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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

#110A
May 31, 1984

BACKGROUND BRIEFING
BY SENIOR ADMINISTRATION OFFICIAL
ON
THE PRESIDENT'S TRIP TO EUROPE

Room 450
Old Executive Office Building

2:46 P.M. EDT

SENIOR ADMINISTRATION OFFICIAL: I guess I can't help but think that surely all of you are as excited about this opportunity as am I. That is, the trip to the summit, to Ireland, to Normandy. I'll be brief, and take your questions.

First of all, this trip, as the 4th summit, provides, I think, a useful benchmark for assessing the results of three years of economic policy since the Ottawa Summit; and, more broadly, whether the President's policies are working or not.

The President said in Georgetown, and I won't rehearse it, what his basic foreign policy goals were: stable peace, and a climate in which our values, as well as our economic growth and that of other countries, could prosper. And he set out the principles on which he would try to pursue those policies: realism, strength, economic growth, shared responsibilities with allies, nonaggression, and dialogue with our adversaries to solve problems.

As a benchmark, last year's summit marked consolidation of some progress in the economic sphere, particularly in the context of how we, and our allies, have come to agreement with regard to East-West economic relations -- an important achievement in the broad policy context. Since last year, the efforts of the President to express these principles have been marked by a successful trip to Asia in consolidating both a secure and economically recovering relationship with our Asian friends; further normalization of our relationship with China; and finally, a return now to Europe to reconfirm and strengthen our enduring ties with European allies.

Now, you're fully familiar with the itinerary. It includes stops -- Ireland, Normandy and the Summit. Let me mention briefly the central themes that the President wants to stress at each stop.

In Ireland -- the leading motive for that was the President's strong personal, emotional, sentimental wish to return to his own roots. The agenda there, and discourse with Prime Minister Fitzgerald will, of course, include bilateral issues, European issues, and a discussion of global issues as well.

The speech at Dublin to the Parliament will focus upon two themes. First of all, a very strong reaffirmation of the President's commitment to solving problems with the Soviet Union. And to his personal -- well, passion's the wrong word -- (Laughter.) -- preoccupation with getting results on that score. It will also stress his continuing commitment to building democracies throughout the world and enlist the support of our allies in Europe and Japan toward that end.

In Normandy -- there are basically three things that he will stress. First of all, tribute to the sacrifices of the last generation in concluding World War II. Secondly, underscoring the fact that reconciliation with former adversaries has worked, and indeed, it can work today, with adversaries today. And, finally, that allied cooperation between ourselves, European friends and Asian friends since the last war, has led to an era of development, and improved welfare of people in these countries, of unprecedented proportion. In short,

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allied cooperation and cohesion makes things better for everyone.

Let's turn now to the summit. You've had several briefings on these, and I won't be technical about it. The point I made at the beginning is relevant. And that is that this summit ought to be compared with the situation, economically, as it existed in Ottawa.

You may recall, at that summit, the President was rather a lonely voice in pointing to the importance of placing our emphasis here and abroad on inflation and stopping it; as well, on policies that contribute to that -- such as, reducing government spending, and reducing the role of government in the marketplace.

But I think if you examine, yourselves, the evolution in thinking in other summit countries since that time, you'll find that there has been, in truth, an evolution in their thinking toward these same policies, focusing upon inflation and structural change -- structural change being, reducing the role of the government in the management of the economies in both tax policy and government spending.

In short -- it's working. Statistically put, in Ottawa, the average inflation rate in the seven summit countries was 10 percent. The average growth rate was 1 percent. And today, the projected inflation rate for seven countries of the summit is about 4.5 percent for '84, with growth rates, on average, above 4 percent. So the trend has been very good.

Apart from marking that -- what is the intention at this summit? The central intention is this: to acknowledge that it is working, and that our agenda must be how to sustain it, number one, and how to spread it, number two,

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more broadly to other countries, particularly developing countries.

So, sustaining and spreading economic recovery is the central purpose. The requirements of sustaining and spreading the recovery involve basically three policy areas. It involves continuation of an adjustment process, both in developed and developing countries, and I'll treat that further in a minute. It involves our continuing ability to manage the international debt situation so as to maintain a viable international financial framework which will facilitate growth in developing countries and, finally, to continue to work toward freer trade.

I'm going to touch for just a moment on adjustment. What are we talking about here? These -- Basically, adjustment problems involve efforts to remove impediments to the marketplace. By impediments to the marketplace, I mean an excessive role of government by regulation, by taking too many taxes or too much in taxes and in an aggregate sense the need for the public sector to become smaller.

Right now, the combined total of federal, state, local spending in the United States and Japan is averaging about 35 percent of GNP in our two countries. However, in the other summit countries, that consumption of GNP is running more than 45 percent. Now, for the recovery to be sustained, we've all got to try harder to get less government consumption of the GNP.

With regard to the international debt situation, the message that we will be carrying to this summit is basically that the five-point strategy agreed upon at Williamsburg is working and ought to be continued. I won't dwell on them, but you recall that the five points were basically that the debtor countries had to continue serious efforts toward adjustment themselves -- reducing subsidies, reducing public spending in their discourse with the IMF and other lenders.

We had to increase, secondly, the resources disposable within the IMF. And we have done that. But as we resolve problems on a country-by-country basis, thirdly, the IMF must continue to lend, and banks -- commercial banks -- must continue to lend. And they have.

But where there is a temporary need, before IMF agreements can be concluded, fourthly, that there has to be enough flexibility in our system to provide bridge loans. And we have.

But, finally, the greatest promise to be able to -- being able to overcome the debt situation is for recovery to pull these countries forward by allowing them to expand their exports. And, in fact, we have done that. The United States imports from debtor -- LDCs last year increased by \$9 billion. And, as a footnote, while it's a separate issue, the United States imports from developed countries -- our summit partners. Industrialized countries increased last year by \$11 billion. And that has a relevance in a different context we may get to in questioning -- that is, the deficit. And we'll talk to that.

But no one can deny that an important factor -- the central factor -- and the improved recovery positions of our summit partners has been the United States' increased imports of their goods, which has accounted for a third or more of their recovery in the past year.

Trade -- freer trade. I think the value of that is self-evident. The problems to it have been twofold: Number one, the tendencies in times of austerity toward protectionism. And thus far, we have resisted that. There've been some setbacks, but on the whole we'll be carrying the message again that we have to continue to avoid protectionist measures, whether they be domestic content or other sectoral protectionist problems.

And the other side of it is that not only do we have to avoid that but open another multinational negotiation to try seriously to remove both tariff and non-tariff barriers to trade. And the U.S. will be promoting continued efforts to do that, looking toward a decision by mid-decade or next year.

The political agenda at the summit will be focused upon four areas. The political talks, as you know, take place not so much at the plenary sessions, which are economic, but at meals. And there'll be at least four occasions for a fairly heavy political agenda. It will focus foremostly on the East-West relationship. And the President's position will be to reconfirm his deep personal commitment to the resolution of problems with the Soviet Union.

The second political item, we expect, is arms control. And here again, the President will point out what we have done in the way of new initiatives at Geneva; the CW treaty in Vienna; with the MBFR position at CDE; and as well our flexibility and readiness without precondition to reconvene the SALT and INF talks as soon as possible. He'll make clear his willingness by specific actions up until now and his continuing commitment to try to have these talks reconvene. And he will call again for the Soviets to return to the table.

The third item will be the situation in the Gulf. The President's points here -- and this is not his initiative it is what we expect to be on the agenda -- but his points will be that our emphasis is on diplomatic efforts to reduce tension and solve the problem, working bilaterally and with our allies to try to persuade both the belligerents to reduce the tensions and de-escalate, and in multilateral fora -- the United Nations as well -- to do the same thing, that the steps we have taken in the way of security assistance have been modest measures designed to make sure that friends in the area are able to conduct an effective self-defense, but that there is no expectation nor at this point is it worthwhile to consider the role of outside intervention in the area -- militarily.

Finally, the political talks will deal with terrorism in both the state-sponsored context as well as the traditional independent terrorist violence that has been very much in evidence in the past year. Again, the purpose of this exchange is to provide each country's perspective on how it views the issue, to illuminate the peculiar problems that each may face and to acknowledge the benefit of improved exchange of information and cooperation bilaterally and otherwise to try to deal more effectively with the issue. I don't expect that it will be the subject of lengthy public commentary, but it will be an important item on the agenda.

Throughout his trip and all his meetings and in his public statements, the President is determined to stress that after three and a half years the twin goals of deterrence and dialogue have been effective and that we must remain committed to them.

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He will also stress that economic recovery, based on the policies that he espoused in Ottawa, is working, that there's every basis for believing it can continue to work. It will be an opportunity to acknowledge the benefits of allied cohesion, both in the past year and in the past generation.

I'd be glad to take your questions now.

Q How can you say that the policy of dialogue is effective, when we've not -- reached a stalemate. The President refuses to negotiate a comprehensive test ban, anti-satellite -- I mean, isn't there a real standoff now?

SENIOR ADMINISTRATION OFFICIAL: In saying that the best approach is to stress your willingness to solve problems, while you also deter, it is not to ignore that if the other side doesn't choose to do that, you may not have an immediate success. But, by stressing that he remains committed to that dialogue and problem-solving technique, is the point.

The President's interview, which as Bob said, will be available in a little while, focused on this very issue, and all of us and the President, surely, are focused upon what is going on in the Soviet Union and how we can get results. The President referred to an article by one of your colleagues in The Economist, as, perhaps throwing some light on that question. And it says, in sum, that the enormity of change and of problems on the Soviet agenda, have led to a real introspective period. That is, that in consideration of three leaders in three years and decline in the economy, and the apparent renewed strength of the allies, manifested in the deployment, in the general resurgence of economic renewal in the West, generally; that these were counter to all of the fundamental assumptions on which the five-year plan was based five years ago, and as required. It has been a reversal, in fact, of their expectations. And whenever that has happened historically in the Soviet Union, it has led to a turning inward and reviewing of their assumptions and has ultimately led then to a resumption of discourse with the West and we surely hope that will happen again.

Steve?

Q Does the United States feel that it would be useful to have any kind of statement, either separately, or as part of the final communique, addressing these East-West issues in London?

SENIOR ADMINISTRATION OFFICIAL: Well, the host this year, Prime Minister Thatcher, has -- will shape the process and substance of the summit. And she has told all of the summit partners that she intends for it to be, as Williamsburg was, more informal. And, while these issues are expected to be on the agenda, she did not want to focus the meetings with a preconceived imperative of a communique, for all that implied in the way of diverting their attention from candid exchanges with each other and a preoccupation with a written document, which they would line-in and line-out for hours.

So, that short answer is, I don't know, that it will depend on the host. At this point my guess is that I would not look for a long public document on East-West relations.

Q May I follow that up?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q The -- last year the same kinds of statements of

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uncertainty about a statement were given out by administration officials. In fact, some officials in some of the briefings said that their -- a political statement at the Williamsburg Summit would take away from its purpose. And then it turned out that, in fact, the U.S. officials really did want a statement, but didn't want to tip their hand in advance.

It's impossible to know whether you're planning anything like that again. But, could you at least address yourself to that? And also what is your feeling about the climate, about the need for such a statement? Last year was the year of deployment. Do you feel there's -- that the public, in the various participating countries, need to have some kind of reassurance? I mean it's -- surely Ronald Reagan and you are going in with some ideas about this.

SENIOR ADMINISTRATION OFFICIAL: Two points: First, as the host last year, we were able, and I guess, even responsible for leading the discussion toward some outcome. We're not in that position this year and it is pretty much up to Mrs. Thatcher to shape the exchanges toward some expression of conclusion.

Now, that can be a collective conference at the end, it can be written, it can be unilateral by her. And I have to say that, to beg off, because she really is the only one that can answer that. Now, we have an opinion. I think the President's understanding that the points you make on East-West relations are on the minds of Europeans, is what inspired him to put it in his Dublin speech as the central focus.

So, we're going to make sure that happens in Dublin. And we are surely open to it happening in London. But, we are only one of seven.

John?

Q Let me just follow that up. Some of the -- -- the allied diplomats here are quite critical of the amount of time that was consumed at the -- at Williamsburg, with the INF deployment statement in the plenary sessions, and are saying that they would not only oppose the same thing happening again in London, but also on terrorism in the Persian Gulf. They don't want to see the summit diverted to -- in an effort to issue separate political statements on the Gulf and on terrorism. Is that -- is the United States willing to accept that?

SENIOR ADMINISTRATION OFFICIAL: Well, I think the public portrayal of misgivings that you've summarized there is a little over-drawn. I really do. And looking at the diplomatic traffic, the traditional positions of one country, the French, hasn't changed, but, I don't see the others really raising the flag on this issue. And it'll be up to Mrs. Thatcher to lead it in whatever direction she wants it to go.

I -- we are not insistent on any particular outcome. And the President's confidence that Mrs. Thatcher will produce a good outcome, is very high.

Q There are going to be a lot of demonstrations in Ireland against Central American policy. Is the President planning to address that issue in any of his public statements, or in any way, during this trip?

SENIOR ADMINISTRATION OFFICIAL: We understand that the welcome will be rather warm. And he will address that issue in his speech in Dublin. In his interview with the Irish television correspondent, he went into quite a long explication of that, and that's

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played already in Ireland. He'll treat it again in the speech. And I think, surely, in the bilateral meetings that he has with the summit counterparts before the summit starts, he will. I do not expect it to be a summit agenda.

Q Just to following up on this Irish interview by mentioning that it's been played before, are you saying that he was attempting to sort of dampen down this warm reception? Do you think it would have any effect?

SENIOR ADMINISTRATION OFFICIAL: Well, we didn't expect it to dampen things down. The recognition that questions exist justified answering the questions. And they have been answered. I'm sure there will be demonstrations, but, in fact, the responsibility here in this country, as well as overseas, to try to explain what we're doing, is in our own interest. And so, yes, we're going to do everything we can to explain the policy, and we think it's the right policy. So, we're not going to hang back on it or avoid it.

Ralph?

Q Will the Dublin speech, excuse me, contain any new proposals for moving East-West relations, U.S.-Soviet relations forward, or will it be a new appeal for the Soviet Union to rethink this whole situation --

SENIOR ADMINISTRATION OFFICIAL: The latter. It will be, I think, one of the more eloquent and persuasive expressions of how President Reagan feels about it. He's put a lot of time into it. And it will say we have a big agenda, we've made proposals on each of the areas on it, that even though we've been

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rebuffed. We're gonna keep trying.

Chris, did you have a question?

Q Actually, I have two. I'm a little confused on the question of statements at the summit. About, about the Gulf. A number of senior administration officials have been quoted as saying that they're dissatisfied. That the allies talk a lot, but when it comes to any kind of coordinated, diplomatic or military policy, that they really are not producing at all. Is that true? Are we dissatisfied with the allied response? And, if we don't seek a statement, given the concern about the Persian Gulf now, wouldn't that be an indication that there really is no coordinated allied policy on the Gulf?

SENIOR ADMINISTRATION OFFICIAL: No. I really disagree with that. Based upon the fact of allied statements to us already, in diplomatic channels -- that they believe that we have taken precisely the right course in the Gulf. And that the focus upon diplomatic solutions now, upon consultations with our allies now, upon agreed measures for coping with whatever deterioration might occur now, are all in order. And that's exactly what we've done.

So I look for us to invite their own attitudes of what more, or what change might be useful. But, I don't think it's going to be at all a contentious issue.

Q Do you expect a statement on that out of the Summit? About Gulf policy?

SENIOR ADMINISTRATION OFFICIAL: I -- statement of policy I think is a little too fine a point. I think an acknowledgement of concern is likely. And, an acknowledgement of the importance of diplomacy, coordination, and reduced tensions -- but, nothing more.

Q If I can just ask -- one of the questions is -- you describe what the President plans to do at the summit -- it sounds like he mostly plans to pat himself on the back and talk about how terrific his economic and interest policies are. A number of people, including some of the allies, don't agree with that, and think that some of the problems -- particularly the banking situation, the debt, interest rates -- as some of them have described it, as "time bombs." Don't you run the risk of appearing to be more concerned about campaigning for President than trying to solve serious problems?

SENIOR ADMINISTRATION OFFICIAL: Well, first of all, if the record had not been a very good record in the past year, I think your comment would be valid. But, if you look at the very serious problems in debt, for example, that we've wrestled with, and solved in the past year, that -- the evidence of rightness is on the record.

I think, too, that while interest rates, by anybody's measure, are too high, they're surely lower than at the last -- than at the summit three years ago. We will deal very candidly with the fact that what we have to achieve for the nominal rate, for the real rate to go down, is confidence in financial markets -- that inflation is going to stay down. And the point is, we believe that our policies will assure that, and the record of the past year, indeed three years, proves it. So, it is not a situation where we're defensive at all about our economic policies.

And, indeed, when you look at real truth -- that is, how much of our GNPs are being sucked up by the government versus theirs -- you'll find out we're not in the dock here. We and the Japanese are performing better than the other summit partners. And, indeed, if the effect of a trade balance is to provide for at least a third of the recovery of most of our summit partners, that is not something to throw stones at.

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So, we are going into this thing -- my recommendation would be to do exactly what you said -- say exactly why what we've done is right, and why everybody else ought to do it, too. The President won't do that -- it's not in his nature -- but, he ought to.

Q What did you mean by, "we're not in the dock, too"?

SENIOR ADMINISTRATION OFFICIAL: We're not in the dock in terms of having either created problems, or having bad policies.

But to the extent that recovery is expanding, and each of our summit partners has turned around to positive growth rates, and things are looking much better -- it isn't a matter of anybody being in the dock. But, we don't deny that there are risks to these trends continuing. And I've mentioned the three problems we think there are: adjustment, the debt problem, and the trade situation.

So the point of this summit will be -- let's look hard in these areas and make sure that in the next year we all do the right thing so that things continue to get better.

Q Just want to follow -- if you could elaborate -- I guess it's the word "adjustment" or "restructuring" in Europe. It sounds as if what the United States is advocating is a pretty radical change in the domestic policies of these European nations -- that seem to have set out a course of strong central planning, strong governmental involvement -- I don't -- you know better -- 40, 50 years ago. It sounds pretty arrogant. Could you address exactly what you mean by this restructuring or adjustment?

SENIOR ADMINISTRATION OFFICIAL: Well, writ large, it is the extent to which the government interferes with and takes from the free market economy. Interferes with by its tax policy, as well as its regulation; and takes from by its tax policy.

I don't intend to imply -- and, I think, I've missed your point earlier -- and you have a point -- that we are not there to preach that, if you don't do what we have said, then you are wrong and that it has to happen next week, or next year.

But we're simply there to acknowledge that we've tried certain things, and here are the results, and we commend them to you. But it isn't a matter of hectoring, or insisting, on a particular, specific milestone of change by next year. It is a give-and-take examination of where we are, and how we think we can get better.

Q Do you expect the summit, then, to agree -- or would you like to see them agree on this emphasis on curbing government?

SENIOR ADMINISTRATION OFFICIAL: Well, I think as one principle among others, sure. And I think in the summit communique, in acknowledging the progress since last year, the collective body will say that we further stress the importance of -- four of five tick marks.

And those tick marks are what we'll be talking about, and we would expect that adjustment, and the debt problem, and trade would all be in there somewhere.

In the back.

Q Are the Soviets trying to instigate some of these demonstrations? The President, in his interview with Irish television, seemed to suggest that there might be some communist plotting behind them.

SENIOR ADMINISTRATION OFFICIAL: I don't think we intended to be specific about this particular context. I took it as a reference

to the fact that, separately -- indeed, outside Ireland -- there have been instances of active measures. But he wasn't focusing that on Ireland, and he doesn't believe that's the case. That wasn't his intention there.

Q What's your assessment? What information are you getting about the nature of these demonstrators?

SENIOR ADMINISTRATION OFFICIAL: Well, I don't have any evidence that they are sponsored by any third country. I think they are home-grown, and well-meaning people, who just don't understand policy. And we're perfectly pleased to explain it.

Q That last point you made was similar to a point the President made in the interview when he said he believed a lot of these people are against his policies because he thinks they're misinformed. Does the President believe that it's possible for people to understand his policies and still be against them? Do you believe that?

SENIOR ADMINISTRATION OFFICIAL: Yes, I do. And I think that he, and all of us, live easily with loyal opposition. But it is to make sure that the facts are on the record, and let people make their choices. And we do think there's been, either misinformation, of not enough. You can't look at the situation, he believes, in Central America, and see the testimony of priests, of other clergy, of labor officials who are disenfranchised or depressed or whatever, or other -- loss of license they suffer -- and expect that free people anywhere wouldn't find that obnoxious. And those facts just aren't getting out. And we think if they do, that people will at least understand the policy. But, sure, they can continue to disagree with it.

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Q One follow-up on this question of Central America and Ireland: What I take from what you said earlier is that the President is not only willing but planning to speak, if and when necessary, to allay the concerns of the Irish on this. Is that a fair summation?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q On this question that Maureen raised about understanding it, apparently the reason for the discord in Ireland is the large number of Irish missionaries who are reporting back the situation that they see, which opposes the President's policy. Is that your understanding of why there is discord and, you know, is there some merit in what those missionaries see or perhaps are they tools of the Left?

SENIOR ADMINISTRATION OFFICIAL: I think they're accurately stating what they have seen. I think that beyond their scope of observation there are other reasonable people who reach different conclusions by -- whose testimony is just as valid. And they include respected people of the Church and the other institutions I've mentioned, so we're not at all criticizing or condemning those who criticize the policy. It's simply to put our case -- our side of things -- on the record, based upon facts.

Yes?

Q Getting back to the Persian Gulf for a second, is it accurate to say that the administration and the allies are avoiding a strong declaration on the Gulf because the Saudis and other Arab states have indicated that they want to handle the situation themselves and the allies don't want to give the appearance of attempting to get too much involved in the situation?

SENIOR ADMINISTRATION OFFICIAL: I don't think so. I think that the legitimacy of the item on the agenda of these seven countries derives from their obvious self-interest in the stability of that area. So, they're surely going to talk about it. That is not to say that they have reached nor will reach conclusion that collective or individual action by any of those seven is required.

It is just a normal thing for them to talk about obvious questions of national importance to each of those countries, and that's true of the Gulf situation, but it doesn't mean that they're alarmed or seeking some purposeful action out of it. It is just a coordination of their views and examination of disagreements if they have any, but not in a climate of alarm or impending crisis.

Helen?

MR. SIMS: I think we're out of time. Helen, could this be the last one?

Q If you're going to have self-defense in the Gulf, why is Kuwait being denied arms and are we still sticking to our oft-stated policy that we will keep the Straits open or are we backing away from that?

SENIOR ADMINISTRATION OFFICIAL: U.S. policy hasn't changed at all. The only action that has taken place in recent times has been to respond to requests from Saudi Arabia to improve its own ability toward self-defense, both for that -- its intrinsic value and for lowering the threshold for U.S. involvement -- or raising the threshold, I guess, for U.S. involvement, reducing the likelihood.

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We handle these things on a case-by-case basis as -- and make judgements based upon how we see the situation in the area. And we believe that the steps we've taken are adequate for the moment.

MR. SIMS: Thank you very much.

Q For Kuwait to defend herself?

SENIOR ADMINISTRATION OFFICIAL: In the overall sense what we have done is good enough for the moment.

THE PRESS: Thank you.

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3:33 P.M. EDT