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WITHDRAWAL SHEET

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	Richard Childress to William Clark, re: Australian Participation in Washington Economic Summit, 1 p.	8/18/82	P1/F1
2. Memo	Clark to Reagan, re: Australian Participation in the Washington Economic Summit, 1 p.	8/18/82	P1/F1
3. Paper	Australian Participation in Next Economic Summit, 1 p.	n.d.	P1/F1
4. Cable	#160304Z Jul 82, 1 p.	7/16/82	P1/F1
5. Memo	Henry Nau to Clark, re: Trip Report : U.S. - EC Bilateral and Sherpa Meeting, 3 p.	12/16/82	P1/F1
6. Draft Letter	Williamsburg Summit Presidential Letter on Content, 5 p.	n.d.	P1/F1

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

Barley:

National Security Council
The White House

311

Package # 5648

US Summary +

82:118 P4.12

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	1	f	
Bud McFarlane			
Jacque Hill	2		
Judge Clark	3	✓	H
John Poindexter			
Staff Secretary			
Sit Room			
JACQUE	4		Call FLS. DISPATCH NO ACTION

I-Information A-Action B-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other

COMMENTS

Done with [unclear] [unclear]
[unclear] - has signed.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

September 10, 1982

Martin
Part -
Please
START
US
Summit
file for
our
shared
use.
Bill

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: 1983 Economic Summit

Henry Nau's August 27, 1982 memorandum (Tab I) on this subject is the occasion of my first conflict of interest as an official of the NSC and simultaneously Executive Secretary of the SIG-IEP.

In his memorandum for members of the Cabinet of July 23, 1982 (Tab II), the President gave as one of the three principal responsibilities of the SIG-IEP that it ". . . coordinate the preparations for the international economic summit conference." This language could not be clearer, and the Chairman of the SIG-IEP has already instructed the secretariat to prepare a discussion paper on the summit process, a task I have assigned to Bill Martin. The Treasury memo of August 18, 1982 (Tab III) suggesting the establishment of an IG under the SIG to be chaired by the Sherpa (Allen Wallis) is a perfectly appropriate mechanism to implement the President's directive.

As an official of the NSC, I should not pass on internal memos of the NSC Staff to another agency. As Executive Secretary of the SIG-IEP, I should notify the Chairman that the Assistant to the President for National Security Affairs was being advised by his staff to adopt a summit preparation procedure according to which the role of the SIG-IEP would be peripheral at best and to ". . . not act on the Treasury and ICA memos."

Perhaps it was to save me this embarrassment, that I was not copied on the Nau memo of August 27. Incidentally, I have no strong personal feelings about the substantive matter at question. Almost any procedure will work as long as there is strong centralized and imaginative Sherpa leadership with Presidential involvement at all stages, all elements lacking in the run-up to Versailles.

RECOMMENDATION:

That you advice me how to deal with the dilemma outlined above.

OK _____ No _____

cc: Henry Nau, Dennis Blair, Gaston Sigur, Roger Robinson, Bill Martin

MEMORANDUM

NATIONAL SECURITY COUNCIL

August 27, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY NAU *HN*
SUBJECT: 1983 Summit

The time is rapidly approaching to make some initial decisions and begin planning for the Economic Summit to be held in the United States next year. We should plan in September or October to announce the site for the Summit, to establish the organization for preparations, and to call for the first meeting of the Summit Sherpas.

Site

The choice of site for the Summit should reflect a number of substantive considerations:

- What image or characteristics of America do we wish to project to the world at this Summit?
- What type of Summit do we want? Do we want to maximize time for informal and private conversations (i.e., away from public pomp and ceremony)? Or do we see the Summit largely as a media event? Montebello was better suited for the first purpose, Versailles for the second.

A site in the West or mid-West has many advantages and should not be lightly discarded because of logistics or inconvenience. One of the underlying sources of our current problems with Europe is that Europe has related in the postwar period primarily to the Eastern and Northeastern portions of the United States. It is relatively less familiar with the West or mid-West. A Summit in the West, with which this President is identified, could help to bring the West to Europe and the world. Moreover, a Summit site away from the East coast, perhaps in a mountain or rustic setting, would allow for more relaxation (e.g., horseback riding) and informal interaction. Versailles, by contrast, suffered from a cramped formality -- appropriate perhaps to European and especially French grandeur, but inappropriate to the more relaxed style of American society.

Organization

The planning structure for this Summit is extremely important. The U.S. must seize control promptly and be able, as the preparations go forward, to take initiatives and make decisions swiftly. All of this dictates, in my view, a strong White House role.

Recent decisions and recommendations, however, could lead to just the opposite result. The President's memo (drafted by Regan) creating the new SIG-IEP assigned Summit preparations to the SIG, while the President's NSSD (drafted by the NSC) creating the SIG did not (see my memo at Tab A). Apparently, in follow-up to the former, Treasury sent you a memo recently (Tab B), recommending that the President's Personal Representative for the Summit (the Under Secretary for Economic Affairs in State) chair an IG under the new SIG-IEP. The IG would then report to the SIG which reports to the NSC which reports to the President and his Senior White House Staff. Burying the substantive preparations for the Summit under this many layers of bureaucracy and separating it so far from the White House, which will run the administrative aspects of the Summit (scheduling, security, advance, press, etc.), will only guarantee weakness and disarray in our Summit preparations. In addition, Wicks has sent you a memo (Tab C), recommending a SIG for media preparations for the Summit. If this idea is adopted, along with the Treasury-proposed IG, we will have a SIG for media preparations and an IG for substantive preparations. Not only would the priorities be distorted, but our organization would be further fragmented.

Let me suggest an organization that avoids these weaknesses:

- The Under Secretary of State for Economic Affairs would be the President's Personal Representative for the Summit.
- In this role, the Under Secretary of State would also have a White House title, Ambassador-at-Large to the President for Summit Preparations.
- In his White House role, the Ambassador-at-Large would work closely and directly on a daily basis with the Chief Administrative Officer for the Summit (e.g., McManus or his equivalent).
- These two individuals would report directly to you and Deaver as the Senior White House staff responsible for Summit preparations. As necessary, you and Deaver would convene a Senior White House Group that would meet with the President and relevant Cabinet Officers to make decisions (essentially the pattern for Versailles).

-- In his Personal Representative role, the Under Secretary of State would head the U.S. delegation of Sherpas to the preparatory meetings, and would rely on the other Sherpas as a Core Planning Group. This group would, from time to time, present issues for broad Cabinet-level discussion in the SIG-IEP (but would not be subordinate to the SIG-IEP) or in the appropriate Cabinet Council.

This organization is straightforward and ensures White House control while preserving Cabinet participation and leadership. It strengthens the Chief Sherpa's role by giving him a White House title, and it provides for close coordination between administrative and substantive aspects of Summit preparations under close, but not publicly visible, White House direction.

First Preparatory Meeting

Jacques Attali has indicated his intention to call the first Sherpa meeting to prepare for the next Summit sometime in early October (see Tab D). It is not unprecedented that the host of the previous Summit call the first meeting to prepare for the next Summit, but it is also not necessary. If we got out of the starting block quickly, we could preempt Attali's initiative. Hence, it is urgent that we make the decisions on site and organization as quickly as possible. We could hold the first preparatory meeting in Washington (for convenience and rapid scheduling) regardless of the actual Summit site we choose.

RECOMMENDATIONS

1. That you not act on the Treasury and ICA memos at Tabs B & C, and

Approve _____ Disapprove _____

2. That you discuss this subject with me and other staff as soon as you return, and have Jacque fix a date on your calendar for this purpose.

Yes _____ No _____

Date _____ Time _____

3. That you decide, after our discussion, to raise the issue with Deaver and other Senior White House staff, and to consult with Shultz, Regan and Wallis to finalize decisions on Summit site, organization and the first preparatory meeting.

Approve _____ Disapprove _____

Attachments

- Tab A - Nau Memo
- Tab B - Treasury Memo
- Tab C - Wicks Memo
- Tab D - Attali Cable

cc: Robert Sims

THE WHITE HOUSE
WASHINGTON

July 23, 1982

Tab B

File
IEP

P 6. 52

MEMORANDUM FOR MEMBERS OF THE CABINET

SUBJECT: International Economic Policy

International economic policy issues have assumed increasing importance in recent years and the need to coordinate them successfully in achieving our economic and foreign policy objectives is clear.

Today I am establishing an international economic policy structure which will include the Cabinet Council on Economic Affairs, the Cabinet Council on Commerce and Trade, and, to advise and assist the National Security Council, a newly created Senior Interagency Group on International Economic Policy. This will help fill two important needs:

First, it creates within the National Security Council system a senior interagency forum designed to consider international economic policy issues with major foreign policy implications. Second, it establishes a focal point for developing a comprehensive international economic policy as it relates to our foreign policy.

The Senior Interagency Group on International Economic Policy will be composed of the Secretary of the Treasury, the Secretary of State, the Secretary of Defense, the Secretary of Agriculture, the Secretary of Commerce, the Director of the Office of Management and Budget, the United States Trade Representative, the Director of Central Intelligence, the Chairman of the Council of Economic Advisers, the Assistant to the President for National Security Affairs, and the Assistant to the President for Policy Development. The Secretary of the Treasury will serve as its chairman and the Secretary of State as its vice chairman. Since the Secretary of the Treasury also serves as the Chairman Pro Tempore of the Cabinet Council on Economic Affairs responsible for domestic economic policy, he will ensure that domestic and international economic policies are fully consistent and integrated.

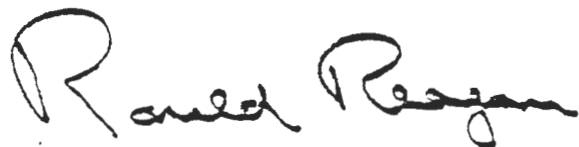
The Senior Interagency Group on International Economic Policy will have three principal responsibilities:

1. It will develop, review, and prepare alternatives and recommendations on international economic policy issues as they relate to foreign policy.
2. It will develop a comprehensive international economic policy as it relates to our foreign policy.
3. It will coordinate the preparations for the international economic summit conferences.

This Senior Interagency Group should coordinate its efforts closely with the existing cabinet councils and the Trade Policy Committee to avoid duplication and overlap.

The Cabinet Council on Commerce and Trade and the Trade Policy Committee will continue to develop trade policy issues and the United States Trade Representative will continue to have the lead in trade negotiations. The Cabinet Council on Economic Affairs will continue to consider international economic issues with major economic policy implications. The Senior Interagency Group on International Economic Policy will consider international economic policy issues with major foreign policy implications.

The Secretary of the Treasury, in consultation with the Counsellor to the President and the Assistant to the President for National Security Affairs, will have responsibility for ensuring that the activities of the various entities dealing with international economic policy issues are fully coordinated.

A handwritten signature in cursive script, reading "Ronald Reagan". The signature is written in dark ink and is positioned in the lower right quadrant of the page.



The Under Secretary of the Treasury
for Monetary Affairs

August 18, 1982

FOR JUDGE CLARK

Bill,

Per our conversation this morning,
the attached is submitted for your
approval.

Beryl Sprinkel



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE SENIOR INTERDEPARTMENTAL GROUP
ON INTERNATIONAL ECONOMIC POLICY

SUBJECT: U.S. Participation in Economic Summits

The SIG-IEP establishes an Interdepartmental Group on Economic Summits, to be chaired by the State Department, for the purpose of Summit content preparations. The IG will assure necessary coordination with all interested agencies and will report to the SIG-IEP. Summit preparatory discussions with other participating countries will be coordinated and conducted by W. Allen Wallis, Under Secretary of State for Economic Affairs (Designate); Beryl W. Sprinkel, Under Secretary of the Treasury for Monetary Affairs; and Henry R. Nau, Senior Staff Member, National Security Council. Under Secretary (Designate) Wallis will also chair the IG on Economic Summits.

Donald T. Regan
Chairman

Bailey

6906

MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION

October 4, 1982

*William P. Clark
Summit*

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY NAU *HN*

SUBJECT: Report on Conference on U.S. International Economic Policy

I attended a three-day conference on U.S. International Economic Policy, sponsored by the Aspen Institute on Humanistic Studies at Wingspread, the Johnson Foundation conference center in Racine, Wisconsin. The Administration was represented by myself, Clyde Prestowitz, Deputy Assistant Secretary of Commerce for International Economic Policy, Charles Lord, First Vice President of the Export-Import Bank, and Alfred Eckes, Chairman of U.S. International Trade Commission. The "other side" was represented by liberal Republicans or ex-Republicans such as former Presidential candidate, John Anderson, and liberal Democrats such as former Senator Dick Clark and Dick Gardner, Carter's Ambassador to Italy.

The key points I made included:

- The international economic system can only be as sound and healthy as the domestic economic systems on which it is based.
- The Post-War Bretton Woods system collapsed in the late 1960s and 1970s when the U.S. inflated under a policy of both guns and butter and, along with other countries, failed to adjust to the further inflationary impact of the oil price shocks, institutionalizing inflation and debt accumulation encouraged by inflation.
- Much of the international economic discussion of the 1970s focused on fixing international trading and financial relations (exchange market intervention, NIEO, etc.) while ignoring the failure of domestic economic policies, particularly in the U.S.
- The Reagan Administration is dedicated to restoring non-inflationary economic policies at home and thereby to reestablishing the essential cornerstone of a non-inflationary world economy.

- In addition, the Reagan Administration has sought to assist the development of sounder, long-term domestic policies in other countries, both the industrialized (e.g., economic policy coordination initiative at Versailles) and the developing nations (our chief emphasis at Cancun and the IMF/World Bank meetings) and to avoid short-term international fixes, such as fine-tuning monetary and fiscal policies and exchange market intervention.

The major criticisms of this policy included:

- U.S. domestic economic recovery is a necessary, but not sufficient condition for restoration of a healthy world economy. Indeed, as the U.S. disinflates while other countries continue to experience high inflation, international economic relations will become more volatile; exchange rates will diverge, debt servicing payments will increase, and protectionism will reduce trading opportunities.
- Hence, U.S. international economic policy, while emphasizing improvements in domestic economic policies, should also provide some buffers for countries hardest hit by the shift from an inflationary to a non-inflationary world economy. This implies strong U.S. leadership at home and at the GATT Ministerial to halt protectionism (e.g., vetoing any automobile local content legislation Congress might pass), and a more generous U.S. policy toward the IMF and the multilateral development institutions.
- Since the U.S. economy alone is no longer strong enough to provide these buffers, the cooperation of the Western allies (Japan and Europe) is vital. The sanctions decision, which grew out of differences over East-West economic relations (which are not that important economically to the Western economies) has impeded such cooperation on West-West economic issues (which are important economically).

In response, we argued that it was critical to set priorities. In its first two years, the Administration rightly stressed domestic policies. If the economy now recovers and the budget situation improves, the Administration will have the essential basis for exercising more generous international leadership. To keep the

costs of such leadership manageable, we will need the cooperation of our allies. But that cooperation has been lacking in certain essential areas. The sanctions decision was necessary to demonstrate the seriousness of U.S. leadership, to make it clear that something other than economics must guide our common relations with the East and that economic cooperation among the Western countries ultimately derives its purpose from our common values of freedom (threatened by the events in Poland) and our common resolve to defend this freedom.

In summary, I concluded from the discussion that U.S. policy is on course, that in the next year if recovery takes place, we have an unprecedented opportunity to build on our domestic success, and to revitalize the postwar international economic institutions. This will require that more attention be paid to international economic issues (not just one by one, but overall), that we exploit the sanctions decision to build a new consensus with the allies, and that the President at the 1983 Summit apply his personal imprint to an international economic system that institutionalizes non-inflationary growth and convinces other nations that they can solve their economic problems best in cooperation with -- not opposition to -- the international economic system.

cc: Norman Bailey
Dennis Blair
Richard Boverie
Richard Childress
Roger Fontaine
Geoffrey Kemp
Richard Levine
William Martin
Douglas McMinn
Thomas Reed
Roger Robinson
Al Sapia-Bosch
Gaston Sigur
Fred Wettersing



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

October 29, 1982

MEMORANDUM FOR SECRETARY REGAN

THROUGH: MARC LELAND
FROM: NORMAN A. BAILEY *MB*
SUBJECT: Summit Preparations

I attach for your information a memo to me from Bill Martin, whom I had asked to do a background paper on summits for the SIG-IEP.

As you will see, he has been blocked in that effort, and summit preparations are moving ahead without reference to the SIG-IEP process.

Since the President has placed the responsibility for summit preparation supervision in the SIG-IEP, this is an intolerable situation. I suggest a meeting with you, Allen Wallis, Marc Leland and me to resolve the matter, assign responsibilities and designate channels.

Approve _____ Disapprove _____

Attachment

Martin Memo of October 28, 1982

cc: William P. Clark

MEMORANDUM

NATIONAL SECURITY COUNCIL

October 28, 1982

MEMORANDUM FOR NORMAN BAILEY

FROM: BILL MARTIN *w/m*
SUBJECT: Economic Summit 1982

Some time ago, you assigned me the responsibility of doing a paper on Economic Summits -- past successes and failures and an analysis of how the process could be improved. Recognizing that the Summit management is a delicate and closely guarded turf issue, I have chosen a low key approach, but have kept my ear to the ground.

Last week, before departing for Paris, I dropped by Allen Wallis' office to touch base on energy matters. While there, I noticed that Marshall Casse, Executive Assistant to the Under Secretary, had prepared a Summit scope paper, including key topics for consideration. I learned that this was in preparation for a trip this week to discuss Summit matters in London, Paris, Bonn and Brussels. Henry Nau of our staff is on the mission, in addition to Wallis and Casse.

Casse allowed me to look at the scope paper. There was only a passing reference to energy, and I offered some substitute language to strengthen our concern about gas security. The rest of the paper seemed to be a playback of last year's Summit.

At this point, I am somewhat confused as to the exact role the SIG-IEP is supposed to play in this process. On the one hand, the President has indicated that one of the responsibilities of the SIG is to monitor Summit preparations. On the other hand, a mini delegation armed with a scope paper is making the rounds throughout Europe with preliminary U.S. views on the next Summit. To my knowledge, neither the IG or the SIG-IEP has been consulted.

I would have thought a more prudent approach would have been for the SIG-IEP to have had an initial discussion of the scope paper so that our representatives could have had the benefit of high level advice from the beginning.

Please advise whether you wish me to continue with this issue or whether my time could be spent better on other matters. It seems that unless we get a clear signal that the SIG-IEP should be following the Summit process carefully, I will only be spinning my wheels.



THE SECRETARY OF THE TREASURY
WASHINGTON

November 8, 1982

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF COMMERCE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
THE COUNSELLOR TO THE PRESIDENT
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES TRADE REPRESENTATIVE
CHIEF OF STAFF TO THE PRESIDENT
CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
DEPUTY CHIEF OF STAFF TO THE PRESIDENT

SUBJECT: Preparations for the 1983 Summit

NSDD 60 names Allen Wallis, Under Secretary of State for Economic Affairs, as the President's Personal Representative for the Summit and Chairman of the Interdepartmental Group (IG Summit) of the SIG-IEP. It also names representatives of the Vice President's office, the Departments of the Treasury, Defense, Agriculture, Commerce and Energy, Director of Central Intelligence, OMB, USTR, NSC and CEA members of the IG Summit. Please provide the name of the individual who will be your representative on the IG to David Pickford, Executive Secretary of the Department of the Treasury (566-2269).

The IG will meet periodically under Allen Wallis' chairmanship to review policy preparations for the summit and will report at least monthly to the SIG-IEP on the progress of these summit preparations.

Donald T. Regan

NATIONAL SECURITY COUNCIL

INFORMATION

December 1, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY NAU

SUBJECT: GATT Ministerial and Williamsburg Summit
Prospects

W. Summit

The GATT Ministerial nearly blew up -- several times. The fact that it did not is significant, but hardly comforting. The international mood is sour and getting worse. The Versailles Summit and GATT Ministerial barely avoided the precipice, and the GATT results may still be differently interpreted and weakened. The Williamsburg Summit will be at least as difficult and probably more so.

The World Climate

The problem is obvious. The world economy is not growing -- for the third year now -- and the longer this situation lasts, the more frightening the financial crisis becomes. In this atmosphere, trade is of marginal value. No one is interested in opening up foreign markets because there is no demand in those markets. And since there is no growth at home either, opening up home markets merely risks displacing domestic demand and jobs with imports. Instead, the temptation is just the opposite -- displace imports with domestic production which is called protectionism.

Valiantly, Bill Brock led an ambitious U.S. effort to hold the line against protectionism. The European Community, and especially France, led the opposition. They are skeptical about the prospects of economic recovery next year and frustrated by the strength of the dollar and fears of higher interest rates due to larger U.S. deficits. In addition, the Community is split right down the middle between free traders such as Germany and Great Britain and those who advocate negotiated market shares in industry and agriculture, such as France, Belgium, Denmark, Netherlands, Greece and Italy. The developing countries are even less secure than Europe and consequently view any new trade initiatives with great suspicion. They were especially opposed to having GATT consider liberalization of trade in services (e.g., consulting, banking, insurance, etc.), seeing services as closely related to investment and infrastructure activities and, hence, national sovereignty and preferring to leave this issue to UNCTAD.

The GATT Ministerial Results

Given this negativism, the U.S., Switzerland and Australia were the only countries that tried to accomplish anything at the Ministerial. The U.S., with strong support from Australia and Switzerland, sought --

- . -- a political commitment to refrain from taking or maintaining trade measures inconsistent with the GATT.
- . -- greater clarification of safeguard, agricultural subsidy and dispute settlement mechanisms to define more specifically what is and what is not consistent with GATT (i.e., a clearer standard against which to measure the political commitment).
- . -- a commitment to study new trade issues in services, high technology, trade performance requirements related to investment, and North-South trade relations.

The final declaration contained the political commitment, improved the dispute settlement mechanism, merely called for negotiations on a new safeguard mechanism, failed to secure a commitment on agricultural subsidies, and included only vague commitments to study services and North-South trade relations, but not high technology or trade performance requirements.

As Bill Brock said at his press conference after the final session at 5:00 a.m. Monday morning, the Ministerial rates at best a C+. It was a partial success more because of what it did not do than what it did do. It did not fly off in all directions as the fateful London Conference of 1933. It does contain a meaningful commitment to get rid of trade measures inconsistent with GATT, but does not provide a more detailed safeguard code indicating what is inconsistent with the GATT. The Chairman of the meeting had to explain that despite this commitment, some countries would need time to bring their trade policies into compliance with the GATT. The U.S., for example, would have to modify its textile, automobile, steel and sugar import programs to meet this commitment. Hence, the commitment probably means very little.

The most serious continuing dispute is that between the U.S. and the EC over agricultural export subsidies. This issue dominated the Ministerial and poisoned the atmosphere. It will be the key issue at the Cabinet-level U.S.-EC meetings on December 10. The U.S. insists that the EC act to ameliorate the impact of the Common Agricultural Policy (CAP) on U.S. agricultural exports to third countries. The EC says that CAP is an internal affair and that any

commitment to reduce subsidies affects internal CAP price levels which is the most sensitive issue inside Europe. The LDCs line up with the U.S. on this one, and the GATT Ministerial put increasing political pressure on the Europeans who were on the defensive throughout the meeting.

From GATT to Williamsburg

Where do we go from here? Three steps are necessary.

1. Some action is needed prior to the Williamsburg Summit to restore a greater sense of cooperation in U.S.-EC relations. The steel, sanctions and some of the GATT issues have been resolved. The remaining sore points are agriculture and monetary relations. We should consider some trade-off between these two issues. Europe complains that the U.S. treats its monetary policies as an internal affair even though the dollar is an international currency and has enormous consequences on world markets. The U.S. complains that Europe treats CAP as an internal policy even though the export subsidies that follow from CAP's internal prices have enormous consequences for U.S. agricultural exports in world markets. Perhaps we could agree to recognize that neither issue can be treated solely as an internal matter. At Versailles, we agreed to do a common study on intervention policy in exchange markets. We continue to hold firm to a policy of strict non-intervention. Should we reconsider this policy, especially if France or other countries with weak currencies begin to hit their inflation targets and bring prices under control? Should we link such a reconsideration to Europe's willingness to discuss multilaterally the agricultural subsidy issue? Making progress simultaneously in these two highly contentious areas might prove to be an acceptable political trade-off and could improve immeasurably the general climate in U.S.-EC economic relations.
2. The Administration, both domestically and cooperatively with its allies, must be seen to be acting vigorously to deal with the unemployment and lack of growth problem. We cannot go into the Williamsburg Summit on the defensive. Nor can we allow another titanic domestic battle over the budget next spring to dominate the environment leading up to the Williamsburg Summit. This is a tough area in which to come up with good ideas. But it should be discussed with Shultz and Regan as early as possible. Should we convene an experts conference in February on World Economic Recovery? Or should we launch an intensive series of governmental consultations in the OECD or elsewhere to exchange information and views about national actions to

cope with recovery and unemployment? There is no desire to have the Summit sherpas play this role, but putting off the substantive preparations for the Summit until March should not cause us to miss an opportunity to anticipate and preempt contentious issues. Sometimes actions such as expert conferences, etc. create a climate of common endeavor even if they do not endorse specific collective actions.

3. The President needs to become more visible in these issues. There is a perception that no one is leading. It is risky to lead, but I see no alternative. Some contend, for example, that Bill Brock was too ambitious at the GATT Ministerial. Indeed, he did get out in front, even though the meeting could have been a disaster. The White House decided not to expose the President because of this. All of this is understandable. But risk is inevitable. Had Bill Brock not been way out in front, the GATT Ministerial would have been a charade. He gambled and he came home with much more of a success than could have been achieved if he had aimed lower. I think we should consider a number of initiatives in the next two months:

- a major Presidential speech outlining U.S. policies toward world economic recovery, trade and financial relations (a kind of review of where we are and where we are going four months or so before Williamsburg).
- possibility of a Presidential trip to Canada or Japan before the Summit. The host leader for each Summit has traditionally demonstrated initiative by visiting bilaterally with other Summit heads before the meeting. While this is less necessary for a U.S. President, we should at least look at the option as a way of increasing the President's visibility on world economic issues.
- privately-sponsored event (by AEI or Hoover or both) bringing together world economic and social policy experts to consider proposals affecting recovery and unemployment. The President could address such a group.
- giving special attention this year to the OECD Ministerial by planning for high level representation (i.e., Shultz -- Haig did not go to either of the OECD Ministerials over the past two years).

- drawing special public attention to the Interim Committee meeting of the IMF scheduled for early next year, where agreements on IMF quota increases and borrowing arrangements will be announced. (We should definitely exploit this occasion to show what the U.S. is doing to shore up the world financial system).
- consider a follow-up to the recent GATT Ministerial, perhaps by advocating another Ministerial late next year and announcing this at the Williamsburg Summit.

cc: Norman Bailey
Dennis Blair
Richard Boverie
Richard Childress
Roger Fontaine
Geoff Kemp
Douglas McMinn
Thomas Reed
Roger Robinson

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TO CLARK

FROM WALLIS, A

DOCDATE 13 JAN 83

KEYWORDS: WILLIAMSBURG SUMMIT

W. Summit

SUBJECT: US SHERPA APPROVED DRAFT PRES LTR TO SUMMIT COLLEAGUES

ACTION: PREPARE MEMO FOR CLARK DUE: 17 JAN 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

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UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

0267

'83 JAN 13 P5:34

MEMORANDUM FOR: Mr. William P. Clark
Mr. Michael Deaver

SUBJECT: Economic Summit: Presidential
Letter to Other Leaders

At the December Sherpas' meeting, we agreed that the agenda for the Williamsburg Summit should be developed "from the top down" and that the President would be in touch with his Summit colleagues with his suggestions about how to proceed. I enclose the attached draft, which has been approved by the U.S. Sherpa group, for the President's consideration.

Our group will be discussing recommendations for the President's consideration in developing his own instructions to me in advance of the March 17 Sherpas' meeting. I expect to have those suggestions to you by mid-February, after which I would ask for you to arrange a meeting for me (or the U.S. Sherpa group) with the President to receive his instructions well enough in advance of the March meeting to permit me to develop the presentation I would make to the other Sherpas.

I recommend you seek the President's approval of the attached draft letter.

Allen Wallis

Attachment:
As stated.

Allen Wallis

~~SECRET~~

DECLASSIFIED
Department of State Guidelines, July 21, 1997
By dlr NARA, Date 1/2/00

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