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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

DLB 10/23/2006

File Folder UNITED KINGDOM (05/24/1981) [TOO LATE TO FILE] (1 OF 2)

FOIA

F02-071/1

Box Number 20

COLLINS

67

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
29211	MEMO	DOUGLAS MCMINN TO ROBERT MCFARLANE, RE: YOUR BRIEFING PACKAGE FOR THE PRESIDENTIAL BRIEFING ON THE LONDON ECONOMIC SUMMIT <i>R 12/5/2011 F2002-071/1</i>	2	5/24/1984	B1
29213	PAPER	REVIEW OF POLITICAL ISSUES <i>R 7/31/2008 NLRRF02-071/1</i>	4	ND	B1
29214	PAPER	ECONOMIC RECOVERY AND OUTLOOK <i>R 7/31/2008 NLRRF02-071/1</i>	5	ND	B1
29215	PAPER	FINANCE, DEBT, MONETARY <i>R 7/31/2008 NLRRF02-071/1</i>	1	ND	B1
29216	PAPER	U.S. OBJECTIVES AND TACTICS <i>R 7/31/2008 NLRRF02-071/1</i>	4	ND	B1
29217	PAPER	TRADE <i>R 7/31/2008 NLRRF02-071/1</i>	2	ND	B1
29218	PAPER	U.S. OBJECTIVES AND TACTICS - FOR TRADE <i>R 7/31/2008 NLRRF02-071/1</i>	5	ND	B1
29219	PAPER	MANNED SPACE STATION <i>R 7/31/2008 NLRRF02-071/1</i>	2	ND	B1

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

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
29220	PAPER	U.S. OBJECTIVES AND TACTICS - MANNED SPACE STATION <i>R</i> 7/31/2008 <i>NLRRF02-071/1</i>	4	ND	B1
29221	PAPER	ENVIRONMENT AND TECHNOLOGY <i>R</i> 7/31/2008 <i>NLRRF02-071/1</i>	1	ND	B1
29222	PAPER	POSITIONS OF OTHERS <i>R</i> 7/31/2008 <i>NLRRF02-071/1</i>	3	ND	B1

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RECEIVED 25 MAY 84 14

TO MCFARLANE FROM MCMINN

db 10/20/06

DOCDATE 24 MAY 84 |

KEYWORDS. GREAT BRITAIN SUMMIT
INTL TRADE

SUBJECT. BRIEFING PACKAGE FOR PRES BRIEFING ON LONDON ECONOMIC SUMMIT ON 29 MAY

ACTION: FOR INFORMATION DUE: STATUS C FILES SII

FOR ACTION
MCFARLANE

FOR CONCURRENCE

FOR INFO
POINDEXTER
KIMMITT
FORTIER
MARTIN

COMMENTS

REF# LOG NSCIFID (B / B)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO
C MAY 29 1984 McFarlane noted *M*

DISPATCH _____ W/ATTCH FILE _____ (C)

National Security Council
The White House

94

System # II

ED

Package # 90634

8 MAY 25 P 2: 33

1183 2

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep. Exec. Sec'y	<u>1</u>	<u>✓</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane	<u>3</u>	<u>M</u>	<u>A</u>
Bob Kimmitt			
NSC Secretariat	<u>4</u>	<u>B</u>	<u>N</u>
Situation Room			

MAY 29 1984

I = Information **A = Action** R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: 5/29 10⁰⁰ am
(Date/Time)

Your package for Tuesday's Summit meeting

~~CONFIDENTIAL~~

29211

SYSTEM II
90634

MEMORANDUM

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL

May 24, 1984

ACTION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: DOUGLAS W. McMINN *DM*

RCM HAS SEEN

SUBJECT: Your Briefing Package for the Presidential Briefing on the London Economic Summit-- May 29, 1984, 10:00 a.m.- 12:00 noon, in the Cabinet Room

We have scheduled a 2-hour meeting with the President on May 29 to brief him on the political and economic issues for the London Summit. The first half-hour will be devoted to the political agenda. The remainder of our time with the President (1½ hours) will be used to address the Summit economic issues. The agenda for the session on May 29 is at Tab A.

Sequence of Events

Political Agenda

- o You will introduce the political briefing for the President, emphasizing the Persian Gulf and energy cooperation.
- o Secretary Shultz will follow with a review of the political setting and objectives.
- o Assistant Secretary Burt will then brief on each of the political issues to be discussed in London.
- o Burt will conclude with a report on the status of preparations and prospects.
- o After discussion of the political issues, if any, you should then turn to the economic agenda.

Economic Agenda

- o You will be expected to introduce each issue.
- o After you introduce an issue, the appropriate "presenter" will outline the U.S. position and tactics, as well as the positions of other Heads of State.
- o A discussion with the President, White House staff and Cabinet Officers will follow.

(We will go through the above drill issue-by-issue.)

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BY *RWD* NLRP F02-0711 #29211
MAR DATE 12/5/11

~~CONFIDENTIAL~~

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Talking points for your use in introducing the political discussions have been drafted by Don Fortier and are attached at Tab B. The Sherpa team, plus Gil Rye, has also prepared talking points for your use on the economic side. For your own background for the meeting, we have also provided the talking points each presenter will use in briefing the President. Both sets of talking points are at Tab C, and are keyed to the meeting agenda.

Attachments

TAB A Agenda
TAB B Talking points--political
TAB C Talking points--economic
TAB D List of participants

cc: John Poindexter
 Bob Kimmitt
 Don Fortier
 Bill Martin

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A

CONFIDENTIAL

PRESIDENTIAL BRIEFING
LONDON ECONOMIC SUMMIT

Tuesday, May 29, 1984
10:00 a.m. - 12:00 noon
The Cabinet Room

dlb

10/20/06

AGENDA

I. Summit Political Discussions
(1/2 hour)

A. Introductory Remarks Robert C. McFarlane

B. Political Setting and Objectives Secretary Shultz

C. Review of Political Issues Assistant Secretary
Burt

- 1. East-West Relations
- 2. Arms Control
- 3. Terrorism
- 4. Persian Gulf and Energy Cooperation
- 5. Other Regional Issues

D. Status of Preparations Assistant Secretary
Burt

II. Summit Economic Discussions
(1 1/2 hours)

A. Issue-by-Issue Review

1. Economic Recovery and Outlook

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2½ minutes)	Under Secretary Sprinkel
Positions of Other Heads of State:	(2½ minutes)	Under Secretary Sprinkel
Discussion:	(5 minutes)	President, Cabinet Officers and White House Staff

2. Finance, Debt and Monetary Issues

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(3 minutes)	Under Secretary Sprinkel
Positions of Other Heads of State:	(4 minutes)	Under Secretary Sprinkel
Discussion:	(8 minutes)	President, Cabinet Officers and White House Staff

3. Trade

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2½ minutes)	Douglas W. McMinn
Positions of Other Heads of State:	(2½ minutes)	Douglas W. McMinn
Discussion:	(5 minutes)	President, Cabinet Officers and White House Staff

4. Manned Space Station

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2½ minutes)	Colonel Gilbert Rye
Positions of Other Heads of State:	(2½ minutes)	Colonel Gilbert Rye
Discussion:	(6 minutes)	President, Cabinet Officers and White House Staff

5. Environment and Technology

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2½ minutes)	Under Secretary Wallis
Positions of Other Heads of State:	(2½ minutes)	Under Secretary Wallis
Discussion:	(4 minutes)	President, Cabinet Officers and White House Staff

6. East-West Economic Issues

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2 minutes)	Ambassador Morris
Positions of Other Heads of State:	(2 minutes)	Ambassador Morris
Discussion:	(4 minutes)	President, Cabinet Officers and White House Staff

7. Other Issues

Introduction:	(2 minutes)	Robert C. McFarlane
U.S. Objectives and Tactics:	(2 minutes)	Under Secretary Wallis
Positions of Other Heads of State:	(2 minutes)	Under Secretary Wallis
Discussion:	(4 minutes)	President, Cabinet Officers and White House Staff

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B

Review of Political Issues

Introduction: Robert C. McFarlane

-- Mr. President, the Summit provides an opportunity to discuss a rich variety of political issues.

-- Although the French and some of our other Allies have been reluctant at times to admit political issues to the Summit agenda, we have always pushed hard to have such topics included. In our view it would be unnatural for the leaders of the Free World to meet and not discuss the pressing political and security questions that so vitally affect our common welfare.

-- There are four basic topics on our agenda. Rick Burt will review these in greater detail, as well as provide the setting in which each of the political consultations will occur. The topics are: East-West relations; Arms Control; the Iran-Iraq war; and terrorism. No doubt we will want to exchange views on other regional issues as well.

-- Sometimes we approach a Summit in Europe expecting to be ganged-up on, especially on East-West relations and arms control. I wonder whether this won't be less of a problem this time.

-- The Europeans are, after all, very conscious of two extremely successful Presidential Asian trips. They have a stake in overcoming the perception that they may be growing weaker, more divided, and less reliable.

-- Moreover, Soviet belligerence makes it seem fruitless to argue for fresh initiatives. They also know that election-year timing doesn't allow major new movement, and that small steps may seem wasted.

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BY CN NARADATE 7/31/08

-- The principal European governments are themselves as nervous about the solidity of smaller ones (e.g., Dutch) as about us. They are probably also surprised at how INF public pressure has eased, not mounted.

-- If all this is correct, it may mean that there will be somewhat less pressure on us in the political sphere. Perhaps there are even opportunities for gains. But we shouldn't be complacent. Real question: how to exercise leadership to make sure we don't have to settle for lowest common denominator unity?

-- This question obviously applies to issues on which we want to get their support this time around. But also should ask what messages the President should convey to lay groundwork for next year and after.

-- In addition to the standard arms control issues, you will recall, Mr. President, that last year--prior to the Summit--you encouraged the Allies to support your non-proliferation efforts by calling for comprehensive safeguards. Since then, we have worked hard to bring about the first nuclear suppliers' meeting in years for the purpose of discussing your proposal. Because of the sensitivity of the issue we will not announce this until the time of the meeting in July--but you will want to take note of this constructive development.

-- Depending on the turn of events, the escalation of the conflict between Iran and Iraq, and the effect of that conflict on energy supplies, could very well dominate the political talks at the Summit.

-- You will want to stress the very real effort we have made to avoid an atmosphere that provokes additional recklessness by either of the two parties. We have increased security assistance to threatened non-belligerents like Saudi Arabia to reduce to the maximum extent possible our own involvement. We have worked to prevent a sudden and complete collapse in Iraq, while vigorously condemning that country's use of chemical weapons. And we have energetically enlisted others to press Iran on the need for restraint. In short, there is no legitimacy whatsoever to European concerns that we might use the crisis to make a dramatic display of military power in the Gulf.

-- At the same time you will need to remind the Allies that despite our best efforts, the crisis may escalate to the point that oil resources are dangerously threatened. If that moment comes, we expect that our friends--whose stake in the oil is immense--will join with us in responsible defensive action. We also will expect their help in urging market restraint and in early drawdown.

-- We have a very fine line to walk. We have to re-emphasize our commitment to act to prevent the Gulf states, and even the Soviets, from miscalculating. At the same time, we don't want to be so far forward that we provoke the Iranians to escalate, while convincing the Europeans we are prepared to handle this common problem by ourselves while they stand back.

-- Terrorism is another critical agenda item. It is fitting that this be discussed among free world leaders, since terrorism is, above all else, a threat to democratic societies.

-- For a while, the Europeans were somewhat suspicious of our concern over terrorism, suspecting that it was driven simply by East-West considerations. While it is true that Soviet and Soviet bloc financing and support is a major engine behind international terrorism, the problem is in fact far broader and more complex, as the Europeans are beginning to discover.

-- Recent dramatic terrorist events in Europe have helped to heighten concern and legitimate the seriousness of your approach.

-- The Europeans are concerned about reports of your less passive approach to terrorism. You should say that we have no intention whatsoever of being reckless in combating terrorism, but that you reject the notion that we should allow our societies to become hapless victims and spectators of terrorism.

-- You should also say that the bulk of what we propose is better intelligence, more expeditious cooperation, removing sanctuary for terrorists, and bolder public efforts to remove the screen behind which supporters of terrorism hide. The better we cooperate on these objectives, the less likely it will be that we will have to resort to force.

-- There is some possibility that the British may want to turn a discussion of terrorism into a discussion of Libya. This is not altogether undesirable. We have been trying to engage our Allies in the Libyan problem for some time. We need to make two key points, however: the problem of Libya goes far beyond terrorism (e.g., regional subversion), and the problem of terrorism goes far beyond Libya.

Prepared by:
Don Fortier

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ECONOMIC RECOVERY
AND OUTLOOK

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29214

ECONOMIC RECOVERY AND OUTLOOK

Introduction: Robert C. MacFarlane

- o Mr. President, the first agenda item and the primary focus of the London Summit economic discussions is the economic recovery and outlook.
- o Let me first create the setting in which the London discussions are likely to occur.
- o The economic environment has improved dramatically since the Ottawa Summit in 1981, where you first presented your views on economic policy to the others.
- o At that time, inflation averaged 10 percent in the Summit countries and real growth was just above 1 percent.
- o In sharp contrast, inflation will be about 4.5 percent in 1984 in the Summit countries; growth will exceed 4 percent.
- o There is clear recognition among the Summit countries that the basic anti-inflationary stance you advocated at Ottawa, which was subsequently adopted by virtually all Summit countries, is responsible for the economic recovery.
- o At London, your discussions will address how to preserve the recovery and spread it to other industrial nations and the developing world.
- o Beryl Sprinkel will review our objectives and those of our Summit partners in this area.

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NLRR F020711 #29214

~~CONFIDENTIAL~~

BY

CV

NARA DATE 7/31/08

~~CONFIDENTIAL~~

Presenter: Beryl W. Sprinkel

U.S. Objectives and Tactics

- o Mr. President, first you will want to note the strength and balanced nature of the U.S. expansion, and its major role in leading the world out of recession. You might also want to remark on the significant progress Summit countries have made over the past year toward achieving convergence of economic performance around a low inflation/high growth path as a result of pursuing sound policies.
- o Second, you will want to obtain a reaffirmation of the policies you espoused at Ottawa as the basis for a sustainable recovery, specifically:
 - Stable, moderate money growth to reduce inflation and inflation expectations, hence lowering interest rates.
 - Reduction in public sector spending to increase resources available for private investment and to reduce budget deficits.
 - Reduction in the level of government involvement in the economy to let resources flow in response to market forces.
- o Another U.S. objective is to counter foreign criticism of the U.S. budget deficit and rising interest rates. All of our Summit partners have, to varying degrees, indicated their concern about the U.S. deficit, rising interest rates, and their effect on the sustainability of the recovery.
- o The French are likely to be the most vocal on this point at the Summit. Others -- with the possible exception of Mrs. Thatcher -- will also express their concern.

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- o Mrs. Thatcher does not want an acrimonious debate on this issue at the Summit. We have given the British, at their request, suggested Communique and press language on the deficit.

- o However, to support Mrs. Thatcher's approach and forestall unproductive debate, we suggest that you note early in the discussion that the U.S. is concerned about the deficit and is firmly committed to reducing it; then you might bring the other leaders up to date on your near-term and longer-term deficit reduction plans.

- o If discussion should become heated, however, there are several counterarguments you can make, the four major ones being:
 - All Summit countries' public sector deficits were between 3-4 percent of GNP in 1983, except those of Canada and Italy which were higher;
 - Excessive spending is the source of deficits. The U.S. and Japan have significantly lower ratios of public spending to GNP than the others;
 - There is no convincing evidence of linkage between deficits and interest rates. The recent rise in U.S. interest rates reflects market uncertainty about inflation prospects, although talk of resurgence is difficult to understand in light of low inflation numbers.
 - The deficit is not the cause of world economic problems, nor would reducing it be the panacea. It would not reduce inflation in countries pursuing poor policies nor

would it improve employment prospects in countries with inflexible labor markets.

- o The fourth U.S. objective is to reinforce the European and Canadian views that obstacles to structural change need to be removed to ensure non-inflationary growth strong enough to create new jobs in their economies. Many of these obstacles have been created by government policies designed to protect jobs or sectors. A prime example is government assistance to failing industries, which has kept labor and capital tied to inefficient uses. The others fully realize that the two economies that have pursued a less interventionist strategy -- the U.S. and Japan -- have created more new jobs over the last decade, despite rapid labor force growth. This will be an excellent opportunity for you to advocate the free market approach to resource allocation.
- o And finally, as a means of spreading the recovery to other industrial nations and less developed countries, you will want to advocate keeping markets open to trade and financial flows.

Positions of Other Heads of State

- o I've touched on, indirectly, what other countries' objectives will be at the Summit. To give you an idea of the nuances, I'd like to review briefly each country's position on the economic recovery and outlook theme:
- o Mrs. Thatcher wants the Summit to project a positive view of the economic situation and outlook. With U.S. assurances

that we are committed to reducing the deficit, she is likely to be a close ally on economic matters.

- o Chancellor Kohl is also close to our camp with the Germans increasingly confident about the outlook, but he will probably join with others in voicing concern on the deficit and interest rates.
- o The same holds true for Prime Minister Nakasone. He will be sensitive to others' complaints about the large Japanese trade surplus.
- o Prime Minister Craxi is concerned that the U.S. expansion will falter, but will not be out front on budget deficits, as Italy's deficit is much larger than ours.
- o As I mentioned, President Mitterrand will be highly critical of the U.S. budget deficit and the recent rise in interest rates, claiming it threatens world recovery.
- o Trudeau's position on most topics will be close to Mitterrand's, although Trudeau will place more emphasis on the need for structural adjustment.

FINANCE, DEBT AND
MONETARY ISSUES

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29215

FINANCE, DEBT, MONETARY

Introduction: Robert C. McFarlane

- o Mr. President, as you may recall, in the fall of 1982 we were faced with a situation in which several LDCs could not meet their interest and principal payments arising from heavy foreign borrowing in the 1970's and early 1980's.
- o In the months leading up to the Williamsburg Summit, finance ministers and central bankers from many industrial countries took coordinated action to address the debt problem.
- o Some countries -- France in particular -- argued that the situation reflected the need for a major reform of the international financial system, including increased aid to LDCs, other measures to relieve debt burdens, and a new exchange rate regime. President Mitterrand called for a high level monetary conference to address these issues.
- o At Williamsburg, the steps necessary to deal with the debt situation were codified into a five point strategy, and Summit leaders asked their finance ministers to study ways of improving the international monetary system. These topics are certain to arise again at London.
- o Beryl Sprinkel will provide an overview of what is likely to be discussed.

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NLRR FO2071/1 #29215

BY CW NARA DATE 7/3/08

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Presenter: Beryl W. Sprinkel

U.S. Objectives and Tactics

- o Our primary objective in the London Summit discussions of the debt strategy is to convince the "doubters" -- to varying degrees the French, British, Canadians, and Italians -- that the five point strategy is working, and the situation calls for on-going implementation, not a new strategy as some have claimed.

- o Mr. President, you will want to note the progress made since Williamsburg on each of the five points:
 - First, most troubled debtors, for example Mexico and Brazil, have undertaken corrective policies to deal with their domestic economic problems.
 - Second, IMF resources have been increased, and its lending strengthened, to reinforce its central role in the strategy.
 - Third, commercial banks have continued to lend in support of adjustment efforts.
 - Fourth, governments -- including some in Latin America -- have provided temporary "bridge" financing when necessary.
 - Fifth, recovery is underway in industrial countries, providing growing markets for LDC exports. (U.S. imports from LDCs up \$9 billion in 1983.)

- o You will want to stress that further progress in resolving debt problems over the medium term depends on strengthening the existing strategy, and applying it flexibly on a case by case basis.

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BY CN NARADATE 7/31/88

- o One of our main objectives for this Summit is thus to strengthen the medium-term aspects of our strategy and create better public understanding of it.

- o The strategy can be strengthened by:
 - continuing to encourage LDC adjustment;
 - improving coordination between the IMF and World Bank to ensure consistent adjustment programs;
 - sustaining and strengthening noninflationary expansion in the industrial world;
 - keeping markets open to LDC exports and engaging a new round of trade negotiations to reinforce openness of markets; and
 - encouraging LDCs to improve the environment for foreign direct investment and liberalize their trade regimes.

Positions of Other Heads of State

- o Other Summit countries agree that the strategy has worked to date, but some believe it is time to develop a more structured approach to address debt problems.
- o Anxiety about the viability of the strategy has grown in recent months as a result of several factors: 1) the recent rise in the U.S. interest rates; 2) political and social unrest in some debtor nations; 3) Argentina's brinkmanship in March; and 4) the recent New York Fed conference where alternative debt strategies were discussed.
- o Among our Summit partners, the French are the leading advocates for a new strategy covering both debt and exchange

rates. In the debt area, they want an expansion of official financing, including an increase in World Bank lending and a new allocation of Special Drawing Rights -- the reserve asset issued to IMF members that a country can use to make payments abroad. The French also want measures to reduce the repayment burden, and an easing of the conditions attached to IMF loans.

- o The U.K., Italy, and Canada are sympathetic to the idea that additional official financing is needed to give the LDCs more time to implement corrective economic policies.
- o The Germans and Japanese will be more supportive of the U.S. position to strengthen the existing strategy.
- o All of our Summit partners can be expected to express unhappiness with our decision to support a smaller IDA increase (\$9 billion) than they believe is needed (\$12 billion).
- o If pressed on IDA, you might want to indicate that we share their concerns about the poor economic situation in Africa and have proposed focusing IDA funding there as well as a \$500 million Economic Policy Initiative for Africa.
- o This was your initiative earlier this year to support those African countries willing to adopt more market-oriented economic policies. You could urge other Summit countries' cooperation and increased donor coordination in support of your African initiative.

- o In the monetary area, the French indicated recently that due to the increase in U.S. interest rates and the continued strength of the dollar they will renew their call at London for a monetary conference to consider a new exchange rate regime.
- o Our response, which is likely to have the support of others except, perhaps, the Italians and the EC, is that studies are underway in the Group of 10 to determine how the system could be improved and therefore it is premature to discuss a monetary conference.
- o The Germans, British, Japanese, and Canadians share our view that the current flexible exchange rate system is the only realistic alternative and that improvements should be sought that would increase the IMF's ability to foster greater economic convergence and compatible policies among the major countries. Mrs. Thatcher does not want monetary reform to be a major topic of discussion at the Summit.

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TRADE

Introduction: Robert C. McFarlane

- o Mr. President, trade is once again an important element of the economic agenda for this year's Summit.

- o There are two interrelated aspects of trade that will be dealt with in London--protectionism and further trade liberalization.

- o Last year at Williamsburg, Summit countries committed themselves to halt protectionism and to reverse it by dismantling existing trade barriers.

- o During the past year, some progress in this area has been made, but our success has been mixed at best.

- o Many restrictive measures by Summit countries, including the United States, have continued or increased.

- o A number of our Summit partners are especially concerned about increased pressures for protectionism in the United States in an election year.

- o Protectionism is the negative side of the trade coin, where the emphasis is on combating and resisting it.

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NLRR 102-071/1 #29217

- o The positive side is more open world markets and further trade liberalization.

- o This is the critical challenge for Summit leaders--to work to open and improve the trading system.

- o Mr. President, this is where our emphasis has been placed in the preparatory process--on building a consensus on the need for a new round of trade negotiations.

- o Doug McMinn of NSC will lead us through the trade issue for London; highlighting the question of further trade liberalization and its importance, as well as what you can expect on the issue of protectionism.

Presenter: Douglas W. McMinn

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U.S. Objectives and Tactics

NLRR FOZ-0716 #29218

BY CH NARA DATE 7/31/08

- o Mr. President, Beryl Sprinkel has discussed world recovery and structural adjustment, as well as finance, debt and monetary issues.

- o In talking about the trade component of this Summit, I would not go back over old ground, but it is worth trying to put trade in the overall framework.

- o We have optimism about world recovery--it's real.

- o What we need now is to sustain that recovery and spread its benefits to the rest of the world.

- o All Heads of State agree on this.

- o The question is, how do you do it?

- o A critical area to sustained recovery is trade.

- o The freer trade is, the more open markets there are for everyone's goods and services.

- o This means more economic activity, more jobs and a greater slice of the world economic pie for everyone.

- o This is what sustaining recovery and spreading it are all about--more open markets and greater competition.
- o It is a critical link in our debt strategy.
- o High-debt developing countries must have access to our markets to earn foreign exchange to service their debts.
- o There must also be business confidence that open markets will continue so that investors in developing countries, as well as governments, can make longer-term decisions.
- o This business confidence provides a part of the foundation on which adjustment in LDCs is based.
- o At OECD last week, all agreed that a new round would be of vital importance to strengthening the liberal trade system, that we would give high priority to the 1982 GATT work program and that consultations should proceed now with all GATT countries on the objectives, participation and timing of a new round.
- o Our main objective at London is to reaffirm this OECD consensus and get the others to agree that we should aim for a decision in 1985 on whether to launch a new round.
- o We do not yet have agreement on the need for a new trade round and can only expect to get that in 1985, after we have consulted with our other major trading partners.

- o The other side of the trade coin, as Bud mentioned, is protectionism.
- o Protectionist pressures are a threat to recovery.
- o Giving in to protectionism in a major way means world markets close and the world economy shrinks.
- o Last year at Williamsburg, the Summit countries agreed to halt protectionism and to reverse it.
- o Since last year, progress on this commitment has been very slow.
- o All Summit countries have continued or increased restrictive measures in some areas.
- o The record is mediocre at best.
- o Therefore, Mr. President, what we want to do at London is "accentuate the positive."
- o Along with our Summit partners, we have agreed to seek to accelerate certain tariff reductions agreed to in the Tokyo Round of Trade Negotiations and provide special tariff advantages for the least developed countries.
- o This means emphasizing the benefits of new trade liberalization.

- o Helping to sustain recovery through new multilateral trade negotiations, on which a decision should be taken in 1985, is our goal.

Positions of Other Heads of State

- o You will recall that Nakasone was the first to call publicly for a new round during your Tokyo visit.
- o Thatcher, Kohl and Trudeau believe, to varying degrees, that a new round is needed.
- o All four will probably agree that a decision to launch should be taken in 1985.
- o Mitterrand, Craxi and Thorn (who may try to speak for all the Europeans) probably think a new round is inevitable, but will resist agreement on whether to launch a new round in 1985.
- o Tactically, you can expect them to argue that we need time to broaden consultations with other partners on the idea of a new round.
- o They may also argue that foreshadowing a decision in 1985 will prejudice the conduct and results of those consultations with non-Summit countries.

- o Their real reasons for reluctance are a lack of confidence in their ability to compete in a more open system and unwillingness to move toward new negotiations while recovery in France and Italy is still not guaranteed.

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MANNED SPACE
STATION

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29219

MANNED SPACE STATION

Introduction: Robert C. McFarlane

- o In your State of the Union Address, you announced that development of our next frontier -- space -- will be one of the four goals for the Nation for the 1980s.

- o You directed NASA to proceed with development of a permanently manned Space Station by the early 1990s to satisfy civil and commercial needs.

- o At the same time, you invited our friends and allies to participate in the program and you sent NASA Administrator Jim Beggs to Europe, Japan and Canada to deliver this message.

- o The London Summit provides an excellent opportunity for the partners to demonstrate their unity of purpose on a highly visible leadership program aimed at the peaceful uses of outer space.

- o Concurrently, it will serve to further demonstrate your leadership of the free world into the 21st Century and could represent one of the most positive outcomes of the Summit from a domestic point of view.

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- o Col. Gil Rye of the NSC Staff has visited the foreign capitals in preparation for this portion of the Summit and will now summarize our objectives and what we can expect from the Heads of State.

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Presenter: Col. Gilbert Rye

U.S. Objectives and Tactics

- o At the London Summit, the U.S. objective is to obtain a recognition of the political, economic and social benefits to be derived from international participation with the U.S. on the manned Space Station program and to achieve agreement that the partners will study ways to bring about international participation and to review such participation at the next Summit.

- Politically, international participation will demonstrate allied unity of purpose in maintaining leadership in the new frontier of space.

- Economically, such participation will stimulate technological development, modernize industries, and create new jobs.

- Socially, the quality of life of all mankind will be improved through such areas as the development of new medicines, the manufacture of rare metals and greater knowledge of the earth we all live upon.

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- o Obviously, our ultimate goal is to obtain a firm agreement from the other partners to participate in development of the Space Station program. We expect to eventually receive such a commitment.

- However, from our preparatory discussions, it appears obvious that the other partners (with the possible exception of Japan and Italy) are reluctant to make any agreement which would imply a commitment of resources to the program at this time until further studies and consultations have been completed.

- On our side, we have made it clear that your invitation is a genuine expression of cooperation; but that the U.S. is committed to building a fully functional Space Station regardless of whether foreign participation materializes or not.

- o During discussions, you may receive some expressions of a desire to possibly participate in the "core" Space Station program.

- We have indicated that we view foreign participation as primarily additive to the \$8 billion "core" program that you approved. We have three reasons for this policy:

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- We want to maintain U.S. control of the critical elements of the program and not be dependent on successful completion of these elements by foreign participants.

- We wish to avoid the adverse transfer of critical technologies to foreign nations that might increase their competitive edge vis-a-vis the U.S., and

- We desire to support jobs for Americans with the "core" program.

- o We are relatively pleased with the outcome of the last Sherpa meeting. However, the language suggested for the thematic paper omits reference to any time frame for Allied decisions on Space Station cooperation.

- As you know, NASA is now entering the design phase of the program.

- Our suggested language would reflect a recognition by the partners that they must indicate their firm intent to participate in the Space Station by early next year in order to ensure satisfaction of their needs.

- We are continuing our efforts to amend the language to reflect this point.

Positions of Other Heads of State

- o We have reason to believe that Prime Minister Nakasone may be prepared at the Summit to commit his nation to the major development of a Japanese module.
 - Such a module would probably be designed to perform life science experiments and materials processing functions and could cost over one billion dollars.

- o We also expect Italy to indicate strong enthusiasm for your initiative and a willingness to participate actively in the program, although they are unlikely to make specific resource commitments until other European nations indicate their intent.

- o Germany, France, the U.K. and Canada are all expected to indicate interest in the program and agree to a recognition of the positive benefits of international cooperation on the Space Station. However, they are unlikely to agree to any implications of a commitment of resources at this time.

- o The European nations will undoubtedly indicate that their participation in the program will be reflected principally through the European Space Agency (ESA). This approach is also preferable from the U.S. perspective since it minimizes complicated bilateral arrangements.

ENVIRONMENT AND
TECHNOLOGY

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ENVIRONMENT AND TECHNOLOGY

Introduction: Robert C. McFarlane

- o Mr. President, we do not expect either the environment or technology will be central in discussions at the London Economic Summit.

- o However, as Allen Wallis will tell you in greater detail in a moment, you can expect both Canada and West Germany to push for quick and concerted action against acid rain. While we certainly agree that acid rain is a problem, we believe more research on its causes and effects is necessary before we agree to new regulations.

- o On the question of technology, France will likely press for continued Summit attention to the technology cooperation projects launched at Versailles. You and other Summit leaders will receive a report on progress in this area since Versailles, which criticizes some of the side-effects of our efforts to beef up controls on the sale of critical technology to the Soviet bloc.

- o Allen Wallis will now describe the positions of the other Summit participants on environmental and technology issues, as well as outlining our own stances on these questions.

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Presenter: W. Allen Wallis

Positions of Others

- o Early in Summit preparations, both Germany and Canadians were pushing hard for new Summit commitments to control sulfur dioxide emissions and acid rain.
- o Neither, however, was prepared to push it to a major confrontation. They knew our view that more research into causes, effects and control technologies is needed before we could consider the need for new regulations or emission reduction targets.
- o Thus, they have down-scaled their objectives for the Summit, but still want some results they can point to as suggesting the possibility of further movement toward greater control.
- o Specifically, their objective is to have the Summit charge the Versailles Technology Working Group to consider what has been done so far on research, identify new areas for further work to limit all kinds of environmental pollution (without specifying acid rain as such), and to identify projects for industrial cooperation to develop techniques to reduce damage to the environment. They would ask for a report by the end of this year.

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- o On other aspects of technology, the Versailles Working Group has submitted a report to the Summit which, on balance, is very good.

- o We had a problem with earlier drafts which would have stated or implied that our export controls on technology transfer to the East have inhibited trade and exchanges of scientific information among Summit countries, and that Summit countries should avoid this.

- o The language suggesting this was deleted and the report is now acceptable.

- o However, some might allude to the need to be sure that our controls do not have these effects and, to the extent they do, should be modified in the future.

U.S. Objectives and Tactics

- o Turning to our positions on these issues:

- o First, we believe you can agree to the new task for the Working Group to consider environmental assessment and management and further cooperation, including cooperation with industry, as a 19th project under the Versailles

umbrella. We hope this will meet German and Canadian concerns while giving us the flexibility we need to avoid getting embroiled in new regulatory commitments that make neither environmental nor economic sense.

- o On the technology report itself, we suggest you simply agree to welcome the report and invite the Working Group to continue its efforts.

- o However, if others do bring up the problems created by our export controls, you should stress our common interest in denying Soviet access to our defense-related technology and that, while we should seek ways to mitigate or remove any problems in exchanges among us which may arise, we must do so consistent with our interest in maintaining our security.