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LONDON SUMMIT: Political Objectives

West-West Relations

-- The meeting should serve to heighten understanding that the interests of the Summit participants are both convergent and global. The trilateral relationship of Europe, North America and Japan has already shown that it is an essential factor in dealing with a broad range of international problems. Increasing consultations and common efforts among the Summit participants can increase this effectiveness.

East-West Relations

-- The discussions will no doubt reaffirm the desire of the Summit participants to build a more constructive relationship with the Soviet Union on a sound and realistic basis. That can only be achieved on a foundation of Western unity and strength, including adequate defense and deterrence capabilities.

Arms Control

-- We will be discussing our overall approach to arms control, in particular our call for the Soviets to return to the INF and START talks on nuclear weapons which they left last year. We are ready to resume negotiations at any time and are prepared to meet the Soviets halfway when they come back to the table.

-- We will also be reiterating the need for the Soviets to respond to the new treaty on the elimination of chemical weapons which Vice President Bush presented in Geneva in April, and the new proposals for the reduction of conventional forces in Europe, which we and our NATO allies tabled in Vienna in April.

Middle East/Iran-Iraq

-- The participants will no doubt exchange views on the Iran-Iraq war and the need to continue efforts to strengthen energy emergency preparedness policies.

-- We expect they will also be sharing views on the situation in Lebanon and the broader Arab-Israeli issue.

Terrorism

-- The problem of terrorism, particularly state-supported terrorism, is increasingly serious and will most likely be addressed by the Summit participants.

US-FRENCH RELATIONS

France is our oldest ally and remains today one of our closest security partners. President Mitterrand's State visit in March marked a high point in our relations, and provided an opportunity for the two leaders to reaffirm the strong identity of views between France and the United States on Western security and important regional issues. President Reagan will reiterate the themes of French-American friendship and allied solidarity during his visit to Normandy, France to commemorate the fortieth anniversary of the allied landings during the Second World War.

A founding member of the North Atlantic Treaty Organization (NATO), France remained an active participant in the North Atlantic Council (NAC) following the French withdrawal from NATO's integrated military command in 1966. France has traditionally emphasized the principle of independent decision-making with regard to its military forces, including its nuclear deterrent. Nonetheless, the French play a very important role in the overall security of Western Europe and are staunch supporters of Alliance positions on western security issues, including INF. On that latter issue, we support France's rejection in the INF negotiations of Soviet demands for compensation for French and British forces.

France plays a central role in the European Economic Community (EC). While in the EC Presidency during the past five months, the French have provided vigorous leadership in the effort to break a long-standing deadlock over agricultural reform, new revenue measures, and the size of member contributions. Presidents Mitterrand and Reagan expressed their firm commitment to free trade and a desire to reduce existing barriers during the recent State visit. After an initial period of demand stimulation, the Socialist government nearly two years ago adopted an austerity program designed to reduce inflation and bring the French economy into line with their major trading partners.

We have cooperated closely with the French on a number of regional issues in recent years. France and the United States remain firmly engaged in the effort to restore peace and stability in Lebanon following the withdrawal of the multinational force (MNF) to which we both contributed. The French share our concern over the escalation of hostilities in the Persian Gulf. In Africa, we support French efforts to assist the legitimate government of Chad and deter Libyan aggression.

THE UNITED KINGDOM: BILATERAL RELATIONS

US-UK relations are generally excellent. Since President Roosevelt and Prime Minister Churchill signed the Atlantic Charter in August 1941, British foreign policy has emphasized a close relationship with the United States. Bilateral cooperation reflects the common language, ideals, and democratic traditions of the two nations. The United Kingdom serves as an important member of NATO, providing a significant share of the defense of NATO's central region and the Atlantic sea lanes.

The Administration and the Thatcher Government have very similar views on most major international issues. This visit by the President, plus relatively recent visits to London by the Vice President and Secretary Shultz, and to Washington by Prime Minister Thatcher and others, underscore the importance and warmth of the relationship. The British continue to give major backing to Alliance security interest, including the deployment of GLCMs, the modernization of US forces in the UK, and the President's arms reduction proposals. Britain has strongly supported US efforts to achieve a comprehensive settlement in the Middle East and to halt the sectarian violence in Lebanon. By assisting Belize to maintain its security, the UK contributes to stability in Central America. We stay in close contact with the British over areas of mutual interest such as the Gulf and southern Africa.

US-CANADA RELATIONS

Ties between the US and Canada extend across an exceptionally broad range of cooperative activities in political, economic, cultural, commercial and defense relations. The United States works closely with the Canadian Government. We share many goals, and consult regularly on bilateral and international issues. President Reagan has had some 10 official meetings with Prime Minister Trudeau, including previous Economic Summits and several successful bilateral meetings. Secretary Shultz maintains close contacts with Foreign Minister MacEachen.

It is no surprise that in a relationship with the breadth and complexity of that between the United States and Canada troublesome problems arise from time to time. Although the focus here is on a number of current problems, these should be seen in the context of our overall excellent relationship with Canada.

We have no major differences with Canada on international issues. Our two countries share democratic values and the common goals of promoting peace and freedom in the world. Canada is our close ally in NATO and our partner in the defense of North America under NORAD. Prime Minister Trudeau launched a "peace initiative" last year and has noted "signs of progress" in reducing international tensions. In Central America, Canada supports the Caribbean Basin Initiative, the Contadora Group efforts to resolve local conflicts through political negotiations, and opposes provision of arms by anyone to either side in the region.

In the bilateral arena, environmental issues remain a sensitive area. Canada has made clear that acid rain is at the top of its agenda. The United States has made major progress in reducing emissions under the Clean Air Act, but the Administration is not prepared to institute additional controls on emissions absent more conclusive research. Canada would like the United States to do more. The US continues to have concerns regarding certain Canadian policies and practices particularly under the National Energy Program (NEP). We are pursuing these issues in international fora, the OECD and GATT, as well as in bilateral discussions. We have accepted the Canadian suggestion to discuss several free trade proposals and are working cooperatively on a range of trade issues. In addition, we are working to resolve fisheries problems which are important to both countries. We have agreed to submit our overlapping maritime boundary claims in the Gulf of Maine to the International Court of Justice for binding adjudication.

U.S. - FRG Relations

U.S.-FRG political, economic and security relationships are based on close consultation. Cooperation in international fora is close. High-level visits take place frequently. Chancellor Kohl visited Washington most recently in March 1984.

The FRG's foreign policy emphasizes maintaining close ties with the United States, membership in NATO, a close Franco-German relationship, progress toward West European integration, and improving relations with Eastern Europe. The FRG has taken part in all of the postwar efforts aimed at closer political, economic, and defense cooperation among the countries of Western Europe. It is a charter member of the European Coal and Steel Community, formed in 1952, and it joined the Brussels treaty members in 1954 to form the Western European Union. The FRG became a member of NATO in 1955. In 1957, it signed the Treaties of Rome, thereby becoming a member of the European Economic Community and the European Atomic Energy Community.

The FRG ranks among the world's most important economic powers. From the 1948 currency reform until the early 1970s, it experienced almost continuous economic expansion. Real GNP growth slowed in 1974, however, and declined more than 3% in 1975. In 1982, GNP growth was a negative 1.1%. But by 1983, signs of recovery were apparent, and GNP growth in 1984 could exceed 3%. The FRG economy is heavily export oriented, with about one-third of its GNP shipped abroad. The United States, EC members, Austria and Switzerland are the FRG's major trading partners. U.S. sales to the FRG (\$10.7 billion in 1983) include chemicals, machinery, soybeans, defense items, electrical equipment, edible fats and oils, aircraft, tobacco, and grains. FRG exports to the U.S. (\$11.8 billion in 1983) include motor vehicles, machinery, rolling mill products, chemicals, and electrical equipment.

US-JAPAN RELATIONS

When most Americans think about Japan, they probably think about trade, and specifically about trade problems. Yet when President Reagan visited Japan last November, he told Prime Minister Nakasone that there probably is no relationship more important to peace and prosperity in the world than that between the United States and Japan.

Japan is one of our firmest allies. Underlying our political relationship with Japan is our joint commitment to democracy and the values we share. Japan also is one of our major economic partners. With over \$60 billion in two-way trade, Japan is our largest overseas trading partner; last year Japan purchased over \$22 billion of U.S. products, equal to our exports to France, West Germany, and Italy combined. Japan increasingly is a major investor in the United States, providing tens of thousands of jobs and contributing to the economic development of communities throughout our country.

Japan is moving toward a greater international political role, and Prime Minister Nakasone has stated his intention to make Japan "an international country," with a political role commensurate with its economic strength. The United States welcomes this more active Japanese involvement in world affairs, and over the last year has called for an "international partnership" with Japan, in which our combined efforts can be utilized to promote peace and prosperity throughout the world.

The United States is committed to the defense of Japan through the Treaty of Mutual Cooperation and Security. Japan in return allows us to station 45,000 U.S. military personnel in Japan. The bases that Japan provides to us are essential to the maintenance of peace throughout East Asia. Japan not only provides these bases to us rent-free, but also contributes over \$1.1 billion to support their costs of operation. This amounts to over \$21,000 per American soldier.

We recognize that there are some difficulties in our trading relationship. To a large degree, problems are inevitable in any trading relationship of the size and complexity of ours with Japan. Nevertheless, we are determined to obtain greater access to Japan's market and to see the elimination of Japanese restrictions on the ability of our companies and products to compete in Japan on an equal footing. We want the same access to Japan's market that Japanese companies have to our own. We are seeking greater access to Japan's market because it (a) means greater exports and jobs for the U.S., (b) strengthens the world free trading system, and (c) helps us to resist the calls of those who seek protection from Japanese imports. We have made considerable progress to this end during the past two years.

US-JAPAN ECONOMIC RELATIONS

The US and Japanese economies combined account for nearly 50 percent of free world GNP, and have become increasingly interdependent. With over \$85 billion in total bilateral trade in goods and services expected this year, Japan is our second largest trading partner after Canada, taking almost 10 percent of our exports. The US is Japan's largest market, accounting for about 25 percent of its total exports. Long-term capital flows also are increasing, particularly Japanese direct investment in the US which now stands at some \$8-9 billion. Moreover, we are entering a new era of cooperation in science and technology, including space.

Over the past several years, there have been difficulties in the trade relationship, however. Our recent large trade deficits with Japan (about \$19 billion in 1983), the awareness that Japan's markets generally still remain more closed than US markets and the obvious successes enjoyed by Japanese firms in the US and other markets have led to a strong concern in public and Congressional opinion about the fairness of our trade relations with Japan. Since President Reagan took office, the Administration has made it a priority objective to induce Japan to provide greater access to its economy by liberalizing and internationalizing its trade and financial markets.

Over the last two years, the GOJ has announced five market-opening trade "packages," which have included in part tariff reductions, streamlined customs procedures, revamped product standards and certification requirements, improved NTT (telecommunications) procurement arrangements, and expanded beef, citrus and other agricultural quotas. Since the President's visit to Japan last November, both governments have been engaged in a continuing effort to make progress toward resolving outstanding bilateral economic issues. The most recent Japanese trade package, issued April 27, included several initiatives which may substantially increase market opportunities in the tobacco and telecommunications service sectors as well as tariff reductions on paper products, wine and other items of interest to the U.S.

A number of issues, however, remain outstanding, including tariff cuts on wood and other products; liberalization of capital markets, banking and legal services; and the facilitation of access for foreign investment. We will continue to address the remaining bilateral economic issues in the framework of the cooperative partnership existing between our two countries with the goal that US goods, services and investment should enjoy access to Japan's markets on a basis comparable to that enjoyed by Japanese products in the US.

US-JAPAN INTERNATIONAL COOPERATION

One of the major themes of the President's November visit to Japan was US-Japan cooperation on international political and economic issues.

The Nakasone Administration is pursuing a foreign policy that distinguishes between immediate economic needs and longer range foreign policy objectives. In an attempt to further Japan's role in the international community, it has wielded its two foreign policy tools, diplomacy and foreign aid, with increasing confidence outside of Asia. As a member of the West, Japan shares a broad range of goals and objectives with the US, and has been supportive of US policy initiatives in Asia, the Middle East, Latin America and Africa.

US-Japan cooperation is perhaps best evidenced in Japan's joining in sanctions against the Soviet Union in response to the Afghanistan invasion and in the remarkably close cooperation in the KAL incident last September. Japan's actions were instrumental in proving Soviet responsibility for the KAL shootdown. Japan and the U.S. cooperated closely in combined search and recovery operations for the downed airliner, and Japan worked closely with the U.S. and other nations to condemn the Soviet action in the UN and other international fora.

Consultations between the US and Japan on all regions of the globe are frequent and valuable to both sides. For example, on May 2 the Ministry of Foreign Affairs' top Middle East official met with officials here for wide ranging talks before proceeding on to both Iran and Iraq. On the same day, the Secretary of State was in Tokyo briefing Japanese officials on the President's trip to China. The Japanese have also shown enthusiasm for the President's Africa aid initiative and have indicated that Japan may expand its economic assistance to the region.

Japan's foreign assistance has increasingly become a major element of its foreign policy. Japan's Official Development Assistance (ODA) has not only steadily expanded -- at \$3 billion per year Japan ranks as the world's fourth largest aid donor -- but has also dramatically improved in quality. In Japan's FY 1984 "no-growth" budget, when overall Government spending rose by only 0.5%, the ODA budget was increased by 9.7%.

Japanese cooperation with the US in international political and economic matters has become an increasingly valuable asset to the conduct of our foreign policy. As trade and financial issues between the two countries approach resolution, the potential for even closer international cooperation grows accordingly.

JAPAN DEFENSE ISSUES

The Treaty of Mutual Cooperation and Security, signed by the U.S. and Japan in 1960, continues to be the firm underpinning for the overall relationship between our two countries. U.S.-Japan security cooperation under that Treaty has never been better than it is today. Japan is host to 45,000 American troops. Our bases in Japan, made possible by the Treaty, contribute not only to the defense of Japan but also to peace and prosperity and the defense of our common interests throughout the Far East.

The focus in our security dialogue with Japan today primarily is on Japan's own self-defense efforts. The U.S. has been encouraging the evolution of a greater Japanese defense contribution. At more than \$12 billion, Japan today has the eighth largest defense budget in the world. During the past several years, Japan has been making sizable increases in its defense budget. For example, in Japanese Fiscal Year 1984, Japan increased its defense budget by 6.55%; this increase came in the middle of a "no-growth" budget that showed an overall increase of only 0.5%.

The United States believes that the trends are clear -- Japan is moving in the direction of an enhanced defense effort. Nevertheless, the United States believes that more needs to be done if Japan is to be able to achieve the capability to implement within this decade the defense roles and missions that it has set for itself. These roles and missions, which the United States fully supports, include the defense of Japan's homeland, territorial seas and skies, and sealanes out to 1,000 nautical miles. It is important to point out that the focus of our security dialogue with Japan is not on defense spending per se, but rather on defense capabilities -- output rather than input. As Assistant Secretary of Defense Richard L. Armitage recently said in an interview, "It is inappropriate for the U.S. to comment on the spending level required to meet these objectives....Breaking the so-called 'one-percent barrier' is not an issue with the U.S. Government. If Japan can meet its defense goals spending less than one percent of GNP, we will be satisfied. If defense spending is greater than one percent, yet the Self-Defense Forces are not capable, then we will hope for improvement."

In November 1983, the United States and Japan signed a Memorandum of Understanding that will permit Japanese technology to be transferred to the U.S. for use in military applications. We expect to test this mechanism soon.

U.S. - Italian Relations

In view of Italy's strategic location, the country plays a key role in support of NATO and U.S. Sixth Fleet operations in the Mediterranean area. Italy's steadfastness on implementing NATO's strategy on the important INF (Euromissiles) issue has been exemplary in the Alliance.

In recent years Italy has also emerged as a major actor in regard to issues beyond NATO's traditional area of responsibility. Italy participates in UNIFIL in Lebanon and is a member of the Multinational Force and Observers (MFO) which monitors the Sinai under terms of the Egyptian-Israeli accords. In close conjunction with our Marines, Italy performed valiantly in the four-nation Multinational Force and Observers which served in Lebanon. Moreover, Italy stays in close, helpful touch with us on issues pertaining to a number of other geographic areas, particularly the Horn of Africa, Southern Africa, the Middle East and Southwest Asia, and Latin America.

U.S. - Italian bilateral relations are excellent. Prime Minister Bettino Craxi visited Washington last October. He and President Reagan expressed agreement on a broad range of issues. They also gave their imprint to a new Bilateral Working Group for intensified cooperation on narcotics interdiction. The two countries' traditionally strong historical, cultural, and political links were symbolized by President Reagan's attendance last Columbus Day at an Italian Embassy luncheon, which included prominent Italo-Americans.

The U.S. and Italy enjoy cooperation on economic and commercial issues and have a particularly fruitful relationship with each other in the field of high-technology civil aerospace. Italy's economy has slowed over the past two years but, led by exports, is beginning to turn upward--another European beneficiary of the U.S. recovery. Facing persistent high deficits and inflation, the Craxi government is working to implement an austerity program featuring a reduction in the growth of government spending, more equitable taxation, and moderation of Italy's generous national system of wage indexation.

U.S.-EC ECONOMIC ISSUES

Comprising ten countries, the European Economic Community is America's largest trading partner, with two-way trade worth about \$90 billion a year. Europe is the largest foreign investor in the U.S., and is the most important location of U.S. direct investment overseas. In an economic relationship of this size, there are bound to be problems. These are serious, but not critical.

Differences with Europe over macroeconomic policy have diminished as European governments increasingly realize their economic problems are basically domestic, and that increased flexibility and reduced government spending should be their objectives. A recent economic upturn in Europe has also helped. Agriculture is the most important of our trade differences.

The cost of the Common Agricultural Policy (CAP) and the surpluses it creates threaten to bankrupt the Community. The EC has therefore begun to reform the CAP. A recently agreed package includes lower real 1984-85 support prices (still much higher than world levels), measures to curtail excess dairy production and a new system to fix farm prices in national currencies.

However, this effort is not likely to solve key U.S.-EC differences over agriculture, especially about the EC's use of agricultural export subsidies. Reforms thus far fall far short of ending the CAP's stimulus to ever-larger agricultural surpluses, induced by high farm prices. These must be dumped on world markets with the aid of export subsidies to the detriment of competing (and largely unsubsidized) U.S. agricultural exports. As part of the package, the EC also decided to seek, through GATT, import restrictions on U.S. corn gluten feed, now worth nearly \$600 million a year. Because of the size of this trade, we have warned the EC it will be virtually impossible to agree on adequate compensation during GATT talks this summer. Should the EC act unilaterally to limit our corn gluten trade, the U.S. would probably be compelled to retaliate against EC trade. Our \$4 billion soybean exports to Europe would be affected by another EC proposal, a consumption tax on vegetable fats and oils. This, however, is not likely to be approved in the near future.

The Europeans are concerned about U.S. Section 201 (escape clause) cases on carbon steel and shoes to be decided this autumn, the proposed Wine Equity Act, which the Administration opposes, and the Section 232 (national security) action on machine tools (which affect Japan more). "Extraterritoriality," another issue, is tied to the perceived tightening of U.S. export control procedures, our recent antitrust and subpoena actions against British firms and unitary taxation by our states.

VERSAILLES TECHNOLOGY COOPERATION PROGRAM

Almost two years ago, at the Versailles Summit, the French proposed an initiative for the Summit that would focus on technology as a primary means of solving Western economic ills. This initiative spawned the formation of the Summit Working Group on Technology, Growth and Employment. During an intensive process preceding the Williamsburg Summit last year, a report was prepared supporting cooperation in longer-term technology development and lowering trade barriers in the GATT. The report provided a basis for supporting international cooperation and shared funding on projects of strong interest to the U.S. It recommended 18 areas for international cooperation. Five of these were U.S. proposals for which the U.S. is a lead or co-lead; in addition the U.S. is a co-lead in a sixth project.

Over the past year, work has begun on most of the cooperative projects. In addition, the Working Group has met several times and produced a report for the London Economic Summit. In keeping with the charge from the Williamsburg Summit, this report provides information on the individual progress in each of the 18 project areas. It also provides a follow-on to the first Working Group Report by setting out the role of new technologies in stimulating economic growth, identifying some of the obstacles to the introduction of new technologies and raising the issue of technology and the environment.

With respect to progress in the 18 project areas, the U.S. has continued its leadership role in six projects of primary interest and has been an active participant in several other project areas. In almost all project areas, progress has been made in at least one of the following respects: (1) establishment of informal international networks between research institutes in specific science and technology fields; (2) identification and initiation of specific collaborative research activities; and (3) involvement of countries outside the Economic Summit Group and relevant international science and technology organizations.

Progress in some of the project areas far exceeds expectations. In other areas, assessments on utility cannot yet be made. Over the next year each project will be reviewed to see if it deserves continued support within the Summit context.

The Atlantic Relationship

February 7, 1984



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is a statement by Richard R. Burt, Assistant Secretary for European and Canadian Affairs, before the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee, February 7, 1984.

In recent weeks we have seen renewed debates both here and in Europe on the state of the Atlantic relationship and its prospects. There are those who are saying basic alliance institutions are losing their relevance or utility or both. Proposals for radical reform abound. Criticism of Europe in America is as common here as criticism of American leadership is there.

I, for one, find most of this quite healthy, natural, and normal. It is healthy, for debate is the prerequisite of intelligent change, and the alliance must adjust if it is to be effective. It is natural, as such debates have taken place regularly throughout NATO's nearly 35 years. It is normal, particularly in light of the fact that many issues did not receive the attention they warranted during a period when so many officials and people everywhere concentrated on what was the major challenge to the alliance in 1983—the intermediate-range nuclear forces (INF).

Such debates in the face of challenges are also productive. The alliance which emerged from 1983 is a stronger one.

Four years of intense Soviet pressure on the INF issue failed to divide the nations of the alliance from each other or the people of the alliance

from their governments or our friends in Europe from those in Asia. In accordance with NATO's 1979 decision, and as the result of Soviet intransigence in the Geneva talks, initial deployments of Pershing II and ground-launched cruise missiles (GLCMs) began at the end of 1983 in the Federal Republic of Germany, the United Kingdom, and Italy.

The Soviet Union, regrettably and unjustifiably, interrupted the INF, START [strategic arms reduction talks], and MBFR [mutual and balanced force reductions] negotiations. The Soviets have subsequently indicated their agreement to resume MBFR negotiations March 16. There is, however, as yet no indication when they may be prepared to resume negotiations on nuclear weapons. We have made clear that we are ready to negotiate at any time and that we believe it is in the interest of both sides to achieve negotiated agreements in these fields.

There is no reason why the challenges of 1984 cannot be transformed into similar opportunities. The alliance is stronger. We are in a better position to conduct a constructive dialogue with the Soviet Union: As the President has said, "because we and our allies stand together, we are better able to meet the common challenges we face."

Transatlantic Economic Relations

Perhaps no challenge will be as important for the long-term health of the Atlantic states than will be the

economic. Foreign Minister Genscher has said that Germany, having met the challenge of INF deployment, must now face up to the second great challenge—that of economic and technological change.

What Mr. Genscher said is true not just for Germany but for all the countries of the alliance. This challenge is posed in the most immediate way by the growing pressure for protectionism on both sides of the Atlantic.

There are clear, and I think unassailable, economic reasons for freer trade. These range from the classic arguments of comparative advantage and reduced inflation to broader concepts such as consumer choice. Moreover, it is evident that the ability to take advantage of new technology is greatly increased by exposure to the winds of competition.

There are also strong political arguments for an open trading system. It is hard to envisage the alliance surviving unshaken a serious transatlantic trade war. Good political relations and good economic relations have been, and will continue to be, two sides of the same coin.

Yet protectionism is a lively force in the world today. Adjustment of industry and of the labor force to new conditions of supply and demand, and to new technologies, is hardly a painless process. Over the last 10 years, with the sharp rise in energy prices and with generally slow rates of demand growth, we have been put to a severe test. It is perhaps surprising that we have, on the whole, avoided new protectionist measures. At the moment, the situation is aggravated for us by the strength of the dollar. In spite of its many beneficial effects, the brawny dollar also underlies the enormous \$69-billion trade deficit we incurred in 1983.

At times like these, we have to keep reminding ourselves of the enormous flows of transatlantic trade which are at stake—some \$90 billion yearly. Such a massive contribution to economic well-being on both sides of the Atlantic should not be lightly sacrificed or endangered.

Keeping the trading system open is not something the United States can achieve by itself. Western Europe, which accounts for some 40% of world trade, shares a particular interest and a special responsibility.

We have, over the years, tolerated European protectionism in one sector—agriculture. We have repeatedly stated, and we mean it, that we do not

attack the common agricultural policy as such. But it has become more difficult for us to live with the common agricultural policy as Europe has passed the point of self-sufficiency and begun taking export markets from us, using subsidies to undercut our prices. This has led us to try to persuade the European Community (EC) to reform—not destroy—the common agricultural policy so as to remove this cause for complaint.

The EC has itself finally had to come to terms with the high costs of the common agricultural policy. The EC is now in the throes of an effort to align common agricultural policy spending with the Community's financial resources. The EC Commission and member states are discussing proposals that would make common agricultural policy price supports less open-ended and which would aim at aligning European prices of key commodities with U.S. or world prices.

We will have to see whether these words are matched by appropriate actions, but the approach is encouraging. What is not encouraging is the EC Commission's recommendation for simultaneous import restrictions against nongrain feed ingredients, such as corn gluten, and a tax on vegetable oils, which would be an indirect restriction on imports of U.S. soybean products.

We have vigorously opposed these proposals, which would put at risk our principal agricultural exports to Europe. I believe that our opposition, while based on our own interests, also serves the interests of Europe. The common agricultural policy is a substantial waster of European resources, an example of the wrong approach to Europe's economic problems. The Community should seek truly to reform the common agricultural policy, not close up some of the few remaining chinks in this protective wall around European agriculture.

Europe, as Mr. Genscher suggested, has real economic problems that need to be confronted. Some of these problems are all too familiar to us, but Europe's seem to be more deeply rooted, and progress in dealing with them is less striking than in the United States.

To be specific, Europe has created very few jobs over the last decade, while the United States has added some 15 million. While the U.S. unemployment rate is currently declining, the average European rate is higher than ours and rising, with little prospect of a decline as the European baby boom of the 1960s enters the labor market. Europe's poor employment performance seems to reflect continually rising real wages dur-

ing the 1970s, plus very little worker flexibility and mobility. The job squeeze that has resulted has been compounded by the effects of the profit squeeze and consequent low investment.

The productive element of European economies has, furthermore, been burdened by a massive increase in government outlays, rising from one-third of GNP in the 1960s to one-half today. The taxes required to finance this surge in government spending have placed a particular burden on the private sector.

Finally, and not surprisingly under these circumstances, Europe has fallen further behind in production and trade in high-technology products, leading Europeans to have doubts about their competitive future.

All of these facts are obviously of concern to Europeans. They also should be of concern to us. One of the pillars of the alliance is economic well-being on both sides of the Atlantic. This appreciation was at the core of the impulse which produced the Marshall Plan; it is no less relevant today. Prolonged economic stagnation in Europe would have serious consequences, not just for Europe's societies but also for the transatlantic relationship. A Europe that turned protectionist out of a perceived lack of competitiveness, one which failed to devote proper attention to its security because of competing claims on static tax revenues, would be at best an uneasy partner and at worst an uncertain one.

Fortunately there are significant signs of European awareness of these problems and response to them. European governments are, for example, courageously attempting to bring public spending under control. In the last few years, the inexorable march upward of European wages has moderated.

The basic remedies for Europe's problems are to be found within Europe. But there are also things we can do. We can help by setting an example in rejecting protectionism—and encouraging Europe to do likewise. We may also be able to help by engaging Europe's government leaders and men of commerce in a dialogue on the lessons we have learned about high technology and how they might be applied to European circumstances. It would, of course, be a cooperative effort. Further exposure of Europeans to the realities of technological development in the United States—how Route 128 and Silicon Valley came to be—can serve to enrich the constructive debate which is already underway in Europe.

Opportunities in Alliance Security and Arms Control

Since 1979, and even before, the Western security debate often has focused on issues of nuclear defense and arms control. This is understandable. Given the importance of ensuring that nuclear conflict never takes place, these issues will always retain a primary place in national and alliance attention.

At the same time, an exclusive focus on nuclear issues inevitably ignores much that is essential to U.S. and alliance security. In 1984 we and our allies must take the opportunity created by the successful alliance stance on INF to address more effectively the pressing questions of the alliance's conventional defense, which are no less important to our common security and the credibility of the deterrent.

By this I am not suggesting a debate over NATO's strategy of flexible response and forward defense. The alliance strategy accurately reflects longstanding political, military, and geographic realities. It serves effectively to maintain deterrence and to cement the strategic relationship between Europe and North America. The issue today is how to strengthen that strategy. Now that the alliance is moving ahead to restore the INF balance and that the United States—through its own efforts—is restoring the strategic balance, NATO must similarly address the third element of the NATO "triad," namely conventional defense.

The alliance as a whole clearly must do more to improve conventional defense capabilities. While the United States has sharply increased its defense effort, the average real growth in defense expenditure in the alliance has been 2%, which falls short of the NATO goal and is inadequate to meet the objectives set by SACEUR [Supreme Allied Commander Europe].

The alliance does not simply need to find more resources, however. It also needs to focus its efforts most productively. This will require, for example, an accelerated application of new technologies to enhance the advantages of the defense and the elaboration of common tactics to exploit the capabilities of the new technology. Because of the Western lead in technological innovation, this area offers a major opportunity for improving the military balance.

Fully realizing that opportunity will depend on effective transatlantic cooperation in the design, production, and distribution of advanced equipment. This is an issue which has been debated

endlessly on both sides of the Atlantic, but it is time that that debate leads to increased cooperative action. There have been a number of successes in defense industrial cooperation, such as the F-16. But far more must be done, and the United States in particular will have to look closely at its own policies to ensure that we foster collaboration in the future and do not inhibit it by short-sighted protectionist measures.

Just as we place needed emphasis on strengthening our conventional defenses, we also need to devote renewed attention in 1984 to the arms control agenda. In terms of the alliance and U.S.-European relations, it is important to recall that arms control not only has an important potential role in enhancing security and stability, but it is also a central element in the East-West dialogue, at both the bilateral and multilateral level.

We cannot say at this point when negotiations on nuclear arms control may be resumed. The Soviets have declined so far to set a date for the resumption of the START talks and have taken the position that the INF talks cannot be resumed in their earlier form. This Soviet approach appears to have been designed to put pressure on the United States and our allies to make substantive concessions to bring the Soviets back into the negotiations. This tactic has not worked. For our part, we have continued to stress our readiness to resume negotiations as soon as the Soviets are prepared to do so.

There are many other issues on the arms control agenda besides nuclear weapons. As I have noted, the MBFR talks in Vienna are scheduled to resume on March 16. The alliance objective continues to be to achieve significant reductions of forces on both sides to a level of parity between the forces of NATO and the Warsaw Pact in central Europe. We are working closely with our allies to prepare for the resumption of these talks, and we hope that the Soviet Union will be ready to work toward a verifiable agreement.

At the Stockholm Conference on Confidence- and Security-Building Measures and Disarmament in Europe (CDE), we are addressing the threat of surprise attack in Europe. The NATO allies won agreement to this conference as one of the results of the Madrid Conference on Security and Cooperation in Europe (CSCE) meeting last September, after several years effort. The alliance has already presented a package of concrete measures which will increase the transparency of military activities and reduce the possibility of misunderstand-

ing and miscalculation. We believe that such specific measures are much better adapted to improving military security, and the political confidence of our friends and allies which depends on that security, than vague rhetorical commitments, such as declarations of non-first-use which the Soviet Union has raised. The Stockholm conference is due to report to the next CSCE followup meeting in Vienna in 1986. It is our hope that a productive East-West agreement will have been reached by then.

The opening of the Stockholm conference was also the occasion for an important, businesslike discussion between Secretary Shultz and Soviet Foreign Minister Gromyko on the full range of international issues. That meeting followed the President's commitment, set forth in his speech of January 16, to build a more constructive relationship with the Soviet Union on the basis of realism, strength, and dialogue.

In another area of arms control, at the Committee on Disarmament, we will continue our efforts, which Vice President Bush advanced last year, to ban all chemical weapons. As Secretary Shultz stated in his address to the Stockholm conference, we will be presenting a draft treaty for the complete and verifiable elimination of chemical weapons on a global basis.

Conclusion

In conclusion, I think it is fair to say that with the implementation of the 1979 INF decision, in spite of sharp and heavy-handed Soviet opposition, NATO overcame perhaps the most serious challenge it has faced in its 35-year history. At the same time, the dynamic pace of U.S. economic recovery is bringing a welcome, if slower, resurgence of growth in Europe as well.

The alliance thus enters 1984 in a strengthened political, military, and economic situation. This is a sound basis from which to improve the conventional defenses of the alliance, to deal with the economic and trade issues between us, and to build a more constructive relationship with the Soviet Union in all areas, including realistic and verifiable arms control. ■

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The Transatlantic Relationship: A Long- Term Perspective

March 7, 1984



United States Department of State
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Washington, D.C.

Following is an address as prepared for delivery by Lawrence S. Eagleburger, Under Secretary for Political Affairs, before the National Newspaper Association, Washington, D.C., March 7, 1984.

A few weeks ago I made what some would describe as the mistake of thinking aloud before an audience about some of the challenges the transatlantic relationship will face through the rest of the 20th century. Press reports then characterized my extemporaneous remarks as critical of our West European allies, which in turn led to a host of adverse comment on my intelligence, judgment, and paternity by any number of high-ranking European officials and even an opposition leader or two. In one of the kinder comments, *Le Monde* remarked that I didn't "even have the excuse of being one of the Californians. . . ."

So I am here today to try again. My purpose is to examine the challenges—and I believe there are some—to the continuance of a strong transatlantic relationship over the course of the remainder of the 20th century. It is not my thesis that the North Atlantic Alliance is now in crisis. It is my contention that the final 15 years of the 20th century will be years of substantial—perhaps profound—change, and that it is time, *now*, for those who believe as I do that a strong transatlantic partnership will remain essential to the maintenance of peace and stability, to begin to examine together what is likely to change and how best to adjust to those changes.

The problem as I see it is this: the Atlantic alliance is and will remain our

most important political and security interest. Yet in the course of the next decades, our global foreign policy imperatives will increasingly demand our attention, our time, and our imagination. We can, I believe, assume the continuance of an unwavering American commitment to the defense of Europe. We can, as well, assume a continuation of a European commitment to our alliance partnership. But what we cannot—or at least should not—assume is that governments on either side of the Atlantic will always readily adjust to changing circumstances. An adjustment will be made, but its adequacy and the ease of the transition will depend heavily on how soon the West understands—collectively—that we face new times.

Major Changes

Let me start by describing a few of the major changes I see taking place in the coming years. Some are simply and readily apparent, others neither so simple nor so clearly perceived. Demographic changes in the United States, for example, are easily understood. We have had a Pacific coast since 1819, and since our first census our demographic center has been shifting westward—a process that will continue and carry with it a continuing shift in our political center of gravity as well. Yet even this fact does not fully illustrate the importance of our west coast. California, for example, would have one of the world's largest gross national products were it an independent nation. Growing, dynamic

cities such as Los Angeles and San Diego, the San Francisco Bay area, Seattle, and Portland challenge or surpass the east coast cities of New York, Boston, Philadelphia, and Baltimore as commercial centers.

Equally clearly, it is logical that our west coast's economic and commercial growth would increase the importance to us of a part of the world that, with today's communications, lies virtually at our doorstep. Yet the recent history of Pacific economic dynamism is by no means simply an American phenomenon. Asia's economies are today among the world's most prosperous. Japan's automobiles, steel, and electronic goods are sold throughout the world. Dynamic market economies in the ASEAN [Association of South East Asian Nations] countries, in South Korea, Taiwan, and Hong Kong produce quality products at prices that assure their ability to compete in world markets. China offers a vast potential as it opens its economy to the world.

It is little remarked, but nonetheless a remarkable fact, that since 1978 we have traded more with the Pacific Basin than with Europe; in 1982 the difference amounted to about \$13 billion. The American and Japanese economies account for about one-third of the world's total gross national product. Last year, Japan was the second largest buyer of American products (after Canada)—and yet only one of several increasingly important Asian trading partners.

Moreover, the United States and Japan are emerging—for the immediate future, at least—as the two most signifi-

cant players in the field of high-technology development—a field that is likely to define fast-paced economic development and prosperity in the years ahead. As we enter the 21st century, the United States and Japan are likely to be either the world's major economic competitors or important economic partners.

We will face in the coming years the challenge of creating and maintaining institutional links with Asian friends appropriate to their needs and to ours. Those links will not be identical to those we forged with our European friends, as they will reflect the differences in the relationships. Closer ties with Asia, for example, cannot duplicate our broad, historical relationship with Europe. But our increasingly shared economic, political, and security concerns in Asia will almost certainly bring with them the creation of new institutional arrangements for dealing more effectively with those concerns.

I remarked earlier that some changes, such as the demography of the United States, are easily seen and their consequences readily understood. Others are not so readily apparent. The nature of the transatlantic relationship over the next 15 years, for example, can, at this point, be only dimly perceived.

The NATO Alliance, which next month celebrates its 35th birthday, has assured more than a generation of peace in Europe—itself a rare occurrence in Europe's 20th century history—by reminding friends and adversaries alike that we will consider an attack on them as an attack on ourselves. President Reagan has recently reaffirmed our commitment by deploying—in concert with our allies—a new generation of intermediate nuclear missiles that will complete the chain of deterrence and ensure that Western Europe's security will remain coupled to our own.

I need, here, to underline that American recognition that defending Western Europe is also the defense of our own country marked a revolutionary change in our foreign policy. It was not, at first, a premise with which Americans were entirely comfortable. For many, like myself, growing up in the Middle West, it irrevocably extended our destinies and our sense of personal and national security far beyond our natural frontiers. This premise has proved to be the fundamental link between the United States and Europe.

There have been periodic crises in the history of the alliance over how to enhance our mutual security; there will assuredly be more in the future. We may disagree with some of our European allies on precisely how to couple or reinforce this bond—but the essential

premise that peace in the Western world is indivisible has never come into question. And no installation of any weapons system can be a substitute for that fundamental assumption.

Yet Europe's importance to us goes beyond our security needs alone. We also share a culture, a history, and several of their languages. Ideas cross the Atlantic so quickly in both directions that it is difficult to fathom from which side they originated.

Finally, there is the political aspect of our transatlantic culture. Our systems of government may vary, but we join the nations of Western Europe in dedication to liberal democratic principles that ensure the freedom and dignity of the individual, and government on the basis of popular consent. We inherited these values from Western Europe, and we have contributed heavily to their survival and viability in an often hostile world.

Europe and Europeans have had, and still have, a major impact on our political thinking. Here we return to the importance of the transatlantic dialogue. Although our diplomacy will never completely satisfy our European friends any more than it will ever satisfy ourselves, European influence on our foreign policy has been far more important than is commonly perceived. It has, on the whole, led over the years to a far more nuanced, far more sophisticated approach on our part than would have been the case were we left strictly to our own devices. It is an influence that has been most effectively exercised behind closed doors—in the NATO Council, at the annual seven-nation summits, in the constant meetings between American presidents and European leaders, and in the host of meetings between American and European officials that take place on almost a daily basis. It is a process that has worked because we have operated from a basis of shared values and objectives, common interests and hopes, and mutual danger and sacrifice.

This is precious capital—an unprecedented resource of the transatlantic partnership which Americans and Europeans alike must seek to preserve for the generations yet to come. And since I believe we may run the risk, in the decades of the 1980s and 1990s, of losing some of that intimacy, now is the time to look to preserving it. I say "now," since the alliance, as I indicated earlier, is not today in a state of crisis. Indeed, the contrary is true; we have survived, overcome, and resolved most of the difficult issues between us during the past year, and the climate of relations today is warm and workmanlike.

Need To Address Problems

So let me take this time of relative calm in the alliance to tell you of the problems I see ahead: problems which if left to evolve, unperceived and untended, may grow in complexity and consequence.

Thirty years ago Atlanticists foresaw a united Europe overcoming its age-old divisions to play a global role near if not equal to that of the superpowers. Western Europe's combined population exceeded ours and that of the Soviet Union. Its rebuilt industrial base would underwrite its prosperity; its politicians and intellectuals approached their problems with confidence and in a spirit of building a new and different Europe. Americans, although a bit wary perhaps of this emerging giant, welcomed renewed West European prosperity and the prospect of its larger involvement in world affairs, because we knew we held no monopoly on wisdom and because we shared with West Europeans common values and objectives. Much more joined than divided us.

Today, however, we see a Europe that has become less certain of its future, more uncertain about the wisdom of postwar policies, more focused on its own problems and, therefore, less prepared to look at the world whole. In addition, a goodly portion of Europe's younger generation apparently increasingly questions the utility of many of the institutions and instrumentalities that have been so fundamental to the Atlantic alliance.

The United States has been, for more than a generation of Europeans, the land of dreams, of achieving the impossible. It remains so today, for many. But it is probably also true that there is a level of disillusionment and bitterness—most clearly evident amongst the young—because neither America, in particular, nor Western institutions in general, have been able to fulfill all those hopes and dreams. And perhaps most unfortunate, this disillusionment sometimes goes beyond the young—to not so young leaders with enough experience to know better.

This bitterness and disillusion is, to some degree, true on both sides of the Atlantic. Too often political parties out of office tend to take political stances on foreign policy that throw into the perennial debate the question of consistency on one side of the Atlantic or the other. It is, however, some consolation to realize that when political "outs" become the political "ins," they have tended to come to grips with reality and reaffirm the overriding imperatives of the Atlantic alliance.

While it can, therefore, be argued

that my concerns about the attitudes of European youth and the vagaries of opposition political leaders can be overdone—since the process of aging and the responsibilities of power tend to change perspectives—it is less easy to put aside concerns about what I see as changing transatlantic perceptions of the world scene.

I have often discussed with European friends the different requirements for a nation with global responsibilities to those with more regional concerns. And the use of the word global is not meant in any arrogant fashion. Nor is it to deny the interests that several European nations retain in areas of the world beyond their continent. But the sheer scope of American interests engages us in a different set of perspectives and imperatives. I am persuaded that despite periodic inconsistencies (mainly on our part) and even more frequent crises of policy disagreement (emanating frequently from the European side), members of the alliance can still forge a strong consensus on most issues of importance. As the Warsaw Pact so clearly demonstrates, partnership without visible differences is not a partnership of equals; nor is it a partnership that possesses the dynamic qualities so necessary to making the required adjustments to changing circumstances. But an alliance in which there is an erosion of understanding of the reasons for those differences—including most particularly a tolerance of the necessities of geography and responsibility—cannot be counted upon to retain today's vigor in the face of tomorrow's challenges.

U.S. Policy Framework

Europeans often argue—and their point is well taken—that detente has been largely successful in its European context. And it is certainly clear to Americans that tensions in the heart of Europe—with Berlin as but one example—have lessened significantly. Nor can we lightly ignore European efforts to bridge the economic, political, and cultural division of Europe—and how crucial they believe these efforts to be to their long-term vision of the security of Western Europe.

But these considerations are, and must be, only some of the elements in the American policy framework. We see East-West rivalry in a broader context. Even a cursory study of recent events in Afghanistan, the Middle East, southern Africa, or Latin America persuades us that detente has not been a success in areas outside of Europe. From our perspective, the Soviet role in these

areas has not, to put it mildly, contributed to stability.

From the many conversations I have had with Europeans discussing our respective views of, and relations with, the Soviet Union, I have not found them to be ignorant of, or prepared to ignore, the nature of the Soviet system. There is often, however, a broad gap in our evaluation of the Soviet threat. There is basic agreement within the alliance on the avoidance of war; there are different and differing voices in and within the European members of the alliance, on precisely how to reduce the level of tensions. These disagreements can serve either to polarize our positions or as an example of how alliance differences can be contained within a unified policy. If they are to serve the latter purpose it will be necessary for both Europeans and Americans to recognize that there are legitimate reasons of geography and responsibility that will often require nuanced differences of approach toward the same general goals.

Other kinds of transatlantic difference, unfortunately, leave more bruised feelings—and perhaps demonstrate the degree to which we and our European allies have begun to diverge on basic issues. Two years ago the British effort to regain the Falkland Islands posed for the United States a more difficult choice than most Europeans yet recognize. Yet we made our choice. A few months ago I had reason to remember that decision when we learned, with profound regret, that as our Marines landed in Grenada, our European friends moved swiftly and publicly to condemn the action. That Europeans view the liberation of Grenada with less enthusiasm than Americans or Grenadians do, is, I admit, fully within the normal and acceptable range of alliance differences. But where, at that moment, was the alliance solidarity that had meant so much to us a year earlier? Where was the recognition that the United States might be justified in moving to protect what it believed to be its national interests? At the very least, could not our friends have suspended judgment until the emerging situation became clearer?

In the case of Grenada we moved in concert with Caribbean nations who recognized the threat to their own security that the regime in Grenada posed. The United States has, since the close of World War II, grown increasingly conscious of that curse of all great powers—unilateralism—and has sought to resist its temptations. We long ago discovered that there is a very fine line between unilateralism on the one hand and leadership on the other and have

tried very hard to avoid the one and embrace the other. But the distinction becomes increasingly hard to maintain when our principal friends and allies do not recognize that the breadth of our interests sometimes leads us to a different evaluation of threats to those interests than is held by others.

The Prime Minister of the youngest democracy in Europe, Felipe Gonzalez of Spain, recently touched upon another, related, problem that has come to concern some Americans of late. "Sometimes," he said, "we, the Spanish, have the feeling that we trust more in the destiny of Europe than other countries already integrated into the group of European institutions." "The fact is," he added, "that to a large extent Europe today remains obsessed with its own problems. This is something that needs to be overcome."

The danger with this growing tendency to look inward is that it may reinforce the potential negative consequences that can result from the changing transatlantic perceptions of the world that I have earlier described. Either tendency, by itself, can be difficult enough to counter; both, moving together, each exacerbating the other, could prove to be a wicked brew indeed.

This absorption with its internal concerns is in great measure a consequence of current economic conditions in Europe and therefore hopefully will diminish as prosperity returns. But the tendency to lay the blame for recession largely at the door of the United States and our high interest rates presents another kind of problem. What must be avoided in this transatlantic dialogue over economic issues is a too facile resort to the "blame America first" syndrome. For to do so is to obscure more fundamental failings that stand in the way of economic recovery. In the end, Europeans, possessing collectively a gross national product larger than that of the United States, need to ask themselves whether it can really be true that their economic recovery depends, in the main, on the prime rate in the United States.

I have cited these problems because I deeply believe they need to be discussed between friends while they are still manageable issues. I do not believe they demonstrate a fundamental rift between the two sides of the Atlantic. Nor do I believe they are insurmountable. In fact, the manner in which we were able, together, to put our disagreement over pipeline sanctions behind us demonstrates the contrary. Rather, I cite them because I fear that left unchecked, these trends, plus our own increasing concern with our affairs in other parts of the world—Central America, the Pacific, the

Middle East, to name but a few—can, over time, diminish the character of the transatlantic relationship. And that would be a tragedy, for a strong alliance is now, and will continue to be for decades to come, the keystone of our own—and the West's—security and stability.

Thus, now may well be the appropriate moment for all of us, Europeans and Americans, to take a new look at where we should be going together and how we should get there. Perhaps, as was recently indicated in the *Wall Street Journal*, we might forego the traditional choices between less and more involvement and direct ourselves instead to a “smarter” involvement. The two pillars of a “smarter” relationship, in my opinion, are: increasing respect for the differences in our alliance, and a more coordinated approach—across the board—to all political, economic, and security issues with our European allies.

Alliance Agenda

I will be the first to admit that I have no magic formula for resolving the strains that will surely bear down on all of us in the coming decades. But I do believe that beginning the dialogue is the key to

the eventual discovery of answers. The agenda must be broad: the fora in which that agenda could be discussed are many. And if I were asked to suggest some of the subjects that might be considered I would propose:

First. How can we enhance transatlantic cooperation in the development of high technology? Painful and costly as it may be, we must recognize that if any part of our alliance lags seriously behind another in this field for any period of time, it will seriously diminish our overall effectiveness.

Second. The importance of moving now to the broadening of alliance defense procurement policies. The United States—particularly the Congress—has, for too long, asked its allies to share more of the burden of the common defense without, at the same time, recognizing that European industry must, if this is to be the case, participate fully in the manufacture of defense items.

Third. How can the developed world cope more effectively with the large, urgent, and as yet unmanageable questions of development in the less developed countries?

Fourth. How can we overcome the increasing pressures toward protec-

tionism on both sides of the Atlantic and in Japan? More constructively, how can the world's major trading nations reduce the barriers to a freer trade between us?

These are but a few of the many questions that we should be working on jointly. But whatever our agenda, its purpose ought to be to bring the two sides of the partnership together to resolve problems, reverse trends that left unchecked will pull us apart, and—in the last analysis—move both sides of the Atlantic toward greater equality of effort, outlook, and strength. To quote again from the *Wall Street Journal*: “A genuine superpower doesn't need hegemonic influence with a weak set of client states, but a true alliance with other great nations.”

The greatness is there, on both sides of the Atlantic. It is our job to find the means, together, to let it flourish. ■

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EAST-WEST ECONOMIC RELATIONS

United States East-West economic policy is largely determined by our overall relationship with the Soviet Union, heavily influenced by the sanctions related to events in Afghanistan and Poland, and by our policy of "differentiation" toward Eastern Europe. We have been working closely with our Allies to define a Western consensus for a comprehensive and prudent economic relationship with the Soviet Union and the countries of Eastern Europe. The key elements of this "prudent" approach are:

- no subsidization of the Soviet economy by offering preferential trading terms or financing;
- restriction of items or technology which would increase Warsaw Pact military capabilities;
- maintenance of trade with the East on the basis of a balance of advantages;
- avoidance of dependency on the Soviet Union as an energy supplier.

We have continued to maintain a policy of differentiation in our trade relations with the Soviet Union and the East European countries. Our differentiated approach to Romania and Hungary, for example, has encouraged the independence of their economies.

The basis for such a common allied economic strategy was established in late 1982 when our allies agreed to undertake appropriate reviews of trade and economic policies in the Organization for Economic Cooperation and Development (OECD), The International Energy Agency (IEA), The Coordinating Committee for Multilateral Export Controls (COCOM), and NATO. While some work is still underway, solid progress has been recorded in all the key areas. Changes in the OECD export credit consensus arrangement have virtually eliminated subsidization of export credit financing to the Soviet Union. Significant measures have been taken by our allies to strengthen the administration and enforcement of the COCOM embargo. The allies are seriously studying alternative sources to eliminate the risk of over-dependence on Soviet gas supplies, and NATO is carrying out studies of the security implications for the Alliance of important aspects of East-West economic relations.

Controlling Transfer of Technology

February 1984

Background: The purpose of controlling the export of militarily relevant technology is to deny Warsaw Pact countries access to technology that would contribute to the effectiveness of their military establishments. It is increasingly difficult to identify and control commercial transactions that could constitute a threat to US national security because development of sophisticated weapons today depends on many advanced supporting technologies that have dual use--civilian as well as military. The need to establish stronger, more effective controls on the transfer of technology from the West to the East is underscored by evidence that the USSR has relied on Western high-technology exports both in its military buildup and in the strengthening of the industrial base that supports the Soviet war-making capability.

US regulations require that a license be issued before any technology can be transferred to a Warsaw Pact country. This licensing requirement permits a review of the potential military utility of the technology, to ensure that transfers of militarily relevant technologies do not take place under the guise of civil-use projects.

The Soviet Union places high priority on acquiring modern technologies to increase its military power. It is determined to obtain Western technology by whatever means it can--if not legally, then illegally through evasion of export controls. The US acting alone could not prevent such diversions of controlled equipment and technologies, as we are no longer their sole producer. The cooperation of our partners in the multilateral Coordinating Committee for Export Controls (COCOM) is therefore of greater importance than ever. As evidence of Soviet diversion efforts mounts, the COCOM nations' determination to improve enforcement capabilities has grown, and additional resources are being applied to this task. Over the last 2 years, meetings as high as the Under Secretary level have played an important role in reaffirming COCOM goals and in reinvigorating both the organization and cooperation among its members.

Organization of COCOM: The West established COCOM in 1949. Its members include Japan and all NATO countries except Iceland and Spain. It has no formal relationship to NATO and is not based on any treaty or executive agreement. Although members have no legal obligation to participate in COCOM or to abide by commitments made there, in practice there have been few instances when a member country has deviated from COCOM's unanimous decisions.

A permanent COCOM secretariat is located in Paris. Its staff recently has been increased to about 20, with a core of highly experienced professionals. All 15 COCOM countries have permanent delegations to COCOM based in Paris. The permanent US delegate to

COCOM and his deputy are State Department officers, who are joined by teams of US-based technical experts and interagency policy-level personnel during negotiations to determine export control definitions.

COCOM's major functions: COCOM first establishes and updates the precise technical definitions of militarily relevant products and technologies that should be controlled. These are grouped into three lists: military, atomic energy, and "dual use" (civil and military relevance).

Second, COCOM reviews individual members' requests to permit shipment of specific embargoed items to proscribed countries when the risk of diversion to military use is sufficiently small.

Finally, the COCOM member countries coordinate their export control administration and enforcement activities.

Improving COCOM's effectiveness: COCOM faces an important challenge posed by the present Soviet and Warsaw Pact efforts to obtain militarily sensitive equipment and technologies. President Reagan raised the problem of Western technology transfer to the Soviet Union at the Ottawa summit in July 1981. These discussions led to a high-level meeting in COCOM in Paris in January 1982, the first such political-level meeting since the late 1950s. A second high-level meeting took place in April 1983. The US is cooperating with other COCOM members in a number of measures for improvement, including:

- Reviewing and strengthening existing embargo lists;
- Harmonizing licensing practices of their governments; and
- Strengthening enforcement.

Problems with non-COCOM countries: One of the most serious problems COCOM faces is control of the export or reexport of embargoed commodities from non-COCOM countries to the communist states. The US deals with this problem in part by requiring licenses for reexports of US-origin embargoed products from third countries--a so-called extraterritorial action that has been the subject of allied criticism. As some of our allies cite legal and administrative reasons for not having similar reexport requirements, we have urged them to institute other measures to deal effectively with the problem. The US also maintains a dialogue with certain non-COCOM industrialized countries on export control and diversions.

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TRADE OF NATO COUNTRIES WITH
EUROPEAN CEMA COUNTRIES, 1979-1982^{1/}

The tables in this report, one of a series analyzing trade patterns of Western countries, show values and percentages of trade of NATO countries with European member countries of the Council for Mutual Economic Assistance (CEMA).^{2/} Spain joined NATO in May 1982; for comparison purposes, Spain's trade has been added to that of NATO in tables covering earlier years.

In the analysis that follows, comparisons of 1982 figures with earlier years are usually made in terms of percentage shares, rather than trade values, in order to minimize the distorting effects of inflation and exchange rate fluctuations.

Table I shows that, over the 1979-82 period, the combined imports of all NATO countries from the European CEMA countries, as a percentage of NATO members' total imports, remained relatively steady; exports declined. Imports varied only from 3.0 to 3.3 percent, while exports went down gradually each year from 3.6 percent in 1979 to 2.9 percent in 1982.

During this four-year period, the imports of European NATO countries from the European CEMA countries rose slightly, from 4.1 percent in 1979 to 4.5 percent in 1982. Exports declined gradually from 4.0 percent in 1979 to 3.3 percent in 1982.

^{1/} For NATO's trade with China, see INR Report 727-AR, "Trade of NATO Countries With China, 1979-1982," November 29, 1983, UNCLASSIFIED.

^{2/} The European members of CEMA (also referred to as CMEA or COMECON) are the USSR, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

UNCLASSIFIED

Report 726-AR
November 28, 1983

UNCLASSIFIED

- ii -

The imports of all NATO countries from the USSR in 1982 totaled nearly \$17.9 billion, representing 56.5 percent of their imports from all European CEMA countries. This was 4.5 percentage points higher than the previous year. Exports to the USSR amounted to \$13.6 billion (51.9 percent of exports to all European CEMA countries), a 5.8 percentage point increase compared with 1981.

The European NATO countries' imports from the USSR totaled \$17.6 billion in 1982, or 58.0 percent of their imports from all European CEMA countries. This is an increase of 4.2 percentage points over the previous year. The European NATO countries' exports to the USSR amounted to \$9.3 billion in 1982 or 45.3 percent of exports to all European CEMA countries, an increase of 4.1 percentage points compared with 1981.

In 1982, as in previous years, the Federal Republic of Germany (FRG) had the biggest share of NATO trade with European CEMA countries--more than \$10 billion in each direction. Imports amounted to more than \$10.4 billion, and exports to nearly \$10.2 billion. FRG exports to the USSR have exceeded those to the German Democratic Republic (GDR) since 1973. In 1976 imports from the USSR also surpassed those from the GDR, and this trend has continued.

FRG exports to:

- the USSR reached nearly \$3.9 billion in 1982 (38.1 percent of total FRG exports to European CEMA countries), 4.3 percentage points more than in 1981;
- the GDR totaled more than \$2.6 billion (25.9 percent of total FRG exports to European CEMA countries), 1.4 percentage points more than in 1981;
- Hungary came to slightly less than \$1.1 billion (10.7 percent of total FRG exports to European CEMA countries), 1.0 percentage point less than in 1981.

FRG imports from:

- the USSR amounted to nearly \$4.5 billion in 1982 (42.8 percent of all imports from European CEMA countries), 4.3 percentage points more than in 1981;
- the GDR were more than \$2.7 billion (26.2 percent of all imports from European CEMA countries), exactly the same ratio as the previous year;
- Poland totaled nearly \$0.9 billion (8.4 percent of all imports from European CEMA countries), 0.8 of a percentage point less than in 1981.

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- iii -

Even if FRG-GDR trade were excluded, the FRG would still be the largest NATO trader with European CEMA. FRG imports from the other European CEMA countries amounted to more than \$7.7 billion in 1982; its exports to them were more than \$7.5 billion.

Italy beat out France to become the second largest trader with European CEMA countries in 1982, while France replaced Italy in third place:

--Italy's imports from European CEMA countries totaled nearly \$5.2 billion, and its exports to them more than \$2.4 billion. Its largest trade was with the USSR; imports from that country were 68.2 percent of Italy's total imports from European CEMA countries, while exports to it were 61.8 percent.

--France's imports from European CEMA countries came to more than \$4.3 billion; its exports to them to more than \$2.8 billion. Trade with the USSR represented 66.4 percent of France's total imports from European CEMA countries and 55.4 percent of total exports to them.

The United States was the fourth largest NATO trader with European CEMA countries in 1982, as it was the previous year. US imports from those countries amounted to nearly \$1.1 billion, 0.4 percent of its world imports and 0.2 of a percentage point less than in 1981. Exports to them totaled nearly \$3.6 billion, 1.7 percent of US exports to the world, also a decrease of 0.2 of a percentage point compared with 1981. Exports to the European CEMA countries as a percent of total US exports decreased. On the other hand, exports to the USSR, mainly agricultural products, rose slightly in dollar terms and more sharply as a portion of total exports to CEMA countries--72.2 percent (\$2.6 billion), compared with 56.1 percent (\$2.4 billion) in 1981.

The table on page 19 shows US trade with European CEMA countries from January through September 1983 compared with the same period in 1982. US imports were unchanged, remaining at 0.5 percent of US imports from the world; but exports dropped sharply, from 1.8 percent of world exports to 1.2 percent. The share of exports going to the USSR, as a percent of exports to all European CEMA countries, dropped from 73.7 percent to 64.7 percent during this period.

The Netherlands was the fifth largest trader of NATO countries with European CEMA countries in 1982, as it was in 1981. (Revised 1981 data for the UK dropped that country to sixth place. A Civil Service strike had prevented compilation of authoritative statistics for UK trade in 1981.) The Netherlands' imports from European CEMA countries amounted to nearly \$3.3 billion, or 5.2 percent of its total imports, up sharply from

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UNCLASSIFIED

- iv -

4.0 percent in 1981. Exports amounted to nearly \$1.0 billion, 1.5 percent of the Netherlands' exports to the world, down from 2.0 percent the previous year.

The sixth place United Kingdom had imports from European CEMA countries in 1982 of nearly \$2.0 billion (2.0 percent of its total imports, up 0.4 of a percentage point from the previous year). Its exports to them totaled more than \$1.5 billion (1.6 percent of its total exports, down 0.4 of a percentage point from 1981).

Greece's trade with European CEMA countries in 1982, as a percentage of its world trade, was 5.3 percent for imports (a decrease of 1.4 percentage points compared with 1981) and 7.7 percent for exports (down 0.4 of a percentage point from 1981).

Iceland and Turkey depend heavily on trade with European CEMA countries. As a percentage of their 1982 world trade compared with 1981--for imports as well as exports--that of Iceland showed an increase and that of Turkey a decrease. Iceland's exports to European CEMA countries amounted to 8.4 percent of its total exports, 0.5 of a percentage point over the 1981 figure; those of Turkey were 5.3 percent, 1.4 percent below the 1981 level. Imports from those countries were 10.3 percent of Iceland's total imports and 4.5 percent of Turkey's, an increase of 0.9 percent for Iceland and a steep 4.2-percent drop for Turkey.

Canada's exports to European CEMA countries in 1982 totaled more than \$2.0 billion. Of this amount, 82.5 percent went to the USSR, practically the same ratio (82.4 percent) as in 1981. Exports to European CEMA countries, as a percentage of Canada's total exports, were 3.0 percent, 0.3 of a percentage point more than in 1981. Imports remained small, 0.3 percent of total imports, or 0.1 of a percentage point less than the previous year.

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Notes

1. Percentages shown for individual countries may not always add to the totals shown because of rounding.
2. The text gives data in billions, but percentages are based on unrounded data.

Sources

1. Organization for Economic Cooperation and Development, Statistics of Foreign Trade, Monthly Bulletin, Series A, various dates.
2. US Department of Commerce, Bureau of the Census, Highlights of US Export and Import Trade, Report FT 990, various issues.
3. FRG-GDR trade: Wirtschaft and Statistik, February 1983 and earlier issues.

LIST OF TABLES

| <u>Summary Tables</u> | <u>Page</u> |
|--|-------------|
| I. Trade of NATO With European CEMA Countries, 1979-1982 .. | 1 |
| II. Trade of NATO Countries With European CEMA Countries, 1981 and 1982 | |
| Imports | 2 |
| Exports | 3 |
| <u>Listings by Country (Imports and Exports for 1979-1982)</u> | |
| Belgium-Luxembourg | 4 |
| Denmark | 5 |
| France | 6 |
| Federal Republic of Germany | 7 |
| Greece | 8 |
| Iceland | 9 |
| Italy | 10 |
| Netherlands | 11 |
| Norway | 12 |
| Portugal | 13 |
| Spain | 14 |
| Turkey | 15 |
| United Kingdom | 16 |
| Canada | 17 |
| US | 18 |
| US (January-September 1982 and 1983) | 19 |

SUMMARY TABLE I

TRADE OF NATO WITH EUROPEAN CEMA COUNTRIES,* 1979-1982
(in millions of dollars)

| Country/Area | 1979 | | | 1980 | | | 1981 | | | 1982 | | |
|-------------------------|---------------------------------|--------------------------------------|--|---------------------------------|--------------------------------------|--|---------------------------------|--------------------------------------|--|---------------------------------|--------------------------------------|--|
| | Total from (or to) entire world | From (or to) European CEMA countries | Trade with European CEMA countries as % of world trade | Total from (or to) entire world | From (or to) European CEMA countries | Trade with European CEMA countries as % of world trade | Total from (or to) entire world | From (or to) European CEMA countries | Trade with European CEMA countries as % of world trade | Total from (or to) entire world | From (or to) European CEMA countries | Trade with European CEMA countries as % of world trade |
| <u>Imports (c.i.f.)</u> | | | | | | | | | | | | |
| European NATO | 655,607.9 | 26,845.1 | 4.1 | 789,970.3 | 32,918.6 | 4.2 | 701,574.0 | 29,294.1 | 4.2 | 671,363.0 | 30,366.7 | 4.5 |
| Canada (f.o.b.) | 53,518.0 | 257.1 | 0.5 | 58,992.0 | 233.3 | 0.4 | 66,500.0 | 267.4 | 0.4 | 54,818.6 | 176.3 | 0.3 |
| US (f.o.b.) | 207,058.0 | 1,864.8 | 0.9 | 245,261.9 | 1,428.9 | 0.6 | 260,981.8 | 1,550.2 | 0.6 | 243,951.9 | 1,064.5 | 0.4 |
| Total NATO | 916,183.9 | 28,967.0 | 3.2 | 1,094,224.2 | 34,580.8 | 3.2 | 1,029,055.8 | 31,111.7 | 3.0 | 970,133.5 | 31,607.5 | 3.3 |
| <u>Exports (f.o.b.)</u> | | | | | | | | | | | | |
| European NATO | 611,740.7 | 24,210.4 | 4.0 | 707,217.7 | 27,773.0 | 3.9 | 650,568.7 | 23,116.3 | 3.6 | 628,021.5 | 20,493.6 | 3.3 |
| Canada | 55,931.6 | 991.3 | 1.8 | 64,938.7 | 1,775.5 | 2.7 | 70,566.0 | 1,910.5 | 2.7 | 68,414.4 | 2,036.0 | 3.0 |
| US | 181,815.6 | 5,673.8 | 3.1 | 220,782.5 | 3,853.1 | 1.7 | 233,739.1 | 4,331.8 | 1.9 | 212,274.6 | 3,593.1 | 1.7 |
| Total NATO | 848,487.9 | 30,875.5 | 3.6 | 992,938.9 | 33,401.6 | 3.4 | 954,873.6 | 29,358.6 | 3.1 | 908,710.5 | 26,122.7 | 2.9 |

*Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, and the USSR.

SUMMARY TABLE II

TRADE OF NATO COUNTRIES WITH EUROPEAN CEMA COUNTRIES,* 1981 and 1982

IMPORTS (in millions of dollars c.i.f.)

| Country/Area | Total, from entire world | | Of which from European CEMA countries | | Imports from European CEMA countries as percent of world imports | |
|-----------------------------|--------------------------|-----------|---------------------------------------|----------|--|------|
| | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 |
| Belgium-Luxembourg | 61,852.2 | 57,829.3 | 1,453.5 | 1,850.8 | 2.3 | 3.2 |
| Denmark | 17,502.2 | 16,841.6 | 642.1 | 722.0 | 3.7 | 4.3 |
| France | 120,496.8 | 115,382.4 | 4,959.6 | 4,302.0 | 4.1 | 3.7 |
| Federal Republic of Germany | 165,368.4 | 156,781.1 | 10,230.0 | 10,448.3 | 6.2 | 6.7 |
| Greece | 8,911.4 | 9,968.4 | 592.7 | 527.6 | 6.7 | 5.3 |
| Iceland | 1,036.1 | 942.8 | 96.9 | 97.3 | 9.4 | 10.3 |
| Italy | 91,201.2 | 85,923.6 | 4,728.0 | 5,191.2 | 5.2 | 6.0 |
| Netherlands | 65,920.3 | 62,585.6 | 2,647.5 | 3,272.6 | 4.0 | 5.2 |
| Norway | 15,620.4 | 15,452.3 | 397.1 | 573.0 | 2.5 | 3.7 |
| Portugal | 9,744.1 | 9,424.6 | 274.8 | 139.7 | 2.8 | 1.5 |
| Spain | 32,177.5 | 31,615.4 | 845.3 | 860.3 | 2.6 | 2.7 |
| Turkey | 8,944.2 | 8,940.3 | 779.0 | 405.5 | 8.7 | 4.5 |
| UK | 102,799.2 | 99,675.6 | 1,647.6 | 1,976.4 | 1.6 | 2.0 |
| Total European NATO | 701,574.0 | 671,363.0 | 29,294.1 | 30,366.7 | 4.2 | 4.5 |
| Canada (f.o.b.) | 66,500.0 | 54,818.6 | 267.4 | 176.3 | 0.4 | 0.3 |
| US (f.o.b.) | 260,981.8 | 243,951.9 | 1,550.2 | 1,064.5 | 0.6 | 0.4 |
| Total NATO | 1,029,055.8 | 970,133.5 | 31,111.7 | 31,607.5 | 3.0 | 3.3 |

* Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, and the USSR.

SUMMARY TABLE II (cont'd)

TRADE OF NATO COUNTRIES WITH EUROPEAN CEMA COUNTRIES,* 1981 and 1982

EXPORTS (in millions of dollars, f.o.b.)

| Country/Area | Total, to entire world | | Of which to European CEMA countries | | Exports to European CEMA countries as percent of world exports | |
|-----------------------------|------------------------|-----------|-------------------------------------|----------|--|------|
| | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 |
| Belgium-Luxembourg | 55,475.8 | 52,405.6 | 1,103.4 | 907.5 | 2.0 | 1.7 |
| Denmark | 15,975.8 | 15,316.6 | 291.5 | 244.9 | 1.8 | 1.6 |
| France | 101,270.4 | 92,350.8 | 3,891.6 | 2,810.4 | 3.8 | 3.0 |
| Federal Republic of Germany | 177,750.9 | 178,082.3 | 10,053.3 | 10,151.9 | 5.7 | 5.7 |
| Greece | 4,293.8 | 4,285.4 | 346.0 | 331.7 | 8.1 | 7.7 |
| Iceland | 904.8 | 686.4 | 71.8 | 57.8 | 7.9 | 8.4 |
| Italy | 75,715.2 | 73,380.0 | 2,482.8 | 2,444.4 | 3.3 | 3.3 |
| Netherlands | 68,464.3 | 66,231.4 | 1,379.7 | 992.5 | 2.0 | 1.5 |
| Norway | 17,927.8 | 17,544.8 | 261.4 | 210.5 | 1.5 | 1.2 |
| Portugal | 4,142.0 | 4,176.6 | 84.6 | 86.4 | 2.0 | 2.1 |
| Spain | 20,456.5 | 20,573.8 | 790.9 | 439.6 | 3.9 | 2.1 |
| Turkey | 4,771.8 | 5,766.2 | 320.5 | 307.6 | 6.7 | 5.3 |
| UK | 103,419.6 | 97,221.6 | 2,038.8 | 1,508.4 | 2.0 | 1.6 |
| Total European NATO | 650,568.7 | 628,021.5 | 23,116.3 | 20,493.6 | 3.6 | 3.3 |
| Canada | 70,566.0 | 68,414.4 | 1,910.5 | 2,036.0 | 2.7 | 3.0 |
| US | 233,739.1 | 212,274.6 | 4,331.8 | 3,593.1 | 1.9 | 1.7 |
| Total NATO | 954,873.8 | 908,710.5 | 29,358.6 | 26,122.7 | 3.1 | 2.9 |

* Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, and the USSR.

BELGIUM-LUXEMBOURG'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|----------------|--------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 25.2 | 23.0 | 43.0 | 27.1 | insig | insig | 0.1 | insig |
| Czechoslovakia | 66.4 | 78.1 | 54.1 | 54.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| GDR | 133.3 | 144.6 | 162.6 | 135.7 | 0.2 | 0.2 | 0.3 | 0.2 |
| Hungary | 36.2 | 37.1 | 33.5 | 33.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 157.1 | 191.0 | 127.3 | 105.8 | 0.3 | 0.3 | 0.2 | 0.2 |
| Romania | 48.6 | 39.5 | 58.8 | 25.6 | 0.1 | 0.1 | 0.1 | insig |
| USSR | <u>592.4</u> | <u>1,103.6</u> | <u>974.2</u> | <u>1,468.0</u> | <u>1.0</u> | <u>1.5</u> | <u>1.6</u> | <u>2.5</u> |
| Total European CEMA | 1,059.2 | 1,616.9 | 1,453.5 | 1,850.8 | 1.8 | 2.3 | 2.3 | 3.2 |
| Total imports from entire world | 60,353.8 | 71,679.4 | 61,852.2 | 57,829.3 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| Bulgaria | 43.8 | 60.5 | 68.0 | 45.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 75.6 | 75.7 | 68.5 | 63.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| GDR | 95.9 | 129.1 | 85.1 | 51.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Hungary | 76.2 | 75.1 | 90.7 | 88.4 | 0.1 | 0.1 | 0.2 | 0.2 |
| Poland | 174.8 | 154.2 | 93.0 | 74.9 | 0.3 | 0.2 | 0.2 | 0.1 |
| Romania | 125.0 | 194.5 | 108.7 | 48.7 | 0.2 | 0.3 | 0.2 | 0.1 |
| USSR | <u>467.2</u> | <u>618.7</u> | <u>589.4</u> | <u>536.0</u> | <u>0.8</u> | <u>1.0</u> | <u>1.1</u> | <u>1.0</u> |
| Total European CEMA | 1,058.5 | 1,307.8 | 1,103.4 | 907.5 | 1.9 | 2.0 | 2.0 | 1.7 |
| Total exports to entire world | 56,214.4 | 64,498.7 | 55,475.8 | 52,405.6 | | | | |

DENMARK'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 8.0 | 5.8 | 4.1 | 10.0 | insig | insig | insig | 0.1 |
| Czechoslovakia | 55.8 | 52.8 | 55.0 | 61.8 | 0.3 | 0.3 | 0.3 | 0.4 |
| GDR | 71.3 | 148.2 | 142.3 | 160.3 | 0.4 | 0.8 | 0.8 | 1.0 |
| Hungary | 41.8 | 47.3 | 35.6 | 35.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Poland | 249.4 | 328.3 | 107.2 | 108.5 | 1.4 | 1.6 | 0.6 | 0.6 |
| Romania | 13.2 | 15.6 | 14.3 | 18.6 | 0.1 | 0.1 | 0.1 | 0.1 |
| USSR | <u>439.0</u> | <u>421.2</u> | <u>283.6</u> | <u>327.5</u> | <u>2.4</u> | <u>2.2</u> | <u>1.6</u> | <u>1.9</u> |
| Total European CEMA | 878.5 | 1,019.2 | 642.1 | 722.0 | 4.8 | 5.3 | 3.7 | 4.3 |
| Total imports from entire world | 18,458.3 | 19,321.7 | 17,502.2 | 16,841.6 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|--------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Bulgaria | 7.0 | 10.8 | 7.4 | 7.3 | 0.1 | 0.1 | insig | insig |
| Czechoslovakia | 27.0 | 42.1 | 28.1 | 24.5 | 0.2 | 0.3 | 0.2 | 0.2 |
| GDR | 71.4 | 99.4 | 48.5 | 30.5 | 0.5 | 0.6 | 0.3 | 0.2 |
| Hungary | 41.9 | 49.2 | 41.5 | 36.6 | 0.3 | 0.3 | 0.3 | 0.2 |
| Poland | 102.8 | 70.8 | 61.9 | 53.5 | 0.7 | 0.4 | 0.4 | 0.3 |
| Romania | 23.6 | 21.8 | 10.7 | 5.0 | 0.2 | 0.1 | 0.1 | insig |
| USSR | <u>103.6</u> | <u>96.7</u> | <u>93.4</u> | <u>87.5</u> | <u>0.7</u> | <u>0.6</u> | <u>0.6</u> | <u>0.6</u> |
| Total European CEMA | 377.3 | 390.8 | 291.5 | 244.9 | 2.6 | 2.3 | 1.8 | 1.6 |
| Total exports to entire world | 14,613.6 | 16,742.4 | 15,975.8 | 15,316.6 | | | | |

FRANCE'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|----------------|----------------|----------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 68.4 | 46.8 | 90.0 | 102.0 | 0.1 | insig | 0.1 | 0.1 |
| Czechoslovakia | 166.8 | 178.8 | 159.6 | 171.6 | 0.2 | 0.1 | 0.1 | 0.1 |
| GDR | 216.0 | 274.8 | 261.6 | 282.0 | 0.2 | 0.2 | 0.2 | 0.2 |
| Hungary | 153.6 | 194.4 | 176.4 | 172.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 550.8 | 583.2 | 360.0 | 331.2 | 0.5 | 0.6 | 0.3 | 0.3 |
| Romania | 344.4 | 406.8 | 525.6 | 385.2 | 0.3 | 0.3 | 0.4 | 0.3 |
| USSR | <u>1,790.4</u> | <u>3,565.2</u> | <u>3,386.4</u> | <u>2,857.2</u> | <u>1.7</u> | <u>2.6</u> | <u>2.8</u> | <u>2.5</u> |
| Total European CEMA | 3,290.4 | 5,250.0 | 4,959.6 | 4,302.0 | 3.1 | 3.9 | 4.1 | 3.7 |
| Total imports from entire world | 106,874.4 | 134,852.4 | 120,496.8 | 115,382.4 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|----------------|----------------|----------------|----------------|------------|------------|------------|------------|
| Bulgaria | 141.6 | 170.4 | 154.8 | 104.4 | 0.1 | 0.2 | 0.2 | 0.1 |
| Czechoslovakia | 151.2 | 160.8 | 123.6 | 109.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| GDR | 361.2 | 319.2 | 463.2 | 255.6 | 0.4 | 0.3 | 0.5 | 0.3 |
| Hungary | 210.0 | 234.0 | 236.4 | 196.8 | 0.2 | 0.2 | 0.2 | 0.2 |
| Poland | 604.8 | 831.6 | 654.0 | 433.2 | 0.6 | 0.7 | 0.6 | 0.5 |
| Romania | 553.2 | 465.6 | 412.8 | 154.8 | 0.6 | 0.4 | 0.4 | 0.2 |
| USSR | <u>2,005.2</u> | <u>2,464.8</u> | <u>1,846.8</u> | <u>1,556.4</u> | <u>2.1</u> | <u>2.2</u> | <u>1.8</u> | <u>1.7</u> |
| Total European CEMA | 4,027.2 | 4,646.4 | 3,891.6 | 2,810.4 | 4.1 | 4.0 | 3.8 | 3.0 |
| Total exports to entire world | 97,981.2 | 111,310.8 | 101,270.4 | 92,350.8 | | | | |

FEDERAL REPUBLIC OF GERMANY'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|---|----------------|----------------|----------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 194.4 | 177.6 | 205.2 | 198.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 876.0 | 1,045.2 | 919.2 | 844.8 | 0.6 | 0.6 | 0.6 | 0.5 |
| GDR | 2,440.0 | 3,217.0 | 2,677.2 | 2,732.3 | 1.5 | 1.7 | 1.6 | 1.7 |
| Hungary | 922.8 | 998.4 | 884.4 | 760.8 | 0.6 | 0.5 | 0.5 | 0.5 |
| Poland | 1,206.0 | 1,376.4 | 943.2 | 878.4 | 0.8 | 0.7 | 0.6 | 0.6 |
| Romania | 894.0 | 878.4 | 662.4 | 561.6 | 0.6 | 0.4 | 0.4 | 0.4 |
| USSR | <u>3,892.8</u> | <u>3,976.8</u> | <u>3,938.4</u> | <u>4,472.4</u> | <u>2.4</u> | <u>2.1</u> | <u>2.4</u> | <u>2.9</u> |
| Total European CEMA | 10,426.0 | 11,669.8 | 10,230.0 | 10,448.3 | 6.5 | 6.2 | 6.2 | 6.7 |
| Total imports from entire world (including im- ports from GDR) | 160,187.2 | 189,070.6 | 165,368.4 | 156,781.1 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|---|----------------|----------------|----------------|----------------|------------|------------|------------|------------|
| Bulgaria | 396.0 | 477.6 | 500.4 | 507.6 | 0.2 | 0.2 | 0.3 | 0.3 |
| Czechoslovakia | 1,087.2 | 1,034.4 | 890.4 | 802.8 | 0.6 | 0.5 | 0.5 | 0.5 |
| GDR | 2,574.4 | 3,227.9 | 2,466.9 | 2,626.7 | 1.5 | 1.7 | 1.4 | 1.5 |
| Hungary | 1,168.8 | 1,206.0 | 1,173.6 | 1,086.0 | 0.7 | 0.6 | 0.7 | 0.6 |
| Poland | 1,248.8 | 1,458.0 | 960.0 | 883.2 | 0.8 | 0.7 | 0.5 | 0.5 |
| Romania | 1,075.2 | 894.0 | 868.4 | 376.8 | 0.6 | 0.5 | 0.4 | 0.2 |
| USSR | <u>3,619.2</u> | <u>4,372.8</u> | <u>3,393.6</u> | <u>3,868.8</u> | <u>2.1</u> | <u>2.2</u> | <u>1.9</u> | <u>2.2</u> |
| Total European CEMA | 11,269.6 | 12,670.7 | 10,053.3 | 10,151.9 | 6.5 | 6.5 | 5.7 | 5.7 |
| Total exports to entire world (including exports to GDR) | 174,092.8 | 194,915.9 | 177,750.9 | 178,082.3 | | | | |

GREECE'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 79.4 | 93.8 | 33.2 | 86.3 | 0.8 | 0.8 | 0.4 | 0.9 |
| Czechoslovakia | 57.5 | 72.2 | 55.4 | 38.0 | 0.6 | 0.7 | 0.6 | 0.4 |
| GDR | 65.9 | 79.0 | 52.7 | 38.9 | 0.7 | 0.7 | 0.6 | 0.4 |
| Hungary | 70.2 | 69.1 | 44.9 | 36.5 | 0.7 | 0.7 | 0.5 | 0.4 |
| Poland | 65.0 | 74.0 | 26.3 | 55.0 | 0.7 | 0.7 | 0.3 | 0.6 |
| Romania | 49.0 | 71.5 | 49.1 | 52.1 | 0.5 | 0.7 | 0.6 | 0.5 |
| USSR | <u>205.1</u> | <u>151.2</u> | <u>331.1</u> | <u>220.8</u> | <u>2.1</u> | <u>1.4</u> | <u>3.7</u> | <u>2.2</u> |
| Total European CEMA | 592.1 | 610.8 | 592.7 | 527.6 | 6.1 | 5.7 | 6.7 | 5.3 |
| Total imports from entire world | 9,722.8 | 10,626.7 | 8,911.4 | 9,968.4 | | | | |

EXPORTS

Country of Destination

| | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|--------------|------------|------------|------------|------------|
| Bulgaria | 60.0 | 63.5 | 52.9 | 42.8 | 1.5 | 1.2 | 1.2 | 1.0 |
| Czechoslovakia | 48.1 | 76.8 | 40.9 | 36.8 | 1.2 | 1.5 | 1.0 | 0.9 |
| GDR | 44.8 | 50.5 | 28.0 | 16.0 | 1.2 | 1.0 | 0.7 | 0.4 |
| Hungary | 38.2 | 58.8 | 35.0 | 17.6 | 1.0 | 1.1 | 0.8 | 0.4 |
| Poland | 60.7 | 90.6 | 39.0 | 10.0 | 1.6 | 1.7 | 0.9 | 0.2 |
| Romania | 53.8 | 93.6 | 76.3 | 67.0 | 1.4 | 1.8 | 1.8 | 1.6 |
| USSR | <u>55.0</u> | <u>91.0</u> | <u>73.9</u> | <u>141.5</u> | <u>1.4</u> | <u>1.8</u> | <u>1.7</u> | <u>3.3</u> |
| Total European CEMA | 360.6 | 524.8 | 346.0 | 331.7 | 9.3 | 10.1 | 8.1 | 7.7 |
| Total exports to entire world | 3,888.1 | 5,189.8 | 4,293.8 | 4,285.4 | | | | |

ICELAND'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|-------------|-------------|-------------|-------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 0.1 | 0.2 | 0.2 | 0.1 | insig | insig | insig | insig |
| Czechoslovakia | 4.5 | 5.7 | 5.5 | 3.6 | 0.5 | 0.6 | 0.5 | 0.4 |
| GDR | 2.1 | 2.4 | 2.9 | 3.4 | 0.3 | 0.2 | 0.3 | 0.4 |
| Hungary | 0.2 | 0.6 | 0.8 | 0.6 | insig | 0.1 | 0.1 | 0.1 |
| Poland | 4.7 | 4.8 | 3.8 | 3.2 | 0.6 | 0.5 | 0.4 | 0.3 |
| Romania | 0.3 | 0.1 | 0.6 | 0.2 | insig | insig | 0.1 | insig |
| USSR | <u>92.5</u> | <u>97.5</u> | <u>83.1</u> | <u>86.2</u> | <u>11.2</u> | <u>9.7</u> | <u>8.0</u> | <u>9.1</u> |
| Total European CEMA | 104.4 | 111.3 | 96.9 | 97.3 | 12.6 | 11.1 | 9.4 | 10.3 |
| Total imports from entire world | 826.2 | 1,000.8 | 1,036.1 | 942.8 | | | | |

EXPORTS

Country of Destination

| | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Bulgaria | - | insig | insig | - | - | insig | insig | - |
| Czechoslovakia | 7.7 | 8.2 | 6.8 | 1.8 | 1.0 | 0.9 | 0.8 | 0.3 |
| GDR | 0.6 | 0.5 | 0.2 | 0.2 | 0.1 | 0.1 | insig | insig |
| Hungary | 1.9 | 1.1 | 0.9 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 |
| Poland | 16.5 | 22.6 | 7.8 | 3.3 | 2.1 | 2.4 | 0.9 | 0.5 |
| Romania | 6.7 | 0.4 | 0.3 | 0.3 | 0.9 | insig | insig | insig |
| USSR | <u>30.6</u> | <u>49.8</u> | <u>55.8</u> | <u>51.8</u> | <u>3.9</u> | <u>5.4</u> | <u>6.2</u> | <u>7.5</u> |
| Total European CEMA | 64.0 | 82.6 | 71.8 | 57.8 | 8.1 | 8.9 | 7.9 | 8.4 |
| Total exports to entire world | 789.7 | 929.5 | 904.8 | 686.4 | | | | |

ITALY'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|----------------|----------------|----------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 210.0 | 254.4 | 153.6 | 117.6 | 0.3 | 0.3 | 0.2 | 0.1 |
| Czechoslovakia | 232.8 | 261.6 | 222.0 | 247.2 | 0.3 | 0.3 | 0.2 | 0.3 |
| GDR | 162.0 | 186.0 | 202.8 | 160.8 | 0.2 | 0.2 | 0.2 | 0.2 |
| Hungary | 338.4 | 379.2 | 274.8 | 303.6 | 0.4 | 0.4 | 0.3 | 0.4 |
| Poland | 492.0 | 574.8 | 337.2 | 288.0 | 0.6 | 0.6 | 0.4 | 0.3 |
| Romania | 368.4 | 601.2 | 426.0 | 534.0 | 0.5 | 0.6 | 0.5 | 0.6 |
| USSR | <u>2,062.8</u> | <u>3,074.4</u> | <u>3,111.6</u> | <u>3,540.0</u> | <u>2.7</u> | <u>3.1</u> | <u>3.4</u> | <u>4.1</u> |
| Total European CEMA | 3,866.4 | 5,331.6 | 4,728.0 | 5,191.2 | 5.0 | 5.3 | 5.2 | 6.0 |
| Total imports from entire world | 77,811.6 | 99,702.0 | 91,201.2 | 85,923.6 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|----------------|----------------|----------------|----------------|------------|------------|------------|------------|
| Bulgaria | 135.6 | 164.4 | 171.6 | 163.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Czechoslovakia | 153.6 | 177.6 | 145.2 | 115.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| GDR | 159.6 | 140.4 | 165.6 | 124.8 | 0.2 | 0.2 | 0.2 | 0.2 |
| Hungary | 248.4 | 267.6 | 267.6 | 228.0 | 0.3 | 0.3 | 0.4 | 0.3 |
| Poland | 385.2 | 382.8 | 230.4 | 172.8 | 0.5 | 0.5 | 0.3 | 0.2 |
| Romania | 332.4 | 327.6 | 211.2 | 130.8 | 0.5 | 0.4 | 0.3 | 0.2 |
| USSR | <u>1,218.0</u> | <u>1,275.6</u> | <u>1,291.2</u> | <u>1,509.6</u> | <u>1.7</u> | <u>1.6</u> | <u>1.7</u> | <u>2.1</u> |
| Total European CEMA | 2,632.8 | 2,736.0 | 2,482.8 | 2,444.4 | 3.7 | 3.5 | 3.3 | 3.3 |
| Total exports to entire world | 72,123.6 | 77,907.6 | 75,715.2 | 73,380.0 | | | | |

NETHERLANDS' TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|----------------|----------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 27.0 | 30.0 | 63.6 | 20.4 | insig | insig | 0.1 | insig |
| Czechoslovakia | 145.2 | 181.9 | 126.6 | 128.4 | 0.2 | 0.2 | 0.2 | 0.2 |
| GDR | 134.5 | 197.9 | 240.5 | 214.4 | 0.2 | 0.3 | 0.4 | 0.3 |
| Hungary | 114.8 | 123.1 | 94.4 | 88.4 | 0.2 | 0.2 | 0.1 | 0.1 |
| Poland | 154.3 | 165.4 | 117.5 | 151.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Romania | 389.6 | 316.9 | 237.7 | 98.5 | 0.6 | 0.4 | 0.4 | 0.2 |
| USSR | <u>845.0</u> | <u>1,275.1</u> | <u>1,767.2</u> | <u>2,571.4</u> | <u>1.3</u> | <u>1.7</u> | <u>2.7</u> | <u>4.1</u> |
| Total European CEMA | 1,810.4 | 2,290.3 | 2,647.5 | 3,272.6 | 2.7 | 3.0 | 4.0 | 5.2 |
| Total imports from entire world | 67,209.2 | 76,873.6 | 65,920.3 | 62,585.6 | | | | |

EXPORTS

Country of Destination

| | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| Bulgaria | 35.9 | 38.8 | 42.2 | 47.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 102.2 | 134.9 | 101.6 | 89.5 | 0.2 | 0.2 | 0.1 | 0.1 |
| GDR | 206.6 | 204.2 | 199.8 | 101.2 | 0.3 | 0.3 | 0.3 | 0.2 |
| Hungary | 147.8 | 154.1 | 156.4 | 132.6 | 0.2 | 0.2 | 0.2 | 0.2 |
| Poland | 224.8 | 251.3 | 169.9 | 146.0 | 0.4 | 0.3 | 0.2 | 0.2 |
| Romania | 123.0 | 127.8 | 94.6 | 51.8 | 0.2 | 0.2 | 0.1 | 0.1 |
| USSR | <u>304.1</u> | <u>508.8</u> | <u>615.2</u> | <u>423.6</u> | <u>0.5</u> | <u>0.7</u> | <u>0.9</u> | <u>0.6</u> |
| Total European CEMA | 1,144.4 | 1,419.9 | 1,379.7 | 992.5 | 1.8 | 1.9 | 2.0 | 1.5 |
| Total exports to entire world | 63,621.1 | 73,840.7 | 68,464.3 | 66,231.4 | | | | |

NORWAY'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|-------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 1.9 | 2.3 | 1.8 | 1.2 | insig | insig | insig | insig |
| Czechoslovakia | 36.4 | 41.3 | 37.3 | 35.9 | 0.3 | 0.2 | 0.2 | 0.2 |
| GDR | 43.1 | 55.7 | 80.0 | 183.1 | 0.3 | 0.3 | 0.5 | 1.2 |
| Hungary | 19.7 | 24.2 | 20.9 | 19.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 143.4 | 144.4 | 65.9 | 96.7 | 1.0 | 0.9 | 0.4 | 0.6 |
| Romania | 6.1 | 9.0 | 13.7 | 11.2 | insig | insig | 0.1 | 0.1 |
| USSR | <u>146.3</u> | <u>92.5</u> | <u>177.5</u> | <u>225.6</u> | <u>1.1</u> | <u>0.5</u> | <u>1.1</u> | <u>1.5</u> |
| Total European CEMA | 396.9 | 369.4 | 397.1 | 573.0 | 2.9 | 2.2 | 2.5 | 3.7 |
| Total imports from entire world | 13,727.0 | 16,955.9 | 15,620.4 | 15,452.3 | | | | |

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|-------------|--------------|--------------|-------------|------------|------------|------------|------------|
| Bulgaria | 5.3 | 4.1 | 3.8 | 3.1 | insig | insig | insig | insig |
| Czechoslovakia | 19.2 | 27.8 | 24.4 | 18.7 | 0.1 | 0.2 | 0.1 | 0.1 |
| GDR | 26.3 | 23.3 | 15.6 | 9.4 | 0.2 | 0.1 | 0.1 | 0.1 |
| Hungary | 11.3 | 20.3 | 21.1 | 20.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 88.9 | 68.6 | 53.6 | 47.4 | 0.7 | 0.4 | 0.3 | 0.3 |
| Romania | 7.6 | 9.4 | 18.2 | 15.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| USSR | <u>87.5</u> | <u>112.2</u> | <u>124.7</u> | <u>96.8</u> | <u>0.7</u> | <u>0.6</u> | <u>0.7</u> | <u>0.6</u> |
| Total European CEMA | 246.1 | 265.7 | 261.4 | 210.5 | 1.8 | 1.4 | 1.5 | 1.2 |
| Total exports to entire world | 13,452.6 | 18,492.5 | 17,927.8 | 17,544.8 | | | | |

PORTUGAL'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 4.1 | 13.2 | 2.6 | 1.5 | 0.1 | 0.1 | insig | insig |
| Czechoslovakia | 15.1 | 16.3 | 11.7 | 9.4 | 0.2 | 0.2 | 0.1 | 0.1 |
| GDR | 12.3 | 12.3 | 9.2 | 12.9 | 0.2 | 0.1 | 0.1 | 0.1 |
| Hungary | 3.2 | 2.2 | 2.9 | 2.3 | 0.1 | insig | insig | insig |
| Poland | 14.2 | 16.6 | 6.7 | 6.6 | 0.2 | 0.2 | 0.1 | 0.1 |
| Romania | 10.8 | 7.0 | 6.7 | 6.0 | 0.2 | 0.1 | 0.1 | 0.1 |
| USSR | <u>149.4</u> | <u>157.4</u> | <u>235.0</u> | <u>101.0</u> | <u>2.3</u> | <u>1.7</u> | <u>2.4</u> | <u>1.1</u> |
| Total European CEMA | 209.1 | 225.0 | 274.8 | 139.7 | 3.2 | 2.4 | 2.8 | 1.5 |
| Total imports from entire world | 6,542.5 | 9,305.2 | 9,744.1 | 9,424.6 | | | | |

EXPORTS

Country of Destination

| | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Bulgaria | 3.7 | 5.9 | 4.5 | 5.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 4.9 | 4.5 | 4.0 | 3.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| GDR | 6.9 | 5.6 | 4.6 | 5.5 | 0.2 | 0.1 | 0.1 | 0.1 |
| Hungary | 5.7 | 5.6 | 4.9 | 4.0 | 0.2 | 0.1 | 0.1 | 0.1 |
| Poland | 5.0 | 5.1 | 2.1 | 3.7 | 0.1 | 0.1 | 0.1 | 0.1 |
| Romania | 20.0 | 13.3 | 12.2 | 11.7 | 0.6 | 0.3 | 0.3 | 0.3 |
| USSR | <u>53.3</u> | <u>51.7</u> | <u>52.3</u> | <u>52.5</u> | <u>1.5</u> | <u>1.1</u> | <u>1.3</u> | <u>1.3</u> |
| Total European CEMA | 99.5 | 91.7 | 84.6 | 86.4 | 2.9 | 2.0 | 2.0 | 2.1 |
| Total exports to entire world | 3,485.2 | 4,638.4 | 4,142.0 | 4,176.6 | | | | |

SPAIN'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 41.3 | 26.0 | 22.1 | 16.8 | 0.2 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 42.6 | 43.6 | 34.4 | 29.5 | 0.2 | 0.1 | 0.1 | 0.1 |
| GDR | 39.8 | 44.0 | 98.5 | 96.5 | 0.2 | 0.1 | 0.3 | 0.3 |
| Hungary | 27.2 | 24.7 | 21.0 | 20.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 139.3 | 103.4 | 56.5 | 90.4 | 0.6 | 0.3 | 0.2 | 0.3 |
| Romania | 53.5 | 78.4 | 141.4 | 113.3 | 0.2 | 0.2 | 0.4 | 0.4 |
| USSR | <u>217.0</u> | <u>450.4</u> | <u>471.4</u> | <u>493.0</u> | <u>0.9</u> | <u>1.3</u> | <u>1.5</u> | <u>1.6</u> |
| Total European CEMA | 560.7 | 770.5 | 845.3 | 860.3 | 2.2 | 2.3 | 2.6 | 2.7 |
| Total imports from entire world | 25,385.9 | 34,176.8 | 32,177.5 | 31,615.4 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| Bulgaria | 25.6 | 38.2 | 40.0 | 29.9 | 0.1 | 0.2 | 0.2 | 0.1 |
| Czechoslovakia | 42.8 | 46.4 | 43.1 | 34.9 | 0.2 | 0.2 | 0.2 | 0.2 |
| GDR | 26.3 | 26.3 | 224.2 | 58.7 | 0.1 | 0.1 | 1.1 | 0.3 |
| Hungary | 25.0 | 31.7 | 27.2 | 24.0 | 0.1 | 0.2 | 0.1 | 0.1 |
| Poland | 73.8 | 65.5 | 31.1 | 39.4 | 0.4 | 0.3 | 0.2 | 0.2 |
| Romania | 88.1 | 75.5 | 62.5 | 32.9 | 0.5 | 0.4 | 0.3 | 0.2 |
| USSR | <u>265.8</u> | <u>261.6</u> | <u>362.8</u> | <u>219.8</u> | <u>1.6</u> | <u>1.3</u> | <u>1.8</u> | <u>1.1</u> |
| Total European CEMA | 547.4 | 545.2 | 790.9 | 439.6 | 3.0 | 2.6 | 3.9 | 2.1 |
| Total exports to entire world | 18,196.6 | 20,824.0 | 20,456.5 | 20,573.8 | | | | |

TURKEY'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 89.9 | 116.5 | 55.6 | 60.5 | 1.6 | 1.9 | 0.6 | 0.7 |
| Czechoslovakia | 67.8 | 66.6 | 37.4 | 42.7 | 1.2 | 1.1 | 0.4 | 0.5 |
| GDR | 8.3 | 18.3 | 17.8 | 22.5 | 0.2 | 0.3 | 0.2 | 0.3 |
| Hungary | 64.6 | 57.0 | 48.5 | 24.0 | 1.1 | 0.9 | 0.5 | 0.3 |
| Poland | 78.9 | 31.5 | 84.5 | 45.0 | 1.4 | 0.5 | 0.9 | 0.5 |
| Romania | 259.2 | 230.8 | 368.3 | 103.8 | 4.6 | 3.7 | 4.1 | 1.2 |
| USSR | <u>124.3</u> | <u>157.1</u> | <u>166.9</u> | <u>107.0</u> | <u>2.2</u> | <u>2.5</u> | <u>1.9</u> | <u>1.2</u> |
| Total European CEMA | 693.0 | 677.8 | 779.0 | 405.5 | 12.2 | 10.8 | 8.7 | 4.5 |
| Total imports from entire world | 5,683.4 | 6,252.8 | 8,944.2 | 8,940.3 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| Bulgaria | 9.0 | 11.8 | 9.8 | 16.9 | 0.4 | 0.4 | 0.2 | 0.3 |
| Czechoslovakia | 41.4 | 70.2 | 13.4 | 26.2 | 1.7 | 2.6 | 0.3 | 0.5 |
| GDR | 29.5 | 20.8 | 5.6 | 24.4 | 1.2 | 0.8 | 0.1 | 0.4 |
| Hungary | 18.8 | 39.7 | 5.5 | 18.8 | 0.8 | 1.4 | 0.1 | 0.3 |
| Poland | 51.5 | 90.2 | 32.7 | 43.2 | 2.1 | 3.3 | 0.7 | 0.7 |
| Romania | 38.2 | 67.3 | 59.1 | 55.3 | 1.6 | 2.4 | 1.2 | 1.0 |
| USSR | <u>136.6</u> | <u>163.4</u> | <u>194.4</u> | <u>122.8</u> | <u>5.5</u> | <u>5.9</u> | <u>4.1</u> | <u>2.1</u> |
| Total European CEMA | 325.0 | 463.4 | 320.5 | 307.6 | 13.1 | 16.8 | 6.7 | 5.3 |
| Total exports to entire world | 2,471.8 | 2,751.4 | 4,771.8 | 5,766.2 | | | | |

UNITED KINGDOM'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports c.i.f., exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|----------------|----------------|--------------|----------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1981 | 1981 | 1982 |
| Bulgaria | 25.2 | 33.6 | 26.4 | 37.2 | insig | insig | insig | insig |
| Czechoslovakia | 205.2 | 204.0 | 142.8 | 144.0 | 0.2 | 0.2 | 0.1 | 0.1 |
| GDR | 236.4 | 205.2 | 186.0 | 234.0 | 0.2 | 0.2 | 0.2 | 0.2 |
| Hungary | 109.2 | 100.8 | 81.6 | 76.8 | 0.1 | 0.1 | 0.1 | 0.1 |
| Poland | 486.0 | 452.4 | 270.0 | 265.2 | 0.5 | 0.4 | 0.3 | 0.3 |
| Romania | 140.4 | 151.2 | 94.8 | 90.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| USSR | <u>1,755.6</u> | <u>1,828.8</u> | <u>846.0</u> | <u>1,129.2</u> | <u>1.7</u> | <u>1.5</u> | <u>0.8</u> | <u>1.1</u> |
| Total European CEMA | 2,958.0 | 2,976.0 | 1,647.6 | 1,976.4 | 2.9 | 2.5 | 1.6 | 2.0 |
| Total imports from entire world | 102,825.6 | 120,152.4 | 102,799.2 | 99,675.6 | | | | |

EXPORTS

Country of Destination

| | | | | | | | | |
|----------------------------------|--------------|----------------|--------------|--------------|------------|------------|------------|------------|
| Bulgaria | 57.6 | 81.6 | 68.4 | 80.4 | 0.1 | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 156.0 | 188.4 | 142.8 | 122.4 | 0.2 | 0.2 | 0.1 | 0.1 |
| GDR | 123.6 | 218.4 | 168.0 | 111.6 | 0.1 | 0.2 | 0.2 | 0.1 |
| Hungary | 129.6 | 160.8 | 170.4 | 135.6 | 0.1 | 0.1 | 0.2 | 0.1 |
| Poland | 553.2 | 688.8 | 356.4 | 234.0 | 0.6 | 0.6 | 0.3 | 0.2 |
| Romania | 148.8 | 230.4 | 304.8 | 201.6 | 0.2 | 0.2 | 0.3 | 0.2 |
| USSR | <u>889.2</u> | <u>1,059.6</u> | <u>828.0</u> | <u>622.8</u> | <u>1.0</u> | <u>0.9</u> | <u>0.8</u> | <u>0.6</u> |
| Total European CEMA | 2,058.0 | 2,628.0 | 2,038.8 | 1,508.4 | 2.3 | 2.3 | 2.0 | 1.6 |
| Total exports to entire world | 90,810.0 | 115,176.0 | 103,419.6 | 97,221.6 | | | | |

CANADA'S TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports and exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|----------|----------|----------|----------|------------------|-------|-------|-------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 5.4 | 4.0 | 2.6 | 5.8 | insig | insig | insig | insig |
| Czechoslovakia | 57.6 | 54.1 | 61.4 | 49.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| GDR | 8.4 | 8.3 | 10.8 | 7.9 | insig | insig | insig | insig |
| Hungary | 26.6 | 22.1 | 25.8 | 20.8 | 0.1 | insig | insig | insig |
| Poland | 70.7 | 61.7 | 62.3 | 35.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| Romania | 33.7 | 32.3 | 39.1 | 24.7 | 0.1 | 0.1 | 0.1 | insig |
| USSR | 54.7 | 50.8 | 65.4 | 34.7 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total European CEMA | 257.1 | 233.3 | 267.4 | 176.3 | 0.5 | 0.4 | 0.4 | 0.3 |
| Total imports from entire world | 53,518.0 | 58,992.0 | 66,500.0 | 54,818.6 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|----------|----------|----------|----------|-------|-------|-------|-------|
| Bulgaria | 8.0 | 6.2 | 10.3 | 7.1 | insig | insig | insig | insig |
| Czechoslovakia | 30.8 | 109.6 | 23.8 | 25.6 | 0.1 | 0.2 | insig | insig |
| GDR | 30.7 | 8.5 | 3.7 | 17.5 | 0.1 | insig | insig | insig |
| Hungary | 12.2 | 9.4 | 10.1 | 11.2 | insig | insig | insig | insig |
| Poland | 228.4 | 305.6 | 280.8 | 291.5 | 0.4 | 0.5 | 0.4 | 0.4 |
| Romania | 27.6 | 18.8 | 7.9 | 3.7 | 0.1 | insig | insig | insig |
| USSR | 653.6 | 1,317.4 | 1,573.9 | 1,679.4 | 1.2 | 2.0 | 2.2 | 2.5 |
| Total European CEMA | 991.3 | 1,775.5 | 1,910.5 | 2,036.0 | 1.8 | 2.7 | 2.7 | 3.0 |
| Total exports to entire world | 55,931.6 | 64,938.7 | 70,566.0 | 68,414.4 | | | | |

US TRADE WITH EUROPEAN CEMA COUNTRIES, 1979-1982
(Millions of dollars, imports and exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | | | PERCENT OF TOTAL | | | |
|------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|------------|------------|
| | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
| Bulgaria | 34.7 | 24.9 | 34.1 | 28.0 | insig | insig | insig | insig |
| Czechoslovakia | 50.9 | 68.7 | 67.2 | 62.2 | insig | insig | insig | insig |
| GDR | 36.5 | 44.2 | 47.4 | 53.9 | insig | insig | insig | insig |
| Hungary | 112.2 | 107.5 | 128.5 | 132.7 | 0.1 | insig | insig | 0.1 |
| Poland | 426.5 | 417.1 | 365.1 | 212.0 | 0.2 | 0.2 | 0.1 | 0.1 |
| Romania | 329.3 | 312.3 | 560.1 | 347.8 | 0.2 | 0.1 | 0.2 | 0.1 |
| USSR | <u>874.7</u> | <u>454.2</u> | <u>347.8</u> | <u>227.8</u> | <u>0.4</u> | <u>0.2</u> | <u>0.1</u> | <u>0.1</u> |
| Total European CEMA | 1,864.8 | 1,428.9 | 1,550.2 | 1,064.5 | 0.9 | 0.6 | 0.6 | 0.4 |
| Total imports from entire world | 207,058.0 | 245,261.9 | 260,981.8 | 243,951.9 | | | | |

EXPORTS

| Country of Destination | 1979 | 1980 | 1981 | 1982 | 1979 | 1980 | 1981 | 1982 |
|----------------------------------|----------------|----------------|----------------|----------------|------------|------------|------------|------------|
| Bulgaria | 56.5 | 160.8 | 258.2 | 106.5 | insig | 0.1 | 0.1 | 0.1 |
| Czechoslovakia | 281.4 | 185.2 | 82.6 | 83.8 | 0.2 | 0.1 | insig | insig |
| GDR | 356.0 | 478.6 | 295.7 | 222.8 | 0.2 | 0.2 | 0.1 | 0.1 |
| Hungary | 77.9 | 80.0 | 78.0 | 68.3 | insig | insig | insig | insig |
| Poland | 793.3 | 713.7 | 681.5 | 295.3 | 0.4 | 0.3 | 0.3 | 0.1 |
| Romania | 501.2 | 722.0 | 504.2 | 223.8 | 0.3 | 0.3 | 0.2 | 0.1 |
| USSR | <u>3,607.5</u> | <u>1,512.8</u> | <u>2,431.6</u> | <u>2,592.6</u> | <u>2.0</u> | <u>0.7</u> | <u>1.0</u> | <u>1.2</u> |
| Total European CEMA | 5,673.8 | 3,853.1 | 4,331.8 | 3,593.1 | 3.1 | 1.7 | 1.9 | 1.7 |
| Total exports to entire world | 181,815.6 | 220,782.5 | 233,739.1 | 212,274.6 | | | | |

US TRADE WITH EUROPEAN CEMA COUNTRIES, JANUARY-SEPTEMBER 1982 and 1983
(Millions of dollars, imports and exports f.o.b.)

IMPORTS

| Country of Origin | VALUE | | PERCENT OF TOTAL | |
|------------------------------------|--------------|--------------|------------------|------------|
| | 1982 | 1983 | 1982 | 1983 |
| Bulgaria | 22.2 | 26.0 | insig | insig |
| Czechoslovakia | 47.3 | 45.8 | insig | insig |
| GDR | 44.5 | 41.9 | insig | insig |
| Hungary | 97.3 | 119.7 | 0.1 | 0.1 |
| Poland | 160.2 | 142.9 | 0.1 | 0.1 |
| Romania | 300.9 | 369.1 | 0.2 | 0.2 |
| USSR | <u>176.9</u> | <u>258.0</u> | <u>0.1</u> | <u>0.1</u> |
| Total European CEMA | 849.3 | 1,003.4 | 0.5 | 0.5 |
| Total imports from entire world | 185,010.4 | 187,935.4 | | |

EXPORTS

| Country of Destination | 1982 | 1983 | 1982 | 1983 |
|----------------------------------|----------------|----------------|------------|------------|
| Bulgaria | 97.7 | 55.2 | 0.1 | insig |
| Czechoslovakia | 73.7 | 35.8 | insig | insig |
| GDR | 181.7 | 90.2 | 0.1 | 0.1 |
| Hungary | 50.8 | 89.0 | insig | 0.1 |
| Poland | 190.1 | 238.8 | 0.1 | 0.2 |
| Romania | 193.6 | 143.4 | 0.1 | 0.1 |
| USSR | <u>2,204.3</u> | <u>1,195.7</u> | <u>1.4</u> | <u>0.8</u> |
| Total European CEMA | 2,991.9 | 1,848.1 | 1.8 | 1.2 |
| Total exports to entire world | 162,581.2 | 148,959.8 | | |

US-SOVIET RELATIONS

I. The Soviet Approach

- Soviet decision to boycott the Olympics is latest example of recent puzzling and worrisome Soviet behavior.
- Coincides with harsh treatment of Sakharov and Yelena Bonner and continued refusal to return to arms control talks.
- Soviet rhetoric has grown increasingly tough, culminating in denunciation of President on May 10.
- Confronted with hard decisions, Soviet leaders have chosen policies that lead to greater isolation.
- Whatever its motivation, Soviet behavior continues to be expansionistic and irresponsible.

II. US Approach

- Current Soviet role is not one we prefer.
- We remain interested in engaging Soviets in negotiations and improving our relationships across the board.
- But we are also not going to reward them or imitate them if they choose to cut themselves off from the world.
- Secretary Shultz met with Dobrynin May 10 to reaffirm our consistent approach and continued interest in moving forward.
- As Secretary Shultz said recently: "We have a strategy...we will continue to be ready to be reasonable and ready to sit down whenever the Soviets are of a like mind."

III. Prospects for US-Soviet Relations

- Put forward new proposals and pursue negotiations in non-nuclear arms control: MBFR, CW, Hotline.
- Also will be exploring steps forward in bilateral relations: consulates, further human contacts.
- Hope Soviets will return to tables in Geneva. President wants progress in major arms negotiations.
- Ready to meet Soviets half-way if they will do same.

U.S. ARMS REDUCTIONS EFFORTS

The U.S. objective in the Intermediate-range Nuclear Forces (INF) talks -- closely coordinated with NATO Allies and Japan -- is to achieve a balance at the lowest possible level. The November 1981 "zero option" -- elimination of all U.S. and Soviet longer-range INF missiles -- remains our preferred outcome, but the President's March 1983 Interim Agreement proposal and September 1983 initiatives in areas of Soviet concern establish a flexible framework for agreement at as low a level of LRINF missile warheads as the Soviets will accept.

Throughout the talks, the Soviets insisted on retaining an LRINF missile monopoly, continuing to deploy SS-20s throughout the talks (1300 Soviet LRINF missile warheads in November 1983). They made their negotiating position hostage to the political objective of blocking the limited program of U.S. single-warhead LRINF missile deployments (108 Pershing IIs and 464 cruise missiles) which NATO agreed in 1979 would begin in 1983. The Soviets walked out in November 1983, following arrival of U.S. missiles as part of the deployment process, and are apparently insisting that NATO reverse its deployments before they return. NATO is prepared to resume talks at once without preconditions, but refuses to offer concessions just to get the Soviets back.

The U.S. objective in the Strategic Arms Reduction Talks (START) is to achieve deep cuts in the strategic arsenals of each side, especially in land-based ballistic missiles. As with INF, the U.S. has adjusted its position to meet Soviet concerns. We have offered trade-offs in areas of relative advantage and interest; as President Reagan has said, everything is on the table. The "build-down" concept, worked out in conjunction with Congress, would ensure that each side's modernization efforts produced net reductions and heightened stability. In December, the Soviets refused to set a date for the next START round, in protest over NATO INF deployments.

In the 11-year long talks on Mutual and Balanced Force Reductions (MBFR) in Europe, in April 1984 the U.S. and Allies made a major proposal to break the deadlock caused by disagreement on the size of Warsaw Pact forces and the East's refusal to accept effective verification provisions.

In the European Security Conference (CDE), which opened January 1984, the U.S. and Allies have advanced concrete measures to decrease the risk of surprise attack and to increase the transparency of military activities.

At the Conference on Disarmament (CD), in April 1984, the U.S. presented a draft treaty to ban all chemical weapons (CW) on a global basis. It calls for sweeping verification provisions whose necessity is underscored by the failure of existing treaties to prevent CW use in the Iran/Iraq war and by the Soviets and their clients in Afghanistan in Southeast Asia.

U.S. DELEGATION STATEMENT
TO
PREPARATORY CONFERENCE
OF THE
MULTILATERAL CONFERENCE ON THE
CAUSES AND PREVENTION OF DAMAGE TO FORESTS
AND WATERS BY AIR POLLUTION IN EUROPE

MUNICH
May 2-4, 1984

I. INTRODUCTION

We appreciate the opportunity to participate in this Preparatory Conference for the June ministerial meeting on acid rain. Our Environmental Protection Agency Administrator William Ruckelshaus will lead the U.S. Delegation to that session. He sends his best wishes to the German Government for a successful meeting.

As indicated at the Ottawa meeting in March we welcome the opportunity to learn about experiences in other countries in documenting effects of acid rain and in unraveling the complex chemistry underlying the transport and transformation of SO₂ and NO_x into acidic deposition.

We in the United States are deeply concerned about acid deposition. In 1980, our Congress passed the Acid Deposition Research Act, which created our Federally funded interagency research program. President Reagan, in his 1984 State of the Union Address, reiterated the Administration's resolve to responsibly address acid deposition and outlined a pragmatic and prudent course of action. Numerous committees of our Congress are currently reviewing acid deposition and considering legislation to provide additional authority to EPA to reduce emissions of SO₂ and NO_x. Acid deposition has received extensive media coverage in the United States and opinion polls indicate that a large majority of the population is familiar with the issue.

The United States faces a different challenge than many other countries at this meeting. The United States currently controls the air pollutants of major concern in this meeting, i.e., SO₂, NO_x, VOC, TSP, lead, and ozone under our Federal clean air law. The regulations stemming from this law are among the most complex and comprehensive of any in the world. For what we call the criteria pollutants, we have three separate but complementary levels of control. First, all states must be in compliance with ambient standards set at levels requisite to protect public health and welfare. Second, all new industrial plants and automobiles are required to install advanced control technologies to reduce pollution. Third, for those parts of our country currently meeting ambient standards, new construction projects must demonstrate that they will not degrade air quality. Thus, the United States faces a difficult policy decision when reviewing the long range air pollution question. We must assess whether the environmental threat presented by air pollution is sufficient to require costly retrofits to existing industrial facilities which have limited remaining useful life. The United States has already made reductions at existing plants necessary to meet health standards and mandated state of the art technology at all new facilities.

We would like to briefly review the U.S. experience in controlling air pollution since passage by Congress in 1970 of our Federal Clean Air Act (CAA) and describe our current assessment and research program to address acid deposition.

II. U.S. Experience in Controlling Air Pollution

As a result of the Federal Clean Air Act, air quality has improved measurably. Sulphur dioxide, nitrogen oxides, and hydrocarbons have all been reduced considerably. The reductions are especially dramatic when considered in the context of what they would have been given the level of economic growth since 1970. For example, we have brought about a 25% decrease in sulphur dioxide loadings since 1973 and a 43% decline from the level that would have occurred given increased electric production in the absence of controls. This decrease will continue as a result of required pollution control technology on all new utility boilers. New coal fired power plants are equipped with state of the art pollution controls such as flue gas cleaning systems which reduce SO₂ emissions by up to 90%. Similar progress has been made in controlling hydrocarbon and oxides of nitrogen. For example, new automobiles are equipped with catalysts that reduce 90% of the uncontrolled level of hydrocarbons and 75% of the oxides of nitrogen. These catalysts, which require lead-free gasoline, have also caused a dramatic reduction in the amount of lead emitted into the environment.

These efforts have not been cheap. Control equipment has cost American consumers over \$40 billion. Low sulphur fuel plus operating expenses associated with pollution controls have pushed the total abatement costs to over \$150 billion. The U.S. now spends over \$60 billion annually on pollution control.

III. The Acid Rain Debate

Acid deposition is a serious environmental issue. The United States has made significant commitments, both financially and politically, to address the issue. The President has recently announced an accelerated effort to better understand the scope of the problem, the pace at which damage is occurring, the way damage occurs, and the best methods to mitigate and find a long-term solution. Given the significant commitment the United States has already made to reduce air pollution to protect public health we believe that a number of unresolved scientific questions must be addressed before we will require additional, multibillion dollar expenditures for further controls on emissions of SO₂, NO₂, VOC's, and lead. The accelerated research program of the U.S. is placing special emphasis on four areas of uncertainty.

First, we do not know the extent of damage caused by acid deposition. We have surveyed only a limited number of lakes and found some acidic but we lack a comprehensive inventory.

Second, we do not know at what pace this observed damage has occurred; whether it is the result of current emissions or past activity; and the trend.

Third, we are uncertain whether or to what extent present levels of damage may be getting worse as a result of current levels of emissions. While our data are sparse, the acidity of rainfall in the eastern United States seems to have stayed essentially level for the past twenty years. If it is the rate of deposition that determines the extent of damage in sensitive watersheds, those watersheds may have reached a steady state. No more damage may occur unless emissions and the rate of deposition increase.

Fourth, we are not sure where acid deposition in any given area comes from. Our current atmospheric models do not adequately predict the impact of particular source areas on particular receptor areas. We cannot predict the effects of emissions reductions on deposition in sensitive areas except within a very broad band of uncertainty. Finally, though much acid deposition comes down in a dry form, we still need to develop the techniques for measuring it.

IV. Research Program

In December 1980, Congress set up the National Acid Precipitation Assessment Program in Title VII of the Energy Security Act. With this legislation as a base, we are now greatly expanding our research. President Reagan requested \$127 million dollars in fiscal year 1985 specifically for acid rain. \$55.5 million will go to accelerate the interagency research effort administered by EPA, the Department of Agriculture and the National Oceanic and Atmospheric Administration. The balance will go to DOE and EPA for research and demonstration of new pollution control technology and for work on mitigation of damage to sensitive ecosystems. Highlights of our interagency research include:

1. National Lakes Survey:

This autumn we will survey two to three thousand lakes in sensitive areas to better understand the scope of acid rain's impact on inland waters. Later we will examine the impact of acid deposition on stream chemistry in these regions and the biology of representative watersheds.

2. Trends:

We have established a national trends network to monitor wet deposition and are developing a monitoring network for dry deposition. These networks should provide data on the extent of total deposition, and eventually long-term trends.

3. Source/Receptor Relationships:

Our National Acid Precipitation Assessment Program will concentrate on three areas of source/receptor relationships. First, we will conduct field tracer studies of the complex meteorology of long distance pollutant transport. Second, we will explore the complicated sequence of chemical reactions which make up the transformation process which produces sulfates, nitrates, oxidants, and other pollutants in the atmosphere. The process information will be incorporated into models which we will use to analyze and predict the effectiveness of additional control strategies.

4. The Acidification Process:

The National Academy of Sciences is assisting us in reviewing the scientific evidence on mechanisms of acidification of surface waters. We have asked them to recommend research to clarify our understanding of these mechanisms. Our current research, including the National Lakes Survey, the terrestrial survey, and long-term watershed studies, should provide the essential instruments we need for determining the nature and extent of surface water acidification in the United States.

5. Effects on Forests:

Based on limited data, we find a decline in the diameter growth of several species of trees over the past two decades in a wide band of the eastern United States. This growth slow-down does not appear to coincide with any specific climatic trend. Nor, because it involves a number of species over such a wide geographic range, does it appear to be solely attributable to natural phenomena.

Present data does not tell us whether sulfates, nitrates, oxidants, or heavy metals are the cause of the damage. Our inter-agency research program will expand its efforts in the area of forest damage. A long-term terrestrial survey is being designed and should be ready to be carried out in about a year. The U.S. National Program is sponsoring joint meetings and field observations by European and American scientists both in the U.S. and in Europe to identify the major hypotheses which could explain the mechanisms of forest damage. Once these hypotheses are identified, research efforts will be undertaken to test them in the field and in the laboratory in order to identify the proper causes and effect mechanisms.

The Federal research program will produce formal assessments of the information gained from the acid deposition research program in 1985, 1987, and 1989. These will establish important plateaus in understanding of acid rain's causes and effects. Our evaluation of the policy impact of what we are learning from the research program will not be limited to the biannual assessments but will be an ongoing process.

The United States has and will continue to share our research results and will welcome active participation by our fellow conferees here. We will also entertain any suggestions you may have as to other ways we can increase cooperation and coordination in this field.

V. Costs

Any acid deposition control program would require a major environmental, economic, and social investment for our country. The U.S. has already incurred very costly emission reduction costs to meet ambient air standards. Switching to low sulphur coal as a means for significant further emission reductions would displace thousands of jobs and is potentially unacceptable to many. Our energy laws also prohibit the use of natural gas or oil as a new industrial or utility fuel. Public opposition and regulatory problems have made commercial

nuclear power very expensive and uncertain. Thus, additional reductions in current emissions will most likely require retrofit of existing coal fired power plants. This technological approach to emission reduction is capital intensive and has high operation and maintenance costs. Pending Congressional proposals to reduce aggregate emissions by 8 to 12 million tons would require a \$3 - \$7 billion annual expense.

Given the large costs associated with a major reduction program, the debate within the United States has also focused on the question of who should pay. Traditionally, the source of the pollution has been responsible for the costs of cleanup, i.e., the polluter pays. Yet, because of the unique situation in the United States where damage may be the result of long-range transport, advocates for emission reductions have suggested alternative financial schemes. The U.S. Congress is currently looking at emission taxes, sulphur taxes, a Federal trust fund as well as the traditional approach that the polluter pays. As one would expect, different regions of the United States support financial mechanisms or control efforts that serve parochial, regional benefits. To illustrate: the Coalition of Northeast Governors supports a control program in which the Midwest bears most of the control costs. Similarly, the Midwest governors oppose a control program if they are forced to pay for the entire program or if it disrupts their high sulphur coal markets. This group supports a nationwide generation tax; while our Western governors want a limited control program that would benefit their low sulphur coal and one in which they were not required to provide any financial contribution.

VI. European Efforts to Control Acid Rain

We applaud the movement in Europe to begin reducing levels of SO₂ loadings. We encourage all nations to adopt and implement air quality standards that will protect health and the environment. In fifteen years of implementing our Clean Air Act we have learned a great deal about health effects, economic impacts of control measures and control technologies which we gladly share with you.

We note with interest the proposed European Community Directive to control air pollution at major sources, which we understand will have reduction impacts similar to our National Ambient Air Quality Standards and New Source Performance Standards. Efforts to achieve Community-wide requirements for healthy air have our full support.

We recognize that the Federal Republic of Germany is making significant strides in this direction, and all of us bow to the leadership of the Nordic countries which have promoted international cooperation in resolving transboundary air pollution issues.

Before closing, we wish to recall the Decision on Air Pollution taken during the Thirty-ninth Session of the Economic Commission for Europe in April. This Decision makes reference to the Long-range Transboundary Air Pollution Convention and "stresses the urgency of intensifying efforts to arrive at coordinated national strategies and policies in the ECE region to decrease effectively sulphur emissions at national levels, with possible extension to other pollutants."

We support this ECE decision which in calling for "co-ordinated national strategies and policies" takes into account implicitly the past efforts and achievements of those countries whose earlier efforts, in combination with the efforts by those countries which have more recently embarked on control programs, contribute to the general goal of effective action and consideration of any needed further controls.

FACT SHEET
U.S. OIL IMPORTS, 1973-1984

The United States imported only 28 percent of its crude oil and petroleum products during 1983. Colder weather, lower gasoline prices, and a thriving economy boosted the import share to 31 percent in January and February, 1984. Six years ago, the U.S. import level stood at 46 percent and the Nation's import level was 35 percent during the Arab oil embargo year of 1973.

The U.S. imports only 60 percent as much oil from OPEC countries now as it did in 1973 and about one-fourth as much as it did in 1977 -- the watershed year for imports. The same pattern prevails with imports from Arab OPEC nations. The U.S. imports 66 percent as much oil from these countries as was the case in 1973 and between one-fifth and one-sixth as much as in 1977.

In 1983, Persian Gulf countries provided only about 10 percent of our total net imports and no Middle Eastern country was among the top four suppliers. During the first two months of 1984, Saudi Arabia moved into fourth place -- providing about 370,000 barrels per day -- but we continue to get only about 10 percent of our imports from the Persian Gulf area. In 1983, Saudi Arabia ranked fifth on the list of our foreign suppliers, providing only 335,000 barrels a day or about eight percent of our imports.

Saudi Arabia in 1977 was our top foreign supplier -- providing about 1.4 million barrels of its crude each day -- or more than 16 percent of our net imports. Now, we import only slightly more oil from all OPEC countries -- about 1.9 million barrels a day -- than we did from Saudi Arabia alone in 1977.

The U.S. imports only small amounts of oil from Iran and Iraq.

It is important to point out, however, that about 20 percent of the free world's total oil supply comes from the Persian Gulf and most of it moves through the Strait of Hormuz.

Thus, the United States would be at least indirectly affected by any shutdown of Persian Gulf supplies. This is because of the effect on world oil suppliers and prices and because of an agreement with the International Energy Agency which requires the U.S. to share oil with its allies in the event of a serious oil supply disruption.

The Energy Information Administration's figures on net imports from the top 10 sources of oil imports for the 50 states in 1983 are as follows in order of their ranking:

| <u>Source</u> | <u>AMOUNT</u> (In Thousands of Barrels Per Day) |
|----------------------|--|
| Mexico | 798,000 |
| Canada | 466,000 |
| Venezuela | 412,000 |
| United Kingdom | 373,000 |
| Saudi Arabia | 335,000 |
| Indonesia | 332,000 |
| Nigeria | 291,000 |
| Algeria | 235,000 |
| Netherlands Antilles | 172,000 |
| Virgin Islands | 172,000 |

For the first two months of 1984, the rankings are as follows:

| | |
|----------------------|---------|
| Mexico | 706,000 |
| Canada | 557,000 |
| Venezuela | 512,000 |
| Saudi Arabia | 370,000 |
| United Kingdom | 360,000 |
| Algeria | 293,000 |
| Indonesia | 272,000 |
| Netherlands Antilles | 272,000 |
| Virgin Islands | 271,000 |
| Nigeria | 243,000 |

The U.S. and world energy markets are in better condition now than six or 10 years ago. There is considerable excess world oil production capacity

(about three million barrels a day). In addition, lower consumption and better conservation practices have helped improve the market situation.

There also is more fuel switching -- gas, coal, or nuclear energy instead of oil -- and in the U.S. a Strategic Petroleum Reserve (SPR) three-and-one-half-times larger than when President Reagan took office, thereby diminishing considerably the consequences of a supply disruption.

If imports were to remain at the level experienced in 1983, the nearly 400 million barrels now in the Strategic Petroleum Reserve would replace more than 90 days of average net imports to the U.S. At import levels experienced for the first two months of this year, the SPR oil would replace more than 80 days of our imports.

There's also enough oil in the Reserve to replace more than 800 days of our net imports from the Persian Gulf and about seven months of net imports from all OPEC nations.

Finally, here is a tabular rundown since 1973 of the nation's average domestic oil consumption, domestic production, net imports, imports from OPEC countries, and imports from Arab OPEC countries:

Petroleum Imports Table
(In Thousands of Barrels per Day)

| Year | Petroleum Prod. U.S. Consumption | Crude Oil and Natural Gas Liq. U.S. Production | Net Imports | Net Imports From OPEC | Net Imports From Arab OPEC |
|------------------------|-------------------------------------|--|-------------|-----------------------------|----------------------------------|
| 1973 | 17,308 | 10,975 | 6,025 | 2,991 | 915 |
| 1974 | 16,653 | 10,498 | 5,892 | 3,277 | 751 |
| 1975 | 16,322 | 10,045 | 5,846 | 3,598 | 1,382 |
| 1976 | 17,461 | 9,774 | 7,090 | 5,063 | 2,423 |
| 1977 | 18,431 | 9,913 | 8,565 | 6,190 | 3,184 |
| 1978 | 18,847 | 10,328 | 8,002 | 5,747 | 2,962 |
| 1979 | 18,513 | 10,179 | 7,984 | 5,632 | 3,054 |
| 1980 | 17,056 | 10,214 | 6,365 | 4,293 | 2,549 |
| 1981 | 16,058 | 10,230 | 5,401 | 3,315 | 1,845 |
| 1982 | 15,296 | 10,252 | 4,298 | 2,136 | 851 |
| 1983* | 15,184 | 10,272 | 4,249 | 1,814 | 623 |
| Jan. and Feb., '84* | 16,080 | 10,344 | 4,912 | 1,895 | 775 |

*Data are preliminary

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 17, 1984

STATEMENT BY THE PRINCIPAL DEPUTY PRESS SECRETARY

Acts of terrorism continue to plague us and our friends and allies. The toll of bombings, assassinations and kidnappings bears terrible witness to the indiscriminate attacks and lawlessness that rules the behavior of terrorist groups. It is also apparent that several states have adopted these lawless acts as instruments of state policy. While we diligently seek the means to control this scourge, we must also take the steps that are necessary to protect our citizens, our institutions and our friends and allies.

We have, in the course of a detailed review, reached some conclusions on what we must do to protect ourselves, and to assist others in protecting themselves, from this growing threat. Our actions will be guided by the following principles: First, no nation can condone international terrorism. Second, it is the right of every legitimate government to resist the use of terrorism against its people, institutions or property by all legal means available. Third, terrorism is a problem for all nations, and this Government will work as closely as possible with other governments -- particularly other similarly threatened democracies -- to deal with it.

While we have cause for deep concern about the states that now practice or support terrorism, our policies are directed against all forms of international terrorism. The states that practice terrorism or actively support it cannot be allowed to do so without consequence. As a first step in dealing with these states, every channel of communication that is available to us will be used to dissuade them from the practice or support of terrorism. We will increase our efforts with other governments to obtain and exchange the information needed about states and groups involved in terrorist activities in order to prevent attacks, warn our people, our friends and allies, and reduce the risk. We will also do everything we can to see that acts of state-supported terrorism are publicized and condemned in every appropriate forum. When these efforts fail, however, it must be understood that when we are victimized by acts of terrorism we have the right to defend ourselves -- and the right to help others do the same.

Finally, it should be noted that our paramount interest is in improving our ability to prevent terrorist attacks on our citizens, installations and those foreign persons and facilities in the U. S. we are obligated to protect. We believe we can best achieve these results through a combination of improved information and better security and protection. This does not present any change in U.S. policy -- rather, a refocused emphasis.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 26, 1984

FACT SHEET

PRESIDENT'S ANTI-TERRORISM LEGISLATION

The President has sent a message to Congress with a package of four separate bills to support a more systematic and strengthened effort to combat international terrorism. The President's message underscores the high priority his Administration places on actions to reduce the incidence of international terrorism, to protect Americans and American property from acts of terrorism, and to ensure that perpetrators of terrorist acts are brought to justice.

The four separate bills are highlighted below.

o Act for the Prevention and Punishment of the Crime of Hostage-Taking. This bill would amend the Federal kidnapping statute to provide for Federal jurisdiction over any kidnapping in which a threat is made to kill, injure or continue to detain a victim in order to compel third parties to do or abstain from doing something. The bill is enabling legislation for the International Convention Against the Taking of Hostages, which was adopted by the United Nations on December 17, 1979. At the time the President signed the instrument of ratification, the Congress was informed that the instrument would not be deposited with the United Nations until such time as enabling legislation had been obtained to permit full implementation of the convention.

o Aircraft Sabotage Act. This bill provides enabling legislation for the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation. The convention was adopted in Montreal in 1971 and ratified by the United States in November 1972. The legislation deals with certain criminal acts relating to aircraft sabotage or hijacking and would help the United States to satisfy its obligations under international law.

o Act for Rewards for Information Concerning Terrorist Acts. This bill would authorize the payment of a reward for information regarding acts of terrorism in the United States or abroad.

o Prohibition Against the Training or Support of Terrorist Organizations Act of 1984. This bill would enhance the ability of the Department of Justice to prosecute persons involved in the support of groups and states engaging in terrorism. The bill would prohibit firms or individuals from supporting or cooperating with such groups or states, as well as recruiting, soliciting, or training individuals to engage in terrorist activities.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 26, 1984

TO THE CONGRESS OF THE UNITED STATES:

I am sending to the Congress today four separate bills to attack the pressing and urgent problem of international terrorism.

In 1983 more than 250 American citizens were killed in terrorist attacks, the largest number in any year of record. In the wake of the tragic deaths of our diplomats and Marines, as well as French and Israeli soldiers in Lebanon, in light of the cynical murder of four South Korean cabinet officers and many others by North Korean terrorists in Burma, and as a result of the attack on our embassy in Kuwait, it is essential that we act immediately to cope with this menace and to increase cooperation with other governments in dealing with this growing threat to our way of life.

In the past fifteen years, terrorism has become a frightening challenge to the tranquility and political stability of our friends and allies. During the past decade alone, there have been almost 6,500 terrorist incidents. Over 3,500 people have been killed in these incidents, and more than 7,600 people have been wounded. American citizens have been the victims of more than 2,500 terrorist incidents. Of special concern to me has been the toll inflicted on our diplomats and members of the Armed Forces. I am also deeply concerned, however, about attacks against other American citizens, who have been the victims of forty percent of the terrorist incidents over the past decade.

In recent years, a very worrisome and alarming new kind of terrorism has developed: the direct use of instruments of terror by foreign states. This "state terrorism," starkly manifest in the recent dreadful spectacles of violence in Beirut, Rangoon, and Kuwait, accounts for the great majority of terrorist murders and assassinations. Also disturbing is state-provided training, financing, and logistical support to terrorists and terrorist groups. These activities are an extremely serious and growing source of danger to us, our friends and our allies, and are a severe challenge to America's foreign policy.

The protection of our citizens, our official personnel, and our facilities abroad requires the close cooperation and support of other governments. We depend on other governments to provide security protection to more than 250 United States diplomatic and consular posts abroad. We look to other governments to maintain the normal protections of law in their countries for our citizens living and traveling abroad and for our business representatives and business properties.

In 1983, this Administration sent to the Congress legislation to enable us to provide adequate protection for foreign officials in the United States. Not only is their protection essential to meet the obligations of the United States under international treaties, it is equally important to demonstrate to officials of other governments that they can count on full protection while they are in the United States.

I also asked the Congress to provide legislative authority for anti-terrorism training, and in some cases equipment, to foreign governments in order to enhance cooperation with governments on whom we must depend for protection abroad. In my view, the more effective and knowledgeable local law enforcement officials and officers are, the greater will be their ability to provide the kind of security both they and we need. I commend the Congress for providing a two-year authorization for this program and an appropriation of \$2.5 million for 1984.

I am determined that my Administration will do whatever is necessary to reduce the incidence of terrorism against us anywhere in the world and to see that the perpetrators of terrorist acts are brought to justice. I believe it is essential, however, that the Executive branch, the Congress and the public clearly understand that combatting terrorism effectively requires concerted action on many different fronts. With trained personnel, effective laws, close international cooperation, and diligence, we can reduce the risks of terrorism to our people and increase the deterrent to future acts of terrorism.

Dealing with the immediate effect of terrorist violence is only part of the challenge, however. We must also assure that the states now practicing or supporting terrorism do not prosper in the designs they pursue. We must assure that international forums, such as the United Nations, take a balanced and practical view of who is practicing terrorism and what must be done about it. We must assure that governments that are currently passive -- or inactive -- respecting this scourge understand the threat that terrorism poses for all mankind and that they cooperate in stopping it. We must work to assure that there is no role in civilized society for indiscriminate threatening, intimidation, detention, or murder of innocent people. We must make it clear to any country that is tempted to use violence to undermine democratic governments, destabilize our friends, thwart efforts to promote democratic governments, or disrupt our lives that it has nothing to gain, and much to lose.

The legislation I am sending to the Congress is an important step in our war against terrorism. It will send a strong and vigorous message to friend and foe alike that the United States will not tolerate terrorist activity against its citizens or within its borders. Our legislative package consists of four separate bills, each of which is outlined below.

o Act for the Prevention and Punishment of the Crime of Hostage-Taking

In September 1981, I signed the instrument ratifying the International Convention Against the Taking of Hostages, which was adopted by the United Nations on December 17, 1979. The convention has not been implemented domestically through enabling legislation, however. This legislation would implement the 1979 convention. It would amend the Federal kidnapping statute to provide for Federal jurisdiction over any kidnapping in which a threat is made to kill, injure, or continue to detain a victim in order to compel a third party to do or to abstain from doing something. This is a common ploy of terrorists. At the time I signed the instrument of ratification, the Congress was informed that the instrument of ratification would not be deposited with the United Nations until enabling legislation had been enacted. To demonstrate to other governments and international forums that the United States is serious about its efforts to deal with international terrorism, it is essential that the Congress provide the necessary enabling legislation, so that we may fully implement the Hostage-Taking Convention.

o Aircraft Sabotage Act

The United States became a party to the Tokyo Convention, which covers certain offenses or acts committed aboard aircraft, in 1969 and the Hague Convention, concerning the suppression of unlawful seizure of aircraft, in 1971. The Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation was adopted at Montreal in 1971 and ratified by the United States in November 1972. The Montreal Convention requires all states party to it to establish jurisdiction over certain offenses affecting the safety of civil aviation.

The Congress has approved enabling legislation for the first two of these conventions but not for the Montreal Convention. This means that certain criminal acts related to aircraft sabotage or hijacking are not adequately covered by United States law. This gap in the law sends a false signal to terrorists, and it also indicates to other governments that we may not be as serious as we should be, and as in fact we are, in our efforts to combat international terrorism. Action by the Congress now would provide the basis for long-overdue implementation of this convention.

o Act for Rewards for Information Concerning Terrorist Acts

Current law authorizes the payment of rewards for information concerning domestic crimes but is outdated. Maximum rewards are inadequate, and terrorism is not specifically included as a basis for paying a reward. Moreover, there is no authority for the payment of rewards for information on acts of terrorism abroad.

The proposed legislation, which is modelled on an existing statute that allows payment of rewards for information

concerning the unauthorized manufacture of atomic weapons, recognizes that payment of a reward in connection with acts of domestic terrorism raises a matter of law enforcement that is properly within the jurisdiction of the Attorney General, but that the payment of a reward in connection with an act of terrorism abroad poses a political and foreign relations problem within the jurisdiction of the Secretary of State. By increasing the amounts of fines that may be paid, and by authorizing rewards for information concerning terrorist acts committed abroad, this Act would markedly improve the ability of the Departments of Justice and State to obtain information leading to the freeing of hostages or the capture of the perpetrators of acts of terrorism. In passing this legislation, the Congress can further underscore the intent of the United States to take every appropriate and necessary step to protect its citizens and property from terrorist acts.

o Prohibition Against the Training or Support of Terrorist Organizations Act of 1984

The training and support of terrorist groups and activities by a number of countries has reached alarming proportions. In addition, the number of states now using terrorism as an instrument of foreign policy is both increasing and highly disturbing. The provision of assistance to countries that support terrorism and use terrorism as a foreign policy tool has thus become a matter of grave concern to national security. This Act, together with revised and strengthened regulations that the Department of State intends to issue shortly, would enhance the ability of the Department of Justice to prosecute persons involved in the support of terrorist activities and of states using terrorism. Enactment of this legislation would be a strong contribution to the effort to combat terrorism.

We must recognize that terrorism is symptomatic of larger problems. We must dedicate ourselves to fostering modernization, development, and beneficial change in the depressed areas of the world. We must renew our commitment to promoting and assisting representative and participatory governments. We must attack the problem of terrorism as a crime against the international community whenever and wherever possible, but we must strive to eradicate the sources of frustration and despair that are the spawning places and nutrients of terrorism.

The legislative proposals that I am sending to the Congress today will, when approved, materially benefit our Nation and help us to assist friendly countries. I believe that they are extraordinarily important, and I strongly urge that the Congress undertake their timely consideration and speedy passage.

RONALD REAGAN

U.S. POLICY IN CENTRAL AMERICA: AN OVERVIEW

Background

Central America is a region of vital interests to the United States. It is also a region undergoing a great deal of change. In 1979 only Costa Rica was a democracy; today, Honduras and El Salvador are young democracies, while Guatemala has announced elections for July 1984.

Central America is also a region under attack by the Soviet Bloc, through its surrogates, the Cubans and the Sandinista Regime in Nicaragua. The Marxist-Leninist Sandinistas, who came to power in Nicaragua in 1979, have militarized Nicaragua far in excess of legitimate defense needs, have betrayed the democratic aspirations of the Nicaraguan people and have since coming to power, armed, trained and supported Marxist-Leninist guerrillas in El Salvador, Honduras and Costa Rica. These actions threaten the stability of the region and the stability of the young democracies attempting to establish themselves in the region.

U.S. policy in Central America supports these democratic processes underway, supports economic development, and supports dialogue to resolve the conflicts caused by Soviet Bloc supported guerrillas.

In his May 9 address to the American people, President Reagan underscored the importance of United States interests in the region. He noted that Communist subversion threatens 100 million people from Panama to the southern border of the United States. The movement of Nicaragua into the Soviet orbit and its continuing export of subversion to neighboring countries pose a serious obstacle to regional peace and development.

The National Bipartisan Commission, headed by former Secretary of State Henry Kissinger, supported this assessment in its mid-January report, and concluded that our balanced approach to the region's problems is the correct one. The Commission also recommended that the United States increase the resources it devotes to the region.

United States Policy

The President has stated our policy toward Central America very clearly:

1. Support for democracy, reform, and human freedom: Although the UN Economic Commission on Latin America estimates that 42% of the Central American people live in "extreme poverty," from 1950 until the late 1970's the region experienced steady economic growth. Archaic political structures, however, were unable to respond to the rising political expectations that accompanied this progress.

We support democratic reform as the best means for achieving political reconciliation and peaceful change within each of the Central American countries. Our support for democratization is a consistent aspect of our policy throughout the region, forming a key element of our policy in El Salvador, where presidential elections were just successfully held, and an essential part of our negotiating strategy with Nicaragua.

2. Support for economic development: The world recession of the late 1970's caused a massive economic dislocation in Central America. Our economic programs, including the CBI and our recommendations for implementing the Kissinger Commission Report, are aimed at relieving the immediate financial stress, while providing essential long-term development aid plus trade and investment incentives. Our aid is particularly crucial in El Salvador, where the guerrillas are targetting the economic infrastructure, credit has dried up, and investment disappeared.

3. Support for dialogue within and among the countries of the region: We support negotiations within states that will lead to the participation of all groups in the democratic process and among states to resolve on a multilateral basis the problems affecting the entire region. We strongly support Contadora and its Document of Objectives which emphasizes the need for democratization and for verification of all commitments undertaken for peace. Through the consultations of the President's Special Envoy, we have both supported Contadora and facilitated contact between the Left and the Government of El Salvador, and have encouraged the Sandinistas to dialogue with their opposition. The prompt naming of Ambassador Harry Shlaudeman to replace Richard Stone reflects the Administration's continued commitment to diplomatic solutions in Central America.

4. Continued security assistance as a shield behind which development, democratization, and dialogue can take place: Cuba and Nicaragua are actively involved in fomenting civil strife in El Salvador and Guatemala and have directed terrorist activities in Costa Rica and Honduras. To counter these efforts, we are providing military assistance to Honduras, El Salvador and, more on a modest level, Costa Rica, all of which need both material aid and training to meet the Cuban/Nicaraguan threat. Joint military exercises and naval maneuvers are a component of the security shield. Our military help provides reassurance and negotiating leverage to our friends.

THE WHITE HOUSE

Office of the Press Secretary

May 22, 1984

TEXT OF THE PRESIDENT'S
OPENING STATEMENT AT
NEWS CONFERENCE

THE PRESIDENT: Good evening. I have a statement. We have an important visitor in Washington, Jose Napoleon Duarte, the President-elect of El Salvador. The President-elect and I yesterday issued a joint statement in which we agreed on three major objectives for Central America: The strengthening of democratic institutions, the improvement of living standards, and increased levels of U.S. security assistance to defend against violence from both the extreme left and the extreme right.

The election of Jose Napoleon Duarte is the latest chapter in a trend toward democracy throughout Latin America. In Central America, El Salvador now joins Costa Rica and Honduras in having a democratically elected government. Democracy in Central America is a fundamental goal of our policy in that region. But, continued progress toward that goal requires our assistance.

Most of our aid, three-quarters of it, is economic assistance. But security assistance is essential to help all those who must protect themselves against the expanding export of subversion by the Soviet bloc, Cuba, and Nicaragua.

Also, as I said in my speech to the nation on May 9th, we must support the democratic aspirations of the people of Nicaragua, and oppose the Sandinista aggression against their neighbors and who seek genuinely democratic elections in Nicaragua, as the Sandinistas promised the OAS in 1979.

Peace can only be achieved in Central America if the forces of democracy are strong. We strongly support multilateral efforts toward peace, especially the Contadora process. However, no lasting peace settlement through the Contadora process can be achieved unless there is simultaneous implementation of all the Contadora objectives, including genuinely democratic elections in Nicaragua.

The Freedom Fighters in Nicaragua have promised to lay down their arms and to participate in genuinely democratic elections, if the Sandinistas will let them.

Our Congress faces some historic decisions this week. Those who struggle for freedom everywhere are watching to see whether America can still be counted upon to support its own ideals. The people of El Salvador are watching, and the Freedom Fighters of Nicaragua are watching, Nicaragua's threatened neighbors are watching, and the enemies of freedom are watching as well.

Our balanced policy can succeed if the Congress provides the resources for all elements of that policy as outlined in the bipartisan recommendations of the Kissinger Commission. But if the Congress offers too little support, it will be worse than doing nothing at all. This excessive communism in Central America poses the threat that 100 million people from Panama to the open border on our south could come under the control of pro-Soviet regimes. We could face a massive exodus of refugees to the United States. The Congress has the opportunity to reaffirm our commitment to brave people risking their lives for the cause of liberty and democracy in Central America. The Congress also has the opportunity to reaffirm our bipartisan tradition which will tell the world that we're united when our vital interests are at stake. I'm asking the Members of the Congress to make that commitment.

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

May 21, 1984

JOINT COMMUNIQUE

President Ronald Reagan and President-elect Jose Napoleon Duarte have undertaken consultations together, May 21, 1984, in recognition that a new chapter in the history of El Salvador as a democratic nation is about to be enacted.

During the past three years, Salvadorans of widely differing political views have joined together in a process of building democracy which has moved successfully through the stages of elections for a constituent assembly in March 1982, approval of a new constitution and the presidential elections, just completed. The United States applauds this historic process and proudly welcomes President-elect Duarte as the first freely and directly elected leader of democratic El Salvador.

The two Presidents, having reviewed the problems of Central America, which are of concern to free people throughout our hemisphere, hereby express their joint views and conclusions regarding the future basis of understanding and collaboration between their two nations. We agree on three major objectives for Central America and El Salvador:

1. The strengthening of democratic institutions;
2. The improvement of living standards and expanded economic development;
3. The need for an increased level of U.S. assistance to obtain peace and to defend against Communist-supported guerrillas of the extreme left and the violence of the extreme right.

The peoples of both nations look forward to the coming five year term of elected government in El Salvador as a period of consolidation of bilateral relations in a spirit of deep friendship as close neighbors in our hemisphere. Both nations will take into account their common interests and problems, maintaining the fullest respect for each other's sovereignty.

Both nations share with other countries of the Americas a fundamental interest in the strengthening of democracy and the firm rejection in this hemisphere of any form of totalitarianism or outside interference in the affairs of sovereign nations. Democracy enhances their individual and

collective security. Democratic neighbors are peaceful neighbors, capable of regulating their relations in a framework of cooperation, consultation, mutual respect and peaceful settlement of differences.

It is a fundamental objective of the Duarte administration to broaden and strengthen El Salvador's democratic institutions. And it is the intention of the United States to provide support and assistance to help achieve that objective.

Both Presidents proclaim that democracy, justice and the rule of law require the participation and commitment of all sectors in the political and economic mainstream of the nation. The rule of law requires protection for all against violence and criminal actions. It requires full confidence that the judicial process will produce punishment of the guilty and timely justice with due process for all. Both Presidents reaffirm their staunch commitment to the promotion of human rights, which are central to the democratic process and our freedoms. They believe that there should be greater support for genuinely democratic organizations from public and private sources in the major democracies, such as in the U.S. National Endowment for Democracy.

The two Presidents pledge to work for the achievement of economic development and growth, and increased regional cooperation, to improve the standard of living of the people of El Salvador and throughout the hemisphere. President-elect Duarte joins President Reagan in support of the comprehensive legislative proposal now before the U.S. Congress which will contribute so greatly, once enacted, to Central American peace and prosperity. The two Presidents express the view that a continuing and healthy economic assistance relationship between the two countries will be needed over the years immediately ahead. Such a relationship will complement broader initiatives, such as the Caribbean Basin Initiative and the National Bipartisan Commission Report, so that El Salvador's interdependent economic and social objectives can be met.

The protection and promotion of a strong private sector, with opportunities for small, medium and large entrepreneurs, is an indispensable means of expanding wealth and creating employment. Close collaboration between the public and private sectors will enhance the revitalization of production, improvement in public health and education, reintegration of displaced persons, and national reconstruction. This collaboration is a basis for stimulating domestic confidence, ensuring access to international credit and attracting new international investment.

The consolidation of democracy requires social peace and the protection and improvement of basic reforms begun in El Salvador in the 1980's, including the finding of new ways to stimulate production, ensure clear titles to land, pay adequate compensation and guarantee land reform beneficiaries permanence and tranquility in their new ownership.

Democracy cannot survive or thrive without security. Military assistance and the existence of a strong well-equipped national armed force is essential to shield democratic development. All governments have the obligation to guarantee their peoples full political participation and must have the means to protect democratic institutions against those who would subvert them, be they marxist guerrillas and their external allies or violent internal extremist groups.

The two Presidents share the view that the armed conflict in El Salvador must be resolved through national reconciliation based on the full integration of all its people into the political processes of the country. This participation should take place within the democratic rule which establishes that the only access to power is in accordance with the will of the people expressed through free elections. They particularly welcome the efforts to achieve regional peace undertaken within the Contadora process and reaffirm their full commitment to the principles of the Contadora Document of Objectives.

The two Presidents reaffirm strongly that abandonment of El Salvador and Central America in the midst of a continuing armed struggle serves neither the interests of their two nations, nor those of the community of free countries. They support the development of strong democracies in all parts of Central America, the democratic forces in Nicaragua, and the objective of holding free, fair and democratic elections in each of the countries of the region. On the basis of common national interests and common belief in the principles of democracy and freedom, they pledge to work together toward peace with security and toward human betterment with freedom, for El Salvador and for all of Central America.

To achieve these objectives, the two Presidents have decided to maintain regular and frequent contact to carry out these joint principles, assuring that their relations are guided by considerations of dignity, equality, friendship and mutual respect.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

May 9, 1984

ADDRESS BY THE PRESIDENT
TO THE NATION

The Oval Office

8:00 P.M. EDT

THE PRESIDENT: My fellow Americans, last week I was in Beijing and Shanghai -- three weeks from now, I'll be preparing to leave for Dublin, Normandy and the annual Economic Summit in London.

I'm pleased that our trip to China was a success. I had long and thoughtful meetings with the Chinese leadership. Though our two countries are very different, we are building a strong relationship in a genuine spirit of cooperation and that's good for the cause of peace.

This was our second trip to Asia in the last six months. It demonstrates our awareness of America's responsibility for leadership in the Pacific Basin, an area of tremendous economic vitality. I believe our relations with our Asian allies and friends have never been better.

But that isn't what I want to talk to you about.

I asked for this time to tell you of some basic decisions which are yours to make. I believe it's my constitutional responsibility to place these matters before you. They have to do with your national security and that security is the single most important function of the federal government. In that context, it's my duty to anticipate problems, warn of dangers and act so as to keep harm away from our shores.

Our diplomatic objectives will not be attained by good will and noble aspirations alone. In the last 15 years, the growth of Soviet military power has meant a radical change in the nature of the world we live in. Now, this does not mean, as some would have us believe, that we're in imminent danger of nuclear war. We're not.

As long as we maintain the strategic balance and make it more stable by reducing the level of weapons on both sides, then we can count on the basic prudence of the Soviet leaders to avoid that kind of challenge to us. They are presently challenging us with a different kind of weapon: Subversion and the use of surrogate forces, Cubans, for example. We've seen it intensifying during the last ten years, as the Soviet Union and its surrogates move to establish control over Vietnam, Laos, Cambodia, Angola, Ethiopia, South Yemen, Afghanistan and recently, closer to home, in Nicaragua and now El Salvador. It's the

fate of this region, Central America, that I want to talk to you about tonight.

The issue is our effort to promote democracy and economic well-being in the face of Cuban and Nicaraguan aggression, aided and abetted by the Soviet Union. It is definitely not about plans to send American troops into combat in Central America. Each year, the Soviet Union provides Cuba with \$4 billion in assistance; and it sends tons of weapons to foment revolution here in our hemisphere.

The defense policy of the United States is based on a simple premise -- we do not start wars. We will never be the aggressor. We maintain our strength in order to deter and defend against aggression, to preserve freedom and peace. We help our friends defend themselves.

Central America is a region of great importance to the United States. And it's so close -- San Salvador is closer to Houston, Texas than Houston is to Washington, D.C. Central America is America. It's at our doorstep, and it's become the stage for a bold attempt by the Soviet Union, Cuba, and Nicaragua to install communism by force throughout the hemisphere.

When half of our shipping tonnage and imported oil passes through Caribbean shipping lanes, and nearly half of all our foreign trade passes through the Panama Canal and Caribbean waters, America's economy and well-being are at stake.

Right now in El Salvador, Cuban-supported aggression has forced more than 400,000 men, women, and children to flee their homes. And in all of Central America, more than 800,000 have fled, many, if not most, living in unbelievable hardship. Concerns about the prospect of hundreds of thousands of refugees fleeing communist oppression to seek entry into our country are well-founded.

What we see in El Salvador is an attempt to destabilize the entire region and eventually move chaos and anarchy toward the American border.

As the National Bipartisan Commission on Central America chaired by Henry Kissinger agreed, if we do nothing, if we continue to provide too little help, our choice will be a communist Central America with additional communist military bases on the mainland of this hemisphere and communist subversion spreading southward and northward. This communist subversion poses the threat that 100 million people from Panama to the open border of our south could come under the control of pro-Soviet regimes.

If we come to our senses too late, when our vital interests are even more directly threatened, and after a lack of American support causes our friends to lose the ability to defend themselves, then the risks to our security and our way of life will be infinitely greater.

But there is a way to avoid these risks, recommended by the National Bipartisan Commission on Central America. It requires long-term American support for democratic development, economic and security assistance, and strong-willed diplomacy.

There have been a number of high-level bilateral meetings with the Nicaraguan government where we presented specific proposals for peace. I have appointed two special ambassadors who have made more than ten trips to the region in pursuit of peace during the last year. And Central America's democratic neighbors -- Mexico, Venezuela, Columbia, and Panama -- have launched a comprehensive initiative for peace through what is known as the Contadora Process. The United States fully supports the objectives of that process.

We can and must help Central America. It's in our national interest to do so, and morally, it's the only right thing to do. But helping means doing enough -- enough to protect our security and enough to protect the lives of

our neighbors so that they may live in peace and democracy without the threat of communist aggression and subversion. This has been the policy of our administration for more than three years.

But making this choice requires a commitment from all of us, our administration, the American people, and the Congress. So far, we have not yet made that commitment. We've provided just enough aid to avoid outright disaster but not enough to resolve the crisis, so El Salvador is being left to slowly bleed to death.

Part of the problem, I suspect, is not that Central America isn't important, but that some people think our administration may be exaggerating the threat we face. Well, if that's true, let me put that issue to rest. I want to tell you a few things tonight about the real nature of the Sandinista regime in Nicaragua.

The Sandinistas who rule Nicaragua are communists whose relationship and ties to Fidel Castro of Cuba go back a quarter of a century. A number of the Sandinistas were trained in camps supported by Cuba, the Soviet bloc, and the PLO. It is important to note that Cuba, the Sandinistas, the Salvadoran communist gurerrillas, and the PLO have all worked together for many years. In 1978, the Sandinistas and elements of the PLO joined in a "declaration of war" against Israel.

The Cuban-backed Sandinistas made a major attempt to topple the Somoza regime in Nicaragua in the fall of 1978. They failed. They were then called to Havana, where Castro cynically instructed them in the ways of successful communist insurrection. He told them to tell the world they were fighting for political democracy, not communism. But most important, he instructed them to form a broad alliance with the genuinely democratic opposition to the Somoza regime. Castro explained that this would deceive Western public opinion, confuse potential critics, and make it difficult for Western democracies to oppose the Nicaraguan revolution without causing great dissent at home.

You see, that's how Castro managed his revolution. And we have to confess he fooled a lot of people here in our own country, or don't you remember when he was referred to in some of our press as the "George Washington of Cuba?"

The Sandinistas listened and learned. They returned to Nicaragua and promised to establish democracy. The Organization of American States, on June 23, 1979, passed a resolution stating that the solution for peace in Nicaragua required that Somoza step down and that free elections be held as soon as possible to establish a truly democratic government that would guarantee peace, freedom, and justice. The Sandinistas then promised the OAS in writing that they would do these things. Well, Somoza left, and the Sandinistas came to power. This was a negotiated settlement based on power-sharing between communists and genuine democrats like the one that some have proposed for El Salvador today. Because of these promises, the previous U.S. administration and other Western governments tried in a hopeful way to encourage Sandinista success.

It took some time to realize what was actually taking place, that almost from the moment the Sandinistas and the their cadre of 50 Cuban covert advisors took power in Managua in July of 1979, the internal repression of democratic groups, trade unions and civic groups began. Right to dissent was denied. Freedom of the press and freedom of assembly became virtually nonexistent. There was an outright refusal to hold genuine elections, coupled with the continual promise to do so. Their latest promise is for elections by November 1984. In the meantime, there has been an attempt to wipe out an entire culture, the Miskito Indians, thousands of whom have been slaughtered or herded into detention camps, where they have been starved and abused. Their villages, churches and crops have been burned.

The Sandinistas engaged in anti-semitic acts against the Jewish community. And they persecuted the Catholic Church and publicly humiliated individual priests. When Pope John Paul II visited Nicaragua last year, the Sandinistas organized public demonstrations, hurling insults at him and his message of peace. On this last Good Friday, some 100,000 Catholic faithfuls staged a demonstration of defiance. You may be hearing about that demonstration for the first time right now. It wasn't widely reported. Nicaraguan Bishop Pablo Antonio Vega recently said, "We are living with a totalitarian ideology that no one wants in this country." This country being Nicaragua.

The Sandinista rule is a communist reign of terror. Many of those who fought alongside the Sandinistas saw their revolution betrayed. They were denied power in the new government. Some were imprisoned. Others exiled. Thousands who fought with the Sandinistas have taken up arms against them and are now called the Contras. They are freedom-fighters.

What the Sandinistas have done to Nicaragua is a tragedy. But we Americans must understand and come to grips with the fact that the Sandinistas are not content to brutalize their own land. They seek to export their terror to every other country in the region.

I ask you to listen closely to the following quotation:

"We have the brilliant revolutionary example of Nicaragua ... the struggle in El Salvador is very advanced: The same in Guatemala, and Honduras is developing quickly ... very soon Central America will be one revolutionary entity ..."

That statement was made by a Salvadoran guerrilla leader in March of 1981.

Shortly after taking power, the Sandinistas, in partnership with Cuba and the Soviet Union, began supporting aggression and terrorism against El Salvador, Honduras, Costa Rica and Guatemala. They opened training camps for guerrillas from El Salvador so they could return to their country and attack its government. Those camps still operate. Nicaragua is still the headquarters for communist guerrilla movements. And Nicaraguan agents and diplomats have been caught in Costa Rica and Honduras supervising attacks carried out by communist terrorists.

The role that Cuba has long performed for the Soviet Union is now also being played by the Sandinistas. They have become Cuba's Cubans. Weapons, supplies, and funds are shipped from the Soviet bloc to Cuba, from Cuba to Nicaragua, from Nicaragua to the Salvadoran guerrillas. These facts were confirmed last year by the House Intelligence Committee.

The Sandinista regime has been waging war against its neighbors since August of 1979. This has included military raids into Honduras and Costa Rica which still continue today. And they're getting a great deal of help from their friends.

There were 165 Cuban personnel in Nicaragua in 1979. Today, that force has grown to 10,000. And we're being criticized for having 55 military trainers in El Salvador. Manpower support is also coming from other parts of the terror network -- the PLO has sent men and so has Libya's dictator, Qadaffi. Communist countries are providing new military assistance, including tanks, artillery, rocket launchers, and help in the construction of military bases and support facilities.

Just last week, a Soviet ship began unloading heavy-duty military trucks in Nicaragua's Corinto Harbor. Another Soviet ship is on its way with more trucks and 155 Soviet jeeps.

Nicaragua's own military forces have grown enormously. Since 1979, their trained forces have increased from 10,000 to over 100,000. Why does Nicaragua need all this power? Why did this country of only 2.8 million people build this large military force?

They claim the buildup is the result of the anti-Sandinista forces. That's a lie. The Sandinista military buildup began two and a half years before the anti-Sandinista freedom fighters had taken up arms. They claim the buildup is because they're threatened by their neighbors. Well, that, too, is a lie. Nicaragua's next-door neighbor, Costa Rica, doesn't even have an army. Another neighbor, Honduras, has armed forces of only 16,000.

The Sandinistas claim the buildup is in response to American aggression. And that is the most cynical lie of all. The truth is they announced at their first anniversary, in July of 1980, that their revolution was going to spread beyond their own borders.

When the Sandinistas were fighting the Somoza regime, the United States' policy was hands off. We didn't attempt to prop up Somoza. The United States did everything to show its openness toward the Sandinistas, its friendliness, its willingness to become friends. The Carter administration provided more economic assistance to the Sandinistas in their first 18 months than any other country did. But in January of 1981, having concluded that the Sandinistas were arming the Salvadoran guerrillas, the Carter administration sent military aid to El Salvador.

As soon as I took office, we attempted to show friendship to the Sandinistas and provided economic aid to Nicaragua. But it did no good. They kept on exporting terrorism. The words of their official party anthem describe us, the United States, as the enemy of all mankind.

So much for our sincere but unrealistic hopes that if only we try harder to be friends, Nicaragua would flourish in the glow of our friendship and install liberty and freedom for their people. The truth is: They haven't.

Back in 1958, Fidel Castro pledged that, once his revolution had triumphed, he would start a much longer and bigger war - a war against the Americans. That war, Castro said, "will be my true destiny." For 26 years, during Republican and Democratic Administrations, Castro has kept to his own path of revolutionary violence. Today, Cuba even provides safe passage for drug traffickers who poison our children. In return, of course, Cuba gets hard cash to buy more weapons of war.

We are in the midst of what President John F. Kennedy called "a long twilight struggle" to defend freedom in the world. He understood the problem of Central America. He understood Castro. And he understood the long-term goals of the Soviet Union in this region.

Twenty-three years ago, President Kennedy warned against the threat of Communist penetration in our hemisphere. He said, "I want it clearly understood that this government will not hesitate in meeting its primary obligations which are to the security of our nation." And the House and Senate supported him, overwhelmingly, by passing a law calling on the United States to prevent Cuba from extending its aggressive or subversive activities to any part of this hemisphere. Were John Kennedy alive today, I think he would be appalled by the gullibility of some who invoke his name.

I've told you that Cuba's and Nicaragua's present target is El Salvador. And I want to talk to you about that country because there's a lot of misunderstanding about it.

El Salvador, too, had a revolution several years ago, and is now struggling valiantly to achieve a workable democracy, and,

at the same time, to achieve a stable economic system and to redress historical injustices. But El Salvador's yearning for democracy has been thwarted by Cuban-trained and armed guerrillas, leading a campaign of violence against people, and destruction of bridges, roads, power stations, trucks, buses and other vital elements of their economy. Destroying this infrastructure has brought more unemployment and poverty to the people of El Salvador.

Some argue that El Salvador has only political extremes -- the violent left and the violent right and that we must choose between them. Well, that's just not true. Democratic political parties range from the democratic left, to center, to conservative. Trade unions, religious organizations, civic groups and business associations are numerous and flourishing. There is a small, violent right-wing as opposed to democracy as are the guerrillas, but they are not part of the government. We have consistently opposed both extremes and so has the government of El Salvador. Last December, I sent Vice President Bush to El Salvador with a personal letter in which I again made clear my strong opposition to both violent extremes. And this had a positive effect.

Land reform is moving forward. Since March of 1980, the program has benefited more than 550,000 peasants, or about a quarter of the rural population. But many can't farm their land; they'll be killed by the guerrillas if they do.

The people of Central America want democracy and freedom. They want and hope for a better future. Costa Rica is a well-established and healthy democracy. Honduras made a peaceful transition to democracy in 1982. And in Guatemala, political parties and trade unions are functioning. An election is scheduled for July there with a real prospect that that country can return to full constitutional government in 1985.

In fact, 26 of 33 Latin American countries are democracies or striving to become democracies. But they are vulnerable.

By aiding the communist guerrillas in El Salvador, Nicaragua's unelected government is trying to overthrow the duly elected government of a neighboring country. Like Nicaragua, the government of El Salvador was born of revolution, but unlike Nicaragua it has held three elections, the most recent a presidential election last Sunday. It has made great progress toward democracy. In this last election, 80 percent of the people of El Salvador braved communist threats and guerrilla violence to vote for peace and freedom.

Let me give another example of the difference between the two countries, El Salvador and Nicaragua. The government of El Salvador has offered amnesty to the guerrillas and asked them to participate in the elections and democratic processes. The guerrillas refused. They want to shoot their way into power and establish totalitarian rule.

By contrast, the Contras, the freedom-fighters in Nicaragua, have offered to lay down their weapons and take part in democratic elections, but there the communist Sandinista government has refused. That's why the United States must support both the

elected government of El Salvador and the democratic aspirations of the Nicaraguan people.

If the communists can start war against the people of El Salvador, then El Salvador and its friends are surely justified in defending themselves by blocking the flow of arms. If the Soviet Union can aid and abet subversion in our hemisphere, then the United States has a legal right and a moral duty to help resist it. This is not only in our strategic interest; it is morally right. It would be profoundly immoral to let peace-loving friends depending on our help be overwhelmed by brute force if we have any capacity to prevent it.

If our political process pulls together, Soviet- and Cuban-supported aggression can be defeated. On this, the centennial anniversary of President Harry Truman's birth, it's fitting to recall his words, spoken to a Joint Session of the Congress in a similar situation: "The free peoples of the world look to us for support in maintaining their freedoms. If we falter, we may endanger the peace of the world and we shall surely endanger the welfare of this nation."

The speech was given in 1947. The problem then was two years of Soviet-supported indirect aggression against Greece. The communists were close to victory. President Truman called on the Congress to provide decisive aid to the Greek government. Both parties rallied behind President Truman's call. Democratic forces succeeded and Greece became a Parliamentary democracy.

Communist subversion is not an irreversible tide. We've seen it rolled back in Venezuela, and most recently, in Grenada. And where democracy flourishes, human rights and peace are more secure. The tide of the future can be a freedom tide. All it takes is the will and resources to get the job done.

In April 1983, I addressed a Joint Session of the Congress and asked for bipartisan cooperation on behalf of our policies to protect liberty and democracy in Central America. Shortly after that speech, the late Democratic Senator Henry Jackson encouraged the appointment of a blue ribbon bipartisan commission to chart a long-term course for democracy, economic improvement and peace in Central America. I appointed twelve distinguished Americans from both political parties to the National Bipartisan Commission on Central America.

The Bipartisan Commission rendered an important service to all Americans -- all of us, from pole to pole, in this Western hemisphere. Last January, the Commission presented positive recommendations to support democratic development, improve living conditions and bring the long-sought dream for peace to this troubled region so close to home. The recommendations reinforced the spirit of our administration's policies that help to our neighbors should be primarily economic and humanitarian, but must also include sufficient military aid.

In February, I submitted a comprehensive legislative proposal to the Congress which would implement the Commission's recommendations. And because this report presented a bipartisan consensus, I'm hopeful that the Congress will take prompt action. This proposal calls for an increased commitment of resources beginning immediately and extending regularly over the next five years. The program is a balanced combination of support for democracy, economic development, diplomacy and security measures, with 70 percent of the dollars to be used for economic and social development. This program can get the job done.

The National Bipartisan Commission on Central America has done its work. Our administration has done its work. We now await action by the Congress. Meanwhile, evidence mounts of Cuba's intentions to double its support to the Salvadoran guerrillas and bring down that newly elected government in the fall. Unless we provide the resources, the communists will likely -- to succeed. Let's remember the Soviet bloc gave Nicaragua and Cuba \$4.9 billion in assistance last year, while the United States provided all its friends throughout all of Central America with only a fraction of that amount.

The simple questions are: Will we support freedom in this hemisphere or not? Will we defend our vital interests in this hemisphere or not? Will we stop the spread of communism in this hemisphere or not? Will we act while there is still time?

There are those in this country who would yield to the temptation to do nothing. They are the new isolationists, very much like the isolationists of the late 1930s, who knew what was happening in Europe, but chose not to face the terrible challenge history had given them. They preferred a policy of wishful thinking, that if they only gave up one more country, allowed just one more international transgression, surely sooner or later the aggressor's appetite would be satisfied.

Well, they didn't stop the aggressors, they emboldened them. They didn't prevent war, they assured it.

Legislation is now before the Congress that will carry out the recommendations of the National Bipartisan Commission. Requests for interim appropriations to give the soldiers fighting for their country in El Salvador, and the freedom-loving people of Central America the tools they need, also. That awaits action by the House of Representatives.

For the last four years, only half of the military aid requested for El Salvador has been provided, even though total aid for El Salvador is only 5 percent of our worldwide assistance. I'm asking the Congress to provide the funds I requested for fiscal year 1984 and, also, to enact the entire National Bipartisan Commission plan for democracy, economic development, and peace in Central America.

As I talk to you tonight, there are young Salvadoran soldiers in the field facing the terrorists and guerrillas in El Salvador with the clips in their rifles the only ammunition they have.

The lack of evacuation helicopters for the wounded and the lack of medical supplies if they're evacuated has resulted in one out of three of the wounded dying. This is no way to support friends, particularly when supporting them is supporting ourselves.

Last week, as we returned across the vast Pacific to Alaska, I couldn't help being struck again by how blessed has been our land. For 200 years the oceans have protected us from much that has troubled the world. But, clearly, our world is shrinking. We cannot pretend otherwise if we wish to protect our freedom, our economic vitality, and our precious way of life.

It's up to all of us -- the administration, you as citizens, and your representatives in the Congress. The people of Central America can succeed if we provide the assistance I have proposed. We Americans should be proud of what we're trying to do in Central America, and proud of what, together, with our friends, we can do in Central America to support democracy, human rights, and economic growth while preserving peace so close to home.

Let us show the world that we want no hostile communist colonies here in the Americas -- South, Central, or North.

Thank you, God bless you, good night.

8:28 P.M. EDT