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Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT

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Withdrawer

DLB 3/22/2010

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CO054-02 (GERMANY, WEST) (018570)

FOIA

S10-306

Roy Number 75 **SYSTEMATIC**

BOX N	umber 75					406	
ID	Doc Type	Docur	nent Description		No of Pages	Doc Date	Restrictions
88186	FORM	TRAN	SMITTAL FORM		1	5/12/1981	B1
88187	PAPER		EFENSE INFORMA ING WITH CHANC		1	ND	B1
88188	МЕМО		BREMER TO CRAI		1	5/18/1981	B1
		R	10/28/2022	DEPT. OF STAT	E WAI	VER	
88189	MEMO	DUPL	ICATE OF #88188		1	ND	B1
		R	10/28/2022	DEPT. OF STAT	E WAI	VER	
88190	PAPER	DUPL	ICATE OF #88187		1	5/13/2010	B1
88191	PAPER	RE: FI	RENCH ELECTIONS	S	1	ND	B1
		R	10/28/2022	NSC/DEPT. OF	STATE	WAIVER	5
88192	PAPER	RE: O	TTAWA SUMMIT		1	ND	B1
		R	10/28/2022	NSC/DEPT. OF	STATE	WAIVER	25

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

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Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT Withdrawer (WHORM): SUBJECT FILE DLB 3/22/2010 File Folder CO054-02 (GERMANY, WEST) (018570) **FOIA** S10-306 SYSTEMATIC 75 **Box Number** 406 ID Doc **Document Description Doc Date Restrictions** No of **Type Pages** ND 88193 PAPER **RE: SUB-THEMES B**1 NSC/DEPT. OF STATE WAIVERS 10/28/2022 BEN RUSCHE TO CRAIG FULLER, RE: ND B₁ 88194 MEMO 1 PREPARATION FOR VISIT OF CHANCELLOR SCHMITT 88195 MEMO WILLIAM SCHNEIDER TO CRAIG 5/12/1981 B1 FULLER, RE: SCHMIDT VISIT **PREPARATION** 10/28/2022 R NSC/DEPT. OF STATE WAIVERS 88196 MEMO THOMAS CORMACK TO CRIAG FULLER, 1 5/13/1981 B1 RE: PRINCIPAL OBJECTIVES, ISSUES AND COMMENTARY FOR THE SCHMIDT

88197 PAPER PRINCIPAL OBJECTIVES 1 ND **B**1 NSC/DEPT. OF STATE WAIVERS R 10/28/2022

ISSUES AND COMMENTARY ND B₁ 88198 PAPER

THE FRG POLITICAL SITUATION

10/28/2022 DEPT. OF STATE WAIVER R

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ID	Doc Type	Document Description		No of Pages	Doc Date	Restrictions
88200	BRIEFING PAPER	INNER-GERMAN RELATION	S	1	4/30/1981	B1
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88201	BRIEFING PAPER	US FORCES IN GERMANY	SHO	2	5/5/1981	B1
88202	BRIEFING PAPER	US-FRG ENERGY, NUCLEAR COOPERATION AND NON- PROLIFERATION ISSUES		1	5/15/1981	B1
88203	BRIEFING PAPER	EAST-WEST ECONOMIC REL	ATIONS	1	5/14/1981	B1
88204	BRIEFING PAPER	COCOM		1	5/14/1981	B1
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88207	BRIEFING PAPER	OTTA	WA AND CANCUN	SUMMITS	2	5/12/1981	B1
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88208	BRIEFING PAPER	MIDD	LE EAST/SOUTHW		1	5/14/1981	B1
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88209	BRIEFING PAPER	AFGH	IANISTAN		1	5/14/1981	B1
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88210	BRIEFING PAPER	HORN	N OF AFRICA		1	5/8/1981	B1
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88211	BRIEFING PAPER	SOUT	THERN AFRICA		1	5/13/1981	B1
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88212	BREIFING PAPER		TRAL AMERICA AN BBEAN	ID THE	1	5/13/1981	B1
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88213	BRIEFING PAPER	US-PI	RC RELATIONS		1	ND	B1
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THE WHITE HOUSE

WASHINGTON



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00054-02

CABINET ADMINISTRATION STAFFING MEMORANDUM 50003

DATE: May 19, 1981	NUMBER: 018570CA	DUE BY:
SUBJECT: Chancellor	Schmidt Visit Preparation	

. A	CTION	FYI		ACTION	FYI
ALL CABINET MEMBERS			Baker		
Vice President			Deaver		
State Treasury			Allen	1	্ৰ ত
Defense Attorney General			Anderson		
Interior Agriculture			Garrick		
Commerce Labor			Darman (For WH Staffing)		
HHS HUD			Gray		
Transportation Energy			Beal		
Education Counsellor			-		
OMB CIA					
UN USTR					
				-	
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Remarks:

Attached is the briefing book for the working lunch with the President on the Visit by Chancellor Schmidt.

The lunch will begin at 11:30 a.m. tomorrow (Wed., 5/20/81) in the Cabinet Room.

RETURN TO:

Craig L. Fuller

Deputy Assistant to the President

Director,

Office of Cabinet Administration

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CULTURE

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON DC 20301



May 12, 1981

MEMORANDUM FOR Mr. Craig L. Fuller
Beputy Assistant to the President and
Director of Cabinet Administration

SUBJECT: Preparation for Schmidt Visit

Attached are our views on the material you provided pertinent to Schmidt's visit. Because of the absence of the Secretary and two other principals, we would like to reserve the right to comment further when they return from their trips abroad.

J. A. Rixse The Special Assistant

Attachment

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5/12/1981

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88187 PAPER 1 ND B1

RE: DEFENSE INFORMATION FOR MEETING WITH CHANCELLOR SCHMIDT

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SUBJECT: PREPARATION FOR SCHMIDT VISIT

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DEPARTMENT OF STATE Washington, D.C. 20520

May 18, 1981

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BY of MARABATE 10/28/20 22

MEMORANDUM FOR MR. CRAIG L. FULLER OFFICE OF CABINET ADMINISTRATION

Subject: Schmidt Visit Preparation

The Department of State has no objections to the suggestions of other agencies for changes in the "Principal Objectives" and "Issues and Commentary" papers developed for the visit of FRG Chancellor Schmidt with the following two exceptions:

- 1. With reference to the memorandum dated May 12 prepared by the Department of Defense, we believe that, if the Secretary of Defense is to raise the issue of NATO infrastructure funding, it should be in the positive sense of welcoming the progress made on this issue at the meeting of the Defense Planning Committee in Brussels last week.
- 2. With reference to the telephone comments of Ambassador Kirkpatrick dated May 12, although agreeing with the thrust of the comment that we should seek greater FRG support for our policies in El Salvador, we believe that our arguments, in seeking that support, should be based on the merits of our case (that the best chance for a peaceful resolution of the situation in El Salvador is movement towards elections) and not on a weighing of the relative security importance of the Western hemisphere versus Western Europe.

L. Paul Bremer III

Executive Secretary

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ECEIVED WASHFAX RECEIPT DEPARTMENT OF STATE AY 18 P8: 13 URGENT du 5/19 10 S/S # CONFIDENTIAL 1 001377 MESSAGE NO._ CLASSIFICATION No. Pages _ 7224 22540 L.P. Bremer, S/S FROM: _ (Officer name) (Office symbol) (Extension) (Room number) memo re Schmidt Visit Preparation MESSAGE DESCRIPTION _ DELIVER TO: TO: (Agency) Extension Room No. Craig Fuller NSC INFORMATION X PER REQUEST COMMENT CLEARANCE FOR: REMARKS: S ∞ 0 Ш S/S Officer: John of Kelly by 0

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Wart ingran, D.C. 20120

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MEMORANDUM FOR MR. CRAIG L. FULLER OFFICE OF CABINET ADMINISTRATION

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L. Paul Bremer III

LEXECUTIVE Secretary

CONFIDENTIAL RDS-1 5/18/11



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

May 13, 1981

MEMORANDUM FOR CRAIG L. FULLER
DEPUTY ASSISTANT TO THE PRESIDENT

Subject: Schmidt Visit: Objectives and Themes

We would suggest adding the following material:

Principal Objectives

6. To reassure the FRG that the U.S. is not retreating from its global responsibilities, and seek FRG support for U.S. emphasis on trade, investment, and private sector involvement in development (rather than official development assistance) and for U.S. de-emphasis on global "North/South" dialogue except those discussions occurring within expert international organizations.

Principal Themes (Add after second sentence in 5)

However, our Bonn Embassy reports that Schmidt privately does not believe that large "North/South" conferences are useful to advance global relations and has voiced skepticism as to the utility of the N/S Summit in Cancun and opposition to the proposed World Bank energy affiliate.

Also, we would suggest a revision of:

- -- Principal Theme 4, to stress the point that successful implementation of "tight" money policy in the U.S. will exert downward pressure on interest rates, the opposite of the result anticipated by our friends abroad; and that economic expansion resulting from implementation of the President's program will bolster world trade and economic activity; and
- -- Sub-Theme 2, protectionism, which should be generalized -it is not just an auto problem -- and expanded to
 include the point that we are concerned about protectionism in Europe and need to act together to avoid
 widespread protectionist moves.

Marc E. Leland Assistant Secretary International Affairs

REC'D. CA MAY 1 3 1981

Implementation of "tight" somey policy in the U.S.

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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON DC 20301

May 12, 1981

MEMORANDUM FOR Mr. Craig L. Fuller
Deputy Assistant to the President and
Director of Cabinet Administration

SUBJECT: Preparation for Schmidt Visit

Attached are our views on the material you provided pertinent to Schmidt's visit. Because of the absence of the Secretary and two other principals, we would like to reserve the right to comment further when they return from their trips abroad.

J. A. Rixse The Special Assistant

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88190 PAPER

1 5/13/2010

DUPLICATE OF #88187

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MEMORANDUM FOR Craig Fuller

Deputy Assistant to the President

Director, Office of Cabinet Administration

FROM:

Joseph Wright

Enclosed are our comments on the attached draft of "Principal Objectives" and "Issues and Commentary." Included also is a suggested addition to the subject memorandum on the French Election and an updated version of the Sub-Theme on Protectionism.



1107 KSLED

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Autor Noclotate Waivers

10/24/2022



PRINCIPAL OBJECTIVES

Issue: French Elections

The outcome of French elections will have significant political and economic effects on Europe and its relations with the United States.

Recommendation

That the President discuss with Schmidt how the election of Mitterand as President of France will affect German-French relations and the policies of the European Community.

CONFIDENTIAL

Classified by NSC (RVAllen) Review: 4/28/2011

CONFIDENTIAL

ABC/State Waivers

10/28/2022

ISSUES AND COMMENTARY

A. Principal Themes

Issue: Ottawa Summit

Schmidt can influence the preparations for the Summit and the outcome of the effort to use the Summit to establish a framework for progress on trade issues in the 1980's.

Recommendation

That the President emphasize our interest in a commitment at the Summit to resolve major trade issues, e.g., export credits and renewal of the Multifiber Agreement; that he seek Schmidt's endorsement for strenthening international cooperation in support of an open trading system.

CONFIDENTIAL

Classified by State (L. Eagleburger) Review: 4/28/2011

CONFIDENTIAL

NSC/State Warvers 10/28/2022

ISSUES AND COMMENTARY

- B. Sub-Themes (update)
- 2. Protectionism. The Germans are concerned that our posture on Japanese auto exports and the effects of the Trigger Price Mechanism on European steel exports will precipitate a round of international protectionist actions. The President should reaffirm our dedication to free and fair trade principles.



B.4. The Siberian-West European Pipeline

- o We have urged the West Europeans to enhance their capability to cope with possible gas cutoffs from all sources.
- o The Europeans have generally responded favorably by acknowledging the need for a safety net of technical procedures to reduce the threat of vulnerability. In particular, the Germans are developing a strategic storage capacity and flexibility in alternative supplies.
- o The overall U. S. position on the pipeline is being reviewed. We are taking into account the economic interest of the West Europeans in this project as well as their increasing vulnerability.





Allied Trade Policy Vis-a-Vis Soviet Union

Discussion:

Among the topics that deserve attention during Chancellor Schmidt's visit is allied trade policy toward the Soviet Union. A policy review on strategic controls as well as on oil and gas equipment sales to the USSR is currently underway within the Administration. We are mindful that the establishment of a policy framework for the conduct of trade with the Soviets requires close consultation and agreement among the allies.

Recommendation:

The President should note his desire to use the opportunity of the upcoming summit to reach agreement on a framework for coordinating allied policies on trade with the Soviet Union. The President should emphasize his belief that not only should the controls be administered consistently among the allies in order to be effective and safeguard Western security.





THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, D.C. 20410

May 15, 1981

MEMORANDUM TO: Craig L. Fuller

Deputy Assistant to the President

Director, Office of Cabinet Administration

Subject : Schmidt Visit Preparation

In response to your memorandum dated May 12, 1981 requesting information on Chancellor Schmidt's visit with President Reagan, this is to inform you that HUD is still working with the Federal Republic of Germany on an informal bi-lateral basis as a follow-up to a 1966 US-FRG Cooperative Program in Natural Resources, initiated by the Secretary of State. HUD's benefits are information on solar energy, urban planning for climate control, housing subsidies, etc. Also, I have been invited by the Federal Republic of Germany's Minister of Housing to visit in the fall.

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BEN RUSCHE TO CRAIG FULLER, RE: PREPARATION FOR VISIT OF CHANCELLOR SCHMITT

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... Schmidt Visit Breparation

MAY 1 1 1981 File Opened - > Action Requested by 5-12

13 may 81 mag to RVA: Consider disc of relations of France

from perspective of US + FRG, in view of

EWT to advise CLF: OK

Close



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

CONFIDENTIAL - entire text

MAY 12 1981



MEMORANDUM TO: CRAIG FULLER

FROM:

William Schneider, Jr.

SUBJECT:

Schmidt Visit Preparation

We believe the draft "Principal Objectives" paper circulated on May 11, includes most important issues. However, we remain interested in proposed U.S. positions on several issues, in particular.

- North/South Relations. The President should express to Schmidt the U.S. skepticism about the chances for meaningful progress through formal north/south negotiations.
- <u>Protectionism</u>. The recent Japanese decision to limit auto exports to the U.S. should be cast as a one-time-only measure.
- Poland. The President should underscore the current U.S. position against additional U.S. aid to Poland. New aid will have to come from the Europeans.

Depending on German decisions in the next few days it may be necessary to add the issue of German aid to Turkey. At last week's pledging session, the Germans announced a tentative decision to reduce their contribution to DM 460 million from last year's DM 560 million. Because of exchange rate changes, even last year's level would represent a reduced share.

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88196 MEMO

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THOMAS COMACK TO CRIAG FULLER, RE: PRINCIPAL OBJECTIVES, ISSUES AND COMMENTARY FOR THE SCHMIDT VISIT

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Tuesday, May 12, 1981 - 4:45 p.m.

Amb. Jeane Kirkpatrick called with the following comments on #018570CA - Schmidt Visit Preparation:

Amb. Kirkpatrick feels that there should be another item under "Principal Themes" or if not Principal Themes, at least under "Sub-Themes."

We need and desire and request a more supportive attitude from the FRG on our Central American policy and problems especially with regard to El Salvador.

Comment: Chancellor Schmidt's own Social Democratic Party has been very active on the international scene in opposition to U.S. policy in El Salvador. We would wish that Chancellor Schmidt and his government and his party could offer us more active support.

We should emphasize that our ability to commit large resources to European defense depends on maintaining security and not confronting major defense problems in our own hemisphere.

THE WHITE HOUSE

WASHINGTON



ATTACHMENT

COB, Tuesday,

CABINET ADMINISTRATION STAFFING MEMORANDUM

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Remarks: The President will meet with Chancellor Schmidt on Thursday, May 21 Attached is a draft of "Principal Objectives" and "Issues and Commentary" developed for the visit. Would you please provide us with your views on the attached material as well as any additional information which should be included in preparation for the visit. Please provide by COB, Tuesday, May 11. Detailed background material, if it is necessary, may be provided by noon, Wednesday, May 13.

RETURN TO:

Craig L. Fuller

Deputy Assistant to the President

Director,

Office of Cabinet Administration

456-2823

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ATTACHMENT

THE WHITE HOUSE WASHINGTON

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ATTACHMENT



CABINET ADMINISTRATION STAFFING MEMORANDUM

DATE: May 11, 1981	NUMBER: 018570CA	COB, Tuesday, DUEBY: May 12, 1981
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SUBJECT: Schmidt Visit Preparation

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May 13.

RETURN TO:

Craig L. Fuller
Deputy Assistant to the President
Director,
Office of Cabinet Administration
456-2823

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PRINCIPAL OBJECTIVES



- 1. To seek common ground with the FRG on a wide range of topics affecting both the bilateral relationship and the Alliance relationship.
- 2. To renew the acquaintance of the President and the Chancellor and to establish a close relationship, based on mutual respect and confidence, to serve as the basis for US-FRG relations.
- 3. To improve US-FRG relations through close consultations on a wide range of issues.
- 4. To seek accord with Schmidt on our approach to East-West relations, emphasizing the linkage of overall Soviet behavior with the objective of achieving enhanced Western security based on a strong defense and continued discussions on balanced and verifiable arms reduction agreements.
- 5. To explain to Schmidt that the President's economic policies will give full consideration to the economic interests of our allies and of the world economy; to reach a general understanding on the objectives and procedures of the Ottawa Summit.

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Extended by RVAllen
Review on April 28, 2011
Reason: NSC 1.13(a)

ISSUES AND COMMENTARY

A. Principal Themes

- l. Personal Relations with the Chancellor. US-FRG relations during recent years suffered considerably from Schmidt's perception that his key ally was unpredictable and that President Carter was insensitive to Schmidt's domestic problems. This visit gives the President the opportunity to establish a relationship of respect and confidence with his most important, and probably most difficult, ally.
- 2. Approach toward the Soviet Union. Although there were problems in the immediate post-Afghanistan period, the FRG has been increasingly supportive of a common alliance policy toward the Soviets, especially in the Polish context. They are concerned, however, that the US may ignore Germany's unique geographic and historical position towards the East when developing a strategy towards the Soviet Union.
- 3. Security Cooperation. Germany is the key to enhanced NATO defense efforts. The FRG and the US agree on the need for defense improvements, including TNF modernization. TNF modernization will remain politically palatable in the FRG, however, only if the United States is seen as continuing its commitment to meaningful and verifiable arms control.
- 4. The Economy. Although impressed by the magnitude of the changes sought by the Administration in the US economy, the Germans are concerned that, in the development of US economic policy, the effects on the other major world economies of those policies will not be taken fully into account. At the same time, however, they wish us well and hope that our success will make things easier for them.
- 5. North/South Relations. The West Germans see the positive development of North/South relations as a means for reducing the potential for instability in the developing world, thereby decreasing opportunities for East-West conflict on that terrain. They fear that the United States, in viewing events in the developing world geo-politically, underestimates the indigenous roots of instability.

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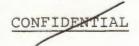
By oh MARADATE 10/28/2022

-7-

6. US Forces in Germany. We are seeking German assistance in improving the readiness and morale of US forces stationed in the Federal Republic and have made progress on programs for FRG support of our forces during war time. The Chancellor has been very negative, however, on peacetime host nation support, fearing the re-institution of the offset program, which he and President Ford agreed to end in 1976. He needs to be convinced that our requests for support are not offset and could be a key German contribution under the "division of labor" concept, for which he takes credit.

B. Sub-Themes

- 1. The Middle East. We must ensure that the EC Middle East initiative is complementary to our own, and that the developing FRG-Saudi Arabian relationship does not work at cross-purposes with our relations with that key country.
- 2. Protectionism. The Germans are concerned that we will adopt protectionist methods to deal with the problems which Japanese imports pose for our automotive sector, thereby forcing the Europeans to do likewise, thus setting off a general movement toward protectionism.
- 3. Poland. The FRG will seek to soften our stance on Polish debt rescheduling and make a bid for increased food and economic assistance to that country.
- 4. The Siberian-West European Pipeline. We continue to be concerned about possible dependence on the Soviet Union, in the crucial energy sector, if the pipeline project goes forward. The FRG believes that the dependency question has been adequately addressed. Schmidt has personally endorsed the project.
- 5. Brezhnev Visit to Bonn. Schmidt will seek the President's blessing for the visit (a date for which has not yet been fixed, but will definitely be after July 23), stressing his belief that it is imperative that high-level contacts with the Soviets be maintained. He will, in this context, stress the desirability of a meeting between the President and Brezhnev.



THE WHITE HOUSE

WASHINGTON



CABINET ADMINISTRATION STAFFING MEMORANDUM

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Remarks:

Attached are the background papers developed for the visit by Chancellor Schmidt. Other briefing book materials will follow.

A working lunch is scheduled for Wednesday, May 20 to brief the President and discuss the materials which are being distributed. Please advise Karen (456-2823) if you will attend the lunch.

RETURN TO:

Craig L. Fuller
Deputy Assistant to the President
Director,
Office of Cabinet Administration
456-2823



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By dr. MATHADATE 18/28/2022

THE FRG POLITICAL SITUATION

The Social Democratic Party is under considerable and growing strain, a result of personal and substantive divisions within the party, a severe economic situation and an inability among the party leadership (the Chancellor, SPD Chairman Brandt and SPD Bundestag Fraktion Chairman Wehner) to pursue a consistent and forceful line. Tensions within the SPD are increasing on such subjects as LRTNF deployment, defense spending, nuclear power and anti-recessionary economic measures. These strains, especially when played out in public by the left-wing idealogues of the SPD, create tensions between the two coalition partners which have been intensified by the unsettled situation following the May 10 Berlin elections.

These tensions have <u>led to</u> a pragmatic alliance between Genscher and the more moderate wing of the SPD headed by Chancellor Schmidt against the SPD's left wing which has become increasingly difficult for Schmidt to control. While the present course of the still relatively small left wing of the SPD will probably continue, there are recent indications that Schmidt is taking a more assertive role. Schmidt and Genscher together can handle this situation and maintain their Coalition unless external events, such as a Soviet invasion of Poland or a major crisis in USFRG relations (e.g., over arms negotiations), intervene. Assuming no such crisis, the Coalition could continue until the next national elections in 1984.

April 30, 1981

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INNER-GERMAN RELATIONS

Though the West Germans recently have seen some indications that the GDR might permit slight progress in inner-German relations, relations between the two Germanies are at a standstill following the sharp deterioration in 1980 under the impact of events in Poland, Schmidt's cancellation of a late-August meeting with Honecker, and the drastic increase October 9 in East Germany's minimum mandatory currency exchange requirement. The latter move, shortly after Schmidt's October 5 electoral victory, both embarrassed the Chancellor and shook a fundamental premise of the Federal Republic's policy toward East Germany: liberal East German policies on travel and contacts in return for West German economic incentives. The possibilities for progress dimmed further when Honecker, in an October 13 speech in Gera, resurrected old and unacceptable demands that the Federal Republic recognize East Germany to be a fully separate, sovereign nation. The GDR's departure from its practice of concentrating on practical, short-term goals instead of fundamental differences indicated that East Germany wanted to restrict German contacts and influence while it dealt with events in Poland and their broader ramifications. The West Germans now believe the GDR might be prepared to move ahead a little following the 10th SED Party Congress (April 11-16) if the situation in Poland permits. The West Germans say they are in no hurry, but believe a rescheduled Schmidt-Honecker meeting might be possible in the autumn if the GDR were willing to discuss the minimum exchange requirement.

The Federal Republic's efforts to develop closer ties with East Germany can be in the Western interest. Schmidt personally is quite cautious on inner-German relations, and assuring him of our support for his deliberate policy will help guarantee continued openness between our governments and avoid surprises by the Federal Republic. By such close consultation we have been able to insure that our position in Berlin has not been impaired by inner-German developments.

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April 30, 1981

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US FORCES IN GERMANY

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1 5/15/1981 B1

US-FRG ENERGY, NUCLEAR COOPERATION AND NON-PROLIFERATION ISSUES

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EAST-WEST ECONOMIC RELATIONS

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COCOM

Authory State Waiver
By Decing Manager 10/28/2022

The FRG is an active participant in COCOM -- the 15 nation body composed of the NATO countries (except Iceland) and Japan which coordinates an international embargo on the sale of strategic items to the Warsaw Pact, PRC and other Communist countries.

The Germans have generally supported U.S. initiatives to strengthen controls in COCOM. This has included support for the U.S. policy of "no exceptions" from the COCOM embargo for the USSR and U.S. attempts to strengthen controls over the transfer of technology. While they have been generally sympathetic to U.S. proposals to strengthen COCOM controls on specified computers and software, they have continued to press for liberalization for general purpose computers.

Along with the other COCOM countries, Germany also did not accept proposals for COCOM consultations regarding major transactions involving the transfer of process-know-how in military relevant industries. They joined in suggesting that the U.S. submit specific proposals to embargo the process-know-how of specific concern. Our first such proposal -- covering part of the metallurgy industry -- was submitted in March and is scheduled for COCOM discussion June 22. Other process know-how proposals will be submitted subsequently. We will be encouraging German awareness over the next few months to the need for tighter controls over the sale of strategic items.

The Germans have been very critical of U.S. delays in processing COCOM exception cases, and have indicated particular displeasure over delays engendered by U.S. reexport licensing requirements. The U.S. is now considering waiving U.S. reexport licensing for exports which are subject to COCOM review to cut down some of this delay time.

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Economic Relations with LDCs (North/South Issues)

Schmidt will probably be most interested in US views on the Ottawa and Cancun Summits (separate paper), but he may also raise other questions on US policies toward developing countries, including global negotiations.

An interagency group is conducting an overall review of US economic relations with developing countries including global negotiations. Specific reviews are being done on future US participation in multilateral development banks and on bilateral aid policy.

Although the reviews are incomplete, several themes are beginning to emerge on US policy toward LDCs:

- -- The importance of strong, non-inflationary growth in the US and other industrial countries to foster economic development in LDCs.
- -- An emphasis on market-oriented policies and private sector involvement in development and therefore the key role of an open world trade and financial system.
- -- A greater emphasis on security and political concerns.
- -- Recognizing there are constraints on expanding aid, greater emphasis on effectiveness of official development assistance, donor cooperation and improved recipient policies.
- -- A focus on food, population and energy sectors.
- -- Less emphasis on abstract debates in general multilateral forums where the LDCs insist on representing themselves as a homogeneous unit.

On May 5, the US proposed in New York that preparations for global negotiations be deferred at least until the fall session of the UNGA, i.e., after the Ottawa and Cancun Summits. We mentioned our review of economic relations with developing countries and also said that heads of state will benefit at the summits from each other's experience and perspectives and will be in a better position to decide later about global negotiations. All other countries were willing to resume preparations immediately as sought by the

UNGA President (von Wechmar, FRG Ambassador to the UN) but the EC and some others stated their understanding and acceptance of the US proposal. The EC also said they believed discussion on global negotiations without the US would be pointless. von Wechmar intends to continue some form of consultations. He wants to come to Washington in mid-June. We hope the UNGA will agree soon thereafter to defer the issue to the fall session. We understand Schmidt expressed skepticism in his recent talk with the Saudis over the potential of global negotiations and large conferences in general.

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POLAND

Solidarity and the State/Party leadership have apparently come to the conclusion that the only way for both to survive is to cooperate in resolving potential causes of conflict before they become problems. Since the Ninth Plenum on March 29 and the abortive general strike scheduled for March 31, the Government has acted guickly to defuse potential causes of tension. Important to a continuation of the calm that has enveloped Poland in the past month will be the continued strong support of the Catholic Church. The burning of a police station May 8 illustrated the fragility of this calm.

Under pressure from the Soviets above and from its own rank-and-file below, the Polish Party gave half a loaf to each in the Tenth Plenum April 30. The tone having been set by a seemingly confident Kania in his opening address, the Plenum struck a delicate balance aimed at satisfying the urges for reform without unduly alarming the Soviets. Secret ballot election of delegates to the Congress was approved, while more outlandish demands from below were rebuffed. As expected, personnel changes were minor and non-provocative vis-a-vis the Soviets. The Soviet reaction to the Plenum has stuck thus far to fairly straight-forward reporting.

The internal economic situation remains poor.

Meat rationing went into effect April 1 and rationing of other staples (flour and butter) will follow later. However, rationing has resulted in public complaints about inept administration and lack of supplies. The agricultural outlook offers little hope for improvement and industrial production is equally dismal.

The conclusion of the multilateral rescheduling agreement in Paris April 27 is a step forward in easing Poland's financial situation in 1981.
Rescheduling negotiations on private bank debt, which

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comprises about 55 percent of the total, are proceeding. However, even after an official and private rescheduling, Poland will need \$2.5-3.5 billion in new credits to maintain import levels and repay uncovered debt service.

The French are calling a meeting June 1-2 to discuss Poland's credit needs. While we have agreed to attend, we have already made clear that the U.S. does not intend to provide any further credits in 1981. The United States is already the largest contributor of export credits to Poland this year (\$500 million in CCC, \$20 million in EXIM and \$71 million in surplus dairy sales). Contributions of the U.K. (\$71 million), FRG (\$310 million) and France (\$554 million) are considerably less despite equal or larger trade and outstanding debt. Our current objective is to try to get the Europeans and the Soviets to accept a proportionate share of the burden of helping Poland.

Poland is encountering problems in trying to utilize U.S. and EC food financing. U.S. banks are refusing to pick up \$113 million in CCC loan guarantees for Poland because the guarantee is limited to 6 percent (vs. the market rate of 17-18 percent). We are now exploring ways to overcome this obstacle. The 15 percent cash downpayment requirement of some EC countries is also limiting Poland's ability to make use of \$600 million in EC concessional food sales. It would be of interest to know whether the EC is taking steps to deal with this problem.

By dr MARADATE 10/26/2022

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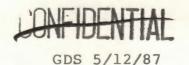
OTTAWA AND CANCUN SUMMITS

The Ottawa Summit, July 19-21, will provide the first opportunity for the present leaders of the US, FRG, UK, France, Japan, Canada and Italy to meet as a group for an exchange of views on major economic and political issues. Our major goals are (1) to reinforce President Reagan's credentials as a strong partner and leader of the industrial democracies and (2) to increase cooperation on shared economic and security challenges before these nations.

Most discussion will focus on economic issues. We will try to develop understanding of the US domestic economic program; achieve general consensus on the need for a coordinated East/West trade policy among the allies; seek understanding of the shifting US approach toward relations with developing countries (with more emphasis on bilateralism and an enhanced role for the private sector); reach general agreement on the approach to the Cancun Summit; reconfirm the commitment among the Allies to improve energy security and the development of alternative fuels, including coal and nuclear power; and renew the commitment to preserve open markets and develop a long-term, forward-looking initiative to liberalize international trade.

In addition, following the precedent set at the 1980 Venice Summit, there will be some informal discussion of major political issues -- particularly East-West. We will try to achieve general consensus on the need to redress the imbalances caused by the Soviet military buildup and bring about more restrained Soviet international conduct and issue a communique which highlights Western resolve to consult and cooperate.

Like the meeting in Ottawa, the Cancun Summit, October 22-23, is to provide an opportunity for a wide-ranging exchange of views. The Brandt Commission had recommended a North-South Summit meeting to give impetus to such global concerns as energy and development aid. Mexican President Lopez-Portillo and Austrian Chancellor Kreisky have been the primary promoters of the Cancun Summit. The FRG is one of the eleven organizing countries. We won



agreement to US conditions for attendance (no Cuba, no formal agenda or communique, and no meeting before the Ottawa Summit), following discussion at the last preparatory session of foreign ministers (attended by Genscher) in Vienna in March.

President Reagan has indicated informally to Prime Ministers Thatcher and Trudeau and others that he is well disposed to attending the Cancun Summit and sees it as an opportunity for low-key discussion of North-South issues. Although a formal invitation has not yet been extended, it is expected soon. The President will probably announce his decision publicly to attend the Cancun Summit during the postponed meeting with Lopez-Portillo.



DEPARTMENT OF STATE

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BY CH-MARADATE 10/28/2022

Middle East/Southwest Asia

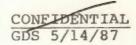
Asia continues to be an area

The Middle East/Southwest Asia continues to be an area of intensified concern for the U.S. and our allies. Security interests in the region include:

- Western access to oil supplies, which are vital to our economies and our position in the world.
- The need to prevent the further spread of Soviet power and influence. In Afghanistan, the Soviets used military force even in the face of serious political consequences. Iran no longer stands as an effective Western-oriented bulwark against Soviet expansionism.
- Stability within and among countries in the region. This includes preserving the security of Israel and continuing the Middle East peace process. While we differ with the EC approach to Middle East peace, we do want to continue high-level discussions with EC leaders in order to gain support for the Camp David agreements, to ensure that European efforts do not undermine our own, and to avoid misunderstanding in the region.
- The U.S. faces the Soviets in Southwest Asia at a distinct geographical disadvantage. But we have important economic, political and military assets in our longstanding friendly relations with key states there.
- The U.S. and our allies have taken measures both to strengthen area states' ability to protect themselves and to enhance our own presence and capabilities in the region. It is important that the western response to the regional challenges be integrated and that southwest Asia be included in an overall strategy.

We hope our allies will agree to carry their shares of the burden of defending our common interests by contributing when possible to presence and deployment forces, providing assistance to the region, cooperating on enroute access, and filling in behind us in NATO and the Pacific.

May 14, 1981



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AFGHANISTAN

The FRG and the United States have consulted regularly on Afghanistan. Schmidt's visit is an opportunity to reiterate our commitment to achieving the objective of Soviet withdrawal and restoration of an independent, neutral and nonaligned Afghanistan. We are gratified by the NATO communique language on Afghanistan which reaffirmed the strong alliance stand in opposition to the Soviet occupation.

We should explore with the FRG ways to keep international pressure on the Soviets as well as to search for ways to take the diplomatic initiative. The UNGA this fall will provide opportunities to do so. Pakistani initiative and leadership is crucial for such an effort and we will need to consult closely with them well before the UNGA. We are developing ideas to maintain pressure, such as a possible international political conference on Afghanistan, a conference on Afghan refugees, or the establishment of a UNGA special committee on Afghanistan. We would appreciate German views.

The US, FRG and the five other parties to the Bonn Anti-Hijacking Declaration are looking for ways to make the Declaration more effective. We are currently considering its application to Afghanistan as a result of that country's role in the March PIA hijacking. A May 26 Experts' Meeting on the subject and mid-June meetings will precede the Ottawa Summit. We need support for efforts to make Afghanistan pay for its open support for international terrorism. One possible form of sanctions the US has suggested would be to suspend Ariana's landing rights in Europe, including Frankfurt.

The FRG was generally supportive of economic sanctions we imposed on the USSR following the invasion. However, there has been an obvious erosion of sanctions over the past year which has raised doubts about Western determination to oppose the continuing occupation of Afghanistan. Our offer of substantial military and economic assistance to Pakistan is in part designed to counter this perception. It will also provide the basis for closer security cooperation with Pakistan as part of a broader strategy for Southwest Asian security which we are currently developing. We hope that our allies, including the FRG, will increase aid to Pakistan, as well as possible additional support for Afghan refugees.

May 14, 1981

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Authority State Waver

BY MINARATE 10/28/2022

DEPARTMENT OF STATE BRIEFING PAPER

The Horn of Africa

The Horn of Africa is of strategic importance to the West because of its proximity to the Persian Gulf's oil, and the oil route through the Red Sea and the Gulf of Aden. We enjoy military access to states of the Horn such as Kenya, Djibouti and Somalia. We would also like to get the Soviets and Cubans out of Ethiopia.

We have already decided to increase our military and economic assistance to Sudan and Kenya and enhance our military access to the latter. We have proposed to the Congress the beginning of military assistance and training for Djibouti, which accommodates naval visits on an ad hoc basis.

Our policy toward Ethiopia and Somalia must take into account the complexities of the region including Somalia's strategic location as well as Kenyan and Ethiopian fears of Somalia irredentism. We expect to discuss some of these problems with President Siad while he is here for a medical checkup this month. On the other side of the coin, a more forthcoming policy toward Ethiopia might only relieve the Soviets of their economic burdens there, without changing Ethiopia's pro-Soviet orientation.

The FRG generally supports our policies in the Horn. The FRG, like Italy and other Western Europeans, tends to believe that Ethiopia can be wooed away from the Soviet embrace through economic assistance and helping to solve the security problems with Somalia and Eritrea which led the Ethiopians to turn to the USSR and the Cubans in 1977 and 1978. However, the FRG may have been somewhat disillusioned by its failure to find any recent flexibility in Ethiopian policy.

May 8, 1981

CONFIDENTIAL GDS 5/8/81

Hote Waiver

By an MARABATE 10/24/2022

SOUTHERN AFRICA

The Germans have closely followed the course of our policy review on southern Africa. The FRG in general and Foreign Minister Genscher in particular see southern Africa as an area of great strategic interest to the West but also as an area of vulnerability. Thus, the Germans tend to look for ways in which we can reduce the number of opportunities the Soviet Union and their Cuban allies have in the region.

This approach has been reflected in German analysis of the situations in Namibia and Angola. Partly because of the presence of 25,000 German speakers among Namibia's whites and partly because of perceived domestic sensitivities, the Germans have played an active role in the Contact Group in the search for an internationally acceptable solution in Namibia. The Germans were especially concerned when it appeared possible that the new administration would adopt a radically different approach to Namibia. They are now, however, reassured on the basis of the April 22-23 London meeting of the Contact Group and the May 3 Rome Ministerial discussion, although they want to retain UNSCR 435 as the keystone of any settlement.

In common with our other European allies, the Germans believe that the Angola water went over the dam five years ago, a position reflected in the presence of a German embassy in Luanda. Thus, they are very wary of consideration of support for Savimbi.

The German view of the first year of independence in Zimbabwe under Robert Mugabe is essentially upbeat. They feel the West should support Mugabe generously to help consolidate a solution which they see as an important Soviet defeat in Africa.

May 13, 1981

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State Waiver

BY of NARADATE 10/28/2072

DEPARTMENT OF STATE

Central America and the Caribbean

We have consulted frequently with the Germans on Central America and the Caribbean. The Foreign Ministry shares our views for the most part and Genscher has made positive statements on El Salvador. Chancellor Schmidt has been silent on Central America and the SPD sought to promote negotiations between the Salvadoran Government and the opposition FDR. (The initiative of SPD emissary Wischnewski fizzled as the Salvadorans rejected international mediation and pointed to elections.) Due to SPD opposition, the FRG has not resumed its economic assistance program or returned an Ambassador to San Salvador. The FRG, however, decided recently to contribute to the ICRC for Salvadoran refugee relief.

We are helping address El Salvador's political, economic and security problems. But, the Cubans must stop supporting the guerrillas and the FMLN/FDR must end its insurgency for El Salvador to return to peace and economic development. The FDR is only succeeding internationally. Elections are the best means to channel all the political views in El Salvador into a peaceful political process. The FRG can help by endorsing the election process and encouraging all Salvadoran groups to participate.

The FRG expressed understanding for U.S. decisions on Nicaraguan assistance while maintaining its own assistance in hopes of moderating Nicaraguan actions. The FRG and other Western donors need to make clear to Nicaragua that they oppose Nicaraguan support for Salvadoran guerrillas, internal Nicaraguan radicalization and militarization.

Cuba continues to export its revolution through violence and subversion, political military tutelage, arms supply and training. Cuban subversion is back to the levels of the early 1960's and affects not only authoritarian governments, but democratic Colombia and Costa Rica.

Although democratic traditions in the Caribbean have for the most part held firm, we must work to prevent Cuba from making inroads. The economic recovery of Jamaica is key to regional stability. The FRG has not yet made a commitment to provide financial assistance. We should urge the FRG to pledge financial assistance for Jamaica at the June Caribbean Group meeting.

May 13, 1981





US-PRC RELATIONS

Through the President's meeting with Ambassador Chai and the Presidential messages carried to Beijing by former President Ford, we have reaffirmed to the Chinese our commitment to the normalization understandings. The Chinese appear to be impressed by the firmness and constancy of this Administration's global policies, and have been reassured by our reiteration of the importance of China to our global strategy.

The Secretary's upcoming trip to Beijing should significantly advance our relations with the Chinese leadership. We expect during talks in Beijing to begin a new and more fruitful strategic dialogue with the Chinese. In advance of the Secretary's trip, we are reviewing all aspects of our China relations, including our military and economic ties. We will consult closely with our allies as we proceed.

We have been encouraged by the responsible attitude of the Chinese leadership during their ongoing economic retrenchment program. American companies have been only minimally and peripherally affected by China's economic readjustment. Our overall trade with China continues to expand at a very quick pace, with exports rising in the last quarter by 53%, making the China mainland our 9th largest export market. 1981 US exports to China may reach almost \$5 billion, with imports at about \$2 billion.

We are also encouraged by China's continuing openness to educational and cultural exchange with the US and other Western countries. We believe that we and our allies have an historic opportunity to help cement China's pragmatic policy direction.

CONFIDENTIAL

USICA SURVEY OF FRG PUBLIC ON SECURITY ISSUES

A March 1981 USICA survey shows that a solid majority of the West German public see NATO as still essential to their national security. However, opinion is evenly divided on whether NATO can prevent an attack on West Europe. If attacked, a majority say the U.S. will defend Germany.

Half say that defense spending should "be kept at the present level." The rest are about evenly divided between decreasing (20%) or increasing (15%) spending.

A plurality (40%) unconditionally oppose cruise missiles in Germany -- about four times those who unconditionally would accept the missiles (9%). The rest would accept missiles only if arms control negotiations with the Soviets "have failed" (27%) or only if there are negotiations "at the same time" (19%). There is widespread opposition to accepting the neutron bomb.

Preferences for arms control talks vs. strengthening FRG military forces are blurred. While a third would push harder for negotiations (35%), others would strengthen military forces (21%) or do both simultaneously (25%).

While about a third are concerned about the Soviet threat, about half have little concern either about a Soviet attack on West Europe or about Soviet political pressure to influence FRG policies. But half see some "danger" that the Soviets will try to cut off access to Middle East oil. Significantly, an oil cutoff (from any source) ranks first as the "greatest threat" to national security.

Other widely seen threats to FRG security are superpower tensions and an invasion of Poland. If the Soviets invade Poland, however, the German public is more likely to favor "soft" responses such as doing nothing or condemning the Soviets without other action than to favor "hard" responses such as suspending trade or arms control talks.

A majority see strong U.S. leadership as desirable, and about half have confidence in America's ability to deal responsibly with world problems.