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Mr. President,

Attached are the kind of talking cards we gave you at London and Bonn. They are arranged by subject, and are assembled in the order that I expect those subjects to be discussed at the Summit. C

The key unresolved issue as of now (mid-Wednesday afternoon) is whether there should be country specific import levels for 1980.

By all accounts the British oppose any country import levels. Kingman Brewster opines, however, that Mrs. Thatcher will "go along with a strong communique if it proves necessary in order to keep the Japanese on board and if it is desired by the President in order to strengthen his hand for a more effective energy discipline in the U.S."

German Economics Minister Lambsdorff told me this morning that the Germans also oppose country levels.

The French, Italians, Japanese, and Canadians will support country import levels. I'm seeing Jenkins shortly; I doubt he will make trouble, if this is done within the EC aggregate ceiling.

If there are to be country import levels, we can probably get agreement on using as a base the 1979 IEA targets (after the 5% cut).

You may want to signal the central importance of this issue -- emphasizing that specific country import levels are essential to credibility. The dollar's decline halted when Mike Blumenthal said that the Summit would agree on credible import restraints; if it doesn't, that decline will continue. Aggregate Summit import ceilings are simply not taken seriously in the U.S.

You are not without bargaining power: You can promise an end to the \$5 distillate fee when the four month period expires. You can accept an aggregate level (1979 base) for the period 1981-85, as the Europeans desire -- in addition to agreeing that there should be a rolling procedure for annually reviewing country levels in this period. And you can agree on a strong nuclear power statement, within the constraints you know; Schmidt badly wants this.

You can point out that there are only two new important ideas for this Summit: country import ceilings, and a credible pledge to increase investment in synthetics, solar energy, and other new technologies. Delete one and you don't have much of a Summit left.

In the end, if the Europeans won't budge, we may have to consider this compromise: An aggregate 1980 ceiling for the EC, plus national 1980 ceilings for the US, Japan, and Canada - with 1979 (instead of the EC's 1978) as the base year for all. I don't think we could sell 1977, and 1979 is all right if we use the IEA pledged levels, rather than actual imports. Part of the compromise, therefore, should be agreement on specific 1979 levels (for the EC, US, Japan, and Canada), on the basis of the pledged 5% cut.

4:35 PM
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