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FM WASHINGTON 251701Z MAY 83

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TELEGRAM NUMBER 1466 OF 25 MAY.

INFO BONN, PARIS, TOKYO, ROME, OTTAWA, UKREP BRUSSELS.

MIPT: WILLIAMSBURG: THE U.S. APPROACH

SUMMARY

1. THE AMERICANS HAVE NO EXAGGERATED EXPECTATIONS AS TO WHAT IS LIKELY TO BE ACHIEVED AT WILLIAMSBURG. THE PRESIDENT WANTS IT TO BE SEEN AS THE SUMMIT OF ECONOMIC RECOVERY. THE AMERICANS ARE NOT LOOKING FOR A ROW OVER EAST/WEST TRADE. THEY WILL BE PREPARED TO MAKE SOME SMALL GESTURE TO ACCOMMODATE MITTERRAND. IT WILL BE A POLITICAL PLUS FOR THE PRESIDENT IF, IN ADDITION TO BEING A GENIAL HOST (WHICH IS A FOREGONE CONCLUSION), HE IS SEEN AS HAVING PRESIDED OVER A WELL-MANAGED SUMMIT.

DETAIL

2. THE AMERICANS ARE DETERMINED TO AVOID ANOTHER VERSAILLES. APART FROM THE DISAGREEMENT AMONG THE VERSAILLES SUMMIT PARTNERS THAT, SUBSEQUENTLY, CAME TO A HEAD IN THE PRESIDENT'S DECISION ON PIPE-LINE SANCTIONS, THERE IS A WIDESPREAD PERCEPTION HERE THAT THE PRESIDENT PERSONALLY CAME OUT BADLY FROM VERSAILLES: NOT PARTICIPATING FULLY IN THE DISCUSSION AND PREOCCUPIED WITH OTHER ISSUES (NOTABLY LEBANON AND THE PROBLEMS WITH HAIG WHICH CAME TO A HEAD OVER THAT WEEKEND).

3. THE AMERICANS HAVE NOT SET THEMSELVES AMBITIOUS GOALS FOR WILLIAMSBURG. THEY WILL BE CONCERNED TO AVOID A ROW, OR PRESS REPORTS OF ONE AND, BELIEVING THAT THE POOR PRESS COVERAGE OF VERSAILLES WAS IN PART A RESULT OF APPALLING ARRANGEMENTS BY THE FRENCH, HAVE DEVOTED CONSIDERABLE RESOURCES TO KEEPING THE 4,000 JOURNALISTS ACCREDITED TO THE SUMMIT WELL FED WITH EVERYTHING BUT NEWS. THE U.S. MEDIA, ALWAYS PREOCCUPIED WITH MR REAGAN'S COMPETENCE, WILL BE AS MUCH INTERESTED IN THE PRESIDENT'S PERFORMANCE AS IN THE SUBSTANCE. IF HE EMERGES AS A COMPETENT CHAIRMAN, WELL ABLE TO STEER DISCUSSION AMONG WORLD LEADERS GENERALLY REGARDED AS HIS INTELLECTUAL SUPERIORS, THE WHITE HOUSE WILL HAVE ACHIEVED MUCH OF THEIR PURPOSE.

4. THE AMERICANS SEE THIS AS THE SUMMIT OF ECONOMIC RECOVERY. AS SECRETARY REGAN SAID IN AN INTERVIEW ON SUNDAY: QUOTE THIS IMPORTANT TURN AROUND HAS NOW SET THE STAGE FOR ECONOMIC RECOVERY. IN THE UNITED STATES THE INDICATORS ARE POINTING TOWARDS A PERIOD OF SOLID GROWTH. BUT IT IS IMPORTANT THAT THIS RECOVERY BE WORLD-WIDE, THAT IT BE NON-INFLATIONARY AND THAT IT BE SUSTAINED UNQUOTE. THE AMERICANS WILL BE LOOKING FOR ENDORSEMENT OF THEIR ECONOMIC APPROACH WITH ITS EMPHASIS ON POLICIES TO REDUCE INFLATION. THEY SEE

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OURSELVES, THE GERMANS AND THE JAPANESE AS NATURAL ALLIES IN THIS AND HOPE THAT THE FAILURE OF THE ALTERNATIVE (AS EXEMPLIFIED BY MITTERRAND'S FRANCE) WILL BE ENOUGH TO SET THE SEAL ON THEIR APPROACH.

5. THE AMERICANS ARE WARY OF THE FRENCH APPROACH TO THE SUMMIT, RATHER THAN DOWNRIGHT HOSTILE TO IT. THEY DO NOT YET KNOW WHICH WAY MITTERRAND WILL JUMP. FOR OBVIOUS DOMESTIC REASONS THEY ARE NOT PREPARED TO SEE THE QUESTION OF U.S. DEFICITS MADE THE MAIN ISSUE OF THE SUMMIT IF THEY CAN HELP IT. THEY COULD ACCEPT SOME GENERAL CALL TO REDUCE DEFICITS IN THE MEDIUM TERM (CORRESPONDING TO THE PRESIDENT'S OWN PROGRAMME). BUT THEY REGARD FRENCH ECONOMIC PROBLEMS AS A FUNCTION OF THEIR OWN MISMANAGEMENT, NOT OF U.S. POLICIES. IF MITTERRAND WANTS A LET OUT IN THE FORM OF SOME FURTHER STUDY OF THE WAY THE INTERNATIONAL MONETARY SYSTEM IS OPERATING, AND ON THE INTERNATIONAL DEBT PROBLEM ETC, THEY WILL PROBABLY BE PREPARED TO CONCEDE THIS. BUT THEY WILL NOT GO AS FAR AS A STUDY SPECIFICALLY ABOUT A NEW QUOTE BRETTON WOODS UNQUOTE, PROGRESS TOWARDS FIXED PARITIES ETC. THE AMERICANS HAVE NOTED THAT KOHL GAVE MITTERRAND FAIRLY SHORT SHRIFT IN PARIS LAST WEEK, AND HOPE THAT, IF IT COMES TO THAT, THE PRIME MINISTER, KOHL AND NAKASONE WILL BE SIMILARLY FIRM ON THIS OCCASION.

6. ON EAST-WEST TRADE, THE PREVAILING AMERICAN MOOD WAS SUMMED UP BY THE PRESIDENT IN HIS PRESS CONFERENCE LAST WEEK WHEN HE PROCLAIMED THAT THE ALLIANCE WAS NOW AT PEACE ON THIS ISSUE. THE ADMINISTRATION DO NOT WANT A ROW AND BELIEVE THAT THEY GOT ENOUGH OUT OF LAST MONTH'S OECD MEETING TO CLAIM THAT THEIR BASIC REQUIREMENT, IE THAT THE ALLIES SHOULD EXERCISE FINANCIAL PRUDENCE IN THEIR ECONOMIC RELATIONS WITH THE EAST AND AVOID GRANTING PREFERENTIAL TREATMENT TO EASTERN EUROPEAN COUNTRIES, HAS BEEN MET. THEY WILL WANT TO NOTE THE WORK THAT HAS TAKEN PLACE, THE IMPORTANCE OF THESE STUDIES AND TO ENSURE THAT THEY CONTINUE. THIS WILL NOT MEAN THAT EVERYBODY HAS BEEN SATISFIED, BUT SHOULD ENSURE THAT THIS DOG DOES NOT BARK AT WILLIAMSBURG.

7. THE AMERICANS EXPECT, THEY SAY, SOME QUOTE GRAND-STANDING UNQUOTE FROM MITTERRAND AND TRUDEAU ABOUT THE PROBLEMS OF DEVELOPING COUNTRIES. THEY WILL HOPE TO MANAGE THIS IN MUCH THE SAME MANNER AS AT CANCUN. THE MAIN FOCUS OF U.S. CONCERN REMAINS ON THE DEBT PROBLEMS OF INTERMEDIATE COUNTRIES (BRAZIL, YUGOSLAVIA, MEXICO ETC).

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8. THE PRESIDENT WILL EMPHASIZE THE IMPORTANCE HE ATTACHES TO NON-PROLIFERATION, AND THAT SUPPLY MUST GO WITH ADEQUATE SAFEGUARDS, MORE AS EXHORTATION TO THE FRENCH AND ITALIANS THAN WITH SPECIFICALLY NEW STEPS IN MIND. THE AMERICANS ALSO ENVISAGE SOME DISCUSSION OF THE FUTURE SHAPE OF THESE SUMMIT MEETINGS AT THE FINAL LUNCH.

9. ON FOREIGN POLICY, THE AMERICANS ARE STILL HOPING THAT THE SUMMIT CAN COME UP WITH A BRIEF STATEMENT ON INF (THOUGH NOT ONE WHICH IS PRE-NEGOTIATED). THEY WOULD LIKE A RE-AFFIRMATION OF THE COMMITMENT TO SERIOUS NEGOTIATION, BUT ALSO TO DEPLOYMENT IF THESE FAIL. THE PRESIDENT IS LIKELY TO EXPLAIN THE IMPORTANCE OF WHAT IS AT STAKE IN CENTRAL AMERICA, WITHOUT LOOKING FOR ENDORSEMENT OF U.S. POLICY. BUT THE AMERICANS WILL HOPE FOR ENDORSEMENT OF U.S. EFFORTS TO BRING ABOUT THE WITHDRAWAL OF SYRIAN AND ISRAELI FORCES FROM LEBANON.

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