

SECRET
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TELEGRAM

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INFO DSO-04 /004 A6

D 171807Z MAY 82 ZFF-4
FM AMEMBASSY PARIS
TO USICA WASHDC NIACT IMMEDIATE 2451

BT
SECRET SECTION 01 OF 11 PARIS 17493

USICA

DIRDIS

FOR DIRECTOR WICK PASS BALDYGA AND SCHNEIDER FROM HEDGES

E. O. 12065: RDS-1 5/17/82 (HEDGES, JOHN L, DR-0)
SUBJECT: REPORT OF WHITE HOUSE/STATE/USICA MAY 14 PARIS
MEETING

1. (S-ENTIRE TEXT)

2. FOLLOWING IS A REPORT OF DISCUSSION AT THE MAY 14
WHITE HOUSE/STATE/USICA MEETING HELD AT AMEMBASSY PARIS.
IN VIEW OF ITS SENSITIVITY, IT IS SENT IN THIS CHANNEL FOR
YOU TO DETERMINE FURTHER DISTRIBUTION.

3. DISCUSSIONS WERE HELD FROM 0900 TO 1230. PARTICIPANTS
WERE: USICA/WASHINGTON--DIRECTOR WICK, MICHAEL SCHNEIDER,
MICHAEL EISENSTADT; WHITE HOUSE--HENRY NAU; STATE
DEPARTMENT --ROBERT NORMATS; PUBLIC AFFAIRS OFFICERS--
MANS TUCH (BUNN), PHILIP ARNOLD (LONDON), JOHN HEDGES
(PARIS), STANTON BURNETT (ROME), DELL PENDERGRAST (WSEC),
HENRY GRADY (USIO), ROBERT VOZNIAK (USNATO), AURELIUS
FERNANDEZ (USOECO). OBSERVERS WERE: MICHAEL ELY,
CHARGE D'AFFAIRES, AMERICAN EMBASSY, PARIS; ACAO-SHERIDAN
WELL (NOTE TAKER).

4. MR. WICK WELCOMED MESSRS. NORMATS AND NAU AND THANKED
THEM FOR AGREEING TO BRIEF ON THE PRESSING ECONOMIC ISSUES
OF THE VERSAILLES SUMMIT AND HOPED THEY WOULD ADDRESS ALSO
THE LONG-TERM ECONOMIC GOALS OF THE U. S. HE EXPRESSED
APPRECIATION FOR THE ROLE OF MESSRS. NORMATS AND PALMER
OF STATE IN THE SUMMIT YOUTH EXCHANGES PROJECT.

5. MR. NORMATS SAID THAT WHAT WE ARE TRYING TO DO IS VERY
IMPORTANT. A FEELING EXISTS IN EUROPE THAT THE US IS NOT
SENSITIVE TO ITS CONCERNS. THIS IS NOT TRUE. WHILE IT IS
CORRECT THAT THE ADMINISTRATION HAS SPENT A LOT OF TIME
GETTING OUR OWN HOUSE IN ORDER, WE ARE NOW TRYING TO
STRENGTHEN INTERNATIONAL ECONOMIC COOPERATION. AS AN
EXAMPLE OF OUR CONCERN, WE HAD A BROADER AND HIGHER-LEVEL
REPRESENTATION THAN ANY OTHER DELEGATION AT THE RECENT DECO
MINISTERIAL MEETING, SHOWING WE ARE DEEPLY CONCERNED.

6. THE SUMMIT IS EXTREMELY IMPORTANT, FOR THERE IS A SENSE
OF URGENCY ABOUT ECONOMIC ISSUES IN AN INTERNATIONAL
ECONOMIC SITUATION MORE COMPLEX THAN EVER BEFORE. MAJOR
ISSUES TO BE TREATED WILL BE MONETARY COOPERATION, MEDIUM-
TERM ECONOMIC OBJECTIVES, STRENGTHENING THE TRADING SYSTEM
AND THE WESTERN CONSENSUS ON CREDITS TO THE SOVIET UNION.
OUR OBJECTIVE IS NOT ECONOMIC WARFARE BUT TO PUT INTER-
NATIONAL RELATIONS WITH THE SOVIET UNION ON A SOUND ECONOMIC
FOOTING. WE DON'T SUBSIDIZE CREDITS AMONG OURSELVES,
SO WHY SHOULD WE DO IT FOR THE SOVIETS? WE ARE TRYING TO
USE ENERGY, NOT AS A DIVISIVE ISSUE, BUT AS A UNIFYING ONE,
POINTING OUT, FOR EXAMPLE, NOW USE OF MORE COAL CAN BENEFIT
ALL OF US.

7. ON NORTH-SOUTH ISSUES, WE NO LONGER HAVE A LOT OF AID,

AND SO WE USE TRADE AND INVESTMENT. SOME DEVELOPMENT DOES
RELY ON AID, AND WE SHOULD PROVIDE AID TO THE POORER
COUNTRIES, BUT OTHER COUNTRIES MUST RELY MORE ON TRADE AND
INVESTMENT.

8. DIRECTOR WICK HAS SPEARHEADED THE ATLANTIC-PACIFIC
YOUTH INITIATIVE, WHICH RESPONDS TO SEVERAL ELEMENTS:
FIRST, THE DRIFTING APART OF CONTACTS AMONG US. WE
SHOULD ATTEMPT TO REFORGE A CONSENSUS ON SHARED VALUES.
SECOND, YOUTH IS CONSIDERED A BIG PROBLEM IN EUROPE, AND
WE SHOULD BE CONCERNED ALSO. MR. NORMATS COMMENDED MESSRS.
WICK AND CHAPMAN FOR THEIR SPECIAL AND UNIQUE CONTRIBUTION
TO THE YOUTH EXCHANGE INITIATIVE.

9. AFTER EXTENSIVE DISCUSSION AMONG THE MEETING PARTICI-
PANTS, IT WAS AGREED THAT YOUTH EXCHANGES, WHICH FIT IN
WELL WITH SHARED VALUES, SHOULD BE MENTIONED EVERYWHERE
POSSIBLE--IN PRESIDENT REAGAN'S DEPARTURE STATEMENT FROM
THE U.S., IN PRESIDENT MITTERRAND'S SATURDAY STATEMENT,
AND ESPECIALLY IN THE SUNDAY COMMUNIQUE IF AT ALL POSSIBLE,
FOR IT WOULD THEN BE A LASTING SPARK, A THEME TO CARRY
THROUGH. DIRECTOR WICK STATED THAT THE LANGUAGE CONCERNING
THE YOUTH EXCHANGE INITIATIVE WAS LESS THAN OPTIMAL AND
SHOULD BE IMPROVED.

10. IN CONTINUED DISCUSSION ON SUMMIT ECONOMIC ISSUES,
MR. NAU EMPHASIZED DOMESTIC ECONOMIC, TRADE, AND BASIC
ATTITUDES TOWARD MONETARY ISSUES. MR. NORMATS SAID THAT ON
THE MACROECONOMIC SIDE, IT IS HARD TO KNOW EXACTLY WHERE WE
STAND. ON TRADE PROBLEMS, THE U. S. PUTS EMPHASIS ON THE
NEED FOR CORRESPONDING DOMESTIC POLICIES AS OFFSETS, WHILE
OTHERS EMPHASIZE THE IMPACT OF EXCHANGE RATES. THE FRENCH
ARE PARTICULARLY INTERESTED IN CONDITIONS AFFECTING MONE-
TARY STABILITY AND EXCHANGE RATE REQUIREMENTS. WE NEED
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PGM	EA
VOA	EU
ECA	AR
PGMIP	NEA
PGM/T	OTHER

M. Schneider

M. Baldyga

M. Shuler

State Dept. review completed.

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 S E C R E T SECTION 02 OF 11 PARIS 17493

USICA/DIRDIS

FOR DIRECTOR WICK PASS BALDYGA AND SCHNEIDER FROM HEDGES

MORE COOPERATION, MORE EFFECTIVE CONSULTATION, MORE FOCUS ON REAL ISSUES AND POLICIES, SUCH AS HOW TO REDUCE BUDGET DEFICITS AND INFLATION RATES. MR. ARNOLD STATED THAT IN LONDON, THE THREE QUESTIONS ON EVERYONE'S MINDS ARE HIGH U.S. INTEREST RATES, PROTECTIONISM (SUMMED UP BY WHAT MARGARET THATCHER REPORTEDLY TOLD HAIG: "AL, GET THE JAPS"), AS WELL AS CREDITS AND HIGH TECHNOLOGY SALES TO THE SOVIET UNION.

11. MR. NORMATS SAID THAT EUROPEANS ARE ASKING WHY INTEREST RATES ARE GOING DOWN NOW, SUSPICIOUS THAT WE ARE INTERVENING TO FORCE THE RATES DOWN BECAUSE OF THE APPROACHING VERSAILLES SUMMIT. HIS RESPONSE IS TO TELL THEM THAT WITH INFLATION GOING DOWN AND WITH THE EXPECTATION OF INFLATION DIMINISHING FURTHER, INTEREST RATES ARE HEADED DOWN AND, OVER THE MEDIUM TERM, THE DOLLAR IS GOING TO STRENGTHEN. IF THE INTEREST RATES CONTINUE TO FALL, IT WILL BE BECAUSE THERE ARE LOWER INFLATIONARY EXPECTATIONS. PRESIDENT REAGAN WILL SAY THAT HIS OBJECTIVE IS TO GET INFLATION RATES DOWN, AND THAT INTEREST RATES WILL THEN FOLLOW TO A DEGREE, BUT NOT NECESSARILY POINT TO POINT. THERE IS NO MAGICAL ANSWER TO THE PROBLEM OF HIGH INTEREST RATES, EXCEPT THROUGH REDUCED INFLATION AND REDUCED BUDGET DEFICITS. MR. NAU ADDED THAT THE U. S. HAS TO EXERCISE FISCAL DISCIPLINE. NOW THERE IS AGREEMENT BETWEEN THE ADMINISTRATION AND THE REPUBLICANS IN THE SENATE, AND WE WILL TRY TO GET AGREEMENT WITH THE DEMOCRATIC HOUSE. AT WORSE, IF THERE IS A STALEMATE, THE ISSUES WILL BE PLAYED OUT IN THE NOVEMBER ELECTIONS, AND UNLESS THE ELECTIONS PRODUCE A TOTAL STALEMATE, THERE WILL BE A RESOLUTION OF THE DEFICIT PROBLEM. HE SAID WE NEED TO KEEP REMINDING THE EUROPEANS THAT WE ARE NOT PURSUING HIGH-INTEREST POLICIES. WHEN WE HAVE INTERVENED THROUGH MONETARY POLICY TO TRY TO REDUCE INTEREST RATES, WE HAVE GOTTEN THE OPPOSITE EFFECT. MR. NORMATS ADDED THAT WHEN WE REDUCE INFLATION, WHEN WE GET THE BUDGET DEFICIT DOWN, THEN INTEREST RATES WILL COME DOWN. THEY ARE BEING HELD UP BY PSYCHOLOGICAL FACTORS. IN THE MEDIUM-TERM, WE CAN ENCOURAGE COUNTRIES TO KEEP THEIR DEFICITS DOWN, AND THROUGH MUTUAL COOPERATION WE CAN MAKE PROGRESS.

12. CONCERNING TRADE, OUR AIM IS TO IMPROVE THE TRADING SYSTEM. MR. NORMATS RECOMMENDED REVIEWING SECRETARY BROCK'S STATEMENTS IN THE MAY 14 WIRELESS FILE WHICH BEST DESCRIBES OUR POLICY. THE EUROPEAN COMMUNITY IS VERY CAUTIOUS ABOUT ANY CHANGES, AND THE FRENCH DON'T WANT TO DO VERY MUCH AT ALL. THE JAPANESE, HOWEVER, ARE MUCH MORE SUPPORTIVE ON MULTILATERAL ISSUES. WHEN ASKED WHETHER THERE IS A CONSENSUS ON TRADE WITH THE SOVIET UNION, MR. NORMATS REPLIED THAT THERE IS NOT AT THIS POINT. WE ARE NOT AFTER A TRADE WAR OR ECONOMIC WARFARE WITH THE RUSSIANS. THE WEST HAS AN \$8 BILLION DOLLAR EXPOSURE IN THE EAST, AND POLAND AND ROMANIA ARE BIG PROBLEMS. THEY HAVE GAINED REVERSE LEVERAGE, AND DO WE WANT THAT? PUT IN STRICTLY ECONOMIC TERMS, IT IS LUDICROUS TO SUBSIDIZE THE SOVIET ECONOMY WITH WESTERN CREDITS. THE FRENCH DO

NOT WANT TO DISCUSS THIS ISSUE AT VERSAILLES, AND SO MR. NORMATS IS TELLING THEM THAT IF THE ISSUE IS DECIDED BEFOREHAND, THEN GREAT, IT WON'T BE NECESSARY TO DISCUSS IT AT VERSAILLES. BUT HE IS NOT SURE THAT IT WILL BE DECIDED BEFORE.

13. MR. TUCH SAID THAT AMBASSADOR BURNS EXPLAINS OUR POLICY AS LETTING THE MARKET REGULATE ITSELF AND THAT GOVERNMENTS SHOULD NOT INTERFERE WITH THE WORKINGS OF THE MARKET. MR. NORMATS POINTED OUT THAT THIS ARGUMENT IS NOT ACCEPTED BY WILLY BRANDT AND THOSE WHO CARRIED OUT OST-POLITIK. WE SAY THAT IT DOESN'T HELP TO HAVE LARGE VULNERABILITY. MOST OF THE GERMANS UNDERSTAND ARGUMENTS WHICH ARE COMMERCIALY SOUND. MR. NORMATS DEPARTED FOR A SHERPA MEETING.)

14. DIRECTOR WICK SAID THAT PADS ARE SENSITIVE TO ATTITUDES IN THEIR COUNTRIES, AND THEIR VIEWS DEMAND POSITIVE ATTENTION. MR. HEDGES STATED THAT THE FRENCH PERCEPTION IS THAT THE AMERICAN ECONOMY IS OUT OF WACK, THREATENING THE ECONOMIES OF WESTERN EUROPE. DURING HIS EUROPEAN VISIT, THE PRESIDENT SHOULD ADDRESS THAT SUBJECT IN HIS DEPARTURE STATEMENT FROM THE U. S. AND ELSEWHERE. HE SHOULD REFER TO THE HEALTH OF THE AMERICAN ECONOMY, FOR THERE ARE LOTS OF REASONS FOR HOPE, ESPECIALLY WITH THE REDUCTION IN THE INFLATION RATE, WHICH HAS NOT RECEIVED AS MUCH POPULAR ATTENTION AS IT SHOULD.

15. MR. NAU SAID THAT SOME EUROPEANS IDENTIFY THE ADMINISTRATION WITH THE WESTERN COWBOY WHO SHOOTS FROM THE HIP AND WITH CALIFORNIA, WHICH HAS A SUPERFICIAL CHARACTER IN THE EYES OF MANY OF THE EUROPEANS. EUROPE FOR THE REST
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USICA

DIRDIS

FOR DIRECTOR WICK PASS BALDYGA AND SCHNEIDER FROM HEDGES

OF THE DECADE HAS TO COME TO TERMS WITH WHAT IS NEEDED FOR EUROPEAN FOREIGN POLICY. MR. NAU SAID THAT HE HAD BEEN ASTOUNDED BY THE GREAT ATTENTION GIVEN IN EUROPE TO REAGAN AS A CANDIDATE AND THEN BY THE EXTENSIVE COVERAGE OF THE NEW ADMINISTRATION. THIS IS ONE OF THREE BACKGROUND FACTORS. TO AFFECT EUROPEAN ATTITUDES, IT IS IMPORTANT TO HAVE DIALOGUE WITH ALL ELEMENTS OF EUROPEAN OPINION; WE CAN'T HAVE THEM FOCUSED TOO NARROWLY. FOR INSTANCE, THE GERMAN MARSHALL FUND OF THE UNITED STATES CONCENTRATES ON MOST OF THE SAME EAST COAST GROUPS TRADITIONALLY INTERESTED IN FOREIGN POLICY. WE NEED MUCH BROADER EXCHANGE AT ALL LEVELS TO AFFECT EUROPEAN PERCEPTIONS.

16. THE SECOND ISSUE IS IN THE SECURITY FIELD, ABOUT THE RELATIVE POSITION OF THE U. S. AND THE SOVIET UNION IN MILITARY AND STRATEGIC POWER. WE SHOULD NOT FOCUS ON WHO IS AHEAD OF WHOM. IN THE PAST DECADE THE GAP HAS CLOSED RAPIDLY, AS THE SOVIETS HAVE BUILT UP ARMAMENTS, AND HAVE PROJECTED POWER ACROSS THEIR BORDERS. IT IS LESS IMPORTANT WHO IS AHEAD THAN THE CLOSING OF THE GAP, WHICH HAS RATTLED EUROPEAN PERCEPTIONS. WE NEED TO TRY TO SETTLE DOWN, DEVELOP A COMMON PERSPECTIVE. IN THE PAST 2-3 YEARS, SINCE THE NATO 1979 SESSION, THERE HAS BEEN PROGRESS ON THE SECURITY ISSUE BUT NOT ON THE ECONOMIC ONE. THE EUROPEANS ON THE ECONOMIC FRONT DON'T KNOW WHERE THEY ARE GOING, AND FEEL THEY HAVE LOST THE CAPACITY TO COMPETE. ON THE SECURITY ISSUE THEY KICK AND SCREAM, BUT THEY ARE MOVING. THE OTTAWA POLITICAL DECLARATION WAS REMARKABLE FOR THE COMMON VIEW OF THE BASIC SECURITY PROBLEM. HE EXPECTS A SIMILAR STATEMENT FROM THIS SUMMIT. THE FIRST STEP IS TO GET A COMMON ANALYSIS. THE U.S. PRIVATE OBJECTIVE (NOT A PUBLIC ONE) IS TO MOVE TOWARD DEFENSE AND DETERRENCE. THE EUROPEANS SHOULD RECOGNIZE THAT WITHOUT DEFENSE AND DETERRENCE THEY CANNOT EXPECT RESTRAINT ON DEFENSE. IN PUBLIC, WE WILL EMPHASIZE SHARED VALUES, WHAT IT IS THAT WE ARE DEFENDING. AT THE BONN SUMMIT WITH THE SPANISH ACCESSION TO NATO WE HAVE THE OPPORTUNITY TO ACCENT SHARED FUNDAMENTAL DEMOCRATIC VALUES.

15. ON THE ECONOMIC FRONT, MR. NAU CONTINUED, THERE IS NOW IN THE WORLD A MUCH MORE EQUAL DISTRIBUTION OF ECONOMIC POWER, WHICH UNDERLIES THE TRADE PROBLEM WITH JAPAN. IT IS MOST DIFFICULT TO COME TO GRIPS WITH THIS CHANGED RELATIONSHIP IN THE U. S. OUR ECONOMY IS STILL THE MOST IMPORTANT IN THE WORLD, BUT OTHERS IN THE WORLD ARE NOW MUCH MORE IMPORTANT. OVER TIME WE NEED TO DEVELOP A MORE COOPERATIVE ECONOMIC MECHANISM. WE PRODUCE ONE-QUARTER (ABOUT THREE TRILLION DOLLARS) OF THE WORLD'S WEALTH, AND THE DOLLAR AFFECTS ANOTHER ONE-QUARTER OF INTERNATIONAL PRODUCTION. WHEN ASKED HOW WE DEVELOP MORE COOPERATION WHEN THE PERCEPTION IS THAT WE ACT IN FACT WITHOUT THE APPEARANCE OF CONSULTATION, MR. NAU REPLIED THAT, PRIOR TO OTTAWA, OUR ECONOMIC PROGRAM WAS NOT IN PLACE. ON THE ISSUE OF EXCHANGE MARKETS, WE NOW MAY BE ABLE TO TAKE

16. MR. SCHNEIDER ASKED IF THERE IS SOMETHING THE U. S. COULD DO WHICH WOULD BE CONSTRUCTIVE AND CONCRETE. MR. NAU REPLIED THAT THERE COULD BE A COMMON RESOLVE TO DO JOINT STUDIES ON KEY ASPECTS. MR. SCHNEIDER OBSERVED THAT IF THAT IS ALONE FORTHCOMING, IT MIGHT GET A CYNICAL RECEPTION. MR. NAU SAID THAT WE SHOULD NOT OVERLOOK THE IMPORTANCE OF PERCEPTIONS, OF THE VALUE OF THE COMMUNIQUE IN PROJECTING SENSITIVITY TO EUROPEAN PROBLEMS AND COMMITMENT TO THEIR SOLUTION. A PERCEPTION NOW IS THAT WHILE THE U. S. HAS GOTTEN OUR HOUSE IN ORDER, IT DOESN'T GIVE A RAP ABOUT ANYONE ELSE. MR. SCHNEIDER QUESTIONED WHETHER OR NOT THEY DO PERCEIVE OUR HOUSE AS IN ORDER.

17. MR. NAU REPLIED THAT WE ARE MAINTAINING OUR POLICIES. AT THE OECD MINISTERIALS, ONLY THE DANES SAID SOMETHING CRITICAL ABOUT OUR MONETARY POLICIES; THEY ALSO WANT FISCAL DISCIPLINE. WE HAVE SAID THAT WE WOULD INTERVENE ONLY IN DISORDERLY MARKETS, AND WE INTERVENED ONLY AT THE TIME THE PRESIDENT WAS SHOT, ALTHOUGH WE HAVE BEEN CLOSE TO INTERVENING AT OTHER TIMES. AT VERSAILLES THERE COULD BE A COLLECTIVE STATEMENT NOT TO EXCLUDE INTERVENTION IN EXCHANGE MARKETS, TAKING THE UNILATERAL APPROACH AND WRAPPING IT IN A COLLECTIVE STATEMENT. PERHAPS WE CAN HAVE MORE EXTENSIVE CONSULTATIONS.

18. MR. FERNANDEZ ASKED ABOUT STUDIES ON EXCHANGE RATE INTERVENTION. MR. NAU REPLIED THAT OUR TREASURY PEOPLE ARE CONVINCED THAT INTERVENTION DOES LITTLE GOOD; THE BUNDESBANK IS PRIVATELY IN AGREEMENT ALTHOUGH IT CARRIES OUT MORE INTERVENTION THAN WE DO. THERE IS NO STATISTICAL EVIDENCE THAT SHOWS THAT SHOOTING WORKS. BUT WE ARE
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 S E C R E T SECTION 04 OF 11 PARIS 17493

USICA
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 FOR DIRECTOR WICK PASS BALDYGA AND SCHNEIDER FROM HEDGES

WILLING TO HAVE A MEETING WHERE WE ASK THE EUROPEANS TO PUT ON THE TABLE THE RESULTS OF THE EUROPEAN MONETARY SYSTEM, AND WE WILL PUT ON THE TABLE RESULTS OF ANALYSIS BY THE FED OR ANOTHER INDEPENDENT SOURCE. WITH A FOCUS ON THE RECORD OF PERFORMANCE, MAYBE WE CAN COME TO A GREATER COMMON UNDERSTANDING. THERE ARE MANY FACTORS THAT INFLUENCE PEOPLE'S PERCEPTIONS. IT IS TOO EASY TO ASSUME THAT GREAT THINGS CAN HAPPEN AT THE SUMMIT--WE SHOULD BE CAREFUL, CAUTIOUS AND CONSERVATIVE. WE DO NOT EXPECT MAJOR STEPS; WE NEED TO BE CAREFUL AND GO SLOWLY. THE EXPERIENCE SINCE RAMBOUILLET SHOWS THE NEED TO GO SLOWLY; AFTER RAMBOUILLET PEOPLE EXPECTED GREAT PROGRESS AND THERE WASN'T ANY.

19. TO SUMMARIZE ATTITUDES, MOST PEOPLE SCREAM AT OUR MONETARY POLICY AS THE CULPRIT FOR HIGH INTEREST RATES. THIS IS BECAUSE, FIRST, THE PERCEPTION SINCE THE ARRIVAL OF THE THATCHER GOVERNMENT THAT A TOO STRICT MONETARY POLICY WAS NOT GOOD. SECOND, LAST YEAR THEY SAW HIGH INTEREST RATES AS THE DIRECT CONSEQUENCE OF A DELIBERATE MONETARY POLICY. THEY ASSUMED THAT THE U. S. LIKE THEM HAD A LARGE EXTERNAL SECTOR, WHICH THE U. S. DOES NOT HAVE. IT HAS TAKEN A YEAR TO CONVINCE THEM THAT THE U. S. IS NOT TRYING TO AFFECT INTEREST RATES THAT WE ARE NOT MANIPULATING MONETARY POLICY TO TRY TO ACHIEVE CERTAIN TARGETS ON INTEREST RATES. A VIEW EXPRESSED BY SECRETARY REGAN IS THAT MONETARY POLICY HAS BEEN TOO STRICT OVER THE PAST YEAR. THE ORIGINAL PROJECTION OF THE ADMINISTRATION WAS FOR REDUCTION OF THE MONEY SUPPLY'S GROWTH FROM 8 PERCENT-7 PERCENT-6 PERCENT-5 PERCENT-4 PERCENT FROM 1980-84, THUS A 1 PERCENT LOWERING OF THE RATE OF INCREASE PER YEAR. INSTEAD, THE FED WENT FROM 8 PERCENT IN 1980 TO 5 PERCENT IN 1981. SOME PEOPLE BELIEVE THIS DRASTIC REDUCTION BROUGHT THE DEEP RECESSION.

20. MR. NAU SAID WE HAVE CHANGED THE WAY WE OPERATE MONETARY POLICY, AND NOW WE WORK WITH AGGREGATES. HE DOESN'T CLAIM TO UNDERSTAND ALL THE TECHNICAL ASPECTS, BUT IF ONE LOOKS AT THE SHORT-TERM PERFORMANCE OF THE FED, IN THREE QUARTERS LAST YEAR MONEY SUPPLY GROWTH VARIED FROM 17 PERCENT TO 8 PERCENT TO 11 PERCENT--A VERY ERRATIC PERFORMANCE. SOME PEOPLE FEEL THAT THE LONG-TERM TREND AND THE SHORT-TERM VOLATILITY HAVE RESULTED IN RAISING INTEREST RATES ABOVE WHAT THEY WOULD HAVE BEEN OTHERWISE. IN ADDITION TO MONETARY POLICY, WE HAVE THE PROBLEM OF THE BUDGET DEFICIT, AND SOME PEOPLE FEEL THAT IF IT IS IMPOSSIBLE TO REDUCE THE BUDGET DEFICIT, THE FED WILL THEREFORE HAVE TO RELAX THE GROWTH OF THE MONEY SUPPLY AND THAT INFLATION WILL THEN TAKE OFF.

21. DIRECTOR WICK SAID THAT ONE OF THE KNOTTIEST PROBLEMS IS THE NUCLEAR ONE. WE HAVE LOST GROUND SINCE '79 IN RESOLVE AND POLITICAL CAPACITY AND ABILITY TO CONVINCE ELECTORATES. THE COMMON PERSUASIVE THEME OF THE OPPONENTS IS IF THERE ARE ENOUGH MISSILES TO KILL 6-7 TIMES OVER, WHY NOT FREEZE ALL NUCLEAR WEAPONS. IF YOU READ EUGENE

ROSTOV, YOU SEE THAT RUSSIA'S FIRST-STRIKE CAPACITY IS SUCH THAT WE WOULD NOT BE ABLE TO USE OUR MISSILES.

22. MR. NAU SAID THAT THERE IS A DISTINCTION BETWEEN THE VIEWS OF GOVERNMENTS AND PUBLIC OPINION. IN WORKING WITH THE POLICIES OF GOVERNMENTS THERE HAS BEEN REAL PROGRESS SINCE 1979, ESPECIALLY WITH SCHMIDT. THIS RESULTED IN THE MAY NATO AND IN THE OTTAWA DECLARATIONS. HOWEVER, SOME FEAR THAT WE GO TOO FAR AND IGNORE ARMS CONTROL AND DIALOGUE. WE WILL CONTINUE TO SEE IN THE WORK OF NATO EVIDENCE THAT THE PROBLEM IS RECEIVING SERIOUS ATTENTION.

23. BUT WE HAVE TO CONTEND WITH PUBLIC OPINION AND THE RISE OF CONCERN ON NUCLEAR POLICIES. THAT IS A FACTOR IN OUR OWN ELECTIONS THIS FALL. MR. NAU SAID HE FEELS THAT THE PRESIDENT'S SPEECH AT EUREKA IS A GOOD SCENE-SETTER FOR THE EUROPEAN TRIP. THAT SPEECH HAD BEEN IN THE WORKS FOR A WHOLE YEAR. OUR FEELING IS THAT WE NEED TO HAVE A BALANCED APPROACH WHICH CAN EMPHASIZE SHARED VALUES AND ACCOMPLISHMENTS IN EUROPE. IN THE EUREKA SPEECH SENSITIVE POSITIONS ARE STATED IN REGARDS TO ARMS CONTROL. WITH A SENSIBLE AND BALANCED POSITION WE BELIEVE WE CAN GET THROUGH THE TRANSITION PERIOD. SINCE THERE HAS BEEN IN EUROPE A PERCEPTION OF A CLOSING GAP, THEY ARE RATTLED AND NOT SURE IF WE ARE, FIRST, STRONG ENOUGH; SECOND, COMMITTED, AND THIRD, THEY ARE ALSO FEARFUL THAT THERE IS PERHAPS MORE DANGER NOW THAN BEFORE.

24. MR. ARNOLD REITERATED HIS UNDERSTANDING THAT PRIVATELY AT BONN THE ADMINISTRATION WILL BE EMPHASIZING DETERRENCE. MR. TUCH STATED THAT THE PUBLIC EMPHASIS ON SHARED VALUES FOR THE PRESIDENT'S TRIP IS AN IMPORTANT AND GOOD CONCEPT. THERE IS A SIGNIFICANT MINORITY OF PUBLIC OPINION WHICH IS YEARNING FOR PEACE AND ECONOMIC SECURITY, AND THEY SEE THAT THESE PARTICULAR VALUES ARE NOT SHARED BY US. THEY SEE US AS PRINCIPALLY DESIRING TO WIN A CONFLICT WITH THE SOVIET UNION--THESE ARE OVERSIMPLIFICATIONS, BUT ONE HAS TO OVERSIMPLIFY IN DEALING WITH PUBLIC PERCEPTIONS. THEY THINK WE ARE CONCERNED WITH THE ECONOMIC SECURITY OF THE
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 FOR DIRECTOR WICK PASS BALDYGA AND SCHNEIDER FROM HEDGES

TION OF INJUNCTIONS TO OTHER ORGANIZATIONS TO PRESERVE
 AND EXPAND THE TRADING SYSTEM OF THE 1980S, FOR
 INSTANCE, ALTHOUGH THE FRENCH HAVE NOT INTEREST IN PLAYING
 THIS OUT BEYOND A CERTAIN POINT.

35. MR. TUCH SAID THAT THE QUALITY OF THE RHETORIC WOULD
 BE EXTREMELY IMPORTANT, AND THAT THE PRESIDENT'S NOVEMBER
 18 SPEECH HAD EXACTLY THE QUALITY NEEDED, ON THE ONE HAND
 STATESMANLIKE AND ON THE OTHER HAND PERSONAL. IN HIS
 PRESS CONFERENCE THE PREVIOUS NIGHT THE PRESIDENT STATED
 PERFECTLY, "I HAVE LIVED THROUGH TWO WORLD WARS, AND I
 WANT MY CHILDREN NOT TO LIVE THROUGH THE SAME."

36. MR. HEDGES SAID THAT THE AUDIENCE AIMED AT BY THE
 PRESIDENT SHOULD BE THE GENERAL EUROPEAN PUBLIC, NOT ITS
 INTELLECTUALS. WHEN THE PRESIDENT GOES TO SEE THE MAYOR
 OF PARIS, THERE WILL BE A LOT OF PARISIANS WHO WILL WANT
 TO CHEER HIM; DESPITE SECURITY CONSIDERATIONS, PEOPLE
 SHOULD KNOW THE PRESIDENT'S ROUTE. AT LEAST IN FRANCE
 THERE ARE A LOT OF PEOPLE WHO WANT TO EXPRESS THEIR
 SYMPATHY FOR THE U. S. MR. TUCH SAID THAT THE LIVE
 PRESS CONFERENCE IN GERMANY WOULD BE THE OPPORTUNITY
 TO TALK TO THE PUBLIC AS ONLY HE CAN DO; HE CAPTURED
 THE IMAGINATION OF THE WORLD ON NOVEMBER 18. MR. ARNOLD
 SAID THE PRESIDENT NEEDED TO MAKE PUBLIC STATEMENTS IN A
 CONTROLLED FASHION. MR. NAU SAID THEY WANTED TO MAXIMIZE
 SPONTANEITY. SECRETARY HAIG UNDERSTANDS EUROPE AND TRIES
 TO CONVEY COMPLEX IDEAS. THE SECURITY CONSIDERATION IS
 PARAMOUNT BUT WE HOPE TO ACHIEVE A BALANCE. WE CAN'T
 BRING THE PRESIDENT OVER HERMETICALLY SEALED. WE WANT TO
 CONTRAST WITH THE WAY BREZHNEV CAME TO WESTERN EUROPE.
 DIRECTOR WICK DID NOT AGREE, AND SAID THAT HE WOULD
 EXPRESS THE HERESY THAT THE IDEA THAT ONE NEEDED TO APPEAR
 PHYSICALLY BEFORE THE PUBLIC WAS A HOLDOVER BEFORE THE AGE
 OF THE IMPACT OF TELEVISION, AND THAT TENS OF MILLIONS OF
 TELEVISION VIEWERS WOULD NEVER KNOW IF THE PRESIDENT WAS
 APPEARING BEFORE A LIVE AUDIENCE OR NOT.

37. MR. BURNETT SAID THE MOST IMPORTANT SPEAKING DATES
 WOULD BE THOSE WITH THE MEDIA, AND THAT THE PRESIDENT'S
 MESSAGE SHOULD BE THAT OF PEACE, NOT DETERRENCE, NOT
 DEFENSE, NOT CRUISE MISSILES. THE DIRECTOR SAID WE ARE
 THE PEACE MOVEMENT. MR. HEDGES ADDED YES, BUT NOT AT ANY
 PRICE. THE DIRECTOR ASKED WHAT MRS. REAGAN'S PUBLIC
 ACTIVITIES WOULD BE. MR. HEDGES MENTIONED THE PETIT
 PALAIS, GIVERNY AND NORMANDY EVENTS--BUT EMPHASIZED THAT
 NORMANDY WOULD HAVE THE BIG IMPACT. MR. ARNOLD ADDED
 THAT THE FIRST LADY CAN PLAY A USEFUL AND SUBSTANTIVE
 ROLE, AND THAT IT WAS WORTH IT TO PUT THAT GUB IN
 SOMEBODY'S EAR.

38. MR. NAU ASKED IF THERE WAS MUCH COMMENTARY IN EUROPE
 ON THE CLOSENESS IN A HUMAN WAY OF THE REAGANS; THE
 DIRECTOR REPLIED THAT SHE WAS NOT SEEN ON TELEVISION AS
 MUCH IN EUROPE AS IN THE STATES, AND ADDED THAT IF MRS.
 REAGAN COULD PROJECT THE SAME IMPRESSION OF WARMTH THAT

SHE DOES IN THE STATES THAT IT WOULD BE VERY VALUABLE.
 MR. HEDGES SAID THAT ONE "PARIS-MATCH" PICTURE STORY
 ON BOTH REAGANS, WITH QUESTIONS DIRECTED TO THE PRESIDENT,
 WAS HOPEFULLY IN THE WORKS. THE DIRECTOR EMPHASIZED THE
 NEED TO OPTIMIZE THE IMPACT OF THE PRESIDENT'S VISIT. HE
 THEN TOLD MR. NAU THAT HE WAS IN PARIS FOR A MEETING ON
 THE YOUTH EXCHANGE PROPOSAL AND HAD DECIDED TO COME A DAY
 EARLIER FOR NAU'S MEETING, AND ASKED NAU EXACTLY WHAT WERE
 THE INSTRUCTIONS HE HAD RECEIVED IN WASHINGTON FOR THIS
 MEETING. MR. NAU REPLIED THAT, AS A RESULT OF THE USICA
 REQUEST, THEY WERE DIRECTED TO CONDUCT A BRIEFING ON SUM-
 MIT ISSUES FOR CONCERNED PAOS AND THEY HAD DECIDED ON
 PARIS SINCE THEY WOULD BE COMING HERE. MR. NAU WONDERED
 IF THE WHITE HOUSE ADVANCE TEAM HAD ADDRESSED THE PUBLIC
 RELATIONS ASPECT, BUT WAS TOLD THAT THEY HAD BEEN
 INTERESTED IN THE LOGISTICAL ASPECTS OF THE TRIP. MR.
 HEDGES SAID THERE HAD BEEN NO OPPORTUNITY FOR THE PAOS TO
 COMPARE NOTES COLLECTIVELY IN ORDER TO DISCUSS ITS OVERALL,
 ORCHESTRATED IMPACT. DIRECTOR WICK STATED THAT THE PAOS'
 ASSESSMENT WAS VERY IMPORTANT SINCE THE PRESIDENT WOULD
 ADDRESS THE MARKET WHICH THE PAOS KNEW BEST. MR. NAU
 SAID THAT MR. HORMATS KNEW BEST THE ISSUES AND THE CONTEXT,
 SINCE THE KEY MEETINGS WERE WHERE HE MET HIS COUNTERPARTS
 IN RESTRICTED LUNCHEES AND DINNERS, AND THAT HORMATS
 COMMUNICATES DIRECTLY TO CLARK AND DEEVER ON SUBSTANCE.
 MR. TUCH ASKED IF SUBSTANCE FOR THE PRESIDENT'S SPEECHES
 WAS DETERMINED BY THE NSC, MR. NAU REPLIED THAT MESSRS.
 HORMATS, SPRINKEL AND HIMSELF DO AFFECT THE SUBSTANCE OF
 THE PRESIDENT'S SPEECHES AS WELL AS MR. GERGEN. MR.
 BURNETT SAID THAT IT WAS EXTREMELY VALUABLE TO HAVE A PRE-
 VIEW OF WHAT WAS GOING TO BE SAID, TO BE PREPARED TO

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FOLLOW UP.

39. DIRECTOR WICK ASSESSED THE PAOS TO ADDRESS THE PUBLIC AFFAIRS SITUATION IN THEIR COUNTRIES. MR. HEDGES SAID THAT THERE WERE NOT TOO MANY PROBLEMS FORESEEN IN FRANCE IN BILATERAL EVENTS SINCE THERE WERE FEW PUBLIC PRONOUNCEMENTS SCHEDULED. IN THE PRESIDENT'S ONE-ON-ONE WITH MITTERRAND, THE FRENCH WERE NERVOUS, FOR THEY DID NOT WANT IT TO APPEAR THAT MITTERRAND WAS GIVING SPECIAL TREATMENT TO ONE HEAD OF STATE AT THE EXPENSE OF THE OTHERS ATTENDING THE SUMMIT. AFTER MEETING MITTERRAND, THE PRESIDENT WOULD BRIEFLY SEE THE PRESS. OTHERWISE THERE WOULD BE PHOTO OPPORTUNITIES PRIMARILY. MR. NAU ASKED IF THERE WERE ANYTHING TO REINFORCE IN THAT MEETING WITH THE PRESS, BEARING IN MIND THAT WE DID NOT WANT TO PRECOOK THE OUTCOME OF THE SUMMIT IN THE PUBLIC MIND.

40. MR. HEDGES SAID THAT THE MAJOR PROBLEM WAS THE WAY TO ANNOUNCE THE MEETING. MR. ELY ADDED THAT PRESIDENT MITTERRAND WAS GLAD TO HAVE THE OPPORTUNITY TO MEET WITH THE PRESIDENT, BUT THAT HE WAS PREOCCUPIED WITH THE SUMMIT AND DID NOT WANT TO CAUSE PROBLEMS WITH THE OTHER CHIEFS OF STATE. THUS, THE FRENCH DID NOT WANT TO CALL IT AN OFFICIAL OR WORKING VISIT. THEY GAVE IN ON THE VISIT TO THE MAYOR OF PARIS, PROVIDED IT BE VIEWED AS A PRIVATE VISIT. MR. HEDGES SAID THE PRESIDENT'S REMARKS TO CHIRAC SHOULD EMPHASIZE THE SPECIAL AFFINITY OF AMERICANS FOR PARIS AND THE PEOPLE OF FRANCE. MR. NAU ASKED IF THERE WOULD BE A STATEMENT AFTER THE LUNCH WITH MITTERRAND AND MR. HEDGES REPLIED THAT THERE COULD BE A BRIEF COMMUNIQUE. MR. ELY NOTED THAT THE TWO PRESIDENTS WOULD COME OUT TOGETHER ON THE STEPS OF ELYSEE PALACE, AT WHICH TIME THERE WOULD BE A PHOTO OPPORTUNITY. MR. NAU ASKED WHETHER THE SECRETARY OF STATE SHOULD GIVE A SUBSTANTIVE BRIEFING ON BACKGROUND AFTER THE MEETING OF THE TWO PRESIDENTS, AND MR. HEDGES SAID THAT IT WAS HARD TO TELL, BUT THAT IN CASE THE FRENCH GAVE US THE SHIV, WE HAD TO BE READY. MR. NAU SAID THAT HE ASSUMED THAT THE FRENCH WOULD NOT GIVE US THE SHIV, AND THEN IT WOULD BE AN OPPORTUNITY FOR THE SECRETARY TO UNDERSCORE THE EXCELLENT RELATIONS BETWEEN FRANCE AND THE U. S.

41. MR. SCHNEIDER ASKED IF THERE WOULD BE SUBSTANTIVE MEDIA PROBLEMS AT VERSAILLES. MR. HEDGES SAID THERE WOULDN'T BE BECAUSE OF THE VERY CONTROLLED PROGRAM. THERE WERE SOME TECHNICAL, LOGISTICAL PROBLEMS, WHICH ARE BEING TREATED. IT WAS MENTIONED THAT THE U. S. BLANKET BRIEFINGS AT OTTAWA HAD CAUSED MUCH CRITICISM; MR. ARNOLD SAID THAT THE BRITISH HAD BEEN FURIOUS, AND THAT WE HAD BEEN TOO CLEVER. MR. NAU REPLIED THAT THE CANADIENS HAD NOT BEEN ALL THAT UPSET. HOWEVER, WE ARE NOW CONCERNED NOW VERSAILLES COMES OUT. NEVERTHELESS, WE WOULD NOT HOLD BACK BUT WOULD CONTINUE TO DO THINGS AS WE NORMALLY DO. MR. NAU ASKED WHETHER THE FRENCH WERE WORRIED THAT WE WOULD TRY TO UPSTAGE THEIR SHOW, MEDIA-WISE. MR. HEDGES REPLIED THAT AS FAR AS THE PRESIDENT

WAS CONCERNED, NO SUCH WORRY WAS APPARENT NOW. MR. NAU MENTIONED THAT NO DIRECT CONTACT BY THE LEADERS WITH THE PRESS OUTSIDE THE PRESS CONFERENCE WAS FORESEEN. MR. HEDGES SAID THAT THE VISIT TO THE MAYOR OF PARIS WAS A SALUTE TO THE PARISIANS AND AN OPPORTUNITY TO TIP THE AMERICAN HAT TO THE FRENCH PEOPLE, A STRICTLY NON-SUBSTANTIVE EVENT BUT REAL OPPORTUNITY FOR WARMING FRENCH HEARTS. MR. ELY SAID THAT THE VISIT WAS NICELY FRAMED, AND THAT THE PRESIDENT WOULD GO FROM CITY HALL DIRECTLY TO VERSAILLES.

42. MR. BURNETT SAID THAT THE DETAILS OF THE ROME VISIT WERE WITH MR. DEEVER. ITALY WOULD BE VERY MUCH AFFECTED BY WHAT WAS SAID IN THE OTHER COUNTRIES. THE PRESIDENT WOULD MAKE A STATEMENT BEFORE LEAVING. HE POINTED OUT THAT THERE WOULD BE AN ENORMOUS DEMONSTRATION TWO DAYS BEFORE THE PRESIDENT'S ARRIVAL. HE FURTHER STATED THAT THE ITALIANS ARE FOCUSSED ON THE MISSILE INSTALLATION AND ON PEACE. HE STATED THAT WE CAN'T HOPE TO CAPTURE THE HARD-CORE MEMBERS OF THE PEACE MOVEMENT, WHO ARE COMMUNIST, BUT WE CAN HOPE TO CAPTURE THOSE AROUND THE EDGES OF THE PEACE MOVEMENT. WE SHOULD EMPHASIZE THAT NATO HAS KEPT THE PEACE AND HAS BROUGHT THE SOVIETS TO THE BARGAINING TABLE. THE RESPONSE TO WESTERN WEAKNESS WAS THE SOVIET BUILDUP, WHILE THE RESPONSE TO THE WESTERN BUILDUP IS NEGOTIATIONS. THERE IS GREATER PUBLIC AWARENESS THAT THE CONTINUED WORK ON THE MISSILES IS RELATED TO PEACE AND TO ARMS REDUCTIONS. FINALLY, THE SIMPLER AND MORE FREQUENT THE PRESIDENT'S MESSAGES, THE BETTER.

43. MR. ARNOLD SAID THAT ONE COULD NOT FORESEE THE
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SITUATION CONCERNING THE FALKLANDS IN ANOTHER THREE WEEKS. THE BRITISH PUBLIC HAD BEEN INITIALLY ANGRY ABOUT THE U. S. POSITION, ALTHOUGH THE GOVERNMENT KNEW WHERE WE STOOD. IN HIS 36 HOURS IN LONDON, THE PRESIDENT WOULD BE WITH QUEENS AND CASTLES--BAD FOR PUBLIC RELATIONS BUT HE HAD BEEN INVITED BY THE QUEEN AND WOULD STAY IN THE PALACE. THE PRESIDENT WILL MAKE TOASTS AT BANQUETS AND, WITH MRS. THATCHER, MEET THE PRESS OUTSIDE 10 DOWNING STREET. THERE WOULD BE ONE SUBSTANTIVE SPEECH AT WESTMINSTER WHICH WOULD BE TELEVISED, AND THE FOCUS SHOULD BE TO CAPTURE THE PEACE MOVEMENT, WHICH IS LARGE AND MOVEABLE. A RESIDUAL IMPRESSION IN BRITAIN IS OF THE PRESIDENT AS A COWBOY--IS THIS THE MAN THE BRITISH CAN TRUST WITH THEIR FATE? THE PRESIDENT'S SPEECH SHOULD BE JUST THE OPPOSITE OF THE KENNEDY BERLIN SPEECH: THAT IS, IT SHOULD NOT BE HISTRIONIC. THE CORE OF WHAT THE PRESIDENT SAYS SHOULD REFLECT QUIET CONFIDENCE, SATISFACTION WITH THE 35-YEARS OF PEACEMAKING OF NATO. WE SHOULD NOT BE AFRAID OF THE COMMUNISTS, BECAUSE THEY HAVE A FAILED IDEOLOGY AND A FAILED ECONOMIC SYSTEM, BUT WE SHOULD ONLY MENTION THIS AND NOT DWELL ON IT. HE SHOULD EMPHASIZE PEACE AND SHARED VALUES. MR. NAU ASKED INTELLECTUAL STRUCTURE. MR. ARNOLD REPLIED THAT THAT APPROACH IS VERY EUROPEAN--WHAT THEY LOVE--AND THAT THAT IS THE REASON THEY LIKED KISSINGER. MR. HEDGES INTERJECTED THAT THE IMAGE OF THE COWBOY HAD MORE POSITIVE THAN NEGATIVE CONNOTATIONS FOR THE FRENCH. WHILE IT COULD BE THAT OF A GUN-SLINGING COWBOY, THE POSITIVE IMAGE OF JOHN WAYNE OR THE PRESIDENT CRACKING JOKES AFTER BEING SHOT PREVAILS IN FRANCE. THE DIRECTOR SAID THAT THE PRESIDENT IS A MAN OF THE PEOPLE WITHOUT INTELLECTUAL PRETENSE, AND THAT THERE IS NOTHING MORE PERSUASIVE THAN VINTAGE RONALD REAGAN. MR. NAU POINTED OUT THAT THE PRESIDENT ALWAYS HAS HAD A STRONG PHILOSOPHICAL SENSE, WHICH COULD BE INCLUDED NATURALLY IN HIS SPEECHES. TWO PARTICIPANTS SAID IT WOULD BE NECESSARY TO STAY AWAY FROM PURELY AMERICAN CONTEXT NOT UNDERSTOOD IN EUROPE, I.E., THE LOCKER ROOMS AT EUREKA COLLEGE.

44. THE DIRECTOR MENTIONED THAT IN THE U. S. ONE OF THE PUBLIC IMAGE PROBLEMS OF THE PRESIDENT IS THE IMPRESSION THAT HE WAS ONLY RICH FRIENDS. MR. ARNOLD SAID THAT THEY WERE TRYING TO COUNTERACT THIS IMPRESSION IN ACTIVITIES WITH MRS. REAGAN, BUT THAT SECURITY REASONS MADE IT DIFFICULT TO DO WITH THE PRESIDENT. MR. NAU POINTED OUT THAT SINCE THE PRESIDENT WAS RIDING WITH THE QUEEN, BALANCE WAS NEEDED.

45. MR. TUCH SAID THAT, IN TERMS OF GERMANY, THE WHITE HOUSE PRESS PEOPLE FIRST SHOULD CONCENTRATE ON COMMUNICATING WITH THE EUROPEAN PRESS AND NOT GIVE THE WHITE HOUSE PRESS THE USUAL PREFERENCE. AT LEAST THE EUROPEAN PRESS SHOULD NOT BE DISCRIMINATED AGAINST IN BRIEFINGS AND POOL ARRANGEMENTS. IN EUROPE THE BEST WAY TO COMMUNICATE WITH EUROPEANS IS THROUGH THEIR PRESS. SECOND, ON THE SUBSTANTIVE LEVEL, THE U. S. IS SECOND TO NONE IN THE

QUEST FOR WORLD PEACE, ECONOMIC SECURITY AND JUSTICE, AND IN THAT EFFORT, WE INSIST ON BEING NUMBER ONE. THE PRESIDENT SHOULD TREAT IN SYMPATHETIC AND POSITIVE TERMS THE HOPES AND FEARS OF THE CRITICAL YOUNGER GENERATION OF GERMANS TO GIVE THE LIE TO THE CANARD THAT THE U. S. GIVES ONLY A MILITARY EMPHASIS WHILE THE SOVIETS ARE THE BEARER OF PEACE. THE PRESIDENT SHOULD SUSTAIN AND GIVE ENCOURAGEMENT TO THOSE ELEMENTS IN GERMANY WHICH ARE SUPPORTIVE TO THE U. S. AND OUR GOALS, UNDERSCORING THE SHARED PHILOSOPHICAL AND ETHICAL PRINCIPLES THAT FORM THE FOUNDATION OF THE U. S.- GERMAN RELATIONSHIP, TO CHAMPION MANKIND'S ASPIRATIONS FOR PEACE AND PROSPERITY. U. S. FOREIGN POLICY SEEKS TO ESTABLISH AN INTERNATIONAL ORDER THAT ENCOMPASSES FREEDOM, AND IS NOT AIMED ONLY AGAINST AN ALIEN IDEOLOGY OR SOVIET IMPERIALISM.

46. DIRECTOR WICK SAID THAT THE PRESIDENT SHOULD CONCENTRATE ON THE POSITIVE. NEVERTHELESS, NO MATTER WHAT HE DOES, THERE IS A GROWING WAVE OF OPINION WHICH WANTS A FURTHER REDUCTION IN NUCLEAR WEAPONS BY THE U. S. EUGENE ROSTOV HAS POINTED OUT THAT WE MUST ENSURE THAT WE NOT REMAIN IN THE POSITION WHERE ANY NATION WITH A FIRST STRIKE COULD DESTROY OUR MISSILES. THE DIRECTOR SAID THAT HE CONSIDERED HIMSELF A HAWK, ALTHOUGH HE FOUND HIMSELF PERSUADED BY MUCH OF THIS TALK OF THE REDUNDANCY OF DESTROYING THE RUSSIANS MANY TIMES OVER. WHEN WE GET TO THE UNCLOUDED BOTTOM LINE, THE ISSUE IS SURVIVAL. MR. NAU SAID THAT HIS SENSE WAS THAT THE VISIT TO BONN WOULD BE THE TOUGHEST VISIT. THERE WOULD BE A DIFFERENCE IN WHAT THE PRESIDENT DOES AT THE NATO SUMMIT WHERE SPAIN JOINS, AND WE EMPHASIZE SHARED VALUES AND THE VITALITY OF THE

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ALLIANCE. WE MUST SHOW OUR DETERMINATION TO MOVE AHEAD ON THE STRATEGIC SIDE. THE DIFFICULTY IS TO DIFFERENTIATE BETWEEN THE ADDRESS AT THE BUNDESTAG AND WHAT GOES ON AT NATO. IF WE ASSUME AN EASY ESCAPE BY DEFINING MANAGEMENT OF WEAPONS AS BEING PEACE, THEN WE ALLOW A POTENTIAL AGGRESSOR TO ESCAPE THE FEAR OF NUCLEAR WEAPONS. MR. TUCH INTERJECTED THAT IT WAS TERRIBLY DIFFICULT TO MANAGE NUCLEAR WEAPONS BUT WE HAVE DEDICATED OURSELVES TO ARMS NEGOTIATIONS AT GENEVA, THE START TALKS, AND WE WILL MANAGE NUCLEAR DESTRUCTION. MR. HEDGES SAID THAT THE ALTERNATIVES TO MANAGING THE NUCLEAR WEAPONS ISSUE WOULD BE TO TIE A CHAIN AROUND OUR NECKS AND LIE DOWN OR ELSE TO RIDE THE NEUTRON BOMB DOWN WITH DR. STRANGELOVE. DIRECTOR WICK STATED THAT IF WE PERMIT THE SOVIETS TO HAVE A FIRST STRIKE CAPABILITY TO RENDER OUR MISSILES USELESS, THEN WESTERN EUROPE WOULD BECOME LIKE CZECHOSLOVAKIA, AFGHANISTAN AND POLAND IN GERMANY, WITH ALL THE FERMENT AGAINST MISSILE DEPLOYMENT, POLLS SHOW THAT THE GERMANS WOULD STILL RATHER FIGHT THAN BE EITHER RED-OR-DEAD. MR. ARNOLD STATED THAT IT WAS CRITICAL TO UNHAST THE VERY UNILATERAL PEACE MOVEMENT WHICH WAS TOTALLY QUIET WHEN THE SOVIETS WERE INSTALLING THE SS-20S. THEY ARE ASKING FOR SLOW STEP-BY-STEP SURRENDER AND THEIR BLUFF SHOULD BE CALLED. DIRECTOR WICK SAID THAT PERHAPS THE PRESIDENT COULD USE A CHART SHOWING SS-20 DEPLOYMENT; MR. NAU POINTED OUT THAT NATO HAD ALREADY DONE THIS. THE DIRECTOR SAID THAT THE CHART WOULD SHOW GRAPHIC SYMBOLS TARGETING EVERY MAJOR WEST EUROPEAN CITY, THE IDEA BEING THAT THE UTILIZATION OF THESE WOULD RENDER ANY COUNTERFORCE TOTALLY INEFFECTIVE. THE PEACENIKS SAY THAT WITH ALL THE MISSILES DEPLOYED IN THE LAST 35 YEARS, WHY ARE MORE NEEDED? THE SIMPLE FACT IS THAT IF THEY ARE UNAVAILABLE, THEN EUROPE IS AT THEIR MERCY, WHICH SEEMS CRYSTAL CLEAR. MR. ARNOLD COMMENTED THAT THE PRESIDENT'S SPEECH THEN WOULD BECOME TOTALLY DIFFERENT FROM WHAT HAD BEEN DISCUSSED FOR THE PREVIOUS THREE HOURS. THE DIRECTOR STATED THAT IF WE CAN'T ACHIEVE DEPLOYMENT OF THE CRUISE AND PERSHING, THE PROBLEM OF SPLITTING THE U. S. AWAY FROM EUROPE WILL APPEAR.

47. MR. WOZNIAK POINTED OUT THAT PEACE DOES NOT EXIST IN A VACUUM, BUT THAT WE LIVE IN THE REAL WORLD. MR. ARNOLD SAID THAT THERE IS A PROBLEM OF CREDIBILITY ON THE FIRST STRIKE ARGUMENTS, BECAUSE MANY CONSIDER THE SUBMARINES INVULNERABLE, AND THAT THE ARGUMENTS ARE VERY COMPLICATED.

48. MR. TUCH STATED THAT THE PROBLEM IS THAT WE ARE NOT DEALING WITH A RATIONAL AUDIENCE, THAT THE PRESIDENT HAS TO APPEAL TO EMOTION WITH RATIONALITY. FIRST OF ALL, WE ARE NUMBER ONE IN PEACE, BUT BEING RESPONSIBLE PEACENIKS, WE HAVE TO DEAL WITH THE COMPLICATED ISSUES OF VERIFICATION. WE HAVE TO MAKE THE GERMANS AWARE THAT WE WILL DO EVERYTHING IN OUR POWER TO TAKE RATIONAL STEPS TOWARD DISARMAMENT. IN THE AUDIENCE ARE THOSE WHO BELIEVE IT IS BETTER TO BE RED THAN DEAD, WHO ARE FOR UNILATERAL

DISARMAMENT, WHO HAVE LIVED ALL THEIR LIVES IN A FREE SOCIETY AND DON'T KNOW WHAT IT IS LIKE TO LIVE IN POLAND OR CZECHOSLOVAKIA. THE PRESIDENT HAS TO SAY THAT WE WILL NOT HAVE A NUCLEAR HOLOCAUST, THAT WE WILL WORK TOWARD A WORLD AT PEACE. MR. EISENSTADT POINTED OUT THAT MANAGEMENT OF PEACE IS DIFFICULT FOR DEMOCRACIES BUT THAT WE SHOULDN'T TAKE A NEGATIVE TACK. MR. GRADY SAID THAT WE SHOULD NOT ONLY SAY ALL THESE THINGS, WE SHOULD ALSO SHOW WE MEAN THEM; WE SHOULD POINT OUT THAT, IN FACT, SERIOUS NEGOTIATIONS ARE TAKING PLACE. MR. NAU SAID THAT THE GERMAN VISIT WOULD BE THE MOST DIFFICULT, SINCE AN IMAGE EXISTS OF THE PRESIDENT AS A COWBOY AND AS NOT A PEACE-SEEKER. THREE THINGS TO CONSIDER ARE: THE CONCEPTION THAT THE BALANCE HAS CHANGED OVER THE PAST 18 YEARS, THAT WE CAN'T HANDLE THE PROBLEMS, AND THAT THE GERMANS HAVE MEMBERS OF THEIR FAMILIES IN EASTERN EUROPE. MANY GERMANS ARE READY TO ACCOMMODATE HUMAN CONTACTS IN ALTERNATIVE SOCIETIES MUCH MORE THAN WE OR THE FRENCH ARE. MR. NAU SAID THAT HE UNDERSTOOD THIS, ESPECIALLY BECAUSE HIS FATHER HAD BEEN AN IMMIGRANT TO THE U. S. FROM GERMANY AND THAT HE HIMSELF VISITS HIS RELATIVES IN GERMANY. MANY GERMANS DO NOT THINK THAT ALL IS REPUGNANT IN EASTERN EUROPE AND POINT OUT HOW MUCH PROGRESS HAS BEEN MADE IN CERTAIN ASPECTS OF EAST GERMANY SOCIETY. THE DIRECTOR AND MR. EISENSTADT SAID THAT WEST GERMANS WEREN'T WILLING TO GO TO EAST GERMANY AND LIVE THERE AND THAT THERE ARE NO EXAMPLES OF GERMANS CROSSING THE BERLIN WALL FROM WEST TO EAST.

49. MR. TUCH SAID THAT THE PRESIDENT SHOULD ADDRESS THE HOPES AND FEARS OF THE YOUNG. AMBASSADOR ARTHUR BURNS
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HAS SAID RECENTLY THAT WE HAVE GOTTEN NOTHING OUT OF DETENTE, THAT IT HAS BEEN A NEGATIVE EXPERIENCE FOR THE U. S., BUT WE RECOGNIZE THAT THE GERMANS HAVE BEEN ABLE TO HAVE A CERTAIN EASING OF THE SITUATION AROUND BERLIN, CERTAIN CONTACTS WITH FRIENDS AND RELATIVES IN THE EAST, AND ARE INTERESTED IN MAKING THEIR LIVES EASIER. MR. EISENSTADT STATED THAT IT IS TO OUR ADVANTAGE TO ENCOURAGE EASTERN EUROPEAN VESTED INTERESTS IN HAVING CONTACTS WITH THE WEST, AS IN HUNGARY. MR. TUCH SAID WE HAVE TO RECOGNIZE WE HAVE DIFFERENT INTERESTS AND DIFFERENT PERCEPTIONS OF THESE INTERESTS. THE WEST GERMANS CAN VISIT, SEND PACKAGES, A MOTHER CAN COME FROM EAST GERMANY AND LIVE IN THE WEST, AND ONE CAN'T SAY THAT NOTHING HAS BEEN ACHIEVED. IT COULD BE EPHEMERAL, BUT AT THIS POINT IT IS REAL. MR. SCHNEIDER SAID THAT TO PROTECT THE PEACE ONE HAS TO HAVE REALISTIC GOALS IN MIND. MR. NAU SAID THE TASK IS DIFFICULT; WITH THEIR EMPHASIS ON ARMS CONTROL MAYBE WE CAN MENTION DETENTE. MR. TUCH DISAGREED AND SAID TO STAY AWAY FROM IT. MR. NAU MUSED ABOUT HOW TO TOUCH THE UNDERLYING CURRENT IN GERMANY, WHERE RELATIONS EXIST WITH THE EAST. HE WONDERED HOW THIS ASPECT COULD BE TAPPED. MR. TUCH SAID THAT THE PRESIDENT CAN SAY THAT WE UNDERSTAND THEIR CONCERNS ABOUT THE WELFARE OF THEIR RELATIVES. DIRECTOR WICK ASKED IF THERE WERE ADDITIONAL COMMENTS. MR. PENDERGRAST MENTIONED AGAIN THE COMMENT BY SCHMIDT ON THE SERIOUS ECONOMIC MALAISE AND CRISIS THAT THE WORLD IS GOING THROUGH AND THAT THE ECONOMIC DIMENSION NEEDED A GREAT DEAL OF EMPHASIS; HE THOUGHT THAT ECONOMIC SECURITY AND PROSPERITY ARE FAR MORE IMPORTANT THAN THE PREVIOUS DISCUSSION HAD INDICATED.

50. MR. FERNANDEZ AGREED WITH PENDERGRAST'S POINT AND ITS IMPACT ON YOUTH. ON THE ECONOMIC SIDE, WE MUST REMEMBER HOW SERIOUS UNEMPLOYMENT IS AND CONSIDER A DANGER ALSO THAT THE EUROPEANS WILL THINK THAT PUTTING THE U. S. HOUSE IN ORDER WILL BE A PANACEA FOR THEIR PROBLEMS.

51. MR. NAU REMARKED THAT THAT IS THE LINE THAT SECRETARY REGAN HAS RECENTLY TAKEN--THAT THEIR OWN DOMESTIC POLICIES AFFECT THEIR OWN INTEREST RATES, THAT THEIR INTEREST RATES MAY NOT FALL AS MUCH AS OURS AND THAT THE DOLLAR WOULD STAY STRONG. HE SAID THAT THE DISCUSSION HAD BEEN EXTRAORDINARILY HELPFUL TO HIM AND THAT HE WANTED TO ENCOURAGE EVERYONE TO CONTINUE PRESENTING THEIR IDEAS, AS THE JOB OF THE PRESIDENT'S COMMUNICATING NEEDS MUCH MORE ATTENTION. IT IS HARD FOR US IN OUR FREE SOCIETY TO DO SO. ALL OF US IN GOVERNMENT ARE FRUSTRATED MOST OF THE TIME, BECAUSE WE DON'T FEEL THAT OUR INPUTS ARE BEING CONSIDERED, BUT IT IS IMPORTANT FOR US TO CONTINUE MAKING THEM AND NOT TO GET DISCOURAGED. THE DIRECTOR PRAISED MR. NAU FOR HIS COMPETENCE AND CREDIBILITY AND HIS PARTICIPATION IN THE MEETING. HEDGES

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