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Chemical Week

July 1, 1987

SECTION: VIEWPOINT; Pg. 3

LENGTH: 1067 words

HEADLINE: Marshall who? Ziegler who? Carothers who?

BYLINE: Patrick P. McCurdy

BODY:

Forty years ago, on June 5, 1947, Secretary of State George C. Marshall (and General of the Army), in a commencement address at Harvard University, laid out the basic principles of the European Recovery Program, which, of course, became known as the Marshall Plan. It was a self-help program, and under it, the U.S. channeled about \$ 12 billion during the next four years into various assistance programs designed to do no less than reconstruct the torn and twisted economies of Western Europe. It was such a success that President Harry S. Truman extended it to underdeveloped countries around the world in his Point Four Program, launched in 1949.

The Marshall Plan, together with Point Four, can lay just claim to being the most magnificent and magnanimous activity one nation ever undertook on behalf of others. For it included in its embrace friend and foe alike. And in 1953, Marshall was rightly recognized with award of the Nobel Peace Prize.

There are many marks and measures of the good works accomplished through the Marshall Plan. But for me, the most memorable concerns an interview I had in early 1963 with Karl Ziegler, in his facilities at the Max Planck Institute for Coal Research at Mulheim an der Ruhr. It was here that he did his elegant work on organometallic compounds (sometimes called Ziegler catalysts) and their use in polymer science and technology. High-density polyethylene and polypropylene produced at low pressure were one result. And it was that work that won him the 1963 Nobel Prize for Chemistry, which he shared with Italy's Giulio Natta.

My main mission was to get "candid" photos of Ziegler in his lair for a magazine article. Ziegler at first seemed brusque and somewhat annoyed at my taking up his time with a photo session. But he soon warmed up as I wandered around his spacious office snapping a couple of rolls of pictures. And after I had taken my shots, he invited me on a personal tour of his laboratories.

In one sense, if you've seen one lab, you've seen them all. And by 1963, I had already seen my share. But one reason I will always remember that lab -- in addition, of course to the fact that it was the great Karl Ziegler's -- was that he made a point of taking me into one particular room where he pointed to a large sign hanging over some equipment. The sign made note of the fact that the funding for that project (whatever it was) had come from Marshall's European Recovery Program. I can't recall now just what Ziegler said to me, but he made it quite clear how grateful he was to the Americans for that aid.

And now, here we are, 40 years and a month from Marshall's Harvard address. Several weeks ago, I happened to be watching a television newscast that was

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taking note of the 40th anniversary of the Marshall Plan. The newscaster was making a spot check of a number of young people, asking them their views about the Marshall Plan. Their replies, in effect, were: "Marshall who?" Not one of them knew of Marshall or the plan. If they had been asked about Ziegler or Natta and the role of organometallic compounds in high-polymer technology, their eyes probably would have glazed over.

In 1987, as they have for some years now, chemical executives fret over the poor public image of their industry, and rightly so. They like to point to the great benefits that have come to society, thanks to chemistry and the chemical industry, and rightly so. At last month's annual meeting of the Chemical Manufacturers Assn., for example, W. H. Clark, Jr., immediate past CMA chairman and president and chief executive officer of Nalco Chemical, said: "We must continue to talk to the public. . . . We need to communicate better about the benefits chemicals bring. We need to remind the public that making vinyl wallpaper, glass-fiber belted radial tires, nylon auto safety belts and firefighting foam mean making those valuable things with chemicals." A few days before Clark made those remarks, ICI Americas Chairman Harry Corless, in accepting the 14th award of the International Palladium Medal of the American Section of the Societe de Chimie Industrielle, spoke of the need for the chemical industry to spend more money on image building.

Both gentlemen made good points. But when most people have never heard of something as epochal as the Marshall Plan, how can you expect them to know or care about nylon and Carothers or ethylene and George Curme or polyethylene and Ziegler and Natta or antiknock gasoline and Midgley and Hochwalt (who passed away just this past May at 88 [CW, June 24, p. 77])?

I think the chemical industry, both as individual companies and through associations like CMA, should be doing more of what Clark and Corless are talking about. The industry should earmark some portion of each advertising dollar for a public image campaign similar to Monsanto's "chemical facts of life" program of 10 years ago and some of the things Du Pont has done over the years. In fact, Du Pont, in its Cavalcade of America radio (what's "radio?") series, 1935-55, not only "taught" general history but put a chemical spin on it with well-conceived commercials. Any such program or programs should be sustained indefinitely and considered an unavoidable cost of doing business, like plant maintenance, R&D or taxes.

But the problem is more fundamental and goes to the roots of our educational system. Many are calling for beefing up math and science curricula. I'm all for that. I am also all for beefing up study of English and history, all the way back up the line to kindergarten. The Center for the History of Chemistry (CHOC) is a big step in the right direction. But I'd like to see history take its proper place in every student's schedule, no matter what his or her chosen career. If the chemical industry is going to throw money at this image problem, it could do a lot worse than throwing some of it at helping elevate history to its deserved place.

If you don't know where you've been, you can't know where you are or where you're going. All navigators know that. I have a feeling that George Marshall knew it from a very global standpoint. The chemical industry would be wise to help the general public in its navigation. In the long run, any such activity would also be a self-help program -- just as Marshall put it to Europe 40 years ago.

complex challenge -- that we and our allies must construct a common strategy for stability in the developing world. In short, we

can do better.

How we and our allies deal with these diverse challenges depends on how well we understand the key elements of defense strategy. Let me focus today on three points in particular.

- o ^{One} ~~First~~, the need for an effective deterrent, one that demonstrates to our allies and adversaries alike American strength and resolve;
- o ^{two} ~~Second~~, the need for a dynamic and durable alliance structure;
- o ^{three} ~~Third~~, we must maintain an approach to arms reduction that promotes stability at lower levels of armaments.

Deterrence is central to our defense strategy. The key to keeping the peace is convincing our adversaries that the costs of aggression against us are simply unacceptable.

Conventional capability is crucial. We must be able to defend our interests well forward of our own shores, and to project power when and where we need to, to protect American citizens and interests.

and the key is survivability

But our ^{are the} nuclear forces ~~remain our~~ ultimate deterrent. My decision to move ahead on a rail-mobile MX force -- and beyond that to develop and deploy the mobile single-warhead Midgetman missile -- will provide the survivable land-based deterrent that will help us keep the peace well into the next century. And maintaining a credible deterrent means moving forward on SDI as well, to strengthen our deterrent by relying increasingly on defense, and less on the threat of retaliation.

Our challenge is to protect our systems against attack. Our goal is to make them invulnerable.

reductions but do not reduce the risks of war do not serve our interests. Indeed, the deeper the cuts, the more care we must exercise to ensure that the remaining forces constitute a stabilizing, survivable, and effective deterrent. And the deeper the cuts, the more insistent we must be that the agreement meet demanding standards of verification.

So as we continue to work toward a START agreement, we will be looking at the problem of vulnerable silo-based missiles with multiple warheads. We also will be struggling with the dilemma posed by mobile missiles which are, at once, more survivable and much harder to count and verify. And if those mobile missiles are carrying multiple warheads, the problem -- and the penalty for failing to detect cheating -- is compounded.

We are working on these and other problems. And we will go to Geneva with new ideas on how best to build on the significant areas of agreement that already exist.

The principle of security through stability does not apply to the United States alone. Our security is bound to that of our allies. We cannot rely on rhetoric to deter a would-be aggressor. Our theater and tactical nuclear forces give substance to that reality -- a link that extends deterrence beyond our shores and serves to strengthen our common security.

The INF Treaty demonstrates our willingness to negotiate reductions in nuclear weapons when ~~doing so strengthens alliance security and international stability.~~ In the past decade, NATO has unilaterally removed 2400 ^{theater} warheads -- to a level 35% lower

↓
Shower-range

We can't take credit for democracy -- but we can take the precious gift of freedom, preserve it and pass it on -- as my generation does to you, and you, too, will do one day. And perhaps -- provided we seize the opportunities open to us -- we can help others attain the freedom we cherish.

As I said on the Capitol steps the day I took this office, "There is but one just use of power, and it is to serve people." As your Commander in Chief, let me call on today's class to reaffirm with me that American power will remain always in service to the enduring ideals of democracy and freedom.

We are also researching
and are committed to deploy a more
comprehensive system, known as SDI.
Our premise is straight forward: defend
~~the~~ against incoming missiles endogenous
no person and no country.

Davis
May 24, 1989
~~11:00 a.m.~~ 6:15 PM
Draft: Two
Title: Bonn

PRESIDENTIAL ADDRESS: BONN-KOLN AIRPORT
MAY 30, 1989/4:15 p.m.

Thank you for that welcome. I am delighted to be back in the Federal Republic of Germany, among so many long-time friends.

As you know, I have just arrived from Brussels where I spent the last two days with Chancellor Kohl and the other Atlantic Alliance leaders.

It was a productive meeting. ((Because we are sixteen sovereign democracies, different points of view were honestly presented. And honest discussion yielded a strong affirmation of principles on which we all agree.))

The success of our meeting underscored a fundamental fact -- the conditions that have allowed the flourishing of Western democracy rest on the firm foundation of the Alliance. The Alliance constitutes a mature partnership; one by which we will meet the challenges of the future, while keeping the West free and all of Europe prosperous and at peace.

As you know, this year we celebrate the founding of the Federal Republic. Let me suggest that there is cause for a

double celebration with the fortieth anniversary of NATO. Two generations is not a long time when compared to Bonn's two millennia. But make no mistake. These two generations have known the longest period of peace in German -- and European -- modern history. And this peace has permitted a flourishing of human rights, democracy and unparalleled prosperity.

What will the next forty years bring? We look forward to a growing dialogue between East and West. We will work vigorously to end the enforced divisions and cold-war confrontations we have known. It is my hope -- and our common prayer -- that the time will come when all the peoples of East and Central Europe will know what it means to be free. But let us remember that this opportunity is before us only because of the vitality, strength and unity of the West, and of the Alliance that has been at the core of this strength.

I am looking forward to once again meeting the people of West Germany. We already share strong bonds of culture, commerce and friendship. I predict that in the years to come this friendship and these bonds will grow even deeper. Thank you.

#

THE WHITE HOUSE
WASHINGTON

May 23, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: MARK DAVIS *MD*
THROUGH: CHRISS WINSTON *cw*
SUBJECT: Bonn Arrival statement

Attached is your arrival statement at Bonn/Koln Airport on May 30. The segment of this short speech in brackets can be altered on the plane depending on the tone and outcome of the NATO meeting.

Davis
May 24, 1989
11:00 a.m.
Draft: Two
Title: Bonn

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I am looking forward to once again meeting the people of West Germany. We already share a bond of culture, commerce and friendship. Let it be a friendship that grows ever deeper. Let us work together, as allies and as partners for peace and prosperity.

Thank you.

#

DAVIS
MARTIN

ARRIVAL STATEMENT IN BONN

I am very happy to be back in Germany. I have just arrived from Brussels where I spent the past two days with Chancellor Kohl and the other heads of government of the NATO Alliance countries. I also met with European Community President Delors.

We had an important and a successful NATO meeting. This Alliance is strong. It is the firm foundation on which we stand. It has the means and the will to take on the challenging issues of the future and to keep our societies in the West free and secure.

I am visiting your country during a year of major celebrations. We have celebrated NATO's fortieth anniversary. You are celebrating the fortieth anniversary of the founding of the Federal Republic. Although 40 years does not sound like much in comparison with Bonn's own celebration of its 2000 year history, history will undoubtedly record these past forty years as some of the most important in modern times. Both NATO and the Federal Republic count among the success stories of the twentieth century -- and, indeed, of all modern history.

This has been a time of enormous change -- in the way we

live, in the way we communicate, and in the way we have structured our trade and domestic economies. Europe has

benefitted from an unprecedented period of peace that has enabled those changes to accelerate. We now look to a time of dialogue between East and West to find reliable ways to ensure peace for our future and for the future of our children. It is my hope it will be a time when the peoples of Eastern Europe too will enjoy the fruits of freedom and democracy.

I look forward to my visit to Germany. We have enjoyed a long and close friendship, a friendship with deep roots and with a shared view of the future. Let us take this occasion to celebrate that friendship.

DAVIS
MARTIN

REMARKS AT MEETING WITH GERMAN YOUTH

Thank you Dr. Suessmuth. I appreciate very much your inviting me to your home today. It is just the right place to meet. It reminds us that home and family are at the center of our lives.

Dr. Suessmuth, I had heard how popular you were with German young people, and I think I understand why. It's obvious how concerned you are about young people. I have been very impressed by what your country does for youth -- your vocational education programs, for example.

I'm concerned too. I think the most important efforts of my Administration are those directed at our youth -- to improve education at all levels, to eradicate drug use, to give young people the chance to use their energies for community service.

But we also have to ask what young people are concerned about. That's why I welcome the chance to meet and talk with young Germans and young Americans staying in this country. It's something I do as often as I can in the United States.

People your age always give me a new slant on whatever we discuss. You see the world with a fresh vision; you pose sharp, frank questions. I hope to get some today. You are our future -- that's literally true, so it can't be a cliché. We count on you to do things that we never thought of; but also hope you will carry on what we have spent our lives trying to accomplish. For both reasons, you have an important part to play in relations between the United States and the Federal Republic.

German-American friendship is important -- and it's real. The peace and prosperity we enjoy today are the fruits of this friendship. When we have differences, they are the differences of friends. However, friendship is something you have to work at -- and it is youth, most of all, who can carry on the continuing business of friendship between our countries. It is also young people who are quickest to recognize that the world is changing -- that if we are to remain friends, we have to devise new ways of working together.

We have had forty productive years of German-American friendship. That friendship was built by a postwar generation who, because of their own experiences, understood the need for

German-American cooperation. This generation is leaving the stage. We must work to ensure that younger people will remain committed to strong ties between our two countries. It is on young people that we must depend to keep German-American relations relevant to a changing world and to keep our relations a vital force.

To do that, we have to understand each other. That is why exchange programs are so important -- especially programs like those in which you have been or are taking part, managed by such organizations as the American Field Service, Youth for Understanding, and the Experiment in International Living. I wish I had had an opportunity like that at your age. But the opportunity also implies a responsibility.

It is people like yourselves who will become the spokesmen for German-American relations -- the diplomats and professors and journalists who will help us understand and deal with each other. Even those of you who don't take up some career directly related to German-American relations can contribute -- because friendship between our two countries has to be founded on friendship between Germans and Americans in every walk of life. I have said again and again that what counts in American

society is what ordinary people do -- my famous "thousand points of light" -- and the same is true in international relations, especially between countries like ours, whose ties are deep and varied.

Germans and Americans share a great deal -- common values, a common culture. But we are also different and I think we have a lot to learn from each other. We can help each other solve the most pressing questions of our time. We can work to close the East-West divide that has torn Germany and Europe and the world in two. We know something new is happening in the East. We see an opportunity, and don't intend to miss it, either by foot-dragging or by acting hastily and foolishly. Prudence and realism will define our course.

The same goes for arms control. We're looking for solid achievements that will make both West and East more secure, more confident, which will really help us maintain peace. Believe me, I never met a military weapon I liked -- and I will never hesitate to get rid of one I think is useless. We want the Soviets to do the same, of course. A few weeks ago, our Navy decided to get rid of two different nuclear weapons because they did not have a job to do any longer. NATO over

the last ten years has reduced 2,400 nuclear weapons. At the same time, we are determined to have what we need to protect our security and our values.

The environment is another terribly important issue. We have to sustain and improve the quality of the air we breath and the water we drink and the land the God has entrusted to us. We are determined to ensure environmentally sound disposal of hazardous wastes, to protect the ozone layer, to stop deforestation and to respond sensibly to the greenhouse effect. We want to see the environment preserved so that my generation and yours and future generations can use and enjoy our natural bounty. But here again, we need close German-American cooperation. Many of the problems that we face in the environment are global problems. We have to work together to broaden the worldwide consensus to protect the environment. We must find ways to do this without stifling economic growth. We need both for a better life for people all over the world.

I have just come from speaking with Chancellor Kohl. He is as serious as I am about coming to grips with problems like these. He is also committed to maintaining the friendship between young people in our two countries. He is taking

important initiatives to develop German-American educational and youth exchanges still further. And I know, Dr. Suessmuth, that the Bundestag is just as concerned. It has proved that by making new opportunities available for young Germans to study in the United States, and by its generous support of the Congress-Bundestag Youth Exchange Program. Believe me, we on the American side intend to work just as hard to base the friendship between our two countries firmly on the future.

But that's enough. I said I wanted to find out more about what concerns you. Give me your questions; I'll do my best to answer them.

Christina

ADDRESS: BONN-KOLN AIRPORT
MAY 30, 1989/4:15 P.M.

THANK YOU FOR THAT WELCOME. I AM DELIGHTED TO BE BACK IN THE FEDERAL REPUBLIC OF GERMANY, AMONG SO MANY LONG-TIME FRIENDS.

AS YOU KNOW, I HAVE JUST ARRIVED FROM BRUSSELS WHERE I SPENT THE LAST TWO DAYS WITH CHANCELLOR KOHL AND THE OTHER ATLANTIC ALLIANCE LEADERS.

- 2 -

IT WAS A PRODUCTIVE MEETING. ((BECAUSE WE ARE SIXTEEN SOVEREIGN DEMOCRACIES, DIFFERENT POINTS OF VIEW WERE HONESTLY PRESENTED. AND HONEST DISCUSSION YIELDED A STRONG AFFIRMATION OF PRINCIPLES ON WHICH WE ALL AGREE.))

THE SUCCESS OF OUR MEETING UNDERScoreD A FUNDAMENTAL FACT --THE CONDITIONS THAT HAVE ALLOWED THE FLOURISHING OF WESTERN DEMOCRACY REST ON THE FIRM FOUNDATION OF THE ALLIANCE.

- 3 -

THE ALLIANCE CONSTITUTES A MATURE PARTNERSHIP; ONE BY WHICH WE WILL MEET THE CHALLENGES OF THE FUTURE, WHILE KEEPING THE WEST FREE AND ALL OF EUROPE PROSPEROUS AND AT PEACE.

AS YOU KNOW, THIS YEAR WE CELEBRATE THE FOUNDING OF THE FEDERAL REPUBLIC. LET ME SUGGEST THAT THERE IS CAUSE FOR A DOUBLE CELEBRATION WITH THE FORTIETH ANNIVERSARY OF NATO. TWO GENERATIONS IS NOT A LONG TIME WHEN COMPARED TO BONN'S TWO MILLENNIA.

- 4 -

BUT MAKE NO MISTAKE. THESE TWO GENERATIONS HAVE KNOWN THE LONGEST PERIOD OF PEACE IN GERMAN -- AND EUROPEAN -- MODERN HISTORY. AND THIS PEACE HAS PERMITTED A FLOURISHING OF HUMAN RIGHTS, DEMOCRACY AND UNPARALLELED PROSPERITY.

WHAT WILL THE NEXT FORTY YEARS BRING? WE LOOK FORWARD TO A GROWING DIALOGUE BETWEEN EAST AND WEST. WE WILL WORK VIGOROUSLY TO END THE ENFORCED DIVISIONS AND COLD-WAR CONFRONTATIONS WE HAVE KNOWN.

- 5 -

IT IS MY HOPE -- AND OUR COMMON PRAYER -- THAT THE TIME WILL COME WHEN ALL THE PEOPLES OF EAST AND CENTRAL EUROPE WILL KNOW WHAT IT MEANS TO BE FREE. BUT LET US REMEMBER THAT THIS OPPORTUNITY IS BEFORE US ONLY BECAUSE OF THE VITALITY, STRENGTH AND UNITY OF THE WEST, AND OF THE ALLIANCE THAT HAS BEEN AT THE CORE OF THIS STRENGTH.

- 6 -

I AM LOOKING FORWARD TO ONCE AGAIN MEETING THE PEOPLE OF THE FEDERAL REPUBLIC OF GERMANY. WE ALREADY SHARE STRONG BONDS OF CULTURE, COMMERCE AND FRIENDSHIP. I PREDICT THAT IN THE YEARS TO COME THIS FRIENDSHIP AND THESE BONDS WILL GROW EVEN DEEPER. THANK YOU.

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5563 Bonn
5534 Mainz

THE WHITE HOUSE
WASHINGTON

Key German Indicators:

GNP
(real) 3.4% 1988
 2.5% 1989

Consistent w/ G7 countries

Inflation

1.2% 1988
2.7% 1989

low w/ some expansion

Unemployment

8.7% 1988
9.1% 1989

high by our standards

Surplus

\$48 billion 1988
\$50 billion 1989

growth on low side for
G-7 countries, though

1988 performance good by
all standards

US

Japan

Eng

Germany - in middle

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Jerry Johnson 395-6318

Col. Nabors ~~485-8584~~ 6344

USIA 485-7700 Day
485-8200 Night

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2240 Records Management

THE WHITE HOUSE
WASHINGTON

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Little Berlin

Chris Buckley

Josh Gilder

border
Baicw

inter german border

one house border

298-4000

647-3020

Krayfield

commercialized RR cars
beer + singles for SW
motorcade

Avilian airport

Snow storm GB land
scattered Manfred ^{Vaner} ~~with~~

GERMANYKey Economic Statistics

<u>Forecast Summary</u>	1988		1989F		1990F	
	<u>Yr/Yr</u>	<u>4Q/4Q</u>	<u>Yr/Yr</u>	<u>4Q/4Q</u>	<u>Yr/Yr</u>	<u>4Q/4Q</u>
Real GNP Growth (%)	3.4	2.6	2.5	3.0	2.5	2.0
Real Domestic Demand Growth (%)	3.5	2.9	2.3	2.2	2.3	2.0
Inflation Rate (CPI) (%)	1.2	1.6	2.7	2.7	2.4	2.7
Unemployment Rate (%)		8.7		9.1		9.1
Trade Balance (% GNP)		+6.0		+6.1		+6.3
Current Account (\$ bil.)		+ \$48.4		+ \$50.2		+ \$54.2
Current Account (% GNP)		+4.0		+4.0		+4.1
Public Sector Deficit - NIA (% GNP)		2.0		0.9		1.5
Public Expenditures (% GNP)		46.6		46.2		45.7

<u>Latest Economic Indicators 1/</u>	<u>Six Months to:</u>	<u>Latest Quarter</u>	<u>Month</u>	
			<u>Feb</u>	<u>Mar</u>
Real GNP	+2.8% (4Q)(ar)	+1.1% (4Q)(ar)		
Total Domestic Demand	+3.7% (4Q)(ar)	+3.7% (4Q)(ar)		
Industrial Prod. (Excl. Const.)	+0.9% (Mar)(ar)		-0.5%	+0.3%
Employment Rate (Nat'l)	-0.6 pt. (Apr)		7.8%	7.9% 4/
Employment Rate (BLS adj.)	-0.4 pt. (Apr)		6.4%	6.3% 4/
Consumer Prices (ar)	+4.4% (Apr)		+2.9%	+5.8% 4/
Trade Balance - Mar 3/		\$19.5 bil.		
Current Account Balance - Mar 3/		\$15.5 bil.		
Interest rates (end-period):				
Short-term (3 mo.)	5.4% (12/88)		7.2% (5/22/89)	
Long-term (10 yr. gov't)	6.6% (12/88)		7.1% (5/18/89)	
M3 (targeted aggregate)	+6.9% (Mar)(ar)		+0.7%	+0.5%

- 1/ Seasonally adjusted
 2/ % Change from previous month
 3/ Latest year to date data
 4/ Mar and Apr

RECENT U.S. DOMESTIC ECONOMIC DEVELOPMENTS

Statement

- o The U.S. economy is slowing to a more sustainable pace.
 - Growth of drought-adjusted real GNP slowed to a moderate 3.0 percent increase in 89:Q1.
 - That was down from a 3.5 percent drought-adjusted increase in 88:Q4.
 - Employment gains slowed to 117,000 in April, slowing for the third consecutive month.
 - Real consumer spending fell 0.4 percent in March, with declines in durable and nondurable purchases.
 - Monthly new housing starts and housing sales have declined so far in 1989.
- o Not all statistics show a slowdown or decline.
 - Industrial production increased 0.4 percent in April after showing no change in February and March.
 - Capacity utilization increased 0.2 percent in April to 83.9 percent from 83.7 percent in March.
 - March manufacturers' new orders rose 0.7 percent after 2 months of decline.
 - Real private construction rose to a new recent high in March after falling the previous month.
 - Real plant and equipment spending plans have been revised upward from 6.0 percent to 9.1 percent increases in spending during 1989.

- o Data do not suggest recession.
 - The most recent unemployment figures indicated a rise in civilian unemployment to 5.3 percent, but that is lower than January's unemployment rate of 5.4 percent and the 1988 average of 5.5 percent. The only lower unemployment rates in recent years were in February and March of this year.
 - Inventory sales ratios are relatively low.
- o The slowdown is consistent with the recent monetary tightening that was directed toward keeping inflation under control.
 - Short-term interest rates (90-day T-Bills) rose over 300 basis points from March 1988 through March 1989, and have since declined nearly 75 basis points to around 8½ percent for the third week of May.
 - Consumer durables consumption has fallen: housing starts and automobile purchases are down.
 - Consumption has not switched into other goods. U.S. savings rate is up. Personal saving rate reached 5.7 percent in 89:Q1, the highest level in 4 years. It had averaged 4.2 percent in 1988 and 3.2 percent in 1987.
- o Adjusting for food and energy, inflation moderated in March and April after an increase at the beginning of the year.
 - The monthly PPI inflation rate remained unchanged in April at 0.4 percent.
 - The April CPI inflation rate was 0.7 percent, up from the March rate of 0.5 percent.
 - Less food and energy, the April CPI declined 0.2 percent.

- The risk of inflation is still with us, but monetary policy must also keep in mind the alternative possibility of too much tightening.
 - Monetary policy acts with long lags.
 - The most dangerous risk of recession would be to let inflation get out of control, necessitating sharp monetary contraction.
- o The 1988 trade deficit was \$127 billion, down roughly \$34 billion (21 percent) from its 1987 peak.
 - The March trade deficit was \$8.9 billion, down \$0.9 billion from the February trade deficit.
 - But the pace of adjustment has slowed: export growth slowed by the fourth quarter of 1988 and imports picked up.
 - Some sources of improvement of the external balances in 1988 cannot be counted on in 1989:
 - Oil prices will likely be higher on average in 1989.
 - Net investment income, the largest component of the services account, has turned negative.
 - U.S. is not able to bring about adjustment alone.
 - U.S. recession is not desirable.
 - U.S. savings are up, but are still very low.
 - To reduce the current account deficit, we should improve savings rather than reduce investment.

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395/3375

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STRENGTHENING THE CONDITIONS FOR SUSTAINED
JOB-CREATING GROWTH IN THE OECD AREA

Agenda Item 1:
Controlling Inflation and Reducing Imbalances

Issue

Basic economic developments since the last Ministerial meeting have given some conflicting signals as to future trends and, by implication, appropriate policy measures. As a result, there are some significant differences of view within the OECD membership on the basic macroeconomic topics: growth, current and trade accounts, and inflation.

The OECD Secretariat, supported by most of its 24 member countries, argues that countering inflation ought to be the top policy priority; promoting external adjustment -- the priority objective at last year's Ministerial -- is given relatively little emphasis. However, while we recognize that inflation pressure is a problem that needs attention in particular countries, we do not regard a serious general inflation acceleration as an imminent danger. In our view, reinvigorating the languishing external adjustment process deserves the same emphasis as last year.

As a result of these differences there are differences of view regarding the appropriate macroeconomic policy mix in specific countries and internationally. The OECD staff recommends substantial budget deficit reduction in the United States with no significant macroeconomic policy shifts in either Japan or Germany. Fiscal tightening is also recommended as generally desirable for OECD countries. We accept the need for substantial U.S. budget deficit cuts. However, we have argued that in view of their slowing growth prospects and lack of significant trade and current account adjustment, Japan and Germany should be prepared to play a more active and supportive role in the adjustment process.

U.S. Objectives

We have two basic objectives for the macroeconomic aspect of the Ministerial.

1. The Ministerial should produce a balanced treatment of inflation and external adjustment. While there is clearly a need to remain vigilant against inflation, the potential for a serious, broadly-shared deterioration is small and should not be given excessive emphasis. There is, on the other hand, a clear need to strengthen the process of reducing large current and trade account imbalances, which recent data (and OECD and IMF projections) indicate could slow substantially, or even reverse.

2. The Ministerial should be even-handed in its macroeconomic policy recommendations to the major countries. Language urging the U.S. to make substantial budget deficit reductions is

perfectly acceptable provided two conditions are met: a) it should not imply that U.S. policy moves (i.e., deficit cuts) alone are the panacea for the world's economic problems; and, b) it should make clear that positive policy steps by Japan and Germany, where growth and external adjustment are slowing, are also required.

Background

Real GNP growth in the 24 OECD member countries was an unexpectedly robust 4.0 percent in 1988, after 3.4 percent in 1987. Among the largest countries, Japan was the growth leader (5.7 percent), followed by Canada and the U.S. (3.9 percent). The four major European countries averaged 3.5 percent, with Italy and the U.K. at the top end and Germany (3.4 percent) and France somewhat below the average.

Average GNP growth in the OECD is expected to cool somewhat this year, to about 3-1/4 percent. Growth rates are projected to slow in all of the G-7 countries; Japan should again turn in the highest rate, the U.S. should run at about the average, while European growth lags somewhat. Looking to 1990, average OECD growth is expected to slow moderately further, to just below 3 percent. This year and next are potentially the 7th and 8th consecutive years of the economic expansion which began in 1983.

Stronger economic growth helped boost world trade growth to a decade-high 9 percent in 1988; smaller, but still healthy, trade increases are expected this year and in 1990.

The composition of growth within the individual economies as well as internationally generally supported the balance of payments adjustment process in 1988. U.S. economic growth was driven mainly by stronger net exports and investment; GNP growth substantially exceeded domestic demand growth, the difference representing the net positive contribution of the external side of the economy to overall growth. In Japan, domestic demand growth of 7.7 percent was two percentage points above GNP growth, reflecting a substantial contraction in net exports in real terms. In Germany, however, there was effectively no further adjustment in real terms as domestic demand growth was only marginally stronger than overall GNP growth.

Prospects for domestic demand growth in the major foreign economies in 1989 and 1990 are less satisfactory than might be hoped. In the United States, domestic demand growth will (appropriately) remain below overall GNP growth, thus accommodating a further real increase in net exports. The composition of Japanese growth (domestic demand growth above GNP again this year) will support some further adjustment, but the gap between the two -- and therefore the amount of real adjustment -- is expected to narrow considerably this year, and possibly disappear in 1990. In Germany, however, domestic demand growth is forecast to lag behind GNP growth both this year and next; the implication is rising German net exports and a reversal of the adjustment process in real terms.

There were some substantial trade and current account corrections in 1988. The U.S. trade deficit fell \$34 billion to \$127 billion, while the current account deficit declined about \$20 billion to \$135 billion. Other important current account adjustments were a \$20 billion decline in the combined EC surplus, a \$7.5 billion decline in Japan's surplus, and a near \$5 billion decline in the combined surplus of the 4 Asian NIEs. However, the large overall EC adjustment obscures growing imbalances within Europe; Germany's surplus rose to a new record in 1988 while the U.K.'s current account position deteriorated dramatically.

Given the projected domestic demand trends noted above, the pace of the global external adjustment process is expected to slow this year. The OECD projects modest declines in the surpluses of Germany and the Asian NIEs, a fairly substantial (\$15 billion) further reduction in the U.S. deficit, and a slight increase in Japan's surplus. While a further reduction of the U.S. deficit is also projected by the OECD (though not by most other forecasters) for 1990, both the German and Japanese surpluses are expected to rise slightly. Thus the overall picture for the G-7 through 1990 is one of moderate further adjustment in the U.S. alone; the (somewhat implausible) implication of this scenario is that the counterpart of this adjustment will be found in higher LDC deficits and/or lower surpluses in the NIEs.

Consumer price inflation averaged 3.9 percent in the OECD area in 1988, after 3.2 percent in 1987. For the G-7 countries the figures were 3.1 percent and 2.9 percent, respectively. With average annual rates of about 5 percent, Italy and the U.K. were at the upper end of the G-7 in 1988, although in both cases the rate was not substantially higher than in 1987. Japan and Germany, at near or below 1 percent, were the best inflation performers last year, as they have been for several years running. The U.S. inflation rate increased slightly in 1988 (4.1 vs. 3.7 percent), while both France and Canada saw modest declines.

Average consumer inflation rates are projected to pick up moderately this year, but still remain below 4 percent for the G-7 and the industrial countries as a group. (Although the OECD does not explicitly forecast consumer price inflation, its other price projections suggest a 1989 CPI average that is in the 4.5-5 percent range. However, its projections include relatively high inflation member countries (Turkey, Greece, Portugal) whose experience is related more to special factors than to OECD-wide developments.)

Thus for 1990, the IMF's projections show the average G-7 CPI rate declining to 3.6 percent, and to 3.5 percent for the industrial country grouping (which excludes Turkey, Greece and Portugal). The OECD's projections for 1990, in contrast, suggest CPI rates for the G-7 and the OECD country group as a whole leveling off at about the 1989 rate.

Christina

ADDRESS: A WHOLE EUROPE, A FREE EUROPE
RHEINGOLDHALLE, MAINZ
MAY 31, 1:05 P.M.

THANK YOU, CHANCELLOR KOHL, LORD MAYOR,
DISTINGUISHED HOSTS. I WANT TO ALSO THANK THESE TWO
BANDS, AMERICAN AND WEST GERMAN, AND THE CHORUS, FOR
THEIR STIRRING PERFORMANCE.

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CHANCELLOR KOHL, I ESPECIALLY WANT TO THANK YOU FOR
INVITING ME TO THIS BEAUTIFUL, ANCIENT CITY ON MY FIRST
PRESIDENTIAL TRIP TO THE FEDERAL REPUBLIC OF GERMANY.
HERR KOHL AND I HAVE JUST CONCLUDED OUR DELIBERATIONS
AT THE NATO SUMMIT IN BRUSSELS, AN EXCELLENT START TO
OUR WORKING PARTNERSHIP AS CHANCELLOR AND PRESIDENT.

HERE IN MAINZ, BY THE BANKS OF THE BROAD RHINE, IT
IS OFTEN SAID THAT THIS HEARTLAND OF MOUNTAIN VINEYARDS
AND VILLAGES EMBODIES THE VERY SOUL OF GERMANY.

SO MAINZ PROVIDES A FITTING FORUM FOR AN AMERICAN PRESIDENT TO ADDRESS THE GERMAN PEOPLE.

TODAY, I COME TO SPEAK, NOT JUST OF OUR MUTUAL DEFENSE, BUT OF OUR SHARED VALUES. I COME TO SPEAK, NOT JUST OF MATTERS OF THE MIND, BUT OF THE DEEPER ASPIRATIONS OF THE HEART.

JUST THIS MORNING, BARBARA AND I WERE CHARMED BY A SMALL GROUP OF GERMAN STUDENTS . . . BRIGHT YOUNG MEN AND WOMEN WHO HAD STUDIED IN THE UNITED STATES.

THEIR KNOWLEDGE OF MY COUNTRY AND THE WORLD WAS IMPRESSIVE, TO SAY THE LEAST. BUT SADLY, TOO MANY IN THE WEST, AMERICANS AND EUROPEANS ALIKE, SEEM TO HAVE FORGOTTEN THE LESSONS OF OUR COMMON HERITAGE AND HOW THE WORLD WE KNOW CAME TO BE. THAT SHOULD NOT BE, THAT CANNOT BE. WE MUST RECALL THAT THE GENERATION COMING INTO ITS OWN IN AMERICA AND WESTERN EUROPE IS HEIR TO GIFTS GREATER THAN THOSE BESTOWED TO ANY GENERATION IN HISTORY -- PEACE, FREEDOM AND PROSPERITY.

THIS INHERITANCE IS POSSIBLE BECAUSE FORTY YEARS AGO THE NATIONS OF THE WEST JOINED IN THAT NOBLE, COMMON CAUSE CALLED NATO. FIRST, THERE WAS THE VISION, THE CONCEPT OF FREE PEOPLES IN NORTH AMERICA AND EUROPE WORKING TO PROTECT THEIR VALUES. SECOND, THERE WAS THE PRACTICAL SHARING OF RISKS AND BURDENS, AND A REALISTIC RECOGNITION OF SOVIET EXPANSIONISM. FINALLY, THERE WAS THE DETERMINATION TO LOOK BEYOND THE OLD ANIMOSITIES.

THE NATO ALLIANCE DID NOTHING LESS THAN PROVIDE A WAY FOR WESTERN EUROPE TO HEAL CENTURIES-OLD RIVALRIES, TO BEGIN AN ERA OF RECONCILIATION AND RESTORATION. IT HAS BEEN, IN FACT, A SECOND RENAISSANCE OF EUROPE.

AS YOU KNOW BEST, THIS IS NOT JUST THE FORTIETH BIRTHDAY OF THE ALLIANCE. IT IS ALSO THE FORTIETH BIRTHDAY OF THE FEDERAL REPUBLIC -- A REPUBLIC BORN IN HOPE, BUT TEMPERED BY CHALLENGE.

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AT THE HEIGHT OF THE BERLIN CRISIS IN 1948, ERNST REUTER (ROY-TER) CALLED ON GERMANS TO STAND FIRM AND CONFIDENT, AND YOU DID -- COURAGEOUSLY AND MAGNIFICENTLY.

THE HISTORIC GENIUS OF THE GERMAN PEOPLE HAS FLOURISHED IN THIS AGE OF PEACE. YOUR NATION HAS BECOME A LEADER IN TECHNOLOGY, AND THE FOURTH LARGEST ECONOMY ON EARTH.

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BUT MORE IMPORTANT, YOU HAVE INSPIRED THE WORLD BY FORCEFULLY PROMOTING THE PRINCIPLES OF HUMAN RIGHTS, DEMOCRACY AND FREEDOM. THE UNITED STATES AND THE FEDERAL REPUBLIC HAVE ALWAYS BEEN FIRM FRIENDS AND ALLIES. BUT TODAY WE SHARE AN ADDED ROLE -- PARTNERS IN LEADERSHIP.

OF COURSE, LEADERSHIP HAS A CONSTANT COMPANION -- RESPONSIBILITY. AND OUR RESPONSIBILITY IS TO LOOK AHEAD AND GRASP THE PROMISE OF THE FUTURE.

I SAID RECENTLY THAT WE ARE AT THE END OF ONE ERA, AND AT THE BEGINNING OF ANOTHER. AND I NOTED THAT IN REGARD TO THE SOVIET UNION, OUR NEW POLICY IS TO MOVE BEYOND CONTAINMENT.

FOR FORTY YEARS, THE SEEDS OF DEMOCRACY IN EASTERN EUROPE LAY DORMANT, BURIED UNDER THE FROZEN TUNDRA OF THE COLD WAR.

AND FOR FORTY YEARS, THE WORLD HAS WAITED FOR THE COLD WAR TO END.

DECADE AFTER DECADE, TIME AFTER TIME, THE FLOWERING HUMAN SPIRIT WITHERED FROM THE CHILL OF CONFLICT AND OPPRESSION.

AND AGAIN, THE WORLD WAITED.

BUT THE PASSION FOR FREEDOM CANNOT BE DENIED FOREVER. THE WORLD HAS WAITED LONG ENOUGH. ((PAUSE)) THE TIME IS RIGHT. LET EUROPE BE WHOLE AND FREE.

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TO THE FOUNDERS OF THE ALLIANCE, THIS ASPIRATION WAS A DISTANT DREAM. NOW IT IS THE NEW MISSION OF NATO. IF ANCIENT RIVALS LIKE BRITAIN AND FRANCE, OR FRANCE AND GERMANY, CAN RECONCILE, THEN WHY NOT THE NATIONS OF EAST AND WEST?

IN THE EAST, BRAVE MEN AND WOMEN ARE SHOWING US THE WAY. LOOK AT POLAND, WHERE SOLIDARITY AND THE CATHOLIC CHURCH HAVE WON LEGAL STATUS. THE FORCES OF FREEDOM ARE PUTTING THE SOVIET STATUS QUO ON THE DEFENSIVE.

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IN THE WEST, WE HAVE SUCCEEDED BECAUSE WE HAVE BEEN FAITHFUL TO OUR VALUES AND OUR VISION. BUT, ON THE OTHER SIDE OF THE RUSTING IRON CURTAIN, THEIR VISION FAILED.

THE COLD WAR BEGAN WITH THE DIVISION OF EUROPE. IT CAN ONLY END WHEN EUROPE IS WHOLE.

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TODAY, IT IS THIS VERY CONCEPT OF A DIVIDED EUROPE THAT IS UNDER SIEGE. AND THAT IS WHY OUR HOPES RUN ESPECIALLY HIGH, BECAUSE THE DIVISION OF EUROPE IS UNDER SIEGE NOT BY ARMIES, BUT BY THE SPREAD OF IDEAS THAT BEGAN HERE, RIGHT HERE. IT WAS A SON OF MAINZ, JOHANNES (YO-HAN-NES) GUTENBERG (GOOT-TEN-BERG), WHO LIBERATED THE MIND OF MAN THROUGH THE POWER OF THE PRINTED WORD.

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THAT SAME LIBERATING POWER IS UNLEASHED TODAY IN A HUNDRED NEW FORMS. THE VOICE OF AMERICA AND DEUTSCHE WELLE (DOY-CHA VELLA) ALLOW US TO ENLIGHTEN MILLIONS DEEP WITHIN EASTERN EUROPE AND THROUGHOUT THE WORLD. TELEVISION SATELLITES ALLOW US TO BEAR WITNESS FROM THE SHIPYARDS OF GDANSK, TO TIANANMEN SQUARE. BUT THE MOMENTUM FOR FREEDOM DOES NOT JUST COME FROM THE PRINTED WORD, THE TRANSISTOR, OR THE TELEVISION SCREEN. IT COMES FROM THE POWER OF A SINGLE IDEA -- DEMOCRACY.

THIS ONE IDEA IS SWEEPING ACROSS EURASIA. THIS ONE IDEA IS WHY THE COMMUNIST WORLD, FROM BUDAPEST TO BEIJING, IS IN FERMENT. OF COURSE, FOR THE LEADERS OF THE EAST, IT IS NOT JUST FREEDOM FOR FREEDOM'S SAKE. BUT WHATEVER THEIR MOTIVATION, THEY ARE UNLEASHING A FORCE THEY WILL FIND DIFFICULT TO CHANNEL OR CONTROL -- THE HUNGER FOR LIBERTY OF OPPRESSED PEOPLES WHO HAVE TASTED FREEDOM.

NOWHERE IS THIS MORE APPARENT THAN IN EASTERN EUROPE, THE BIRTHPLACE OF THE COLD WAR. IN POLAND AT THE END OF WORLD WAR TWO, THE SOVIET ARMY PREVENTED THE FREE ELECTIONS PROMISED BY STALIN AT YALTA. TODAY, POLES ARE TAKING THE FIRST STEPS TOWARD REAL ELECTIONS, SO LONG PROMISED . . . SO LONG DEFERRED. AND IN HUNGARY, AT LAST WE SEE A CHANCE FOR MULTI-PARTY COMPETITION AT THE BALLOT BOX.

AS PRESIDENT, I WILL CONTINUE TO DO ALL I CAN TO OPEN THE CLOSED SOCIETIES OF THE EAST. WE SEEK SELF-DETERMINATION FOR ALL OF GERMANY AND ALL OF EASTERN EUROPE. WE WILL NOT RELAX. WE MUST NOT WAVER. AGAIN, THE WORLD HAS WAITED LONG ENOUGH.

BUT DEMOCRACY'S JOURNEY EAST IS NOT EASY. INTELLECTUALS LIKE CZECH PLAYWRIGHT VAACLAV (VAHTS-LAH) HAVEL STILL WORK UNDER THE SHADOW OF COERCION.

REPRESSION STILL MENACES TOO MANY PEOPLES OF EASTERN EUROPE. BARRIERS AND BARBED WIRE STILL FENCE IN NATIONS. SO WHEN I VISIT POLAND AND HUNGARY THIS SUMMER, I WILL DELIVER THIS MESSAGE: THERE CANNOT BE A COMMON EUROPEAN HOME UNTIL ALL WITHIN ARE FREE TO MOVE FROM ROOM TO ROOM.

AND I WILL TAKE ANOTHER MESSAGE: THE PATH OF FREEDOM LEADS TO A LARGER HOME -- A HOME WHERE WEST MEETS EAST, A DEMOCRATIC HOME -- THE COMMONWEALTH OF FREE NATIONS.

I SAID THAT POSITIVE STEPS BY THE SOVIETS WOULD BE MET BY STEPS OF OUR OWN. THIS IS WHY I ANNOUNCED ON MAY 12TH A READINESS TO CONSIDER GRANTING TO THE SOVIETS A TEMPORARY WAIVER OF THE JACKSON-VANIK TRADE RESTRICTIONS, IF THEY LIBERALIZE EMIGRATION.

THIS IS ALSO WHY I ANNOUNCED ON MONDAY THAT THE UNITED STATES IS PREPARED TO DROP THE "NO EXCEPTIONS" STANDARD THAT HAS GUIDED OUR APPROACH TO CONTROLLING THE EXPORT OF TECHNOLOGY TO THE SOVIET UNION -- LIFTING A SANCTION ENACTED IN RESPONSE TO THEIR INVASION OF AFGHANISTAN.

IN THIS SAME SPIRIT, I SET FORTH FOUR PROPOSALS TO HEAL EUROPE'S TRAGIC DIVISION, TO HELP EUROPE BECOME WHOLE AND FREE.

FIRST, I PROPOSE WE STRENGTHEN AND BROADEN THE HELSINKI PROCESS TO PROMOTE FREE ELECTIONS AND POLITICAL PLURALISM IN EASTERN EUROPE. AS THE FORCES OF FREEDOM AND DEMOCRACY RISE IN THE EAST, SO SHOULD OUR EXPECTATIONS.

WEAVING TOGETHER THE SLENDER THREADS OF FREEDOM IN THE EAST WILL REQUIRE MUCH FROM THE WESTERN DEMOCRACIES.

IN PARTICULAR, THE GREAT POLITICAL PARTIES OF THE WEST MUST ASSUME AN HISTORIC RESPONSIBILITY -- TO LEND COUNSEL AND SUPPORT TO THOSE BRAVE MEN AND WOMEN WHO ARE TRYING TO FORM THE FIRST TRULY REPRESENTATIVE POLITICAL PARTIES IN THE EAST, TO ADVANCE FREEDOM AND DEMOCRACY, TO PART THE IRON CURTAIN.

IN FACT, IT HAS ALREADY BEGUN TO PART. THE FRONTIER OF BARBED WIRE AND MINEFIELDS BETWEEN HUNGARY AND AUSTRIA IS BEING REMOVED, FOOT BY FOOT, MILE BY MILE. JUST AS THE BARRIERS ARE COMING DOWN IN HUNGARY, SO MUST THEY FALL THROUGHOUT EASTERN EUROPE. ((PAUSE)) LET BERLIN BE NEXT. ((PAUSE))

NOWHERE IS THE DIVISION BETWEEN EAST AND WEST SEEN MORE CLEARLY THAN IN BERLIN. THERE, A BRUTAL WALL CUTS NEIGHBOR FROM NEIGHBOR, AND BROTHER FROM BROTHER.

THAT WALL STANDS AS A MONUMENT TO THE FAILURE OF COMMUNISM. IT MUST . . . COME . . . DOWN. ((PAUSE))

NOW, GLASNOST MAY BE A RUSSIAN WORD, BUT OPENNESS IS A WESTERN CONCEPT. WEST BERLIN HAS ALWAYS ENJOYED THE OPENNESS OF A FREE CITY. OUR PROPOSAL WOULD MAKE ALL BERLIN A CENTER OF COMMERCE BETWEEN EAST AND WEST . . . A PLACE OF COOPERATION, NOT A POINT OF CONFRONTATION.

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WE REDEDICATE OURSELVES TO THE 1987 ALLIED INITIATIVE TO STRENGTHEN FREEDOM AND SECURITY IN THAT DIVIDED CITY. THIS, THEN, IS MY SECOND PROPOSAL -- BRING GLASNOST TO EAST BERLIN. ((PAUSE))

MY GENERATION REMEMBERS A EUROPE RAVAGED BY WAR. OF COURSE, EUROPE HAS LONG SINCE REBUILT ITS PROUD CITIES AND RESTORED ITS MAJESTIC CATHEDRALS.

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BUT WHAT A TRAGEDY IT WOULD BE IF YOUR CONTINENT WAS AGAIN SPOILED, THIS TIME BY A MORE SUBTLE AND INSIDIOUS DANGER -- THAT OF POISONED RIVERS AND ACID RAIN.

AMERICA HAS FACED AN ENVIRONMENTAL TRAGEDY IN ALASKA. COUNTRIES FROM FRANCE TO FINLAND SUFFERED AFTER CHERNOBYL.

WEST GERMANY IS STRUGGLING TO SAVE THE BLACK FOREST TODAY. AND THROUGHOUT, WE HAVE ALL LEARNED A TERRIBLE LESSON: ENVIRONMENTAL DESTRUCTION RESPECTS NO BORDERS.

SO MY THIRD PROPOSAL IS TO WORK TOGETHER ON ENVIRONMENTAL PROBLEMS, WITH THE UNITED STATES AND WESTERN EUROPE EXTENDING A HAND TO THE EAST. SINCE MUCH REMAINS TO BE DONE, IN BOTH EAST AND WEST, WE ASK EASTERN EUROPE TO JOIN US IN THIS COMMON STRUGGLE.

WE CAN OFFER TECHNICAL TRAINING, ASSISTANCE IN DRAFTING LAWS AND REGULATIONS, AND NEW TECHNOLOGIES FOR TACKLING THESE PROBLEMS. I INVITE THE ENVIRONMENTALISTS AND ENGINEERS OF THE EAST TO VISIT THE WEST, TO SHARE KNOWLEDGE SO WE CAN SUCCEED IN THIS GREAT CAUSE.

MY FOURTH PROPOSAL, ACTUALLY A SET OF PROPOSALS, CONCERNS A LESS MILITARIZED EUROPE -- THE MOST HEAVILY ARMED CONTINENT IN THE WORLD. NOWHERE IS THIS MORE APPARENT THAN IN THE TWO GERMANIES.

WE CAN OFFER TECHNICAL TRAINING, ASSISTANCE IN DRAFTING LAWS AND REGULATIONS, AND NEW TECHNOLOGIES FOR TACKLING THESE PROBLEMS. I INVITE THE ENVIRONMENTALISTS AND ENGINEERS OF THE EAST TO VISIT THE WEST, TO SHARE KNOWLEDGE SO WE CAN SUCCEED IN THIS GREAT CAUSE.

EUROPE IS THE MOST HEAVILY ARMED CONTINENT IN THE WORLD. NOWHERE IS THIS MORE APPARENT THAN IN THE TWO GERMANIES.

THAT IS WHY OUR QUEST TO SAFELY REDUCE ARMAMENTS HAS A SPECIAL SIGNIFICANCE FOR THE GERMAN PEOPLE.

TO THOSE WHO ARE IMPATIENT WITH OUR MEASURED PACE IN ARMS REDUCTIONS, I RESPECTFULLY SUGGEST THAT HISTORY TEACHES US A LESSON -- THAT UNITY AND STRENGTH ARE THE CATALYST AND PREREQUISITE TO ARMS CONTROL. WE HAVE ALWAYS BELIEVED THAT A STRONG WESTERN DEFENSE IS THE BEST ROAD TO PEACE. FORTY YEARS OF EXPERIENCE HAVE PROVEN US RIGHT.

BUT WE HAVE DONE MORE THAN JUST KEEP THE PEACE. BY STANDING TOGETHER, WE HAVE CONVINCED THE SOVIETS THAT THEIR ARMS BUILD-UP HAS BEEN COSTLY AND POINTLESS. LET US NOT GIVE THEM INCENTIVES TO RETURN TO THE POLICIES OF THE PAST. LET US GIVE THEM EVERY REASON TO ABANDON THE ARMS RACE . . . FOR THE SAKE OF THE HUMAN RACE.

IN THIS ERA OF BOTH NEGOTIATION AND ARMED CAMPS, AMERICA UNDERSTANDS THAT WEST GERMANY BEARS A SPECIAL BURDEN.

OF COURSE, IN THIS NUCLEAR AGE, EVERY NATION IS ON THE FRONT LINE. BUT NOT ALL FREE NATIONS ARE CALLED TO ENDURE THE TENSION OF REGULAR MILITARY ACTIVITY, OR THE CONSTANT PRESENCE OF FOREIGN MILITARY FORCES. WE ARE SENSITIVE TO THESE SPECIAL CONDITIONS THAT THIS NEEDED PRESENCE IMPOSES.

TO SIGNIFICANTLY EASE THE BURDEN OF ARMED CAMPS IN EUROPE, WE MUST BE AGGRESSIVE IN OUR PURSUIT OF SOLID, VERIFIABLE AGREEMENTS BETWEEN NATO AND THE WARSAW PACT.

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ON MONDAY, WITH MY NATO COLLEAGUES IN BRUSSELS, I SHARED MY GREAT HOPE FOR THE FUTURE OF CONVENTIONAL ARMS NEGOTIATIONS IN EUROPE. I SHARED WITH THEM A PROPOSAL FOR ACHIEVING SIGNIFICANT REDUCTIONS IN THE NEAR FUTURE.

AS YOU KNOW, THE WARSAW PACT HAS NOW ACCEPTED MAJOR ELEMENTS OF OUR WESTERN APPROACH TO THE NEW CONVENTIONAL ARMS NEGOTIATIONS IN VIENNA.

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THE EASTERN BLOC ACKNOWLEDGES THAT A SUBSTANTIAL IMBALANCE EXISTS BETWEEN THE CONVENTIONAL FORCES OF THE TWO ALLIANCES. THEY HAVE MOVED CLOSER TO NATO'S POSITION BY ACCEPTING MOST ELEMENTS OF OUR INITIAL CONVENTIONAL ARMS PROPOSALS. THESE ENCOURAGING STEPS HAVE PRODUCED THE OPPORTUNITY FOR CREATIVE AND DECISIVE ACTION. WE SHALL NOT LET IT PASS.

OUR PROPOSAL HAS SEVERAL KEY INITIATIVES.

*** I PROPOSE WE "LOCK IN" THE EASTERN AGREEMENT TO WESTERN-PROPOSED CEILINGS ON TANKS AND ARMORED TROOP CARRIERS. WE SHOULD ALSO SEEK AGREEMENT ON A COMMON NUMERICAL CEILING FOR ARTILLERY IN THE RANGE BETWEEN NATO'S AND THAT OF THE WARSAW PACT, PROVIDED DEFINITIONAL PROBLEMS CAN BE SOLVED. AND THE WEAPONS WE REMOVE MUST BE DESTROYED. ((PAUSE))

*** WE SHOULD EXPAND OUR CURRENT OFFER TO INCLUDE ALL LAND-BASED COMBAT AIRCRAFT AND HELICOPTERS, BY PROPOSING THAT BOTH SIDES REDUCE IN THESE CATEGORIES TO A LEVEL 15 PERCENT BELOW THE CURRENT NATO TOTALS. GIVEN THE WARSAW PACT'S ADVANTAGE IN NUMBERS, THE PACT WOULD HAVE TO MAKE FAR DEEPER REDUCTIONS THAN NATO TO ESTABLISH PARITY AT THESE LOWER LEVELS. AGAIN, THE WEAPONS WE REMOVE MUST BE DESTROYED.

*** I PROPOSE A 20-PERCENT CUT IN COMBAT MANPOWER IN U.S.-STATIONED FORCES, AND A RESULTING CEILING ON U.S. AND SOVIET GROUND AND AIR FORCES STATIONED OUTSIDE OF NATIONAL TERRITORY IN THE ATLANTIC-TO-URALS ZONE, AT APPROXIMATELY 275,000 EACH. THIS REDUCTION TO PARITY, A FAIR AND BALANCED LEVEL OF STRENGTH, WOULD COMPEL THE SOVIETS TO REDUCE THEIR 600,000-STRONG RED ARMY IN EASTERN EUROPE BY 325,000. AND THESE WITHDRAWN FORCES MUST BE DEMOBILIZED.

*** FINALLY, I CALL ON PRESIDENT GORBACHEV TO ACCELERATE THE TIMETABLE FOR REACHING THESE AGREEMENTS. THERE IS NO REASON WHY THE FIVE-TO-SIX YEAR TIMETABLE AS SUGGESTED BY MOSCOW IS NECESSARY. I PROPOSE A MUCH MORE AMBITIOUS SCHEDULE. WE SHOULD AIM TO REACH AN AGREEMENT WITHIN SIX MONTHS TO A YEAR, AND ACCOMPLISH REDUCTIONS BY 1992, OR 1993 AT THE LATEST.

IN ADDITION TO MY CONVENTIONAL ARMS PROPOSALS, I BELIEVE WE MUST STRIVE TO IMPROVE THE OPENNESS WITH WHICH WE AND THE SOVIETS CONDUCT OUR MILITARY ACTIVITIES. THEREFORE I WANT TO REITERATE MY SUPPORT FOR GREATER TRANSPARENCY. I RENEW MY PROPOSAL THAT THE SOVIET UNION AND ITS ALLIES OPEN THEIR SKIES TO RECIPROCAL, UNARMED AERIAL SURVEILLANCE FLIGHTS, CONDUCTED ON SHORT NOTICE, TO WATCH MILITARY ACTIVITIES.

SATELLITES ARE A VERY IMPORTANT WAY TO VERIFY ARMS CONTROL AGREEMENTS. BUT THEY DO NOT PROVIDE CONSTANT COVERAGE OF THE SOVIET UNION. AN OPEN SKIES POLICY WOULD MOVE BOTH SIDES CLOSER TO A TOTAL CONTINUITY OF COVERAGE, WHILE SYMBOLIZING GREATER OPENNESS BETWEEN EAST AND WEST.

THESE ARE MY PROPOSALS TO ACHIEVE A LESS MILITARIZED EUROPE. A SHORT TIME AGO THEY WOULD HAVE BEEN TOO REVOLUTIONARY TO CONSIDER.

YET TODAY, WE MAY WELL BE ON THE VERGE OF A MORE AMBITIOUS AGREEMENT IN EUROPE THAN ANYONE CONSIDERED POSSIBLE.

BUT WE ARE ALSO CHALLENGED BY DEVELOPMENTS OUTSIDE OF NATO'S TRADITIONAL AREA OF CONCERN. EVERY WESTERN NATION STILL FACES THE GLOBAL PROLIFERATION OF LETHAL TECHNOLOGIES, INCLUDING BALLISTIC MISSILES AND CHEMICAL WEAPONS. WE MUST COLLECTIVELY CONTROL THE SPREAD OF THESE GROWING THREATS.

SO WE SHOULD BEGIN AS SOON AS POSSIBLE WITH A WORLDWIDE BAN ON CHEMICAL WEAPONS.

GROWING POLITICAL FREEDOM IN THE EAST, A BERLIN WITHOUT BARRIERS, A CLEANER ENVIRONMENT, A LESS MILITARIZED EUROPE -- EACH IS A NOBLE GOAL. TAKEN TOGETHER, THEY ARE THE FOUNDATION OF OUR LARGER VISION -- A EUROPE THAT IS FREE AND AT PEACE WITH ITSELF. LET THE SOVIETS KNOW THAT OUR GOAL IS NOT TO UNDERMINE THEIR LEGITIMATE SECURITY INTERESTS.

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OUR GOAL IS TO CONVINCING THEM, STEP BY STEP, THAT THEIR DEFINITION OF SECURITY IS OBSOLETE, THAT THEIR DEEPEST FEARS ARE UNFOUNDED.

WHEN WESTERN EUROPE TAKES ITS GIANT STEP IN 1992, IT WILL INSTITUTIONALIZE WHAT HAS BEEN TRUE FOR YEARS - BORDERS OPEN TO PEOPLE, COMMERCE AND IDEAS. NO SHADOW OF SUSPICION, NO SINISTER FEAR, IS CAST BETWEEN YOU. THE VERY PROSPECT OF WAR WITHIN THE WEST IS UNTHINKABLE TO OUR CITIZENS.

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BUT SUCH A PEACEFUL INTEGRATION OF NATIONS INTO A WORLD COMMUNITY DOES NOT MEAN THAT ANY NATION MUST RELINQUISH ITS CULTURE, MUCH LESS ITS SOVEREIGNTY.

THIS PROCESS OF INTEGRATION, A SUBTLE WEAVING OF SHARED INTERESTS, WHICH IS SO NEARLY COMPLETE IN WESTERN EUROPE, HAS NOW FINALLY BEGUN IN THE EAST. WE WANT TO HELP THE NATIONS OF EASTERN EUROPE REALIZE WHAT THE NATIONS OF WESTERN EUROPE LEARNED LONG AGO.

THE FOUNDATION OF LASTING SECURITY COMES, NOT FROM TANKS, TROOPS OR BARBED WIRE. IT IS BUILT ON SHARED VALUES AND AGREEMENTS THAT LINK FREE PEOPLES.

THE NATIONS OF EASTERN EUROPE ARE REDISCOVERING THE GLORIES OF THEIR NATIONAL HERITAGE. LET THE COLORS AND HUES OF NATIONAL CULTURE RETURN TO THESE GREY SOCIETIES OF THE EAST.

LET EUROPE FORGO A PEACE OF TENSION FOR A PEACE OF TRUST, ONE IN WHICH THE PEOPLES OF EAST AND WEST CAN REJOICE; A CONTINENT THAT IS DIVERSE, YET WHOLE.

FORTY YEARS OF COLD WAR HAVE TESTED WESTERN RESOLVE AND THE STRENGTH OF OUR VALUES. NATO'S FIRST MISSION IS NOW NEARLY COMPLETE. BUT IF WE ARE TO FULFILL OUR EUROPEAN VISION, THE CHALLENGE OF THE NEXT FORTY YEARS WILL ASK NO LESS OF US. TOGETHER, WE SHALL ANSWER THAT CALL. THE WORLD HAS WAITED LONG ENOUGH.

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THANK YOU FOR INVITING ME TO MAINZ, AND MAY GOD
BLESS YOU ALL.

#

Davis/Martin/Zelikow
May 24, 1989
Title: Mainz
Draft: Two

PRESIDENTIAL ADDRESS: Rheingoldhalle, Mainz
May 30, 12:40 p.m.

It is a pleasure to be back in the Federal Republic of Germany. Chancellor Kohl, I especially want to thank you for inviting me to this ancient, beautiful city on my first presidential trip to Europe.

Here in Mainz, by the banks of the broad Rhine, it is often said that this heartland of mountain vineyards and villages embodies the very soul of Germany. So perhaps Mainz is the best forum for an American President to address the West German people. I come to speak not **just** of mutual defense, but of the shared values of our Western civilization. I come to speak not **just** of matters of the mind, but of the deepest aspirations of the heart.

On this fortieth anniversary of the Federal Republic and NATO, we celebrate West Germany's recovery and growth behind the shield of the Alliance. Americans still retell the heroic story of the Berlin Airlift, as well we should. It was a victory of democracy, a testament to the wisdom and strength of free peoples everywhere. But while we honor the past, we must not cling to

nostalgia. In the shadows of the ruins of Berlin, Ernst Reuter called on Germans to discover a new confidence in themselves. And so you have. America recognizes that the nation we protected in 1948 now proudly stands as the world's fourth largest economy, and as a great democracy. Without reservation, America welcomes a strong West Germany . . .

In this nuclear age, every nation is on the front-line. But most nations do not endure the tension of regular military activity. America understands that West Germany bears a special burden. You bear it in a major way by conscripting German youth. And you bear it with a thousand aggravations: villages blocked by convoys, and streets torn by tanks.

Some aggravations will last as long as we must deter a threat from the East. But we will offer as much relief as possible. Our military has already reduced our major training exercises from twice a year, to once a year. I am pleased to announce the U.S. Army will take yet further steps to reduce the size and impact of its operations. ((Precise proposal to come from J.C.S.))

This is just one minor way in which the United States will work with the Federal Republic as a partner in leadership. But with leadership comes even greater responsibility. As West Germans and Americans celebrate past victories, we must also look

to the challenges and opportunities ahead. West of the Elbe, Europeans are discarding age-old legacies of national rivalry, to unite under the banner of a common liberty. East of the Elbe, Europeans are summoning the courage to demand freedom. It is true that this is a time of immense uncertainty, for tanks and troops still loom large in the East. But this is also a time of immense promise. We can now envision how the Cold War could come to a close.

Is this the final chapter in this historic contest between individual freedom and state repression? Look around the world. We see Chinese students parading the paper-mache Statue of Liberty. We see Solidarity and the Catholic Church winning legal status in Poland. Everywhere we see signs that East-West competition has moved to a higher plane.

The Cold War began with the division of Europe, and it can only end when Europe is no longer cut in half. That is why our hopes run especially high, because it this very division of Europe that is under seige. It is under seige not by armies, but by a dissemination of ideas that began here. It was a son of Mainz, Joahannes Gutenberg, who discovered a new power to liberate the mind of Man with the invention of the printed word. This same power is unleashed today with renewed force in a hundred new forms. The Voice of America and the Deutsche Welle (DOY-cha Vella) allow us to reach deep into Eastern Europe. Television

allows us to bear witness in Tiananmen Square. But the momentum for change does not just come from the printed word, the transistor or the television screen. It comes from the power of an idea itself -- democracy.

This simple idea is sweeping across Eurasia. This simple idea is why the Communist world, from Belgrade to Beijing, is in ferment. Of course, we are reminded that the rulers of the East are not seeking more freedom for freedom's sake. They are seeking modernity. But whatever their intention, they are unleashing a force difficult to channel or control -- the power of free peoples.

Nowhere is this more apparent than at the birthplace of the Cold War. It was in Poland in the last months of World War Two, that the Soviet Army prevented the free elections promised by Stalin at Yalta. Today, the Poles are at last on the verge of holding true elections, long promised and long deferred. In Hungary, we have actually seen the formation of a legislature. Even in the Soviet Union, so strong is the people's voice that a candidate who recently ran unopposed for the Congress of Deputies was buried at the polls in a landslide of "no" votes.

Still, it may be years before we will know if democracy will take root in the East. We watch with concern as intellectuals like Czech playwright Vacalau (Fah-klau) Havel continue to work

under the shadow of coercion. We are troubled by continuing repression in East Germany and Romania. So when I visit the peoples of Poland and Hungary this summer, I will deliver this message: You have friends in the West -- partisans of freedom who support your struggle.

As the East Bloc experiments with freedom, the West will search for gradual ways to welcome these states into the commonwealth of free nations. It is with this in mind, that I make four proposals to help to bring an end the division of Europe.

FIRST: I propose that the West seek to broaden the Helsinki process to promote free elections in Eastern Europe. I do this knowing that for good reasons, the Helsinki accords were regarded with some skepticism in the West. But the scope of change in the East convinces me that our approach is finally paying off; that it is important to strengthen and broaden this agreement. Let us serve notice -- as the forces of democratic change rises in the East, so too will our expectations.

SECOND: I strongly reaffirm the U.S. government's commitment to the 1987 Allied initiative on Berlin. Nowhere is the division between East and West more clearly seen than in that unhappy city, where a brutal wall divides neighbor from neighbor, wife from husband, mother from child. ((Anecdote about a German

family divided by the Wall.)) The Wall is more than an admission of the failure of Communism. It is a crucible of human liberty. If there is to be a lasting peace in Europe, this Wall of injustice must be dismantled, brick by brick, block by block, mortar by stone.

Let us make Berlin an open city, a center of international travel between East and West. Let us make Berlin a conference site for nations, not a point of confrontation. Let us make Berlin a city famous for international sporting events, where nations compete for soccer trophies, not for power. I call on the Soviet Union to open the city of Berlin.

The United States shares a special responsibility for Berlin. We applaud your country's insistence at placing the interest of Berliners at the forefront of improved relations with the East. We too want more freedom for 17 million Germans in the East. We too are thankful that more East Germans are being allowed to visit or even resettle. But most of all, know that America shares your fondest dream -- that one day Germany will live united in freedom.

THIRD: My generation remembers a Europe ravaged by war, of cities reduced to rubble. Since then, Western Europe has rebuilt its proud cities and restored its majestic cathedrals. But what a tragedy it would be if your continent was again spoiled, this

time by a more subtle danger -- that of toxic rain and poisoned rivers.

We are learning a terrible lesson in the Black Forest: Pollution is no respecter of borders. To save the European environment, the United States proposes that the NATO nations assist the Eastern Bloc, including the USSR, to develop more effective pollution controls. We have the engineers, the technology and the experience to make a critical difference. But when we extend our hand across the Iron Curtain, we will expect a hand in return.

FOURTH: ((SNF/Conventional to come -- the defense of West Germany defense is indivisible from the defense of the West.))

Growing political freedom in the East, an open Berlin, a cleaner environment, a less militarized Europe -- these are noble goals. Taken together, they are features of a larger vision -- a Europe that is free and at peace with itself. ((Conclude with a quote from "a great Rhinelander," Konrad Adenauer.))

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Christina:

Following is information on human interest story of person who left Germany, became American citizen, has family in East and West Berlin:

Guenter Skole, resident of McLean, Virginia. Manager of the Metropolitan Club, 1700 H Street, N.W., Washington, D.C. office telephone 835-2500.

- Born in Berlin 1924
- Father from southeastern part of Germany, now GDR. Deceased
- Mother from part of Germany that is now Poland, because of the Wall and separation of family became mentally ill committed to mental institution where she passed away
- Brother Gerhard lives in Liepzig
- Two brothers died as result of WWII
- Sister-in-law Nillo Skole lives in West Berlin
- Two nephews: one in Stuttgart who escaped GDR military, one in W. Berlin

Guenter Skole was POW in US 1944-45. Returned to Germany, but never returned to Berlin because POW's from Berlin were returned to the Soviet Union/East Germany (? sorry cannot make out my notes which is correct, please clarify with Mr. Skole). Left Frankfurt in 1948 for U.S. to become American citizen. Began working as household servant, gradually progressed and is today Manager of The Metropolitan Club. Married to June T. Skole, an American.

Has visited his brother in the GDR. During visit leaves the curtains up and windows open because brother wishes to convey that there is no conversation other than that regarding family. Because his brother is over 70 he is allowed to visit son and relatives in FRG.

NOTE: Mr. Skole was told you may call him. He will be pleased to talk with you and provide any further information you wish. If you need anything else from me, please call. Kathrine.

FAX MESSAGE

TO: Christina Martin DATE: May 23, 1989
Office of Research
The White House
FAX 456-6218

SUBJECT: Requested input for Speech in Mainz

FROM: Kathrine Papathanassiou
German American Contacts
D/G, Room 224, USIA

Tel: (202) 485-9567

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Christina: As per your request of today, below are suggestions by topic for possible inclusion in President Bush's speech in Mainz this June.

SISTER-CITIES

Existing Sister City International program between the US and the Federal Republic of Germany:

92 cities in program

95 cities with affiliation

Existing Sister City program between the FRG and the GDR:

Bonn, Potsdam Approve Sister-City Accord

Bonn Mayor Hans Daniels and his counterpart from Potsdam in the German Democratic Republic, Wilfried Seidel, signed a sister-city agreement between the two communities at a ceremony Monday (March 6) in the federal capital. Daniels said that with the agreement Bonn's primary goal was to achieve "friendly ties through contacts between citizens of both states," and he called on both cities to promote meetings between people in the Federal Republic and the GDR whenever possible. The agreement, which provides for events this year in the areas of city planning and architecture, was signed in Potsdam in January 1988. Bonn officials are planning to invite young people, artists and athletes from the GDR to the city.

In another East-West sister-city development, Hamburg and Dresden agreed Monday to work together to help clean up the Elbe River. Hamburg Mayor Henning Voscherau and Dresden Mayor Wolfgang Berghofer announced that the two cities would first compare data and clear up questions of acceptable limits for pollutants in the river and the legal situation before proceeding "step by step to concrete measures." The two communities, which are located on the Elbe almost 400 kilometers apart, have been sister cities since 1987.

According to the Bonn Ministry for Intra-German Affairs, there are at present a total of 48 sister-city partnerships between communities in the Federal Republic and the GDR, and arrangements are currently being made for five others.

Sister-City Agreements with GDR Now Number 50

Official agreements have been reached or at least promised thus far for over 50 sister-city partnerships between cities in the Federal Republic and the German Democratic Republic, the state secretary in the Ministry for Intra-German Relations, Walter Priesnitz, told the press Saturday (November 12) in Bonn. Priesnitz reported that all 14 GDR district capitals had sister cities in the Federal Republic and that Berlin (West) was also included in the intra-German partnerships through ties between the city's Spandau and Zehlendorf districts with communities in the GDR.

The state secretary added that over 700 municipalities in the Federal Republic have inquired about partnerships with GDR communities. He said the experiences of West German sister cities have thus far been positive, with improvements in youth, cultural and sports exchanges among the benefits.

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COOPERATION/PROGRAMS BETWEEN US AND FRG (other than existing USG exchange programs)

Goethe Institute Wants North American Expansion

The Federal Republic's cultural organization abroad, the Goethe Institute, seeks additional government funding to expand or establish 12 locations by 1993, including the opening of a new branch in Washington, D.C., Goethe Institute General Secretary Horst Harnischfeger told journalists last week in Munich. Harnischfeger said his organization still had an urgent need to make up for underrepresentation in North America. In addition to the new Goethe House in the U.S. capital, he said that the institutes in Seattle and in Vancouver, Canada, should be expanded.

The main focus of plans for new Goethe institutes is in the Eastern Bloc countries. Harnischfeger said there was hope that thanks to changed political conditions, agreements on the exchange of cultural institutes would be signed this year with Poland, Czechoslovakia, and the Soviet Union. Similar accords have already been concluded with Rumania, Hungary and Bulgaria. Outside the Eastern Bloc, the organization hopes to establish institutes in Seville, Spain, and in Zimbabwe, he said.

Harnischfeger pointed out that the improvement of facilities abroad by 1993 would require creating 192 new permanent positions and providing DM 25.5 million in funds. These figures do not include an additional 68 positions already identified as needed but still not funded, he said. All told, the Goethe Institute's current budget of DM 250 million with 1700 permanent positions would have to be increased by DM 50 million, the secretary general asserted, pointing out that since 1982 ten new institutes have been opened while personnel was cut by 21 positions.

American, German Physician Receive Award

An American and a West German physician were awarded the Carl Ludwig Memorial Medal by the German Society for Cardiac and Circulatory Research at the organization's 55th annual meeting Friday (March 31) in Mannheim (Baden-Württemberg). Professor Earl Howard Wood, a member of the Physiology Department of the Mayo Clinic since 1947 and a professor of physiology and medicine at the University of Minnesota since 1950, received the honor along with Professor Albrecht Fleckenstein of the Physiological Institute of the University of Freiburg (Baden-Württemberg). The award is named after the 19th century German physiologist Carl Ludwig.

American Germanist Awarded Goethe Medal

Five foreign scholars, including an American Germanist, were awarded the Goethe Medal at a ceremony last week in Munich. American Germanist Guy Stern, British Germanist Nigel Reeves and his countryman, the art and cultural history professor Sir Ernst Gombrich, French Germanist Jacques Grandjone, and Colombian philosopher Carlos Bernardo Gutierrez received the honor.

The Goethe Medal was established in 1954 by the executive committee of the Goethe Institute in the Bavarian capital and has been presented annually since then. Since 1975, the medal has been awarded in recognition of scholarly or artistic achievements which promote understanding and encourage dialogue between German and other cultures.

Frankfurt Airport to Get Berlin Airlift Museum

A museum of documents, photographs and other materials recalling the Berlin Airlift will open in the fall of 1990 at the Frankfurt airport, the president of the Airlift Association and commander of the U.S. Rhine-Main Air Base, Colonel Tom Hansen, announced recently in the city. The association, which is based in Frankfurt and has some 2500 members, will sponsor the project, which is to consist of a visitor center with rooms for exhibits located near the airport's Airlift memorial. The estimated DM 1.8 million needed for the construction of the museum as well as its operating costs will be financed from donations, Hansen said. Frankfurt served as the western terminus of the Airlift, which kept the Western sectors of Berlin alive during the Soviet blockade of 1948-49.

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This letter from Horst Bayer is a sample of the variety of interests from individual citizens and groups in the FRG. There is a constant flow of requests for information regarding working in the U.S.

January 30, 1989

United States Information Agency
German American Contact Staff
301 4th Street, S.W.
Washington, D.C. 20547
United States of America

Dear Ladies and Gentlemen:

The 1st American Sports-Club Fürth 1984 e.V. is going to organize a game between a Bavarian "All-Star" Football-Selection and the US-College team "Tulsa Golden Hurricane" which will be held in Tulsa, Oklahoma in April, 1990.

First time in history, a group of about eighty Germans including players and coaches, will travel to Tulsa, OK to play a US-College team. This game is going to be a big event in Germany and the United States of America.

We asked the honorable Richard Burt, the Ambassador of the United States in Germany, Prof. Dr. Walter H. Massion, Honorary Consul of the Federal Republic of Germany in Oklahoma City and Dr. Max Streibl, minister president of Bavaria to be a patron of this game. Under the auspices of them, we hope that this game will be a further step in the great German-American-Relationship.

Our request is, whether it is possible for your organization to help us in a financial or ideological support to realize this game.

Thank you for your attention and please let us know if you can help us this way. Certainly we are at your disposal for further information.

Sincerely,



Horst Bayer
Vice-President
1st American Sports-Club
Fürth 1984 e.V.
Windsheimer Str. 10a

8500 Nürnberg 60
West-Germany

COOPERATION/PROGRAMS BETWEEN FRG AND GDR

West German Magazines Make Debut at GDR Fair

For the first time ever West German magazines have been exhibited at the Leipzig Book Fair in the German Democratic Republic. A Hamburg magazine publishing house, Gruner + Jahr, was permitted to present seven of its publications at the week-long fair, which ended on Sunday (March 19). Previously, only book publishers from the Federal Republic had been invited to the exhibition.

Sales of the Hamburg publisher's two publications already in circulation in the GDR - a newspaper on needlework and a magazine on plants, each of which has been available there for the last two years - have been increasing. A spokesman for Gruner + Jahr said the firm wanted to take the opportunity of the book fair to make the additional seven magazines known to the public and decision makers in the GDR and to test the possibilities of market development. The spokesman reported that GDR officials had reacted positively to the publications and that the firm's exhibit had been "stormed" by visitors.

Twice as Many GDR Residents Came West This Year

The number of Germans from the German Democratic Republic settling in the Federal Republic was more than twice as high during the first 11 months of 1988 as it was during the corresponding period last year, Minister for Intra-German Relations Dorothee Wilms reported Monday (December 5) in Bonn. A total of 25,135 GDR residents were allowed to resettle in the Federal Republic between January and the end of November compared to 11,459 in the first 11 months of 1987, the minister reported. In addition, she said, some 10,000 GDR residents have come as refugees, mostly via third countries.

Wilms estimated that for this year as a whole more than five million people would travel between the two German states in each direction, 1.2 million of them visitors from the GDR under retirement age. She expressed confidence that the future would bring a solution to the German question "if we bring it about on the basis of freedom, human rights and self-determination."

Intra-German Journalist Exchange Approved

An exchange of journalists between the Federal Republic and the German Democratic Republic has been agreed on by the Friedrich Ebert Foundation and the Association of Journalists of the German Democratic Republic, the foundation announced last week in Bonn. The program is seen as a contribution to promoting dialogue between the two German states in the area of the media and a way to open new possibilities to reporters for information and the exchange of professional experience, according to the foundation's statement. The first group of journalists sponsored by the Ebert Foundation, which is affiliated with the Social Democratic Party, will be in the GDR from March 6 to 12. A return visit by East German journalists is scheduled for 1990.

Literary Prize Goes to GDR Journal

The East German literary journal *Weimarer Beiträge*, published in Berlin (East), was awarded the Alfred Kerr Prize for Literary Criticism by the German Book Trade Gazette at a ceremony Friday (April 21) in Hanover. Siegfried Rönisch, the editor-in-chief, accepted the award on behalf of the editorial staff.

A spokesperson for the jury said that *Weimarer Beiträge* had been selected because it practices literary criticism "in an open, inquisitive, and well-informed manner." The prize honors the memory of Alfred Kerr, one of the most influential literary and theater critics of pre-World-War-II Germany, and comes with a DM 5,000 cash award. It was established by the German Book Trade Gazette 13 years ago. Former recipients include the *Frankfurter Allgemeine Zeitung* (1983) and the *Neue Zürcher Zeitung* (1985).

Bonn Offers Aid for GDR Environmental Projects

Cooperation with the German Democratic Republic in environmental protection has progressed in the last few months, Government Spokesman Friedhelm Ost announced Friday (January 27) in Bonn. Ost noted that DM 115 million had been earmarked in the 1989 federal budget for pilot or demonstration projects in the GDR as well as in the Federal Republic, with the proviso that the environmental benefits extend to the Federal Republic, including Berlin (West). Ost called on the GDR to take steps as soon as possible toward curbing both air and water pollution. He stressed the importance of an Elbe River clean-up by East German authorities for the water quality of the North Sea.

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THOUGHTS FOR CONSIDERATION:

The US intends to expand its relationship with Eastern Europe, and, therefore, encourages the FRG to open towards Eastern Europe as well.

The FRG should expand, take a larger view of Europe by playing an important role, by exercising its role in commerce, culture, tourism, etc.

(More to come tomorrow)

FYI: President Bush (then Vice President) attended the June 1983 celebrations held in the FRG to commemorate the German American Tricentennial. In October 1983 then FRG President Carstens attended festivities here. (The first group left Krefeld, Germany on June 25, 1683 and landed outside of Philadelphia, PA on October 6, 1683 and founded Germantown.

This article for what it is worth:

Commissioner: Ethnic Germans Are a Plus

Due to their young average age, ethnic Germans arriving from Eastern Europe are sociopolitically a plus for the Federal Republic, the parliamentary state secretary in the Interior Ministry, Horst Waffenschmidt, asserted Monday (April 3) in Bonn. Waffenschmidt, who is the federal government's commissioner for the Resettlement of Ethnic Germans, stated that the favorable age structure of the new arrivals would help improve the country's population structure. He said the figures showed that the young people who make up the largest part of the arriving ethnic Germans would earn their own pensions during the course of their working lives in the Federal Republic and not be a permanent burden but rather a benefit to the community and also help make pensions more secure in the long term.

Waffenschmidt criticized the occasional publicity given to individual cases in which ethnic Germans receive a disproportionately high pension. He explained that in such cases it was not disclosed that only four percent of ethnic Germans in the past year were older than 65, while 43 percent were 25 years of age or younger.

My generation remembers a Europe ravaged by war. And of course, Europe has long since rebuilt its proud cities and restored its majestic cathedrals. But what a tragedy it would be if your continent was again spoiled, this time by a more subtle and insidious danger -- the Chancellor referred to it -- that of poisoned rivers and acid rain.

America has faced an environmental tragedy in Alaska. Countries from France to Finland suffered after Chernobyl. West Germany is struggling to save the Black Forest today. And throughout, we have all learned a terrible lesson -- environmental destruction respects no borders. (Applause.)

So my third proposal is to work together on these environmental problems, with the United States and Western Europe extending a hand to the East. Since much remains to be done in both East and West, we ask Eastern Europe to join us in this common struggle. We can offer technical training, assistance in drafting laws and regulations, and new technologies for tackling these awesome problems. And I invite the environmentalists and engineers of the East to visit the West, to share knowledge so we can succeed in this great cause.

My fourth proposal -- actually, a set of proposals -- concerns a less militarized Europe, the most heavily armed continent in the world. Nowhere is this more important than in the two Germanys. And that's why our quest to safely reduce armaments has a special significance for the German people.

To those who are impatient with our measured pace in arms reductions, I respectfully suggest that history teaches us a lesson -- that unity and strength are the catalyst and prerequisite to arms control. We've always believed that a strong Western defense is the best road to peace. (Applause.) Forty years of experience have proven us right.

But we've done more than just keep the peace. By standing together, we have convinced the Soviets that their arms buildup has been costly and pointless. Let us not give them incentives to return to the policies of the past. Let us give them every reason to abandon the arms race for the sake of the human race. (Applause.)

In this era of both negotiation and armed camps, America understands that West Germany bears a special burden. Of course, in this nuclear age, every nation is on the front line. But not all free nations are called to endure the tension of regular military activity, or the constant presence of foreign military forces. We are sensitive to these special conditions that this needed presence imposes.

To significantly ease the burden of armed camps in Europe, we must be aggressive in our pursuit of solid, verifiable agreements between NATO and the Warsaw Pact.

On Monday, with my NATO colleagues in Brussels, I shared my great hope for the future of conventional arms negotiations in Europe. I shared with them a proposal for achieving significant reductions in the near future.

And as you know, the Warsaw Pact has now accepted major elements of our Western approach to the new conventional arms negotiations in Vienna. The Eastern Bloc acknowledges that a substantial imbalance exists between the conventional forces of the two Alliances. And they've moved closer to NATO's position by accepting most elements of our initial conventional arms proposal. These encouraging steps have produced the opportunity for creative and decisive action, and we shall not let that opportunity pass. (Applause.)

Eastern Europe

PROPOSED ELEMENTS FOR PRESIDENT'S NATO ADDRESS

- o Challenge Eastern European governments to address the rapidly growing concerns of their citizens -- and their neighbors -- about environmental degradation in Eastern Europe.
 - Examples: forests dying, rivers becoming sewers, monuments and buildings eroding.
- o Propose that NATO partners assist Eastern European countries -- including the USSR -- to address their severe pollution problems.
- o NATO partners could:
 - Train environmental officials, engineers and other specialists from Eastern European countries -- including USSR -- in both Europe and North America.
 - Provide experts directly to assist in establishing emissions monitoring programs and research efforts to identify specific pollution abatement needs and programs.
 - Make available experts to assist in drafting needed environmental laws and regulations.
 - Help develop clean-up project proposals by sending specialists teams to visit sites or facilities where pollution is most severe.
 - Join in establishing a coordinated funding mechanism to combine local currency credits and investments with foreign private credits and investments and possibly foreign public credits.
- o Such an initiative would:
 - Respond to growing Eastern European interest to work more closely with West on environmental issues.
 - Reflect efforts by NATO partners to build new ties to the East.
 - Focus on exchanges of needed experts, experience and, as appropriate, technology.
 - Build on existing U.S. and European bilateral agreements.