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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT
(WHORM): SUBJECT FILE

Withdrawer

DLB 11/13/2019

File Folder FO006-01 (035823) (6 OF 10)

FOIA

F16-011

Box Number

BIERGANNIS

54

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243541	PAPER	THE EUROPEAN COMMUNITY	5	6/19/1981	B1
243542	PAPER	OTTAWA SUMMIT OVERALL SCOPE PAPER (POLITICAL AND ECONOMIC) WITH TAB	7	6/25/1981	B1
243543	PAPER	OTTAWA SUMMIT ECONOMIC SCOPE PAPER	4	ND	B1
243544	PAPER	POLITICAL SCOPE PAPER	5	ND	B1

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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BULLET PAPER: US-EC COMMISSION BILATERAL

-- We will maintain and build constructive consultations with the EC.

-- The reduction of inflation benefits all. Interest rates will decline as the Administration's economic policies are implemented.

-- In dealing with Japan, the EC and others on difficult trade issues, we must resist protectionism and promote free trade.

-- The Community should fulfill their Venice Summit pledge to raise minimum interest rates on export credits.

-- We are managing as fairly as possible the US mechanism controlling steel import surges.

-- The EC should avoid raising barriers to US agricultural exports and disposing of surpluses through export subsidies.

-- The EC should proceed cautiously with its Middle East initiative which should complement our own efforts.

-- We would be interested in EC views on the Caribbean Basin development plan and on how it might participate.

-- Greater Soviet restraint in the military sphere and in their geopolitical aspirations is necessary.

-- The EC should facilitate use of outstanding credit lines for Poland. We appreciate EC food assistance to the Poles.

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BY db NARA DATE 11/5/2019

BILATERAL BRIEFER - EC COMMISSION

SETTING

We are working closely with Thorn in managing difficult issues in the US-EC trade field such as steel, agricultural trade, export credits and trade with Japan, and have been generally successful in controlling protectionist pressures at a time when the trans-Atlantic trade balance strongly favors the US (approximately \$20 billion in 1980). These consultations have not been totally satisfactory, however, and the Commission was disappointed when we moved ahead recently to achieve an accomodation with the Japanese on auto imports which is also a sensitive political issue in the Community. Afflicted by low economic growth, inflation and rising unemployment, the EC is watching closely the Administration's economic program and wondering if the budget/tax cut package will be able to revitalize the US economy. At the same time, they are concerned that high US interest rates are adversely affecting their economies and fear the US is taking a go-it-alone attitude in monetary affairs. Thorn is personally worried that the US economy will begin to recover and, together with Japan's, surge ahead of an EC recovery, giving rise to further protectionist pressures in the Community. Although the rotating Chairmanship of EC political cooperation is currently held by Prime Minister Thatcher, Thorn, as a former Luxembourg Foreign Minister, takes a lively interest in EC political activities.

ISSUES

US-EC Consultations

US Objectives:

We need to reassure Thorn of the US's firm intention to conduct effective consultations with the EC, and to note in this regard recent visits to Brussels of Secretaries Haig, Baldrige, Block and USTR Brock. In regard to consultations on trade issues, we should recognize and express appreciation for Thorn's efforts to withstand protectionist pressures, and to state our commitment to free trade.

EC Objectives:

Thorn will wish to hear such a reassurance and may note that true consultations involve an exchange of views and willingness to adjust positions, rather than a simple exchange of information.

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11/14/2019

US Interest Rates

US Objectives:

We should stress that it is in all our interests to get US inflation under control. While we recognize that foreign exchange markets are responding to high US interest rates, there are other political and economic factors influencing these markets. US interest rates will drop as the market becomes convinced the Administration's economic recovery program is proving effective. It is not possible to predict when this will happen.

EC Objectives:

Thorn may attempt to obtain some relief by noting that high US interest rates are causing EC countries to maintain their domestic rates at a higher level than desired in order to support current exchange rates. These higher domestic rates are delaying an early EC economic recovery. The EC recognizes our interest in reducing inflation and has decided to discuss interest rates with us privately, rather than engaging in public statements.

EC-Japan Trade Relations

US Objectives:

We should encourage the EC Commission to develop better political relations with Japan. We should make clear that the US must maintain its close relationships with both the EC and Japan, and cannot be expected to join one in putting pressure on trade and economic issues on the other.

EC Objectives:

Although relations between Japan and several member states of the EC may have been improved by the June visit of Prime Minister Suzuki to Europe, Thorn remains annoyed by Japan's approach to restraining auto exports to Europe by dealing with individual member states, rather than the Commission. He may express fears within the Community of surges of other Japanese exports.

Export Credits

US Objectives:

The EC should be convinced to fulfill its Venice Summit pledge, which is to raise the minimum interest rates on

official export credits permitted by the OECD Arrangement to bring them closer to market rates.

EC Objectives:

The EC has been unable to obtain a negotiating mandate which would permit more than a token change in the present agreed terms, and the US has found this position unacceptable. If the EC has achieved a more forthcoming mandate in time for Ottawa, they may try to obtain agreement, at least in principle, to their position at the Summit. If they have not, they may be anxious to defuse the issue by arguing that market interest rates in Europe are unreasonably high due to restrictive US monetary policy, and that low market rates in Japan (reflecting low inflation there) give Japanese exports an unfair advantage.

Steel Trade

US Objectives:

We should encourage the EC to continue its efforts to restructure the European steel industry and to phase out national subsidies. The US will eventually be unable to provide a market for such subsidized steel, despite the importance of the US market to EC producers. We should reassure Thorn that we will manage the US surge mechanism (Trigger Price Mechanism - TPM) for steel imports as fairly as we can.

EC Objectives:

Given the sharp fall in US demand for EC steel in 1980 and early 1981, plus a fall in EC domestic demand, the EC would like to increase exports to the US to past levels as quickly as possible. Commission officials question the workings of our TPM but have no interest in removing it, since European steel exports would then be more vulnerable to US antidumping and countervailing duty petitions from US industry.

Agricultural Trade

US Objective:

We wish to preserve and expand our agricultural exports. We hope to dissuade the EC from (1) raising barriers to our exports to them, particularly of soybeans and non-grain feed ingredients; and from (2) disposing of surpluses through use of export subsidies, which threaten our exports (particularly wheat) to third markets. We wish to persuade the EC that in

reforming their Common Agricultural Policy (CAP), they should reduce production and thus pressure for import controls and export subsidies.

EC Objectives:

The EC wants to maintain the CAP with a tolerable level of budgetary outlays. CAP surpluses generate pressure for export subsidies and various import controls, but internal reform measures which would reduce surpluses are politically sensitive. The EC hopes to expand exports, particularly of grains, to use domestic production to satisfy internal EC demand where possible and to convince the US that these measures are politically unavoidable.

Middle East

US Objectives:

We should stress that it is important to place the Arab-Israeli issue within the context of our overall strategy toward the Soviets and for promoting regional security in the area. The US remains committed to the Camp David framework. Realistically, it is unlikely much can be accomplished in moving the peace process forward until after the Israeli elections. We believe the EC should proceed cautiously and ensure that its activities in the Middle East do not undercut our own.

EC Objectives:

In his previous capacity as Luxembourg Foreign Minister, Thorn was personally involved last year on behalf of the EC in pursuing its initiative and took soundings with the involved parties. He may provide his impressions on the future of EC activities in the Middle East.

Relations with the USSR

US Objectives:

Thorn should be told that our general aim is to seek to build new approaches on East-West issues on the basis of greater Soviet restraint in the military sphere and in its geopolitical aspirations.

EC Objectives:

Thorn will be interested in our views on US-Soviet relations which constitute a fundamental element in European decision making on East-West economic and other questions.

Poland

US Objectives:

We should note US actions to enable Poland to utilize the remaining \$100 million in unused CCC credits during 1981 and urge the EC to facilitate use of about \$1 billion in outstanding credit lines for Poland. We should also express appreciation for EC food aid for Poland and indicate we should all do more.

EC Objectives:

Our thoughts on what may happen, including the possibility of Soviet intervention, will be appreciated by Thorn.

Caribbean Basin

US Objectives:

We want to generate interest in resisting Soviet/Cuban activities in Central America and to enlist EC support for our economic development initiative in the Caribbean Basin, on which the EC Commission and member states have been briefed. Thorn could be helpful in enlisting European donor support.

EC Objectives:

Thorn will be interested in the plan and on how the EC, which already conducts a significant development program in the Caribbean, can be useful. Although faced with strong European public reaction to the US approach in El Salvador, he has been sympathetic to our actions there and in the region.

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-6-

PRESERVATION COPY

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DEPARTMENT OF STATE



BRIEFING BOOK

OTTAWA ECONOMIC SUMMIT
Briefing Material (Economic)

First Draft

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UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

SUMMARY BOOK

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243542	PAPER OTTAWA SUMMIT OVERALL SCOPE PAPER (POLITICAL AND ECONOMIC) WITH TAB	7	6/25/1981	B1

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Economic Scope Paper

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243543	PAPER OTTAWA SUMMIT ECONOMIC SCOPE PAPER	4	ND	B1

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Political Scope Paper

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243544	PAPER POLITICAL SCOPE PAPER	5	ND	B1

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POLITICAL SCOPE PAPER

Drafted: EUR - SVogelgesang *SV*

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