Collection: McMinn, Douglas W.: Files, 1982-1985
SERIES: II: ECONOMIC SUMMIT FILES
Folder Title: France – Internal US Preparations (6 of 11)
Box: RAC Box 13

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MCMINN, DOUGLAS: FILES

Withdrawer SMF 2/19/2008

File Folder FRANCE-INTERNAL US PREPARATIONS (6)

FOIA S2007-081 NOUZILLE 166

Box Number 13

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
50838	PAPER	VERSAILLES ECONOMIC SUMMIT: OVERALL OBJECTIVES *R 4/23/2010 NLRRM2007-081*	1	ND	B1
50839	MEMO	NANCY BEARG DYKE TO HORMATS/NAU *R 4/23/2010 NLRRM2007-081*	2	2/23/1982	B1
50840	LETTER	STEPHEN BRYEN TO NAU RE OBJECTIVES PAPER *R 6/25/2010 MR081/1*	2	3/16/1982	B1
50841	MEMO	NAU TO CLARK RE US FOREIGN ECONOMIC POLICY *R 4/23/2010 NLRRM2007-081*	3	3/17/1982	B1
50842	MEMO	NAU TO CLARK RE RECOMMENDED PRESIDENTIAL PHONE CALL *R 10/1/2010 MR2007-081/1*	1	3/18/1982	B1
50843	MEMO	CLARK TO DEAVER RE RECOMMENDED PRESIDENTIAL PHONE CALL *R 4/23/2010 NLRRM2007-081*	1	ND	B1
50844	MEMO	CLARK TO SHULTZ RE RECOMMENDED PHONE CALL *R 4/23/2010 NLRRM2007-081*	1	ND	B1
50846	TALKING POINTS	RE PRESIDENTIAL TELEPHONE CALL *R 4/23/2010 NLRRM2007-081*	2		B1

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MCMINN, DOUGLAS: FILES

Withdrawer SMF 2/19/2008

File Folder FRANCE-INTERNAL US PREPARATIONS (6)

FOIA S2007-081 NOUZILLE 166

Box Number 13

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
50847	MEMO	NAU TO CLARK RE PRESIDENTIAL MEETING WITH SHULTZ *R 10/1/2010 MR2007-081/1*	1	3/17/1982	B1
50845	MEMO	BREMER TO CLARK RE PRESIDENT'S CALL *R 4/23/2010 NLRRM2007-081*	1	3/16/1982	B1
50848	MEMO	NAU TO CLARK RE HAIG'S MEMO *R 4/23/2010 NLRRM2007-081*	1	3/4/1982	B1
50849	MEMO	HAIG TO THE PRESIDENT RE US-EUROPEAN ECONOMIC RELATIONS *R 4/23/2010 NLRRM2007-081*	2	2/24/1982	B1
50850	CABLE	201935Z MAR 82 *R 4/23/2010 NLRRM2007-081*	2	3/20/1982	B1
50851	MEMO	NAU/RENTSCHLER/BLAIR THRU TYSON TO CLARK RE OVERALL APPROACH TO SUMMITS *R 10/1/2010 MR2007-081/1*	1	3/24/1982	B1
50852	MEMO	CLARK TO HAIG RE OVERALL APPROACH TO SUMMITS *R 4/23/2010 NLRRM2007-081*	3	ND	B1
50853	MEMO	CLARK TO REGAN RE OVERALL APPROACH TO SUMMITS *R 4/23/2010 NLRRM2007-081*	3	ND	B1

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.

VERSAILLES ECONOMIC SUMMIT: OVERALL OBJECTIVES

The President should stress certain key themes, during the Versailles Economic Summit meeting, including:

A. ECONOMIC SECURITY THEMES

1. Sanctions. Call for genuine Allied cooperation in enforcing and strengthening Western economic sanctions imposed on Poland and the Soviet Union, in response to armed repression of political freedom and civil rights in Poland.

2. Credits. Propose convening, at an appropriate point, a conference to establish a standing mechanism for credit controls on the volume and terms of new official credits to the Soviet Union; and, pending that agreement, an immediate moratorium on new official export credits and guarantees. Recommend that Allied countries pledge not to consider support of major projects in the Soviet Union. Announce that exports of U.S. products, including grain, are largely on a cash and carry basis.

3. Technology Transfer. Discuss Allied achievements in the High Level COCOM meeting. Stress need to continue to cooperate to tighten COCOM controls on exports of strategic goods and technology, which might directly or indirectly strengthen the military capabilities of the Soviet Union. Emphasis of President's proposal should be on: a. enforcement and b. institutionally strengthening COCOM, by arranging for secure funding and professional staff capability (not now available).

B. ECONOMIC POLICY THEMES

President's Economic Program

1. Project President as having a coherent economic program, which will, on balance, benefit our Allies. Project confidence and determination over the U.S. recovery effort, stressing that the program deals with fundamentals and will succeed over time.

2. Resist unfair criticism of U.S. economic and security policy, while minimizing friction among our Allies. Resist criticism of high U.S. interest rates, which for many years European countries criticized as too low.

West-West Trade

3. Protect the integrity of the international trading and financial system, but reach agreement on the need for guidelines in areas where Western governments must intervene for national security purposes. Cooperate in providing increased market access, among Western countries, by reducing unequal non-tarrif barriers to trade.

4. Stress political advantages of Allied cooperation to solve economic problems, against political consequences of failing to keep economic differences in check.

Classified by D/IETSP
Review on 15 March 1988

File 2
France
Summit

The Under Secretary of the Treasury
for Monetary Affairs

March 8, 1982

To Mr. Henry Nau

Attached are my initial thoughts on objectives that the President may want to achieve at the Versailles Summit. I have not elaborated on the possibilities of doing so, but in each case, I think the effort should be made, since undoubtedly some favorable impact would result. I would appreciate any comments you have to offer. Perhaps at the appropriate point in time we can transmit a joint set of recommendations to the appropriate officials.

BWS

Beryl W. Sprinkel

cc: Mr. Hormats

Priorities and Possibilities for President Reagan at Versailles Economic Summit

1. Exude optimism concerning ability of Summit countries to solve mutual problems of inflation and inadequate growth.

2. Show sympathy concerning perceived European dissatisfaction with U.S. policies and offer initiative to attempt harmonization of policies designed to subdue inflation and promote growth.

   a. Is in lieu of attempt to arbitrarily intervene in exchange and interest rate markets.

   b. When successful, exchange rates will be relatively stable, and interest rates will be low, reflecting low inflation.

   c. Represents attempt to export Reaganomics.

3. Commitment to halt protectionist drift. Reaffirm dedication to freer trade by emphasizing desire to eliminate non-tariff barriers and open up markets for financial services.

4. Offer initiative to help formulate rules of the game on investment policies to encourage freer capital flows, market-oriented investment.

   a. Consistent with desire to encourage private capital flows to LDCs.

   b. Also benefit developed countries including, especially, U.S.

5. Reaffirm role of private market in encouraging energy development and conservation.

6. Stress desirability of avoiding Western subsidization of Russia et al. Also avoid sale of strategic goods.

7. Show concern for LDC growth by offering initiative of Conference on Growth, stressing essential elements of successful growth strategy.

   a. Resist energy affiliate.

   b. Resist unsatisfactory Global Negotiations.

   c. Resist higher tax contribution to concessional flows.

8. Reflect image of competent, concerned leader who knows where he is going and how to get there.

4

OFFICE OF THE VICE PRESIDENT

WASHINGTON, D.C. 392

File
France
Summit

March 12, 1982

MEMORANDUM FOR HENRY NAU
MARSHALL CASSE

SUBJECT: Objectives at Versailles Summit

In putting together the brief objectives paper for the Versailles Summit, it might be helpful to have the one for the Ottawa Summit. I've attached a copy.

Nancy

Nancy Bearg Dyke

Broad Themes - Revitalization of Western Economic System (carry throughout)

- Consistency in foreign and domestic policy
- Confidence
- Leadership (increasing economic and military strength)
- Sensitivity to allied concerns
- Working together
- Getting economy/budget under control
- Long term over short term
- Keep up momentum

Major U.S. Objectives

a. General Objectives

- Reinforce President Reagan's credentials as a strong partner and leader.
- Provide an opportunity for the broad exchange of views of the leaders.
- Build and further personal relationships between the President and the other heads of state/government.
- Explain U.S. foreign policy, providing a backdrop for the economic discussions.
- Explain U.S. domestic and international economic policies and their impact on others.
- Seek to achieve allied consensus on major political and especially economic problems. In this context:
    - strengthen Western economic performance
    - preserve and enhance open international markets
    - improve consensus on approach to East-West economic relations
    - develop general agreement on approach to the North-South Summit
    - concert constructive and realistic policies toward developing countries

- Deflect potential conflicts on short-term economic and trade issues.

- Achieve agreement on a few, well-prepared specific initiatives.

- Reach decision on the future shape of summits.

- Avoid public disunity.

b. Specific Objectives

Macroeconomic Issues

- Make U.S. program clear and demonstrate sensitivity.

- Preempt on interest rates.

North-South

- Project concern.

- Cancun.

East/West Economic Relations

- Discussion.

- Set up high-level COCOM meeting.

Energy

Highlights:

- U.S. leadership

- Progress.

- Momentum

Trade

- Continue momentum.

- Address new issues in the 80's

CONFIDENTIAL

7

DECLASSIFIED
NLRR M07-081 #50859
BY ql NARA DATE 7/2/10

File
France
Summit

OFFICE OF THE VICE PRESIDENT

WASHINGTON

February 23, 1982

MEMORANDUM FOR BOB HORMATS
HENRY NAU

SUBJECT: Background Papers for the Versailles Summit

As with last year's Summit preparations, I believe it is an excellent idea to develop an overall strategy paper, and your draft is a good start. I would offer a few general comments on this paper:

- It should go more into the strategy of how we intend to achieve the stated objectives. As the paper correctly notes, we will face serious challenges at Versailles, and it would be useful to lay out in brief terms an approach to handling the likely issues so that the objectives of U.S. leadership, strengthened unity, etc., will result from the Summit.

- I feel we should not view or treat this Summit as a "critical crossroads for the Western Alliance" or cast it in "historic proportions". That approach is likely to create "historic expectations" which, if not entirely fulfilled, may lead to exaggerated disappointments. In addition, the problems the Summit will address require long-term solutions, and no one conference will be able to make the necessary decisions or chart the course. Finally, if we highlight this Summit too much, we risk highlighting potential divisions when one of our primary objectives is building consensus.

- I think it would be good to include a set of themes we would like to evolve from the Summit. Some examples that we used last year are:

  -- Consistency in foreign and domestic policy
  -- Confidence
  -- U.S. leadership
  -- Sensitivity to Allied concerns
  -- Working together and cooperation
  -- Getting economies/budgets under control
  -- Long-term over short-term and the need for evolutionary actions
  -- Keeping up momentum

CONFIDENTIAL
CLASSIFIED BY NANCY BEARG DYKE
REVIEW ON FEBRUARY 23, 1988

These themes can provide guides for our preparations and can be used to characterize the Summit publicly. This will be particularly important for press interest which will probably begin to grow soon.

I think the political strategy paper has the right tone and direction. I know that as we get farther along, it will specify objectives and approaches.

The other issue papers appear to be on the right track, although I assume they will be refined by the SIG and its subordinate bodies. My principal concern is that the energy paper presumes that the Europeans will agree to abandon the Siberian-West European gas pipeline. My feeling is that this is unlikely to happen, and it should not be the basis of our planning in this area.

I look forward to working with you on this Summit. Though the tasks we face at Versailles will not be easy, I think the Administration has established a good basis in its first year in office for mastering them.

Nancy

Nancy Bearg Dyke
Assistant to the Vice President
for National Security Affairs

SECRET

9

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

INTERNATIONAL SECURITY AFFAIRS

File France Summit

In reply refer to:
I-21887/82

MAR 16 1982

Mr. Henry R. Nau
National Security Council Staff
Room 392, Old EOB
Washington, D.C. 20506

Dear Henry:

A short "objectives" paper, which outlines key overall objectives the President should stress at the Versailles Economic Summit meeting, is enclosed, as you requested. Presidential statements on these key themes will help to define the overall environment, within which economic discussions will take place. By taking the lead, he can give them a direction on which the Heads of State can agree, while leaving room for more specific economic discussion.

Dr. Stephen D. Bryen
Deputy Assistant Secretary
International Economic, Trade
and Security Policy

Attachments a/s

Classified by D/IETSP
Review on 11 March 1988

SECRET

DISTRIBUTION

USUN - Jose Sorzano
Robert Zimmerman

AID/S&T - Nyle C. Brady
Curtis Farrar
Frances Li
Gordon Pierson

State/OES - Charles Horner
Felix Dorough

For Info

A/AID - Peter M. McPherson
DA/AID - Joseph Wheeler
DD/IDCA - C. Michalopoulos
NSC - Henry Nau
IO - Gordon Brown
IO - Ken Yalowitz

MEMORANDUM

#1799

NATIONAL SECURITY COUNCIL

SECRET

March 17, 1982

File Summit FW
France
(SWHG
11

good mem
where do we go from here?

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU HRN

SUBJECT: U.S. Foreign Economic Policy and Economic Summit Initiatives: Thoughts for Senior White House Group Meeting, Friday, March 19, 10:00 a.m.

Some weeks ago, I drafted a think piece on U.S. foreign economic policy (Tab I). The paper was circulated to the agencies with the Economic Summit strategy and theme papers and has provoked fresh thinking, particularly in Treasury, about how to integrate U.S. domestic economic policy with a more responsive and internationally-attuned foreign economic policy. The crux of the matter is what this Administration is able to do, consistent with its market-oriented domestic policy, to relate or coordinate more effectively with other governments in both industrial and developing countries where governments inevitably play a larger role in the domestic economy. In the Versailles Summit preparations, this issue arises in terms of specific initiatives the United States might take to respond to European concerns about the international economy.

There are two broad aspects to the international economic system: 1) domestic policies which affect the production and consumption of goods and capital that are not traded and account for about three-quarters of all the wealth produced in the world; 2) international trade and monetary policies which affect the production and consumption of goods and capital that are exchanged internationally and account for about one-quarter of the world's wealth. At Ottawa, the United States emphasized sound, long-term domestic policies which form the base of the international economy. The Europeans and Japanese, which have a larger share of their national wealth tied up in the international economy, stressed international policies, particularly the financial role of the dollar as the major currency for international transactions and reserves. From their point of view, high U.S. interest rates cause more and more of their domestic assets to be

SECRET

Review 3/17/88

converted into dollars, depreciating their currencies, increasing the price of imports, particularly oil, and lowering the price of their exports. If imports decline and exports increase in line with these price changes, less real goods are available domestically meaning a lower standard of living (which might be offset over time by new investment from export earnings).

At Versailles, the United States should stick with its emphasis on long-term fundamentals, but Europe and Japan will have considerably greater doubts about our domestic policies. They will continue to press for international actions to restrain interest and exchange rate movements which they see as being most important for trade. If they do not get any response, they will at least threaten to roll back liberal trade and capital market policies developed over the past 25 years (as Mitterrand and Schmidt hinted at their recent Summit). The United States, by contrast, will seek to avoid intervention in financial and exchange markets and emphasize liberal trade policies as a precondition for efficient domestic recovery and growth.

Two questions are central therefore to U.S. Economic Summit preparations:

1. What can we do to enhance European and Japanese confidence in our domestic economic program?

2. What can we do to be responsive to their desire for more direct international action to resolve trade and financial policies?

To begin the process of thinking about these questions, I have listed possible initiatives which might be considered in the context of Summit preparations or more broadly:

Enhance Confidence in U.S. Domestic Policies

-- try to resolve the domestic budget issue, i.e. reduce the deficits, before the Summit

-- propose a special summit study on the "new era of economic growth" culminating in the US-hosted 1983 Economic Summit

-- convene a global conference on economic growth to focus attention on alternative approaches to growth -- what has worked and what hasn't

13

-- send a high-level emissary to Europe and Japan to listen to their concerns and explain our policies.

More Direct International Action

-- try to defuse steel trade issue with the European Community before the Summit

-- seek to ameliorate the trade issue with Japan before the Summit

-- agree to some measure of greater consultation or coordination of policies in exchange markets in return for European agreement on an aggressive agenda for the GATT Ministerial (which is to be in place by May 18). In short, we would accommodate European concerns about the international financial system if they accommodate our concerns about the trading system.

-- propose a major initiative to mobilize youth on both sides of the Atlantic to attack social and economic problems at home and in developing countries

-- consider possibility of small, additional contributions to the multilateral development banks, particularly the World Bank to cover the IDA shortfall

-- develop a package of cooperative actions to remove obstacles to development of alternative energy sources

-- propose a multilateral agricultural initiative for the developing world.

Our willingness and ability to take decisive steps on these economic issues may determine not only the success of the Versailles Summit but also the NATO Summit. At the NATO Summit, we will be seeking a recommitment to the defense and foreign policy objectives of the alliance. Our allies may be more willing to support our objectives in this area if they find us accommodating in economic areas. I am meeting this week with State people to review these types of broad trade-offs between the Versailles and NATO Summits.

cc: J.Rentschler
D.Blair
D.Gregg
N.Bailey
C.Tyson

IS U.S. FOREIGN ECONOMIC POLICY BOLD ENOUGH?

Is there something missing in U.S. foreign economic policy? The principles of this policy are clear enough:

-- emphasis on sound domestic economic policies and greater scope for market forces;

-- maintenance and enhancement of the liberal multilateral trading system;

-- nonintervention in exchange markets;

-- restraint and conditionality in the creation and use of international financial resources;

-- development based on a combination of trade, private investment, and aid directed toward self-sustaining growth;

-- political and strategic limits on economic relations between East and West.

But these principles have been derived largely from domestic economic policy and do not as yet comprise a coherent policy theme that is well suited to the more diverse international system. Nor have they been translated into clear operational policies, (as in the case of tax, expenditure, regulatory and money growth policies on the domestic side), or offer as yet a convincing vision of where the world economy is heading, aside from the general notion that a "rising American tide will lift all boats."

At the forthcoming Economic Summit in Versailles, the United States faces its most difficult challenge in foreign economic policy. Compared to Ottawa (see footnote):

-- the economic circumstances and conflicts (particularly in trade with Japan, EC and Canada) are worse

-- the political situation is strained by Poland

-- the United States no longer has the "bloom" of a new Administration or a new President making his first venture into Summit diplomacy

-- the French government, which symbolizes broad economic differences with the United States and took a back seat at Ottawa, is firmly in control of Versailles.

See attached analysis "From Montebello to Versailles"

In these circumstances, it is essential that we think a bit harder about the themes, goals and policies of our foreign economic policy. We may need in some instances to complement domestic concepts and to undertake a more activist role in maintaining confidence in the international economic system.

1. Central Theme Underlying U.S. Foreign Economic Policy

What is the guiding theme of U.S. foreign economic policy? In domestic policy, it is quite clear -- reduce the size of government and set the proper conditions for private sector economic revival. In foreign policy, to the extent that we have one, it is the same -- the magic of the marketplace and a desire to redirect the role of international governmental institutions, such as the multilateral banks and IMF, to create incentives for private trade, investment and financial flows.

The latter themes are not only fundamental and unalterable for this Administration but timely. They provide a badly needed corrective to past emphasis on public sector actions and institutions (e.g. proposals of the Brandt Commission or the 1200% expansion of World Bank lending from 1968-1980). And they coincide with a new interest in many places including the World Bank, in the role of the private sector. The United States will miss an historic opportunity if it fails to sustain this focus on the private sector (which even in the developing countries, produces more than 50% of the wealth today) and the need to relate more efficiently public sector efforts to private trade, investment and finance.

But even in domestic policy, the Administration's economic policy does not deny an important role for government. The social safety net reflects government's domestic responsibilities for education, health, agricultural and industrial infrastructure (roads, etc.) and maintenance of decent standards of living for the old, handicapped and unemployed. Is there a comparable concept for government's international economic responsibilities, as understood by this Administration? If there is, we should develop and emphasize this concept more, since the international system is diverse, and the role of government is larger in practically all the economies of our allies than in the United States.

Europe and Japan stress the theme of interdependence to highlight government's role in the organization and management of contemporary international economic relations. Collective action, as they see it, reduced external barriers to postwar trade and other economic relations, and now must be extended to coordinate various internal policies. From their perspective, interdependence calls for a deepening of the Bretton Woods system to include coordination of macroeconomic and sectoral (e.g. French fascination with technology policy) policies as well as trade and other border-related measures.

Interdependence is hardly a new theme, and typically it has become fashionable in Europe and Japan about 5 or 6 years after reaching its peak in U.S. policy. But even in Europe and Japan, the rhetoric of interdependence does not match the reality of policy responses which tend to emphasize national independence. Flexible exchange rates and the recent tendency toward significant and sometimes sudden shifts in political and economic perspectives in individual countries (to wit, Britain three years ago, U.S. and France a year ago, etc.) contribute to more maneuverability and independence in national policies. Resulting divergencies in domestic economic policies complicate interdependent relations, to be sure, but they hardly call for collective responses that can not work as long as such large differences in domestic economic philosophy and direction persist.

Developing countries stress the theme of the new international economic order (NIEO). They call for the restructuring of the rules and institutions of postwar economic management, rather than an extension of this system to domestic policies. Indeed, by emphasizing the international system, developing countries often seek to shield or exclude domestic policies from international supervision. In the U.S. view, NIEO distorts the priorities and real problems of development, which are primarily domestic, and substitutes rhetoric for the proven track record of postwar economic arrangements.

While neither interdependence nor NIEO seems appropriate to modern circumstances, some conceptual glue is needed to restrain the divergencies in economic policy and outlook among countries, to increase the awareness of leaders about the effects of their policies on one another, and to maintain and enhance a sense of community and confidence among the industrialized and more broadly developing countries of the world. The United States can more effectively counter or influence the approach of others by offering ideas of its own. In this effort, we can be eclectic rather than purist:

-- Interdependence does accurately describe the modern world economy. We could embrace it as such, without accepting its prescriptive bias toward collective action.

-- The theme of the international economic system (the original postwar theme, as in the Bretton Woods system) comes closer to U.S. views, as Secretary Regan recently expounded:

"...we view the world economy as a system... And systems have three crucial characteristics... First there can be no event in one part of the system which does not affect the rest of it. The parts are all interconnected and interrelated. Secondly, a true system has self-correcting features built into it. Thirdly, a true system is capable of creating something new... Economic systems have the wonderful capacity to create new wealth where it simply did not exist before."

This theme stresses interrelatedness (one might say interdependence) but does so in terms of effects not responses (i.e. collective action or management). Where responses are concerned, it stresses autonomy and sensitivity (i.e. self-correcting forces), that is independent action that is adapted to a pluralistic world of diverse and diverging economic policies. Finally, the theme stresses an attractive goal -- new wealth not redistribution of existing wealth as in the case of NIEO.

-- Taken by itself, however, the system theme is too mechanistic. Its goals of new wealth may also be too materialistic. The world expects something more from the United States. We should also speak of <u>community</u>. This idea is less precise in economic terms but implies common underlying values and sense of direction. It goes further toward recognizing common human and moral responsibilities at the international level and envisions a more embracing goal of human purpose and fulfillment (stressed by President Reagan at Philadelphia) rather than merely the creation of new wealth. On the other hand, it allows for more pluralism and autonomy than either the dirigist concept of interdependence or the authoritarian concept of a new international economic order.

The themes of system and community imply specific policies, which the United States should encourage to give reality to its rhetoric.

<u>System</u>

-- common analysis and discussion of international economic problems as a means of educating national actors and directing attention to the domestic policies and constraints of other countries (rather than having all of the attention directed at U.S. as at Ottawa)

  -- Is some initiative appropriate here to publicize the growth theme and supply-side economics and to encourage common analysis and discussion of the unemployment problem (e.g. an OECD initiative with its industry and labor committees or an international private sector think tank-type conclave, perhaps embellishing the mock private sector Economic Summit sponsored each year by the German Marshall Fund)?

-- re-emphasis on positive adjustment theme in OECD seeking to better understand impediments to self-correcting features of the international economic system

-- directing more attention to the private sector and market forces through conferences, think-tank sponsored research, and government stimulated voluntarism in the private sector (as in the President's recent New York speech to the U.S. private sector).

<u>Community</u>

-- common action to deal with so-called global problems of poverty, immigration, etc.

  -- Is it possible to complement President's bilateral agricultural initiative at Cancun with a global initiative against world hunger based on private church-sponsored groups with government funds (bilateral, World Bank, etc.) serving as catalyst?

-- exchange programs, especially among youth, to revitalize sense of shared values among Western countries, and to project a better understanding to third world of non-material side of Western life -- freedom, family, faith, etc.

The broad themes of <u>interdependence</u>, <u>system</u> and <u>community</u> require translation into more specific goals and policies for trade, monetary relations, energy and North-South issues.

2. <u>What is the central goal of U.S. trade policy?</u>

U.S. postwar trade policy has pursued the clear, overriding goal of liberalizing multilateral trading relations through reduction of quantifiable barriers at the border, tariffs and quotas. This goal has had such clarity and force that tariffs today are in most most manufacturing goods negligible (weighted average in the OECD countries after implementation of the Tokyo Round will be less than 5%). Compared to the initial postwar period, quotas have also been significantly reduced, although they play a growing role in trade of particular interest to LDCs (textiles, footwear, agriculture, etc.). In the 1970s, the concept of liberalization was extended to nontariff barriers, i.e. non-quantifiable restrictions at the border. The results thusfar are incomplete and mixed.

Has the concept of tariff reductions run its course? Perhaps in manufacturing, some might say, but not in agriculture. Yet is tariff reduction or harmonization of support programs (i.e. coordination of sectoral policies) more appropriate for agriculture?

Is the concept of reduction of nontariff barriers a viable one? Perhaps it is if we limit its definition to non-quantifiable measures at the border (e.g. standards, export tax rebates, etc.). But if we extend its definition to internal domestic policies (fiscal or monetary measures to subsidize depressed industries), does the reduction of nontariff barriers become inconsistent with the tendency toward greater internal autonomy of policy which characterizes the present world economy? How do we expect to eliminate such barriers in countries where government plays a substantial role in manufacturing, banking, etc. without asking for a basic change in the structure of those economies? Is it even consistent to seek to eliminate such policies unless we are ready to coordinate certain internal, macroeconomic and sectoral policies among industrialized and other governments (which we reject as dirigiste)?

These are tough questions to answer but they must be addressed. This Administration's trade policy, from the beginning, has been ambiguous. The Trade Policy Statement released last summer, stressed both open markets and strict reciprocity. Since then the concept of reciprocity has gained ground. According to U.S. officials (WSJ, 1/5/82), this concept "means that the U.S. would penalize countries that don't open their doors to American businesses by limiting those countries' access to the U.S. market." The concept implies the goal of open markets but is ready to impose the opposite. Given this ambivalence, the goal is not entirely convincing. Moreover, it is totally hostage to what the other party does. And it focuses on bilateral trade balances rather than traditional multilateral objectives.

Reciprocity does not define a goal but rather a tactic for implementing goals which remain ambiguous. It is a bargaining tool and a highly useful one since it is appropriate to the more competitive trading world which the U.S. faces today. The United States has to be willing to risk something to gain something. But what are the goals which this bargaining tactic serves? Where do we want to move the multilateral trading system through hard bargaining on the basis of reciprocity? Will opening the Japanese market solve the problems of U.S. or European trade balances? Have we quantified the impact of specific measures to liberalize Japanese markets on U.S. exports? What indeed do we mean by opening markets when we interpret subsidies or trade distorting measures so broadly as to strike at the core of domestic economic policies (if not cultural values) in some countries, particularly those which aré sectorally centralized and feature strong government roles?

In the trade area, we have so far failed to define the limits of what can be managed collectively on an international basis, even while in overall foreign economic policy, we stress that areas such as fiscal and monetary policy coordination are outside the sphere of international management. The failure to define limits, combined with the bargaining tactic of reciprocity, contributes to confusion among our partners as to what we want and to irritation among them over our incessant demands.

We may need to ask ourselves a set of additional questions:

-- What do we seek specifically in terms of opening the Japanese market, modifying the EEC's Common Agriculture Policy or revising Canada's FIRA and NEP? Should we prioritize our concerns in terms of those which are compatible with our own view of the limits of international management and are feasible for other countries to meet without changing the political coalition in power? So far we have refrained from doing this out of fear that the partner country may accommodate our highest priority objectives and consider the matter closed. Again this is a useful bargaining tactic. But have we done the analysis on what we want most and what is most feasible? Unless we do so, stepping up pressure on our major economic partners in present economic circumstances of high unemployment, recession, etc. may only lead to U.S.-retaliation. It is assumed that this is not what we want.

-- What are our multilateral trade objectives and how do our bilateral objectives and bargaining relate to the evolution of the broader trading system? We have just begun to formulate U.S. positions for the GATT Ministerial. Do we have an idea of the trading system we seek in the 1980s beyond merely those issues, such as services and investment-related problems, which are primarily in our interest? Leadership is more difficult but also more necessary in today's pluralist world economy. If the U.S. fails to exercise this leadership, who will?

3. <u>What is the central goal of U.S. international monetary policy?</u>

The emphasis on <u>nonintervention</u> in exchange markets is eminently sound as long as domestic economic policies diverge sharply. But what is our longer-term goal? Is it to reduce divergencies in domestic economic policies? If so, it is appropriate to think in terms of some greater effort to discuss and eventually to move domestic economic policies in less diverging directions. The emphasis on non-intervention and the reluctance to discuss and eventually direct domestic policies in less divergent directions are not consistent. Indeed in economic relations with developing countries, we have stressed the close link between international financial flows and domestic economic policies. Is there a need to think this matter through more carefully in relations with industrailized partners?

-- Should we engage in more cooperative analysis of capital and exchange rate consequences of diverging macroeconomic policies?

-- Should we initiate some new international discussions about the domestic economic consequences of moving back to a less flexible exchange rate system (such as Paul Volcker advocated two years ago).

None of this discussion requires a departure from present non-intervention policy. But it could serve to intensify awareness and help define the limits of domestic economic divergencies under a flexible rate system, facilitating self-correcting domestic adjustments.

4. What are consistent policies for U.S. international energy relations?

At the moment, there is a contradiction in U.S. energy security policies. Among Western countries, we have advocated reliance on free market forces, minimizing governmental intervention to deal with short-term emergencies and long-term alternatives. Toward Eastern countries and particularly the Soviet Union, we have advocated government-imposed restrictions on energy relations (e.g. opposition to Western Europe-Soviet pipeline) and offered U.S. cooperation to develop alternatives to Eastern energy resources. Howe can we deliver on the latter in view of our free market philosophy?

Cooperation with Western Europe in long-term energy alternatives would be consistent with the Administration's market philosophy but it is unlikley to be acceptable to our allies (who do not believe the U.S. can sustain R&D commitments -- to wit SRC-II, etc.) and in any case is not timely to meet Europe's requirements for the mid-to-late-1980s (when Soviet gas deliveries are expected). Europe would welcome nuclear R&D cooperation, primarily to counter political resistance to nuclear power. But oil, gas and coal are the only fuels in the near-term that can substitute for Europe's dependence on Soviet gas.

-- Is it sufficient to mediate on Europe's behalf for more Norwegian and Nigerian gas?

-- Does the U.S. government need to take a more active role to develop a meaningful initiative in the coal sector?

-- Can the U.S. assert more vigorous leadership in IEA, emphasizing strategic petroleum reserves and common analysis and discussion of how such reserves may be used in emergency situations? (The more protection the U.S. can offer for Middle East supplies, the less Europe needs to look to the East. Indeed, the occasion for the Soviet gas deal was the collapse of a similar arrangement with Iran when the Shah fell.)

5. Can the United States faithfully implement its development policy laid out at Cancun?

The President's Cancun program offers the first direct challenge in 15 years to NIEO. It is coherent, consistent and already effective in redirecting expectations in the developing world and international development institutions (e.g. see World Bank President Classen's speech in Tokyo, 1/13/82). But it is threatened by backsliding:

-- backsliding on trade as a more important, long-term tool of development than aid.

    -- U.S. acquiesence to a more restrictive textile agreement (MFA) which threatens very little growth if not actual cutbacks (assuming European cutbacks inspire U.S. industry to seek the same) in negotiation of bilateral agreements this year. (Ironically, U.S. acquiesence derived from compromise on Hill to secure passage of aid bill.)

    -- Potential agreement under Hill pressure to an easier standard than 201 treatment for counteracting surges under the Caribbean Basin Free Trade Arrangement, effectively nullifying impact of FTA on investor expectations.

    -- Inability to take initiatives in forthcoming GATT Ministerial sufficient to coopt LDC interest in Global Negotiations as far as trade issues are concerned.

-- backsliding on need to structure more realistic global dialogue

    -- Continuing pressure in the UN to launch Global negotiations on terms inconsistent with U.S. understandings.

    -- Inability to agree on U.S. sponsored initiative (Global Conference on Growth and Development) consistent with our understandings.

SECRET

23

MEMORANDUM

SYSTEM II: 90124
Add-on

NATIONAL SECURITY COUNCIL

~~SECRET~~

March 18, 1982

File Trade Summit

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU HRN

SUBJECT: Recommended Presidential Phone Call to George Shultz

State has forwarded, per Bud McFarlane's request, talking points for a Presidential phone call to George Shultz asking him to undertake a sensitive pre-Summit mission to Japan and our key economic partners in Western Europe (Tab B).

I have attached a memo from you to Deaver (Tab I) explaining the purpose of the call and a fact sheet (Tab A) of relevant details.

RECOMMENDATION: That you sign the memo to Deaver requesting that the President make the telephone call to George Shultz.

APPROVE ________ DISAPPROVE ________

Attachments

Tab I Memo to Deaver
A Fact sheet for Presidential phone call
B Talking points for Presidential phone call

~~SECRET~~
Review 3/18/88

DECLASSIFIED
NLRR M07-081/1 #50842
BY RW NARA DATE 10/1/10

SECRET

MEMORANDUM SECRET SYSTEM II: 90124

THE WHITE HOUSE

WASHINGTON

SECRET

DECLASSIFIED
NLRR M07-081 #50843
BY GJ NARA DATE 4/23/10

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: WILLIAM P. CLARK

SUBJECT: Recommended Presidential Phone Call

The recommended phone call by the President is necessary to request George Shultz to undertake a special mission on the President's behalf to Europe and Japan. Al Haig has recommended this mission as a means of demonstrating sensitivity to European concerns about U.S. and their own economic situations. The mission could be quite helpful from the standpoint of diminishing European concerns prior to the Versailles Economic Summit.

The pertinent facts are as follows:

-- George Shultz is President of the Bechtel Group and Chairman of the President's Economic Policy Advisory Board. He can be reached in San Francisco at 415-768-7844.

-- Shultz would visit key capitals (Paris, London, Bonn, Tokyo) to make an authoritative assessment of the economic situation in these countries. He would meet with heads of state or government in each capital to solicit their views of the economic situation and report back to you on a strictly confidential basis.

-- He would travel alone, thus avoiding the publicity of a larger private group.

-- He would meet briefly with the President and with key Cabinet officers (Regan, Brock, Haig) before his departure, and he would report back to you in detail on his conversations.

-- He would make the trip on a private basis with no support from the government, other than Al Haig informing the Ambassadors of these countries in Washington of the President's support for his mission and asking their help in obtaining appointments with the heads of government or state.

SECRET

Review 3/18/88

SECRET

25

SECRET

THE WHITE HOUSE

WASHINGTON

SYSTEM II: 90124

SECRET

RECOMMENDED TELEPHONE CALL

TO: George Shultz

DATE:

RECOMMENDED BY: WILLIAM P. CLARK

PURPOSE: To ask George Shultz to undertake a special, secret mission on behalf of the President to Europe and Japan to discuss economic concerns.

BACKGROUND: Secretary Haig has recommended to the President that George Shultz be sent to Europe and Japan as a special emissary to discuss U.S. and international economic problems. The mission is seen as one means of showing sensitivity and concern for the anxieties in Europe about U.S. domestic economic policies and their own economic situation. The mission may be helpful to our objectives at the Versailles Economic Summit.

TOPICS OF DISCUSSION: Request to travel to Europe and Japan

Attachment

Tab A Talking points for the President

Date of Submission: March 18, 1982

Action ______________________________

SECRET

Review 3/18/88
by H.R.Nau

SECRET

DECLASSIFIED
NLRR M07-081 #51804
BY CN NARA DATE 4/23/10

SYSTEM II 90124 26

DECLASSIFIED
NLRR M67-68/ #40846
BY CU NARA DATE 4/23/10

~~SECRET/SENSITIVE~~
SECRET

TALKING POINTS FOR A PRESIDENTIAL TELEPHONE CALL TO GEORGE SHULTZ

• ECONOMIC RELATIONS HAVE BECOME ONE OF THE SORER POINTS IN RELATIONS BETWEEN THE U.S. AND THE MAJOR INDUSTRIAL DEMOCRACIES IN EUROPE AND JAPAN. THE ECONOMIC ISSUES ARE STRONGLY AFFECTING OUR STRATEGIC AND POLITICAL RELATIONS. THIS IS NOT SURPRISING AT A TIME WHEN MOST OF THE MAJOR INDUSTRIAL ECONOMIES ARE DOWN.

• I AM CONFIDENT THAT MY ECONOMIC PROGRAM WILL SHORTLY BEGIN TO SHOW FAVORABLE RESULTS BEYOND THE CONSIDERABLE IMPROVEMENT THAT WE HAVE ALREADY SEEN IN INFLATION.

• HOWEVER, THE EUROPEANS ARE HAVING RECORD RATES OF UNEMPLOYMENT, AND ECONOMIC PROBLEMS HAVE BECOME MAJOR ELEMENTS IN THE POLITICAL INSTABILITY OF SEVERAL EUROPEAN GOVERNMENTS. MARTENS, MITTERRAND AND GENSCHER HAVE SPOKEN TO ME ON THIS.

• THE EUROPEANS BELIEVE THAT OUR HIGH INTEREST RATES ARE A MAJOR CONTRIBUTORY FACTOR IN THEIR RECESSIONS, ALTHOUGH WE THINK THEIR CONCERNS ARE EXAGGERATED. THEY FEEL WE ARE NOT PAYING ENOUGH ATTENTION TO THEIR PROBLEMS OR TAKING THEIR CONCERNS INTO ACCOUNT IN OUR OWN DECISIONS. IN ADDITION TO MACROECONOMIC POLICY, WE ARE HAVING MAJOR TROUBLES IN TRADE AND IN EAST-WEST ECONOMIC RELATIONS, AND THEY ARE ALSO AFFECTING JAPAN.

• I WOULD LIKE TO ASK YOU TO TRAVEL TO THE MAJOR COUNTRIES AND TALK TO PRESIDENT MITTERRAND, PRIME MINISTERS THATCHER AND SUZUKI AND CHANCELLOR SCHMIDT, AS MY PERSONAL REPRESENTATIVE, TO GET THEIR ASSESSMENT OF THE STATUS OF OUR ECONOMIC RELATIONS. YOU WOULD ALSO EXPLAIN MY PROGRAM AND THE PRESSURES WE ARE UNDER. IN THE CASE OF

~~SECRET/SENSITIVE~~ SECRET
RDS-3 3/16/02

JAPAN, YOU SHOULD STRESS HOW CRUCIAL IT IS THAT THE SECOND STRONGEST FREE-WORLD ECONOMY MAKE CLEAR ITS COMMITMENT TO AN OPEN INTERNATIONAL TRADE SYSTEM BY SUBSTANTIALLY IMPROVING ACCESS TO ITS MARKETS.

- IT IS VERY IMPORTANT THAT THE EUROPEANS AND JAPANESE SEE THAT WE ARE WILLING TO LISTEN TO THEIR PROBLEMS. YOU WOULD TELL THEM THAT I HAVE ASKED YOU TO REPORT TO ME YOUR ASSESSMENT AFTER THE TRIP. FOREIGN MINISTER GENSCHER TOLD ME A TRIP BY A HIGH-LEVEL AMERICAN, CLOSE TO ME, WOULD BE VERY PRODUCTIVE.

- I HAVE DISCUSSED THIS TRIP WITH AL HAIG, MAC BALDRIGE, DON REGAN AND BILL BROCK AND THEY AGREE IT WOULD BE MOST USEFUL.

- IF YOU ARE WILLING TO GO, I WOULD HOPE YOU COULD SPEND A DAY IN WASHINGTON BEFOREHAND TALKING TO ME AND THESE CABINET MEMBERS. AFTER THE TRIP WE WOULD THEN LIKE TO MEET WITH YOU AGAIN TO DISCUSS YOUR REPORT, WHICH SHOULD ASSESS THE VALIDITY OF THEIR CONCERNS AND POINT OUT WAYS IN WHICH WE CAN TRY TO ESTABLISH A MORE COOPERATIVE ECONOMIC RELATIONSHIP.

- I HOPE YOU COULD TRAVEL IN THE NEXT WEEK OR SO SINCE UNLESS WE MAKE PROGRESS ON THIS FRONT SOON, THE VERSAILLES ECONOMIC SUMMIT MAY RUN INTO TROUBLE.

- THOUGH YOU WOULD BE MY REPRESENTATIVE, THE TRIP SHOULD BE CONDUCTED AS A PRIVATE ONE WITHOUT PUBLIC ATTENTION. WITH YOUR CONCURRENCE, AL HAIG WOULD INFORM THE AMBASSADORS HERE OF MY SUPPORT AND GET THEM TO SEEK APPOINTMENTS WITH THE HEADS OF GOVERNMENT OR STATE. FROM THEN ON WE WOULD EXPECT THE GOVERNMENTS TO BE IN DIRECT TOUCH WITH YOU.

28

THE WHITE HOUSE
WASHINGTON

Mar 18

Please do a
recommended
telephone call
memo to cover
these talking
points (to Denver)
per JMP

J.

29

72

National Security Council
The White House

Package # 90124

82 [illegible] 11 A11: 04

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	1	JP	
Bud McFarlane	2	M	A
Jacque Hill			
Judge Clark			
John Poindexter			
Staff Secretary	3		
Sit Room			

I–Information A–Action R–Retain D–Dispatch

DISTRIBUTION

CY To VP		Show CC	
CY To Meese		Show CC	
CY To Baker		Show CC	
CY To Deaver		Show CC	

Other

COMMENTS

Mtg on Mar 18 w/President

Bud, I think meeting tomorrow is out of the question. To provide secrecy recommend you give to Pres. tomorrow at Ø93Ø. John

99

National Security Council
The White House

ED

Package # 90124

Bud, 9/15
Have you tasked State for talkers on Pres. calls to Schultz?
J

	HAS SEEN	ACTION
	J	
	M	
	J	
		I

I-Information A-Action R-Retain D-Dispatch

DISTRIBUTION

CY To VP		Show CC	
CY To Meese		Show CC	
CY To Baker		Show CC	
CY To Deaver		Show CC	

Other

COMMENTS

This is old but may be useful. We need debriefs of Haig, Regan, Brock mtg with Pres.

MEMORANDUM

SECRET

SYSTEM II: 90124
Add-on

31

NATIONAL SECURITY COUNCIL

~~SECRET~~

March 17, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU HRN

SUBJECT: Presidential Meeting With George Shultz

State has forwarded, per Bud McFarlane's request, talking points for a Presidential phone call to George Shultz asking him to undertake a sensitive pre-Summit mission to Japan and our key economic partners in Western Europe (Tab I).

George Shultz will be in the White House tomorrow, Thursday, March 18, 1982, for a meeting of the President's Economic Policy Advisory Board. You may want to arrange a direct meeting between him and the President to handle this matter.

RECOMMENDATION: That you arrange a brief meeting between George Shultz and the President on March 18, 1982, to discuss the matter contained in the attached talking points.

APPROVE ________ DISAPPROVE ✓

Bud will discuss a telephone call with President.

Attachment

Tab I Talking Points

~~SECRET~~

Review 3/17/88

SECRET

DECLASSIFIED
NLRR M07-081/1 #50847
BY RW NARA DATE 10/1/10

ES SENSITIVE 8207022

32

90124

DEPARTMENT OF STATE

Washington, D.C. 20520

SECRET

SENSITIVE

82 MAR 16 P6: 06

March 16, 1982

MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: President's Call to George Shultz

Attached, at Mr. McFarlane's request, is a set of talking points prepared by the Department for use by the President for a telephone call to George Shultz to seek his agreement to undertake a sensitive mission to Japan and our key economic partners in Western Europe.

L. Paul Bremer, III
Executive Secretary

Attachment:

As stated.

SECRET

RDS-3 3/16/02

DECLASSIFIED
NLRR M07-081 #50845
BY CJ NARA DATE 4/23/10

MW
33

MEMORANDUM

SYSTEM II: 90124
ADD-ON

NATIONAL SECURITY COUNCIL

SECRET

March 4, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU

SUBJECT: Haig's Memo re Sending a Special Emissary to Europe

Haig's memo, which I understand he has already discussed with you, suggests sending a special emissary to Europe to discuss the critical state of our economic relations with Europe (Tab I). He recommends George Schultz for this purpose.

The idea of a special emissary has merit. The Europeans and especially Schmidt are greatly exercised by U.S. economic policies. These missions are good for handholding and expressing sensitivity to European concerns. But they also have some drawbacks. Several questions should be raised:

1. Assuming Schultz consults only, are we prepared to do anything about requests which Schmidt or others might make for a change in our economic policies?

2. Will the Schultz visit relate to the Buckley mission? Europe associates the pipeline with the need to stimulate employment and deal with the current economic malaise in Europe. Certainly Schmidt will discuss the pipeline with Schultz. Are we creating alternative channels for consultation on this issue?

3. Is there adequate opportunity to deal with substantive issues when the President meets here with Mitterrand and perhaps communicates extensively with Schmidt before the Summit?

If we are serious about accommodating European sensitivity to economic issues, there may be more significant steps that we can take. We should know where we are heading before we consult.

Norman Bailey concurs. NB

SECRET
Review 3/4/88

DECLASSIFIED
NLRR M07-081 #50898
BY CN NARA DATE 4/23/10

Bailey

SYSTEM II
90124

SECRET

SENSITIVE

THE SECRETARY OF STATE
WASHINGTON

82 FEB 24 P 3: 23

February 24, 1982

MEMORANDUM FOR: THE PRESIDENT

From: Alexander M. Haig, Jr.

Subject: U.S.-European Economic Relations

We have had several discussions recently on the critical state of our economic relations with Europe. As you know, there is an urgent need to address European and Japanese views that our actions are seriously aggravating their economic troubles. It is not possible to overemphasize the political danger of letting this situation drift until the June economic summit.

To convey your personal concern, and to begin containing this crisis well in advance of the summit, I recommend that you approve an urgent -- and highly confidential -- mission to key capitals (i.e., Paris, London, Bonn and Tokyo). The purpose of this mission would be to obtain an authoritative assessment of the international economic situation (including trade, monetary and energy-related issues) as well as of the problems which have arisen in our economic relations with these countries. Included in the assessment would be recommendations on how to proceed with this effort in the time remaining before the summit.

Much depends on the choice of the proper emissary. I recommend George Shultz, and ask that you call him with a request quietly to undertake this mission. George is singularly well qualified. He is one of our most knowledgeable private sector Americans. He enjoys a close relationship with Schmidt and made a similar trip for President Nixon. George's talks would be with heads of state or their designated representative. This mission would be strictly confidential, with no disclosure of his trip. He should travel alone, thus avoiding the publicity of a larger private group. His guidance should come directly from you and your Cabinet. Knowledge of the trip -- and any recommendations -- should be kept entirely out of the bureaucracy, limited only to you, Don Regan, Bill Brock and me.

SECRET
RDS-3 2/23/02

DECLASSIFIED
NLRR M07-081 #50419
CN 4/23/18

A Shultz mission would serve to bleed off some of the European concerns over the interest rate problem. It would demonstrate you are willing to listen to their concerns and hopefully would blunt public criticism while our rates are high and our domestic debate volatile. Finally, the mission would provide valuable insights into current allied thinking on this sensitive issue. We can expect our allies to welcome the mission; however, we cannot rule out some resistance by the new government in Paris, given its difference from the Giscard Administration which suggested the last private mission by George Shultz. You may need, therefore, to raise this matter rather firmly with Mitterrand when he visits.

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

File
France Summit

PAGE Ø1 OF Ø2   SECSTATE WASHDC 5115   DTG: 2Ø1935Z MAR 82   PSN: ØØ53Ø3
EOBØ25   ANØ1Ø621   TOR: Ø79/2125Z   CSN: HCE462

DISTRIBUTION: BALY-Ø1 MYER-Ø1 NAU-Ø1 RENT-Ø1 TYSN-Ø1 FILE-Ø1
/ØØ6 A3

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF JP WHLR VP SIT EOB
EOB:

OP IMMED
DE RUEHC #5115 Ø791935
O 2Ø1935Z MAR 82
FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE Ø843

C O N F I D E N T I A L STATE Ø75115

EXDIS
E.O. 12Ø65: GDS 3/2Ø/88 (HORMATS, ROBERT D.)
TAGS: ECON, FR, OVIP (REGAN, DONALD)
SUBJECT: VERSAILLES ECONOMIC SUMMIT: MESSAGE FOR JACQUES ATTALI

1. CONFIDENTIAL - ENTIRE TEXT

2. EMBASSY REQUESTED TO DELIVER FOLLOWING LETTER FROM HORMATS TO JACQUES ATTALI:

BEGIN TEXT:

DEAR JACQUES,

YESTERDAY I HAD A VERY THOROUGH DISCUSSION OF THE SUBSTANCE OF OUR PREPARATION FOR THE VERSAILLES SUMMIT AND SEVERAL SCHEDULING QUESTIONS WITH THE WHITE HOUSE. YOUR VISIT EARLIER THIS MONTH HELPED TO FOCUS ATTENTION ON SOME OF THESE QUESTIONS, FOR WHICH I NOW HAVE QUITE SPECIFIC GUIDANCE.

AS YOU KNOW, WE HAVE FELT FOR SOME TIME THAT THE SCHEDULE FOR THE SUMMIT WAS QUOTE UN PEU TROP CHARGEE UNQUOTE. I LOOK FORWARD TO RECEIVING YOUR REVISED SCHEDULE, AS DISCUSSED AT THE FEBRUARY MEETING OF PERSONAL REPRESENTATIVES. IN ADVANCE, HOWEVER, I WANT TO LET YOU KNOW THAT THE PRESIDENT AND HIS CLOSEST ADVISORS FEEL PARTICULARLY STRONGLY THAT A SIZEABLE BREAK SHOULD BE PROVIDED IN THE OFFICIAL PROCEEDINGS ON SUNDAY AFTERNOON. SPECIFICALLY, WE SUGGEST THAT THE SUNDAY LUNCH AND THE AFTERNOON SESSION (PRIOR TO THE FINAL PRESS CONFERENCE) BE ELIMINATED. IN LIGHT OF YOUR PROPOSAL TO REPLACE THE FORMAL COMMUNIQUE WITH A SHORT GENERAL STATEMENT OR HAVE NO STATEMENT AT ALL, AND OUR DECISION AT THE LAST MEETING TO HAVE ONLY ONE IN DEPTH REPORT, THEY BELIEVE THAT IT WOULD BE EASIER TO PROVIDE THE APPROXIMATELY 3-4 HOUR BREAK WE ARE REQUESTING. THIS PERIOD WILL BE EXTREMELY USEFUL TO PRESIDENT REAGAN, AND I EXPECT TO HIS COLLEAGUES, AS THEY REFLECT ON THE MEETINGS AND PREPARE FOR THE FINAL PRESS CONFERENCE.

THE LOGICAL COROLLARY OF THIS SCHEDULE CHANGE WOULD BE TO INCLUDE FOREIGN MINISTERS IN THE SATURDAY LUNCH. I RAISED THIS AT OUR LAST MEETING WITH, AS I RECALL, CONSIDERABLE SUPPORT. I HAVE NOW DISCUSSED IT FURTHER WITH SECRETARY HAIG AND THE WHITE HOUSE, WITH THE RESULT THAT I HAVE

CONFIDENTIAL

NATIONAL SECURITY COUNCIL MESSAGE CENTER

BEEN ASKED TO REITERATE MY ORIGINAL REQUEST AND NOTE THE IMPORTANCE WE ATTACH TO THIS MATTER.

FINALLY, DURING THE TOUR OF VERSAILLES WHICH YOU SO KINDLY ARRANGED, AMBASSADOR DE COMINES INFORMED ME THAT A RELIGIOUS SERVICE WAS BEING PLANNED IN THE CHAPEL FOR SUNDAY MORNING. HE INDICATED THAT MIKE DEAVER HAD ENDORSED THIS ARRANGEMENT. CHECKING WITH MIKE, WE WOULD LIKE TO CLARIFY OUR PREFERENCES ON THIS QUESTION. MIKE TOLD ME THAT HE HAD NOT ASKED FOR A FORMAL SERVICE ON BEHALF OF PRESIDENT REAGAN BUT WOULD PREFER SOME TIME, PERHAPS AN HOUR, SET ASIDE ON SUNDAY MORNING FOR PRIVATE MEDITATION. OTHERS, OF COURSE, MIGHT PREFER A FORMAL SERVICE.

I VERY MUCH LOOK FORWARD TO SEEING YOU IN PARIS IN APRIL. WE ARE WELL ON THE WAY TOWARD DEVELOPING A NUMBER OF IDEAS FOR THE VERSAILLES SUMMIT. THE VISIT OF PRESIDENT MITTERAND TO WASHINGTON HAS GIVEN OUR PREPARATIONS STILL GREATER ENTHUSIASM AND SEVERAL NEW IDEAS FOR THE SUMMIT. THIS PROMISES TO BE AN HISTORIC MEETING BECAUSE OF THE MAJOR DIFFICULTIES FACING THE WORLD ECONOMY TODAY AND THE OPPORTUNITIES WE HAVE FOR SETTING A FORWARD LOOKING APPROACH TO ADDRESS OUR COMMON GOALS OF HIGHER GROWTH, LOWER INFLATION, AN IMPROVED TRADING SYSTEM WHICH LEADS TO EXPANDING INTERNATIONAL TRADE AND INVESTMENT, STRENGTHENED WESTERN ENERGY COOPERATION AND SECURITY, AND CONSTRUCTIVE RELATIONS WITH DEVELOPING COUNTRIES. AND WE ARE VERY INTERESTED IN THE DISCUSSION OF TECHNOLOGY AS A STIMULUS FOR GROWTH.

WARM REGARDS, BOB

END TEXT. STOESSEL
BT

EXDIS EXDIS EXDIS EXDIS

38

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release | March 24, 1982

File
France
Summit

STATEMENT BY THE PRESIDENT

This year, 1982, marks the twenty-fifth anniversary of the signing of the Treaties of Rome. These documents established the European Community, then the second largest trading entity in the world and an emerging influence in international relations.

In his State of the Union message in 1957, President Eisenhower welcomed the efforts of "our European friends to develop an integrated community." Every Administration since then has supported that goal. We believed then, and believe now, that a united Europe would achieve economic progress, would play a more effective role in world affairs, and would be better able to join the United States in preserving world peace and security. The European Community has more than redeemed our faith in its purposes. We should not underestimate the progress made in the past quarter century. From a gleam in the eyes of Jean Monnet and others, the Community has become an irreversible and dynamic reality.

Let me reaffirm clearly the support of this Administration for European unity. We consider a strong and united Europe not, a rival, but a partner. As we enter the second quarter century of relations between the European Community and the United States, we face economic and political challenges as difficult as those which confronted our predecessors in 1957. However, the relationship between Western Europe and the United States has changed fundamentally. In those days the United States was the dominant partner, and Europe had a more dependent role. Now the economic weight of the two sides is more evenly balanced. The gross domestic product of the European Community is comparable to that of the United States. The United States looks to Europe today for cooperation in a spirit of full partnership commensurate with its economic and political importance.

Both Europe and the United States recognize that partnership involves responsibilities. These responsibilities apply to the economic area in particular where we both have the responsibilty to avoid actions which have an adverse impact on our trading partners and to preserve our free trading system. They also extend to our common security interests, where we have the responsibility to cooperate on support for like-minded countries seeking closer Western ties, and to resist the efforts of those who do not share our values to extend their power and influence. The European Community as well as the United States, will provide responsible leadership in these areas in the years ahead.

I have every confidence that in the coming quarter century, we will build an even more productive relationship between the

CONFIDENTIAL

39

MEMORANDUM

#1864

File France Summit

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

March 24, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON

FROM: HENRY R. NAU/JAMES M. RENTSCHLER/DENNIS C. BLAIR

SUBJECT: Overall Approach to the Versailles/NATO Summits

The preparations for the Versailles and NATO Summits are now underway and proceeding along separate tracks in the bureaucracy. We (along with Chuck Tyson) are coordinating closely to ensure that the developments in these two areas are brought together at this level. We sent you recently a lengthy memo on procedural matters relating to both the Versailles and NATO Summits. This memo treats the substantive interrelationship of the two Summits.

The memos at Tab I lay out a number of questions concerning this interrelationship and ask Secretaries Haig and Regan, along with Secretary Weinberger, to coordinate and produce a joint analysis of these issues. (McFarlane recommended that the Haig memo request coordination with Weinberger.) The memo asks for a paper that might be used for an NSC discussion of our overall strategy toward the Versailles and NATO Summits. The purpose of the paper is to force some hard thinking about what defines success in the case of the two Summits and what flexibility we may have between various foreign policy issues (e.g. defense and economic) and between foreign and domestic policy issues to achieve our objectives. We would envisage addressing the results of this exercise during a Senior White House Group meeting on or about April 2.

RECOMMENDATION: That you sign the memos at Tab I to Haig and Regan.

APPROVE ________ DISAPPROVE ________

Never sent!

Attachments

Tab I Memos to Haig and Regan

~~CONFIDENTIAL~~

Review 3/24/88

CONFIDENTIAL

CONFIDENTIAL

40

#1864

THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL

MEMORANDUM FOR THE HONORABLE ALEXANDER M. HAIG, JR.
The Secretary of State

SUBJECT: Overall Approach to the Versailles/NATO Summits

The Versailles and NATO Summits confront us with a four-fold challenge:

-- to demonstrate a common alliance perception of the threat to the security of the West and common political resolve to deal with this threat;

-- to reaffirm shared Western values especially with the successor generation in Europe;

-- to strengthen Western defense capabilities;

-- to restore economic confidence and growth in the midst of the worst recession in postwar history.

We need to think about the interrelationship of these four aspects of the challenge and structure them in a rational, overall approach to these two Summit meetings:

1. What do we seek to achieve specifically at the NATO Summit (i.e. what would make the NATO Summit a success from our point of view?)

   -- political unity and resolve primarily, including political cooperation toward third areas?

   -- security (defense, arms control, etc.) objectives primarily?

   -- shared value objectives related more broadly to what we are defending?

   -- all of the above and if so with what relative priority?

2. What do we seek to achieve specifically at the Versailles Summit (i.e. what would make this meeting a success from our point of view?)

CONFIDENTIAL
Review 3/23/88

CONFIDENTIAL

-- trade objectives primarily, both multilateral objectives in the Western trading system and restraints in the East-West trading system;

-- domestic policy objectives primarily, either renewed confidence in our policies or some attempt to influence the direction of the policies of our allies;

-- both and/or other goals and if so with what relative priority.

3. How do our objectives at each Summit relate to one another?

-- Do concrete steps in the security and economic policy area take precedence over more psychological objectives in the area of political resolve or shared values?

-- Conversely, do constraints on what we can achieve in concrete security or economic areas lead us to give higher priority to political or shared value objectives?

-- Do our objectives at one Summit take priority over those at the other and require some flexibility in one area to achieve our objectives in the other?

4. How do the objectives we seek at the Versailles and NATO Summits impact on domestic economic and security issues or, conversely, what are the implications of domestic issues (e.g. the budget situation) for formulating and achieving our objectives at the Summits?

-- consequences of budget issue being resolved or not being resolved before the Summits;

-- relationship between our domestic actions on defense expenditures and our objectives with respect to allied defense expenditures;

-- etc.

The President needs a joint analysis and approach to these issues. The emphasis should be on clear policy goals and concrete initiatives. Please coordinate with Don Regan and Cap Weinberger in producing an appropriate paper by April 1 for consideration by the National Security Council.

William P. Clark

cc: Cap Weinberger

CONFIDENTIAL

43

#1864

THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL

DECLASSIFIED
NLRR M07-081 #50853
BY CN NARA DATE 4/23/10

MEMORANDUM FOR THE HONORABLE DONALD T. REGAN
The Secretary of the Treasury

SUBJECT: Overall Approach to the Versailles/NATO Summits

The Versailles and NATO Summits confront us with a four-fold challenge:

-- to demonstrate a common alliance perception of the threat to the security of the West and common political resolve to deal with this threat;

-- to reaffirm shared Western values especially with the successor generation in Europe;

-- to strengthen Western defense capabilities;

-- to restore economic confidence and growth in the midst of the worst recession in postwar history.

We need to think about the interrelationship of these four aspects of the challenge and structure them in a rational, overall approach to these two Summit meetings:

1. What do we seek to achieve specifically at the NATO Summit (i.e. what would make the NATO Summit a success from our point of view?)

    -- political unity and resolve primarily, including political cooperation toward third areas?

    -- security (defense, arms control, etc.) objectives primarily?

    -- shared value objectives related more broadly to what we are defending?

    -- all of the above and if so with what relative priority?

2. What do we seek to achieve specifically at the Versailles Summit (i.e. what would make this meeting a success from our point of view?)

CONFIDENTIAL
Review 3/23/88

CONFIDENTIAL

-- trade objectives primarily, both multilateral objectives in the Western trading system and restraints in the East-West trading system;

-- domestic policy objectives primarily, either renewed confidence in our policies or some attempt to influence the direction of the policies of our allies;

-- both and/or other goals and if so with what relative priority.

3. How do our objectives at each Summit relate to one another?

-- Do concrete steps in the security and economic policy area take precedence over more psychological objectives in the area of political resolve or shared values?

-- Conversely, do constraints on what we can achieve in concrete security or economic areas lead us to give higher priority to political or shared value objectives?

-- Do our objectives at one Summit take priority over those at the other and require some flexibility in one area to achieve our objectives in the other?

4. How do the objectives we seek at the Versailles and NATO Summits impact on domestic economic and security issues or, conversely, what are the implications of domestic issues (e.g. the budget situation) for formulating and achieving our objectives at the Summits?

-- consequences of budget issue being resolved or not being resolved before the Summits;

-- relationship between our domestic actions on defense expenditures and our objectives with respect to allied defense expenditures;

-- etc.

45

The President needs a joint analysis and approach to these issues. The emphasis should be on clear policy goals and concrete initiatives. Please coordinate with Al Haig in producing an appropriate paper by April 1 for consideration by the National Security Council.

William P. Clark

cc: Cap Weinberger

46

File
France
Summit

ASSISTANT SECRETARY OF STATE
WASHINGTON

March 25, 1982

MEMORANDUM FOR: HENRY NAU
SENIOR STAFF MEMBER
NATIONAL SECURITY COUNCIL

FROM: EB - Robert D. Hormats RH

SUBJECT: Pre-Versailles Conference of Academicians

As you will recall, we discussed briefly the plans being made by a French institution for a pre-Versailles conference of academicians. We have to decide now (a) whether to suggest any names to the French, and (b) if so, whom? My suggestion is that you talk to a couple of people in the White House and get their views on this, and one or two names of persons who would have credibility with the Administration. We could then discuss this early next week.