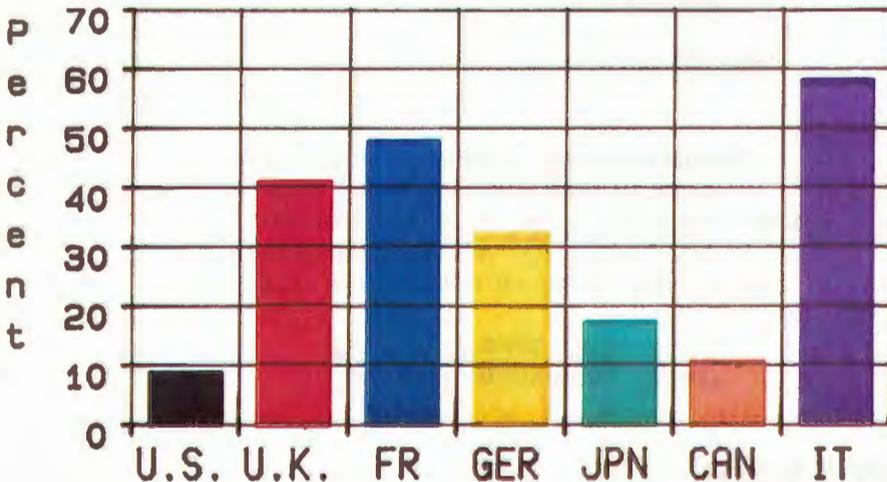
## Total Change in Civilian Employment (Millions of Jobs)



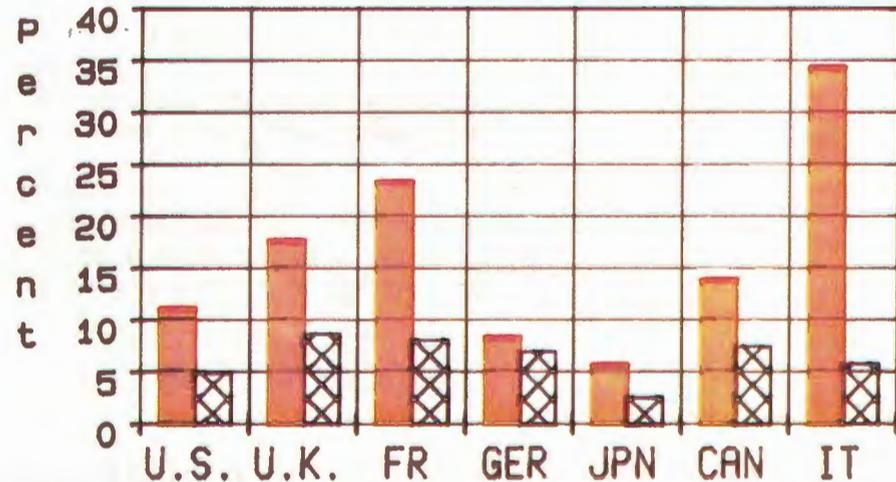
## Youth as Percent of Unemployed\* and Labor Force\*\*



## Long Term\* Unemployment (As Percent of Total Unemployment)



## Youth Unemployment Rate\* vs. Adult Unemployment Rate\*\*



\* At least 12 months unemployed

\* 1st bar \*\* 2nd bar

## LABOR MARKET INDICATORS II

### Civilian Employment Growth (Percent Change Since 1977)

- U.S. job creation by far greatest among Summit countries: 22 million rise in employment since 1977, 18 million since 1978. In percentage growth terms, Canada now slightly ahead of strong U.S. pace.
- Japan shows moderate percentage rise.
- Little or no job creation in Europe over decade.

### Non-Wage Labor Costs As % of Total Labor Costs

- High non-wage labor costs create gap between what workers regularly receive and what employers have to pay. Wage rate thereby understates labor costs.
- In U.S. most labor income is received directly. In Italy, France and Germany and Japan over 40% of labor costs are non-wage benefits.

### Days Lost Each Year Due to Strikes and Lockouts

- Time lost from labor disputes has fallen in all countries in the 1980s. Japan and Germany continue to have the lowest rates.
- Italy and Canada have highest rates, but Italy has cut its rate by more than half.

### Union Membership (As Percent of Total Employees)

- Trade union membership highest in Italy and UK, lowest in U.S. (Would be even smaller as a percent of total U.S. labor force.)

DECLASSIFIED

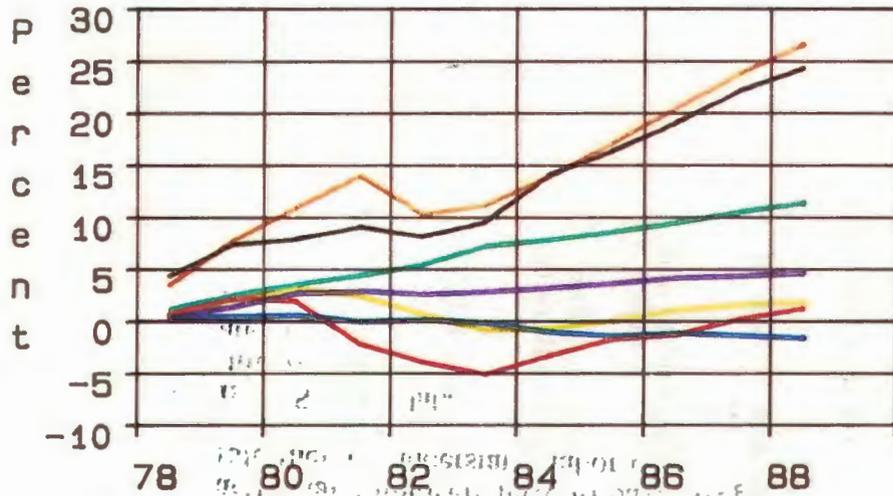
Authority Treas./State Workers  
BY dis ENCLOSURE - 3/16/2020

CONFIDENTIAL

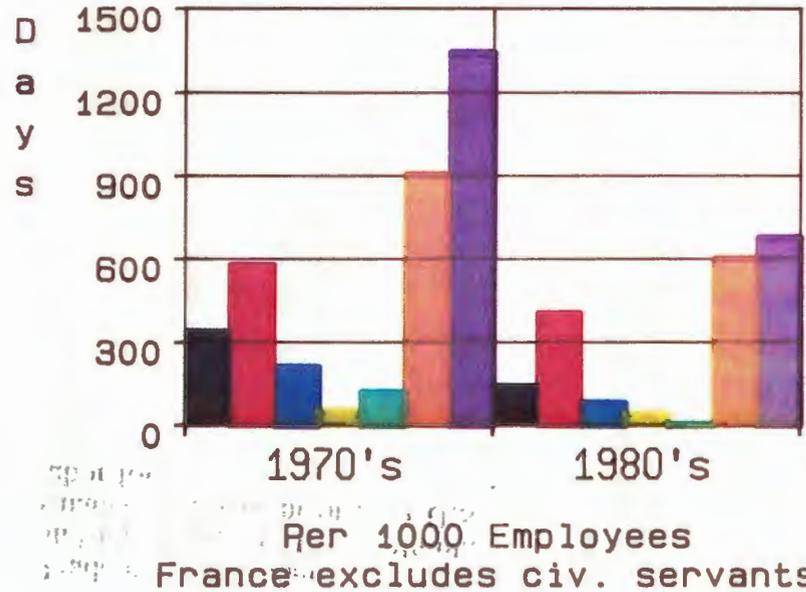
# Labor Market Indicators II

Treasury SIA-IMI  
May 27, 1988

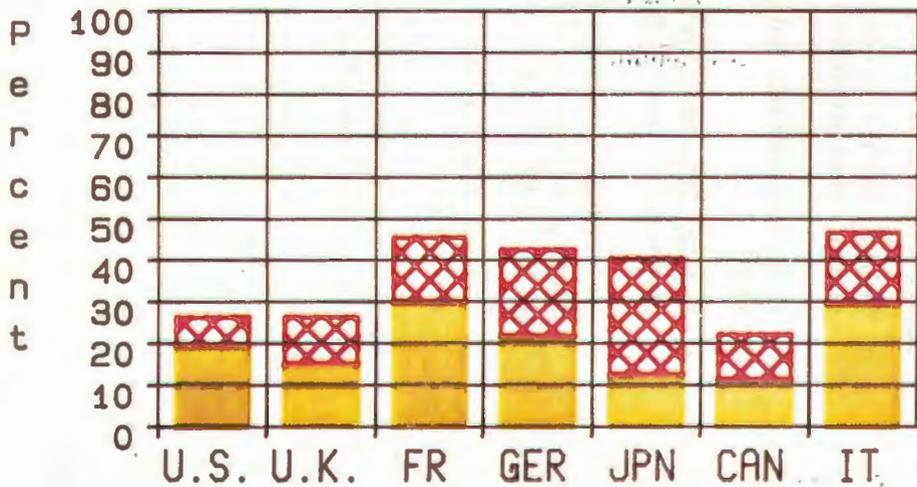
### Civilian Employment Growth (Percent Change Since 1977)



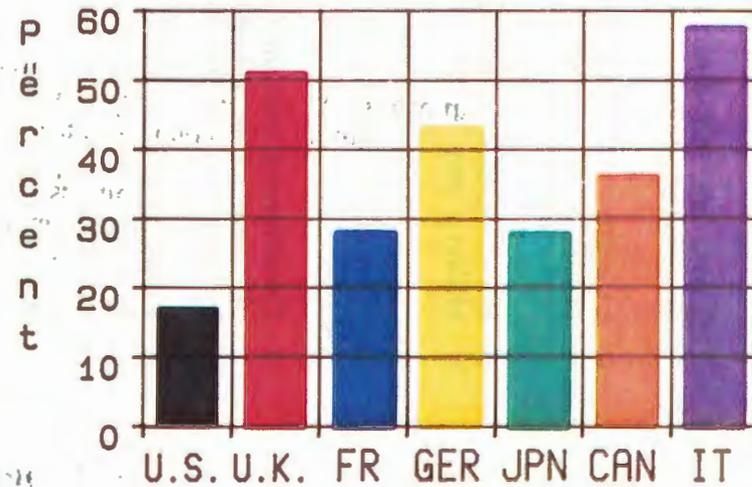
### Days Lost Each Year Due to Strikes and Lockouts



### Non-Wage Labor Costs As % of Total Labor Costs



### Union Membership (As % of Total Employees\*)



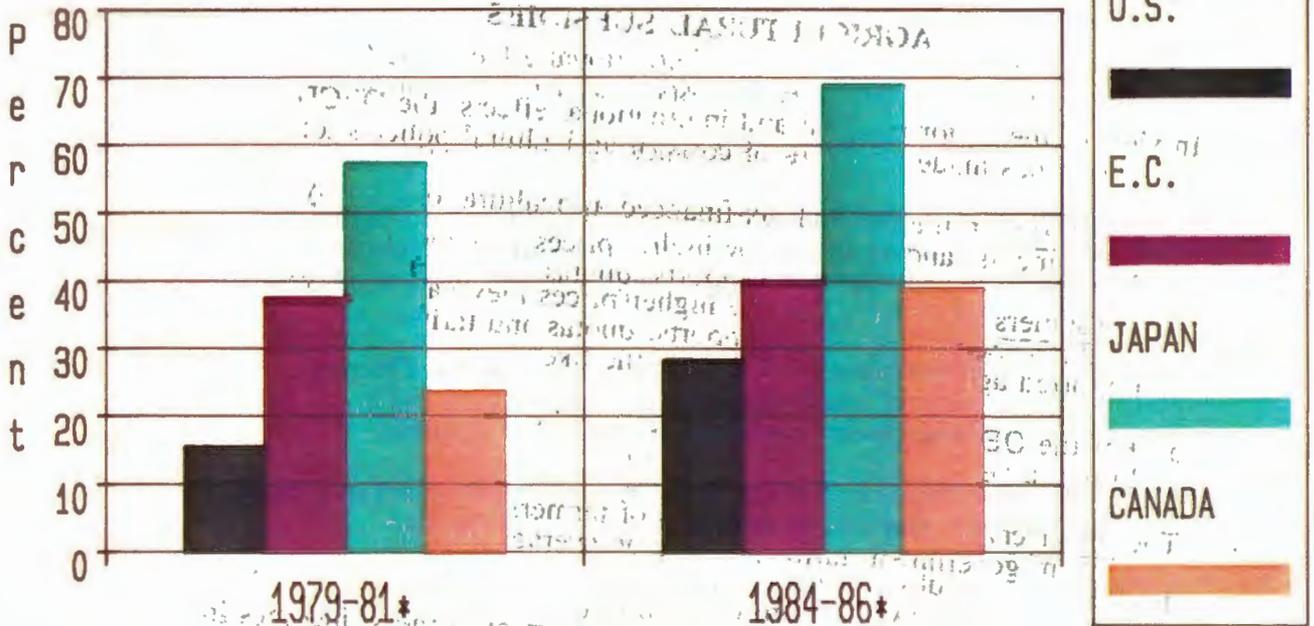
- U.S.
- U.K.
- FR
- GER
- JPN
- CAN
- IT

## AGRICULTURAL SUBSIDIES

- In view of the major national and international effects, the OECD Secretariat has made estimates of costs of agricultural policies to:
  - o Taxpayers, in the form of tax-financed agricultural outlays by governments; and
  - o Consumers, in the form of the higher prices they pay for farm products, because of price supports, quotas and tariffs on imported agricultural products, and the like.
  - o For the OECD countries as a whole, these costs exceeded \$200 billion a year in 1984-86.
- The upper chart shows the proportion of farmers' total income which came from government farm spending on average for 1979-81 and 1984-86.
  - o Government subsidies are an important part of farmers' incomes in all countries shown, and grew sharply relative to incomes earned by farmers from the market in the 1980s.
  - o Farmer subsidies are most dominant in Japan, where direct and indirect subsidies amounted to nearly 70 percent of farmer receipts.
  - o Subsidy/receipts ratio lowest for U.S., but still nearly 30 percent on average for 1984-86.
- Lower chart shows size of farm subsidies in relation to GNP/GDP.
  - o Subsidy/GDP ratio highest for Japan and EC: 2 1/2 to 3% of GNP goes to farm subsidies.
  - o U.S. ratio lowest, but grew sharply in 1980s to over 1-1/2% of GNP.
  - o Subsidy is both from consumers (forced to pay high prices) and taxpayers (forced to pay taxes to finance government spending.)
  - o Most of U.S. subsidy is via tax-financed government spending; most of Japanese and EC subsidies due to artificially high prices (e.g. by EC barriers to cheaper imports from U.S.).
  - o Cutting subsidies by even 1% of GNP would save about \$40-\$50 billion a year for U.S., proportionate savings for others.
- Magnitudes demonstrate value of U.S. proposal for cooperative world attack on these subsidies.

# Agricultural Subsidies

Government Subsidies to Farmers  
(As Percent of Total Farmers' Income)

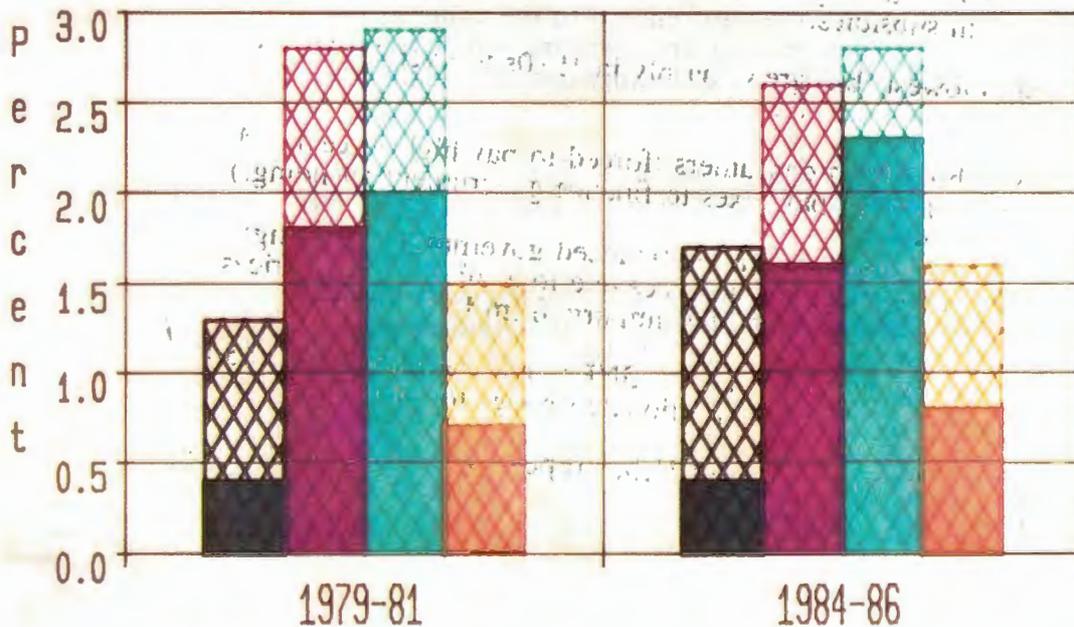


1979-81\*

1984-86\*

\*Three-year average

Cost of Farmers' Subsidies  
(Percent of GDP; three-year averages)



1979-81

1984-86

Solid = Cost to Consumers  
Hatch = Cost to Taxpayers

*MS Treas/State/Leawerz  
dlw  
3/16/2020*

## FINANCIAL SECTOR INDICATORS

### Stock Market Performance (Since January 1987)

- Stock markets in all seven Summit countries moved down roughly in parallel last year, starting in late summer, culminating in sharp October downturn. Movements suggest higher world market integration than in past years.
- Since then, market averages in U.S., Canada and UK have moved slightly higher, reaching levels achieved at beginning of 1987. Tokyo Stock Exchange index continues to reach new heights.
- Sharper 1987 downturns in France, Italy and especially Germany, have ended, but markets have not recovered to early 1987 levels.
- Patterns suggest quick correction, without notable volatility, implying generally efficient market functioning.

### Efficiency of Bond Markets Cost of Raising Funds (As Percent of Value of Issue)

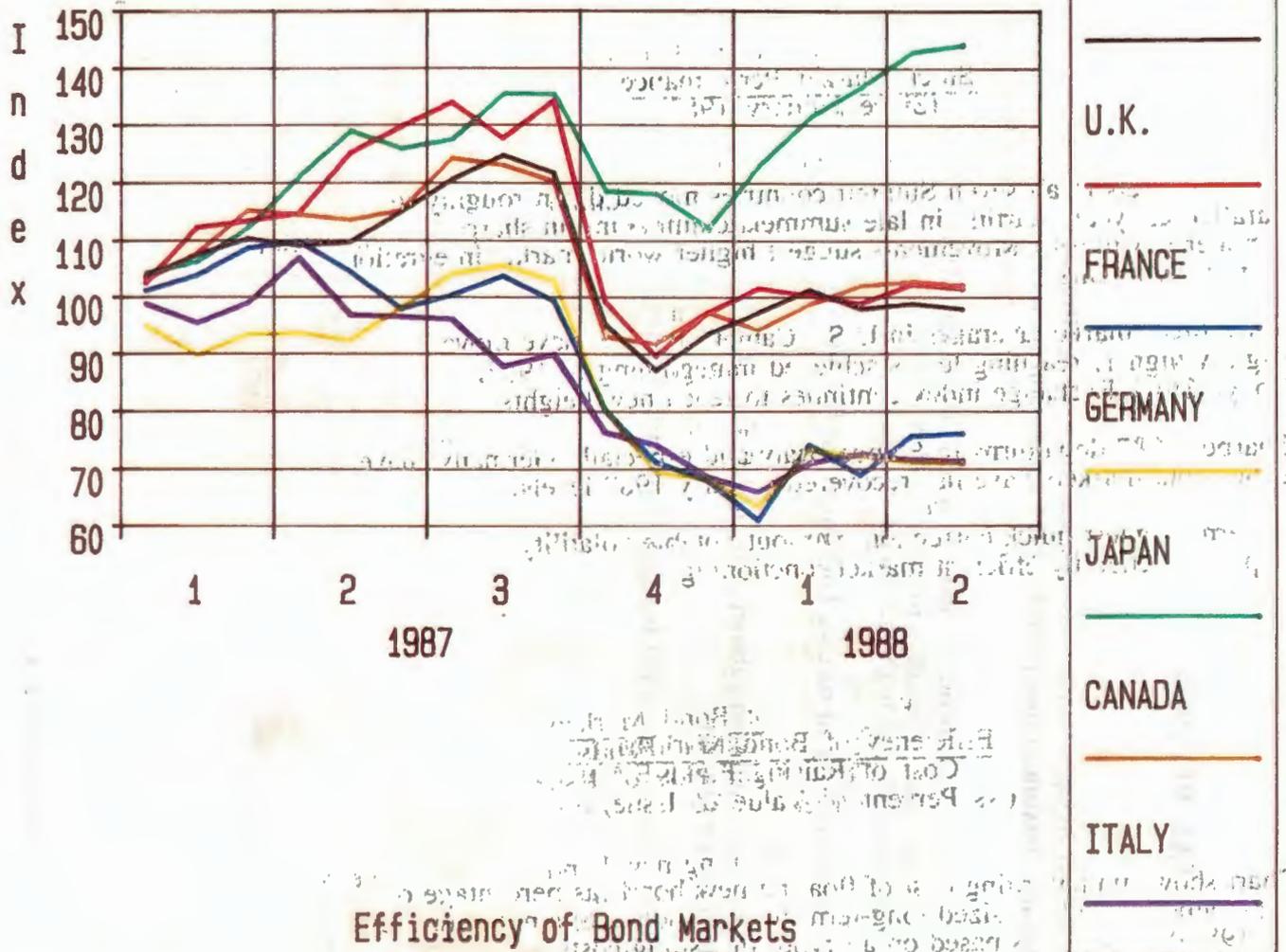
- Chart shows underwriting cost of floating new bonds as percentage of total value of medium-sized long-term bond issues in Summit countries for 1982-83. Chart is based on all types of issuing costs (underwriters' fees and commissions, legal fees, etc.) except taxes and, of course, interest. High costs in relation to the value of the bonds suggest less competition among underwriters, which tends to make new investments more difficult and expensive, especially for less well-known firms.
- As would be expected, underwriting costs in U.S. (1%) are lowest, followed by the UK, which is also known for its highly efficient and competitive financial sector.
- Over 3% cost ratio for France, Germany and Japan suggests burdens facing firms seeking to finance new investment by issuing bonds.

DECLASSIFIED  
Authority: *Arms/State Waivers*  
BY: *ds* DATE: *3/12/20*

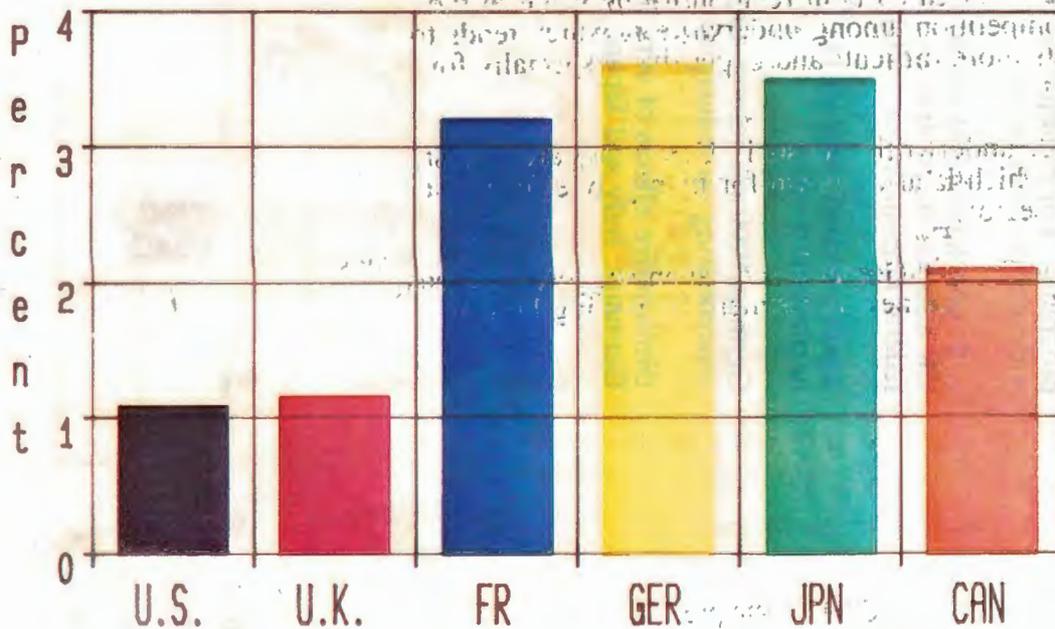
# Financial Sector Indicators

## Stock Market Performance

(Since January 1987)



## Efficiency of Bond Markets Cost of Raising Funds\*

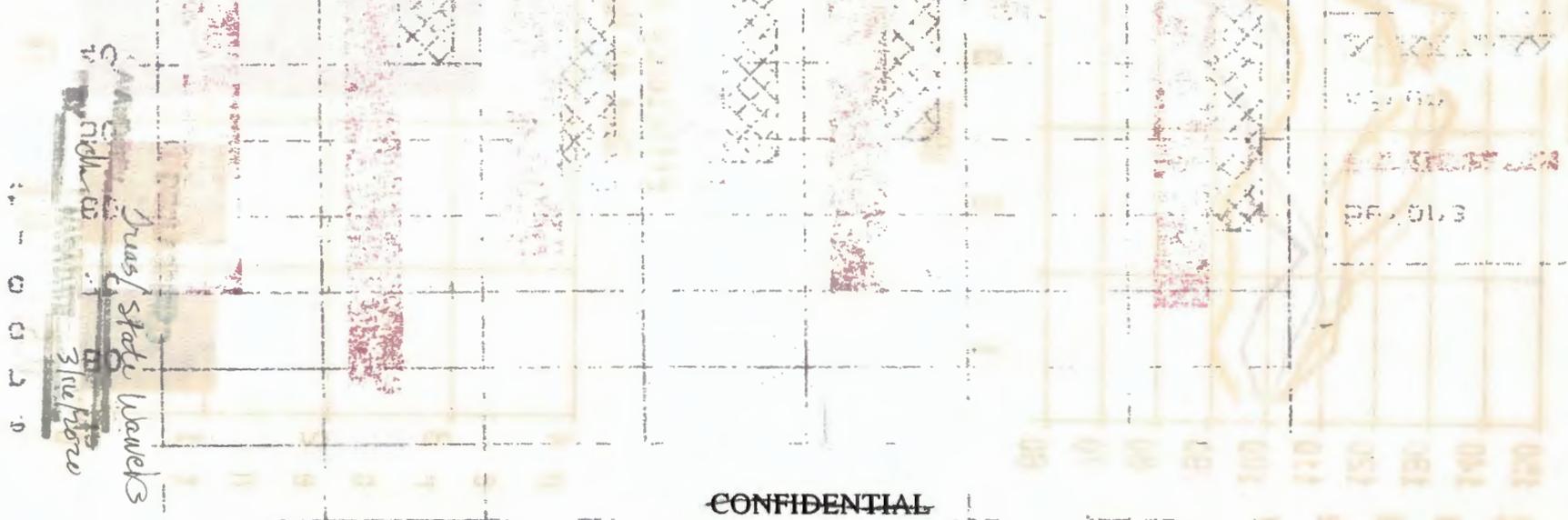


\* As Percent of Value of Issue

*Handwritten:*  
 Dec 1988  
 Treasury Dept / State / Waver B.  
 BY dms 3/16/2020

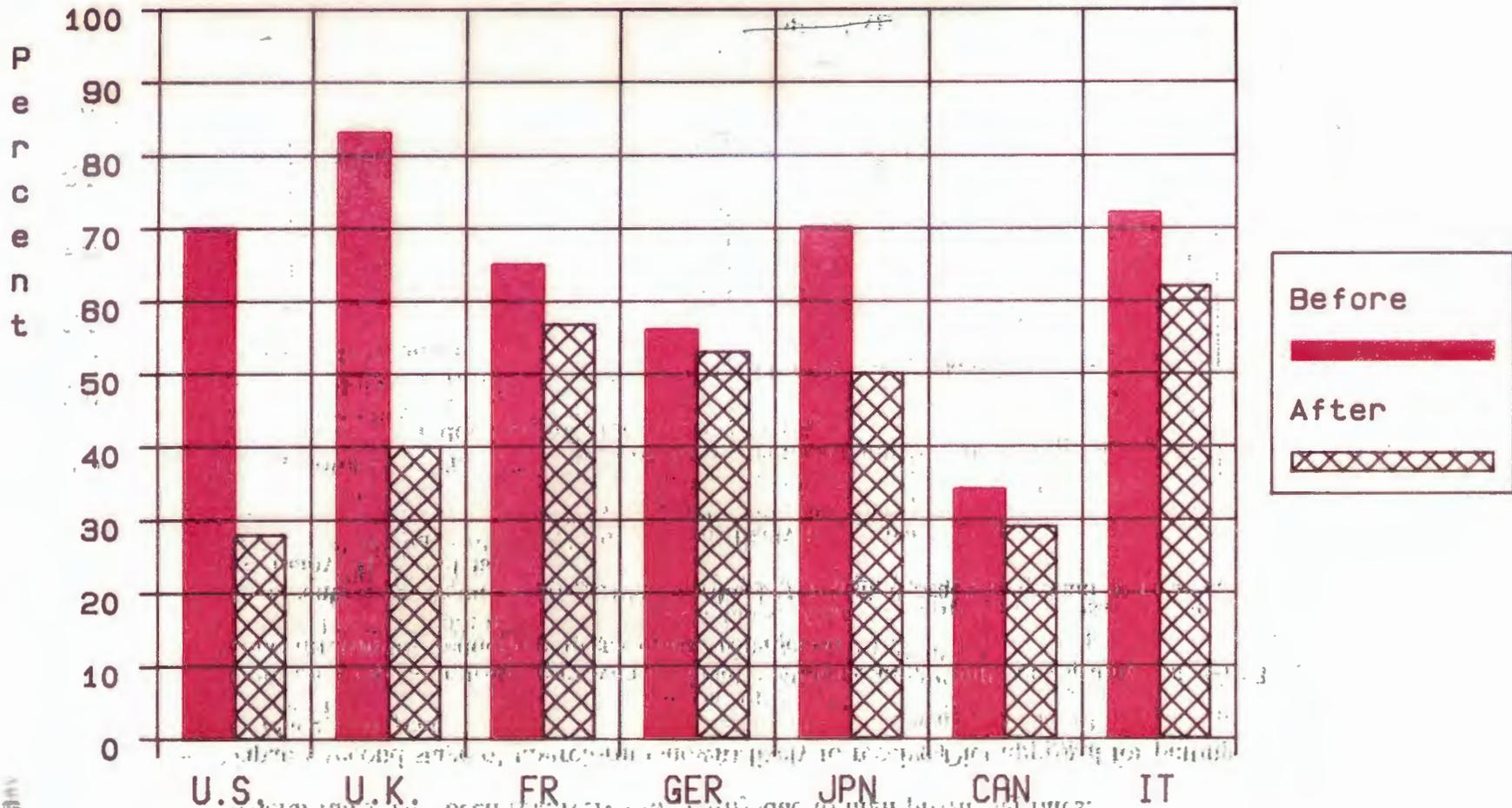
### TAX REFORM

- Chart shows marginal tax rate for highest income bracket, before and after tax reform programs. For example, U.S. rates are maximum just prior to 1981 legislation (before) and rate for 1988 (after).
- U.S. now has lowest (28%) marginal rate on top incomes, and has made largest reduction. UK also has made dramatic cuts with new rates. Canada's improvement is less, but federal rates have been relatively low, partly due to high provincial rates.
- Japan's second stage of tax reform (shown) likely to receive Diet approval for putting in place next year.
- German 1990 tax reform approved by Kohl coalition cabinet will cut top rate only to 53%, concentrating on reductions in intermediate brackets.
- Disincentive effects of very high (50% or more) marginal brackets remain in France, Germany, Italy and Japan.



# Tax Reform

## Top Federal Personal Income Tax Rates Before and After 1980s Tax Reform



(Tax reform pending in Germany and Italy)

Treasury OASIA-IMI  
May 27, 1988

Authority: Press/State Unwired  
 Date: 3/14/2020