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INTERVIEW OF
SECRETARY DONALD T. REGAN
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ABC Studios
Versailles, France

Q In Versailles, the papers have been signed and put out, the Secretary, U.S. Secretary of the Treasury, Donald Regan, has walked from the Salle de Glaces, Hall of Mirrors, out to the gardens where he is now going to answer some questions for us.

Mr. Secretary, we thank you very much for being with us today.

SECRETARY REGAN: Thank you, David.

Q Are you going to be all right? There with you in the garden --

Q --water, David.

Q All right. We should be able to do that.

Q And we've brought our own water bottle.

Q Mineral -- that's French mineral water. That was Sam Donaldson, ABC White House Correspondant, who, along with Pierre Salinger, the --

Q Just take a deep cough, I mean, that always helps.

Q You know, Pierre Salinger, who is head of ABC News, Paris Bureau.

The fountains built by Louis XIV are not far from where you sit, Mr. Secretary, if you need another drink.

SECRETARY REGAN: Thank you, David.

Q Okay. Tell us how the meeting has gone? What are your views about it at this -- first few minutes after it ended?

SECRETARY REGAN: Well, I would say that we've had a very good session. It's now over except for the final festivities tonight. I think we accomplished everything that we wanted. As a matter of fact, I think I've talked so much today that I've gotten a little bit hoarse in the conversation. But, nevertheless, the President's very happy, very satisfied at how the Summit has gone. He thinks that we are now in a position, if we get the Congress to go along with us on the budget, to accomplish what these other leaders here want him to do.

Q Mr. Secretary, there are a lot of perceptions around this particular Summit. The Europeans perceive that the American government has made a major change in policy in agreeing to intervene in international monetary markets and help stabilize the monetary situation.

You perceive that the Europeans have decided to cut back on their sales and their loans to the Eastern Bloc. Are either of these perceptions really true?

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SECRETARY REGAN: Well, to some degree, Pierre. I would say that as far as monetary policy in the United States is concerned, we have asked for closer cooperation among all of the nations in the Summit in order to coordinate our policies and get more stable currency. This has to come about basically through lowering of inflation in all of our nations.

In the meantime, we have agreed, as we had previously agreed, whenever there are disorderly markets, we will intervene. We've also asked that they make a study of this subject and that study will start within a few weeks after we leave here.

Q Do you really believe that the European countries are going to tighten down on their loans to the Eastern Bloc? I mean, you used the word "limit" or "reduce," that word does not appear in the communique.

SECRETARY REGAN: Yes, I think if you'll read it closer you'll find here in this communique that they do say that we're going to limit the amount of credit to the Soviet Union and to the Eastern Bloc in accordance with commercial prudence.

Q Well, Mr. Secretary, that's in, "in accordance with commercial prudence," which is a work of art, each country gets to decide how to limit, whether to actually cut back or just cut back on some future commitment. And, as you yourself pointed out earlier today, each country must assess what its own commitments are to the Soviet Union.

So why isn't it fair to say that nothing has changed.

SECRETARY REGAN: Well, because now we're going to have a review. And that's the exact word used, that there will be a regular review of what each of us is doing with the Soviet Union in the financial, economic and the trade area. This is something that has never happened before in which each of us will be looking at what the other countries have done and then counseling with them as to what our opinion of that is.

Q Now, just before the President came to the Summit, you had to admit he'd like to change the subject about the U.S. budget because the House of Representatives wouldn't pass anything. What did he say to the Europeans? How did he explain away the failure to come up with a fiscal '83 budget plan?

SECRETARY REGAN: He told the truth, as you'd expect the President to do, and that is that he had asked for a budget, that he was unable to reach a compromise with the opposition, the Democrats in the House, he had a budget from the Senate. He thought that he could get some type of accommodation with enough Democrats in the House to come to a budget that would at least have our deficits going down over the next several years.

Q But in the meantime, our recession continues and shows no signs of upturn, is that what he said to them?

SECRETARY REGAN: No, he did not say that because I think there are signs of an upturn and he was pointing them out. That is, the leading indicators have turned up now, retail sales were up for the last couple of months. He was cautious, as you would expect him to be, not sticking his neck way out, but saying that there were signs that we could have our recovery in the third and fourth quarters of 1982.

Q Mr. Secretary, on the subject of trade with the Soviet Union, one of your fellow Summiters, Helmut Schmidt, gave us his opinion which is that foreign trade with the Soviet Union

is so small that even if reduced substantially, it wouldn't make a great deal of difference to them. Do you agree with that?

SECRETARY REGAN: If it didn't make any difference to them, I think they might have cut it out at this particular time. I don't think they have a great love for us. I don't think they like losing their goal, their oil and other things that they have to sell to us in order to pay for these goods.

I suspect that this is a little more important to them than the facts or figures reveal.

Q Mr. Secretary, I'm intrigued by the phrase "commercially prudent." If you had to make the decision over again to pay the interest on the Polish loans, would you consider that commercially prudent under the terms of this communique?

SECRETARY REGAN: We never paid interest on Polish loans -- let's reverse that -- without the Poles paying us for their loans.

Q You paid the interest for them.

SECRETARY REGAN: No, we didn't pay the interest for them.

Q But you guaranteed the interest for certain things.

SECRETARY REGAN: We guaranteed the interest --

Q And that's the same thing, sir.

SECRETARY REGAN: -- in accordance with our Commodity Credit Corporation agreements.

Q And is that commercially prudent?

SECRETARY REGAN: That's the law of the land. You'll have to ask the Congress about that. They were the ones that passed that. That's the law.

Now, as far as commercially prudent is concerned, notice what our banks have done. There are very few loans by American banks to the Soviet and to the Eastern Bloc. So as a result, you see that they're backing off hard.

That to me, as a former banker, or investment banker, is what is commercially prudent. When you see an economy that's as weak as the Soviets, you see they're piling up debts, you see that their crops are not failing, then it would behoove you not to lend too much money there or else the debtor becomes the master and the creditor becomes the slave.

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Q Mr. Secretary, I know you've talked in a general way to the President today about the Israeli invasion of Lebanon. And we know his views from the communique. What is he going to do to try to get Prime Minister Begin to reverse his course?

SECRETARY REGAN: At this very moment, the President, Secretary Haig, and Ambassador Habib are having a meeting to discuss that very subject. They're all shocked by it. They know that it's something that they wished had not happened. Nonetheless, it has happened. They have to deal with reality. They're going to have to see what can be done to save the situation at this particular moment.

Q How serious a threat to peace is this?

SECRETARY REGAN: I think that probably the Israelis have a limited objective. I don't -- I'm certainly hoping that it doesn't lead to all out war. I hope it can be contained as a local happening. And if that's the case, the threat to peace internationally is not that great.

Obviously, if it spreads, if others join in it, then it is going to become serious.

Q Mr. Secretary, this is the first of the eight summits that has been presided over by a socialist head of state. What impact, if any, did that have on your deliberations for the last few days?

SECRETARY REGAN: You notice where we are. We're at Versailles. Isn't it rather odd that that's the way it would be chosen?

I think also that it shows a socialist in the European terms could come to grips very nicely with what's going on in the world around them and see the bigger threat which is the Eastern bloc and the Soviet as the common enemy against all of us.

Q But doesn't it embarrass you somewhat to find yourself in all of this splendor with worldwide recession, with our own unemployment rate at home going up?

SECRETARY REGAN: Let's put it this way. This is not our choice of where to meet but this rotates among the world's leaders as to --

Q I didn't say it was your fault. But doesn't it embarrass you a little bit?

SECRETARY REGAN: To the extent that I'd rather be home, yes. I think it would be --

Q Mr. Secretary, I'm sorry to interrupt but I want to thank you very much for talking with us today. We have enjoyed having you.

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