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PRESS BRIEFING

BY

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SECRETARY REGAN: It was a long session this morning. The Heads of State decided since we're making so much progress on the final draft of the statement that it was best to continue and so the -- progress was made on that.

At the conclusion of it, the statement on Lebanon which is issued, or is to be issued shortly, that was agreed to by the Heads of State, was also considered and approved.

I've characterized the meeting this morning. The first part of it had to do with the remainder of the discussions of North-South and how we felt about our relationships with the less developed countries and the need that we all had to be sensitive to their wants and needs at a time when all of us were in a highly inflationary posture or we ourselves had high unemployment.

We then started in on the text and I would say that three-quarters of the session this morning was on that text.

Q What text? The Lebanon --

SECRETARY REGAN: Not on the Lebanon text, no, on the text of the statement. It's called "The Declaration of the Seven Heads of State and Governments and Representatives of the European Communities."

Q Does it have anything on the East-West decision?

SECRETARY REGAN: Yes. The East-West was decided. We have agreed that we would limit export credits to the Soviets, that we would have a stronger surveillance and let me quote from the exact wording of it, "that we would exchange information in the OECD on all aspects of our economic, commercial and financial relations with the Soviet Union and with Eastern Europe."

Q What would the effective interest rate -- and is there anything in the statement about --

Q Let him finish --

SECRETARY REGAN: Could I finish what I'm saying here? We will take into account existing economic and financial considerations and agree to handle cautiously the financial relations with the USSR and the Eastern European countries in such a way as to ensure that they will be conducted on a sound economic basis, including the need for commercial prudence in limiting export credits.

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"And the development of economic or financial relations will be subject to periodical monitoring."

And that was generally agreed, although it's not in the text here, to be every six months.

Q Are you satisfied with that --

SECRETARY REGAN: More than satisfied. We think we accomplished what we set out to do to get all the nations here of the West to agree. This takes us one step beyond the NATO agreement of a few weeks ago in the monitoring and in the limiting of credits to the Soviet and to the Eastern Bloc.

Q Limiting to what degree, Mr. Secretary?

Q In NATO?

SECRETARY REGAN: NATO had a statement on this -- it was at Luxembourg a couple of weeks ago.

Q Limiting to what extent?

SECRETARY REGAN: Limiting to what extent? Prudently is what -- and in accordance with -- "commerical prudence," is the exact wording.

Q If you could translate that into interest rates, would that mean 12½ --

SECRETARY REGAN: Well, now, the official OECD interest rates have not been set as yet. There's been the Wallen Agreement in OECD and that is to be settled by June 15th.

Q Is it a restriction on the volume of credit or in the size of the interest rates or --

SECRETARY REGAN: It'll be on both. Both on the size of the credits, the total amount of trade with the Soviet Union, the type of trade with the Soviet and with the Eastern Bloc. It says, "economic, commercial and financial relations." That's pretty broad. And it's all inclusive.

Q -- limitation, is that a reduction from the existing level or existing volume of trade of the West with the East? Or what?

SECRETARY REGAN: I would say that this, after we monitor it, we're going to find out first of all what is the total size of all of this, take a look at it. That will proceed immediately under the OECD. And then we examine where we go from there.

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Yes.

Q Will it have a practical effect? I mean, is there any way to translate language that's that vague prudently into -- into practical limitations on East-West trade?

SECRETARY REGAN: Certainly, I can foresee that. After we know exactly where we stand on all of this -- each of us is not aware of the extent of the other's trade. Once we have seen those figures in the light, then we can understand what is prudent for us to do in view of our strategic defense relationships. And since we're working on that area and the diplomatic area, we'll now also be working in the economic area.

Yes.

Q Mr. Secretary --

SECRETARY REGAN: One here and then I'll come over here.

Q Mr. Secretary, nothing in that language, as far as I can make out, actually mandates a reduction in the total amount of trade or credits being extended by West Europe to the Soviet Union. Is that --

SECRETARY REGAN: What is your understanding of the word "limit"? That would be my understanding of the word "limit" -- that we would limit these credits.

Q -- nothing here mandates a reduction from the present volume? Is that accurate, or not accurate?

SECRETARY REGAN: Mandating a reduction from the present volume -- you mean that each of us agreed we will cut 10 percent or something of that nature? No, that --

Q Or would there even be a cut?

SECRETARY REGAN: We will limit the amount. Now, in limiting you may go below what you're doing now or you may limit in the advances.

Q Well, is the intention to limit it to something less than we're doing now?

SECRETARY REGAN: The intention is to cut down on it, yes, and to cut it back and not allow it to grow.

Q -- to the pipeline?

SECRETARY REGAN: Now, wait a minute. I promised them over here.

Q Excuse me. Does it mean that the French and the Germans will review the loans they have already agreed to make to the Russians?

SECRETARY REGAN: I would assume that the loans that have already been made would probably remain in existence. It's the limiting of credits as a whole, and the new ones would be -- have to be taken into consideration with the current ones that are still on the books.

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Now, look, all of these questions you're asking -- we just came from a four-hour session on this. We did not get into these technical details. The representatives of these nations will now get into these technical details. These are the Heads of State. They don't get into that type of detail.

Q Mr. Secretary?

SECRETARY REGAN: Yes.

Q How does this mesh with the May 15th OECD decision? Is it in parallel, or does it supercede or what?

SECRETARY REGAN: This is in parallel with and will be considered along with the OECD decision.

Q Was it a tough fight?

SECRETARY REGAN: There was a lot of give and take, which is normal in diplomatic exchanges.

Yes.

Q And if so, will this end or reduce or neither the credit subsidization to the Soviet Union and other Eastern Bloc countries?

SECRETARY REGAN: This will limit the amount of credit to them. Now, how you define limit will be left up to the experts, but this will -- in other words, it's not an open door anymore. It's not an open book. It's not laissez faire. The word is "limit."

Q Is this economic warfare, Mr. Secretary?

SECRETARY REGAN; Well, to the extent that we are meshing programs, diplomacy is not warfare. We have diplomatic initiatives that we have undertaken vis-a-vis the East and the Eastern Bloc. Now, we're undertaking an economic initiative in this respect.

Q Mr. Secretary --

SECRETARY REGAN: Question right here.

Q Mr. Secretary, does this indicate that each nation will determine for itself what is prudent and what would be in conformance with this general decision, or will there be some kind of a regulatory body set up or a formal set of guidelines which each nation is to follow?

SECRETARY REGAN: What they decided this morning was to have regular monitoring of this. And so each nation's performance will be monitored by its peers, by -- the whole group will be monitoring the actions of each nation.

Q And will apply what standards to see if those are conformed to?

SECRETARY REGAN: Those details were not gone into. This was merely this morning stating the principle. And then you build on the principles into a body of administrative rule and regulation as time goes on.

Q Mr. Secretary --

SECRETARY REGAN: Over here.

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Q Mr. Secretary, listening to the excerpts that you've read -- now, I'm sure it's not all the language of it -- still, the impression is that this whole move is based on economic and financial premises, and I hear nothing of the language we've heard from President Reagan about Soviet expansionism and trying to reduce these credits during a period when the Soviets were the expansionists. Did the others balk at having a political motivation for this move and put it on higher economic ground?

SECRETARY REGAN: No. The politics of it were considered, but since this is an economic summit, the statement coming from it is couched in economic terms. Obviously not only in the plenary sessions but primarily at the informal sessions, luncheons and dinners and so forth, the politics of East-West relationships were discussed and discussed quite at length.

Back here.

Q Mr. Secretary, you said in a briefing before we left Washington that the trouble from Poland and Rumania had already been a sobering experience for the countries in Western Europe and they had cut back on credit because of that. How would this change such quotas?

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SECRETARY REGAN: Well, now we have agreed to this publicly to do this. What has happened up here, each nation was taking its own precautions. Now, we have agreed to do this collectively and publicly.

Q Mr. Secretary?

SECRETARY REGAN: Yes?

Q Mr. Secretary, this seems to be a lot less than what we were lead to believe you were going to achieve in this communique. Do you feel you have fallen short of your goals?

SECRETARY REGAN: Far from it; I think we accomplished what we set out to do. Remember this is the first time that the seven leading nations of the Western world have agreed and set down to record that they will limit their dealings, their financial and economic dealings with the Soviets. Up to this point, nothing of that nature has ever been accomplished. I think this is quite a step along that road.

Q Mr. Secretary, they could be agreeing to limit future increases, right?

SECRETARY REGAN: Pardon?

Q They could be simply agreeing to limit future increases; is that correct?

SECRETARY REGAN: I suppose you could interpret it that way if you wanted, but that would not be commercially prudent.

Q Well, but you said that --

SECRETARY REGAN: You have got to remember the language in there is commercially prudent. A banker understands commercial prudence in giving out loans. And I would hope that anyone who had to do with loans understood the meaning of the words commercially prudent.

Q Does this language foreclose increasing trade with the Soviet Union, and increasing credits?

SECRETARY REGAN: Increasing. I am not sure. It would depend upon whether -- what each nation did, and what its relationships were. In other words, if one were increasing for some reason or another, others might be decreasing. So when you are looking at the totality of it --

Q It does not foreclose a nation from increasing its trade with the Soviet Union, and leaves the loan to be commercially prudent?

SECRETARY REGAN: Well, if they did that, they would have to realize that this is going to be scrutinized by the other six nations, and they would have to explain what they are doing and why they are doing it.

Q Mr. Secretary?

SECRETARY REGAN: Back there.

Q Does the limit apply to, let us say, grain trade, for instance?

SECRETARY REGAN: Pardon?

Q Does the limit apply to any kind of trade --

SECRETARY REGAN: If there are --

Q -- including grains, for instance?

SECRETARY REGAN: Yes; all kinds of trade.

Your question.

Q Does the wording come --

SECRETARY REGAN: Wait a minute; I asked this gentleman right here. Go ahead.

Q What would you expect to have happen, Mr. Secretary, with the OECD agreement on credits to the Soviet Union, and the declassification procedure? Do you think that will --

SECRETARY REGAN: We would hope that that would now be approved by the June 15th date. Since we have gone this far here, at the summit, the next step, obviously, is to get the OECD agreement on graduation.

Q Mr. Secretary, what about the pipeline?

Q Mr. Secretary, was there any agreement that the American export of the broker equipment for the pipeline component will now go forward? Was that discussed?

SECRETARY REGAN: The pipeline was not discussed this morning.

Q Secretary Regan, has the President, now, finally, at long last, made a decision on the licenses on the pipeline which he was almost --

SECRETARY REGAN: He said it would be after the summit. The summit is still on.

Back there.

Q You said it was give and take. It only seems now, from what you have said so far, that there was give or take, depending on whatever side you were on. What is the other --

Q Question?

SECRETARY REGAN: Apparently, well, I do not think that I should go into all of that, because then I would have to characterize what each delegate -- the question was: I said there was give and take; I am only giving the given. Where is the take? In other words, what is the other side of this. And what I am saying is I do not think I should characterize the whole damn argument, or discussion, this morning. (Laughter.) And go through that tedious detail; I am giving you the conclusions.

Q Mr. Secretary, did we not want a standard other than, or in addition to, commercial prudence as far as the question of limiting credits to the Soviets?

SECRETARY REGAN: I beg your pardon?

Q Did we not want a standard that was somewhat different than just a commercial prudence?

SECRETARY REGAN: I think the words, commercial prudence, are fairly well recognized in international trade. And I think those who engage in this have the significance of what that says. Incidentally, you know there are five other pages in this text. We seem to be concentrating on one paragraph.

Q Can you give us the rationale for this move?

SECRETARY REGAN: The rationale for what move?

Q For limiting credits.

SECRETARY REGAN: I would think that anyone who understood the Soviet's position, and what it is doing in the world with Afghanistan, with Poland, and so forth would more than understand why we are doing that.

Q So it is a political move.

SECRETARY REGAN: It is a political move in an economic frame.

Q But does the wording cover private sector bank lending even in Europe, and if so, how can it possibly be enforced by the governments?

SECRETARY REGAN: We did not refer to private credits. We are leaving that up to the commercially prudent bankers to do whatever they think is worthwhile.

Over there.

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Q You say that the gas deal wasn't discussed -- to your mind how could you say that the gas deal --

SECRETARY REGAN: Anyone advancing credits for the pipeline would have to take into consideration as to what the limit should be in granting credits there.

Q Mr. Secretary, where do things stand on money market intervention?

SECRETARY REGAN: On money market intervention, where do we stand? The exact text -- my God, thank you for that question, it gets me off East-West for a moment, back to my own field.

Where are we?

Q Versailles. (Laughter.)

SECRETARY REGAN: Thank you. Lost my head there for a minute.

I can't find it quick, but let me tell you. What we have agreed to here in the monetary field, is that -- oh, here are the words. "We accept the joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on the convergence of policies designed to achieve lower inflation, higher employment, and renewed economic growth, and, thus, to maintain the internal and external value of our currencies. We're determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

We attach major importance to the role of the IMF as the monetary authority and we'll give it our full support in efforts to foster stability. We're ready to strengthen our cooperation with the IMF and its worker surveillance, and to develop this on a multilateral basis, taking into account, particularly, the currencies constituting the SDR.

We rule out the use of our exchange rates to gain unfair, competitive advantages. And we are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions as provided under Article IV of the IMF Articles of Agreement.

Those of us who are members of the EMS consider that these undertakings are complimentary to the obligations of stability which they've already undertaken in that framework. And we're all convinced that greater monetary stability will assist freer flow of goods, services and capital. And we're determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment."

Q Mr. Secretary, if this -- Mr. Secretary, if this provision that you just read us had been in effect for the past year, would the U.S. have intervened any more than it did?

SECRETARY REGAN: No, because we had agreed to Article IV of the IMF at Breton Woods in 1946 --

Q So, nothing's changed?

SECRETARY REGAN: -- and we will still intervene whenever there are disorderly markets. Now we are going to have a study of intervention to see whether or not more or less intervention is appropriate.

Q It sounds like more than you were saying yesterday -- a little stronger on the intervention.

SECRETARY REGAN: I think it's just my tone of voice.
(Laughter.) I haven't lost my chords yet.

Q Mr. Secretary, will you come up with a definition
for the word "disorderly?" Mr. Secretary?

SECRETARY REGAN: I beg your pardon.

Q Will you come up with a definition for the word
"disorderly?"

SECRETARY REGAN: As I said yesterday, I would think that
those who are engaged in this study will try to focus on that word to
see if they can come up with a better definition. Incidentally, for
those of you who are French scholars, we asked a French scholar to give
us the French word for disorderly, and it came out, "irratique."

Q Mr. Secretary, what language did you work out on --

SECRETARY REGAN: Yes. But that doesn't mean the same as
irratique in English.

Q What language did you work out on the U.S. interest
rates -- high interest rates?

SECRETARY REGAN: U.S. interest rates? The reference
there -- one final thing on this. This will be attained on a durable
basis. If we are successful in our continuing fight against inflation,
this will also help to bring down interest rates which are now
unacceptably high and to bring about more stable exchange rates. In
order to achieve an essential reduction of real interest rates, we will,
as a matter of urgency, pursue prudent monetary policies and achieve
greater control of budgetary policies.

Q Are you in effect telling the American farmers
that the grain shipments to the Soviet Union -- grain sales -- will
now not be above the sales of this year or last year in view of the
agreement to limits as prudently --

SECRETARY REGAN: Since they are for cash, they don't
come under the idea of credits.

Q Now --

SECRETARY REGAN: You have got to remember now what we
said here. We are talking about credits.

MR. GERGEN: Do you want to deal for a moment with North-
South?

SECRETARY REGAN: North-South. One question on North-South.
What?

Q Is there anything in the document on North-South?
-- what you decided on?

SECRETARY REGAN: There is quite a bit in here on North-
South and we agreed, for those of you who are interested in North-
South, about the launching of global negotiations, and we said here
that --

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If I can find it. The growth of developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. It is therefore important that a high level of financial flow and official assistance should be maintained and that their amount and their effectiveness should be increased as far as possible with responsibility shared broadly among all countries capable of making a contribution.

The launching of global negotiations is a major political objective approved by all participants in the summit provided that the independence of the specialized institutions is guaranteed.

The latest draft resolution circulated by the G-77 is helpful and the discussion at Versailles shows general acceptance of the view that it would serve as the basis for consultations with the countries concerned. We believe now there is good prospect for the early launching and success of global negotiations.

And then it goes on to talk about the World Bank and the Regional Development Banks, food, and the like.

Thank you very much.

END

2:47 PM