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MEMORANDUM

NATIONAL SECURITY COUNCIL

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NATIONAL SECURITY COUNCIL MEETING

March 13, 1984 - 2:00-3:00 P.M.
The Cabinet Room

SUBJECT: Visit of French President Francois Mitterrand

PARTICIPANTS:

The President

The Vice President

State
Secretary George P. Shultz
Mr. John Kelly

JCS
General John W. Vessey, Jr.
Admiral Arthur Moreau

Treasury
Secretary Donald T. Regan
Mr. R.T. McNamar

USIA
Mr. Charles Wick
Mr. Charles Courtney

Defense
Secretary Caspar W. Weinberger
Mr. Richard Perle

NASA
Mr. Hans Mark

Agriculture
Secretary John Block
Mr. Lionel Olmer

The Vice President's Office
Admiral Daniel J. Murphy

CIA
Director William J. Casey

13526
E.O. 12958
As Amended
Sec. 3.3(b)(1)

White House
Mr. Robert C. McFarlane
Mr. Richard G. Darman
Mr. Craig L. Fuller
Mr. Michael A. McManus

OMB
Dr. Alton Keel

NSC
Tyrus W. Cobb

USTR
Ambassador William E. Brock
Mr. Ralph Johnson

Minutes

Robert C. McFarlane opened the meeting, noting the purpose was to discuss the forthcoming visit of the President of France, Francois Mitterrand. He indicated that the meeting would address several issues

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where there are agreements as well as disagreements with the French, and seek the President's guidance on how we should proceed with this visit. He noted that Mitterrand will be in the U.S. for one week -- March 21-28, including two full days in Washington -- March 22-23.

Robert McFarlane noted that France has always been somewhat of an irritant to the U.S., but stressed that relations between our two countries have seldom been better. He noted that we have achieved a remarkable degree of cohesion in our policies toward the USSR on the major issues, including arms control, East-West and Technology Transfer matters. He added that France would be in the EC Presidency during this visit and U.S.-European problems will be high on Mitterrand's agenda. We anticipate that the greatest divergence of opinion will occur on global economic issues, particularly Third World debt and the size of the American budget deficit and interest rates.

Robert McFarlane indicated that we have developed several initiatives that will enjoy a high public profile and contribute to making this a highly successful visit. He invited George Shultz to begin the session with a broad overview of our relations.

Secretary Shultz indicated that we consider this an extremely significant visit, not only in its own right but as a second important session, along with the Kohl visit -- leading to the NATO Ministerials this spring, and the London Summit in June. Secretary Shultz noted that there has been considerable discussion regarding our disagreements, but it would be more appropriate to emphasize the extraordinary range of agreements we have with the French on major issues, ranging from trade to security to technology transfer. It is this commonality of positions that we will want to emphasize to Mitterrand.

The Secretary advised that we understand through French channels that President Mitterrand wants to make this a highly visible and very successful visit. We anticipate that his address to the Joint Session of Congress will stress the positive and downplay our differences. However, Mitterrand will certainly point out that France, and Europe in general, remain concerned over the size of the American budget deficit and our interest rates. The President interjected that he hoped that Mitterrand would also note that the French deficit, as a percentage of their national budget, is roughly equivalent to that of the U.S.

Secretary Shultz added that the French have a unique "world-view." Their foreign policy has a considerable global reach and is heavily focused on non-European areas, such as Southeast Asia, Africa and the Middle East. African affairs are especially important to Mitterrand who is, in his own right, quite an expert on this region. We should attempt to solicit his views and advice on African policy. With respect to Central America, the Secretary said, our differences are well known. We prefer not to highlight them, but we will not try to avoid this divergence of opinion.

The Secretary noted that we are pleased that France is finally adopting a more realistic policy with regard to state-sponsored terrorism. In the past, the French seemed to think, "if we stay away from the problem, perhaps we will be left alone." They are now leaning more to cooperation, but will avoid any public pronouncements on this issue.

Secretary Shultz noted that a considerable portion of our discussions will address on-going economic and trade issues. Beneath the French concerns on bilateral economic irritants, the Secretary said, lies a nagging French desire to move quickly into the high technology area. With France in the Presidency of the EC, U.S.-EC relations will be high on his agenda. He will just be returning from an EC Summit meeting in Brussels that we doubt will be successful in resolving the multitude of intra-European issues. Therefore, we can anticipate that he will be carrying many of the budget and agricultural issues here from the EC discussions.

The Secretary noted that we will want to weigh in strongly against trends in Europe -- particularly in France -- toward protectionism. We will want to contrast the President's tough and courageous stand on the wine-equity issue, where he resisted considerable pressure from his home state of California and his close advisors to resort to restrictive tactics, with continuing European protectionist attitudes.

We are developing several initiatives around this meeting that will receive considerable public visibility, including agreements on space cooperation and an emphasis on our mutual commitment to the democratic tradition. We want this meeting to be a successful prelude to the NATO Ministerials and to the London Summit, he concluded.

Secretary Weinberger indicated that security themes will also be prominent during Mitterrand's visit. We will want to stress that the recent upsurge of anti-NATO rhetoric in this country -- such as Henry Kissinger's unhelpful article in Time magazine -- do not represent Administration policy. As such, we will want to stress our continuing commitment to the Alliance and seek to allay any apprehensions that Mitterrand may have on this score.

Secretary Weinberger reiterated that we are pleased with recent French interest and cooperation on anti-terrorist measures, and that we should signal our pleasure in the improved French attitude toward illegal technology transfers. We have reached an agreement with Defense Minister Hernu on this problem and should encourage Mitterrand to make an effort to get the Germans to adopt a similar tough approach. On Lebanon, we will show our willingness to continue to work with France and to engage in consultations, but the situation in Lebanon is so volatile that we will probably have to revise our appraisal on a day-by-day basis. We are particularly concerned that the Lebanese Army has not served as a force of national cohesion as we had anticipated. Still, we do have excellent cooperation with the French on Mid-East issues and enjoy excellent personal working relationships; myself with Hernu, and General Vessey with General Lacaze. Finally, we will want to demonstrate our willingness to work with the French on the 40th Anniversary of the Normandy landing.

Secretary Regan indicated that economic issues will be very prominent during this visit. In a brief review of the French economic situation, he noted that the French are still experiencing a period of slow growth, marked by an inflation rate of 8.9%, unemployment of 9.2% and overall growth between 2% and 3%. He attributed much of the French sluggishness to the disastrous economic program adopted by the Socialist Government in 1982. Under this program, government spending grew rapidly - a process of nationalization promoted greater inefficiencies and the country experienced a dangerous wage-price inflationary spiral. However, early last year Mitterrand reversed course and adopted an economic program not unlike our own -- stressing anti-inflationary measures. The emphasis on slowing wage hikes stemmed the rise in the rates of unemployment and inflation, but also created political difficulties for Mitterrand.

Incidentally, Secretary Regan noted, we have received an interesting analysis from a key Mitterrand Advisor, Jacques Attali, at a recent Summit Sherpa meeting. Attali stressed that the elements of a successful economic policy were: (1) reduce the role of government and state intervention; (2) emphasize profits and investment over wages; (3) lower budget deficits; (4) promote new small business activities; (5) eliminate price controls, which do not work to control inflation; and (6) promote, not retard, the shift to the high-technology era.

Secretary Regan indicated that we can expect intense discussions on measures the French believe are necessary to reform the international monetary system. We will tell the French that we are currently studying floating exchange rates, stabilizing currency markets, increasing global liquidity, and the future of the international monetary fund. We should tell Mitterrand that we are examining these issues, but feel that the key source of global economic difficulties are national in origin, not international. Mitterrand will also argue that the dollar is still too high and that the trade balance is still a matter of concern. We will want to stress to him that there has been a marked reduction of the flow of capital from Europe to the U.S. (\$15 billion in 1981; \$42 billion in 1982; and \$28.5 billion in 1983). We will also point out that our budget deficits as a percentage of our government budgets are remarkably close -- 3.7% in the U.S. this year vis 3.1% in France.

Secretary Block noted that European agricultural subsidies have led to excess inventories there and have become a keen source of irritation with the U.S. We will want to stress the need to reform the CAP (Common Agricultural Policy). We will want to indicate that their attempts to limit our exports of fats, vegetable oils and corn glutton are counter-productive to the trade liberalization we seek. We should note that they cannot expect the American farmer to bear the brunt of this erroneous policy. As noted earlier, you, Mr. President, took a courageous stand on wine equity and it is now time for Mitterrand to be equally responsive. We know, of course, that Mitterrand has taken considerable abuse from his farmers. Secretary Block indicated that he hoped his visit to Block's farm would serve to initiate greater agricultural cooperation between our countries.

Secretary Baldrige indicated that high technology issues will become more prevalent in the future in our bilateral relations. We are concerned that the French are striving to obtain a European cooperative effort in the high tech area that would exclude the U.S. and Japan. In turn, they believe that our emphasis on technology transfer controls is a thinly disguised trick designed to restrict European access to our high technology.

U.S. Trade Representative Brock reemphasized the necessity of stressing with Mitterrand the erroneous policy the Europeans are pursuing in attempting to reduce our exports of soybeans, vegetable oils and corn glutton feed. Further, as noted earlier, you, Mr. President, should point out the fantastic job you have done in resisting protectionist pressures which no other leader could have done in an election year given our high trade deficits. Finally, we should tell the French that if they are such strong proponents of Third World concerns, that they should reject protectionist measures since these tactics have a severe impact on the less-developed countries. In sum, we must shift toward more liberal international trade policies, and we ought to elicit French support for our efforts in this area.

Robert McFarlane noted that this concluded our preparations for the Mitterrand visit and the issues that were likely to be raised. He indicated that we would provide the President with further background papers and a briefing memorandum prior to the visit. The meeting concluded at 2:53 p.m.

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ACTION

March 13, 1984

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: TYRUS W. COBB *TWC*

SUBJECT: Minutes of NSC Meeting on Mitterrand Visit
-- March 13, 1984 -- 2:00 p.m.

Attached are the minutes from the NSC Meeting on the Mitterrand visit.

RECOMMENDATION

That you approve the minutes at Tab A.

Approve *RMK*

Disapprove _____

Excellent job, Ty!

Attachment

Tab A - Minutes

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DECLASSIFIED
Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA , DATE 11/11

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