

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: Baker, Howard H. Jr.: Files
OA/Box: Box 2
File Folder: International Economic Policy Issues

Archivist: kdb
FOIA ID: F1997-066/6, D. Cohen
Date: 08/04/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. report	re Retreat on International Policy, 8/18/87-8/19/87 - Summary and Next Steps, 5p R 5/24/11 F97-066/6 # 40	n.d.	B1
2. chart	re International Economic Policy - Summary and Next Steps, 1p R " " #41	9/2/87	B1

RESTRICTIONS

- B-1 National security classified information [(b)(1) of the FOIA].
- B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- B-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- B-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].
- B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA].
- B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].
- B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].
- B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].
- B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) of the FOIA].
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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

~~SECRET~~

~~SECRET~~

6349

THE WHITE HOUSE

WASHINGTON

DECLASSIFIED

White House Guidelines, August 28, 1997

By CCB NARA, Date 8/27/01

September 8, 1987

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: FRANK C. CARLUCCI 

SUBJECT: Upcoming International Economic Policy Issues

As you know, Steve Danzansky and Dan Crippen assembled key Administration officials on August 18-19 for a retreat to discuss the Reagan international economic agenda for the remaining 16 months. Dan Crippen helped organize the event but because of California/Washington White House logistics was unable to attend.

A paper summarizing the points made at the retreat and identifying next steps is attached at Tab A. I think you will find it interesting reading. All participants emphasized the importance of events coming up in September (budget legislation, trade bill conference, etc.) and of active White House participation in assuring a coordinated strategy.

I recommend that you and I meet with Danzansky and Crippen in the near future to discuss next steps.

Attachment

Tab A Summary

~~SECRET~~
~~DECLASSIFY ON: OADR~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

RETREAT ON INTERNATIONAL ECONOMIC POLICY
Cambridge, Maryland
August 18-19, 1987

Summary and Next Steps

OBJECTIVES OF RETREAT

1. Identify the essential elements of the Reagan legacy.
2. Prioritize actions needed over the next 16 months to assure this legacy.

OVERRIDING THEMES

1. Concern for the Reagan economic legacy: that it could be lost if the President is remembered largely for budget and trade deficits or failed initiatives (CBI).
2. Concern about current White House leadership particularly on the budget issue and a fear that we may be slipping into "government by speechwriters."
3. Except for revitalization of the competitiveness package and the necessity for possible balance-of-payment actions, the next 16 months are not a time for new programs, but for solidifying and perpetuating the Reagan economic revolution.
4. The trade and budget deficits must be dealt with but not with calls for politically implausible solutions, e.g., economic bill of rights. Such suggestions give fuel to critics who claim the President is out of touch with reality.

KEY POINTS

1. Economic Environment
 - o Economic performance is an important plus in the Reagan legacy.
 - o For the next 16 months, growth is projected to continue to be solid -- in the 3-3.8% range.
 - o Yet there is a danger of recurring stagflation -- inflation above 5% combined with slower growth.
 - o The two biggest macroeconomic problems are the large trade and budget deficits. The two are related.
 - o A tighter fiscal policy is needed to help reduce the trade deficit. It would be unwise to attempt to reduce the trade deficit through a tighter monetary policy since the dollar would also strengthen.
 - o Failure to reduce the fiscal deficit would: (1) threaten the Reagan achievement of lower tax rates, (2) undercut the moral leverage the U.S. has on other

~~SECRET~~

DECLASSIFY ON: OADR

~~SECRET~~

BY RW
NLR 6-97-0606/674D
DECLASSIFIED
MAR/DTE 5/24/11

countries on fiscal discipline, and (3) create inflationary pressure.

- o Current projections of the budget deficit are not encouraging.
- o We must be more effective in making the case for spending restraint and deficit reduction.
- o Any compromise with the Congress on the budget must provide for spending restraint.
- o In a confrontation with Congress, the President must capture the high ground early. This will be difficult. Perhaps a Congressional/Executive Branch summit or a commission would help.
- o The time to act is now. Once the debt limit bill and the 1988 appropriations bill are signed, the Administration's control over fiscal policy will nearly vanish.

2. Foreign Policy

- o The slowdown in world growth has heightened political tensions.
- o In a period of world transition, key players are not carrying their share of the burden:
 - The U.S. has a large budget deficit and is considering a protectionist trade bill.
 - The European Community maintains its Common Agricultural Policy and has many structural obstacles to growth.
 - Japan is unlikely to do much to promote growth.
- o Because the EC is in internal gridlock, the U.S. is forced to resolve all bilateral problems. Relations threaten to get worse. Perhaps we should commission or encourage an outside study of the U.S. position toward EC integration.
- o Relations with Japan are bad and may get worse, especially with Nakasone leaving. Japan is not making the structural changes promised in the Maekawa Report.
- o Concerning the USSR, the NSC will lead a follow-up (NSSD 2-86) study on Gorbachev's economic initiatives ("perestroika").
- o We can expect some euphoria on U.S.-Soviet relations if an arms control agreement is signed. However, the

Soviets should not be allowed to join the IMF or the GATT. Their presence would be a strong negative for both institutions.

- o If we want to do something nice for the Soviets, we could consider getting rid of the higher Column 2 tariffs and reducing restrictions on furskins.
- o The current U.S.-Soviet Long Term Grains Agreement expires in October 1988. Consideration of whether to seek to renew will be part of an updated NSSD.

3. Industrial Policy

- o Must recognize that U.S. already has industrial policy. We should not be distracted by labels, but rather try to separate good from bad policies.
- o High tech industries will be vital to future U.S. competitiveness. Superconductors is an example of the proper government role. We should try to extend.
- o The U.S. has a national security interest in maintaining a certain industrial base. While it is difficult, we should continue attempting to define this base and how best to achieve it. The EPC has commissioned a working group to deal with the semiconductor industry and is expected to issue its report soon. The working group's approach may provide a valuable template for consideration of other industries.
- o We have made some progress on export controls, but more must be done to define and implement a balanced policy.
- o U.S. economic competitiveness must not be allowed to diminish. We should look again at the competitiveness initiative, but go beyond what was essentially a defensive measure related to the trade bill.
 - Key element should be education, to rebuild our scientific skill base; clearly additional federal and state resources will need to be devoted to this effort but, other than defense, what better legacy could the President leave?
 - Earlier initiative was taken less seriously because the tax policy element was not included.

4. Trade

- o The Uruguay Round is on schedule. We have a reasonable chance of getting an early harvest, but the U.S. must decide whether to compromise on its agriculture proposal.

- o The U.S.-Canadian Free Trade Agreement may be forced to succeed for political reasons, even though many economic problems remain. However, we must be prepared should negotiations fail. If negotiations succeed, we will have to persuade Congress during October-January.
- o The Caribbean Basin Initiative hasn't succeeded. The Hill is aware -- could be a negative. We ought to see if we can't revitalize with Congressional help. Don't want the legacy of a whimpering initiative.
- o Trade bill prospects: 60% chance of bill that should be vetoed. We must pick our issues carefully to sustain veto. Should look at ways to get message across on bad provisions. Cabinet participation in veto strategy is mandatory. Also creative strategies should be considered such as splitting off trade law portion of H.R. 3 and establishing a Presidential Commission (e.g., 1971 Williams Commission) to look at remainder in a bipartisan, non-confrontational manner.
- o We must consider range of more drastic trade/competitiveness measures if July trade figures announced on September 11 worsen. These may be needed to offset pressure on the dollar. A surcharge should be examined.

5. Developing Countries

- o On debt, we must push more innovative solutions as part of the menu approach. A proposal put forward by Exim Chairman John Bohn to provide debtor countries with long-term guaranteed loans should be considered as part of the revived competitiveness package.
- o The President's upcoming IMF speech represents an opportunity to define U.S. aid/trade/debt policies.
- o We should look at graduating higher-income developing countries -- e.g., Hong Kong, Taiwan, Korea. Study should be beyond GSP graduation. OECD membership for Korea should be studied.

NEXT STEPS

1. Budget Deficit. Continue attempts to define acceptable budget outcome. Meet with Crippen to voice concerns about leadership on this issue.
2. U.S.-Soviet Relations. Update NSSD 2-86 to include effects of joint ventures, renewal of the bilateral grains agreement, and current Soviet progress on "perestroika."

3. Competitiveness. Revive EPC Competitiveness Group to identify elements of package needed to assure continued U.S. economic competitiveness.
4. Trade
 - o Consider whether to compromise on U.S. proposal on agriculture.
 - o Plan for both success or failure of Canadian FTA negotiations.
 - o Consider whether the Caribbean Basin Initiative can be improved.
 - o Refine strategy on trade bill -- sharpen the message on the impact of key provisions and seek creative but clear legislative management strategies.
 - o Consider more drastic measures if September 14 trade figures show a continued worsening.
5. Developing Countries
 - o Use the President's September 29 IMF speech to define and/or refine our aid/trade/debt strategy.
 - o Study graduating higher-income developing countries.
6. Economic Summit -- Last real opportunity to commemorate and define Reagan international economic legacy. Careful early planning and management will be important.

Attachments

Table on Next Steps
List of Retreat Attendees

~~SECRET~~

Issue	Action	Forum	Timing
1. Budget Deficit	Continue attempts to define an acceptable budget outcome. Meeting with Crippen to voice concern over leadership, process.	White House/OMB	now through September
2. U.S.-Soviet Relations	Update NSSD to include effects of "perestroika," joint ventures and renewal of bilateral grains agreement.	NSC	through October
3. Competitiveness	Revive EPC Competitiveness Group to identify elements of package needed to assure continued U.S. economic competitiveness; particular emphasis on education.	EPC	through September -- first cut by September 15
4. Trade	o Consider whether to compromise on U.S. proposal on agriculture.	USTR/TPRG	end September
	o Plan for both success and failure of Canadian FTA negotiations.	EPC/TPRG	by October 5
	o Consider whether the Caribbean Basin Initiative can be improved.	USTR/NSC	end October
	o Refine strategy for the trade bill -- sharpen the message on the impact of key provisions.	EPC	now through September
	o Consider more drastic measures if September 11 trade figures show a continue worsening.	EPC	now through September 10
5. Developing Countries	o Use the President's September 29 IMF speech to define our aid/trade/debt strategy.	White House/NSC/Treasury	now through September 22
	o Study graduating higher-income developing countries.	EPC/TPRG	now through November
6. Economic Summit	Last real opportunity to promote and define Reagan international economic legacy. Careful early planning will be important.	NSC/State/Treasury	October-May '88

BY R/W

WTR/F97-06616#41

NARA DATE 5/24/11

DECLASSIFIED

~~SECRET~~

RETREAT ON INTERNATIONAL ECONOMIC POLICY
Cambridge, Maryland
August 18-19, 1987

HOSTS:

Dan Crippen	Deputy Assistant to the President
Stephen I. Danzansky	Special Assistant to the President and Senior Director of International Economic Affairs, National Security Council

ATTENDEES:

M. Peter McPherson	Deputy Secretary, Department of the Treasury
Alan Woods	Deputy U.S. Trade Representative
Michael B. Smith	Deputy U.S. Trade Representative
Douglas W. McMinn	Assistant Secretary, Economic and Business Affairs, Department of State
Michael L. Mussa	Member, Council of Economic Advisors
Louis F. Laun	Assistant Secretary for International Economic Policy, Department of Commerce
Thomas Kay	Under Secretary-designate, Department of Agriculture
Eugene McAllister	Special Assistant to the President and Executive Secretary of the Economic Policy Council
Stephen P. Farrar	Director of International Economic Affairs, National Security Council