

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Danzansky, Stephen I.: Files  
**Folder Title:** Soviet Union (Grain) (11)  
**Box:** RAC Box 12

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

# WITHDRAWAL SHEET

## Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. draft report	"Agricultural Exports" (8pp)	n.d.	P-1
2. report	re: Saudia Arabia: Adding to the grain surplus problem, page 2 (1p)	n.d.	P-1
3. report	"National Security Implications of Subsidies to the USSR" (6pp)	n.d.	P-1
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: Soviet Union (Grain) <del>[8 of 8] Box 91819</del> <i>(11 of 11) RAC Box 12</i>			11/16/94

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

NATIONAL SECURITY COUNCIL

4/26

Steve D -

Might tie to  
effort on agriculture.

SF

# Chicago exchange seeks to aid farms with study of US-European grain glut

By Robert M. Knight  
Special to The Christian Science Monitor

CSM  
6/24/86

Chicago  
Farmers didn't need Willie Nelson's Farm Aid program to tell them they're in economic trouble and that the world oversupply of grain is the main reason.

Now the Chicago Board of Trade (CBOT), often a target of farm frustration, says it's going to do something about it. Or at least look into it.

At a recent meeting of the European Parliament's Agriculture Committee in Strasbourg, France, Chicago board chairman John F. Gilmore Jr. suggested research on the use of the free market to decrease the grain oversupply. Mr. Gilmore says that European parliamentarians reacted "very favorably, judging from the comments we got from the speech."

"What we'll specifically discuss," says Gilmore, "is the oversupply problem of Europe and the United States, and whether or not it is being created by government's policies, and if a free-market system, instead of government subsidies, could do away with oversupplies."

If the oversupply were distributed to help alleviate world hunger, that would be fine, he says, but that's not the main purpose.

"This is not being done in the environment of a charitable organization. The Chicago Board of Trade is the business environment that the world comes to to organize the pricing of grain markets. It [the proposed program] doesn't have anything to do with where those supplies are distributed. What we'll be discussing is an international pricing system for grain products and not relying on government subsidies."

Gilmore said the program is not likely to be approved before next fall.

"We will be providing two academics from the US to be part of the CBOT Education Institute — one might be a



Farming near Stoutsville, Ohio

professor and one might be from the cash markets — and they'll develop a paper with two academics selected by the European Parliament," he says.

"Each fall 20 or 30 research papers are submitted to the institute, and through our committee system, five or six are chosen and then funded for the following year."

Gilmore says he expects the international flavor of the research to give it extra impact. "These papers can be extremely influential; it depends on how the governments receive it."

This free-market effort, he says, will benefit US and European farmers.

"What we're talking about is decreasing the oversupply problems which create severe low prices. The oversupplies were created by governmental policies. The depressed prices are bad for the farmer. Increased prices would cause a freer market and, in the long run, would be helpful to the farmer."

Grain (8048)  
Panzansky

## RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER       /       LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

**A** Most experts attributed the spectacular wholesale price increases to the shift from mandatory wage-price controls required during Phase 2 to the program of voluntary regulation under Phase 3.

Despite mounting public and Congressional pressure for a return to stringent federal guidelines, Administration economic advisers, led by Treasury Secretary George P. Shultz, voiced support April 5 for a continuation of Phase 3, contending that a renewed wage-price freeze could not deal with the inflationary consequences of short supply and high demand. According to Herbert Stein, chairman of the President's Council of Economic Advisers, "the controls system will be adapted to play its most useful role in restraining inflation," but, he added, the "fundamental fact [is] that the controls system can only be effective in an environment where demand is not generally excessive."

**C** In an attempt to shift the political focus of the battle against inflation, Stein declared, "The key to success in this and therefore in the whole anti-inflation program is to hold the federal budget under prudent restraint, as proposed by the President." [See p. 268B2]

**Meat prices set records**—Livestock prices in the 30-day period ending March 15 advanced 9% and were 43% higher than the 1972 level, the Agriculture Department reported March 30. [See p. 165G2]

**D** Meat prices set records for cattle (per hundredweight) at \$43.60, hogs at \$38.30 and lamb at \$39.50 (a 22-year high).

The index of all farm prices was 7% above costs in the previous 30 days and 33% greater than in 1972. A revised estimate of 1973 net farm income was put at a record \$21 billion. Farmers' costs, up 1.5%, were offset by a 4-point rise in the farm parity ratio, which compared farm income to that of the rest of the nation. The ratio stood at 86.

**E** **Meat price ceiling reaction**—Congressional reaction to the meat price ceiling was generally negative. Critics of both parties contended that the limit, which exempted livestock from price controls, would be an inadequate brake on inflationary food prices. Farm state legislators charged that the ceiling would cause new shortages in meat supplies and drive prices higher. [See p. 252B1]

The Cost of Living Council (CLC) announced April 3 that only meat retailers with annual revenues less than \$100,000 would be exempt from the federal price ceiling. All food industry outlets remained subject to CLC regulations concerning wage increases. [See p. 252E1]

**F** By April 2, the Internal Revenue Service (IRS), which was charged with enforcing Phase 3 guidelines, had made a 10% increase in its 2,500 staff in preparation for the April 9 deadline when wholesalers and retailers were required to post new meat prices.

**G** An IRS spokesman said the agency would "concentrate on the big supermarket chains on the theory that if we get them to follow the rules, the ability of the

small fellow to jack up the price is strictly limited."

**10% food price rise predicted.** The Congressional Joint Economic Committee released a staff study April 4 which predicted a 10% increase in food costs during 1973 "even if the Administration's best hopes for farm price stability are realized."

According to the study, compiled in association with a Washington consulting firm headed by John Schnittker, undersecretary of agriculture in the Johnson Administration, "the overriding single cause of the recent sharp rise in the prices of agricultural commodities was a decline of 42 million tons in world grain production in 1972."

Because of declining grain and potato production in the Soviet Union, short grain crops throughout the world and a falloff in rice production in Southern Asia, "internal stocks have been drawn down to rock bottom levels in virtually all importing and exporting countries."

But, the report continued, the Agriculture Department (USDA) "did not appreciate the significance of these developments" or of the huge U.S.-Soviet grain sale in the summer of 1972. [See below]

The report cited several instances of "chaotic decision making" within the USDA that had contributed to the recent price spiral:

■ By continuing wheat subsidies at "buyer's market" levels until Sept. 22, 1972, the USDA wasted "some \$300 million in public funds." [See 1972, p. 761F2]

■ Two weeks after the Soviet Union began to purchase U.S. wheat, the USDA announced a "maximum acreage set-aside for the 1973 crop" and continued restrictions on barley acreage, which remained in effect until it was too late to expand the fall, 1972 planting of wheat.

■ On Dec. 11, 1972, the USDA announced a "feed grain program designed to divert some 25 million acres from production and to produce a 1973 corn crop of only 5.7 billion bushels." Modifications in the allotment system were not made until Jan. 31 and March 27. [See pp. 252C3, 82G3]

■ Because the USDA allowed farmers to substitute corn for soybeans under a 1970 acreage allotment program, soybean production in 1971 and 1972 was reduced. The shortage contributed to the high prices of oil seed and protein meals, such as soybean meal used as feed for livestock and poultry.

✓ **U.S.-Soviet grain sale probed**—A Government Accounting Office (GAO) investigation of the massive U.S. sale of grain to the Soviet Union during the summer of 1972 indicated that the Department of Agriculture had subsidized the effort "much beyond what appeared necessary or desirable" and had provided the Soviets with wheat at "bargain prices." [See p. 165A3]

Comptroller General Elmer B. Staats presented the GAO report to the House

Agriculture Committee March 8. Although there was "no indication of law violations," Staats noted that "farmers were not generally provided timely information with appropriate interpretive comments. Agriculture reports presented a distorted picture of market conditions."

**Wage control actions.** In its first challenge to wage increases negotiated during Phase 3 which exceeded the 5.5% ceiling, the Cost of Living Council (CLC) April 3 blocked part of a tentative wage pact between the International Association of Machinists (IAM) and North Central Airlines. [See p. 164E3]

The CLC approved an increase retroactive to April 1, 1972, but refused to permit an 8.9% boost, which would be spread over 12 months, to take effect April 1.

The government's action indicated a change in Phase 3 enforcement policy. During Phase 2, the Pay Board had not challenged wage settlements until the total increases had exceeded the 5.5% limit. In the IAM settlement, affecting 600 airline mechanics, the contract would not violate the federal guideline until Jan. 1, 1973 when the third of three increases would take effect.

CLC Director John T. Dunlop indicated the government would not contest the 10.7% wage and benefit increase won by the railroad industry's 15 unions, according to the Wall Street Journal April 3. Labor Secretary Peter J. Brennan March 16 had described the 18-month pact as "well within reasonable [wage control] guidelines."

The CLC reported April 2 that the increases won by corporate executives and salaried employees during 1972 had averaged 5.1%, although the figures were not broken down by category. The survey was based on 67 companies employing 1,136 executives and 452,967 salaried personnel.

## Indian Developments

**Wounded Knee accord signed.** Militant Indian leaders and federal representatives signed an agreement April 5 ending the 37-day armed confrontation around the Oglala Sioux hamlet of Wounded Knee, S.D. [See p. 257A1]

Four leaders of the American Indian Movement, including Russell Means, and three Sioux supporters signed the accord for the Indians, while Assistant Attorney General Kent Frizzell and Deputy Assistant Attorney General Richard R. Hellstern signed for the government.

The agreement provided that Sioux representatives, along with Means, would begin preliminary talks in Washington April 7 with presidential assistant Leonard Garment to set up a Presidential commission on Sioux treaty rights. Further talks between White House aides and Indian spokesmen would be held in May. At the start of the April 7 talks, Means would telephone the occupiers of Wounded Knee to lay down arms and surrender to federal agents. Government roadblocks would remain in effect until that time, although food supplies and

agreements, but opposed by some senators as tending toward a "first-strike" nuclear capacity. (The warhead project was revived by the House Sept. 14. [See below]) In all, the bill approved \$60 million of a \$110 million package submitted by the Pentagon after the Moscow arms accord.

The bill provided full funding for the Trident missile-launching submarine and the B-1 supersonic strategic bomber. Defense Secretary Melvin Laird had threatened to recommend scrapping the Moscow accords if the programs were not approved. [See pp. 713B3, 464F1]

The conference committee killed a Senate provision that would have cut off all funds for the Indochina War within four months, subject to release of American prisoners. [See p. 590E3] The House had rejected similar language in an Aug. 12 vote. The conference report, however, included a statement that a provision enacted in the 1971 procurement bill, stating that it was U.S. policy to set an Indochina withdrawal date, was still valid. President Nixon had said the bill was "without binding force or effect."

In other weapons controversies, the conference committee bill authorized \$107 million to complete the Lockheed C5 transport program, \$100 million less than voted by the House. [See p. 290D1] The Navy was authorized to purchase 48 F-14A fighters from Grumman Aerospace Corp., but was forbidden to renegotiate the contract. [See p. 557A1]

In other provisions, the conference committee dropped a military pension increase, which Senate Armed Services Committee Chairman John Stennis (D, Miss.) said would be reconsidered after further hearings, and deleted a Senate provision barring the use of weather control as an instrument of war. The bill mandated a 16,000-man reduction in authorized service strength to 2,342,000 by June 30, 1973

**House votes funds**—The House approved a \$74.6 billion fiscal 1973 defense appropriations bill by a 322-40 vote Sept. 14, \$4.3 billion less than requested by the Administration, although still the largest defense fund bill since World War II and \$1.8 billion above the previous year.

The 5% cut in the Pentagon budget was in line with similar cuts in recent years. But the Appropriations Committee, reporting the bill Sept. 11, criticized the Pentagon and defense contractors for their performance on some weapons programs, and cautioned against needless spending increases, in light of "world conditions as they are, not as they were."

The House included by a voice vote \$10 million for work on a high-accuracy missile warhead, which had not been included in the authorization bill. The usual rule that allowed a representative to delete any nonauthorized appropriation had been suspended by the procedure under which the bill was debated.

The House rejected by a 208-160 vote an attempt to amend an Indochina withdrawal provision, but deleted \$500 million from a \$2.8 billion supplemental request for war funds. The House ordered cuts in officer promotions to curb a "grade creep," but overruled its Appropriations Committee, in a rare move, and restored an Army program to hire civilian contractors to perform kitchen and housekeeping duties formerly done by soldiers.

The bill incorporated the programs in the procurement authorization bill still awaiting final Senate approval, but did not cover military construction and non-Indochina foreign military aid, both covered in separate bills.

**Mansfield defends Congress' record.** Senate Majority Leader Mike Mansfield (D, Mont.) lashed out at President Nixon Sept. 8, charging him with "duplicitous" and "outrageous" hypocrisy after Nixon had accused the Democratic-controlled Congress of failing to act on his environmental proposals. [See p. 700B3]

Mansfield said the blame for "foot-dragging," and "misfeasance and non-feasance" in not dealing with key national problems lay "at the front door of the White House."

"In fact, the record shows that Congress, in the opinion of the Administration and the President, has sought to do too much," Mansfield declared.

**Development, broadcasting bills signed.** President Nixon signed the 1972 Rural Development Act Aug. 30. The Senate had approved the bill unanimously Aug. 17 and the House had passed it 339-36 July 27.

The bill authorized \$500 million in grants and loans for commercial and industrial development in areas with populations under 10,000 and for cost sharing provisions for water quality and conservation measures under the Farmers Home Administration.

Nixon Aug. 30 signed a 1973 appropriations bill for the Corporation for Public Broadcasting which totaled \$45 million. [See p. 506B3]

### Soviet Grain Sale Debated

**Conflict of interest charged.** Charges made Aug. 30 by Consumers Union that two Agriculture Department officials violated federal conflict of interest laws in connection with the recent sale of wheat to the Soviet Union escalated Sept. 8 when Democratic Presidential nominee George McGovern charged that the Nixon Administration and large grain exporters and speculators engaged in a "conspiracy of silence" to exploit U.S. grain farmers. [See p. 527B3]

Consumers Union asked the Justice and Agriculture Departments to investigate the role in the grain deal of Clarence D. Palmby, formerly assistant agriculture secretary for international affairs and chief negotiator with the Soviets, and Clifford G. Pulvermacher, a former general manager of the Export Market-

ing Service in the Agriculture Department (USDA).

Both had resigned their federal posts in June after taking part in April credit negotiations with the Soviet Union related to the forthcoming wheat sale, according to the Washington Post Aug. 31. [See p. 264D1]

Their present employers, Continental Grain Co. and Bunge Corp., participated as grain exporters in the U.S.-Soviet wheat deal, which was announced July 8, the Post said.

The Consumers Union complaint cited a federal law prohibiting former federal employes from representing anyone other than the U.S. in matters in which they had a personal and substantial role while in government. Another federal law required a one-year ban against the handling by former federal employes of private parties' matters that were under their previous official purview.\*

The General Accounting Office (GAO) announced Sept. 6 it would investigate related charges brought by Rep. Pierre S. du Pont 4th (R, Del.) that exporters benefitted from the wheat sale by acquiring inside information of the transaction, thereby purchasing grains at low cost and defrauding farmers of a rightful share in profits from the Soviet transaction, and by obtaining heavy subsidies for their subsequent sales.

Du Pont said he also questioned whether the government's policy of regulating world wheat prices under the subsidy plan was "detrimental to the American consumer." [See p. 681A2]

A Senate Agriculture Committee staff memorandum, reported Aug. 27 in the Post, noted that its investigations uncovered a "coziness between the Department of Agriculture and private grain exporters" which "is clearly work-

\*The Consumers Union complaint cited the following sections of the United States Code:

18 USC 207a: "Whoever, having been an officer or employee of the executive branch . . . after his employment has ceased, knowingly acts as agent or attorney for anyone other than the United States in connection with any judicial or other proceeding, application, . . . contract . . . or other particular matter . . . in which the United States is a party or has a direct and substantial interest and in which he participated personally and substantially as an officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation or otherwise, while so employed, shall be fined not more than \$10,000 or imprisoned for not more than two years, or both."

18 USC 207b: "Whoever, having been so employed, within one year after his employment has ceased, appears personally before any . . . agency of the government as agent or attorney for, anyone other than the United States in connection with any proceeding, application, . . . contract, . . . claim, . . . or other particular matter . . . in which the United States is a party or directly and substantially interested and which was under his official responsibility as an officer or employee of the government at any time within a period of one year prior to the termination of such responsibility, shall be fined not more than \$10,000 or imprisoned for not more than two years, or both."

18 USC 208, in summary form, states: It shall be a violation of law, with criminal sanction, for an employee of the executive branch to participate personally and substantially in a matter in which he or an organization with whom he is negotiating or has an arrangement for prospective employment, has a financial interest.

**A** ing out as both a windfall for the Russians and exporters at the direct expense of the U.S. taxpayer."

Rep. Graham Purcell (D, Tex.), chairman of the House Agriculture Subcommittee on Livestock and Grain, announced Sept. 1 his group would examine the allegations.

Purcell also claimed that most producers of hard red winter wheat would show fewer overall 1972 profits than in 1971 and fewer profits from the Soviet trade than if the deal had not been made.

**B** Farmers sold grain to the exporters at lower prices before the Soviet wheat purchases were known and the subsequent rise in price then reduced wheat subsidies by \$100 million, Purcell said.

(Assistant Agriculture Secretary Carroll G. Brunthaver Aug. 26 estimated Soviet grain purchases at 400 million bushels of wheat, 2-3 million tons of corn and one million tons of soybeans, totaling \$1 billion.)

**C** **McGovern sees conspiracy**—Speaking to farmers in Wisconsin Sept. 8, McGovern charged that the wheat deal was "another example of the big business favoritism and inside deals that have come to characterize the Nixon Administration."

"Richard Nixon's Department of Agriculture is on loan to the giant grain companies," McGovern declared. He accused Palmy and Pulvermacher of abuse of trade information gained while employed in the USDA and noted that Brunthaver, Palmy's successor in the department post, left Cook Industries to join the USDA early in the Nixon Administration. Cook sold soybeans to the Soviet Union under the recent trade agreement, according to the New York Times Sept. 8.

**E** The Post Aug. 27 also identified two other Administration officials who were former employes of firms which benefitted from the grain sale. George Shanklin, assistant general manager of the USDA Export Marking Service since January, had been the Bunge Corp.'s representative in Washington. (Pulvermacher had retired as general manager of the USDA service to take Shanklin's lobbying job.)

**F** The second official was William Pearce, who had been deputy special representative of the White House for trade negotiations since December 1971. Before that time, he was a vice president of Cargill Inc., a major supplier of corn to the Soviet Union in the recent transaction.

**G** In his speech at Superior, Wis., McGovern contended that "there is now evidence that these big grain companies had quietly gone into the open market during July to buy up as much wheat as possible at the lowest domestic prices before the farmers could get wind of the magnitude of the Russian deal."

McGovern claimed that when terms of the U.S.-Soviet transaction were announced July 8, farmers thought the purchases would be spread evenly over

three years and that grains other than wheat would comprise the bulk of the transaction.

"Many unsuspecting farmers from early harvest states sold their wheat at July prices, about \$1.32 per bushel, unaware that if they held their production, prices would rise to current levels of around \$1.65."

The National Farmers Union Sept. 10 corroborated McGovern's charges of heavy losses taken by farmers who had no prior knowledge of the impending Soviet purchases.

McGovern also charged that under a special one-week grace period between Aug. 25 and Sept. 1, exporters were able to get certification of grain subsidies on proposed sales to the Russians at the 47e a bushel rate, which was being discontinued. [See p. 681A2]

"That one deal cost the American taxpayers more than \$128 million alone," McGovern declared.

(The 47e level was based on the difference between the domestic wheat price of \$2.10 a bushel Aug. 24 and the \$1.63 basic export price. Exporters registered 280 million bushels for the subsidy during that week, according to the Times Sept. 10.)

Assistant USDA secretary Brunt-haver admitted to reporters Aug. 26 that the department had assured grain exporters that the U.S. would raise the export subsidy if necessary so that they could sell at the then price of \$1.63 per bushel for wheat, even if the sale to the Soviets pushed up the domestic purchase price of wheat and increased the exporters' costs.

**Butz replies**—Agriculture Secretary Earl L. Butz Sept. 11 challenged McGovern to produce a "shred of evidence" that there was inside information available to grain exporters of the impending Soviet sale.

Butz termed McGovern's charges that the Soviet transaction was worked out three months in advance of the public announcement "a bald-faced lie." According to the Times Sept. 10, McGovern had charged that the actual grain deal was arranged in April when Butz, Palmy and Pulvermacher were in Moscow to settle credit terms.

Butz said Sept. 9 he had asked the Justice Department to investigate the conflict of interest charges which, he said, impugned his own and President Nixon's "personal integrity."

## The Presidential Campaign

**Democrats accuse GOP of spying.** The Democratic party accused Republicans Sept. 11 of conspiring "to commit political espionage" against Democrats, and the Republicans accused the Democrats Sept. 13 of using the federal courts as "an instrument for creating political headlines." Both actions involved the recent case in which five persons were arrested during a break-in at the Democratic party headquarters in the Water-

gate office building in the District of Columbia June 17. [See p. 679B3]

The Democrats Sept. 11 sought to amend a court action initiated against the five raiders by including as defendants Maurice H. Stans, finance chairman of the Nixon campaign, three other campaign aides and the Committee to Re-elect the President. The three other aides named were Hugh W. Sloan Jr., former treasurer of the committee, G. Gordon Liddy, former finance counsel to the committee, and E. Howard Hunt Jr., a former White House consultant who was an intelligence agent for the committee.

The Democrats also sought to raise the amount of damages being sought from \$1 million to \$3.2 million.

The broadened complaint charged that Stans and Sloan had delivered \$114,000 to finance an "espionage squad" and had stated that the funds were accounted for in the committee's records although the records had been destroyed. It also charged that Liddy and Hunt led an espionage squad formed to break into Democratic offices to obtain and photograph documents and install wiretaps and eavesdropping devices. The complaint also charged that Liddy and Hunt were with the raiders seized at Democratic headquarters June 17 but were warned the police were coming and withdrew.

Other Democratic charges in the new complaint were that: (a) the spy squad had broken into the Democratic National Committee offices before May 25 and stolen and photographed private documents of committee chairman Lawrence F. O'Brien; (b) O'Brien's phone was tapped from May 25 to June 17 and a listening post set up across the street from the Watergate at a motor lodge; (c) Liddy, Hunt and James W. McCord, chief security officer of the Committee to Re-elect the President and one of those arrested at the Watergate, made periodic visits to the listening post and McCord prepared confidential memorandums of the conversations; (d) the squad tried to break into the headquarters of Sen. George McGovern to install wiretaps; (e) the break-in June 17 at Watergate was to repair existing wiretaps, establish new ones and steal and photograph documents.

**The GOP countersuit**—Clark MacGregor, President Nixon's campaign director, announced Sept. 13 that the Committee to Re-elect the President had filed a countersuit that day in federal court seeking \$2.5 million in damages from O'Brien. It accused O'Brien of having used the court "as a forum in which to publicize accusations against innocent persons which would be libelous if published elsewhere" and of "using his civil action to improperly conduct a private inquisition while a grand jury investigation is in progress."

MacGregor said the Democratic suit, and the attempt to amend it, were "unlawful and political in nature" and that



AD HOC GROUP ON AGRICULTURAL EXPORTS  
JOINT NATIONAL SECURITY COUNCIL/  
ECONOMIC POLICY COUNCIL MEETING  
(DAY) July , 1986  
Cabinet Room  
(TIME)

AGRICULTURAL EXPORTS

Agenda

- |  |  |
|--|--|
| I. Introduction  |  |
| -- Background  | Secretary Baker<br>(3 minutes)                       |
| -- Issues for Decision   |  |
| -- National Security Implications  | John M. Poindexter<br>(3 minutes)                    |
| II. Overview of Agricultural Export<br>Problem (Options for increasing<br>exports)     | Secretary Lyng<br>(7 minutes)                        |
| III. National Security Implications  |  |
| -- Present Policy  | John M. Poindexter<br>(3 minutes)                    |
| -- Foreign Policy Effect of<br>Proposed Change In Policy                               | Secretary Shultz<br>(7 minutes)                      |
| -- Defense Implications  | Secretary Weinberger<br>(5 minutes)                  |
| -- Intelligence Assessment of Inter-<br>national Economic Effect of<br>Proposed Change | Director Casey<br>(5 minutes)                        |
| IV. Discussion   | All Participants<br>(25 minutes)                     |
| V. Summary   | Secretary Baker<br>John M. Poindexter<br>(2 minutes) |

## Tokyo Economic Declaration

May 6, 1986

1. We, the Heads of State or Government of seven major industrialized countries and the representatives of the European Community, meeting in Tokyo for the twelfth Economic Summit, have reviewed developments in the world economy since our meeting in Bonn a year ago, and have reaffirmed our continuing determination to work together to sustain and improve the prosperity and well-being of the peoples of our own countries, to support the developing countries in their efforts to promote their economic growth and prosperity, and to improve the functioning of the world monetary and trading systems.
2. Developments since our last meeting reflect the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years. The economies of the industrialized countries are now in their fourth year of expansion. In all our countries, the rate of inflation has been declining. With the continuing pursuit of prudent fiscal and monetary policies, this has permitted a substantial lowering of interest rates. There has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions. For the industrialized countries, and indeed for the world economy, the recent decline in oil prices will help to sustain non-inflationary growth and to increase the volume of world trade, despite the difficulties which it creates for certain oil-producing countries. Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.
3. However, the world economy still faces a number of difficult challenges which could impair sustainability of growth. Among these are high unemployment, large domestic and external imbalances, uncertainty about the future behaviour of exchange rates, persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-term prospects for the levels of energy prices. If large imbalances and other distortions are allowed to persist for too long, they will present an increasing threat to world economic growth and to the open multilateral trading system. We cannot afford to relax our efforts. In formulating our policies, we need to look to the medium and longer term, and to have regard to the interrelated and structural character of current problems.

4. We stress the need to implement effective structural adjustment policies in all countries across the whole range of economic activities to promote growth, employment and the integration of domestic economies into the world economy. Such policies include technological innovation, adaptation of industrial structure and expansion of trade and foreign direct investment.

5. In each of our own countries, it remains essential to maintain a firm control of public spending within an appropriate medium-term framework of fiscal and monetary policies. In some of our countries there continue to be excessive fiscal deficits which the governments concerned are resolved progressively to reduce.

6. Since our last meeting we have had some success in the creation of new jobs to meet additions to the labour force, but unemployment remains excessively high in many of our countries. Non-inflationary growth remains the biggest single contributor to the limitation and reduction of unemployment, but it needs to be reinforced by policies which encourage job creation, particularly in new and high-technology industries, and in small businesses.

7. At the same time, it is important that there should be close and continuous coordination of economic policy among the seven Summit countries. We welcome the recent examples of improved coordination among the Group of Five Finance Ministers and Central Bankers, which have helped to change the pattern of exchange rates and to lower interest rates on an orderly and non-inflationary basis. We agree, however, that additional measures should be taken to ensure that procedures for effective coordination of international economic policy are strengthened further. To this end, the Heads of State or Government:

- agree to form a new Group of Seven Finance Ministers, including Italy and Canada, which will work together more closely and more frequently in the periods between the annual Summit meetings;
- request the seven Finance Ministers to review their individual economic objectives and forecasts collectively at least once a year, using the indicators specified below, with a particular view to examining their mutual compatibility;

With the representatives of the European Community:

- state that the purposes of improved coordination should explicitly include promoting non-inflationary

economic growth, strengthening market-oriented incentives for employment and productive investment, opening the international trading and investment system, and fostering greater stability in exchange rates;

- reaffirm the undertaking at the 1982 Versailles Summit to cooperate with the IMF in strengthening multilateral surveillance, particularly among the countries whose currencies constitute the SDR, and request that, in conducting such surveillance and in conjunction with the Managing Director of the IMF, their individual economic forecasts should be reviewed, taking into account indicators such as GNP growth rates, inflation rates, interest rates, unemployment rates, fiscal deficit ratios, current account and trade balances, monetary growth rates, reserves, and exchange rates;
- invite the Finance Ministers and Central Bankers in conducting multilateral surveillance to make their best efforts to reach an understanding on appropriate remedial measures whenever there are significant deviations from an intended course; and recommend that remedial efforts focus first and foremost on underlying policy fundamentals, while reaffirming the 1983 Williamsburg commitment to intervene in exchange markets when to do so would be helpful.

The Heads of State or Government:

- request the Group of Five Finance Ministers to include Canada and Italy in their meetings whenever the management or the improvement of the international monetary system and related economic policy measures are to be discussed and dealt with;
- invite Finance Ministers to report progress at the next Economic Summit meeting.

These improvements in coordination should be accompanied by similar efforts within the Group of Ten.

8. The pursuit of these policies by the industrialized countries will help the developing countries in so far as it strengthens the world economy, creates conditions for lower interest rates, generates the possibility of increased financial flows to the developing countries, promotes transfer of technology and improves access to the markets of the industrialized countries. At the same time, developing countries, particularly debtor countries,

can fit themselves to play a fuller part in the world economy by adopting effective structural adjustment policies, coupled with measures to mobilize domestic savings, to encourage the repatriation of capital, to improve the environment for foreign investment, and to promote more open trading policies. In this connection, noting in particular the difficult situation facing those countries highly dependent on exports of primary commodities, we agree to continue to support their efforts for further processing of their products and for diversifying their economies, and to take account of their export needs in formulating our own trade and domestic policies.

9. Private financial flows will continue to play a major part in providing for their development needs. We reaffirm our willingness to maintain and, where appropriate, expand official financial flows, both bilateral and multilateral, to developing countries. In this connection, we attach great importance to an early and substantial eighth replenishment of the International Development Association (IDA) and to a general capital increase of the World Bank when appropriate. We look for progress in activating the Multilateral Investment Guarantee Agency.

10. We reaffirm the continued importance of the case-by-case approach to international debt problems. We welcome the progress made in developing the cooperative debt strategy, in particular building on the United States initiative. The role of the international financial institutions, including the multilateral development banks, will continue to be central, and we welcome moves for closer cooperation among these institutions, and particularly between the IMF and the World Bank. Sound adjustment programmes will also need resumed commercial bank lending, flexibility in rescheduling debt and appropriate access to export credits.

11. We welcome the improvement which has occurred in the food situation in Africa. Nonetheless a number of African countries continue to need emergency aid, and we stand ready to assist. More generally, we continue to recognize the high priority to be given to meeting the needs of Africa. Measures identified in the Report on Aid to Africa adopted and forwarded to us by our Foreign Ministers should be steadily implemented. Assistance should focus in particular on the medium- and long-term economic development of these countries. In this

connection we attach great importance to continued cooperation through the Special Facility for Sub-Saharan African countries, early implementation of the newly established Structural Adjustment Facility of the IMF and the use of the IDA. We intend to participate actively in the forthcoming United Nations Special Session on Africa to lay the foundation for the region's long-term development.

12. The open multilateral trading system is one of the keys to the efficiency and expansion of the world economy. We reaffirm our commitment to halting and reversing protectionism, and to reducing and dismantling trade restrictions. We support the strengthening of the system and functioning of the GATT, its adaptation to new developments in world trade and to the international economic environment, and the bringing of new issues under international discipline. The New Round should, inter alia, address the issues of trade in services and trade related aspects of intellectual property rights and foreign direct investment. Further liberalization of trade is, we believe, of no less importance for the developing countries than for ourselves, and we are fully committed to the preparatory process in the GATT with a view to the early launching of the New Round of multilateral trade negotiations. We shall work at the September Ministerial meeting to make decisive progress in this direction.

13. We note with concern that a situation of global structural surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection of agriculture in all our countries. This harms the economies of certain developing countries and is likely to aggravate the risk of wider protectionist pressures. This is a problem which we all share and can be dealt with only in cooperation with each other. We all recognize the importance of agriculture to the well-being of rural communities, but we are agreed that, when there are surpluses, action is needed to redirect policies and adjust structure of agricultural production in the light of world demand. We recognize the importance of understanding these issues and express our determination to give full support to the work of the OECD in this field.

14. Bearing in mind that the recent oil price decline owes much to the cooperative energy policies which we have pursued during the past decade, we recognize the need for continuity of policies for achieving long-term energy market stability and security of supply. We note that the current oil market situation enables countries which wish to do so to increase stock levels.

15. We reaffirm the importance of science and technology for the dynamic growth of the world economy and take note, with appreciation, of the final report of the Working Group on Technology, Growth and Employment. We welcome the progress made by the United States Manned Space Programme and the progress made by the autonomous work of the European Space Agency (ESA). We stress the importance for genuine partnership and appropriate exchange of information, experience and technologies among the participating states. We also note with satisfaction the results of the Symposium on Neuroscience and Ethics, hosted by the Federal Republic of Germany and we appreciate the decision of the Canadian Government to host the next meeting.

16. We reaffirm our responsibility, shared with other governments, to preserve the natural environment, and continue to attach importance to international cooperation in the effective prevention and control of pollution and natural resources management. In this regard, we take note of the work of the environmental experts on the improvement and harmonization of the techniques and practices of environmental measurement, and ask them to report as soon as possible. We also recognize the need to strengthen cooperation with developing countries in the area of the environment.

17. We have agreed to meet again in 1987 and have accepted the invitation of the President of the Council of the Italian Government to meet in Italy.

Grain (8 of 8)  
Danzansky

## RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 203 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.