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THE WHITE HOUSE
WASHINGTON
July 26, 1982

150800
1110
FG 006-01

MEMORANDUM TO MICHAEL K. DEEVER

FROM: WILLIAM F. SITTMANN *WFS*

SUBJECT: Travel Plans, July 30th-August 1st
Bohemian Grove

We will arrive Moffett AFB at 9:30 a.m. on July 30th. Mr. Dennis Bark will meet you and take care of Hoover Institute and the Grove.

Flight Itinerary August 1, 1982 (Sunday)

12:15 p.m.	Depart San Francisco American Airlines Flight #214
6:20 p.m.	Arrive Chicago O'Hare
6:55 p.m.	Depart Chicago O'Hare American Airlines Flight #326
9:35 p.m.	Arrive Washington National Airport

Hoover Institute is going to reimburse you for your travel, so you must hang on to your ticket stub.

Dennis Bark: 415/497-2216

Attachments: Your ticket

THE WHITE HOUSE

WASHINGTON

July 29, 1982

MEMORANDUM TO MICHAEL K. DEEVER

FROM: WILLIAM F. SITTMANN

SUBJECT: Itinerary for Yosemite/Jackson Hole

Wednesday, July 28, 1982

8:00 a.m. (EST)	Depart Andrews Air Force Base
9:45 a.m. (MST)	Arrive Grand Isle, NE (Refuel)
10:15 a.m. (MST)	Depart Grand Isle, NE
11:00 a.m. (MST)	Arrive Jackson Hole - General Aviation Breakfast
	4 hour 30 minute flight - 2 hour time change

Thursday, July 29, 1982

8:00 a.m. (MST)	Depart Jackson Hole
9:10 a.m. (MST)	Arrive Buckley Air National Guard (Denver)
12:30 p.m. (MST)	Depart Denver
1:15 p.m. (MST)	Arrive Castle Air Force Base

Friday, July 30, 1982

9:00 a.m. (MST)	Depart Castle Air Force Base
9:30 a.m. (MST)	Arrive Moffett NAS
10:00 a.m. (MST)	Depart Moffett NAS
2:55 p.m. (MST)	Arrive Grand Isle
3:25 p.m. (MST)	Depart Grand Isle
7:00 p.m. (EST)	Arrive Andrews Air Force Base

Itinerary

July 28, 1982 (Wednesday), Grand Teton National Park

- 11:00 a.m. Arrive Jackson Hole Airport
Pickup by Superintendent Jack Stark (10 passenger van)
Transfer to town of Jackson
- 12:00 noon Lunch in Jackson
Inspection of facilities (various)
- 2:00 p.m. Inspection of facilities at Teton Village
Transfer to Jackson Lake Lodge
- 3:00 p.m. Meeting with Bernie Iilif, Manager, Jackson Lake Lodge
(Note: His last name is pronounced as eye-liff)
Inspection of facility
Transfer to Colter Bay
- 4:30 p.m. Inspect facilities at Colter Bay
Inspect other park facilities, as needed/desired
Transfer to Jackson Lake Lodge
- 7:00 p.m. Dinner: Jackson Lake Lodge

RON

July 29, 1982 (Thursday) Yosemite National Park

- 9:00 a.m. Pickup by Superintendent Stark
- 9:45 a.m. Arrive Jackson Airport
Depart for Yosemite National Park
- 10:40 a.m. Arrive Castle Air Force Base
Pickup by Park Ranger Norm Hinson and associates
- 11:15 a.m. Depart for Yosemite
Lunch stop
- 2:00 p.m. Arrive Ahwahnee Hotel for check-in
Inspect facilities in Yosemite Valley
- 6:00 p.m. Cocktails hosted by Superintendent Binnewies at
Ahwahnee Hotel
- Evening Free

RON

July 30, 1982 (Friday)

7:00 a.m. Depart Hotel enroute Castle AFB

9:00 a.m. Depart Castle enroute Moffett NAS

Overnight Accommodations at Grand Teton National Park
and Yosemite National Park

Grand Teton National Park

There are approximately 2,800 "pillows" within the park. This equates to about half that number of rooms.

At the Jackson Lake Lodge, there are 385 units with a capacity of about 1,000 people.

Colter Bay offers cabins with a capacity of about 900.

The remainder of the in-park accommodations vary in quality. Many are tent cabins (concrete floor with tent top and access to running water nearby).

The town of Jackson has about 1,500 rooms most of which are motel-type. Teton Village offers some 2,100 pillows. The Western Governors Conference used this area in connection with its meeting of last year.

Yosemite National Park

Within the park, there are 5,450 beds (pillows) of various character, ranging from the very attractive rooms of the historic Ahwahnee Hotel to tent cabins. Keep in mind that reservations are accepted at Yosemite a year in advance. Many of these accommodations already have been booked through next July. It also is important to note that these accommodations are spread out through the park: not all are located within Yosemite Valley.

Outside of the park or at its periphery, several communities offer accommodations, as well:

- El Portal (14 miles from the Valley): 102 rooms
- Mid Pines (36 miles from the Valley): 43 rooms
- Mariposa (43 miles from the Valley): 58 rooms
- Yosemite West (16 miles from the Valley): 61 rooms
- Wawona (27 miles from the Valley but still in the park): 112 units
of various types
- Fish Camp (41 miles from the Valley): 49 rooms
- Bass Lake (50 miles from the Valley): 82 units
- Oakhurst (50 miles from the Valley): 92 units

NOTE: Management policies of the National Park Service presently state that "Services and facilities provided under contract with the Secretary of the Interior shall be available to all park visitors when open to the general public, and bookings of special groups may not exclude services to the general public. The use of concession facilities for conventions, group meetings and the like, during seasons of heavy vacation travel must be consistent with this policy. Conventions are not permitted if they would interfere with general public use and enjoyment of the area."

CONTACT SHEET

Grand Teton National Park

Park Superintendent Jack Stark
307/733-2880

Jackson Lake Lodge
307/733-2811

Yosemite National Park

Park Superintendent Robert Binnewies
209/372-4461

Ahwahnee Hotel
209/372-1000

MANIFEST

Michael K. Deaver
Edward Hickey
Michael McManus
William Sittmann
Eric Rosenberger
Thomas Quinn

**United States
Information
Agency**

Washington, D.C. 20547

Office of the Director



USIA

3571

MAY 23 1983

May 19, 1983

150823

1140

FG006-01

C0001-05

PR016

FG298

F0005-03

FG006-12

Dear Bill:

Thank you for taking the time April 29 to meet the West European editors and correspondents our Foreign Press Center brought to Washington that week. Your spontaneous walk-in, though brief, on the discussion in progress with Dennis Blair made a strong impact on the group, which was clearly flattered by the high level attention. Your outline of the NSC's role in foreign policy decision making and your comments on the degree of attention the President accords arms control gave the group some extremely valuable insights.

The positive impressions the group carried away from its meeting with you were reinforced by other figures they met during their stay here, not least of whom was Commander Blair, whose command of the issues clearly impressed the group. By the time they departed, they appeared to be under the general impression that the people they had seen, virtually all in positions of considerable authority, were not only highly knowledgeable, but also earnest, candid and credible. This would seem to augur well for the kind of reporting we can expect their collective audience of over 3.5 million to be reading in the weeks and months to come.

I hope you will continue to make yourself available as other worthwhile opportunities present themselves.

Warmest personal regards.

Sincerely,

Charles Z. Wick
Director

The Honorable
Judge William P. Clark, Jr.
Assistant to the President
for National Security Affairs
The White House

NSC# 8303571

NSC/S PROFILE

UNCLASSIFIED

ID 8303571

RECEIVED 24 MAY 83 13

TO CLARK

FROM WICK, C

DOCDATE 19 MAY 83

KEYWORDS: EUROPE WEST

MEDIA

SUBJECT: THANK YOU LTR FOR CLARK 29 APR MTG W/ WEST EUROPEAN EDITORS & CORRESPONDENTS / FORN PRESS CENTER

ACTION: PREPARE REPLY FOR CLARK SIG DUE: 27 MAY 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BLAIR

SIMS

COMMENTS

REF#

LOG

NSCIFID

(H /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
BLAIR	<i>2/26</i>	No action required		Blair 5/26/83

DISPATCH

W/ATTCH

FILE

ah

(C) VMB

150738 + 150842
1110
FG006-01

June 24, 1983

MEMORANDUM FOR THE RECORD

RE: VIRGINIA KNAUER FILES

Among the eighteen cartons of files recently received from Virginia Knauer's office, a number were only partially filled. To the extent that it was possible, the contents were consolidated, reducing the number of cartons from eighteen to fourteen. The following list reflects the changes.

Box Numbers	Box numbers as shown on Knauer's inventory	Oversize Attachment numbers
1	1, 2, 3	7362, 7363, 7364
2	4	7365
3	5	7366
4	6	7367
5	7	7368
6	8	7369
7	9	7370
8	10	7371
9	11	7372
10	12	7373
11	13, 14	7374, 7375
12	15, 16	7376, 7377
13	17	7378
14	18	7379

Enclosures filed in
Oversize Attachments

7362 through 7379 (Boy Numbers 1-14)

MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION

June 2, 1983

MEMORANDUM FOR ROBERT C. MCFARLANE/DAVID GERGEN

FROM: ROBERT B. SIMS

SUBJECT: Weekly Public Affairs Committee Meeting Today,
5:00 P.M., Situation Room

Arms control book public affairs planning should be the major topic. I have alerted State, Defense, USIA and ACDA that the book is nearing completion, and that we need a comprehensive interagency plan to take maximum advantage of its publication. State will take the lead in discussing the public affairs plan. Objectives, timing of release, forum, briefings, Congressional relations aspects, should be considered. I recommend that we:

- Set a target date for release at today's meeting (June 9, which has been mentioned, seems too soon -- but it should go out before the key M-X procurement votes. The June 9 date is keyed to Shultz NATO meeting in Paris).
- Obtain a consensus on the President's role (should he get the first copy from Shultz, Weinberger and Adelman in a photo opportunity? Should he make a statement or speech on the day of its release?).
- Task State to coordinate an interagency plan and forward it to NSC promptly.
- Task USIA to take the overseas Public Diplomacy lead through International Information Committee and ask that that plan also be forwarded to NSC.

Alan Romberg will attend today's meeting. I have asked John Hughes and Alan to begin work on the public affairs plan.

Public affairs aspects of NSC meeting on START should also be discussed. It is now widely understood that the meeting will be next Tuesday, June 7. Should there be press backgrounding, either before or after the meeting? After the President decides on modified START proposal, how will it be made public? We have numerous publications, press guidances, speeches, etc., that will need some revision. A Presidential Statement or speech could be very effective from a domestic and overseas public affairs point of view.

NSC #8303791

150848

FG006-01

ND018

F0006-03

FG006-12



NEEDS SIGNATURE

Agenda (Tab I) and list of attendees (Tab II) for today's meeting are attached.

Attachments

TAB I Agenda
TAB II List of attendees

PUBLIC AFFAIRS COMMITTEE MEETING

Thursday, June 2, 1983, 5:00 P.M. - Situation Room

AGENDA

1. Arms Control Book -- State
 - o Timing
 - o Presidential involvement
 - o Public Affairs Plan

2. START Proposal -- McFarlane
 - o Backgrounders
 - o Public statement

3. Day-by-Day Events

Friday, June 3 --

Saturday, June 4 -- RR radio talk.

Sunday, June 5 -- Talk shows:

Monday, June 6 --

Tuesday, June 7 -- NSC meeting. RR visit from President Houphouet-Boigny of the Ivory Coast. RR meeting with Jewish Leaders.

Wednesday, June 8 -- START talks resume.

Thursday, June 9 -- RR to Minnesota.

Friday, June 10 --

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on Thursday, June 2, 1983

for Robert C. McFarlane/David Gergen of WH/NSC
(NAME OF PERSON TO BE VISITED) (AGENCY)

1700 Hours

d'AMECOURT, John
LEHMAN, Joseph
ROMBERG, Alan
SHIRLEY, John
TOMLINSON, Kenneth
WELLES, Benjamin

WH/NSC

Joanna Bistany
Mort Allin
Shirly Green
James Rentschler
Bob Sims

MEETING LOCATION

Building White House

Requested by B. Houck

Room No. Situation Room

Room No. 365 Telephone 6965

Time of Meeting 1700 Hours

Date of request 6/2/83

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6048 or WHITE HOUSE - 456-6742

National Security Council
The White House

Package # 3791

1302

JUN 02 1983

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>Has Copy</u>	<u>I</u>
Bud McFarlane	<u>2</u>		
Jacque Hill			
Judge Clark			
John Poindexter			
Staff Secretary			
Sit Room			

I-Information ~~A-Action~~ R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

Cg to Bud-

NSC/S PROFILE

UNCLASSIFIED

ID 8303791

RECEIVED 02 JUN 83 16

TO MCFARLANE

FROM SIMS

DOCDATE 02 JUN 83

KEYWORDS: MEDIA

ARMS CONTROL

GERGEN, D

START

AGENDA

SUBJECT: WEEKLY PUBLIC AFFAIRS COM 2 JUN MTG

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCFARLANE

COMMENTS

REF#

LOG

NSCIFID

(H /)

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

6/3

Noted by MCFarlane

~~BS~~ *BS*

DISPATCH

W/ATTCH

FILE

WH CCJ

2/



DeAnza College

21250 Stevens Creek Blvd.
Cupertino, CA 95014

file

150865

4610

FG 006-01

6-20-83 ^{WS}

Craig-

I'm impressed!

If the president was surrounded
by more advisors the likes
of you...

Next time you are in
California and care to talk
education, let me know.

Joriarose^x Ott

friend of Vasconcello's's from
your brother's wedding

'83 JUN 23 A10 :26

ID # 150870 CU
FE 0116-01

WHITE HOUSE
 CORRESPONDENCE TRACKING WORKSHEET

SME

- O - OUTGOING
 - H - INTERNAL
 - I - INCOMING
- Date Correspondence Received (YY/MM/DD) 1 / 1 /

Name of Correspondent: Faith Ryan Whittlesley

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Letter to Help the "Cast the Sleeping Elephant" project

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CWH011</u>	<u>ORIGINATOR</u>	<u>830624</u>	<u>PY</u>		<u>C 83107114</u>
	Referral Note:				
<u>CWAT 17</u>	<u>D</u>	<u>8310624</u>	<u>PY</u>		<u>C 83107114</u>
	Referral Note:				
<u>CWFIELD</u>	<u>S</u>	<u>83107114</u>	<u>JW</u>	<u>RF A</u>	<u>83107114</u>
	Referral Note:				
		<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:				
		<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:				

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: 0 Individual Codes: 1110 _____

Prime Subject Code: FG 006 01 Secondary Subject Codes: _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C _____	_____	Time: _____	P- _____
DSP _____	_____	Time: _____	Media: _____

SIGNATURE CODES:

- CPn - Presidential Correspondence**
- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

- CLn - First Lady's Correspondence**
- n - 0 - Unknown
- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 - Mrs. Ronald Reagan

- CBn - Presidential & First Lady's Correspondence**
- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

MEDIA CODES:

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

THE WHITE HOUSE

WASHINGTON

July 14, 1983

MEMORANDUM FOR FAITH RYAN WHITTLESEY
ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC LIAISON

FROM: FRED F. FIELDING *Orig. signed by FFF*
COUNSEL TO THE PRESIDENT

SUBJECT: Letter to Help the
"Cast the Sleeping Elephant" Project

This will respond to your request for our views on whether you should sign a proposed letter in support of the "Cast the Sleeping Elephant" project. In that request, you stated that the letter would not be used to raise funds but just to authenticate your knowledge of Mihail. Additionally, you stated that you would not use White House stationery or your title for such letter.

The letter that you have been requested to sign makes implicit reference to your White House position in its first sentence. If you decide to sign this letter, we recommend that you do so only after deleting that reference to the White House.

Additionally, we are concerned that despite your request to the contrary, this letter will be used as a means of soliciting financial support for Mihail's project. As you know, we recommend against any White House employee being involved in any promotion of commercial projects in any manner which suggests that their public position is being used for private gain. We believe that it will be difficult for you to preclude reference to your public position in connection with your support of this commercial project. Accordingly, we recommend against approval of the attached letter or any letter of support of this commercial project.

FFF:SMC:ph 7/14/83
cc: FFFielding
SMCooksey
Subject
Chron.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 14, 1983

FOR: FRED F. FIELDING
FROM: SHERRIE M. COOKSEY *SMC*
SUBJECT: Faith Whittlesey Request

Faith Whittlesey has requested your views as to whether she should sign a letter of support for an individual who has developed a project entitled "Cast the Sleeping Elephant". Whittlesey states that she would not use White House stationery for such letter or include her title in the letter.

Attached for your review and approval is a memorandum to Whittlesey recommending against her approval of such letter.

Attachment

THE WHITE HOUSE
WASHINGTON

150870 CW

June 22, 1983

MEMORANDUM FOR FRED FIELDING

FROM: FAITH RYAN WHITTLESEY *FRW*
SUBJECT: Letter to Help the "Cast
the Sleeping Elephant" Project

Mihail has met with me a couple of times concerning his project to "Cast the Sleeping Elephant". I have agreed to write a letter for him, not to help him raise funds, but just to authenticate my knowledge of him as a person.

I do not propose to write this letter on White House stationery or use my title. Attached is the draft letter he has suggested.

Is there any legal reason why I, as a private citizen, should not do this?

Thanks.

Mihail met with me at the White House and showed me his project, "Cast The Sleeping Elephant."

I would like to express my full support.

I appreciate Mihail's work and I believe the concept of his project will benefit people and their environment.

May I ask you to extend whatever help you can to Mihail and his associate, Hubert Graf.

Looking forward to Mihail's success.

Sincerely,

Ms. Faith Ryan Whittlesey
~~Assistant to the President~~
~~for Public Liaison at the~~
~~White House, Washington, D.C.~~

PLAIN PAPER
NO TITLE

U.S. IN THE WORLD ECONOMY

REMARKS TO THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

SEPTEMBER 20, 1982

150887PD

FG006-01

FG006-07

DDI

Let me begin by saying that it is a great pleasure to be here in Hong Kong, the scene of my favorite American television series -- The Freedom to Choose. As some of you may know, Milton Friedman, the American Nobel Prize winning economist, wrote a book, The Freedom to Choose, which was converted into a ten-part television series in the United States. One of the programs was done here in Hong Kong which Dr. Friedman refers to as the "best example" of a contemporary society that relies primarily on a market economy and a limited government. He sees the Hong Kong economy as by far the most efficient way of producing the greatest economic good for the average individual with the available resources.

I am sincerely grateful that there is a Hong Kong which can serve as an example to both the East and the West of the tremendous value we should place on a market oriented economy.

I am particularly grateful to be addressing you, the American Chamber of Commerce in Hong Kong and guests. This Administration has close working ties with the Chamber's throughout the world and I am delighted to contribute to this close working relationship.

Before I discuss the subject that you asked me to talk about today, "The Role of the U.S. in the World Economy." I would like to digress for a moment to discuss a recent and related topic.

Last month the U.S. and China reached agreement on a new US/PRC communique. We believe that the communique reaffirms fundamental principles which have governed our relations with the People's Republic of China and the people of Taiwan since normalization. It establishes a basic framework for dealing with the issue of US arms sales to Taiwan. It reflects the great importance we place on a strong US/PRC relationship and the continuation of unofficial relations with the people of Taiwan. We expect that the communique will enable us to develop further a wide range of friendly ties between the US and China and to maintain our unofficial relations with the people of Taiwan.

Turning to the communique itself, let me point out a few key features. First, the communique contains a strong Chinese statement that its fundamental policy is to resolve the Taiwan question by peaceful means. The US statements concerning future arms sales to Taiwan are based on China's statement as to its fundamental peaceful policy for seeking a resolution to the Taiwan question. Second, we did not agree to set a date certain for ending arms sales to Taiwan and the statements of future US arms sales policy embodied in the communique do not provide either a time frame for reductions of US arms sales or for their termination.

Beyond the actual communique. Over the past several months, there has been considerable speculation about the substance

of our discussions. It might be useful to point out that our position on the resolution of the Taiwan problem is that it is a matter to be worked out by the Chinese themselves. Our sole and abiding concern is that any resolution be peaceful. It follows that we see no mediation role for the US nor will we attempt to exert pressure on Taiwan to enter into negotiations with the PRC.

But back to the topic I have been invited to comment on today "The Role of the U.S. in the World Economy." That role depends on two things -- the strength of the U.S. economy and the relative strength of the world economy.

My basic thesis is that the U.S. economy over the years had developed some fundamental structural weaknesses which are in the process of being repaired and that the world economy is showing some of these same weaknesses, but is further away from recovery. The net result of this is that the U.S. will play a more important role in the world economy during the next few years than it has during the last few years.

The election season is upon us in the United States. Election rhetoric is probably the same around the world. The light it sheds is inversely proportional to the heat it generates. A theme popular in some quarters of the U.S. is that the President's Economic Recovery Program is the cause of, and not the cure for, the economic weaknesses of the United States in the last few years.

One does not have to step back very far to see the fundamental wrong headedness of that theme. Step back to 1980, another election year. The American people brought Ronald Reagan to the Presidency because he offered hope. The hope that there was an economic policy which could tame inflation and stimulate real economic growth.

What are the facts? Why did the President call his economic program "an economic recovery program"?

Let's take a look at three periods:

- The relative halcyon years of 1955 through 1968.
- Secondly, the years 1969 through 1978.
- And, finally, the last few years, 1979 through 1981.

In that first period, we find that inflation as measured by the Consumer Price Index was only 2.4%. It virtually tripled during the '70's to 6.3% and during the last period of 1979 through '81, it averaged 9.1%. The prime interest rate in the United States showed the same sort of pattern going from 3.9% to 6.9% to 12.7%. Likewise we see a deterioration with respect to the rate of unemployment rising from 5% to 6% to almost 7%.

These numbers, I would suggest, illustrate a fundamental structural shift in the American economy which over the long term was unsustainable. Unsustainable because of the tremendous pressures that high rates of inflation and interest put on the economy but also unsustainable because we find that the real growth in our GNP declined from 3.7% to 3.1% to less than 1%.

Well what was the situation on Inauguration Day, 1981. There we found inflation at 12.4%. The prime interest rate at 21.5%, the real GNP virtually dormant at 0.4% and the unemployment rate at 7.5%.

Meanwhile, we found federal spending increasing during fiscal '80 at an annual rate of some 17% a year which means that by the end of the President's first term, the federal budget would have doubled.

Well what was the President's Economic Recovery Program? Number one, it was to cut taxes to stimulate savings and investment. Number two, it was to cut the rate of growth in federal spending. Number three, it was to reduce the regulatory burden which years of misdirected public policy had levied as a tax on American productivity and, finally, it was to promote a stable, moderate growth in the money supply.

What are the interim results? Inflation has dropped from 12.4% to 6% during the last few months. The prime rate has dropped from the Inauguration Day level of 21.5% to 13.5%. And the unemployment rate, traditionally a lagging indicator of economic recovery, remains too high at 9.8%. A level at which it's been for the last several months.

On the federal spending front, we can report some progress. That 17% rate of increase has been cut, if the President's '83 budget is accepted, to less than 5% and, indeed, in the last 18 months, we have uncovered and saved the American taxpayers some 10 billion dollars in the President's campaign against fraud, waste, and mismanagement in government.

The short-term economic outlook in the United States is filled with paradoxes. One economist/humorist (aren't they all) friend of mine has suggested that the bad news is the good news and that the good news is the bad news.

Actually there is some logic to his point. First the bad news that we expect the recovery to be slower than the average historic pattern since World War II, is the good news because this slow recovery should make for steadier, stronger real growth.

And the good news is the bad news simply means that the good news, that interest rates are much lower, is bad news because the economy may be softer than expected at this point in the recovery.

The longer term outlook, for the fundamentals of the American economy, is excellent. The productivity of the American worker, which still outstrips that of other major industrialized nations, should only get better. It should get better because of fundamental demographic trends. Our work force will be a little bit older but still in the prime working years, they will have more formal education and more on-the-job experience. We anticipate that our net national savings will be increasing significantly. Clearly, our tax laws have been reformed to improve the tax climate in the United States. The consensus among economic forecasters is that interest rates will continue to trend lower. All of this means that there will be more capital investment per worker and that's a major contributing factor to improved productivity. Overall, I believe that our real GNP in the United States will be above the historic trend levels during the mid-'80s.

While the United States is indeed the world's largest free market within itself, we are significantly concerned about international trade. International trade has risen to some 10 percent of our gross national product.

Some of the actions that this Administration has taken to further consolidate trade responsibilities are:

- o Strengthening the Department of Commerce and the United States Trade Representative
- o Establishing the Foreign Commercial Service within the Department of Commerce
- o Promoting laws, such as the Export Trading Company legislation, which will facilitate trade and
- o Continuing efforts to negotiate with a variety of governments to improve American access to those markets.

Another example of this Administration's efforts to solve international trade issues is the multifiber arrangement (MFA) agreed to this past December in the GATT. In our view the new arrangement provides a successful resolution of a crucial international trade issue. Agreement by the global textile community to renewal of the MFA has averted a serious threat to the international trading system.

The new protocol provides latitude in the negotiation of bilateral textile agreements for the two partners to agree to lower, positive growth rates for the particular products in cases where there is market disruption. It provides for a mutually acceptable arrangement regarding flexibility rates for very large, heavily-utilized quotas for such products accounting for a major share of a given import market. The protocol also provides for mutually acceptable solutions to problems relative to particularly large restraint levels.

New entrants and small suppliers will be given more favorable treatment according to the terms of the protocol. In addition, the protocol allows for bilateral agreement on the resolution of problems arising from the increases in trade in large, under-utilized quotas from one year to the next.

I would like to turn next to an important initiative for US manufacturers and exporters which is presently pending in the Congress. This legislation would provide for the formation of export trading companies which would serve as export intermediaries for US companies. Presently, tens of thousands of small and medium-sized companies produce goods and services which are competitive overseas. These companies have not entered the foreign markets in large part because of their unfamiliarity with foreign customs, language and laws, and the tremendous costs and risks involved in developing overseas markets.

Exports trading companies can tap this potential export resources by providing the full range of export services and functions to these companies. By diversifying trade risks and achieving economies of scale in export trade services, export trading companies can serve as the ideal intermediaries to facilitate these exports.

Bank participation in export trading companies can provide the financial resources and expertise that will be essential ingredients to the success of export trading companies. Government regulation, however, presently excludes US banks from offering most export services. In addition, antitrust uncertainties deter US companies from cooperating in their export activities.

This legislation would allow bank participation in and ownership of export trading companies under strictly regulated conditions. It would also provide for a pre-clearance certification process to ensure that specified activities and methods of operation are not in violation of the antitrust laws.

I should point out that this legislation constitutes in no way an export subsidy. It will simply allow American firms to cooperate in exporting, which is something that only American firms are currently unable to do because of our current bank regulatory and anti-trust laws.

This legislation has passed both Houses of the Congress and is currently in conference between these bodies to work out the differences in the versions of the bills. We expect the legislation to be sent to the President for signature in the coming months.

Thus, trade policy is a key element of the President's Economic Recovery Program. The President's trade policy reflects his deregulatory thrust domestically: the less unnecessary regulation of trade we have the better off we all are.

Part of the problem in international trade is finding a level playing field so that the classic economic benefits of comparative advantage can be realized and the producers in each country feel that they are playing by the same rules.

There are a couple of problems in all this. First, the game has already started as we are looking for this level playing field. Second, each of the many teams, simultaneously playing the game, feel that they are disadvantaged by the bad economic weather and are thus struggling to gain some compensatory change in the rules as the game is in progress.

Despite the devotion of the Administration to the concepts of free trade, the forces of protectionism are at work in the United States and they consider their work a holy cause.

In the Congress, you'll find that the only Reagan veto overridden by the Congress was the protectionist manufacturers clause requiring that certain types of books be manufactured in the United States and that foreign printers might not manufacture such books for distribution in the United States. Also we've seen a strong

sentiment in favor of bilateral reciprocity, sector by sector. And finally, the biggest battle currently raging is over what's called "local content." Here we find the United Auto Workers buying full page advertisements in the Washington newspapers urging members of Congress to enact legislation which will require that any firm exporting to the U.S. more than 100,000 autos into the United States have at least 90% of the content of that auto manufactured by American labor. The average current local content of Japanese manufacturers is about 20%.

Meanwhile, there are a number of laws already on the books designed to ensure fair trade. Many American companies are utilizing these laws. For example, one company is suing to deny investment tax credits to numerically controlled machining units imported from Japan on the basis of alleged cartelization and subsidization of Japanese producers. American firms have also complained that European and Japanese steel companies are dumping their steel in U.S. markets which requires an investigation by the International Trade Commission and the Department of Commerce into the existence of dumping and injury to the U.S. producers.

We've also been engaged in actions of an American subsidiary of a West German firm suing to prevent a Canadian firm and a French firm from subsidizing the sale of subway cars to the City of New York under U.S. countervailing duty law and Section 301 of the 1974 Trade Act. And finally, we have firms requesting the imposition of

additional tariffs on ferroalloys under Section 232 of the Trade Expansion Act because of the alleged threat to the U.S. national security.

The vigor of the battle between protectionism and free trade in the United States reflects the weaknesses of the world economic picture. During the 1960's and '70's, the industrialized countries grew at a rate of 5.1% and 3.3% respectively. But since, 1980, they have grown at less than 1.4%. For the developing nations, growth during the 1960's and '70's exceeded 5.6%, but for 1982 it declined to 2.2%.

Don't these numbers suggest a pattern similar to that of the United States.

The root of the weakness in the world economy is fundamentally the same as the weakness we find in the U.S. domestic economy - inflation.

Inflation breeds the notion that the value of commodities is spiraling ever upwards. This also tends to breed the notion among those closest to the commodities that the real value of the commodities must be going up because the commodity is growing ever scarcer and cannot be substituted.

Oil is a good example of this phenomenon. There is a finite supply of oil. But we are finding more of it and we are finding substitutes for it. One of which is conservation. Economic decisions around the world were made based on an oil price of 35 to 50 dollars a barrel and on commodity prices bloated by inflation. And, too often, inflation has been regarded as the cure rather than the disease.

The net result is that the international economic system is very troubled. The problems are most visible in the international lending area. Among the Communist Eastern Bloc countries in Europe, we already find Poland owing at least 26 billion dollars to Western countries. Romania has needed to reschedule its larger debts and other Eastern Bloc countries have also become suspect credits as the socialist economies have failed to match the performance of more market oriented economies. However, the problem in Latin America is also significant as is evidenced by Mexico's devaluation and its efforts to reschedule almost 60 billion dollars of debt owed Western banks. Meanwhile, Argentina is still suffering the economic consequences of the Falkland Island War and an inflation rate of 500%. This indeed puts serious strains on the international lending system. But it is a strong system which has endured a series of major shocks. A calm, rational, disciplined approach to the international lending situation will succeed. Clearly commercial bankers need to carefully monitor the credit worthiness and needs of their clients and help them work their way out of their problems.

Governments need to focus less on today's most popular political demand and more on what will heal the economic dislocation they may be facing. Bank regulators need to avoid overreacting.

A word should be said about the International Monetary Fund and its role in underpinning the international system. The policies of the IMF and the World Bank during the late 1970's raised fundamental questions among industrialized countries. In many cases, IMF policies seemed designed more to curry political favor with some countries by financing deficits rather than helping to design and discipline programs to reduce deficits to sustainable levels. I now believe that we can again have confidence in the IMF and that it can do the job.

All of these problems in the international lending arena put a strain on U.S. commercial banks who are of course bankers to the world economy as well as to the U.S. domestic economy. But our U.S. banks have weathered the shocks of the highest levels of commercial bankruptcies since the 1930's and a large number of financial failures including the Penn Square Bank situation. The U.S. Federal Reserve system has been strong, quick and effective in dealing with domestic and international lending problems. I'm confident that it will continue to function in this manner, but more importantly, I think there is more worldwide confidence that the U.S. Federal Reserve system has the will and the ability to do so.

Where does this leave the U.S. role in the world economy?

- o The U.S. continues to be a strong force in the world economy. It still is responsible for producing over 20% of the world's gross domestic product.

- o The U.S. is emerging from the worldwide recession a little earlier than others. The inflation fever has run its course in the United States.

- o The U.S. is playing a key role in supporting other economies of the world through our banking system and as a trading partner.

- o Finally, the U.S. will be a decisive leader in seeing the world economy through its present difficulties. Our hope is that our actions will always be in concert with our allies and trading partners, but, even where they may not be, our respect for other countries manifests itself not only in the fair exchange of goods and services but in the exchange of ideas.

THANK YOU.

<u>Country</u>	<u>Unemployment</u>	<u>Inflation</u>	<u>GNP</u>
United Kingdom	13.8 %		
France	8.9 %*		(0.1) 82:1
West Germany	7.4 %*		
United States	9.8 %	7.3	1.3 82:2
Italy	8.6	17.2	
Spain	14.0		1.5

*Post War Record