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4. Trade

TRADE

1

- OPEN TRADE CRITICAL TO SUSTAINED RECOVERY.
- o FURTHER LIBERALIZATION ESSENTIAL INGREDIENT.
- PROTECTIONIST PRESSURE INTENSE; MUST WORK TO CONTAIN IT.
- NEED BUILD CONFIDENCE SERIOUS ABOUT LIBERALIZATION.

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Authority NBC/State Orders

BY db NARA DATE 1/3/2020

2

- o WILL WORK FOR EARLY ACTION TO ACCELERATE TARIFF CUTS, HELP FOR LEAST DEVELOPED COUNTRIES.
- NEW TRADE ROUND ESSENTIAL TO FIGHT PROTECTIONISM, CREATE NEW JOBS, STIMULATE COMPETITIVE HIGH-TECHNOLOGY INDUSTRIES, STRENGTHEN SUCCESS OF DEBT STRATEGY.
- BUILD FROM OECD STATEMENT; INTENSIFY CONSULTATIONS ON NEW ROUND.

3

- AIM FOR DECISION IN 1985.
- (if needed): UNLESS CAN AGREE WE AIM FOR DECISION IN '85 ON WHETHER TO HAVE TRADE ROUND, I CANNOT AGREE THAT SUMMIT ENDORSE THAT STUDIES ON IMPROVING MONETARY SYSTEM BE COMPLETED IN '85. (FYI. FINANCE MINISTERS HAVE AGREED TO COMPLETE STUDIES BY MID-85.)

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Authority NSC/State Waivers
BY dh NARA DATE 1/2/2020

Trade

Your Objectives:

- Stress need to work together to contain protectionist pressure and foster open trade.
- Support Nakasone's proposal for new trade round.
- Propose Summit endorse need for decision in GATT in 1985 to launch negotiations.

Watch Out For:

- Particular concern about protectionist trend/actions in U.S.
- Possible criticism of extraterritorial aspects of U.S. laws/practices.
- Linkage of trade round to monetary reform.
- Resistance to specify need for decision on new round as early as next year.

Talking Points

Trade Liberalization

- Agree that key objective is sustaining recovery.
 - o Critical element in meeting this objective is trade.
 - o Further trade liberalization and more open markets essential ingredients to enduring recovery and adjustment.
- Protectionist pressures present a major challenge to our objective.
 - o Each can cite disappointment in what others have done or failed to do.
 - o Important we recognize pressures and work to contain them.
- This is the year to build confidence that we are serious about trade liberalization.
 - o Have proposed legislation to accelerate tariff cuts and provide special tariff advantages for least developed.

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- o Will press hard in Congress for these.
- o We need to do much more.
- I agree with Nakasone's call for a new trade round.
 - o Will stimulate new investment and jobs by providing confidence necessary that we are working to liberalize markets on a permanent basis.
 - o Will provide external environment that can liberate creative energies of our people and provide the markets we need to build the world-class high technology industries on which our futures depend.
 - Cannot build competitive industries behind high trade barriers or in markets splintered by protection.
 - o Would be an important signal to LDCs for future export market opportunities, and encourage LDCs to reduce their own protectionist trade regimes that have stunted their growth.
 - o Need to give highest priority to 1982 GATT work program as way to prepare for new round.
 - o Specifically, this would enable us to address new problems in services and high technology products where each of us has strengths.
 - o Can move us toward better arrangements for agricultural trade and help reduce frictions among us.
- Building on OECD Ministerial agreement, propose we explicitly give our endorsement of their agreement on importance of new round and need to intensify consultations in GATT and elsewhere to define our goals and create consensus with all partners.
- Essential that we state our expectation that decision on new round be taken in 1985.
 - o (if needed): Important to set target of 1985 to create momentum and offer specific alternative to protectionist tendencies.
 - o (if needed): Unless we can agree that we aim for decision in '85 on whether to have trade round, cannot agree that Summit endorse the studies on improving monetary system be completed in '85. (FYI. Finance Ministers have agreed to complete studies by '85.)

Protectionism (only if others complain about U.S.)

- All of us protect key industries like steel, agriculture, textiles and autos.
 - o Europe's limits on cars even stricter than U.S. (9% vs 20% of respective markets).
 - o U.S. and European steel markets about same size, but our imports twice as high.

- Europe
 - o Comprehensive restraints on video recorders and color TV tubes.
 - o Market shares fixed at 1982 levels on autos, forklifts, quartz watches, hi-fi equipment and certain machine tools.
 - o EC maintains 17 bilateral agreements limiting steel imports.
 - o EC proposal to limit imports of corn gluten feed despite admission there is no evidence it competes with grain.
 - o 90% of EC agriculture insulated by variable levies; export subsidies dump surpluses in world markets.

- Japan
 - o Import shares of agricultural and forestry sector (beef, citrus, tobacco, wood products) still miniscule despite Japan's lack of comparative advantage.
 - o Serious problems remain in protection of high-tech industries like software, satellites, telecommunications.
 - o High tariffs remain in several sectors important to us.

- Canada
 - o Better than most, but
 - Negotiating domestic content arrangement with Japan on auto imports to complement "voluntary" restraint.
 - Continues discriminatory administration of certain programs (postal, patent and broadcast regulations).

-- U.S.

- o One of our problems in comparison with others is transparency of US procedures for taking relief action; others not as open about protective action.
- o Since Williamsburg, have taken action to restrict some imports:
 - Safeguard tariffs on specialty steel (against which EC retaliated with restrictions on chemicals and sports equipment).
 - Extended "voluntary" restraints on Japanese cars (though at higher level than 1983).
 - Tightened up on administration of textile imports.
 - Safeguard tariffs on motorcycles.
- o Relief cases being heard in U.S. (independent) International Trade Commission (ITC) involve footwear, copper, steel, tuna (ITC rejected stainless steel flatware).
 - Intend examine each on merits if ITC recommends action.
- o Pressure in Congress for domestic content on autos, wine equity bill, quotas on steel, more restrictive countervailing duty laws. Administration resisting all these.

SPACE STATION

1

- OBJECTIVE OF THIS SUMMIT: PREPARE US TO MOVE INTO NEXT DECADE.
- HAVE OUTLINED ELEMENTS OF ECONOMIC STRATEGY FOR FUTURE.
- BELIEVE COOPERATION ON SPACE STATION SYMBOL OF SHARED OBJECTIVES, DEMONSTRATION OF DETERMINATION TO LAY TECHNOLOGICAL BASE FOR FUTURE.
- INTEND TO PROCEED WITH WHOMEVER JOINS.

2

- PROPOSE COMMUNIQUE WELCOME INVITATION AND NOTE SOME NEED FURTHER STUDY.
- SHOULD ALSO NOTE NEED DECISION BY EARLY '85 TO HAVE MOST IMPACT ON U.S. PROGRAM.

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Space Station

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BY dlr NARA DATE 1/2/2020

Your Objectives:

- Get agreement in principle to cooperate in development of joint manned space station.
- Failing agreement by all, stress readiness to proceed with those who wish to join with us, and reference in communique welcoming your invitation and agreement (by those not yet ready to commit) to study with view toward decision by early next year.

Watch Out For:

- Arguments that others need more time to study before deciding.
- Others raising problems which they say need to be solved before decision in principle can be taken.

Talking Points

- Believe basic objective of this Summit should be to begin to lay groundwork to prepare our societies to enter next century.
- Consensus we have reached on objectives of economic policy gives us common base from which to move forward.
- Have outlined elements of future trade, debt and financial strategies which will carry us into 90's.
- Have proposed international cooperation in development of manned space station which can be:
 - o concrete symbol of our longer-range economic objectives, and
 - o practical demonstration of our determination to lay technological base for future.
- Hope all can agree to join in this historic effort in cooperation.
- Regardless of your decisions, U.S. intends to proceed with whichever partners wish to join us now.

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- 2 -

- (if raised) Can handle specific problems (e.g. technology transfer, protection of trade secrets, etc.) through negotiation of agreements on participation. Asking now for statement of political intent.

- (if agreement not possible with all): Propose we state in communique that all welcome invitation, that you will study further, that pace of program requires decisions by early next year and that U.S. will report progress to next Summit.

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6. North/South

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NORTH/SOUTH

- LDC'S DIVIDED ON VALUE OF GLOBAL NEGOTIATIONS IN UN.
- DON'T LACK FORA TO TALK; NEED PRACTICAL SOLUTIONS.
- MUST ENGAGE LDC'S IN GATT/IMF TO SOLVE REAL PROBLEMS.
- SKEPTICAL ABOUT VALUE OF GLOBAL NEGOTIATIONS AND NOT PREPARED CHANGE OUR AGREEMENT AT VERSAILLES ON ISSUE.
- WORK TO IMPROVE DIALOGUE PROCESS BY REFORMING UNCTAD.

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BY *dy* NARA DATE 11/2/02

North/South Dialogue

Your Objective

- Avoid reopening Versailles agreement that global negotiations not be launched without assuring independence of institutions (GATT, IMF etc.) and non-interference with their work.
- Avoid statement in communique that endorses dialogue as needed in addition to our handling of substantive issues.

Watch Out For

- Argument that we need to cooperate with LDCs in global negotiations or "dialogue" for political reasons.
- Argument that softening our Versailles position necessary to bring LDCs into new trade round or assure their support for our debt strategy.

Talking Points

- Throughout our discussions of international economic issues, we have included the importance and relevance of developing countries.
- They are a part of the fabric of our talks and should not be seen or viewed in isolation.
- (Re Ghandi proposal for Monetary Conference): We don't lack fora for discussion; we need to find practical solutions to problems.
- Only real solutions to problems of "South" is to engage LDCs directly in constructive approach to their problems in GATT and IMF.
- Many LDCs recognize this and LDC group is divided on value of continuing to push Global Negotiations.
- Remain skeptical about Global Negotiations and are not willing to change Versailles conditions.
- To extent process of dialogue important, we have proposed ways to make UNCTAD work more effectively. Should concentrate "dialogue" on that.
- See no need to refer to N/S relations or "dialogue" in final statement as issue separate from our statement on substantive problems.

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7. Environment

ENVIRONMENT

- (IF PROPOSED): AGREE TECHNOLOGY WORKING GROUP EXAMINE COOPERATION ON ENVIRONMENT AS ADDED PROJECT; RECOMMENDATIONS TO NEXT SUMMIT.
- (IF RAISED): ACID RAIN SERIOUS PROBLEM.
- U.S. CONTROLS STRINGENT; HAVE REDUCED SULFUR EMISSIONS 30% SINCE 1970; 46% BELOW WHAT WOULD HAVE BEEN WITHOUT CONTROLS.
- NEED MORE RESEARCH ON CAUSES, EFFECTS, CONTROL TECHNOLOGIES BEFORE MANDATING NEW CONTROLS.

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- CANNOT COMMIT TO EUROPEAN PROPOSAL FOR A 30% REDUCTION OF SULPHUR DIOXIDE EMISSIONS FROM 1980 LEVELS.

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Environment

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BY dh NARA DATE 1/2/2020

Your Objectives:

- Avoid commitment to European proposal for a 30 percent reduction of sulfur dioxide emissions from 1980 levels.
- This proposal does not give the U.S. credit for past leadership and control actions.
- Seek to modify the European language to give us credit for past control actions and reductions.
- Indicate the scientific uncertainty and our willingness to cooperate on research.

Watch Out For:

- Pressure from Canada and FRG to endorse specific emission reduction program.

Talking Points

- Acknowledge that acid rain is a serious environmental problem.
- Indicate that the U.S. has led the world in environmental protection, especially air pollution. For example, SO₂ down 25 percent even with a major increase in electric power. Lead emissions are down 64 percent.
- U.S. supports recent interest of European countries to address their air pollution problems.
- The U.S. has taken action while other nations talk. U.S. has 119 operating scrubbers on power plants and controls on automobiles that reduce tailpipe emissions by 90 percent and eliminate lead.
- The U.S. faces a different challenge than Europe. The U.S. already has made reductions to meet health standards and requires state-of-the-art controls on all new plants.
- The U.S. will spend \$55 million next year to address key scientific questions and \$67 million to improve control technology.

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TECHNOLOGY

- WELCOME PROGRESS IN 18 STUDY AREAS.
- (IF RAISED): RECOGNIZE DIFFERING LAWS CREATE OCCASIONAL PROBLEMS IN TRADE AMONG US.
 - o CONTROLS ESSENTIAL TO WESTERN SECURITY.
 - o CAN REDUCE PROBLEMS BY BROADENING CONSENSUS ON ECONOMIC RELATIONS WITH EAST.
- (IF RAISED): SUPPORT MEETING OF SCIENCE MINISTERS; NO NEED TO REPORT TO FUTURE SUMMITS.

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Technology

Your Objectives:

- Endorse continued work on technology cooperation.
- If necessary, explain our views on reasons why our controls can cause problems in exchanges among Summit countries.
- (if raised): Support Nakasone proposal for meeting of Science Ministers if kept separate from space station cooperation.

Watch Out For:

- Implicit or explicit criticism of U.S. policies to control transfer of technology which could benefit Soviets.
- Japanese effort to make Science Ministers' conference a permanent Summit related activity.

Talking Points

- Welcome continued progress in the 18 study areas.
- (if raised) Recognize need to expand trade and information exchange among our countries, and fact that our differing laws controlling technology transfer can occasionally create problems.
 - o Tighter controls are essential to Western security and maintenance of lead over East in technology which Soviets can use in improving weapons systems.
 - o We can reduce, if not eliminate, many of associated problems by working to broaden our consensus on security implications of East-West economic relations and develop arrangements to deal with specific problems when they arise.
- (if raised) Can support Japanese proposal for meeting of Summit country Science Ministers. However, don't believe this should become Summit-related activity for future.

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9. East-West
Economic Relations

EAST-WEST ECONOMIC RELATIONS

- PLEASED WITH PROGRESS IN OECD, NATO, IEA, COCOM.
- o SHOULD ADHERE TO SPIRIT AND LETTER OF AGREEMENT TO ELIMINATE EXPORT SUBSIDIES.
- o STRENGTHENING ENFORCEMENT AND COOPERATION ON COCOM CONTROLS.
- o HAVE BROADENED UNDERSTANDING OF ECONOMIC/ SECURITY LINKS IN NATO.
- NEED CONTINUE WORK, PARTICULARLY ON NEW ENERGY SOURCES AND FINISH COCOM LIST.

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BY dh NARA DATE 1/2/2020

East-West Economic Relations

Your Objective:

- Secure endorsement of need to continue work in various fora to broaden our consensus on economic and security implications of East-West economic relations.

Watch Out For:

- Lack of enthusiasm by some to continue this work beyond this year.

Talking Points

- Pleased with progress in work programs in various institutions since our review last year.
 - o New agreement on export credits has virtually eliminated subsidy element in Western trade with Soviets; important we adhere to spirit as well as letter of that arrangement.
 - o Have strengthened enforcement of COCOM embargo and are working on getting greater cooperation with third countries.
 - o Have broadened common understandings of economic and security problems in economic relations with East through OECD and NATO studies.
- Need continue these efforts, both to keep our analysis in OECD and NATO up to date and to expand our consensus.
 - o Important we continue search for and development of alternative energy sources to eliminate risk of over dependence on Soviet supplies.
 - o Need resolve differences in COCOM list review on remaining items, of which computers and software most important.

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