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TC: MLS, LT, JF, DR, BFP, JG, GP, LH, DXF, DCP, JWM, SJF,
PA, PGH, SYM

FROM: RAK

RE: Background-only ivu with David Gergen

European trip. While in Europe the President will give three, and possibly four, speeches that will be covered live on television in both the U.S. (on the morning network news programs) and in the countries in which the speeches are given. Gergen considers this a communications triumph that will give the President very wide and favorable exposure in Europe and back home. The White House is especially eager to improve Reagan's image among Europeans. "An important part of this trip is public diplomacy in Europe. The people there don't know him well and have a lot of misconceptions about him." In other words, Gergen expects Reagan to have the same charm and appeal on TV to the European public that he had to Americans when he was newly elected.

In advance of the trip, Reagan will do a live TV interview with four well known broadcast journalists from Britain, France, West Germany and Italy--the four countries he will visit. There will also be live coverage (here and abroad) of Reagan's speeches at the Vatican, before the British Parliament and before the German Bundestag. Reagan's trip to West Berlin also may be covered live, but there are no plans for him to make remarks at the Wall. Gergen is

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planning so much live coverage that the anchormen from CBS, NBC and ABC were called to the White House today for a special briefing on the trip.

In his public speeches, Reagan will stress economic unity, the unity of NATO and of Western values, and he will emphasize peace. ``But,`` says Gergen, ``the peace thing is not intended to buy off the demonstrators. It won't be peace at any price [that Reagan will stress]. It will be peace built on a solid basis of strong defense.`` Gergen claims that estimates of the number of peace demonstrators have been declining. The Germans now are anticipating 200,000 protestors in Bonn instead of 500,000.

Gergen says Reagan is spending a great deal of time boning up for the trip. He brandished a thick blue briefing book labeled ``secret`` that he said Reagan read and sent back to the White House from California today. It is one of six books the President is studying.

The budget. Some White House aides questioned whether Reagan should go to California at such a critical time for the budget in the House. (Jim Baker did cancel a trip to Texas where he was to appear at Republican fundraisers.) But Gergen says that Reagan ``knows those guys well enough that he can talk to them on the phone.`` He has called a dozen or so House members, most of them gypsy moths, to lobby for the Michel-Latta budget. ``We're not there yet. We're gaining ground but nobody has the votes for passage.``

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SECRET. GARGEN
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START. Gergen expects Reagan to announce a decision early next week that the U.S. will observe the terms of SALT I and II on an interim basis, as long as the Soviets do, too. Reagan may propose some additional interim restraints but they will be fairly minor.

(END)

TO: MLS, LT, JF, DR, BFP, JG, GP, LH, DXE, DCF, JWM, SJF,
PA, PGE, SXM, JLS

FROM: RAK

RE: David Gergen on the record at Sperling breakfast

Raymond Donovan. By reading between the lines of Gergen's comments it is clear that Donovan's days are numbered, that he has little or no support in the White House. When he was pressed to say whether Donovan will stay if he is exonerated by the special prosecutor, Gergen declined repeatedly to speculate on the labor secretary's future after the investigation is concluded. In other words, being cleared by the special prosecutor will in now way guarantee that Donovan will retain his job. You will recall that the White House said the same thing about Richard Allen in the days before he was shoved over the side. Gergen also ducked questions on whether the President believes Donovan has been an effective labor secretary, irrespective of the allegations about his past business dealings.

But Gergen also said that polls show there is "very little evidence that the Donovan situation is a national political problem" for the President. Hence, the White House is in no hurry to take action against Donovan. Nothing is likely to be done until until the special prosecutor concludes his work, but I will be very surprised if Donovan survives.

William French Smith. Gergen declined the opportunity to

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express support for the attorney general. Instead, he said it is too early to tell whether Smith's tax shelter and other dealings will hurt the President's popularity.

Ed Meese. Gergen damned Meese with faint praise. When asked whether Meese's once-powerful role has changed, Gergen said that, yes, Meese's role has "evolved," but mainly to free him to be strictly a counselor to the President and not a manager of the bureaucracy. "He's very creative in devising domestic policy," said Gergen, citing Meese's "major role" in the President's endorsement earlier this week of an anticrime package put together by Senator Joseph Piden. This is a minor proposal but Meese has spent a great deal of his time on it in recent weeks. The anticrime package is, in fact, a good example of just how far out on the periphery Meese now is in White House decision-making. Another example: When I saw Meese on Wednesday and asked him about the decision Reagan is about to make on interim nuclear-arms restraints, he said he didn't think any Presidential decision was pending. Meese, who generally opposes observing the terms of SALT, was not even aware that Reagan is about to announce a decision to do just that.

The elections. Gergen suggested that Reagan will not campaign on the road as much as he earlier had planned. There are more effective ways, said Gergen, for the President to help Republican congressional candidates--namely, by staying in the White House and working to bring

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down interest rates. Gergen noted that some former Presidents campaigned extensively during mid-term elections and it didn't always "help the candidates or the President...I don't see him going out on the road steadily barnstorming for candidates."

There are a number of implications to this decision:

- 1) Reagan is not the asset to Republicans that he once was;
- 2) the White House is not expecting a robust economic recovery this summer--at least not one strong enough to make the President a popular drawing card;
- 3) the White House does not want to tie Reagan too strongly to the fortunes of Republican congressional candidates, thus minimizing the damage to the President if Republicans suffer big losses.

Reagan still will do some campaign travel, but his schedule will be curtailed if Gergen has any say in the matter.

The polls. Gergen seemed to express genuine relief that the slide in Reagan's popularity has "levelled out somewhere in the mid- to high-40s." Reagan's personal popularity still is seen as a major bright spot but "he's obviously being pulled down by the forces of recession."

European trip. Reagan hopes to go abroad with a new budget and the arms-control proposal under his belt. He will announce before leaving for Europe the U.S. proposal for interim arms restraints while the START talks are in progress. The White House hopes that passage of a budget resolution will help mute Allied complaints that high interest rates here are wrecking the economies of Western

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Europe. "We don't feel our interest rates, in and of themselves, are the single problem of Western economies," said Gergen.

The administration also is relieved that the anti-nuclear protests in Europe are not growing out of control. "We think we're making a good deal of headway" in warding off the proposal for a nuclear freeze. Reagan has "blunted" the freeze movement with his call for deep reductions in nuclear arsenals.

Watergate. A former member of the Nixon White House staff, Gergen was asked to discuss the impact of Watergate 10 years later. He said the scandal and the Vietnam War "caused a great deal of cynicism" among the Washington press corps that made it very difficult for Presidents to communicate through reporters. "That [cynicism], I think, has dissipated somewhat over the last five years...I think that cloud has largely lifted...and made government more sensitive to the need for honesty in dealing with the press."

Watergate also caused Congress "to be much more assertive....I'm not sure that pendulum has started to swing back yet."

(END)

STORY:WEU2
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;05/27,16:41

To: mls lt jf dr bfp jg gp dcb lh jwm dxb rak pa pgh sxm

From: sjf

The following comes from a background briefing by top administration officials on the upcoming NATO and economic summits:

__According to Lawrence Eagleburger, these meetings mark a crucial turning point--or ``watershed``--in the relations between the Reagan administration and U.S. allies.

That's because Reagan, having established a confrontational tone in U.S.-Soviet relations, is taking a new tact. He's moving toward negotiations on nuclear arms.

``Europe wasn't quite prepared for this administration,`` said Eagleburger. ``Most Europeans viewed detente as a success. We believed a major transition was needed the way the West dealt with the East. This made our first year a rocky year.

`` Now our first year is now completed. Having established our resolve, it's possible for the United States to engage the Soviets in arms negotiations. Thus by now the Europeans should be adjusted to our new approach, while being relieved that we are not seeking open confrontation with the Soviets. In this sense it is a watershed.``

NATO Meeting

__President Reagan may address the question of SALT I and II before he departs for Europe, according to Richard Burt.

STORY: WHU2

PAGE:

subject. While the administration still views SALT II as a flawed treaty, says Burt, Reagan will not undercut the provisions of SALT II as long as the Soviets do the same.

The United States expects the NATO allies at the Bonn meeting to reaffirm their support for deploying Pershing II and cruise missiles. Burt says they will do this because they realize that ``our success in INF talks will depend upon continued deployment.'' He added that he expects no talk of revoking the right of first use of nuclear weapons.

On the subject of defense spending, Burt said the United States will not put pressure on its allies to spend more. While the United States has outspent its allies in the last two years, he said, the Europeans ``have probably done better than us in maintaining their defenses'' over the past decade.

Both Burt and Eagleburger pointed to the entrance of Spain into NATO as ``a demonstration that this is still a growing alliance.''

Economic Summit

Eagleburger emphasized that the United States intends to attack protectionism at the summit. ``We need to arrest the protectionist trends that we all see,'' he said.

Robert Hormats added that the western nation are at a ``crossroads'' on trade issues.

U.S. officials were reluctant to comment on the trade package announced on Thursday by the Japanese. Hormats said he thought the package contained ``some promising

elements," even though it does not go far enough toward opening Japanese markets to U.S. agricultural goods.

"It does not go as far as we want on agricultural commodities," said Hormats. "We feel strongly that the Japanese should liberalize agriculture." (An additional statement by Brock Adams on this topic is attached).

Henry Nau noted that the Versailles meeting will set the stage for a GATT ministerial meeting in November--the first such meeting since 1973.

Hormats said the United States will be seeking some limitation of credit and credit subsidies to the Soviet Union and Soviet bloc nations. But he declined to predict the outcome. He said he will know more after James Buckley meets again with the French on Thursday. Eagleburger acknowledged that the Europeans will be "reluctant" to limit credits to the Soviets.

Beryl Sprinkle acknowledged that there will be plenty of discussion about the U.S. budget deficit. "We share their concerns about our own large deficit," said Sprinkle, "even though our deficit is much smaller in relation to GNP than many of theirs." He quickly noted that the signs of economic recovery are "at hand."

Sprinkle said that a major new initiative of the summit will be to establish a "multilateral consultation and surveillance" mechanism related to the International Monetary Fund that will "focus on the policy of each country and whether they are working toward the goals we

all share--lower inflation and higher growth."

He said this would lead to more stable exchange rates and lower interest rates.

Hormats said the U.S. is philosophically opposed to Mitterand's proposal for a cooperative effort to develop technological industries. But he says it is good to have such a "forward looking" proposal on the agenda.

He also identified two items that will get less attention at this summit--energy and north-south issues.

(END)

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
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WASHINGTON
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FOR IMMEDIATE RELEASE
May 27, 1982

82/07
Contact: David Demarest
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STATEMENT BY AMBASSADOR BROCK ON TRADE PACKAGE
ANNOUNCED BY THE JAPANESE

The announcement of trade liberalization steps made by the Japanese Government today is the result of an exceptional effort and demonstration of political will. I recognize and applaud the Japanese Government for its determination to resolve this growing threat to our mutual bond of friendship.

Many of our fundamental concerns appear to be addressed in the Japanese announcement. These include both tariffs and many non-tariff barriers such as quotas, and some customs and standards practices, as well as access to capital markets, and agriculture. A great deal of analysis will now have to be done on the specific proposal in each of these areas to adequately evaluate its potential for U.S. business opportunities. These measures do not, of course, address all of our difficulties. They do appear to present new opportunities which should be pursued vigorously by American business.

In order to expedite the implementation of the announced measures the United States Government is prepared to work with the Japanese Government to resolve any problems that might arise before they become intractable, and to monitor the overall progress of increasing access to the Japanese market.

Finally, the Japanese announcement is an important development in a continuing program. It does represent a new attitude on the part of the Japanese Government, one that we believe will encourage them to take an active leadership role in maintaining an open world trading system.

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STORY:WHU1
PA:60 FMT:

CUEUE:SJF-SJF
FJ:

MSG:
INI:

OPF:SJF ;05/27,17:54

To: mls lt jf dr bfp jg gp dcb lh jwm dxb rak pa pgn srm

From: sjf

The following comes from a pre-summit briefing by a group
of economic and foreign policy types at Brookings.

The Brookings people predict that the Reagan administration will be conciliatory on a number of important issues--not just arms reduction but also on intervention into the foreign exchange markets, credit for the eastern bloc, the trans-Siberian pipeline and the provisions of SALT II.

One exception is Japanese trade. "There have been rumors around Washington about an anti-Japanese thrust by the United States," says John Steinbruner.

Overall, they note, the world economy is in worse shape than at any other time since the economic summits began. Yet most forecasters are predicting an upturn in the second half of the year, giving everyone some hope for the future.

Although the leaders attending the economic summit and the NATO meeting have serious differences, there are strong pressures on them to emerge from these meetings in harmony.

"There is a real risk in coming out of this summit in total acrimony," says Helmut Sonnenfeldt. "The Falklands crisis and the impending start of arms reduction talks create certain pressures on them for smoothing over the acrimony."

Sonnenfeldt also suggested that the Falklands crisis may pull the allies together and take the "sting" out of the

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threatened demonstrations in Germany.

Exchange Rates. Sonnenfeldt predicts that the Reagan administration will "tone down" its rigid opposition to any form of intervention into the foreign exchange markets.

Credit to the Soviets. Says Sonnenfeldt, "The most one can look for is some understanding (among the participants) to talk about it--possibly through CCCOM."

Ed Hewett said the U.S. hopes at least to have the Soviet Union classified as a Category I nation, increasing the their interest rate. Even then, the group noted, a higher interest rate could be cut by "creative financing."

Hewett said the people at the Defense Department would like to declare economic warfare on the Soviet bloc. But the State Department and Treasury are more realistic. "There is a feeling in this administration that the Soviet economic is on its knees," says Hewett. "We overestimate the vulnerability of the Soviet Union on this point. Plus there is no support in Europe for an economic war."

In Europe, he said, there is a feeling that the West should differentiate between Soviet bloc nations when it comes to credit. He says the Reagan administration "is trying to grope its way in that direction" too.

Poland. Hewett said the U.S. and the Europeans should find a way to force the Polish to reschedule their debt. "Poland is in default," he said. "As a result, Poland has less of an interest now in paying the debt. If it's not rescheduled, they can proceed on a cash only basis."

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Pipeline. ``The pipeline is a dead issue,`` says Hewett.

He notes that the Soviets are not trying to get credits right now for the pipeline. They've already financed the first pipeline.

Deficits. Parry Bosworth said it would be helpful for Reagan to go to Europe with a budget resolution already passed by Congress. Even so, the Europeans will be asking: Is it credible? ``There are going to be a lot of quarrels on whether that budget is credible,`` said Bosworth. ``The thing that will kill the debate is that he (Reagan) is not going to change his mind. The United States is absolutely unbending on this. So it's a dull topic.``

SALT II. Steinbrunner says the President has to deal with the SALT II issue before he leaves for Europe because the sum total of the administration's statements to date have created confusion. ``This is the part of the Reagan administration that concerns the Europeans most,`` he said.

He said it's also very important for the Europeans to see that the Reagan administration has abandoned ``linkage.``

The Europeans are still suspicious that Reagan might not be serious about negotiating with the Russians, says Steinbrunner. ``The administration has moved a great deal and only recently,`` he noted.

Iran-Iraq. The group suggested that the NATO meeting might make some statement on this subject.

(END)