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OA/ID Number:	91139
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Latin America - Economics (June 1989)

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Outline	Re: Meeting with the White House Summit Group (3 pp.)	6/24/89	~~(b)(1)~~	~~S~~
01b. Talking Points	Re: Talking Points (1 pp.)	n.d.	~~(b)(1)~~	
01c. Report	Re: Biography (1 pp.)	6/15/89	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (June 1989)

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THE WHITE HOUSE

WASHINGTON

June 24, 1989

MEETING WITH THE WHITE HOUSE SUMMIT GROUP
DATE: June 26, 1989
LOCATION: Cabinet Room
TIME: 2:15 p.m. - 3:00 p.m.

FROM: BRENT SCOWCROFT B

I. PURPOSE

To brief you on the economic issues likely to come up at the Paris Economic Summit, July 14-16.

II. BACKGROUND

Richard McCormack, Under Secretary of State for Economic Affairs and your Personal Representative ("Sherpa") for the Economic Summit, is representing the U.S. at French-hosted preparatory meetings for the Summit. He is assisted by David Mulford, Under Secretary of the Treasury for International Affairs and Deane Hoffmann, NSC Senior Director for International Economic Affairs. Two more preparatory meetings are scheduled, June 30 in New York and July 7-9 in Rambouillet, France.

Macroeconomic policy coordination, international debt, international trade and structural adjustment will be the main economic issues at the Paris Economic Summit. The environment, which will also be a key issue, will be covered at a separate briefing on Wednesday, July 5. Summit political issues, as well as other issues connected with your European trip, will be covered in a briefing on Friday, June 30.

Macroeconomic policy coordination, which got off to a good start with the September 1985 Plaza Agreement and was formalized at the 1986 Tokyo Summit, has lagged of late. European concern about signs of inflation must not be allowed to distract from the imperative need to continue to reduce trade and budget imbalances. Recent data indicate that inflation is not likely to be a major problem in Summit countries.

At present, the coordination process is not adequately addressing U.S. policy concerns and long term interests. Adjustment of trade and payments imbalances has slowed, if not stalled.

Some G-7 countries, notably Germany, seem reluctant to coordinate exchange market intervention and resist the macroeconomic policy

cc: Vice President
Chief of Staff

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conclusions of the G-7. The dollar's rise will undermine adjustment efforts. The French have been strong supporters of the coordination process and share our concerns about recent trends.

Your personal involvement at the Paris Summit is necessary to move the process forward. You will need to argue forcefully on the importance of a strong, effective coordination process that produces sustained global growth and a meaningful reduction in trade imbalances. Summit Heads should instruct G-7 Finance Ministers to develop arrangements to reform the international monetary system and strengthen the coordination process. The G-7 should prepare specific recommendations for the next Summit, which we host. You can expect the Germans and Japanese to resist this proposal.

We seek the Summit to adopt a forceful and comprehensive statement on the continuing need for reform in areas such as tax and regulatory systems, reductions in direct and indirect subsidies to industry and agriculture and measures to promote labor flexibility.

On debt, we want the Summit to endorse the new strategy announced by Secretary Brady in March. We have made good progress in lining up support for the approach by the major industrialized countries, the IMF and World Bank, and most debtor countries. But the commercial banks have proved reluctant to write off debt on the scale necessary to make the plan work. Their complaints are familiar: the plan is too costly; the resources of the international institutions to support debt reduction are inadequate; and creditor governments are not doing their fair share.

But the force of the bankers' arguments has weakened recently. The IMF and World Bank have set aside substantial funds to support debt reduction and guarantee interest payments. The creditor governments have provided generous terms to Mexico and others in rescheduling official debt through the Paris Club.

Mexico remains the litmus test for the debt strategy. The Mexicans and commercial banks are still far apart on the key variables: the discount and interest rate for overall debt reduction and debt service reduction (interest payments), respectively; the amount of new money to be provided; and Mexico's financial needs for 1989 and beyond. The consensus within the Bank Advisory Committee negotiating with Mexico has frayed with the American banks more willing than the Europeans to meet the Mexicans half-way. The non-U.S. banks seem prepared to wait until their governments put pressure on them to come to terms.

We need an agreement with Mexico before the Summit. If not, Mitterrand will almost certainly reintroduce his flawed plan to allocate Special Drawing Rights (SDRs) to fund debt reduction.

The British and Germans, who have never been enthusiastic about the Brady plan, might also look to other solutions. A change in debt strategy at this point would be costly in terms of U.S. international economic leadership and our relations with key debtors. In Paris, you will need to stress the importance of making the Brady plan work and to resist efforts to introduce yet another scheme which would unsettle financial markets and further destablize Latin America's already fragile economic and political structure.

International trade should not be contentious although you can expect criticism of the 1988 Trade Act, particularly of the Super 301 provision which our allies see as a distinct step away from multilateral cooperation on trade. We have countered that our action under Super 301 was to identify U.S. trade liberalizing priorities and that we will implement the 1988 Trade Act in a manner fully consistent with our support for the multilateral trading system.

To forestall additional protectionist pressures in Summit countries and elsewhere, it is vital that the Summit unequivocally endorse completing the Uruguay Round by the end of 1990 with substantial agreements in all 15 areas under negotiation. We attach particular importance to a substantial reform of agriculture and to the inclusion of intellectual property, investment and services under the GATT. You will also wish to reiterate our support for an integrated European market which is trade-creating and complements global trade liberalization efforts.

III. PARTICIPANTS

A list of participants is attached at Tab C.

IV. PRESS PLAN

White House Photographer.

V. SEQUENCE

After a few words of welcome from you, I will sketch out the main events at the Summit. Secretary Brady will cover macroeconomic policy coordination and international debt issues, followed by Ambassador Hills on international trade issues. The general discussion will be summed up by Governor Sununu.

Attachments
Tab A Points to be Made
Tab B Agenda
Tab C List of Participants

POINTS TO BE MADE FOR MEETING WITH WHITE HOUSE SUMMIT GROUP

-- Welcome. I look forward to today's briefing on the economic issues likely to come up at the Paris Economic Summit.

-- In advance, let me thank all of you for the hard work you have put into preparing what I expect will be a very successful Summit.

WHITE HOUSE SUMMIT GROUP MEETING
DATE: June 26, 1989
LOCATION: Cabinet Room
TIME: 2:15 p.m. - 3:15 p.m.

ECONOMIC SUMMIT: ECONOMIC ISSUES

Agenda

I. Introduction . . . . General Scowcroft

II. Macroeconomic Policy Coordination . . . Secretary Brady
International Debt Strategy

III. Trade Issues . . . . Ambassador Hills

IV. Discussion . . . . All Participants

V. Summary . . . . Governor Sununu

PARTICIPANTS

The President
The Vice President
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Clayton K. Yeutter, Secretary of Agriculture
Robert A. Mosbacher, Secretary of Commerce
Richard G. Darman, Director, Office of Management and Budget
Carla Hills, United States Trade Representative
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Marlin Fitzwater, Assistant to the President and Press Secretary
Roger S. Porter, Assistant to the President for Economic and Domestic Policy
Stephen M. Studdert, Assistant to the President for Special Activities and Initiatives
James Cicconi, Assistant to the President and Deputy to the Chief of Staff
Michael Boskin, Chairman, Council of Economic Advisors
Richard McCormack, Under Secretary of State for Economic Affairs
David C. Mulford, Under Secretary of the Treasury for International Affairs
Robert Zoellick, Counselor of the Department of State
Robert M. Gates, Deputy Assistant to the President for National Security Affairs
Deane E. Hoffmann, Senior Director for International Economic Affairs, NSC Staff
Karl Jackson, Senior Director for Asian Affairs, NSC Staff
Robert D. Blackwill, Senior Director for European and Soviet Affairs
Eric Melby, Director for International Economic Affairs, NSC Staff

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 21, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: DEANE E. HOFFMANN DH

FROM: ERIC MELBY EM.

SUBJECT: Presidential Briefing on Economic Summit, 2:15 p.m., Monday, June 26, 1989, Cabinet Room

The White House Summit Group (WHSG) will meet with the President on Monday, June 26, 1989 from 2:15-3:15 p.m. to brief him on international economic issues likely to come up at the Paris Economic Summit.

We propose that you, as co-chair of the WHSG, give the introductory remarks with Governor Sununu, the other co-chair, summing up.

Talking points for your use are at Tab II.

Concurrences by: Robert Blackwill and Karl Jackson

RECOMMENDATION

That you sign the memorandum to the President (Tab I).

Attachments
Tab I Memo to President
- Tab A Points to be Made
- Tab B Agenda
- Tab C List of Participants

Tab II Your Talking Points
Tab III Agenda

TALKING POINTS

-- Mr. President, this is the first of two briefings on the Paris Economic Summit. At the next briefing we will cover environment and political issues.

-- Richard McCormack, your Personal Representative or "Sherpa," has been responsible for the preparations along with David Mulford from Treasury and Deane Hoffmann from my staff.

-- You begin your European trip by what we expect will be a highly successful visit to Poland and Hungary. Your stay in Paris will comprise a day of events commemorating the French Bicentennial and 2 1/2 days of the Economic Summit.

-- President Mitterrand will use the presence of the Summit Heads plus Heads from 21 other countries to reaffirm France's role as a great power. The Bicentennial and Summit events are supposed to be separate, but we can expect the enthusiasm over the former to spill over into the latter.

-- The Summit format will follow tradition, with economic topics being discussed during the main sessions and political topics over meals.

-- Nick Brady will lead off the briefing today, followed by Carla Hills.

WHITE HOUSE SUMMIT GROUP MEETING
DATE: June 26, 1989
LOCATION: Cabinet Room
TIME: 2:15 p.m. - 3:15 p.m.

ECONOMIC SUMMIT: ECONOMIC ISSUES

Agenda

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International Debt Strategy

III. Trade Issues . . . . Ambassador Hills

IV. Discussion . . . . All Participants

V. Summary . . . . Governor Sununu

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AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
AR Disposition Date:	**MR Disposition Date:**

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