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November 10, 1988

MEMORANDUM

To: Nancy J. Risque  
From: Alan F. Holmer *AFH*

Nancy, as you suggested, we are providing the following talking points in case they are needed for the President's meetings with Prime Minister Thatcher and Chancellor Kohl:

Uruguay Round

Background: Trade Ministers will be meeting in Montreal the first week in December to review progress in the Uruguay Round Multilateral Trade Negotiations which began with the Punta del Este Declaration in September 1986 and are targeted to conclude in 1990. The Round covers a wide range of traditional trade issues; most importantly, the United States is seeking to extend for the first time international trade disciplines to agricultural and services trade and to enhance protection for intellectual property.

For Chancellor Kohl and Prime Minister Thatcher:

- Our trade ministers will be meeting in Montreal early next month to review progress in the Uruguay Round. That meeting should signal that we remain strong supporters of the multilateral trading system and trade liberalization.
- Most view progress in agriculture as the key to success of the Uruguay Round. We are working together with you and the European Commission in the negotiations -- we know you need to have progress in the key areas of intellectual property protection and services in order to be able to agree to move ahead in agriculture.
- The Uruguay Round offers us all a once-in-a-lifetime opportunity to achieve fundamental changes in our agricultural supports systems that will be in the long-term interest of all the farmers, consumers, and taxpayers of the world. We should not squander this opportunity.

Nov 14, 88 Memo from Nancy Risque to Rudy Perina

For Prime Minister Thatcher only:

- I know that EC foreign ministers will meet next week to take up a position for Montreal. I hope we can continue to count on you to keep the pressure on other members of the Community to advance our mutual objectives in agricultural reform.

Airbus

Background: Ambassador Yeutter and Secretary Verity have publicly criticized the recent decision by the West German government to provide additional subsidies to the German Airbus partner, MBB, in order to induce the firm of Daimler-Benz to take over this money-losing venture. The West Germans have also blocked negotiations between the U.S. and the other Airbus partner governments (France, the United Kingdom, Spain, and Germany), aimed at reaching an agreement on getting those governments to reduce subsidies. While Kohl may call this "privatization", it heaps additional subsidies of approximately DM 4.2 billion on top of DM 10.5 billion reportedly already given to Airbus. While we don't oppose privatization in principle, the U.S. may be forced to seek redress in the GATT, as a way to motivate them to come to an agreement on future subsidy disciplines.

In the United Kingdom, British Aerospace, their Airbus partner, has requested additional support from the British Government, but no action has yet been taken.

For Chancellor Kohl:

- Aerospace products are the United States' number one export in what has been our slow recovery from record trade deficits. Meanwhile, Germany continues to enjoy a large trade surplus with the world. We have difficulty understanding why your government, which can rightly be proud of its adherence to free market principles, can continue to subsidize large civil aircraft primarily intended for export.
- While we would like to see the German Airbus partner privatized, we fail to see how subsidization against the fall in the value of the dollar, the privatization mechanism you have chosen, helps international adjustment. We would hope that your government, along with the other Airbus partner governments, would make a renewed and urgent effort to reach an early understanding with us on providing disciplines on aircraft program subsidies, so that the current trade tensions between us on this problem do not grow to even greater proportions.

For Prime Minister Thatcher:

- Over the last three years, our negotiations over disciplines on Aircraft subsidies have not resulted in an agreement. While we appreciate that Britain remains an open and strong market for U.S. aircraft, we believe it is past time for us to get this issue resolved. Left unresolved, current trade tensions on this matter will grow between us and the Airbus partner governments and may get out of hand.

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