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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MCMINN, DOUGLAS: FILES

Withdrawer

SMF 2/21/2008

File Folder FRANCE-INTERNAL US PREPARATIONS (11)

FOIA

S2007-081

Box Number 13

NOUZILLE

171

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
50923	MEMO	CASEY TO CLARK RE PRESIDENT'S TRIP TO EUROPE	2	5/14/1982	B1 B3
50925	MEMO	STANFORD TO WHEELER RE PRESIDENT'S TRIP TO EUROPE <i>R 6/25/2010 MR081/1</i>	1	5/14/1982	B1
50947	MEMO	FOR THE PRESIDENT RE SUMMIT <i>R 5/24/2010 NLRRM2007-081</i>	5	5/14/1982	B1
50928	MEMO	NAU TO CLARK RE OBSERVATIONS OF PUBLIC AFFAIRS OFFICERS <i>R 4/23/2010 NLRRM2007-081</i>	3	5/18/1982	B1
50931	MEMO	NAU TO CLARK RE TRANSMITTAL TO THE PRESIDENT OF SUMMARIES OF LAST TWO PREPARATORY MEETINGS <i>R 10/1/2010 MR2007-081/1</i>	1	5/19/1982	B1
50933	MEMO	CLARK TO THE PRESIDENT RE SUMMARIES OF PREPARATORY MEETINGS <i>R 4/23/2010 NLRRM2007-081</i>	1	ND	B1
50936	PAPER	RE VERSAILLES SUMMIT PREPARATORY MEETING APRIL 24-25 <i>R 4/20/2010 M2007-081</i>	3	ND	B1

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would 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 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-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]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
50937	PAPER	RE VERSAILLES SUMMIT PREPARATORY MEETING MAY 14-16 R 4/20/2010 M2007-081	2	ND	B1
50938	MEMO	NAU TO CLARK RE PREPARATORY MEETING R 4/29/2010 NLRRM2007-081	4	4/27/1982	B1
50939	MEMO	ROBINSON TO POINDEXTER RE CONTINGENCY PLANNING FOR SUMMITS R 4/23/2010 NLRRM2007-081	1	5/21/1982	B1
50949	MESSAGE	RR TO PM SUZUKI R 5/24/2010 NLRRM2007-081	2	ND	B1
50940	CABLE	241949Z APR 82 R 4/20/2010 M2007-081	2	4/24/1982	B1
50944	MEMO	NAU THRU TYSON TO CLARK RE TOPICS FOR PRESIDENT'S BRIEFINGS R 4/23/2010 NLRRM2007-081	2	5/24/1982	B1

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	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
50923	MEMO	2	5/14/1982	B1
	CASEY TO CLARK RE PRESIDENT'S TRIP TO EUROPE			B3

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3401
3



OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

May 14, 1982

MEMORANDUM FOR COLONEL MICHAEL O. WHEELER
STAFF SECRETARY
NATIONAL SECURITY COUNCIL

SUBJECT: President's June 2-11 Trip to Europe--ICA Public
Affairs Recommended Campaign (Your Memo of May 10,
1982) (C)

(C) We agree with the central recommendation that there needs to be a "dynamic statement of U.S. short and long-term goals for world peace." The President set the foundation for such a statement with his zero option speech last year and reinforced it "dynamically" with his May 9 speech at Eureka College. A big step has been made toward improving our public image.

(C) The problem at this time is getting people here and abroad to focus on peace issues with the Falkland crisis dominating the media. If the crisis has passed by the end of May, we would agree that the President should make another major speech before he leaves for Europe in which he could, as ICA recommends, announce the START talks and reiterate the points he made on May 9.

(C) We also agree that anti-U.S. public sentiment here and abroad would abate if the public perceives that the U.S. has taken the initiative to further world peace by pressing for arms reductions. The U.S. should be careful, however, not to paint itself into a corner where it may either have to make unilateral concessions to prove its sincerity, or lose the initiative. So far, the President has concentrated on Soviet unwillingness to begin talks before October or to come up with any meaningful arms reductions proposals, and he should continue to do so.

(C) As for contributions to the public affairs effort, Defense will do all that it can. Your staff has already tasked our public affairs office with preparing talking points and a speakers pool to deal with the nuclear freeze issue.

John H. Stanford
John H. Stanford
Executive Secretary

DECLASSIFIED

NLRR MD7-081 #50925

BY RW NARA DATE 6-25-10

Classified by _____
Declassify on _____

~~CONFIDENTIAL~~

DECLASSIFIED / RE / (MSD)
NLRR MO 7-081 # 5947
BY CR NARA DATE 5/24/10

4
File
France
Summit

May 14, 1982

Memorandum for the President

Subject: Report on Conversations of George Shultz with Principals
to Attend the Versailles Summit

George P. Shultz

Your Versailles partners share a keen desire that the meeting show

- a capacity for united purpose and for collaborative action by the industrial democracies
- a realistic grasp of economic and political difficulties
- and a resolute confidence that these difficulties can be and will be dealt with successfully.

All are thinking hard about these meetings and a tremendous preparatory effort is under way. With all due respect to this staff work, however, President Mitterrand intends to maximize the opportunity for personal discussion among principals.

You are universally liked and respected. The sensitivities mean that the meeting takes place among equals but you are looked to for leadership. Helmut Schmidt spoke with special strength on his readiness to follow your positive initiatives. At the same time, each leader has his or her own hopes, problems, and fears.

I encountered everywhere the well-advertised concern about high real interest rates in the United States and the conventional wisdom that they

- are inhibiting growth in the United States
- are transmitted to most other countries since these countries cannot accept the financial outflow of lower rates
- are therefore inhibiting growth all around the world
- and are the result of the high prospective deficits in the U.S. budget.

You may want to caution against over emphasis on this line of thought on the grounds that, as our interest rates decline, problems will remain in many countries and will need other explanations and positive action. After all, with Italian interest rates triple those of Japan and double those of Germany, all problems cannot be traced to U.S. deficits. In any case, everyone will await your report on developments in the U.S. budget battle and on our economy.

The idea of growth based on new investment and developing technology was introduced explicitly by Mitterrand, Schmidt, and Suzuki and was at least referred to by the others. The operational meaning of the "technology" aspect of this concept varies a lot and is vague. In general, though, technical cooperation is envisaged at least by Suzuki and possibly others. From the standpoint of your summit strategy, however, emphasis on investment fits in reasonably well with your own effort to move the U.S. economy in the direction of higher savings and investment. There are two obvious danger points:

- investment hopes highlight concerns about interest rates
- technical developments in the U.S. take place primarily in the private sector; whereas, Mitterrand and to a lesser extent Suzuki have publicly funded programs in mind.

In any case, fear is widespread about a stagnating world economy. Trudeau is deeply concerned about Canadian economic developments and prospects and feels that potential catastrophe (I checked the word back with him) may be close at hand in Canada. "Tell the President that we don't have much time."

The idea of greater "policy coordination" has wide appeal though it also has widely recognized limits. As Mrs. Thatcher stated to me, "no outside group is going to tell me what monetary policy to adopt." The conviction is, however, that greater personal contact with mutual problems will at least keep all aware of the implications for others of what any one country does.

The most operational discussion of "coordination" currently involves exchange markets. Everyone hopes that the U.S. will at least change its rhetoric and, to varying degrees depending on the country, its behavior. As Gaston Thorn put it, "I hope you will stop saying, 'we will never intervene' and say 'we will cooperate to smooth out dis-orderly markets'."

The Japanese and the French seem to believe that such "cooperation" can affect relative levels, but the others limit their objective to smoothing excessive volatility. As Mrs. Thatcher put it, "if we try to change basic values, we will be throwing money to the speculators".

A change in rhetoric even without much, if any, change in action would be most welcome. There is also much to recommend acceptance of Prime Minister Suzuki's suggestion of cooperative study of what can be done about the low relative value of the yen. Intervention by the U. S. is certainly not the only way to approach this problem.

Rising protection against international trade and investment are on everyone's mind and everyone feels this topic to be of critical importance. Two discussion strategies are evident

- put protection measures of each country on the table and make enough headway with them so that each principal makes a strong effort to put his house in order (Mitterrand)
- go further and go on the economic offensive with efforts to develop rules for services and for treatment of foreign investment, and to bring developing countries, particularly those who have moved up in the scale of development, into the GATT framework.

If you decide to push the second and more ambitious course, you will have the strong support of Schmidt and possibly Thatcher and Suzuki. There is some concern that ringing statements at Versailles may offend other GATT members and scare developing countries. Whatever is done with the communique, however, it need not inhibit a vigorous discussion.

The Japanese feel that the U. S. and the Europeans are ganging up on them and are very much on the defensive. Apparently, they will announce some additional actions shortly. They will also respond to some TLC from you. Suzuki is putting great store by his scheduled bilateral with you. The British are most adamant about "singling out the Japanese" in some visible way, and they will have support from the other Europeans. I would think long and hard before joining in such an exercise.

Your views about credit to the Russians and their satellites have made a real impact and I sensed that sentiment on this issue is coming your way. No one will defend subsidizing the Soviet economy, though the satellites, especially Hungary and Yugoslavia are differentiated. There is widespread appreciation that credits are now excessive, so natural prudence

will counsel against additions in any case. There is also widespread appreciation of the tendency for a credit agreement to break down when a large prospective export is in view. Some sort of process or agreed machinery is frequently suggested to cope with potential back sliding.

The so-called North-South area is almost universally seen as one where the U. S. is on a different wave length from the rest. But everyone agrees that UN sponsored talks must not be allowed to infringe on the jurisdiction, integrity, and governance of existing international economic institutions (IMF, GATT, World Bank, etc.).

Schmidt and Thorn both cited the Lome Convention and its scheme to stabilize export earnings of developing countries. Since commodity agreements will be an important part of any North-South discussions, the operational experience of this scheme deserves careful study.

Mitterrand and Trudeau will push the area the most but neither of them wants a major argument with you about it at Versailles. They all think we should go along with "Global Negotiations" under UN sponsorship, on the grounds that talk may be educational and need not be harmful. There is also a certain cynicism about the UN talks.

Energy is not on anyone's front burner right now but Schmidt especially is concerned about slackening of the conservation effort. I should think it desirable to have in your preparatory material

- a list of synfuels projects going ahead here and elsewhere (there are quite a few)
- ideas on alternative sources of energy for Europe and Japan.

I will not comment on the many other foreign and defense policy issues that came up in my conversations beyond these brief notes:

- the Falklands present great problems for the Europeans;
- your proposals for talks on reductions in nuclear arms are universally applauded;
- there is support for strengthening conventional forces but, among many, despair at the potential cost.

President Mitterrand is determined that Versailles show unity and not confrontation. His determination will find general support. But you will be meeting with worried people. They continue to fight inflation, but they want expansion. They want a greater sense of coherence. Words as well as actions can make a difference. They want open trade and investment and they know the basic rules are being violated in their own countries. They know it is ridiculous to give concessionary credit to the Soviets, yet they do it.

They want a leader. You're elected.

~~CONFIDENTIAL~~

H 9

MEMORANDUM

#3486

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

INFORMATION

May 18, 1982

*File
France
Summit
(speeches)*

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU *HRN*

SUBJECT: Observations of Public Affairs Officers in
Bonn, Paris, London and Rome on President's Trip

Bob Hormats and I met and briefed in Paris the public affairs officers from London, Rome, Bonn and Paris. These officers follow public opinion in Europe on a daily and long-term basis. Their views should be weighed carefully against White House knowledge of public opinion in the U.S. and State Department views of official opinion in Europe. They made the following observations:

Mrs. Reagan's Visit to Normandy

- It is essential that she make a statement.
- The event and statement must avoid any suggestion that Europe is a battlefield for America's wars.
- Speak as a mother close to her husband and family, desiring freedom in peace.
- Remind Europe that America did not start either World War, knows the destruction of those wars, left many of its sons forever on European soil, and continues to care about Europe not for selfish reasons but because we share the same values.

Bonn Speech

- Peace as management of East-West relations is too complex a theme, emphasizes U.S.-Soviet relations rather than shared values with Europe.
- Nov. 18 speech had exactly the right tone, the personal anecdote (writing Brezhnev in the hospital), the identification with peace.
- Acknowledge different types of peace -- not what prevails in Warsaw but what permits demonstrations in Bonn.

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Review 5/18/88

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NLRR 107-081-50928

CONFIDENTIAL BY CN NARA DATE 4/23/10

- Talk to the public, not officials, address the audience of the peace movement, not the peace movement itself.
- Develop central theme that for 35 years NATO has preserved peace [a recent ICA poll suggests that in West Germany and Britain, majorities now believe that NATO INF missiles would help prevent rather than increase the likelihood of a Soviet attack].
- Allow, if possible, for some spontaneity. Give people who are broadly pro-American a chance to express it..
- Insist on being second to none in quest for peace, economic security, and justice.
- Emphasize difficulty of dealing with nuclear world. Not simple as Brezhnev would have us believe. It is a fearful task, but what we fear is also what the aggressor fears. Dedicate every fiber of our being to working for peace despite difficulties or indeed because of the difficulties.
- Relate to German feelings about their countrymen and families in East Germany. Acknowledge that human contacts are possible, that every father or mother anywhere would want to help Germans preserve these contacts.

Paris

- Remember meeting is private. Mitterrand must avoid any impression that he is precooking Summit with the U.S.
- Meeting with Chirac should be kept brief. Statement should salute Parisiens and avoid anything more than mention of Chirac.

Rome

- This is a single issue visit -- INF deployment, deterrence and peace.
- NATO brings Soviets to table. Response to Western weakness was Soviet buildup. Response to new Western assertiveness has been Soviet eagerness for arms talks.

London

- There will be a lot of pomp and focus on luxury. Will play better in UK than in U.S.

~~CONFIDENTIAL~~

11

~~CONFIDENTIAL~~

- 3 -

-- Speech should exude quiet confidence, positive, mature, not afraid of Communism; latter has failed. Speech should not have intellectual pretensions but intellectual structure is important. Stay away from Americanisms.

cc: D.Blair
J.Rentschler
C.Tyson
M.Allin

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Check w/ State
& Press

May 19, 1982

File 12
Trace
Summary

SUBJECT: President's Interview with European Print Journalists
TIME/PLACE: 2:00 p.m. Friday, May 21 in the Oval Office
BACKGROUND: The President will be interviewed by four West European journalists in connection with his forthcoming trip to Europe. This will be the President's first face-to-face interview with foreign journalists (he has responded in writing to questions from French, Spanish, Scandinavian and Brazilian publications) and will be the first interview with foreign or domestic press that has focused exclusively on foreign policy.

The journalists and their publications:

- 1) Mark Ulman, Paris-Match (leading French weekly which will accompany the interview with photographs of the Reagans, including possible cover photo).
- 2) Tom Kielinger, Die Welt (serious West German daily which is very supportive of U.S. policy while critical of Schmidt - a Springer publication).
- 3) Nicholas Ashford, Times of London (Britain's most respected daily).
- 4) Marino de Medici, Il Tempo of Italy (very pro-U.S. daily and correspondent -- deMedici has been in U.S. for 20 years and is one of the deans of foreign reporters based here).

Questions

The interviewers have agreed on a general range of questions, divided between the economic issues of Versailles and the security issues of Bonn. While exact wording of the questions has not been provided, the subjects to be raised will come from the following. Rather than providing specific answers for each question, talking points on the issues would be most helpful.

Economic

Exchange Rates.

- This is the same group of leaders with whom you met at Ottawa. You asked them to give your economic program a chance. Their concern with the impact of the U.S. economy on their own economies has deepened since Ottawa. What have you achieved since last summer when you told them your program would bring recovery and lower interest rates? What has gone wrong in your predictions for a quicker recovery? What are your expectations now for the economy? What about high interest rates and their negative impact on the European economies? How will you get unemployment down?

- What do you expect to be achieved at this year's economic summit? Are tangible results ever possible from such meetings?

- What follow-up from Ottawa and Cancun will there be for the LDCs and "global negotiations" -- two areas where the U.S. is perceived to have different views than the allies?

- The Presidency appears on paper to be one of the world's most powerful positions. In practice what can you achieve?

- You came into office determined to make significant changes, to lead what some called the Reagan Revolution. What have you been able to accomplish here and abroad? In what areas have you

achieved less than you desired? Have you been able to improve the morale and spirit of the American people? How do you evaluate the spirit of the Western democracies?

East-West?

Last year at Ottawa, the U.S. made its position clear on the pipeline and your concern over dependency on the Soviets as an energy source. What is your position now on the pipeline and have you had any success convincing the Europeans to accept your view? Given the economic ties between Western Europe and the East, how much progress do you expect to make on the East-West credits issue at Versailles?

How do you view the NATO alliance? Is it in crisis? Are the Europeans doing enough for defense? Are you dissatisfied with their contribution? If they won't do more, would you be sympathetic to congressional calls for withdrawing some of our troops? Should NATO be willing to work together outside Europe -- in the Persian Gulf, for instance?

Have the allies done what you felt was necessary on Poland? How do you view the situation in Poland?

Do you feel your INF and START proposals have put the lid on the peace movement?

You have agreed to START talks even though there has been no change in the Afghanistan or Polish situation. What happened to your belief in linkage?

How do you feel about the Italian commitment to modernization (INF deployment)? Do you feel that process must be completed or could negotiations succeed first?

What do you expect out of the Bonn summit?

5/19/82

ISSUES ON WHICH TALKING POINTS SHOULD BE DEVELOPED

- Overall purpose of trip
- Status of U.S. economy one year after Ottawa when the other leaders were assured by RR that his program would bring recovery. What went wrong?
- Outlook for interest rates; awareness of U.S. economy's impact on allies.
- Expectations for Versailles.
- "Global Negotiations"; ties with developing countries.
- Pipeline/East-West credits.
- Condition of NATO Alliance.
- Contributions of the allies to defense -- enough?
- Use of NATO outside Europe.
- Poland.
- Expectations for INF/START; their relationship to peace movement.
- Linkage.
- Power of the Presidency -- how much can leader of a democratic nation accomplish? What has RR achieved? Not Achieved?
- The state of the American spirit, morale.

man
16

National Security Council
The White House

*File
France
Summary*

Package # _____

22 MAY 20 1971

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>✓</u>	_____
Bud McFarlane	<u>2</u>	<u>m</u>	_____
Jacque Hill	<u>3</u>	<u>g</u>	_____
Judge Clark	<u>4</u>	<u>✓</u>	<u>A</u>
John Poindexter	<u>5</u>	<u>✓</u>	_____
Staff Secretary	<u>6</u>	_____	<u>A</u>
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch

DISTRIBUTION

cc: VP Meese Baker Deaver

Other _____

COMMENTS

Maybe Pres. could read in Calif.

May I have a copy pls.

John Poindexter

~~CONFIDENTIAL~~

uw
17

MEMORANDUM

#2877 Add-on

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

May 19, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU *HRN*

SUBJECT: Transmittal to the President of the Summaries of the Last Two Versailles Summit Preparatory Meetings

Your comment on my report of the Versailles Summit preparatory meeting of April 24-25 suggested the possibility of sending this report to the President (Tab II). I have prepared both this report and my most recent report of the preparatory meeting on May 15-16 to send to the President if you still consider it appropriate. It may give the President a better feel for how the preparations have evolved. Your cover note suggests that the reports should be read as only one piece of the larger picture.

State and Treasury would probably not concur for formal submission to the President without redoing the reports from their particular perspectives. Quite honestly, this is the type of unvarnished analysis the President should have from time to time but there is a bureaucratic risk.

RECOMMENDATION: That you sign the memo to the President at Tab I forwarding these two reports.

APPROVE _____

DISAPPROVE ✓

Attachments

- Tab I Memo to the President
 - A Summary of April 24-25 meeting
 - B Summary of May 15-16 meeting
- II Your comment about forwarding these reports to the President

In light of Fri briefs, probably not necessary

save for my review of this judgment -
was

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Review 5/19/88

~~CONFIDENTIAL~~

BY *RW*
NLR/MOT-0811 #50931
NARA DATE 08/11/10
DECLASSIFIED

~~CONFIDENTIAL~~

CONFIDENTIAL

#2877 Add-on

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Summaries From the Last Two Versailles Summit Preparatory Meetings

Issue

Attached (Tabs A and B) are two reports from my staff on the last two Versailles Summit preparatory meetings held on April 24-25 and May 15-16.

Discussion

These reports offer a helpful analysis of the preparations for the Versailles Summit at the level of the Personal Representatives. (An NSC staff member has participated in these preparations.) They should be read with the understanding that the discussions at this level are not always the clearest and certainly not the only indications of the positions of the other countries.

Attachments

- Tab A Summary of the April 24-25 Versailles Summit Preparatory Meeting
- B Summary of the May 15-16 Versailles Summit Preparatory Meeting

~~CONFIDENTIAL~~
Review 5/18/88
DECLASSIFIED

Prepared by:
Henry R. Nau

NLRR 107-081450933
BY CU NARA DATE 4/23/10

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DECLASSIFIED VERSAILLES SUMMIT PREPARATORY MEETING

NLRR 107-081 #50936

April 24-25

BY GW NARA DATE 4/20/10

This meeting, which began with the usual difficulties and complaints about U.S. economic policies, ended on a note of excitement and potential historic significance. Versailles could become the most important Summit since Ramboulliet (which was the first one in 1975). The French would dearly love such an outcome, and it could also be in our interests. But the risks, in terms of both policy and public relations issues, especially the President's leadership image, are substantial.

France and all the other Summit countries except Japan responded very favorably to U.S. proposals for greater economic policy coordination. France, of course, stressed the importance of exchange rate stability and the announcement at the Summit of an agreed set of rules not to exclude intervention in exchange markets in order to achieve greater stability. France is supported by Canada and the other EC countries, which already have a European Monetary System (EMS) that fixes exchange rates and orchestrates intervention to maintain these rates except for periodic, negotiated adjustments. Japan questions whether such a system can work among the Summit countries, which unlike the EC do not have common economic policy processes and institutions. The U.S. opposes intervention in exchange markets except in "disorderly market circumstances" and stresses instead, in its proposals, greater convergence of longer-term monetary and fiscal policies. If these policies which cause exchange rate movements converge, there is less requirement for exchange rate intervention.

The major points of difference are two-fold. The French and Italians, in particular, seek a very liberal definition of "disorderly markets" in order to permit a lot of intervention to offset weak currencies (like the present franc) created by inflationary policies (large budget deficits and high rates of growth of money supply). The U.S. prefers a strict definition of disorderly markets and puts primary emphasis on pursuit of similar longer-term policies. The second point of difference is what these longer-term policies should be. The Socialist government in France believes in more public spending and higher taxes, particularly on the wealthy. The U.S. believes in lower public spending and lower taxes on savings and investment, which are greatest among the wealthier classes.

The historic significance of any agreement on these issues would be to revisit the famous compromise at Ramboulliet which marked the formal end of the Bretton Woods system of fixed

~~CONFIDENTIAL~~
Review 5/18/88
by H.R.Nau

~~CONFIDENTIAL~~

exchange rates. At Rambouillet and the follow-up IMF meeting in Jamaica in January 1976, the Summit countries agreed to a flexible or floating exchange rate system accompanied by stricter surveillance of exchange rate policies and presumably more basic policies underlying exchange rates by the IMF. Surveillance by the IMF was never effectively implemented, giving us a system of flexible exchange rates with sometimes massive government intervention to prevent currency movements but little underlying coordination of basic policies. The result was no discipline in domestic policies and runaway inflation. The risk we face at Versailles is repeating this sorry experience of the past 8 years. In short, we could get a system of greater intervention but not greater convergence in basic policies. The responsibility would fall to strong currency countries to support the currencies of weak countries enabling the latter to avoid the costs of inflationary policies. Inflation would again become rampant in the system.

A related risk posed by these developments in the macroeconomic and monetary areas is that other issues important to the United States at the Summit may be overshadowed. Our two most important issues are East-West trade and credits and continued liberalization of the multilateral trading system. These issues receive little emphasis from the other countries, particularly France and the EC. Attali stated explicitly that this Summit could not feature East-West issues and, in one intervention, argued that free trade was the source of inequality and monopoly concentration in the world economy. Germany clearly dissents from the latter view but is part of an increasingly protectionist EC that argues that bilateral imbalances with Japan should be resolved before any new trading issues can be considered. Japan supports free trade but has a credibility problem in this area. Hence, we have a lot of work to do if we expect free trade to get much emphasis. And while the Buckley talks on East-West credits (held Friday evening in Paris) made some progress and could yield an agreement of sorts by the time of the Summit, France and the others will resist giving this issue much public play. We may have to use our willingness to discuss economic and monetary policy coordination as leverage to force greater attention to our issues.

The North-South issue experienced a revival at this meeting. The G-77 recently tabled a new text on Global Negotiations (GNs) in New York, just in time to allow America's allies to press us in the context of another Summit to cave on the President's Cancun conditions for launching GNs. We made a spirited defense of the President's policies and urged that the Summit countries stick with us in the concensus approach we developed at Ottawa and Cancun. Japan supported us, but Canada and the EC warned that they were bending over backwards to avoid isolating the U.S. and could not continue to do so much longer. This may be a bluff. The issue is not so important to heads of states and to the context of this Summit (in

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21

contrast to Ottawa) to risk isolating the U.S. President, especially when there are potentially bigger agreements in economic and monetary policy to be achieved. We should use this leverage to encourage the Summit allies to go to bat for us in New York (that has always been the answer to this GNS dilemma) and to offer a new text that is fully consistent with the President's position. This puts them on the spot since they may now have to choose between displeasing us and displeasing a few radicals in the G-77, who are manipulating the process in New York.

The final issue on the agenda is technology. This issue is less important in substantive than symbolic and political terms. It is the theme the French President has chosen for the Summit. It will be the subject of a report he will write and present to the other heads of state orally on Saturday morning of the Summit. It will not deal only or perhaps even primarily with technology. It will be a far-ranging statement of the problems the Summit countries face and the French President's view of how we should deal with these problems. It could be used by the French to color the entire coverage of the Summit. This possibility is increased by the decision to have only a very short communique or declaration. The French President's report will be the only other written document and will not have been negotiated. Indeed, Attali has yet to produce a draft saying the President himself will write it only a few days before the Summit and that any draft may leak and dilute the report's significance. The latter, of course, is precisely what we may have to do. The French are clearly hoping for major achievements at Versailles and want to position themselves to get all the credit.

The proportions of this Summit are now coming into place. The potential historic character and the French desire to take all the credit present us with a major policy and public relations challenge. If we lose on the major policy issues, we will unleash the prospect of a new era of inflation abroad and eventually, through the import of inflation, discredit Reaganomics at home. If we lose on the public relations side, France walks away as the architect of the new international monetary system and a potentially greater economic and political force in the Western and developing worlds. This obviously paints the picture in zero sum terms but it helps to dramatize the stakes and the task before us.

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VERSAILLES SUMMIT PREPARATORY MEETING

May 15-16, 1982

At the end of the preparatory meeting, the last before the Summit, the NSC staff member told Jacques Attali that discussions to date led him to conclude that at this point there would be serious differences at the Summit. Attali objected strongly saying the French President did not want any conflict.

The weekend did not go well. At the Political Directors' meeting, the French and surprisingly the British vetoed the preparation of a political summary before the Summit and rejected any mention of East-West issues in that summary or in the communique. At the Buckley meeting, the French obstructed the entire process. At the sherpas meeting, Attali ran a kangaroo court, putting the U.S. in the dock on interest rates and North-South relations and Japan in the dock on trade policy.

All of this may represent a type of French brinksmanship, pushing to the end in the effort to get what they want and then backing off with "sweetness and light." If it is, it is outrageous even though it may not be disastrous for the Summit. After being cooperative and firm, we pushed back this weekend making it absolutely clear that without agreement, we would make an issue of our East-West concerns at the Summit.

Holmes and Hormats, who attended the Political Directors' meeting, and Buckley cabled Haig to make a strong pitch on East-West at the Quad meeting Sunday night. It may also be necessary for the President to write his colleagues on this issue.

Despite the tenseness of the weekend, some progress was made. The French have given priority to a new monetary policy statement which will either be attached to or included in the communique. It essentially restates the agreement reached at Ramboulliet in 1975 but adds the new step of multilateral consultation among the five key currency countries within the IMF. This is the U.S. idea (developed by Sprinkel) to establish a peer pressure group that seeks to bring about a convergence of medium-term policies aimed at reducing inflation, controlling budget deficits and making greater use of market forces (export of Reaganomics). The statement is a good one from our point of view, but the French place more emphasis on it than we do. In short, we have cooperated with them.

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by H.R.Nau

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BY CU NARA DATE 4/20/06~~CONFIDENTIAL~~

On trade, we also made some progress, although we endured a tirade by a member of the French delegation on the evils of free trade. This is our issue, in contrast to money which is essentially a French issue. The French believe that exchange rates are the single-most important factor affecting trade. They would fix exchange rates and limit free trade, if necessary, in the interest of boosting inefficient domestic industries. By contrast, we believe that free trade and sound, market-oriented domestic policies are the most important factors leading to the development of deep and stable exchange markets free of government intervention. The President will have to be aggressive on the trade issue. He will be alone, except for the Japanese, who lack credibility because of their informal restrictions on imports. But the final results of the Summit must reflect a balance between objectives of free trade and monetary stability or the French will appear to have dominated the Summit.

On North-South, the French and Canadians, in particular, lambasted the U.S. for failing to meet its commitment to IDA VI and for being the odd man out on the new G-77 text on GNs in New York. We countered vigorously, pointing out the comprehensive and creative approach the President laid out at Cancun, the practical steps we have taken since then (CBI, passage of first aid bill in three years) and the special efforts the President is making to rebuild a consensus on the Hill in support of all components of American foreign aid. We had enough from them about the moral imperative of Global Negotiations and shot back about the moral significance of trade as the means by which developing countries ultimately earn their own way and true independence. Oddly, at a time when economic problems are more serious than ever before, this issue generates an unreasonable level of emotion, almost as if it were an escape, like U.S. interest rates, from harder choices and realities facing European governments.

The discussion on energy and technology were uneventful. France sees technology as a unifying theme, not to escape but perhaps to conceal divisions that may emerge on other subjects. All agreed that the report is much too comprehensive and subject too complex to lead to specific conclusions. Communique will note report and then call for group of experts to define priorities and develop issues. It also calls at present for next Summit to receive this report of experts. We should avoid this sort of loading up of the agenda for our Summit.

National Security Council
The White House

Package # _____

	SEQUENCE TO	HAS-SEEN	ACTION
John Poindexter	<u>1</u>	<u>✓</u>	_____
Bud McFarlane	<u>2</u>	<u>M</u>	_____
Jacque Hill	<u>3</u>	_____	_____
Judge Clark	<u>4</u>	<u>✓</u>	<u>I</u>
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch

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cc: VP Meese Baker Deaver

Other _____

COMMENTS

Interesting analysis -
not send to Pres if
alters concern in it
UP

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HW
25

#2877

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

INFORMATION

April 27, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM:

HENRY R. NAU *HRN*

SUBJECT:

Versailles Summit Preparatory Meeting
April 24-25

This meeting, which began with the usual difficulties and complaints about U.S. economic policies, ended on a note of excitement and potential historic significance. Versailles could become the most important Summit since Rambouillet (which was the first one in 1975). The French would dearly love such an outcome, and it could also be in our interests. But the risks, in terms of both policy and public relations issues, especially the President's leadership image, are substantial.

France and all the other Summit countries except Japan responded very favorably to U.S. proposals for greater economic policy coordination. France, of course, stressed the importance of exchange rate stability and the announcement at the Summit of an agreed set of rules not to exclude intervention in exchange markets in order to achieve greater stability. France is supported by Canada and the other EC countries, which already have a European Monetary System (EMS) that fixes exchange rates and orchestrates intervention to maintain these rates except for periodic, negotiated adjustments. Japan questions whether such a system can work among the Summit countries, which unlike the EC do not have common economic policy processes and institutions. The U.S. opposes intervention in exchange markets except in "disorderly market circumstances" and stresses instead, in its proposals, greater convergence of longer-term monetary and fiscal policies. If these policies which cause exchange rate movements converge, there is less requirement for exchange rate intervention.

The major points of difference are two-fold. The French and Italians, in particular, seek a very liberal definition of "disorderly markets" in order to permit a lot of intervention to offset weak currencies (like the present franc) created by inflationary policies (large budget deficits and high rates of growth of money supply). The U.S. prefers a

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Review 4/27/88

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BY CN NARA DATE 4/29/10

strict definition of disorderly markets and puts primary emphasis on pursuit of similar longer-term policies. The second point of difference is what these longer-term policies should be. The Socialist government in France believes in more public spending and higher taxes, particularly on the wealthy. The U.S. believes in lower public spending and lower taxes on savings and investment, which are greatest among the wealthier classes.

The historic significance of any agreement on these issues would be to revisit the famous compromise at Rambouillet which marked the formal end of the Bretton Woods system of fixed exchange rates. At Rambouillet and the follow-up IMF meeting in Jamaica in January 1976, the Summit countries agreed to a flexible or floating exchange rate system accompanied by stricter surveillance of exchange rate policies and presumably more basic policies underlying exchange rates by the IMF. Surveillance by the IMF was never effectively implemented, giving us a system of flexible exchange rates with sometimes massive government intervention to prevent currency movements but little underlying coordination of basic policies. The result was no discipline in domestic policies and runaway inflation. The risk we face at Versailles is repeating this sorry experience of the past 8 years. In short, we could get a system of greater intervention but not greater convergence in basic policies. The responsibility would fall to strong currency countries to support the currencies of weak countries enabling the latter to avoid the costs of inflationary policies. Inflation would again become rampant in the system.

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The North-South issue experienced a revival at this meeting. As I informed you earlier, the G-77 recently tabled a new text on Global Negotiations (GNS) in New York, just in time (coincidentally, I am sure) to allow America's allies to press us in the context of another Summit to cave on the President's Cancun conditions for launching GNS. We made a spirited defense of the President's policies and urged that the Summit countries stick with us in the consensus approach we developed at Ottawa and Cancun. Japan supported us, but Canada and the EC warned that they were bending over backwards to avoid isolating the U.S. and could not continue to do so much longer. This may be a bluff. The issue is not so important to heads of states and to the context of this Summit (in contrast to Ottawa) to risk isolating the U.S. President, especially when there are potentially bigger agreements in economic and monetary policy to be achieved. We should use this leverage to encourage the Summit allies to go to bat for us in New York (that has always been the answer to this GNS dilemma) and to offer a new text that is fully consistent with the President's position. This puts them on the spot since they may now have to choose between displeasing us and displeasing a few radicals in the G-77, who are manipulating the process in New York.

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The proportions of this Summit are now coming into place. The potential historic character and the French desire to take all the credit present us with a major policy and public relations challenge. If we lose on the major policy issues, we will unleash the prospect of a new era of inflation abroad and eventually, through the import of inflation, discredit Reaganomics at home. If we lose on the public relations side, France walks away as the architect of the new international monetary

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2B

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- 4 -

system and a potentially greater economic and political force in the Western and developing worlds. This obviously paints the picture in zero sum terms but it helps to dramatize the stakes and the task before us.

cc: Norm Bailey
Dennis Blair
Don Gregg
Jim Rentschler
Chuck Tyson

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National Security Council
The White House

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Package # 543

02 MAY 21 P 2: 43

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>9</u>	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____
<u>ROBINSON</u>	<u>2</u>	_____	_____

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Other _____

COMMENTS

Please talk to Henry Han about this.

*File
France
Summit*

MEMORANDUM

NON-LOG

NATIONAL SECURITY COUNCIL

May 21, 1982

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URGENT INFORMATION

MEMORANDUM FOR JOHN POINDEXTER

FROM: ROGER W. ROBINSON *QR*

SUBJECT: Contingency Planning for Versailles and Bonn Summits

In reflecting on the issues we hope to resolve at Monday's NSC meeting, I think it appropriate to bring to your attention (in Norm Bailey's absence) the following excerpt from my weekly report to Judge Clark:

"As there remains considerable uncertainty concerning the agenda items on East-West economics for Versailles and Bonn, I have been preparing a contingency plan to have the President propose allied agreement to re-structure and upgrade the Economic Secretariat of NATO to the stature and importance of the Political and Military Secretariats. This initiative would positively reflect the need to improve future coordination with the allies on major economic, trade and financial undertakings with the USSR and highlight the security dimensions. It would also have the advantage of not representing a contentious issue with very rapid 'face-saving' agreement possible. Irrespective of the final outcome of the Buckley mission, I think it is a useful and sound idea."

Perhaps we should consider seeking a mandate in Monday's meeting and the NSDD to "explore the viability of incorporating a Presidential proposal to restructure and upgrade the Economic Secretariat of NATO" into Summit preparations. Such a mandate would better position us if we need an "accomplishment" for the President should State sustain an unexpected setback on a unified credit policy. The "front office" decision on this matter will determine whether I write this item into my NSC position paper and decision boxes. Perhaps we should discuss on the phone along with any important developments stemming from today's luncheon with the President.

~~SECRET~~
Review May 21, 1988
Classified by Norman Bailey

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NLRR 007-081 #50931
BY AL NARA DATE 4/23/10

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31

MEMORANDUM

#3707

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France
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NATIONAL SECURITY COUNCIL

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WITH SECRET ATTACHMENT

May 24, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU *HRN*

SUBJECT: Letter to the President from Prime Minister Suzuki

Prime Minister Suzuki of Japan sent a letter to the President through the Vice President when the latter was in Japan on April 24. The letter called for bilateral cooperation to intervene in the exchange market to adjust the value of the yen (Tab B).

Treasury has sent the attached reply (Tab A) approved by Secretary Regan and cleared by Hormats at State. They recommend that we get this to the President as soon as possible for his approval and transmission to Suzuki. It should go out tomorrow if possible.

RECOMMENDATION: That you forward the attached reply to the Suzuki letter to the President for his approval and transmission.

APPROVE _____

DISAPPROVE _____

Attachments

- Tab I Memo to the President
- A Response to Suzuki
- B Incoming cable from Suzuki to the President

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~~UNCLASSIFIED~~
~~DATE: 10/28/08~~
~~BY: [Signature]~~

~~SECRET~~

THE WHITE HOUSE

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WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Letter from Prime Minister Suzuki

Issue

Your replying to a letter from Prime Minister Suzuki of Japan in which he called for bilateral cooperation to intervene in the exchange markets to affect the value of the yen.

Discussion

Prime Minister Suzuki delivered to you the letter at Tab B through the Vice President when the latter visited Japan at the end of April. The letter reflects Suzuki's nervousness over the trade issue and likely arguments he will encounter that the yen is undervalued, a fact which lowers the price and boosts the volume of Japan's exports. Your reply at Tab A notes that intervention in the exchange markets is not effective, that Japan should continue to remove restrictions on trade and capital transactions (which would enable the yen to reach its proper value), and that you will be proposing at Versailles closer consultations among the Summit countries in implementing converging economic policies to reduce inflation and thereby provide a sound underlying basis for greater exchange market stability.

Recommendation

That you approve the attached draft for transmission to Prime Minister Suzuki (Tab A). (Speechwriters have cleared.)

OK _____ NO _____

Attachments

- Tab A Proposed reply to Suzuki
- B Incoming letter to the President

Prepared by:
Henry R. Nau

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WITH SECRET ATTACHMENT

Draft Message to Prime Minister Suzuki

Dear Mr. Prime Minister:

I very much appreciate receiving your letter suggesting that our monetary experts meet to consider ways to cope with exchange market problems.

I should say at the outset that the United States is prepared to accept the consequences of exchange rates based on the interaction of fundamental market forces. In our discussions with Japan, we have focused not on statistical balances in U.S.-Japan trade, but on the elimination of barriers to trade and capital markets so that market forces can operate freely and efficiently. I have every confidence in America's ability to compete effectively in trade with other nations, if given the chance under even-handed trading rules. To maintain an open trading and financial system, however, all nations' rules must be, and must be perceived as, fair and open. This is why it is so important that Japan move boldly and promptly to open its import markets. It is also important that Japan make further progress toward eliminating restrictions on capital transactions, to permit potential borrowers to have access to Japan's markets and to permit wider use of the yen abroad. I look forward to hearing the details of the program you are developing.

Nonetheless, we too are troubled by exchange market disorder and volatility and have been considering ways in which the major countries could help stabilize exchange market conditions in a meaningful and lasting way. We feel deeply that exchange market

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NLRR M07-081 # 5091/9
BY CS NARA DATE 5/24/11

instability and wide exchange rate movements are not only undesirable but are attributable to the pursuit of divergent economic objectives and policies by the major countries. In important respects, Japan's success in dealing with inflation through controlled monetary growth and strengthened fiscal discipline provides a worthy lesson for others. As you know, my own efforts are directed to similar objectives. Success in the United States and pursuit of these objectives by other nations would, I am confident, provide a sound underlying basis for the greater exchange market stability we all wish to see.

For this reason, the United States has proposed, in the Summit preparatory context, consideration of ways in which the major nations might better cooperate in the establishment of longer range objectives and policies to reduce domestic inflation and permit sustainable economic growth through increased opportunities for productive investment. As discussed by our financial experts recently in Europe, this effort could be accompanied by a review of the effects of exchange market intervention in the past.

I hope you and your colleagues will consider this proposal for long range economic policy cooperation carefully and positively. I believe it offers hope for genuine improvements in the economic performance of the key industrial countries, and thus for greater international financial and monetary stability. If such an approach can be agreed, the Versailles summit will indeed have made a valuable contribution to world economic health and stability.

Sincerely,

Ronald Reagan



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NATIONAL SECURITY COUNCIL
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EXDIS
WHITE HOUSE ALSO FOR NSC
E. O. 12066: XGDS-3, 4/24/02 (CLARK, WILLIAM JR.) OR-M
TAGS: EFIN, JA, US, OVIP (BUSH, GEORGE)
SUBJECT: LETTER FROM PRIME MINISTER SUZUKI TO
THE PRESIDENT

1. ~~(S-ENTIRE TEXT.)~~

2. DURING BRIEF TETE-A-TETE MEETING WITH THE VICE
PRESIDENT AFTER THE ARRIVAL CEREMONY ON THE MORNING
OF APRIL 24, PRIME MINISTER SUZUKI HANDED THE VICE
PRESIDENT THE FOLLOWING UNSIGNED LETTER TO THE
PRESIDENT:

QUOTE. 1. AS YOU ARE NO DOUBT AWARE, JAPAN IS
CONTINUING ITS EFFORTS TO OPEN ITS MARKET FURTHER.
WE ARE WORKING HARD TO PUT TOGETHER THE SECOND
STAGE OF THESE MEASURES PRIOR TO THE VERSAILLES
SUMMIT, AND ARE PLANNING TO ANNOUNCE THEM BEFORE
LONG.

2. AT THE SAME TIME, I CONSIDER IT ESSENTIAL FOR
THE SUBSTANTIAL IMPROVEMENT OF THE TRADE IMBALANCES
BETWEEN JAPAN AND THE UNITED STATES AND BETWEEN
JAPAN AND THE EUROPEAN COUNTRIES THAT, IN ADDITION TO
OUR EFFORTS TO OPEN OUR MARKET FURTHER, THE EXCHANGE
RATE OF THE YEN AGAINSTTHE DOLLAR BE MAINTAINED
IN SUCH A MANNER AS TO MINIMIZE DISRUPTIVE
TRANSACTIONS IN THE MARKET.

3. THE L'OPSIDED TRADE IMBALANCE BETWEEN OUR
TWO COUNTRIES IN 1977 AND 1978 WAS REDRESSED
WHEN THE YEN ROSE. THIS TIME AROUND THE YEN
HAS BEEN FALLING ALL THE WAY INSTEAD OF RISING,
AND, AS A RESULT, JAPAN'S EXPORTS CONTINUED
TO INCREASE WHILE ITS IMPORTS HAVE CONTRACTED
TO FURTHER WIDEN THE TRADE IMBALANCE.

4. THE CONTINUED FALL OF THE YEN IS THE RESULT
OF THE OUTFLOW OF THE LONG-TERM CAPITAL FROM
JAPAN (\$9.7 BILLION NET IN 1981) DUE TO THE
SUBSTANTIAL DIFFERENCE IN INTEREST RATES BETWEEN
THE UNITED STATES AND JAPAN. AND SINCE A SUB-
STANTIAL REDUCTION IN THE INTEREST RATES OF
THE UNITED STATES IS BELIEVED UNLIKELY FOR
SOME TIME, THE MOOD IN THE EXCHANGE MARKET TODAY
IS STILL BEARISH ABOUT THE YEN.

5. MY GOVERNMENT HAS BEEN TRYING TO BOLSTER THE

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BY CU NA
4/20/10

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 TOKYO 6879

DTG: 241949Z APR 82 PSN: 054596

VALUE OF THE YEN THROUGH BUYING IT UP IN THE EXCHANGE MARKET. I AM NOW CONVINCED, HOWEVER, THAT JAPAN CANNOT CONTINUE THIS OPERATION SINGLE-HANDED FOR LONG AND THAT TO EFFECTIVELY PROTECT THE EXCHANGE MARKET FROM DISRUPTIVE TRANSACTIONS, WE NEED THE UNDERSTANDING AND COOPERATION OF YOUR GOVERNMENT AND MONETARY AUTHORITIES. AS AN EXAMPLE OF THE SUCCESS OF SUCH AN INTERNATIONAL COOPERATION, WE CAN RECALL THE JOINT INTERVENTION BY THE MONETARY AUTHORITIES OF THE UNITED STATES, JAPAN, WEST GERMANY AND SWITZERLAND IN NOVEMBER 1978.

6. I THEREFORE PROPOSE THAT WE INSTRUCT THE EXPERTS OF THE MONETARY AUTHORITIES OF OUR TWO COUNTRIES TO MEET PROMPTLY TOGETHER TO FIND OUT HOW TO EFFECTIVELY COPE WITH THE PRESENT TREND IN THE EXCHANGE MARKET. I SHOULD APPRECIATE IF YOU WOULD LET ME KNOW YOUR REACTION.

7. FURTHER, AS THERE ARE REASONS TO BELIEVE THAT THE EUROPEAN COUNTRIES ARE ALSO INTERESTED IN SUCH A SCHEME, I AM THINKING OF CALLING UPON OUR EUROPEAN FRIENDS AS WELL. IF WE CAN SUCCEED IN FINDING A NEW ARRANGEMENT AMONG THE UNITED STATES, JAPAN AND EUROPE FOR STABILIZING OUR CURRENCIES, IT WILL BE MOST SIGNIFICANT FOR THE REVITALIZATION OF THE WORLD ECONOMY AND WILL CONSTITUTE A MOMENTOUS ACHIEVEMENT IN THE FORTHCOMING VERSAILLES SUMMIT.
MANSFIELD
BT

Date: MAY 20 1982

MEMORANDUM FOR: SECRETARY REGAN

(Thru Under Secretary Sprinkel) *MS*

From: Marc E. Leland *ML*

Subject: Response to Suzuki Letter to President Reagan on Intervention to Support the Yen

Attached for your review (Tab A) is a draft letter from the President to Suzuki (copy of incoming at Tab B). The draft stresses the importance of liberalization of Japan's import and capital markets; points to our Summit effort to achieve better cooperation on long-term policy as the way to achieve greater exchange market stability; and notes that the policy cooperation effort could be accompanied by a review of the impact of past intervention, as recently discussed by our financial experts.

The draft has been approved by State (Hormats) and NSC (Nau). If you agree, we will forward it to NSC for the President's approval and transmittal.

Recommendation: That you approve the draft letter.

Approve *ML* 5/21/82

Approve as amended _____

Other _____

DECLASSIFIED
1/10/82
BY *AMF* NARA, Date *2/21/08*

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	LEDDY					
Initials / Date	<i>ML / 5/20</i>				<i>ML / 5/21</i>	<i>MS / 5/21</i>

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38

MEMORANDUM

#3702

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~
~~INFORMATION~~

May 24, 1982

*File
France
Summit
(Briefings)*

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON *CPT*

FROM: HENRY R. NAU *HRN*

SUBJECT: Most Important Topics for President's Briefings

It is absolutely critical that the President thoroughly understands three or four of the key issues that will be discussed both in the formal and informal sessions at Versailles. The briefings set up with the President next week, Monday, May 31, and Tuesday, June 1, should concentrate on these issues:

1. The President's initiative for closer consultations among the Summit countries to coordinate medium-term economic policies aimed at reducing inflation, maintaining monetary and fiscal discipline, and strengthening market forces in order to achieve greater international economic and monetary stability.

-- Likely to be centerpiece of the economic issues at Versailles.

-- Is the President's initiative which he must master if he is to convince his colleagues of its significance and be credited with taking the Summit process a step forward toward closer economic and monetary cooperation.

-- Will be interpreted in Europe adversely to our interests (Europeans will play up the notion that the U.S. policy has changed, that we will no longer let interest rates remain so high, and that we will intervene in exchange markets. If this interpretation carries, there will be both negative play in US press that the President has changed course and subsequent disappointment in Europe when U.S. policy does not change).

2. The President's leadership on the trade issue:

-- Versailles is the most critical Summit on trade since the beginning of the Summits.

DECLASSIFIED

NLRR 007-081-5911
BY CU NARA DATE 9/23/10

~~CONFIDENTIAL~~
Review 5/24/88

~~CONFIDENTIAL~~

- The GATT Ministerial in November is the first since 1973 and must set directions in trade for this decade as the last one in 1973 did in launching the Tokyo Round of Negotiations.
 - Versailles is the last chance to elevate the objectives of this GATT Ministerial.
 - The President will be alone in arguing aggressively for free trade.
 - Hence he will need to be thoroughly familiar with precisely what we hope to achieve in this decade and armed with the proper arguments to persuade his more reluctant European and Japanese colleagues.
3. The President's East-West policy, especially his initiative to restrain credits to the Soviet Union.
- This is the most poorly understood of the President's policies.
 - The Europeans suspect that he intends economic warfare with the Soviet Union.
 - Moreover, they resist any restrictions that cost them jobs.
 - The President must relate his views on economic relations with the East to his broad strategic and arms control objectives.
 - And he must explain carefully what he seeks to do by limiting credits to the Soviet Union, dispelling suspicion that he seeks to cut off European equipment sales to the Soviet Union which require credit, while the US continues to sell grain to the Soviet Union for cash.
4. The President's policy towards Global Negotiations.
- This issue is not as important as the other three but, as at Cancun, others will try to convince the President to accept language that seems harmless but has great significance in the context of long discussions on this issue in New York.
 - The President must be clear on what language accommodates the understandings which he laid out at Cancun and which language does not.
 - This is one area in which he needs to get into the details of the resolution writing on this subject in New York.

VERSAILLES ECONOMIC SUMMIT
SCHEDULE (ORIGINAL)

40

File France Summit

	FRIDAY JUNE 4	SATURDAY JUNE 5	SUNDAY JUNE 6
8:00			
9:00		BREAKFAST (Individual)	BREAKFAST (Group)
		Travel	Travel
10:00		Press/Photo	Press/Photo
11:00		SESSION 1 1/2	SESSION 1 1/2
		Break	Break
12:00		SESSION 1 1/4	SESSION 1 3/4
1:00			Travel
2:00		LUNCH (Group)	LUNCH (Group) with FORMINS
3:00		Press/Photo	Official Photo
4:00		SESSION 1 1/2	SESSION 1 1/2
5:00		Break	Travel
6:00		SESSION 1 1/4	JOINT PRESS CONF.
7:00	Official Arrival at Trianon	Fr. Press Conf.	Ind. Press Confs.
	REST	BALLET	
8:00		REST 1 3/4	REST 1/2
9:00	DINNER (Group)		DINNER (Group) non-working
10:00		DINNER (Group)	SHOW
11:00			FIREWORKS

Individual Time

SAT. 8AM- SUN 11pm ANALYSIS

SESSIONS 10 1/2

MEALS
Group 8
Entertain 2 1/2
Breaks 3/4

Individual 1 1/4

PRESS
Conference 2 3/4
Photo Op. 1 1/2

TRAVEL 1 1/2

REST 2 1/2

TOTAL 30
(Individual 3 1/2)
(Group 26 1/2)

VERSAILLES ECONOMIC SUMMIT

SCHEDULE (REVISED)

FRIDAY JUNE 4

SATURDAY JUNE 5

SUNDAY JUNE 6

8:00
9:00
10:00
11:00
12:00
1:00
2:00
3:00
4:00
5:00
6:00
7:00
8:00
9:00
10:00
11:00

	BREAKFAST (Individual)	BREAKFAST (Individual)
	Travel	Travel
	Press / Photo	Press/Photo
	SESSION 1 3/4	SESSION 1 1/2
	Break	Break
	Break	SESSION 1 1/4
	SESSION 1 1/4	Official Photo
	LUNCH (Group) with FORMINS??	LUNCH (Group) with FORMINS
		SESSION 1 1/2
	SESSION 1 3/4	
	Break	
	SESSION 1 1/4	REST 1 1/2
		JOINT PRESS CONF.
		Ind. Press Confs.
	REST 3	REST 1
		DINNER (Group) non-working
	DINNER (Group)	SHOW
		FIREWORKS

~~Individual Time~~

SAT 8am - SUN 11pm ANALYSIS

SESSIONS	10 1/2
MEALS	
Group	6 3/4
Entertain	1 1/2
Breaks	3/4
Individual	2
PRESS	
Conference	1 1/2
Photo Op.	1 1/4
TRAVEL	1/2
REST	5 1/2
<u>TOTAL</u>	30
(Individual)	7 1/2
(Group)	22 1/2

Official Arrival at Trianon

REST

DINNER (Group)

DINNER (Group)

SHOW

FIREWORKS

Versailles Summit Schedule

Friday, June 4, 1982

8:00 pm Dinner hosted by the President of the French Republic at Trianon for the Heads of Delegation alone.

Dinner hosted at the Chateau Versailles by the Minister of Foreign Relations for his colleagues, by the Minister of Finance for his colleagues, by the Personal Representative for his colleagues.

Saturday, June 5, 1982

9:00 am The Heads of State and Government leave Trianon for the Chateau.

9:15 am The Heads of State and Government enter by the Queen's Stairway into the Coronation Room ("salle du sacre").

9:30 am Pool photographers and television cameras in the Coronation Room.

9:45 am Closure of the Coronation Room and beginning of the Summit.

11:30 am Coffee break.

11:45 am Meetings reconvene.

1:00 pm Lunch

The Heads of State and Government will lunch alone in the "Salon de la Paix" (or with the Ministers of Foreign Affairs).

The Ministers of Foreign Affairs, the Ministers of Finance and the Personal Representatives will lunch in the rooms where they dined the previous evening.

2:45 pm Meetings reconvene.

-2-

4:30 pm Coffee break.

6:00 pm End of meeting.

9:00 pm Dinner for the Heads of State and Government alone at the Trianon; the Ministers of Foreign Relations, the Ministers of Finance and the Personal Representatives dine in the same rooms in which they had lunch.

Sunday, June 6, 1982

9:00 am Departure from Trianon to the Chateau Versailles.

9:30 am Beginning of the Summit Meeting.

11:00 am Coffee break.

12:30 pm Photo of the Heads of State and Government.

1:00 pm Lunch for the Heads of State and Government and the Ministers of Foreign Relations in the "Salon de la Paix".

Lunch for the Ministers of Finance and the Personal Representatives in their usual dining room.

2:30 pm Return to the Coronation Room for the closing session.

4:00 pm End of the Summit Meetings.

5:30 pm Joint press conference by the Heads of State and Government.

6:00-7:00 pm The Heads of State and Government can give individual press conferences at the Orangerie.

8:00 pm The Heads of State and Government arrive for dinner (200 guests).

9:30 pm End of dinner and beginning of the show.

10:00 pm Fireworks.

11:00 pm Return to the Chateau Trianon.

Monday, June 7, 1982

Departure of the Heads of State and
Government.

Attachment to Letter of January 25, 1982 from
Jacques Attali to Myer Rashish

NOTE : (Letter has been previously distributed.)

FIRST DRAFT OF THE SENARIO OF THE
SUMMIT OF INDUSTRIALIZED NATIONS AT VERSAILLES

(ORIGINAL)

Friday, June 4, 1982

Beginning at 4:00 p.m. :

- Arrival of the Heads of State at the airport.
Welcome by a member of the government.
- Transportation of the Heads of State by helicopter to the Grand Trianon and transportation of the delegations by road to the Trianon Palais Hotel.
- Reception of the Heads of State and the delegations at the Grand Trianon by the President of the French Republic.
- Dinner offered by the President of the French Republic at the Grand Trianon for the heads of delegations.
- Dinners offered at the Chateau de Versailles by the Minister of External Relations for his colleagues, by the Minister of Finance for his colleagues and by the Personal Representative for his colleagues.

Saturday, June 5, 1982

- 8:30 a.m. Working breakfast by each Head of State at the Grand Trianon.
- 9:20 a.m. Departure of the Heads of State in individual automobiles from Trianon to the Chateau.
- 9:30 a.m. Entry of the Heads of State by the Queen's Staircase in the Salle du Sacre.

Saturday, June 5, 1982 (Continued)

- 9:45 a.m. Photo Opportunities and Television
to
10:00 a.m. Cameras in the Salle du Sacre
- 10:00 a.m. Closing of the Salle du Sacre and
Beginning of the Summit.
- 11:30 a.m. Coffee Break
- 11:45 a.m. Resume Meetings
- 1:00 p.m. End of Morning Session
- 1:15 p.m. Lunch
- The Heads of State lunch in the Salon
de la Guerre.
The Ministers of Foreign Affairs, the
Ministers of Finance and the Personal
Representatives lunch in the rooms
where they dined the evening before.
The other members of the delegation lunch
in the Salle de Batailles.
- 2:45 p.m. Photo Opportunities
- 3:00 p.m. Afternoon Session Begins
- 4:30 p.m. Coffee Break
- 4:45 p.m. Resume Meetings
- 6:00 p.m. Press Conference by the President of
the French Republic in the Salle des Congrès
- 6:30 p.m. Arrival of the Heads of State and the
Members of the Delegations at the Opera
of the Chateau for the Ballet
- 7:15 p.m. Return to Trianon -- Rest
- 9:00 p.m. Dinner for the Heads of State at Trianon.
The Ministers of Foreign Affairs, Ministers
of Finance and the Personal Representatives
to dine in the same rooms as lunch.
Dinner for the delegations at the
Trianon Palais Hotel.

Sunday, June 6, 1982

- 8:00 a.m. . Working Breakfast by each Head of State at Trianon
- 9:00 a.m. Leave Trianon for the Salle du Sacre
- 9:15 a.m. Photo Opportunities
- 9:30 a.m. Beginning of the Morning Session for the Summit
- 11:00 a.m. Coffee Break
- 1:00 p.m. End of Morning Session
- 1:15 p.m. Lunch with the Heads of State and the Ministers of Foreign Affairs in the Salle du Conseil du Roi
Lunch for Finance Ministers and Personal Representatives in the usual rooms .
- 2:30 p.m. Official Photographs (place to be designated)
- 3:00 p.m. Return to the Salle du Sacre
- 4:30 p.m. Departure of the Heads of State for the Joint Press Conference in the Salle des Congres
- 4:45 p.m. Joint Press Conference by the Heads of State
- 5:30 p.m. End of the Joint Press Conference
- 5:30 p.m. Heads of State may give Individual Press to Conferences at the Orangerie
- 7:00 p.m.
- 7:30 p.m. Arrival of the Guests for Dinner at the Hall of Mirrors
- 8:00 p.m. Arrival of the Heads of State for Dinner
Dinner at small tables, a total of 200 places (principal members of the delegations -- no more than ten -- plus leading personalities of the entire world invited by France).
- 9:30 p.m. End of Dinner and Beginning of the Extravaganza on the Parterre d'eau.
- 11:00 p.m. Fireworks

Monday, June 7, 1982

Departure of Heads of State
- Seen off at the airport by the
President of the French Republic.

END OF SUMMIT

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