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WITHDRAWAL SHEET

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Collection Name MARTIN, WILLIAM: FILES

Withdrawer

DLB 11/24/2006

File Folder JUNE TRIP: SUMMIT (05/02/1984-05/09/1984)

FOIA

F02-071/2

Box Number 90527

COLLINS

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
30488	MEMO	ROGER ROBINSON TO DON FORTIER, RE: ENERGY AND THE LONDON SUMMIT R 6/12/2008 NLRRF02-071/2	2	5/3/1984	B1
30489	PAPER	KEY SUMMIT ECONOMIC THEMES R 6/12/2008 NLRRF02-071/2	8	ND	B1
30490	PAPER	LONDON SUMMIT: POLITICAL THEMES R 6/12/2008 NLRRF02-071/2	4	ND	B1
30491	PAPER	DUPLICATE OF #30489 R 6/12/2008 NLRRF02-071/2	8	ND	B1
30492	PAPER	DUPLICATE OF #30490 R 6/12/2008 NLRRF02-071/2	4	ND	B1

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NATIONAL SECURITY COUNCIL

May 3, 1984

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MEMORANDUM FOR DON FORTIER

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Energy and the London Summit

Summary. The round of bilateral consultations concluded last week has substantially advanced our development of an international consensus on measures to cope with a Persian Gulf energy emergency. The stage has now been set for a productive multilateral discussion later this month in Dourdan, France under the auspices of the IEA. Dourdan should, in turn, lay the groundwork for us to go forward with the formulation of a contingency plan to place a modest energy proposal on the table in London. Such a discussion and referenced in the London communique would further demonstrate the President's leadership on a crucial and complex international economic issue.

Discussion. As you know, the allies (notably the British), do not wish to discuss energy emergency preparedness at the London Summit unless the situation in the Persian Gulf deteriorates substantially. The U.S.-led initiative to develop a coordinated international response in the event of an energy emergency is, however, progressing very well and could be drawn upon for a meaningful discussion at the Summit and reference in the final communique. This gameplan will in part depend on the outcome of the Dourdan meetings and our ability to keep the French, who are not members of the IEA, fully in the loop (most likely within the EC framework).

Inclusion of energy on the Summit agenda would provide three important benefits.

-- It would demonstrate unity among the allies on the crucial issue of energy emergency preparedness.

-- It would permit the President to further demonstrate his leadership on a highly complex international economic issue.

-- It would represent another concrete accomplishment to emerge from the Summit process and at the same time further calm the spot market.

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Next Step. Ben Bonk and I have prepared draft language (Tab I) on allied cooperation and continued consultation on energy emergency preparedness for possible insertion in the London communique. We are likely to encounter some resistance by our Sherpa team to this suggestion, but if we can demonstrate that the situation in the Gulf is becoming increasingly perilous, we should, at minimum, be able to persuade the team that a balanced contingency plan for inclusion on the Summit agenda is indicated.

We will also prepare a few brief talking points which the President could use in a discussion on energy security for illustrative purposes.

Bill Martin *WPM* concurs.

Attachment

Tab I Draft Language on Energy Consultations
Tab II Memo from Fortier

Draft Language on Energy for London Communique

We recognize that the uninterrupted flow of oil from the Persian Gulf is vital to the economies of all Western nations and indeed the world. As a result, we agree that we should continue to cooperate within appropriate international fora and exchange views on energy emergency preparedness with the objective of effectively offsetting any interruption in the flow of oil and its potentially disruptive effects on world economic recovery.

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

April 30, 1984

NOTE FOR OLLIE NORTH AND ROGER ROBINSON

We need to begin to close on final substantive preparations for the Summit. The economic agenda items are fairly well developed, but important uncertainties remain about precisely what we say, and ask for, on both the issue of terrorism and multilateral action for coping with a Persian Gulf energy emergency. The burden, and the glory, of preparing a game plan for each rests respectively with the two of you. I would like to submit a joint paper to Bud on these issues soon after he returns. If you could get something to me in rough form by COB Wednesday, it would be greatly appreciated.



Don Fortier

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By d.l.b

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T MCFARLANE

FROM HILL, C

DOCDATE 03 MAY 84

Martin

KEYWORDS LONDON SUMMIT

SHULTZ, G

SUBJECT: NSC BRIEFINGS FOR JUN SUMMIT TRIP

Cathy

ACTION: PREPARE MEMO FOR MCFARLANE

DUE: 07 MAY 84 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCMINN

ROBINSON

MARTIN

KIMMITT

SOMMER

RENTSCHLER

COBB

SIGUR

↑

To

COMMENTS

Doug: 5/14/84 meeting now set for 10⁰⁰ am, per States request. Please prepare Kimmitt -> Bob Kimmitt will notifying this LOG 5/5/84

cc Thompson Wilma

REF# 8413161

NSCIFID

(HW)

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May 3, 1984

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dlw 11/2/04

MEMORANDUM FOR MR. ROBERT C. MCFARLANE

SUBJECT: NSC Briefings for June Summit Trip

To confirm discussion on fringes of Bill Martin's 5:30 p.m. meeting today, we wish to record the following considerations concerning the timing of Presidential briefings for the June trip.

On May 14, Secretary Shultz could be present for a meeting with the Sherpa team from 10-11 a.m., but would have to leave immediately thereafter for previously scheduled out-of-town travel. Would it be possible to reschedule this meeting?

On May 25, the Secretary's schedule will easily accommodate an hour-long meeting on Ireland and Normandy at any time the President wishes.

On May 29, the three-hour briefing on political/economic aspects of the London Summit will present difficulties for the Secretary in view of the NATO Ministerial meeting. He could attend a briefing which began at 9 a.m. but would have to leave early for a 12:00 NATO luncheon he is hosting. May we suggest an earlier date, possibly a Saturday luncheon briefing on May 26?

On May 31, the Secretary could do the one-hour briefing on the Thatcher and Nakasone meetings at 2 p.m. The NATO Ministerial meeting concludes with press conferences, the Secretary's beginning at 1 p.m.

We understand that final decisions on the timing of the Presidential briefings await further developments in the Summit schedule, but thought you would wish to have an indication of the Secretary's time constraints in making your plans.

for *Buckley*
for Charles Hill
Executive Secretary

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Bill Martin
3686

MEMORANDUM


NATIONAL SECURITY COUNCIL

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May 8, 1984

INFORMATION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: DOUGLAS W. McMINN 

SUBJECT: Summit White House Group Meeting--Friday,
May 11, 1984, at 4:00 p.m., in the Roosevelt
Room

A meeting of the Summit White House Group will be held this week, in advance of Monday's (May 14) session with the President. The purpose of this meeting is to:

- o Provide a brief update of developments on the economic agenda, including a report on Gil Rye's recent swing of capitals on the manned space station;
- o Discuss U.S. objectives and strategy for the upcoming meeting of Summit Political Directors, May 18, in Paris;
- o Review the status of the public affairs aspects of Summit preparations; and
- o Discuss preparations for the Summit White House Group Meeting with the President, Monday, May 14.

Economic Agenda

We have not received the redraft of the British thematic paper. Therefore, there is, with one exception, very little new to discuss with the Group on the economic preparations for London. The exception is Gil's trip report on the manned space station. As you know, we continue to meet resistance in the Summit context to the President's proposal for international cooperation. Gil has drafted talking points for you on the space station and they are incorporated in your introductory remarks at Tab B. I expect the discussion on the economic agenda to be very brief with emphasis only on the space station. Attached at Tab C is a paper of key Summit economic issues that was drafted by the Sherpa team. It has been circulated to the Summit White House Group.

Political Agenda

Friday's meeting will be the first opportunity to discuss within the Summit White House Group the political agenda for London. Rick Burt will meet with other Summit Political Directors on May 18, in Europe, to agree on political issues

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White House
By dlb
11/28/84

for discussion by Summit leaders. It will be useful to get State's thinking in advance of that session with our Summit partners. Burt will not be at Friday's meeting, as he is out of the country. His deputy, James Dobbins, will fill in. State has drafted a paper on the political themes/issues (attached at Tab D). It has also been circulated to the Summit White House Group.

Public Affairs

On the public affairs side, Jim Rentschler's program is in full swing. He is prepared to report on the status of his efforts and to answer any questions that the Group may have.

May 14 Meeting With the President

We would propose to bring the President up-to-date on Summit preparations since we last met with him in January. This would include a brief review of the February and April Sherpa meetings and other Summit-related activities. If the redrafted thematic paper has arrived, we would briefly note its highlights and outline how we propose to handle any difficult or significant issues.

Sequence of Events for Friday's Meeting

- o You will be expected to open the meeting (talking points have been prepared for that purpose at Tab B).
- o Presentations will then be given on individual agenda items (following the meeting agenda at Tab A).
- o You will close the meeting.

Talking points have also been drafted by Jim Rentschler for your use, if you choose, in introducing the discussion on the public affairs aspects of Summit preparations (Tab E).

Don Fortier concurs. *DF*

Attachments

- TAB A Agenda and list of participants
- TAB B Introductory remarks
- TAB C Economic themes paper
- TAB D Political themes paper
- TAB E Talking points--public affairs aspects of Summit preparations

- cc: John Poindexter
- Bob Kimmitt
- Bill Martin
- Jack Matlock
- Ollie North
- Roger Robinson
- Gil Rye
- Peter Sommer
- Ty Cobb



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SUMMIT WHITE HOUSE
GROUP MEETING

May 11, 1984

AGENDA

I. Review of Status of Preparations

A. Update of Developments on
Economic Agenda

Under Secretary
Wallis

1. Report on Manned Space
Station Cooperation

Colonel Rye

B. Report on U.S. Objectives and
Strategy for Political Agenda
(in advance of Political
Directors' meeting, May 18,
in Paris)

Deputy Assistant
Secretary Dobbins

II. Public Affairs Aspects of London
Summit Preparations

Mr. McManus
Ambassador Rentschler

III. Discuss Preparations for Summit
White House Group Meeting with
the President, Monday, May 14

Under Secretary
Wallis

2/b

11/24/06

PARTICIPANTS IN
SUMMIT WHITE HOUSE GROUP MEETING

May 11, 1984

Edwin Meese, Counsellor to the President

James A. Baker, Chief of Staff and Assistant to the President

Michael K. Deaver, Deputy Chief of Staff and Assistant to the President

Robert C. McFarlane, Assistant to the President for National Security Affairs

Richard G. Darman, Assistant to the President and Deputy to the Chief of Staff

Michael A. McManus, Assistant to the President and Deputy to the Deputy Chief of Staff

Larry M. Speakes, Assistant to the President and Principal Deputy Press Secretary

John A. Svahn, Assistant to the President for Policy Development

W. Allen Wallis, Under Secretary of State for Economic Affairs

Beryl W. Sprinkel, Under Secretary of Treasury for Monetary Affairs

Donald R. Fortier, Deputy Assistant to the President for National Security Affairs

William Henkel, Deputy Assistant to the President and Director of Presidential Advance

Robert M. Kimmitt, Deputy Assistant to the President for National Security Affairs and Executive Secretary, National Security Council

Karna Small, Deputy Assistant to the President and Senior Director, Public Affairs, National Security Council

James M. Rentschler, U.S. Ambassador to Malta

M. Marlin Fitzwater, Special Assistant to the President and Deputy Press Secretary for Foreign Affairs

William F. Martin, Special Assistant to the President for National Security Affairs and Senior Director for Coordination

Robert B. Sims, Special Assistant to the President and Deputy Press Secretary for Foreign Affairs

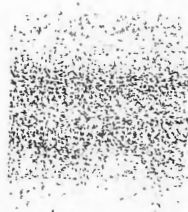
James F. Dobbins, Deputy Assistant Secretary of State for
European Affairs

Douglas W. McMinn, Staff Member, National Security Council

Robert J. Morris, Deputy to the Under Secretary of State for
Economic Affairs

Gilbert Rye, Staff Member, National Security Council

B



INTRODUCTORY TALKING POINTS

- Mike Deaver and I asked for this meeting to review the status of preparations for the London Summit.

- On the economic agenda, we have not received the revised British thematic paper.

- Therefore, there is very little that is new to discuss concerning those preparations.

- However, at our last meeting, we asked Gil Rye to organize a team and return to the Summit capitals as a follow-on to Jim Begg's previous visits on the Space Station Program.

- We want to hear Gil's report.

- We also want to review the status of preparations for the political agenda for London.

- Rick Burt, our Political Director, will be meeting with other Summit country representatives on May 18 to work on the political issues to be discussed in London. His deputy, James Dobbins, is here to brief us on the preparations for the political agenda.

- Mike McManus and Jim Rentschler will give us an update on the public affairs aspects of the Summit preparations.

- Finally, we should discuss Monday's meeting with the President.

- Before asking Gil to report, it is worth recalling that he had two objectives for his trip:
 - To answer any remaining political or technical questions that our Summit partners might have; and

 - To clarify any misimpression that international participation is critical to completing the Space Station Program--that we are attempting to draw other nations into a project that has no reciprocal benefits.

- Gil, would you summarize the results of your trip.

(After discussion on the manned space station program, you should ask Allen Wallis if he has anything to add on the status of economic preparations. You should then turn to the meeting agenda to conduct the remainder of the session.)

C

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KEY SUMMIT ECONOMIC THEMES

1. World Recovery and Outlook

Non-inflationary recovery in the industrial world now seems fully established. Summit countries grew 2.4% last year, and the forecast is 4.5% in 1984. Expansion is spreading to other industrial countries this year. Less developed countries (LDC) -- though constrained -- will pickup as well. This recovery is occurring in a low inflation atmosphere with Summit country inflation at about 4.6% this year.

At the London Summit, we should note that a broad convergence of performance toward higher growth and lower inflation is emerging. This movement can be sustained so long as continuing efforts are made to: restrain government spending, allowing expansion of the private sector; reduce excessive monetary growth and volatility, promoting lower interest rates by increasing confidence that inflation will be contained; remove structural rigidities that are inhibiting employment growth in some Summit countries; and maintain the open trading system to foster economic growth, particularly in the developing world.

Other Summit participants broadly agree that non-inflationary recovery is spreading. Aside from the Japanese, they are very concerned about the poor employment prospects. Structural rigidities, particularly in labor markets, and a growing labor force are behind the high level of unemployment in Europe. Some believe the U.S. budget deficit will drive up interest rates, choking off recovery in both industrial and developing nations.

These concerns aside, there is a broad consensus on policies and objectives. The multilateral surveillance exercise, initiated at Versailles and strengthened at Williamsburg, is a useful forum for consultations on convergence.

We will also want to stress that our trade and current account balances have deteriorated because our strong recovery was ahead of most of our trading partners, combined with the sharp decline in U.S. trade competitiveness due to dollar strength. Last year's \$40 billion current account deficit is likely to be followed by an \$80 billion deficit this year. This current account change has made a major contribution to growth for other countries as their exports to the United

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BY GI NARADATE 6/12/08

States rise. For the next year or two, however, financing and adjustment for a number of LDCs will remain difficult. But if all parties continue to fulfill their responsibilities under the debt strategy the problem will be manageable.

2. Finance, Debt, Monetary

Our objective is to confirm that the five-point debt strategy endorsed at Williamsburg (see Talking Points) has worked successfully to promote adjustment efforts in debtor countries and avoided serious disruption of the international trade, finance, and monetary systems. This strategy is appropriate for the medium-term as well as the short-term. We seek a renewed commitment to this strategy as well as ways to improve its implementation in the years ahead. There continued to be general support for the debt strategy among some countries (Germany, Japan). However, others (France, Canada and, to a lesser extent, the UK) feel that current arrangements have resulted in unacceptable economic burdens in the debtor countries which threaten their political stability and may cause some of them to repudiate their debts. These countries argue for a "new, medium-term" strategy which would include increased official financing.

As evidence of remaining problems which the present debt strategy has supposedly not addressed, these partners cite: (a) intolerable debt burdens for some developing countries, which reduce their growth prospects; (b) a cutback in financing available from commercial and multilateral development banks; and (c) a bunching of debt repayments a few years hence. Their solution is expanded resources and an increased role for the World Bank, a further allocation of Special Drawing Rights (SDRs) by the International Monetary Fund (IMF), and more generous debt relief.

We do not believe this assessment of the situation is correct. The majority of the debtor countries have undertaken adjustment measures which are already bearing fruit, reducing inflation and restoring the basis for growth. Developing country growth is expected to average 4.5% annually over the 1985-90 period. Commercial banks have continued to lend new funds as well as reschedule, particularly to those developing countries which have undertaken effective adjustment programs. IMF resources have been increased and will continue to play an important role, as will World Bank financing, and official bridge financing in some cases.

Within the general concerns about inadequate resources for IDA and the IBRD, and strains on the political or economic viability of certain countries, France, the EC and possibly others are likely to cite Africa as an especially difficult problem. We share the concern about Africa and have stressed the need to direct a large share of future IDA lending to that continent. We have also proposed the African "Economic Policy Initiative" and would welcome other donor cooperation with us to assure its success. However, we do not believe Africa's problems should be used to justify a significant departure from our basic debt/development strategy, as outlined below.

Increased financing cannot provide a lasting solution to the debt problems, nor should debtor countries count on increased official resource transfers from the developed countries in light of political and budgetary realities. The only realistic long-term solution is a combination of (a) adjustment measures in the developing countries, which should include liberalization of trade and investment flows; (b) continued financing from commercial banks, the IMF and, in limited amounts, other official sources; (c) measures by developed countries to ensure that developing countries are able to expand their exports to earn the foreign exchange needed to service debts and pay for essential imports. In this connection, the Summit countries should follow through on their commitment to stable recovery, open markets, and preparation of a new round of trade negotiations; (d) improved institutional coordination, especially between the IMF and IBRD to assure that lending for adjustment is consistent with sound economic policies as recommended by the IMF. Thus the current strategy is a medium-term strategy, and needs to be reinforced, not revised or replaced.

On monetary reform, we believe that further enhancement of the multilateral surveillance process is the primary topic for finance ministers to consider in their review of the functioning of the international monetary system which was initiated at Williamsburg last year and is currently in progress in the Group of Ten (G-10) industrial countries. Summit Finance Ministers will provide a status report on the G-10 studies at London.

3. Trade

The open trading system has been a major engine for economic growth and higher real incomes and wages in the post-war period. Faced with the recent worldwide economic downturn and slow recovery in many countries, calls for

protectionism are louder than in many years. This has further eroded the international trading system and its rules. The challenge for Summit leaders is to consolidate improvements towards worldwide economic recovery, reconfirm our commitment to resist protectionism, promote early progress in liberalizing trade and improving the trade system, and agree on the need for new multilateral trade negotiations to achieve comprehensive liberalization.

During the past year some progress was made towards further trade liberalization. The main activity was identifying concrete steps to give meaning to the commitments made at the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development (OECD) Ministerials and at Williamsburg to halt protectionism and dismantle trade barriers. Summit as well as other OECD countries have agreed to accelerate tariff reductions agreed to during the Tokyo Round, provided administrative or legislative approval is granted. They also have agreed to reduce barriers to imports from the least developed countries and to take advantage of opportunities for reducing trade barriers. At the OECD, we have also agreed that the next phase of follow-up should establish the basis for a substantive effort to dismantle trade barriers next year. We have also committed ourselves to complete work in the GATT on a new import safeguards code and improved discipline in agricultural export subsidies.

At the same time, the major trading countries continued or increased certain restrictive measures. Specific targets for action were: steel, autos, textiles and apparel, miscellaneous industrial products, and agriculture. (Many of these actions affected products from developing countries, thereby exacerbating their trade/debt situation.) Our Summit partners are concerned about protectionism in the U.S. in an election year. They have noted that a number of U.S. industries (steel, footwear, copper, tuna) have filed for import relief with decisions due just prior to the election. Congressional pressure for domestic content legislation and a number of trade restrictive bills has not abated. The EC is considering changes in its Common Agricultural Policy, which may harm U.S. agricultural exporters. Japan continues to restrict access for foreign products to its market.

At Williamsburg, we pointed to a new multilateral trade negotiation as a way to consolidate gains from the economic recovery by further liberalizing the world's trading system. A new multilateral negotiation would also play an important role

in reversing recent protectionist tendencies and in bringing developing countries more fully into the multilateral trading system. Intensive consultations with our Summit partners during the past year have produced a consensus on the need for a new round. Our objective at London is to confirm this consensus and direct our governments to broaden consultations with all trading partners so as to permit a decision on launching a new round to be taken in 1985 (or "by mid-decade", if less precision is inevitable).

4. Manned Space Station

In the State of the Union message, you committed the U.S. to develop a permanently manned Space Station within a decade in order to satisfy U.S. civil and commercial requirements for a space operations facility. At the same time, you extended an invitation to our friends and allies that they join us in this venture. The U.S. core Space Station represents an \$8 billion commitment; foreign participation will add to the Station's initial capabilities. This highly visible program will be the focal point for free world space operations well into the twenty-first century. In addition to enhancing our allies' national prestige and allowing them to reap the benefits of this major technological undertaking, participation in the Space Station will underscore the unifying effects of high technology cooperation.

At your request, NASA Administrator James Beggs visited the Summit capitals in March to explain your Space Station decision, to reiterate your invitation to them, and to emphasize your interest in a Summit declaration which would symbolize alliance unity. At space/technical agency levels, there was universal enthusiasm for cooperation. At the political levels, the reactions varied from guarded to already committed. The Italians declared that they will participate in the program. The Japanese made it clear that Nakasone will commit to you in London, but that there would be no advance indication. In subsequent follow-up, however, the French, Germans and British all said they could make no commitments in time for a Summit announcement.

The U.S. has asked for a political commitment from the Summit nations that they will cooperate in the development of an International Space Station. From the U.S. point of view, such a declaration at the Summit would serve as a highly visible demonstration of our intention to work together. From the foreign point of view, this non-binding commitment should serve as the political underpinnings for future decisions and

negotiations with the U.S. aimed towards developing specific, mutually beneficial, cooperative programs. At London, you should reiterate the invitation, note that participation in the design stage need imply no commitment yet to build hardware and indicate that we will proceed in any case with those who wish to participate.

5. Environment and Technology

We can expect a strong push from Canada and the FRG on the need for action to reduce sulfur dioxide emissions immediately. Both are convinced that these are the cause of acid rain and that action to reduce emissions will relieve (if not solve) the problem. Our policy is based on developing a clearer understanding of causes and effects before undertaking any added control actions, estimated costs of which range from \$3 to \$5 billion and more. We have proposed a doubling of the domestic acid rain research in FY 1985 and other measures to develop new technologies. However, Canada wants action now to reduce emissions ranging from 30-50% on 1980 levels (though Canada itself has not taken as stringent action as we have since 1976 to reduce emissions).

Germany is leading a similar movement in Europe. Earlier this year, an effort to get a commitment to a 30% reduction at a meeting of the Economic Commission for Europe (ECE) failed mainly because of Soviet resistance. We support the European movement to reduce sulfur emissions while maintaining the integrity of our own position. We can agree to enhanced international cooperation in research into causes and effects and the development of new technologies, but not to commitments to implement new control regulations until causes and effects are better known.

The Summit will receive a report on progress in cooperation in high technology under the program initiated at Versailles. The report makes some low-key criticism of the side-effects of the effort to strengthen controls over the transfer of critical technology to the East (i.e., increased government intervention in trade in such defense-related technology and products, and restrictions on access to scientific discussions). We have proposed changes which underline the need for working to broaden the consensus among us on economic relations with the East, which tends to strengthen the case we are making on that issue.

6. East-West Economic Relations

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.

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 OECD, IEA, COCOM, and NATO. While 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. A major COCOM initiative is now underway to achieve greater cooperation with COCOM controls from technologically advanced third countries. The allies are seriously studying alternative sources to eliminate the risk of over dependence on Soviet gas supplies, and NATO has agreed to undertake a sectoral review of Soviet industries which contribute to their military capabilities. Our allies have demonstrated some hesitancy, however, on specific measures which they perceive as unduly reducing their overall trade levels with their customary Eastern European or Soviet customers.

We still need to work with our allies to complete work on: (1) developing alternative energy sources, (2) resolving differences in the COCOM list review on a handful of important issues such as the level and types of computers, computer software and certain other strategically important equipment and technology which should be controlled, (3) a NATO analysis of industrial contributions to Soviet military capability, and

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- 8 -

(4) the OECD study regarding Warsaw pact countertrade practices and their negative impact on East-West trade. We want the Summit to endorse the need to continue this work to broaden our consensus on the economic and security implications of East-West economic relations.

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30490

LONDON SUMMIT: Political Themes

The London summit takes place at a time when European self-confidence remains at a low ebb, in spite of our important victory on INF. While our overall relationship with Japan, despite trade tensions, is the best it has been, questions are being raised in Europe about our approach to relations with the Soviet Union generally and arms control in particular; future directions for transatlantic security cooperation; and whether increased US attention to the Pacific Basin foreshadows a reduced commitment to Europe.

At the same time, the mid-May OECD Ministerial in Paris and meeting of NATO Defense Ministers in Brussels, together with the subsequent gathering of Alliance Foreign Ministers in Washington to mark NATO's 35th anniversary, will have demonstrated yet again the enduring solidity of the relationship. These meetings will have shown that debate and differences notwithstanding, a lasting consensus on basic domestic and foreign policy issues continues to inform our relations. They also will have testified to our commitment to close consultations with our friends and Allies and to coordinated efforts in pursuit of shared objectives.

You will thus want to use the summit, as you did in Williamsburg, to underscore the fundamental health of the industrial democracies; the vitality of their relations with each other; and the breadth of their shared interests and the relevance of their policies to mankind's present challenges and future prospects. In so doing, you should:

-- underscore the coherence and continuity of American leadership and our commitment to close and effective consultations with our friends and Allies;

-- strengthen the Summit leaders' sense of shared interests and linked futures;

-- explain our approach and stress our commitment to a more stable and constructive relationship with the Soviet Union.

-- set out our views on the current and prospective arms control agenda, including the necessity of treating arms control as a means to strengthen security rather than an end in itself.

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BY CJ NARADATE 6/12/08

-- encourage close consultations on the Middle East and Iran-Iraq war, and coordinated actions where necessary and appropriate.

-- bring the Allies up to date on our evaluation of the terrorism threat and steps we should be taking, individually and collectively, to deal with it.

-- review our balanced approach to achieving security, democracy, and economic progress in Central America.

Themes you will want to emphasize during summit discussion of political issues include:

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-- Future is with the industrialized democracies; we share global interests and common purposes. But present and future challenges require more effective "trilateral" (Europe-America-Japan) approach.

-- Our commitment to Europe and Japan remains firm; NATO Alliance and U.S.-Japan Mutual Security Treaty continue to be keystones of security in Atlantic and Pacific.

-- NATO Alliance is healthy, its structure sound and its strategy valid.

-- U.S.-Japan defense cooperation also effective, although we continue to hope Japan can quicken the pace of its own defense efforts.

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-- Security of West and Japan is indivisible, as we stated in Williamsburg. U.S. efforts in the Pacific support Western security writ large.

-- European-American-Japanese "trilateralism"

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-- U.S. dedicated to building more stable and constructive relations with the Soviet Union.

-- Our approach based on realism, strength and dialogue is the most effective alternative and is producing results.

-- Allied firmness, solidarity, and due attention to defense are essential to success.

-- Europe and Japan must contribute to international security efforts on which we all depend.

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-- Administration deeply committed to effective arms control as essential element in strengthening peace and security.

-- Agreements must be equitable, militarily significant, and verifiable.

-- Our efforts in both the nuclear and conventional fields speak for themselves:

- o In spite of unjustified Soviet interruption of START and INF talks, US prepared to return to the table immediately and without conditions.

- o In MBFR, NATO has put forward significant new initiative aimed at helping the Soviets extract themselves from the "data" problem without sacrificing our security interests.

- o At the Conference on Disarmament we have tabled a treaty providing for the abolition of chemical weapons and containing unprecedented verification provisions which would ensure confidence in compliance.

- o Within CSCE context, Allies have tabled concrete measures in Stockholm CDE aimed at reducing risk of war in Europe and are prepared to consider any serious Soviet proposal.

-- As in East-West relations generally, Allied solidarity essential if we are to achieve our objectives.

-- Administration committed not to take any action that would increase threat to our friends and Allies in the Pacific.

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-- In extremely difficult circumstances, we did the right thing in Lebanon; Allied collaboration gave peace and stability a chance and should be positive lesson for future.

-- Closest possible consultations on Middle East will continue to serve us well and be basis for coordinated effort where appropriate.

-- In the Gulf, we must continue to share information, conduct appropriate contingency planning, and dampen conflict.

-- Continued consultations in IEA are necessary to ensure we are prepared to act in coordinated way in event of oil disruption.

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-- Must take into account severity of threat to life and national interests and increasing evidence of state support for terrorist acts against West.

-- U.S. prepared to take appropriate actions to counter this threat.

-- Our efforts will of course be consonant with our basic values and principles.

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-- Allies must understand seriousness with which we take situation in Caribbean/Central America.

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-- Welcome fuller Allied understanding of our efforts and objectives and greater role in working for consolidation of moderate, democratic governments which can provide structure for peaceful progress and popular sovereignty.



PUBLIC DIPLOMACY TALKING POINTS

- The Public Diplomacy component of our planning is in high gear.

- The Rentschler team, working with Larry Speakes' office and other key players, has:
 - Helped put together a rational press interview schedule for the President;

 - Worked out pre-departure press briefing arrangements;

 - Developed an agreed format for use of relevant Cabinet Officers' time preceding the Summit (talk shows, backgrounders, etc.);

 - Collaborated on schedule of official briefers during Summit;

 - Drafted Allen Wallis' major May 23 New York speech (portions of which will be used for other purposes--op-ed pieces, backgrounders, etc.); and

 - Made preliminary stab at identifying desirable day-by-day stories during Summit (part of full-trip plan).

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THE WHITE HOUSE
WASHINGTON

May 9, 1984

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MEMORANDUM FOR SUMMIT WHITE HOUSE GROUP MEMBERS

SUBJECT: Summit White House Group Meeting to
Discuss London Summit Preparations--
Friday, May 11, 1984, at 4:00 p.m.,
in the Roosevelt Room (U)

The Summit White House Group will meet on Friday, May 11, to review preparations for the London Economic Summit. (U)

Attached is an agenda and list of participants for the Friday session. Also attached are separate papers on the key Summit economic and political issues. (C)



Michael K. Deaver
Co-Chairman, Summit
White House Group



Robert C. McFarlane
Co-Chairman, Summit
White House Group

Attachment

Tab 1 Agenda and list of participants
Tab 2 Economic themes paper
Tab 3 Political themes paper

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SUMMIT WHITE HOUSE
GROUP MEETING

May 11, 1984

AGENDA

I. Review of Status of Preparations

A. Update of Developments on
Economic Agenda

Under Secretary
Wallis

1. Report on Manned Space
Station Cooperation

Colonel Rye

B. Report on U.S. Objectives and
Strategy for Political Agenda
(in advance of Political
Directors' meeting, May 18,
in Paris)

Deputy Assistant
Secretary Dobbins

II. Public Affairs Aspects of London
Summit Preparations

Mr. McManus
Ambassador Rentschler

III. Discuss Preparations for Summit
White House Group Meeting with
the President, Monday, May 14

Under Secretary
Wallis

dinner

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PARTICIPANTS IN
SUMMIT WHITE HOUSE GROUP MEETING

May 11, 1984

Edwin Meese, Counsellor to the President

James A. Baker, Chief of Staff and Assistant to the President

Michael K. Deaver, Deputy Chief of Staff and Assistant to the President

Robert C. McFarlane, Assistant to the President for National Security Affairs

Richard G. Darman, Assistant to the President and Deputy to the Chief of Staff

Michael A. McManus, Assistant to the President and Deputy to the Deputy Chief of Staff

Larry M. Speakes, Assistant to the President and Principal Deputy Press Secretary

John A. Svahn, Assistant to the President for Policy Development

W. Allen Wallis, Under Secretary of State for Economic Affairs

Beryl W. Sprinkel, Under Secretary of Treasury for Monetary Affairs

Donald R. Fortier, Deputy Assistant to the President for National Security Affairs

William Henkel, Deputy Assistant to the President and Director of Presidential Advance

Robert M. Kimmitt, Deputy Assistant to the President for National Security Affairs and Executive Secretary, National Security Council

Karna Small, Deputy Assistant to the President and Senior Director, Public Affairs, National Security Council

James M. Rentschler, U.S. Ambassador to Malta

M. Marlin Fitzwater, Special Assistant to the President and Deputy Press Secretary for Foreign Affairs

William F. Martin, Special Assistant to the President for National Security Affairs and Senior Director for Coordination

Robert B. Sims, Special Assistant to the President and Deputy Press Secretary for Foreign Affairs

James F. Dobbins, Deputy Assistant Secretary of State for
European Affairs

Douglas W. McMinn, Staff Member, National Security Council

Robert J. Morris, Deputy to the Under Secretary of State for
Economic Affairs

Gilbert Rye, Staff Member, National Security Council

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KEY SUMMIT ECONOMIC THEMES

1. World Recovery and Outlook

Non-inflationary recovery in the industrial world now seems fully established. Summit countries grew 2.4% last year, and the forecast is 4.5% in 1984. Expansion is spreading to other industrial countries this year. Less developed countries (LDC) -- though constrained -- will pickup as well. This recovery is occurring in a low inflation atmosphere with Summit country inflation at about 4.6% this year.

At the London Summit, we should note that a broad convergence of performance toward higher growth and lower inflation is emerging. This movement can be sustained so long as continuing efforts are made to: restrain government spending, allowing expansion of the private sector; reduce excessive monetary growth and volatility, promoting lower interest rates by increasing confidence that inflation will be contained; remove structural rigidities that are inhibiting employment growth in some Summit countries; and maintain the open trading system to foster economic growth, particularly in the developing world.

Other Summit participants broadly agree that non-inflationary recovery is spreading. Aside from the Japanese, they are very concerned about the poor employment prospects. Structural rigidities, particularly in labor markets, and a growing labor force are behind the high level of unemployment in Europe. Some believe the U.S. budget deficit will drive up interest rates, choking off recovery in both industrial and developing nations.

These concerns aside, there is a broad consensus on policies and objectives. The multilateral surveillance exercise, initiated at Versailles and strengthened at Williamsburg, is a useful forum for consultations on convergence.

We will also want to stress that our trade and current account balances have deteriorated because our strong recovery was ahead of most of our trading partners, combined with the sharp decline in U.S. trade competitiveness due to dollar strength. Last year's \$40 billion current account deficit is likely to be followed by an \$80 billion deficit this year. This current account change has made a major contribution to growth for other countries as their exports to the United

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States rise. For the next year or two, however, financing and adjustment for a number of LDCs will remain difficult. But if all parties continue to fulfill their responsibilities under the debt strategy the problem will be manageable.

2. Finance, Debt, Monetary

Our objective is to confirm that the five-point debt strategy endorsed at Williamsburg (see Talking Points) has worked successfully to promote adjustment efforts in debtor countries and avoided serious disruption of the international trade, finance, and monetary systems. This strategy is appropriate for the medium-term as well as the short-term. We seek a renewed commitment to this strategy as well as ways to improve its implementation in the years ahead. There continued to be general support for the debt strategy among some countries (Germany, Japan). However, others (France, Canada and, to a lesser extent, the UK) feel that current arrangements have resulted in unacceptable economic burdens in the debtor countries which threaten their political stability and may cause some of them to repudiate their debts. These countries argue for a "new, medium-term" strategy which would include increased official financing.

As evidence of remaining problems which the present debt strategy has supposedly not addressed, these partners cite: (a) intolerable debt burdens for some developing countries, which reduce their growth prospects; (b) a cutback in financing available from commercial and multilateral development banks; and (c) a bunching of debt repayments a few years hence. Their solution is expanded resources and an increased role for the World Bank, a further allocation of Special Drawing Rights (SDRs) by the International Monetary Fund (IMF), and more generous debt relief.

We do not believe this assessment of the situation is correct. The majority of the debtor countries have undertaken adjustment measures which are already bearing fruit, reducing inflation and restoring the basis for growth. Developing country growth is expected to average 4.5% annually over the 1985-90 period. Commercial banks have continued to lend new funds as well as reschedule, particularly to those developing countries which have undertaken effective adjustment programs. IMF resources have been increased and will continue to play an important role, as will World Bank financing, and official bridge financing in some cases.

Within the general concerns about inadequate resources for IDA and the IBRD, and strains on the political or economic viability of certain countries, France, the EC and possibly others are likely to cite Africa as an especially difficult problem. We share the concern about Africa and have stressed the need to direct a large share of future IDA lending to that continent. We have also proposed the African "Economic Policy Initiative" and would welcome other donor cooperation with us to assure its success. However, we do not believe Africa's problems should be used to justify a significant departure from our basic debt/development strategy, as outlined below.

Increased financing cannot provide a lasting solution to the debt problems, nor should debtor countries count on increased official resource transfers from the developed countries in light of political and budgetary realities. The only realistic long-term solution is a combination of (a) adjustment measures in the developing countries, which should include liberalization of trade and investment flows; (b) continued financing from commercial banks, the IMF and, in limited amounts, other official sources; (c) measures by developed countries to ensure that developing countries are able to expand their exports to earn the foreign exchange needed to service debts and pay for essential imports. In this connection, the Summit countries should follow through on their commitment to stable recovery, open markets, and preparation of a new round of trade negotiations; (d) improved institutional coordination, especially between the IMF and IBRD to assure that lending for adjustment is consistent with sound economic policies as recommended by the IMF. Thus the current strategy is a medium-term strategy, and needs to be reinforced, not revised or replaced.

On monetary reform, we believe that further enhancement of the multilateral surveillance process is the primary topic for finance ministers to consider in their review of the functioning of the international monetary system which was initiated at Williamsburg last year and is currently in progress in the Group of Ten (G-10) industrial countries. Summit Finance Ministers will provide a status report on the G-10 studies at London.

3. Trade

The open trading system has been a major engine for economic growth and higher real incomes and wages in the post-war period. Faced with the recent worldwide economic downturn and slow recovery in many countries, calls for

protectionism are louder than in many years. This has further eroded the international trading system and its rules. The challenge for Summit leaders is to consolidate improvements towards worldwide economic recovery, reconfirm our commitment to resist protectionism, promote early progress in liberalizing trade and improving the trade system, and agree on the need for new multilateral trade negotiations to achieve comprehensive liberalization.

During the past year some progress was made towards further trade liberalization. The main activity was identifying concrete steps to give meaning to the commitments made at the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development (OECD) Ministerials and at Williamsburg to halt protectionism and dismantle trade barriers. Summit as well as other OECD countries have agreed to accelerate tariff reductions agreed to during the Tokyo Round, provided administrative or legislative approval is granted. They also have agreed to reduce barriers to imports from the least developed countries and to take advantage of opportunities for reducing trade barriers. At the OECD, we have also agreed that the next phase of follow-up should establish the basis for a substantive effort to dismantle trade barriers next year. We have also committed ourselves to complete work in the GATT on a new import safeguards code and improved discipline in agricultural export subsidies.

At the same time, the major trading countries continued or increased certain restrictive measures. Specific targets for action were: steel, autos, textiles and apparel, miscellaneous industrial products, and agriculture. (Many of these actions affected products from developing countries, thereby exacerbating their trade/debt situation.) Our Summit partners are concerned about protectionism in the U.S. in an election year. They have noted that a number of U.S. industries (steel, footwear, copper, tuna) have filed for import relief with decisions due just prior to the election. Congressional pressure for domestic content legislation and a number of trade restrictive bills has not abated. The EC is considering changes in its Common Agricultural Policy, which may harm U.S. agricultural exporters. Japan continues to restrict access for foreign products to its market.

At Williamsburg, we pointed to a new multilateral trade negotiation as a way to consolidate gains from the economic recovery by further liberalizing the world's trading system. A new multilateral negotiation would also play an important role

in reversing recent protectionist tendencies and in bringing developing countries more fully into the multilateral trading system. Intensive consultations with our Summit partners during the past year have produced a consensus on the need for a new round. Our objective at London is to confirm this consensus and direct our governments to broaden consultations with all trading partners so as to permit a decision on launching a new round to be taken in 1985 (or "by mid-decade", if less precision is inevitable).

4. Manned Space Station

In the State of the Union message, you committed the U.S. to develop a permanently manned Space Station within a decade in order to satisfy U.S. civil and commercial requirements for a space operations facility. At the same time, you extended an invitation to our friends and allies that they join us in this venture. The U.S. core Space Station represents an \$8 billion commitment; foreign participation will add to the Station's initial capabilities. This highly visible program will be the focal point for free world space operations well into the twenty-first century. In addition to enhancing our allies' national prestige and allowing them to reap the benefits of this major technological undertaking, participation in the Space Station will underscore the unifying effects of high technology cooperation.

At your request, NASA Administrator James Beggs visited the Summit capitals in March to explain your Space Station decision, to reiterate your invitation to them, and to emphasize your interest in a Summit declaration which would symbolize alliance unity. At space/technical agency levels, there was universal enthusiasm for cooperation. At the political levels, the reactions varied from guarded to already committed. The Italians declared that they will participate in the program. The Japanese made it clear that Nakasone will commit to you in London, but that there would be no advance indication. In subsequent follow-up, however, the French, Germans and British all said they could make no commitments in time for a Summit announcement.

The U.S. has asked for a political commitment from the Summit nations that they will cooperate in the development of an International Space Station. From the U.S. point of view, such a declaration at the Summit would serve as a highly visible demonstration of our intention to work together. From the foreign point of view, this non-binding commitment should serve as the political underpinnings for future decisions and

negotiations with the U.S. aimed towards developing specific, mutually beneficial, cooperative programs. At London, you should reiterate the invitation, note that participation in the design stage need imply no commitment yet to build hardware and indicate that we will proceed in any case with those who wish to participate.

5. Environment and Technology

We can expect a strong push from Canada and the FRG on the need for action to reduce sulfur dioxide emissions immediately. Both are convinced that these are the cause of acid rain and that action to reduce emissions will relieve (if not solve) the problem. Our policy is based on developing a clearer understanding of causes and effects before undertaking any added control actions, estimated costs of which range from \$3 to \$5 billion and more. We have proposed a doubling of the domestic acid rain research in FY 1985 and other measures to develop new technologies. However, Canada wants action now to reduce emissions ranging from 30-50% on 1980 levels (though Canada itself has not taken as stringent action as we have since 1976 to reduce emissions).

Germany is leading a similar movement in Europe. Earlier this year, an effort to get a commitment to a 30% reduction at a meeting of the Economic Commission for Europe (ECE) failed mainly because of Soviet resistance. We support the European movement to reduce sulfur emissions while maintaining the integrity of our own position. We can agree to enhanced international cooperation in research into causes and effects and the development of new technologies, but not to commitments to implement new control regulations until causes and effects are better known.

The Summit will receive a report on progress in cooperation in high technology under the program initiated at Versailles. The report makes some low-key criticism of the side-effects of the effort to strengthen controls over the transfer of critical technology to the East (i.e., increased government intervention in trade in such defense-related technology and products, and restrictions on access to scientific discussions). We have proposed changes which underline the need for working to broaden the consensus among us on economic relations with the East, which tends to strengthen the case we are making on that issue.

6. East-West Economic Relations

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.

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 OECD, IEA, COCOM, and NATO. While 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. A major COCOM initiative is now underway to achieve greater cooperation with COCOM controls from technologically advanced third countries. The allies are seriously studying alternative sources to eliminate the risk of over dependence on Soviet gas supplies, and NATO has agreed to undertake a sectoral review of Soviet industries which contribute to their military capabilities. Our allies have demonstrated some hesitancy, however, on specific measures which they perceive as unduly reducing their overall trade levels with their customary Eastern European or Soviet customers.

We still need to work with our allies to complete work on: (1) developing alternative energy sources, (2) resolving differences in the COCOM list review on a handful of important issues such as the level and types of computers, computer software and certain other strategically important equipment and technology which should be controlled, (3) a NATO analysis of industrial contributions to Soviet military capability, and

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(4) the OECD study regarding Warsaw pact countertrade practices and their negative impact on East-West trade. We want the Summit to endorse the need to continue this work to broaden our consensus on the economic and security implications of East-West economic relations.

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LONDON SUMMIT: Political Themes

The London summit takes place at a time when European self-confidence remains at a low ebb, in spite of our important victory on INF. While our overall relationship with Japan, despite trade tensions, is the best it has been, questions are being raised in Europe about our approach to relations with the Soviet Union generally and arms control in particular; future directions for transatlantic security cooperation; and whether increased US attention to the Pacific Basin foreshadows a reduced commitment to Europe.

At the same time, the mid-May OECD Ministerial in Paris and meeting of NATO Defense Ministers in Brussels, together with the subsequent gathering of Alliance Foreign Ministers in Washington to mark NATO's 35th anniversary, will have demonstrated yet again the enduring solidity of the relationship. These meetings will have shown that debate and differences notwithstanding, a lasting consensus on basic domestic and foreign policy issues continues to inform our relations. They also will have testified to our commitment to close consultations with our friends and Allies and to coordinated efforts in pursuit of shared objectives.

You will thus want to use the summit, as you did in Williamsburg, to underscore the fundamental health of the industrial democracies; the vitality of their relations with each other; and the breadth of their shared interests and the relevance of their policies to mankind's present challenges and future prospects. In so doing, you should:

-- underscore the coherence and continuity of American leadership and our commitment to close and effective consultations with our friends and Allies;

-- strengthen the Summit leaders' sense of shared interests and linked futures;

-- explain our approach and stress our commitment to a more stable and constructive relationship with the Soviet Union.

-- set out our views on the current and prospective arms control agenda, including the necessity of treating arms control as a means to strengthen security rather than an end in itself.

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-- encourage close consultations on the Middle East and Iran-Iraq war, and coordinated actions where necessary and appropriate.

-- bring the Allies up to date on our evaluation of the terrorism threat and steps we should be taking, individually and collectively, to deal with it.

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