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PREM 19/1009

Part ~~#~~ 13

Williamsburg : Economic Summit  
28-30 May 1983

ECONOMIC  
POLICY

PHI May 1979

PHI 14 MAY 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>31.5.83</del>							
<del>2.6.83</del>							
<del>9.6.83</del>							
<del>14.6.83</del>							
<del>17.6.83</del>							
<del>19.7.83</del>							
<del>22.10.83</del>							

PREM 19/1009

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COPY NO

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WILLIAMSBURG ECONOMIC SUMMIT

28 - 30 MAY 1983

LIST OF BRIEFS ISSUED IN THE PMVZ(83) SERIES

1. STEERING BRIEF  
Brief by Foreign and Commonwealth Office

ECONOMIC SUBJECTS

2. UNITED STATES THEMATIC PAPER  
Brief by Foreign and Commonwealth Office
3. WORLD ECONOMY  
Brief by HM Treasury
4. INTERNATIONAL MONETARY MATTERS  
Brief by HM Treasury
5. TRADE  
Brief by the Department of Trade
6. NORTH/SOUTH  
Brief by Foreign and Commonwealth Office
7. ENERGY  
Brief by Department of Energy
8. EAST/WEST ECONOMIC RELATIONS  
Brief by Foreign and Commonwealth Office
9. VERSAILLES WORKING GROUP ON TECHNOLOGY, GROWTH AND EMPLOYMENT  
Brief by Cabinet Office

POLITICAL SUBJECTS

10. EAST/WEST (INCLUDING CSCE AND POLAND)  
REVISE Brief by Foreign and Commonwealth Office
11. ARMS CONTROL (INCLUDING INF, START, ETC)  
Brief by Foreign and Commonwealth Office
12. MIDDLE EAST  
REVISE Brief by Foreign and Commonwealth Office
13. CENTRAL AMERICA  
Brief by Foreign and Commonwealth Office

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PMVZ(83) briefs 1-20  
are preserved in  
CAB 133/534. This set  
has been destroyed.  
AWayland, 25/3/13

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14. OTHER ISSUES -

- a. SOUTHERN AFRICA  
REVISE Brief by Foreign and Commonwealth Office
- b. AFGHANISTAN  
Brief by Foreign and Commonwealth Office
- c. SOUTH EAST ASIA  
Brief by Foreign and Commonwealth Office
- d. TERRORISM  
Brief by Foreign and Commonwealth Office
- e. THE US YOUTH EXCHANGE INITIATIVE  
Brief by Foreign and Commonwealth Office
- f. ACID RAIN  
Brief by the Department of the Environment
- g. CANCER  
Brief by Foreign and Commonwealth Office
- h. RATIFICATION OF MONTREAL PROTOCOLS  
Brief by Department of Trade
- i. US EFFORTS TO STRENGTHEN INTERNATIONAL DEMOCRACY  
Brief by Foreign and Commonwealth Office
- j. NON-PROLIFERATION  
Brief by Foreign and Commonwealth Office
- k. HIGH ENERGY PHYSICS  
Brief by Cabinet Office
- l. 'NON-ALIGNED MOVEMENT'  
REVISE Brief by Foreign and Commonwealth Office
- m. THE HORN OF AFRICA  
Brief by Foreign and Commonwealth Office
- n. SINO/SOVIET RELATIONS  
Brief by Foreign and Commonwealth Office

OTHERS

- 15. 1984 ECONOMIC SUMMIT  
Brief by Foreign and Commonwealth Office
- 16. BILATERAL MEETINGS  
Brief by Foreign and Commonwealth Office

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17. STATISTICS  
Brief by HM Treasury
18. PERSONALITY NOTES  
Brief by Foreign and Commonwealth Office
19. OECD EXPORT CREDIT CONSENSUS  
Brief by Export Credits Guarantee Department
20. NEPAL: KARNALI HYDRO PROJECT  
Brief by Foreign and Commonwealth Office

Cabinet Office

25 May 1983

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Summit file

THE WHITE HOUSE

WASHINGTON

October 22, 1983

Dear Mr. Turnbull:

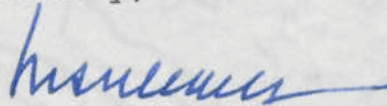
Thank you sincerely for taking time out of your busy schedule to join me and the other members of the American party at Mr. Streater's luncheon.

I was very honored by your presence and enjoyed the chance for an informal dialogue about issues of common interest.

Please let me know when and if you should visit Washington, so that I can be helpful with any arrangements.

Again, thank you.

Sincerely,



MICHAEL K. DEAVER  
Assistant to the President  
Deputy Chief of Staff

Mr. Andrew Turnbull  
Private Secretary to the Prime Minister  
10 Downing Street  
London, SW 1  
England



EMBASSY OF THE  
UNITED STATES OF AMERICA  
London

July 19, 1983

Mr. John Coles  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London, SW1

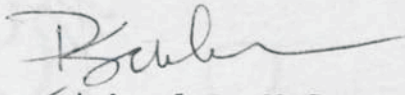
*Please let me see  
the earlier versions.*

*A.S.C. 20  
7*

Dear Mr. Coles:

Enclosed are signed originals of messages from  
the President to the Prime Minister which were  
transmitted earlier.

Sincerely,

*for*   
Richard L. McCormack  
Political Counselor

Enclosures:

As Stated.



PA 84

10 DOWNING STREET

*From the Private Secretary*

27 June 1983

WILLIAMSBURG SUMMIT

Your letter of 23 June suggested that the Prime Minister should send a reply to President Reagan's message of 17 June. I enclose a reply signed by the Prime Minister and should be grateful if you would arrange for its delivery.

A. J. COLES

R. B. Bone, Esq.,  
Foreign and Commonwealth Office.

1

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SUBJECT

cc MASTER  
OPS

Title

WFO



c. FRO  
HHT  
CO

ECON POL: Williamsburg Summit;  
Pt 14

10 DOWNING STREET

THE PRIME MINISTER

27 June 1983

US Declassified

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 95/83.

Dear Ron.

Thank you so much for your message of 17 June about the results of the Williamsburg Economic Summit.

I entirely agree that the Williamsburg Summit was above all a successful demonstration of the unity and purpose of the major Western economies. Like you, I believe that the statement on INF was clear proof of the determination of our governments to resist Soviet attempts to drive a wedge between us. I also share your view that the confidence in the rightness of our economic policies and in the prospects for recovery which the Summit showed was both timely and very encouraging.

I assure you that we shall play our full part in translating the commitments made at Williamsburg into practical action. I was interested to see from your message that you have been meeting with the bipartisan leadership of Congress to seek early progress on anti-protectionist measures, the IMF quota increases and further limits on public expenditure. We shall take all the necessary action in the new Parliament to fulfil our part of the commitments which we made.

/May I say

*[Handwritten signature]*

May I say once again how much I enjoyed the Summit at Williamsburg, which we all considered was a great success thanks largely to your leadership. Meanwhile, we are now beginning work on the preparations for the 1984 Summit and will be in touch on this through our Personal Representatives.

Y  
Lousura  
Ragout

---

P.S. I was so pleased to see George Bush yesterday - we had a long and interesting talk. His visits are most-valuable, as well as most-enjoyable.

11.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

23 June 1983

*Dear Tim,*

*Type letter.*

*HL 23/6.*

Message to the Prime Minister from President Reagan

Thank you for your letter of 17 June.

We recommend that the Prime Minister should reply to President Reagan's message of 17 June. The Prime Minister has already sent a message of thanks to President Reagan for the successful arrangements for the Williamsburg Economic Summit. Nevertheless it would seem right to reply to a personal message which is couched in such warm terms and which touches upon points of substance. I enclose a draft.

I am copying this letter to the recipients of yours.

*Yours ever*

*J E Holmes*

(J E Holmes)  
Private Secretary

Tim Flesher Esq  
10 Downing Street

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MESSAGE

DRAFT: ~~XXXXXXXXXXXXXXXXXXXX~~

TYPE: Draft/Final 1+

FROM: PRIME MINISTER

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO: PRESIDENT OF THE UNITED STATES OF AMERICA

Your Reference

~~Top Secret~~

~~Secret~~

Confidential

~~Restricted~~

~~Unclassified~~

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you so much for your message of 17 June about the results of the Williamsburg Economic Summit.

CAVEAT.....

*entirely agree*  
I ~~share your judgement~~ that the Williamsburg Summit was above all a successful demonstration of the unity and purpose of the major Western economies. Like you, I believe that the statement on INF was *clear* ~~signal~~ proof of the determination of our governments to resist Soviet attempts to drive a wedge between us. I also share your view that the confidence in the rightness of our economic policies and in the prospects for recovery which the Summit showed was both timely and very encouraging.

*we shall*  
I ~~want to~~ assure you that my ~~government~~ *we shall* will play *~* ~~its~~ full part in translating the commitments made at Williamsburg into practical action. I was interested to see from your message that you have been meeting with the bipartisan leadership of Congress to seek early progress on anti-protectionist measures, the IMF quota increases and further limits on public expenditure. We

Enclosures—flag(s).....

/shall

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shall take all the necessary action in the new Parliament to fulfil our part of the commitments which we made.

May I say once again how much I enjoyed the Summit at Williamsburg, which we all considered was a great success thanks largely to your leadership. ~~I look forward to seeing George Bush later this week.~~ Meanwhile, we are now beginning work on the preparations for the 1984 Summit and will be in touch on this through our Personal Representatives.

23 JUN 1985

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10 DOWNING STREET

*From the Private Secretary*

17 June 1983

AX  
The Prime Minister has received the attached message from President Reagan. I should be grateful for your advice on whether a reply is needed and if so for a draft as soon as possible.

I am sending a copy of this and the enclosure to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

TIM FLESHER

John Holmes, Esq.,  
Foreign and Commonwealth Office.

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Ack'd 12/16



EMBASSY OF THE UNITED STATES OF AMERICA

LONDON

June 17, 1983

Dear Prime Minister:

I have been asked to deliver the attached message to you from President Reagan, which was received at the Embassy early this morning.

Sincerely,

A handwritten signature in dark ink, which appears to read "John J. Louis, Jr.", is written over the typed name.

John J. Louis, Jr.  
Ambassador

Enclosure

CONFIDENTIAL

The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
London, S.W. 1.

SUBJECT: cc OPS  
MASTER

THE WHITE HOUSE  
WASHINGTON

PRIME MINISTER'S

June 15, 1983

PERSONAL MESSAGE

SERIAL No. T 90/83

US Declassified

Dear Margaret:

Before our experience at Williamsburg is engulfed by the day-to-day problems that awaited us on return to our respective capitals, I want to thank you for the excellent spirit of cooperation which prevailed at the Summit meetings.

I particularly appreciated your taking time out from your busy campaign schedule to come to Williamsburg. Your firm support and leadership were vital in translating the broad areas of agreement which we found in our private discussions into a strong message of unity among the world's largest industrialized democracies. That message, both in its economic and political dimensions, was crucial at this time of questioning in our own countries and of challenge from the Soviet Union and its allies. Thanks to your contribution during Saturday's dinner discussion of INF, we were able, in our statement, to send the Soviets a clear signal of allied determination and unity.

The "Williamsburg Declaration on Economy Recovery" was a victory for the future. Your government's economic policies have proved the wisdom of the key principles laid out in the declaration: non-inflationary growth, open markets, adequate liquidity and economic stability. I am certain that under your continued leadership, Britain will experience sustained economic growth. I sincerely believe the words I used to conclude the press



statement: "Our meeting has shown a spirit of confidence, optimism and certainty -- confidence that recovery is underway, optimism that it will be durable, and certainty that economic policy and security ties among us will be strengthened in the future."

You have my solemn assurance, so far as the United States is concerned, that I shall now do everything in my power to translate the commitments we made together at Williamsburg into tangible legislative action. With that end in mind, I met with the bipartisan leadership of the Congress on June 8 and urged early progress on anti-protectionist measures, increasing our IMF quotas, and further limits on the growth of federal expenditures as a means to reduce budgetary deficits.

I know that Vice President Bush is looking forward to meeting with you in London and continuing our productive dialogue. We greatly value your advice and counsel. The Vice President also wishes to extend personally our warmest congratulations on your splendid victory. As I said on the telephone, I am overjoyed. Your landslide win certainly gives a positive shot in the arm to the Western Alliance.

Margaret, I greatly appreciate your kind remarks about my handling of the Summit's chair. I know that hosting the next meeting will be a burden for you, but I am reassured that this important role will be in such capable hands. I hope that in these Summit gatherings we can continue to strive for small and informal settings.

Sincerely,

Ron

The Right Honorable  
Margaret Thatcher, M.P.  
Prime Minister  
London

PERSONAL AND CONFIDENTIAL

file Sol

cc FRANCE: Anglo/fr.  
Relations PE2

SIR ROBERT ARMSTRONG

YOUR TALKS WITH M. ATTALI

The Prime Minister has noted the contents of your minute of 10 June.

Mrs. Thatcher has made no comment on the suggestion that there should be an informal meeting between President Mitterrand and herself in the next few weeks.

A. J. COLES

14 June 1983

PERSONAL AND CONFIDENTIAL

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Summit  
Subject



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 84C/83

10 DOWNING STREET

THE PRIME MINISTER

13 June, 1983

Y  
Lou Kinnear

Thank you for your message about the world economic situation. It was useful to have your thoughts just before I left London for the Economic Summit at Williamsburg.

You will have seen the text of the Williamsburg Declaration on Economic Recovery. I hope you found it encouraging. There was agreement in the discussions that a good deal of success had been achieved in reducing inflation and interest rates. There was also agreement on the importance of promoting convergence of performance in the economies of Summit countries and greater stability of exchange rates. We concluded that the present pace of recovery is indeed sustainable, but that any artificial stimulative action should be avoided. It was essential to avoid re-kindling inflation. A resurgence of inflation would put at risk the gains made so far and would have a crippling effect on the developing countries as well.

I believe that the commitment in the Williamsburg Declaration to halt and, as the recovery proceeds, to reverse protectionism is very important. We aim to sustain recovery, and to spread its benefits beyond the Summit countries, by strengthening the open trading system. You will have noticed the invitation to Finance Ministers to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference. I am sure it is right to seek ways of improving the operations of the international financial system. But I do not

/ share

SH

share the view that its structure is fundamentally unsound. I believe we have already made considerable progress in adapting the institutions to meet the new demands which have been placed upon them.

You described the many problems being encountered by developing countries. We spent a good deal of time on these at Williamsburg. The Declaration deals with them in some detail; and in a manner which I hope you will find both sympathetic and realistic.

The countries represented at Williamsburg reaffirmed their commitment to participate constructively in the Sixth United Nations Conference on Trade and Development, now in progress in Belgrade. I hope for a fruitful outcome, which will bring benefit to developed and developing countries alike.

I do not underestimate the economic problems which confront us all at this time. They are formidable; and as formidable for your country as for any other. But I am hopeful that the recovery which is now underway in some parts of the world can be sustained and spread to other countries.

Yours sincerely  
Raymond D. Mervin

His Excellency  
Senhor General Joao Baptista de Oliveira Figueiredo, KBE

610

(2)

Prime Minister

Ref. A083/1630

cc. FRANCE: Anglo/French relations Pt 2.

MR COLES

I am minuting you separately about the outcome of my discussions with Monsieur Attali yesterday on the European budget. This note records two other matters which came up during the course of the discussion.

2. Monsieur Attali was at some pains to stress the extent of "political unity" between the President and the Prime Minister (and indeed the Federal Chancellor); he said that they had a common view of many things. He stressed the President's respect for the Prime Minister and his desire to have a good relationship with her. He reverted to the suggestion that, as there had not been a chance for a bilateral meeting between the President and the Prime Minister at Williamsburg, they should meet informally in the next few weeks, and in any case before the next formal bilateral Summit meeting. He said that he was sure that the President would very much welcome it, if the Prime Minister felt able to go across to Paris for lunch or dinner between now and the end of July, or indeed in August: he would not be going out of France. Monsieur Attali indicated that he would not exclude the possibility that the President would accept an invitation to come to London or Chequers for a meal. We agreed that the President and the Prime Minister would be seeing each other at Stuttgart and the possibility could be pursued there.

3. On the Williamsburg Summit, Monsieur Attali referred to the doubts which the President had expressed in his television broadcast the previous evening. He said that what the President had said reflected the President's own views, not any kind of briefing. Some of the French press had interpreted what the President had said as indicating some uncertainty whether he would agree to attend another Summit in 1984. That was wrong: the President would of course accept an invitation to attend the Economic Summit in the United Kingdom next year. But the fact remained that, though the President valued the opportunity of talking with his colleagues, the occasions presented him with some difficulty: he was the only man of the left at the table, and (so long as that was the case) could not expect to get a



great deal out of the meetings. The President would hope that we should be able to scale down next year's Summit. In particular, he would like to reduce the public relations element in it. For him the ideal arrangement would be that a communique should be issued from 10 Downing Street simply saying that the Summit had been held a week earlier. Secondly, the President would hope that we would carry further the development already begun at Williamsburg of increasing the number of meetings of Heads of State or Government on their own. So far as he was concerned, the ideal arrangement would be that the whole meeting should be of Heads of State or Government only, though Monsieur Attali and I agreed that that would probably be impossible for Germany, because of the coalition problem, and perhaps for some of the other countries as well.

RA

ROBERT ARMSTRONG

10 June 1983



Foreign and Commonwealth Office

London SW1A 2AH

9 June 1983

Dear John,

*ll: typ less*

*aa 9/6*

Message to the Prime Minister from the President of Brazil

With my letter of 26 May I sent you the text of a letter to Mrs Thatcher from President Figueiredo about the world economic situation. I now enclose a draft reply from the Prime Minister which we shall be happy to pass by telegram for delivery by the Embassy in Brasilia.

*Yours ever*

*J E Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

DRAFT LETTER

From: Prime Minister

To: His Excellency  
Senhor Joao Baptista de Oliveira Figueiredo  
President of the Federative Republic of Brazil

WILLIAMSBURG ECONOMIC SUMMIT

Thank you for your message about the world economic situation. It was useful to have your thoughts just before I left London for the Economic Summit at Williamsburg.

✍ You will have seen the text of the Williamsburg Declaration on Economic Recovery. I hope you found it encouraging. There was agreement in the discussions that a good deal of success had been achieved in reducing inflation and interest rates. There was also agreement on the importance of promoting convergence of performance in the economies of Summit countries and greater stability of exchange rates. We concluded that the present pace of recovery is indeed sustainable, but that any artificial stimulative action should be avoided. It was essential to avoid rekindling inflation. A resurgence of inflation would put at risk the gains made so far and would have a crippling effect on the developing countries as well.

✍ I believe that the commitment in the Williamsburg Declaration to halt and, as the recovery proceeds, to reverse protectionism is very important. We can aim

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<sup>am</sup>  
~~only hope~~ to sustain recovery, and to spread its benefits beyond the Summit countries, by strengthening the open trading system. You will have noticed the invitation to Finance Ministers to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference. I am sure it is right to seek ways of improving the operations of the international financial system. But I do not share the view that its structure is fundamentally unsound. I believe we have already made considerable progress in adapting the institutions to meet the new demands which have been placed upon them.

4. You described the many problems being encountered by developing countries. We spent a good deal of time on these at Williamsburg. The Declaration deals with them in some detail; and in a manner which I hope you will find both sympathetic and realistic.

5. The countries represented at Williamsburg reaffirmed their commitment to participate constructively in the Sixth United Nations Conference on Trade and Development, ~~which~~ <sup>is in progress</sup> ~~has now begun~~ in Belgrade. I hope for a fruitful outcome, which will bring ~~manifest~~ benefit to developed and developing countries alike.

~~E.~~ I <sup>do not</sup> ~~by no~~ means underestimate the economic problems which confront us all at this time. They are formidable; and as formidable for your country as for any other. But I am <sup>hopeful</sup> ~~reasonably confident~~ that the recovery which is now underway in some parts of the world can be sustained and spread to other countries.

M  $\frac{9}{6}$



GRS 485

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PS TO PM. NO. 10 DOWNING STREET.

FM MOSCOW 081250Z JUN 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 594 OF 8 JUN

INFO IMMEDIATE UKDEL NATO

INFO ROUTINE WASHINGTON, BONN, PARIS, ROME, OTTAWA, TOKYO

INFO SAVING TO OTHER NATO POSTS AND TO SOFIA, BELGRADE, BUCHAREST  
BUDAPEST, EAST BERLIN, WARSAW, PRAGUE

MY TELS NOS 557 AND 566:

*W* 9/6

THE SOVIET GOVERNMENT STATEMENT OF 28 MAY ON NUCLEAR WEAPONS  
AND THE WILLIAMSBURG SUMMIT

f.a.

1. I SEE SIGNS THAT THE RUSSIANS WERE WRONG-FOOTED BY THE UNITY AND FIRMNESS OF THE WILLIAMSBURG STATEMENT ON DEFENCE AND DISARMAMENT. IN PARTICULAR, THEY APPEAR NOT TO HAVE FORESEEN JAPANESE AND FRENCH ASSOCIATION WITH A STATEMENT OF THIS KIND. AFTER INITIAL HESITATION ABOUT HOW TO PRESENT THE OUTCOME OF WILLIAMSBURG, IT IS SIGNIFICANT THAT SOVIET PRESS CRITICISM IS NOW CONCENTRATING ITS FIRE ON JAPAN AND FRANCE. THE GENERAL SOVIET THESIS IS THAT WILLIAMSBURG'S SUPPORT FOR INF DEPLOYMENT WAS THE RESULT OF AMERICAN 'ARM TWISTING'. PRAVDA OF 4 JUNE SUGGESTED THAT SIMILAR US TACTICS WOULD PROBABLY PREVAIL AT THE NATO MINISTERIAL MEETING ON 9/10 JUNE. IT IS THEREFORE SURPRISING THAT, SO FAR, THE SOVIET PRESS HAS MADE ONLY HALFHEARTED ATTEMPTS TO IDENTIFY DIFFERENCES AMONG NATO MEMBERS AND IT HAS, FOR EXAMPLE, MADE VERY LITTLE OF THE RECENT RESOLUTION OF THE DANISH FOLKETING.
2. IN THE LIGHT OF THE ABOVE THE RUSSIANS MAY CONSIDER THAT THEIR 28 MAY STATEMENT ON THE EVE OF WILLIAMSBURG, OR AT LEAST ITS THREATENING TONE, WAS MISJUDGED. PRAVDA'S WEEKLY INTERNATIONAL REVIEW ON 5 JUNE, WHICH FOR THE FIRST TIME IN THE SOVIET CENTRAL PRESS RECOGNISED THAT THE SUMMIT STATEMENT MIGHT REPRESENT A RESPONSE TO IT, WAS NOTABLY DEFENSIVE, AND PRAVDA ON 8 JUNE DEVOTED A LENGTHY ARTICLE TO JUSTIFYING THE STATEMENT, MAINLY BY DAMNING US INTENTIONS. BOTH ARTICLES INSISTED THAT MOSCOW'S WARNING ON THE CONSEQUENCES OF DEPLOYMENT WAS NOT A THREAT, AS WESTERN PROPAGANDISTS CLAIMED, BUT A LOGICAL RESPONSE TO A GROWING DANGER OF WAR: 'A MISSIVE OF PEACE AND HOPE.' NEITHER WITH THE PRIME MINISTER OF BADEN WURTEMBERG, SPATH, NOR WITH THE SPANISH FOREIGN MINISTER (MY TEL NO 584) DID SOVIET LEADERS LAST WEEK LAY MUCH STRESS ON THEIR STATEMENT OF 28 MAY AND THE THREAT OF COUNTER-DEPLOYMENT. ANDROPOV WAS AT SOME PAINS DURING THE FINNISH PRESIDENT'S VISIT (MY TEL NO 591) TO STRESS THE DEFENSIVE NATURE OF THE SOVIET RESPONSE TO DEPLOYMENT AND THE SOVIET UNION'S CONTINUING INTEREST IN AN AGREEMENT IN GENEVA. THE AMBIGUOUS PHRASE IN THE STATEMENT OF 28 MAY - THAT THE SOVIET UNION WAS 'CONFRONTED WITH THE NECESSITY' TO TAKE MEASURES IN RESPONSE TO

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*THE*

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THE US NUCLEAR BUILD UP - WAS INTERPRETED BY SOME WESTERN COLLEAGUES HERE AS SUGGESTING THAT THE RUSSIANS WERE ALREADY PROCEEDING WITH PLANS FOR COUNTER-DEPLOYMENTS. BUT THE LANGUAGE USED BY ANDROPOV WITH KOIVISTU HAS LESS IMMEDIACY: THE SOVIET UNION "WILL BE FORCED TO TAKE MEASURES" IF INF DEPLOYMENT GOES AHEAD.

3. THE FACT REMAINS THAT THIS RECENT SLIGHTLY SOFTER PRESENTATION OF THE 28 MAY STATEMENT IS NO MORE THAN FINE-TUNING. THE RUSSIANS CONTINUE TO DRAW MORE ATTENTION TO THE POSSIBILITY OF SOVIET COUNTER-DEPLOYMENT THAN TO THE SUBSTANCE OF THEIR PROPOSALS IN GENEVA.

FCO PLEASE PASS TO ALL SAVING ADDRESSEES

SUTHERLAND

LIMITED

ERD  
ESID  
WED  
FED  
NAD  
ECD\*  
PLANNING STAFF  
TRED  
ESSD  
EESD  
NEWS D  
PS

PS/LORD BELSTEAD  
PS/MR RIFKIND  
PS/MR HURD  
PS/MR RAISON  
PS/PUS  
SIR J BULLARD  
MR EVANS  
MR HANNAY  
MR THOMAS  
MR DONALD  
MR HAYES  
MR ADAMS

ADDITIONAL DISTRIBUTION

ECONOMIC SUMMIT

2

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GPS 1500

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FROM WASHINGTON 081939Z JUN 83

TO PRIORITY F C O

TELEGRAM NUMBER 1589 OF 8 JUNE

INFO ROUTINE BONN, PARIS, ROME, TOKYO, OTTAWA, UKREP BRUSSELS,  
UKDEL OECD, UKDEL NATO.

A.S.C. '96

h.a

MY TELNO 1527: US REACTIONS TO WILLIAMSBURG SUMMIT.

1. THE PRESS HAS CONTINUED TO COMMENT WITH SOME SURPRISE ON THE SUCCESS WITH WHICH THE PRESIDENT HANDLED THE WILLIAMSBURG MEETING. THERE WAS INITIALLY A SUSPICION THAT WHATEVER ACCORDS HAD BEEN AT WILLIAMSBURG WOULD FALL APART ONCE THE PROTAGONISTS HAD RETURNED TO THEIR CAPITALS, AS HAPPENED AFTER VERSAILLES. BUT THIS HAS NOT YET HAPPENED, AND OPINION - THOUGH STILL SOMEWHAT SCEPTICAL ABOUT THE OPERATIONAL EFFECTIVENESS OF ECONOMIC SUMMITS AS SUCH - SEEMS WILLING TO ACCEPT THAT WILLIAMSBURG WAS INDEED A MODEST SUCCESS.

2. WALLIS (STATE DEPARTMENT, AND THE AMERICAN SHERPA) BRIEFED THE OECD AMBASSADORS ON THE OUTCOME ON 6 JUNE. IN ESSENCE HIS BRIEFING WAS AN EXPANSION OF THE COMMUNIQUE ITSELF: AN ACCOUNT FOLLOWS BY BAG. IN PRIVATE, WALLIS HAS TOLD MY COMMERCIAL MINISTER THAT THE AMERICANS WERE WELL PLEASED WITH THE WAY THE SUMMIT HAD GONE. THE PRESIDENT HAD DEMONSTRATED TO THE SCEPTICS THAT HE COULD MASTER THE ISSUES AND CHAIR THE DISCUSSIONS EFFECTIVELY. THE PRIME MINISTER MADE A MAJOR CONTRIBUTION, THROUGH HER ENERGY AND HER INTELLECTUAL INPUT, TO THE OUTCOME ON MATTERS OF SUBSTANCE. WALLIS DID NOT THINK THAT THIS COULD HAVE BEEN SO SATISFACTORY IF THE PRIME MINISTER HAD NOT BEEN ABLE TO ATTEND. HE ALSO THOUGHT THAT THE ABSENCE OF DETAILED PREPARATION, AND OF A PRE-COOKED COMMUNIQUE, HAD ALSO CONTRIBUTED TO THE BUSINESS-LIKE QUALITY OF THE DISCUSSIONS AND OF THE FINAL DOCUMENT WHICH HAD ISSUED.

3. WALLIS CONSIDERED THAT THE BASIC TRADE-OFF WHICH HAD BROUGHT ABOUT THIS SATISFACTORY OUTCOME WAS BETWEEN THE AMERICAN WISH FOR GOOD LANGUAGE ON TRADE (PARAGRAPH 3 OF THE DECLARATION) AND THE FRENCH REQUIREMENT FOR SOMETHING ON THE INTERNATIONAL MONETARY SYSTEM (PARAGRAPH 5). HE THOUGHT THAT THE AMERICANS HAD GOT MORE OF SUBSTANCE OUT OF THIS EXCHANGE THAN THE FRENCH: BUT HE DID NOT THINK THAT THE BARGAIN WOULD THEREFORE FALL APART.

**CONFIDENTIAL**

/ 4. ON

4. ON THE NEXUS BETWEEN BUDGET DEFICITS, INTEREST RATES, AND EXCHANGE RATES, THE AMERICANS HAD BEEN UNDER SOME PRESSURE AT WILLIAMSBURG. BUT WALLIS SAID THAT THE AMERICANS SIMPLY DISAGREED WITH THE ECONOMIC ANALYSIS OF THEIR CRITICS. REAL INTEREST RATES WERE NOT HISTORICALLY HIGH IN THE UNITED STATES, AND THEIR NOMINAL LEVEL WOULD FALL AS INFLATION FELL. THE HIGH LEVEL OF THE DOLLAR WAS DUE TO THE INWARD FLOW OF INVESTMENT MONEY FROM COUNTRIES WITH SHAKEY ECONOMIES, OR FROM INVESTORS WHO PREFERRED THE UNITED STATES MARKET TO THEIR OWN. HE CLAIMED WITHOUT A BLUSH THAT BUDGET DEFICITS HAD NOTHING TO DO WITH THIS.

5. ON EAST-WEST ECONOMIC RELATIONS, WALLIS SAID THAT LITTLE ATTENTION HAD HAD TO BE GIVEN TO THE SUBJECT. AT WILLIAMSBURG. THE AMERICANS WERE REASONABLY WELL SATISFIED WITH THE DISCUSSIONS THAT HAD TAKEN PLACE ELSEWHERE, AND THESE WOULD OF COURSE CONTINUE. THERE HAD BEEN NO DISCUSSION AT WILLIAMSBURG ABOUT CREDIT FOR THE EASTERN COUNTRIES, NOT LEAST BECAUSE (IN HIS OWN VIEW) CREDIT RESTRICTIONS WERE MEANINGLESS: ANY COMPETENT BUSINESSMAN WOULD FIND HIS WAY ROUND THEM.

6. AS FOR THE FUTURE, WALLIS THOUGHT THAT IT WAS FOR THE AMERICANS TO CARRY FORWARD THEIR IDEAS ON THE LINK BETWEEN TRADE AND FINANCE: IN ESSENCE THIS WOULD MEAN COMBINING THE THOUGHTS IN PARAGRAPHS 3 AND 4 OF THE DECLARATIONS. BUT THE AMERICANS DID NOT YET HAVE ANY PARTICULARLY CLEAR IDEAS, NOR ANY THOUGHTS ABOUT THE RIGHT PLACE FOR FURTHER DISCUSSIONS. HE WOULD BE GETTING IN TOUCH WITH BROCK AND REGAN IN ORDER TO CARRY THINGS FORWARD. IN HIS VIEW IT WOULD BE FOR THE FRENCH TO CARRY FORWARD THE DISCUSSION OF THE INTERNATIONAL MONETARY SYSTEM, SINCE THAT WAS THEIR BABY. (HOWEVER, SPRINKEL (TREASURY) HAS TOLD MY ECONOMIC MINISTER THAT THIS TASK SHOULD BE CARRIED FORWARD IN THE SUMMIT MACHINERY I.E. THAT THE RESPONSIBILITY LIES WITH SECRETARY REGAN AND WITH THE CHANCELLOR, SINCE WE SHALL BE HOSTS FOR THE 1984 SUMMIT).

COMMENT

7. APART FROM THEIR SATISFACTION ABOUT THE SMOOTH WAY IN WHICH THEY CONDUCTED THE SUMMIT, AMERICAN OFFICIAL IDEAS ABOUT ITS LONGER-TERM CONSEQUENCES ARE STILL BEING FILTERED OUT. WALLIS'S ASSERTION THAT THERE IS NO CONNECTION BETWEEN BUDGET DEFICITS AND OTHER FINANCIAL PHENOMENA REFLECTS THE LINE WHICH SECRETARY REGAN HAS BEEN TAKING IN PUBLIC FOR SOME TIME. IT IS NOT OF COURSE A VIEW SHARED IN THE FINANCIAL COMMUNITY NOR BY FELDSTEIN, THE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS. WE ARE SEEKING TO ESTABLISH WHETHER THERE IS MORE TO IT THAN SIMPLY A DESIRE TO

<sup>2</sup>  
CONFIDENTIAL

/GET

## CONFIDENTIAL

GET THE NATION'S DOMESTIC AND INTERNATIONAL CRITICS OFF THEIR BACKS, AND PROTECT THE THIRD ROUND OF TAX CUTS TO WHICH THE PRESIDENT EVIDENTLY ATTACHES OVER-WHELMING POLITICAL AND PERHAPS ECONOMIC IMPORTANCE. IT WOULD NOT BE WELCOME IF THE REMARKS BY WALLIS AND REGAN REFLECT A SHIFT IN THE US ATTITUDE IN THE BUDGET DEFICIT FROM A WILLINGNESS TO TAKE ACTION WHEN IT BECOMES POLITICALLY POSSIBLE TO DO SO TO GENUINE DOUBTS ABOUT THE NEED FOR ANY ACTION AT ALL.

B. ON OTHER SUBJECTS, SUCH AS EAST-WEST TRADE AND AGRICULTURE, THERE HAVE BEEN SOME INDICATIONS THAT US ATTITUDES ARE HARDENING AGAIN NOW THAT THE NEED FOR AN UNRUFFLED SUMMIT IS OUT OF THE WAY. THIS WOULD NOT BE SURPRISING, SINCE THE ADMINISTRATION WOULD IN ANY CASE NEED TO PROTECT ITSELF AGAINST ACCUSATIONS FROM ITS HARD-LINE CRITICS THAT IT WAS LULLED BY AMERICA'S PARTNERS AT WILLIAMSBURG INTO GIVING UP THE PURSUIT OF IMPORTANT AMERICAN INTERESTS. BUT AT PRESENT THERE IS NO SIGN THAT THEY ARE PLANNING TO LOOK FOR TROUBLE ON EITHER ISSUE.

WRIGHT

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PS/LORD BELSTEAD  
PS/MR RIFKIND  
PS/MR HURD  
PS/MR RAISON  
PS/PUS  
SIR J BULLARD  
MR EVANS  
MR HANNAY  
MR THOMAS  
MR DONALD  
MR HAYES  
MR ADAMS

ADDITIONAL DISTRIBUTION  
ECONOMIC SUMMIT

**THIS TELEGRAM  
WAS NOT  
ADVANCED**

## CONFIDENTIAL



FOEC 015/07

OO UKREP BRUSSELS  
GRS 367  
UNCLASSIFIED  
FM F C O 071730Z JUN 83  
TO IMMEDIATE UKREP BRUSSELS  
TELEGRAM NUMBER 329 OF 7 JUNE  
AND TO INFO SAVING WASHINGTON, UKNIS NEW YORK

YOUR TELNOS 2151 AND 2152 : WILLIAMSBURG  
1. PLEASE PASS FOLLOWING MESSAGE FROM PRIME MINISTER TO  
PRESIDENT OF UNICE (EMPLOYERS)  
BEGINS

THE WILLIAMSBURG ECONOMIC SUMMIT  
THANK YOU FOR SENDING ME A COPY OF YOUR MESSAGE TO SUMMIT  
PARTICIPANTS. IT ARRIVED SO SOON BEFORE THE SUMMIT ITSELF THAT  
I THOUGHT IT WOULD BE MORE HELPFUL TO REPLY AFTER THE WILLIAMSBURG  
MEETING.

YOU WILL NOW HAVE SEEN THE TEXT OF THE WILLIAMSBURG  
DECLARATION ON ECONOMIC RECOVERY. I THINK YOU WILL FIND IN IT  
COMMITMENTS AND AGREEMENTS WHICH COVER THE ACTION POINTS SET  
OUT IN YOUR MESSAGE. AS THE CHANCELLOR OF THE EXCHEQUER SAID  
IN HIS PRESS CONFERENCE AFTER THE FORMAL MEETINGS AT WILLIAMSBURG  
HAD ENDED, THE UNITED KINGDOM BELIEVES THAT GROWTH CAN COME AND IS  
COMING FROM THE RENEWED VITALITY AND CONFIDENCE OF BUSINESS AND  
INDUSTRY. THIS IS PARTICULARLY TRUE OF BUSINESS IN THOSE  
COUNTRIES LIKE THE UNITED KINGDOM WHICH HAVE HAD SOME CON-  
SIDERABLE SUCCESS IN REDUCING INFLATION. IN OUR CONCERN TO  
SUSTAIN THE RECOVERY, TO PROMOTE CONVERGENCE OF ECONOMIC  
PERFORMANCE AND GREATER STABILITY OF EXCHANGE RATES AND TO PURSUE  
BALANCED FISCAL AND MONETARY POLICIES, THE SUMMIT HAS REACHED  
AGREEMENTS WHICH SHOULD PROVE OF LASTING VALUE TO BUSINESS AND  
INDUSTRY. I THINK YOU WILL WELCOME THE COMMITMENT TO HALT AND  
REDUCE PROTECTIONISM AS THE ECONOMIC RECOVERY GATHERS STRENGTH.  
IN THIS CONTEXT WE BELIEVE THAT THE BENEFITS OF THE RECOVERY  
SHOULD BE SHARED BY DEVELOPING COUNTRIES THROUGH A STRENGTHENING  
OF THE OPEN TRADE SYSTEM AND A GENERAL INCREASE IN THE LEVEL OF  
WORLD TRADE. THIS PROCESS IS ALSO VITAL FOR THE FUTURE OF  
EXPORTERS IN EUROPE.

I DO NOT SHARE THE VIEW THAT THE STRUCTURE OF THE INTERNAT-  
IONAL FINANCIAL SYSTEM IS FRAGILE. THERE IS, OF COURSE, NO  
ROOM FOR COMPLACENCY IN VIEW OF THE STRAINS WHICH INTERNATIONAL  
INDEBTEDNESS HAVE IMPOSED OVER THE RECENT PAST. NEVERTHELESS  
I HOPE THAT THE CONFIDENCE, WHICH THE SUMMIT PARTICIPANTS WERE  
ABLE TO EXPRESS IN THE EMERGING RECOVERY, WILL BE A SOURCE OF  
ENCOURAGEMENT AND INCENTIVE TO YOUR MEMBERS.

ENDS  
4. THERE IS NO (NO) SIGNED ORIGINAL TO FOLLOW.

PXII

NNNN

SENT AT 07/1902Z PEJ

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C0001 44503 BRIT CO  
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297711 PRDRME G  
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PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T83A/83

OO BOGOTA  
GRS 483

UNCLASSIFIED

FM FCO 071730Z JUNE 1983

TO IMMEDIATE BOGOTA

TELEGRAM NUMBER 99 OF 7 JUN

AND TO INFO SAVING WASHINGTON, UKMIS NEW YORK, MEXICO CITY,  
CARACAS, PANAMA CITY, SAN JOSE, TEGUCIGALPA, MADRID, OTTAWA,  
AND EC POSTS.

YOUR TELNOS 105 AND 106 : WILLIAMSBURG

1. PLEASE PASS FOLLOWING MESSAGE FROM PRIME MINISTER TO  
PRESIDENT BETANCUR.

BEGINS.

THE WILLIAMSBURG ECONOMIC SUMMIT

THANK YOU FOR YOUR MESSAGE TO THE PARTICIPANTS AT THE  
WILLIAMSBURG ECONOMIC SUMMIT. IT WAS USEFUL TO HAVE YOUR PERSON-  
AL REFLECTIONS WHICH ALSO REFLECTED THOSE OF THE SUMMIT OF  
LATIN AMERICAN AND CARIBBEAN ECONOMIC EXPERTS. IT ARRIVED SO  
SOON BEFORE THE SUMMIT ITSELF THAT IT SEEMED MORE HELPFUL TO  
REPLY TO YOU ONCE THE SUMMIT HAD TAKEN PLACE.

I FULLY SHARE YOUR VIEW OF THE INTERDEPENDENCE OF THE WORLD

ECONOMY. THE WILLIAMSBURG SUMMIT WAS NOT OF COURSE INTENDED TO  
DESIGN A PLAN FOR GLOBAL RECOVERY. BUT IT DID CONSIDER AND AGREE  
UPON THE OVERALL FRAMEWORK WITHIN WHICH THE EMERGING RECOVERY IN  
THE INDUSTRIALISED NATIONS CAN BE SUSTAINED AND SPREAD TO OTHER  
PARTS OF THE WORLD. WE BELIEVE THAT FROM THE STANDPOINT OF THE  
DEVELOPING COUNTRIES, AND LATIN AMERICA IN PARTICULAR, IT IS  
VITAL THAT THE RECOVERY IN THE DEVELOPED NATIONS SHOULD BE SOUND  
AND THAT ITS BENEFITS SHOULD BE SHARED WIDELY THROUGH AN INCREASE  
IN INTERNATIONAL TRADE AND A STRENGTHENING OF THE OPEN TRADING  
SYSTEM. I AM SURE THAT YOU AND YOUR COLLEAGUES IN THE LATIN  
AMERICAN ECONOMIC SYSTEM WILL AGREE WITH THIS.

TO ACHIEVE THIS AIM THE WILLIAMSBURG SUMMIT REACHED A SERIES  
OF IMPORTANT AGREEMENTS AND COMMITMENTS WHICH ARE RELEVANT TO THE  
POINTS OF CONCERN WHICH YOU MENTION IN YOUR LETTER. THE SUMMIT  
CONSIDERED THE CONDITIONS FOR IMPROVING THE INTERNATIONAL  
FINANCIAL SYSTEM INCLUDING THE PART WHICH MIGHT IN DUE COURSE  
BE PLAYED BY A HIGH-LEVEL MONETARY CONFERENCE. YOUR PROPOSALS  
WILL OF COURSE BE A TIMELY CONTRIBUTION TO THIS TASK.

THE SUMMIT PARTICIPANTS BELIEVE THAT THE WILLIAMSBURG  
DECLARATION ENUNCIATED A COHERENT STRATEGY WHICH WILL BRING THE  
BENEFITS OF RECOVERY TO THE WORLD ECONOMY. CONDITIONS OF MORE  
STABLE EXCHANGE RATES, LOWER INFLATION RATES AND PUBLIC DEFICITS  
SHOULD NURTURE THE EMERGING RECOVERY. ON MORE DETAILED POINTS  
THE SUMMIT RECOGNISED THE IMPORTANCE OF THE ROLE OF NEW TECHNOLOGY  
IN ACHIEVING ECONOMIC GROWTH AND ALSO THE NEED FOR CONTINUED  
ACTION TO REDUCE DEPENDENCE ON OIL. IT WAS NOT THE PURPOSE OF  
THE SUMMIT TO LAY DOWN SPECIFIC POLICIES IN THESE AREAS BUT  
RATHER TO AGREE ON GENERAL POLICY DIRECTIONS.

I BELIEVE THAT THE PRINCIPAL MESSAGE FROM WILLIAMSBURG IS  
ONE OF NEW CONFIDENCE IN THE PROSPECTS FOR RECOVERY. THE  
PARTICIPANTS WERE VERY CONSCIOUS OF THE NEED TO SPREAD THE  
BENEFITS OF THIS RECOVERY MORE WIDELY TO THE DEVELOPING COUNTRIES  
BY STRENGTHENING THE OPEN TRADING SYSTEM. I AM GRATEFUL TO YOU  
FOR SHARING YOUR THOUGHTS WITH ME AND I AM CONFIDENT THAT THE  
OUTCOME OF THE SUMMIT WILL BE SEEN TO HAVE BEEN POSITIVE AND  
CONSTRUCTIVE.

ENDS

2. THERE IS NO (NO) SIGNED ORIGINAL TO FOLLOW.

PYM

NNNN

SENT AT 07/2118Z DM



10 DOWNING STREET

*From the Private Secretary*

6 June, 1983.

Messages to the Prime Minister

Thank you for your letter of 3 June to which you attached draft replies to the President of Colombia and the President of UNICE.

The Prime Minister has approved these two messages, and I would be grateful if you could arrange for their despatch.

I am sending a copy of this letter to John Kerr (HM Treasury).

M. C. SCHOLAR

J.E. Holmes, Esq.,  
Foreign and Commonwealth Office.



①

Foreign and Commonwealth Office

London SW1A 2AH


Prime Minister

Agree these

3 June 1983

two messages?

MUS 3/6

Yes 

Dear John,

Williamsburg: Messages to the Prime Minister

// The President of Colombia and the President of UNICE (Employers) each wrote to the Prime Minister before the Economic Summit at Williamsburg. I enclose draft replies to these messages together with copies of the messages themselves for ease of reference. The replies have been cleared with the Treasury. Mr Pym has not been able to see the drafts himself yet, but I will let you have any comments he may have immediately after the weekend.

I am copying this letter to John Kerr (Treasury).

Yours ever  
J E Holmes

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

DRAFT LETTER

From: Prime Minister

To: G Carli  
President  
UNICE (Employers)


THE WILLIAMSBURG ECONOMIC SUMMIT

Thank you for sending me a copy of your message to Summit participants. It arrived so soon before the Summit itself that I thought it would be more helpful to reply after the Williamsburg meeting.

2. You will by now have seen the text of the Williamsburg Declaration on Economic Recovery. I think you will find in it commitments and agreements which cover the action points set out in your message. As the Chancellor of the Exchequer said in his Press Conference after the formal meetings at Williamsburg had ended, the United Kingdom believes that growth can come and is coming from the renewed vitality and confidence of business and industry. This is particularly true of business in those countries like the United Kingdom which have had ~~some~~ considerable success in reducing inflation. In our concern to sustain the recovery, to promote convergence of economic performance and greater stability of exchange rates and to pursue balanced fiscal and monetary policies, the Summit has reached agreements which should prove of lasting value to business and industry. I think you will welcome the commitment to halt and reduce protectionism as the economic

recovery gathers strength. In this context we believe that the benefits of the recovery should be shared by developing countries through a strengthening of the open trade system and a general increase in the level of world trade. This process is also vital for the future of exporters in Europe.

3. I do not share the view that the structure of the international financial system is fragile. There is, of course, no room for complacency in view of the strains which international indebtedness have imposed over the recent past. Nevertheless I hope that the confidence, which the Summit participants were able to express in the emerging recovery, will be a source of encouragement and incentive to your members.



DRAFT LETTER

From: Prime Minister

To: His Excellency  
Belisario Betancur  
President of Colombia

THE WILLIAMSBURG ECONOMIC SUMMIT

Thank you for your message to the participants at the Williamsburg Economic Summit. It was useful to have your personal reflections which also reflected those of the Summit of Latin American and Caribbean economic experts. It arrived so soon before the Summit itself that it seemed more helpful to reply to you once the Summit had taken place.

2. I fully share your view of the interdependence of the world economy. The Williamsburg Summit was not of course intended to design a plan for global recovery. But it did consider and agree upon the overall framework within which the emerging recovery in the industrialised nations can be sustained and spread to other parts of the world. We believe that from the standpoint of the developing countries, and Latin America in particular, it is vital that the recovery in the developed nations should be sound and that its benefits should be shared widely through an increase in international trade and a strengthening of the open trading system. I am sure that you and your colleagues in the Latin American Economic System will agree with this.

3. To achieve this aim the Williamsburg Summit reached a series of important agreements and commitments which are relevant to the points of concern which you mention in your letter. The Summit considered the conditions for improving the international financial system including the part which might in due course be played by a high-level monetary conference. Your proposals will of course be a timely contribution to this task.

4. The Summit participants believe that the Williamsburg Declaration enunciated a coherent strategy which will bring the benefits of recovery to the world economy. Conditions of more stable exchange rates, lower inflation rates and public deficits should nurture the emerging recovery. On more detailed points the Summit recognised the importance of the role of new technology in achieving economic growth and also the need for continued action to reduce dependence on oil. It was not the purpose of the Summit to lay down specific policies in these areas but rather to agree on general policy directions.

5. I believe that the principal message from Williamsburg is one of new confidence in the prospects for recovery. The participants were very conscious of the need to spread the benefits of this recovery more widely to the developing



countries by strengthening the open trading system. I am grateful to you for sharing your thoughts with me and I am confident that the outcome of the Summit will be seen to have been positive and constructive.

A handwritten signature in blue ink, consisting of several stylized, connected loops and lines, positioned in the lower right quadrant of the page.

GRS 1500

UNCLASSIFIED

FM BOGOTA 271700Z MAY 83

TO IMMEDIATE FCO

TELNO 106 OF 27 MAY

AND TO IMMEDIATE WASHINGTON

INFO PRIORITY MEXICO CITY, CARACAS, PANAMA CITY, SAN JOSE,

TEGUCIGALPA, MADRID, OTTAWA

INFO SAVING EC POSTS

*Back to no, pl.*

MIPT; WILLIAMSBURG; CENTRAL AMERICA AND THE CONTADORA GROUP

BEGINS

I HAVE THE HONOUR TO ADDRESS YOU ON THE OCCASION OF YOUR MEETING WITH OTHER DISTINGUISHED CHIEFS OF STATE FOR THE PURPOSE OF PRESENTING THEM IN A CONSTRUCTIVE SPIRIT WITH SOME REFLECTIONS ON THE WORLD ECONOMY AND SOCIAL SITUATION AND IN PARTICULAR THAT OF LATIN AMERICA AND THE CARIBBEAN.

THE ECONOMY AND SOCIAL WELFARE OF THE 375 MILLION INHABITANTS OF THIS REGION DEPENDS IN GREAT MEASURE ON THE MACROECONOMIC POLICIES OF THE STATES WHICH YOU REPRESENT.- THIS WAS ONE OF THE REASONS WHICH MOVED PRESIDENT OSVALDO HURTADO OF ECUADOR TO STIMULATE A LATIN AMERICAN SUMMIT OF HIGH LEVEL EXPERTS FROM THE MAJORITY OF THE LATIN AMERICAN AND CARIBBEAN COUNTRIES TO DISCUSS THE CHOICES BEFORE THE CONTINENT IN THE INTERNATIONAL SITUATION.

AT THIS MEETING WHICH TOOK PLACE IN BOGOTA LAST WEEK, ORGANISED BY ECLA AND THE LATIN AMERICAN ECONOMIC SYSTEM (SELA) THERE WAS AN ANALYSIS OF THE CAUSES OF THE WORLD RECESSION AND THE WAY IN WHICH THE DOWNWARD SPIRAL HAS BEEN TRANSMITTED TO THE DEVELOPING COUNTRIES. ECLA, SELA AND OTHERS PARTICIPATING SUGGESTED TO THE PRESIDENT OF COLOMBIA THAT HE SHOULD RESUME IN A MESSAGE TO THE MEETING AT WILLIAMSBURG THE CONCLUSIONS THEY HAD ADOPTED WHICH EXPRESSED THE GENERAL STATE OF MIND IN LATIN AMERICA AND THE CARIBBEAN.

I HAVE AGREED TO SEND IN MY PERSONAL CAPACITY THESE REFLECTIONS - FOLLOWING FROM THOSE WHICH SOME MONTHS AGO I PRESENTED TO PRESIDENT MITTERAND, WHEN HE SPOKE FOR THE FIRST TIME ABOUT THE WILLIAMSBURG MEETING - BECAUSE EVERY DAY OUR PROBLEMS ARE SO INTERDEPENDANT, AND THAT THE RECESSION, UNEMPLOYMENT AND INFLATION ON THE INTERNATIONAL LEVEL ARE THE CONSEQUENCES OF THE DIS-EQUILIBRIUM BETWEEN PRIMARY AND INDUSTRIAL PRODUCTION ON THE WORLD SCALE. IN THE PAST TEN YEARS WE HAVE EXPERIENCED FLUCTUATIONS IN THE MARKET FOR PRIMARY PRODUCTS WHICH HAVE AFFECTED THE GROWTH OF THE WORLD ECONOMY, IN WHICH THE EXPORTS OF LATIN AMERICA AND THE CARIBBEAN HAVE BEEN AFFECTED BY CYCLES OF OVER PRODUCTION AND FIGURES OF INSTABILITY. THE LACK OF COORDINATION IN THE STRATEGIES OF THE NORTH AND SOUTH ARE OBVIOUS, CONDITIONS WHICH HAVE HAD A HIGH COST FOR ALL.

/LATIN

LATIN AMERICA AND THE CARIBBEAN ARE PASSING THROUGH ONE OF THE MOST DIFFICULT PERIODS OF THE LAST 30 YEARS. THE DETERIORATION OF THE TERMS OF TRADE, THE STRENGTHENING OF PROTECTIONISM, THE RISE IN REAL INTERNATIONAL RATES OF INTEREST, THE TIGHTENING OF THE PERIOD FOR AMORTIZING FOREIGN DEBT AND THE APPLICATION OF EXCESSIVELY RIGID ECONOMIC IDEAS HAVE CAUSED DEFICITS IN THE BALANCE OF PAYMENTS AND IN PUBLIC FINANCE AND REDUCED THE EXPANSION OF THE REGIONAL ECONOMIES THUS INCREASING UNEMPLOYMENT AND INFLATIONARY PRESSURES.

LATIN AMERICA AND THE CARIBBEAN ARE NOT BANKRUPT. OUR HUMAN AND NATURAL RESOURCES AND OUR CAPITAL FORMATION AMOUNT TO A CREDIT SEVERAL TIMES GREATER THAN THE DOLLARS 300,000M WHICH THE REGION NEEDS. WHAT IS NEEDED IS (FOLLOWING UNDERLINED) TO WIDEN THEIR ACCESS TO THE MARKETS OF TECHNOLOGY, CAPITAL AND GOODS, STRENGTHEN THE AGREEMENTS ON BASIC PRODUCTS, ACCELERATE THE RELOCATION OF MULTILATERAL RESOURCES OF CREDIT AND SYNCHRONIZE THE FLOWS OF FUNDS. (END UNDERLINING.) THIS POINT IS FUNDAMENTAL IN THAT IN 1970 AROUND 20 PER CENT OF LATIN AMERICAN AND CARIBBEAN DEBT WAS CONTRACTED ON MORE THAN FIVE YEARS, BUT TODAY LITTLE MORE THAN 4 PER CENT IS LONG TERM AS A CONSEQUENCE OF THE WEAKENING OF THE INTERNATIONAL BANKING SYSTEM FOR DEVELOPMENT.

FOR THIS REASON IT IS NECESSARY TO MODIFY THE INTERNATIONAL ECONOMIC ORDER, THE DIVISION OF WORK REQUIRES A CHANGE OF COURSE SINCE THE DEVELOPING COUNTRIES HAVE THE CAPACITY TO COMPETE IN VARIOUS FIELDS OF MANUFACTURING INDUSTRY, FOR WHICH REASON IT DOES NOT MAKE SENSE TO PROTECT INDUSTRIES OF MEDIUM LEVEL TECHNOLOGY WHICH ARE OPERATING IN THE COUNTRIES OF THE NORTH AT LOW LEVELS OF EFFICIENCY. TO MAKE PROGRESS IN THIS INTERNATIONAL DIVISION OF LABOUR IT WOULD BE APPROPRIATE TO CONVENE A NEW ROUND OF GATT NEGOTIATIONS WHICH WOULD HELP THE PROGRESS OF THE EXPORTING POTENTIAL OF THE DEVELOPING COUNTRIES. ONE COULD ARGUE THAT IN THE TOKYO ROUND SOME PROGRESS WAS MADE IN THIS DIRECTION, UNFORTUNATELY THE DEVELOPING COUNTRIES DID NOT SUCCEED IN MEETING THEIR ASPIRATIONS IN THESE NEGOTIATIONS AND WHAT HAS OCCURRED IS A REVIVAL OF PROTECTIONISM.

AS REGARDS LIQUIDITY THERE IS A NEED TO PROVIDE THE INTERNATIONAL ECONOMY WITH GREATER RESOURCES FOR THE BENEFIT OF THE DEVELOPING COUNTRIES WHICH AFTER ALL REPRESENT MORE THAN 75 PER CENT OF THE WORLD POPULATION; FOR EXAMPLE BETWEEN 1970 AND 1974 INTERNATIONAL RESERVES WERE CREATED AT MORE THAN DOLLARS 100,000M AND OF THIS HUGE SUM THE POOR COUNTRIES RECEIVED LESS THAN 4 PER CENT.

(BEGIN UNDERLINING) ONE MECHANISM TO BE STUDIED WOULD BE THAT THE MULTILATERAL CREDIT ORGANISATIONS SHOULD ISSUE RECONSTRUCTION AND DEVELOPMENT BONDS IN THE INTERNATIONAL MARKET AND THAT THE COUNTRIES OF THE NORTH SHOULD UNDERTAKE TO PURCHASE THEM IN PROPORTION TO THEIR WEALTH(UNDERLINING ENDS).

PERSONALITIES SUCH AS DR KISSINGER OF THE UNITED STATES AND DR SCHMIDT OF THE FRG HAVE RECOGNISED THAT REACTIVATING THE DEVELOPING COUNTRIES WOULD HAVE A HEALTHY EFFECT ON THE ECONOMY OF THE NORTH; IN 1982 LATIN AMERICA ALONE ACHIEVED IMPORTS OF MORE THAN DOLLARS 85,000M, THE GREATER PART COMING FROM THE US AND EC. THEREFORE IF WE DO NOT FIND MECHANISMS WHICH WILL HELP THE DEBT SERVICE OF THESE COUNTRIES, THIS FLOW WILL DIMINISH CAUSING LOSSES FOR ALL THE MEMBERS OF THE INTERNATIONAL ECONOMIC SYSTEM. FOR THIS REASON (BEGIN UNDERLINING) WE NEED TO CREATE AN INTERNATIONAL EMERGENCY FUND OF AT LEAST DOLLARS 40,000M (ADDITIONAL TO THOSE OF THE IMF), WHICH WILL COMPENSATE FOR THE FALL OF EXPORT INCOMES AND WILL ALLOW THAT PART OF THE RATE OF INTEREST WHICH EXCEEDED NORMAL LEVELS TO BE COVERED. (END UNDERLINING).

MADAM PRIME MINISTER

THE MOMENT HAS COME TO PUT IN HAND A DEVELOPMENT STRATEGY WHICH CANNOT EXCLUDE EITHER THE ARAB OR SOCIALIST COUNTRIES. IN THE CASE OF THE ENERGY MARKET FOR EXAMPLE A WIDE AGREEMENT ON INTERNATIONAL COOPERATION COULD BE OF INTEREST, BECAUSE WE ARE AWARE THAT PETROLEUM IS A SCARCE AND VALUABLE RESOURCE WHICH SHOULD BE USED EFFICIENTLY; IT WOULD BE HIGHLY DESIRABLE TO EMPLOY A MECHANISM WHICH AVOIDED SUDDEN CHANGES OF THE COSTS OF ENERGY EITHER UP OR DOWN.

NOW IS THE MOMENT TO RECOGNISE THAT ALL THE MEMBERS OF THE INTERNATIONAL ECONOMY SHOULD ACCEPT ADJUSTMENTS AND SACRIFICES. IT WOULD NOT MAKE SENSE TO GO ON TRANSFERRING THESE ADJUSTMENT COSTS TO THE POOR COUNTRIES. IF WE CANNOT ENCOURAGE THIS COORDINATION, THE WORRYING PROJECTIONS OF THE CLUB OF ROME, WHOSE PRESIDENT HAS JUST VISITED COLOMBIA, WILL GET DANGEROUSLY CLOSE TO REALITY.

LATIN AMERICA AND THE CARIBBEAN TRUST THAT THE WILLIAMSBURG  
DIALOGUE WILL BE FRUITFUL AND WILL TAKE ACCOUNT OF THESE REALITIES.  
THE EYES OF THE WORLD ARE FIXED ON SUCH EXALTED SPIRITS AND  
ON SUCH CLEAR GUIDES.

VERY RESPECTFULLY,  
BELISARIO BETANCUR  
PRESIDENT OF COLOMBIA

ENDS.

FCO PLEASE PASS ALL AND SAVING EC POSTS

ROBSON

COPIES SENT TO  
No. 10 DOWNING STREET

(REPEATED AS REQUESTED)

LIMITED

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PS/LORD BELSTEAD  
PS/MR RIFKIND  
PS/MR HURD  
PS/MR RAISON  
PS/FUS  
SIR J BULLARD  
MR EVANS  
MR HANNAY  
MR THOMAS  
MR DONALD  
MR HAYES  
MR ADAMS

ADDITIONAL DISTRIBUTION  
ECONOMIC SUMMIT

MR GERRARD  
MR URE

Back to me, pl.

UNCLASSIFIED  
DESKBY 271900Z FCO AND WASHINGTON  
FROM UKREP BRUSSELS 271814Z MAY 1983  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 2151 OF 27 MAY 1983  
AND TO IMMEDIATE WASHINGTON

WILLIAMSBURG

1. FOLLOWING IS TEXT OF LETTER FROM G CARLI PRESIDENT UNICE  
(EMPLOYERS) WHICH WE HAVE BEEN ASKED TO BRING TO ATTENTION OF  
PRIME MINISTER:

BEGINS

BUSINESS IN THE EUROPEAN COMMUNITY IS FOLLOWING WITH THE  
GREATEST INTEREST THE PREPARATION OF THE MEETING OF HEADS  
OF STATE AND GOVERNMENT OF THE SEVEN WESTERN COUNTRIES  
WHICH WILL TAKE PLACE AT THE END OF MAY AT WILLIAMSBURG.  
IT IS CONVINCED OF THE NEED FOR WESTERN COUNTRIES TO ADOPT  
CLOSELY CONCERTED AND COHERENT POLICIES TO PROMOTE SUSTAINED  
AND STEADY GROWTH IN ORDER TO REDUCE THE PRESENT VERY HIGH LEVELS  
OF UNEMPLOYMENT.

I AM SENDING YOU HEREWITH A STATEMENT UNANIMOUSLY ADOPTED BY  
UNICE, WHICH COMPRISES ALL THE INDUSTRIAL AND EMPLOYERS'  
FEDERATIONS OF THE MEMBER COUNTRIES OF THE EUROPEAN COMMUNITY  
AND THE OTHER COUNTRIES OF WESTERN EUROPE.

I THANK YOU IN ADVANCE FOR THE ATTENTION YOU MAY KINDLY RESERVE  
THE PRESENT COMMUNICATION.

ENDS

2. MIFT GIVES TEXT OF UNICE STATEMENT. COPIES HAVE ALSO GONE  
TO PRESIDENT OF EUROPEAN COUNCIL AND PRESIDENT OF COMMISSION.  
ORIGINAL CORRESPONDENCE FOLLOWS BY BAG TO GREWE FCO.

FCO ADVANCE DESKBY TO:-  
FCO - DUTY OFFICER GREWE  
NO 10 - DUTY OFFICER

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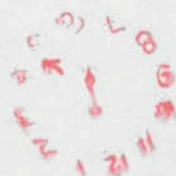
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JUN 1982

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10 DOWNING STREET

*From the Private Secretary*

2 June 1983

*Dear Brian,*

WILLIAMSBURG

We discussed on the telephone the possibility of the Prime Minister sending short messages to the other participants in the Economic Summit, given in particular the fact that owing to her early departure while the discussions were still in progress Mrs. Thatcher was not able to bid farewell properly to her colleagues with the exception of President Reagan.

I enclose a series of messages signed by the Prime Minister. I should be grateful if you would arrange for the texts to be telegraphed and delivered as soon as possible and for the signed versions to be delivered as soon as possible thereafter.

I am copying this letter and enclosures to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

*Yours ever*  
*John Coles*  
pp John Coles

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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Subject

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PRIME MINISTER'S  
PERSONAL MESSAGE

10 DOWNING STREET

81/83  
T 81/83

THE PRIME MINISTER

2 June 1983

My dear Chancellor,

I am so sorry that owing to the need for me to return to London before the Economic Summit was over I was not able to say goodbye to you properly at Williamsburg.

It was as always a pleasure to see you. It is a great encouragement to me that our views on all the fundamental issues are so close and I remain most grateful for the understanding which you have shown in recent months.

Provided that the Conservative Party is successful in the elections, I shall look forward to meeting you again in Stuttgart and helping you to make the European Council the success for Europe that we both desire.

Yours sincerely

Margaret Thatcher

His Excellency Herr Dr. Helmut Kohl

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PRIME MINISTER'S  
PERSONAL MESSAGE

T 80/83

10 DOWNING STREET

SERIAL No. T 80/83

THE PRIME MINISTER

2 June 1983

My dear Prime Minister,

I am so sorry that owing to the need for me to return to London before the Economic Summit was over I was not able to say goodbye to you properly at Williamsburg.

I much enjoyed meeting you again and am particularly glad that we were able to have a good talk together on the day of my arrival. I hope that we shall have another opportunity to meet soon. I send you my best wishes.

*Yours sincerely*  
*Raymond Stelter*

His Excellency Mr. Yasuhiro Nakasone

Subject

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PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 79/83

10 DOWNING STREET

THE PRIME MINISTER

2 June 1983

Pierre Prime

I am so sorry that owing to the need for me to return to London before the Economic Summit was over I was not able to say goodbye to you properly at Williamsburg.

It was good to see you again and nonetheless so because some of our discussion was on the lively side! I am sure that the final statement on economic matters and the statement on defence and disarmament were useful and well worthy of the occasion.

I send you my best wishes.

The Rt. Hon. Pierre E. Trudeau, P.C., M.P.

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T 78/83  
PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 78/83

10 DOWNING STREET

THE PRIME MINISTER

2 June 1983

My dear Prime Minister,

I am so sorry that owing to the need for me to return to London before the Economic Summit was over I was not able to say goodbye to you properly at Williamsburg.

I much enjoyed meeting you again and am only sorry that because my stay in Williamsburg was too short we did not have time for a full bilateral meeting. Provided that the Conservative Party win the elections on 9 June, I shall look forward to seeing you again at Stuttgart.

Every good wish,

Yours sincerely

Raymond Galton

His Excellency Senator Amintore Fanfani

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10 DOWNING STREET

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 77/83

THE PRIME MINISTER

2 June 1983

Dear Mr. President,

I write to let you know how sorry I was that owing to my need to return to London for the Election Campaign, I was unable to bid you goodbye properly at Williamsburg.

I am equally sorry that the continuation of the Summit's proceedings after the appointed time on Sunday made it impossible for us to have our bilateral meeting, to which I had been much looking forward.

I hope you had a pleasant return journey from the United States. If the Conservative Party wins the elections on 9 June, I shall look forward to seeing you again at the European Council on 17 June. Meanwhile, I send you my best wishes.

Yours sincerely  
Margaret Thatcher

His Excellency Monsieur Francois Mitterrand

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T 76/83



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 76/83

10 DOWNING STREET

THE PRIME MINISTER

2 June 1983

US Declassified

Dear Ron,

Thank you so much for all the arrangements which made my visit to Williamsburg at once so enjoyable and so rewarding.

It gave me the greatest pleasure to see you and talk with you again. Thank you for setting time aside for our private discussions and thank you for conducting the formal talks towards such a successful outcome. The Summit's conclusions on economic questions and its statement on defence and disarmament will do much for the vitality, cohesion and strength of the free world in the years ahead. I hope they bring to the United States and to you personally encouragement and support in your leadership of the Western Alliance. We in Britain remain deeply indebted to America and its President.

Finally, may I thank you for your handsome gift. This elegant bowl captures so well the beauty and calm of Williamsburg which will remain in my mind for years to come.

Congratulations on a highly successful and memorable occasion.

*Yours ever*

*Raymond*

The President of the United States of America.

*[Handwritten mark]*

PRIME MINISTER

WILLIAMSBURG

You said on the 'plane (a) that you were a little bit concerned that you had not been able to say goodbye properly to anyone other than President Reagan and (b) that it was a pity that you had not been able to see them all again in the evening to smooth down any feelings resulting from the discussion of the defence and disarmament statement.

You may like to consider sending a short letter to all the participants. I attach texts. In the case of President Mitterrand, I offer two alternatives, one of which mentions the possibility of a short meeting in Paris or London in the near future (of course after the elections). I think this gesture would be worth making and would be appreciated by the French (there have been one or two reports that Mitterrand is feeling a bit bruised after Williamsburg and that Kohl is worried about the consequences of this for Stuttgart).

A.J.C.

Tharbyson  
ml

1 June 1983



Ref. A083/1557

MR COLES  

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CB/  
PA MUS 2/6

As you will know, I was the notetaker for the plenary sessions of the Economic Summit at Williamsburg. Thanks to the miracles of modern technology, I was able as the discussion went along to make notes which were instantly transmitted to our delegation office and there transcribed.

2. I doubt whether it is necessary for me to prepare a note for record beyond these notes, which may I hope serve as sufficient record of the proceedings.

--- 3. I attach copies of the notes herewith.

4. I am sending copies of this minute and of the notes to the Private Secretaries to the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary.

RA

ROBERT ARMSTRONG

1 June 1983



# CONFIDENTIAL

NOTES TAKEN AT A PLENARY SESSION OF THE ECONOMIC SUMMIT  
CONFERENCE AT THE WILLIAMSBURG INN, WILLIAMSBURG, ON  
SUNDAY 29 MAY 1983 AT 2.30 pm

RR: Back to economy. We agreed this morning. Laid foundations for recovery. Recovery on way. Halt protectionism. Pursue steady broad gauge progress to balanced growth. Turn to immediate actions. Ask Regan to speak.

Regan: Finance Ministers have had a thorough review of economies. As to multilateral surveillance Finance Ministers have met twice with Managing Director of IMF. We have better understood each other's policies. But we need public affirmation on need for convergence. Finance Ministers have worked on agreed statement; not sure what you want to do with it. We spent many hours on interest rates and implications. We need more surveillance, less protectionism. Exchange markets have sometimes been volatile. Convergence would reduce instability. Interventionism study very useful. Some have asked for new monetary conference. Most see no possibility. It would be premature. No new forum needed; use IMF and G10.

Lambsdorff:

1. Main problem is unemployment.
2. Regan reported US situation on interest rates and deficits. We weren't convinced.
3. Export Administration Act is bone of contention. We must express our concern.
4. We would go along with need to reduce protectionism particularly at time of recovery and particularly in relation to ldc's.

Canadian Finance Minister: Both Reagan and Regan referred to trading system. I would expect Summit to make a statement on protectionism which would be credible. We failed to get dismantling at GATT Ministerial; got not further than saying "no new protectionist measures". At OECD Ministers more courageous: "dismantle existing measures as recovery proceeds". A problem of credibility; despite GATT Ministerial, protectionist measures had increased. We need a meaningful commitment. Can it be politically obligatory? Can we

# CONFIDENTIAL

monitor trade performance? People don't notify GATT when they undertake border measures which are protectionist in nature. Recovery will depend on maintaining open markets. Two ways of doing this:

1. Strengthen GATT, or
2. Ask Trade Ministers to consider alternative.

RR: Last night HSG agreed we must face up to fact we were all engaged in protectionist measures.

HK: Recovery has a great deal to do with interest rates. We should like US comments. Given interest rates in US, recovery in Europe more difficult. You spoke about silver lining. Is it real, or grey-silver?

Regan: I am not so bullish as I was. MI going up rather rapidly. Interest rates going up. Increasing MI would not bring interest rates down. If we can bring MI down, interest rates could come down. The linkage between interest rates and size of deficits has not been made. However we agree that deficit is a psychological impediment to getting interest rates down. If no progress, tax increases in 1985.

RR: Sizable deficits 1983 and 84. Then a decline. Half deficit is due to recession: 1 per cent on unemployment equals \$27 billion on deficit. Other half of deficit is structural. Programmes with automatic built-in increases. Congress won't act. I will use my veto power on any appropriation which exceeds what we have asked for. A limit to how much you can reduce a deficit by savings or tax increases. Deficit a symptom not a cause. The only answer is recovery. Every extra 1 per cent on forecast recovery = \$100 billion of the deficit. 2 per cent extra would produce a balanced budget. So we aim at solid sustainable recovery. Recovery visible in construction - 77 per cent increase in housing permits - automobiles, appliances, furniture. All typical of recovery. 11,000 small businesses went bankrupt in 1982, but 600,000 started.

Chancellor of the Exchequer: Agrees Regan analysis. Useful to annex our statement to Summit declaration. Agree Lambsdorff stress on unemployment. Agree L on Export Administration Act. Key things to tackle for sustainable growth:

1. Keep inflation going down.
2. Resist and repel protectionism - but don't commit ourselves to what is not credible.
3. Get interest rates down.

High interest rates retarding recovery: effect on debts of ldc's, and on domestic interest rates in Europe. The fact that deficits and interest rates are high. Agree attempt at eventual reduction in deficit is counter-productive. But show markets not where you are but where you are going; down. Otherwise apprehension in markets will continue.

RR: I recognise interest rates a problem. More psychological than anything else. We have had difficulty in persuading Congress to go along with our programme, but interest rates and inflation have come down.

PT: Nominal interest rates, not real.

RR: We agree that this is a target. Course has been steadily downwards. It's up to Congress. The battle will be on entitlement programmes. We have done what we can to reduce cost of Government. We have reduced increase in costs of one programme from \$116 billion to \$50 billion.

Shultz: No need for us to be defensive. Interest rates down by 50 per cent since 1981. We are making progress. Only reason why people react to high interest rates is because President has been so fantastically successful in getting inflation down. Markets will respond to sound policies pursued with persistence and resolution. Deficits bigger than President wants: but tax increase now would be crazy: stop recovery in its tracks. The President has been very courageous and has been doing a hell of a job. Real growth rate of 6 per cent from 4th quarter of 1982 to 4th quarter of 1983. A quick fix would be a catastrophe. Trade: put some meat on the bones:

1. Perhaps we should change trade officials with specific plans to fulfil OECD Ministerial. Perhaps monitoring.
2. Get discussions going on trade liberalisation, particularly between developed and developing countries, who are very protectionist.

3. Strengthen GATT.
4. Working on agricultural trade.
5. Need for better rates on trade in services and high technology products.
6. Look forward to a new trade liberalisation round in GATT.
7. Trade and finance two sides of coin: have occasional meeting of trade and finance people together.

Lambsdorff:

1. We would be happy for Finance Ministers' statement to be annexed to declaration.
2. We discussed whether meeting of Trade and Finance Ministers should take place. We agreed no new fora: do it in OECD.
3. On deficits and interest rates, Regan not able to convince us that they are not connected. I fear that interest rates will go up, not down, and perhaps we should say so.
4. Deal with protectionism, through strengthened GATT.
5. Say something about Export Administration Act. Mentioned three times here: no US response.

Italian Finance Minister:

1. Agree annex statement to declaration.
2. Two small observations on statement - keep for another occasion.
3. We are leaving here with substantial convergence of views on objectives, but with greater confusion on what is needed to make the development of recovery sustained. Not convinced by Regan. Three contradictory elements:
  1. Regan says deficit gets worse if economic conditions get worse and vice versa. But economic conditions are improving and deficit getting bigger.
  2. Confused about relationship between deficits and interest rates.
  3. A lack of US willingness to reduce rates or an inability to do so? It's not clear.

RR: No lack of willingness on our part. When we started, interest rates were at record high. I took over Carter's budget. Could not start to do anything until budget 82-83. Even when I had signed tax cut law, it would take a long time for tax cuts to have stimulation effect; and tax cuts were in three instalments. We had inherited the highest tax increases ever under Carter; and in same period deficits soared. Our tax cuts have not until July 1983 brought the level of taxes down below what it was. We are victims of our own success. The reduction of inflation has meant that tax yields don't increase as much as are expected. Interest rates went down to 10½, 10 per cent or lower. Further reductions waiting for July tax cuts. Opposition pressing to cancel tax cuts, but we won't; we need the incentive. But we want to bring interest rates and deficit down. We have not done badly, and we won't let up. When markets see we are going to stay the course, rates will come down.

PT: Energy: we should put our hands out to the oil-producing countries. Discuss future with them. We need security of supply, they need steadiness of prices.

Nakasone: Relations with South. They let me know what they expect of Williamsburg:

1. Maintain free trade, oppose protectionism.
2. Industrial countries to open markets to developing countries.
3. International financial institutions to increase aid to ldc's.

FM: At last we have come to main point, on basis of worthwhile text. A few comments and suggestions, on omissions from thematic paper.

1. When one talks of convergence, be clear what it means. One has to have convergence in struggle against inflation. France ardently engaged in struggle. From 14 per cent in 1981 to 8 per cent in 1983 and 5 per cent in 1984. We don't want to be separated from others.
2. Social convergence: coping with unemployment. Convergence means we support recovery. But we cannot act solely as economists.
3. Won't add anything on interest rates to what has been said by Germans and Italians. Which of us would impose on US in mid-1983 to adopt new taxes or reduce deficits or suddenly change

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interest rates. Markets not at beck and call of US Government. But only natural to say to US leaders - be careful. Real interest rates in US range from 5 to 7 per cent at short end to 8 per cent at long. Unprecedented levels. So ask US to contribute as they can and understand the burden of interest rates.

4. The dollar is the world reserve currency. Not just your domestic problem. Whichever way things go, well or badly, dollar goes up. Think of effect on us having to purchase things for dollars. Let's try to bring a little order into this. International liquidity.
5. As far as currency is concerned, agree subject to some reservations. But only chance references to ldc. We are accountable to them, and many others not here. Send them a signal, Deng said to me: "There are some idiots who prefer poor communism to rich capitalism". Threat of unemployed workers. Don't let Soviet win ideological war. We need an open approach. Talk about food, energy. India has reached food self-sufficiency. We ought to stabilise commodity prices, but the world isn't ready for that yet. Make use of increases in IMF resources. We could do more.
6. Necessary for us to commit ourselves on the question of intervention as agreed at Versailles. Bring our whole weight to bear to steady exchange rates. Not talking about fixed rates; bring order. Be inspired by Bretton Woods: not just do what BW did. Agree conference not possible now, but work towards it. We want to find middle ground, recognising need to move towards greater international monetary order.
7. Let's set up a working group to analyse where protection is occurring, and deal with it. We want society not to crush but to serve the individual. Don't issue statements devoid of meaning. I shall be vigilant tomorrow morning.

AF: I am concerned that our Summit should consolidate expectations and hopes for recovery. We should add credibility to our decisions, so that public opinion will be aware of them and believe in them. Therefore we cannot put aside problems caused by disorder or monetary

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system. No question of going back to Bretton Woods. Examine difficulties we have met in last 10 years, and learn lessons. They have prevented linkage between north and south. We are at beginning of third industrial revolution:

1. Steam.
2. Electricity and oil.
3. Nuclear, and advanced technology.

Advanced technology will produce more unemployment. A new type of unemployment because it's a transferring from one thing to another. Try and see how we can intervene. Can we just remain attached to a system that does all the things that this has done?

A 7 point plan.

1. ?
2. Recovery.
3. N/S.

RR: Sum up for Sherpas. Keep it short: 3 double spaced pages.

1. Shared values of freedom and democracy.
2. Domestic policies - recovery under way, but no flights of fancy.
3. Interest rates and deficits.
4. Unemployment, structural as well as cyclical.
5. Ldc: revive trade to ease debt problems.
6. Trade: reverse protectionism and try for further liberalisation.
7. Balanced approach to international financial system.
8. Continue multilateral surveillance for exchange rate stability.  
Annex statement by Finance Ministers.

PT: Five lines on energy please.

HK: When do we eight meet again?

RR: 1955 for 2000. Sliding the schedule 30 minutes.

HK: What tomorrow?

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Regan: International debt. Support for IFI. East/West economic relations. Plus the statement.

HK: Sherpas to reflect the issues, including the controversial issues. Find a middle road. Include thoughts I don't necessarily hold.

Nakasone: Science and technology. Turn this into concrete plans. I am especially interested in cancer and recombinant DNA.

PT: Ask Sherpas to use thematic paper for inspiration.

RR: Agree. Foreign Ministers to go to press for INF statement.

Shultz: I will brief generally on economic side.

THE END

**CONFIDENTIAL**





NOTES TAKEN AT A PLENARY SESSION OF THE ECONOMIC SUMMIT  
CONFERENCE AT THE WILLIAMSBURG INN, WILLIAMSBURG, ON  
MONDAY 30 MAY 1983, AT 9.30 am

RR: Start with joint statement. [I will go off the air for a bit.]

Mitterrand: is defending his proposal for a high level international monetary conference. [It's in.]

[Continuing to get on peacefully, but slowly, with the drafting points.]

1055 [The declaration is approved.]

We resume at 1120.

RR: Discuss science and technology cancer and DNA.

Nakasone: We endorse contents of report of Versailles meeting and look forward to progress. Interested in attempts to overcome cancer. A worldwide scourge. Great improvements in research into cancer. Interferon? Need for international co-operation. A 10-year programme in Japan. Hope that all of you will co-operate. Not for inclusion in the declaration, but refer to experts to consider ways of promoting co-operation. Recombinant, DNA, euthanasia, abortion, cloning. Questionable whether decisions in these areas can be left to individual countries. Encourage experts to think deeply about gene reprogramming: perhaps need for international understanding, and co-operative efforts to avoid threat to human dignity.

RR: Has there ever been attempt to see that we were not duplicating cancer research? We may be closer than we think to a break-through on cancer.

AF: I understand that they have discovered a means of reproduction that does not involve the intervention of the male.

FM: That is the worst news all day.

RR: Eminently appropriate that Prime Minister of Japan should bring this to our attention: endorse. All speak to our own people about more international co-operation and avoidance of duplication of research. Euthanasia etc, a very difficult and delicate problem.



US constitution confers right to life, liberty and the pursuit of happiness. Not for us to take decisions at that early stage of life. [A little anecdote.]

Nakasone: We have other problems: test tube babies. Universities have their own ethical codes. Genetic engineering going ahead. Cloning; what about the appearance of 10 Nakasones? You can already do it with mice. Wise men should get together internationally and co-operatively to discuss and if possible agree upon ethical problems.

Stoltenberg: How to proceed? Universities do already co-operate very closely. Ask Ministers of Science in next 12 months to put together a report on where improvements could be made.

RR: I could go along with this.

Pym: There is already very full and helpful co-operation and exchange of information; do we need more?

RR: Let's all follow up in our own countries to make sure we are doing all we can in that regard. Switch to international debt problems.

Regan: Debt situations have been so far handled in an orderly fashion. More countries may need baling out. Finance Ministers oppose new institutional arrangements. Existing arrangements cope. The five-point strategy which Heads of State and Government have now endorsed. We agreed on more exchange of information among creditors, more monitoring.

PT: Should we introduce all these conditions? It is an enormous list. Some of them are appallingly difficult to fulfil. Very large figures required. Need for ratification of IMF quotas. We can "view with great concern" the possibilities and risks of default. Not only big debtors: dozens of small ones. I agree not new institutions. Arrangements have coped, with the great help of the US. We have done it, and can do it again; but at great risk.



Regan: Yes. Great problems could arise if a group of countries took precipitate action. Watch cash flow of IMF. The falling off of commercial banks, not only in US, is worrying. We should urge the banks to be more forthcoming, so that we don't need to replace commercial with sovereign money. Not enough.

GT: The situation is very serious. Size, structure and distribution of debt very worrying. Growing tendency of ldc to restrict imports, with bad effects on our trade. People have illusions about another Kenedy round. Not much more we can do, though we could benefit if lds reduced barriers. IBRD should support, as well as IMF. Role of private banks very important, but loans on modest conditions not sufficient at this time. We understand your position on IDA 7. But support you in your struggle for the future. We cannot envisage a reduction of aid at this time. Situation particularly serious in Africa. Catastrophe possible in next ten years. Need for more surveillance and control and contingency planning for worst cases.

Colombo: Debt problem has primary importance. But don't see and deal with problems in same way. There are differences. With big debtors only a case by case approach. On the other hand we have 4th world countries - the poorest. In Paris we agreed to subscribe. In between - 3rd world - a difficult judgement. They are insolvent, but we don't consider reasons for it. A case by case approach can't work. We need to discover a method. Not necessarily unconditional: they should be conditional. But don't abandon them, or leave them to case by case approach.

Howe: Endorses Regan's report. Inclined to continue to bless case by case approach. We may have surmounted a crisis, but we face a series of serious problems. We have developed an effective system fo co-operating (bow to Volcker and Regan). Importance of increase in IMF resources (bow to Delors). Situation may be more manageable than it looks. A number of issues in Interim Committee. Approach them wisely. Replenishment of IDA would be helpful, though we understand US difficulties. Much work being done to improve the case by case approach, and make it as effective as we can. But we must not establish an "international entitlement programme".



Delors: International community shaken by series of crises. We coped as firemen not as architects. A tribute to Volcker. Excessive pressure on commercial banks could lead them into irresponsibility and difficulties. Improvements can be made to firefighting. We need a firetower from which to see conflagrations coming. When you see it, that's too late. We need a fire control officer: one man who collects and collates information. The Paris Club procedure can help, but may not be adequate. Give more thought to the future. A difficult debate ahead at UNCTAD. Not just finance and trade; add:

1. more ODA needed
2. high levels of interest rates. Until 1980 real growth rate higher than real interest rates for ldc. That now reversed.
3. liquidity: was growing too much in 1981 but in 1982 it dropped. No wonder a high dollar rate.

Is IMF conditionality too tough and demanding in some cases?

Too rapid adjustment can lead to political disorder. Need to align IMG and IBRD.

Shultz: East-West trade. Refers to para in declaration. There's a lot to note with approval. Out of much discussion has emerged the view that we should look at EWER against security considerations. Work on IEA, COCOM, OECD progressive and valuable and a continuing process. Heart of the matter is COCOM on transfer of technology. Soviets have done very well, by purchase, theft, etc. COCOM being strengthened. Some scepticism about some of proposed extensions; hope people will listen to us. IEA study taken ahead and moving forward. We welcome statement in OECD Ministerial communique. Trade should follow market considerations: no special preferences for Soviet Union. Versailles call to OECD going forward: very constructive. NATO umbrella study going forward: a good basis for looking at this. We keep Japs fully informed. All in all a great deal of progress is being made, and it's not controversial among us.

McEachean: Take satisfaction from progress. The subject difficult. La Sapiniere gave an impetus to this work. Tribute to leadership of Shultz. Our understanding has been broadened, to point where we can deal with the matter in a constructive way. Carry on.



Nakasone: Endorse Schultz. EWER tied in with security of West: unity very important. Japan will continue to co-operate. Look forward to continuing consultation with NATO.

RR: Exchange of youth programme. Williamsburg will give message of confidence and hope. No quick fixes. But united in determination to secure economic growth.

Howe: Invites next Summit to UK, on behalf of Prime Minister.

Trudeau: Tribute to Reagan. We have had a Summit that was unstructured, informal, unprecooked. In that respect the Summit a great success; has led to better discussions among us. An unmitigated success. We can differ, but reconcile our differences. Hospitality superb. Preparations meticulous.

General applause.

Nakasone: echoes tribute.

RR: Thank you.

Mitterrand: Exchanges sometimes harsh, but always frank and open throughout. President Reagan has brought us together.

THE END.

018  
Ref. A083/1556MR COLES  
          

PA

--- I attach a note for record of the discussion at Williamsburg  
--- on the morning of Sunday 29 May when Heads of State or Government  
considered the draft statement on arms control, and summary notes  
of the afternoon's discussion of the revised draft.

2. I am sending copies of this minute and of the notes to the  
Private Secretaries to the Foreign and Commonwealth Secretary and  
the Secretary of State for Defence.

3. I suggest that no copies should be made of the notes, that  
the notes should not go outside Private Offices, that they should  
be seen by only those with a strict need to know, and that they  
should be asked to read them in Private Offices.

Re

Approved by  
ROBERT ARMSTRONG  
and signed in his absence

1 June 1983



Note of a Meeting held in the House of Burgesses,  
Williamsburg, Virginia, on Sunday 29 May 1983 at 11.30 am

Present

President of the United States (In the Chair)  
President of the French Republic  
Prime Minister of the United Kingdom  
Prime Minister of Canada  
Chancellor of the Federal German Republic  
Prime Minister of Italy  
Prime Minister of Japan  
President of the Commission of the European Communities

Each Head of State or Government was accompanied by his Foreign Minister and by his Personal Representative

The President of the United States reminded the meeting that, when Heads of State or Government had been together the previous evening, there had been general agreement that it would be useful if the Summit Conference could issue a statement about arms control, with particular reference to Intermediate Nuclear Forces (INF). As a result Foreign Ministers had been working on the draft of such a statement, which he now invited his Secretary of State to introduce.

2. The Secretary of State said that the draft now circulated had been prepared by the United States delegation on the basis of the comments made by the President at dinner the previous evening, and had been revised at a meeting of Foreign Ministers earlier in the morning.

3. The Prime Minister of the United Kingdom said that she thought that the draft statement was an excellent document. It made clear that the West was determined to defend freedom, but would welcome the possibility of doing so at lower levels of armaments, and would wish to pursue negotiations vigorously with that object. She could agree to the draft document without any change.

4. The Prime Minister of Italy also welcomed the document. It showed a strong determination to maintain freedom, a commitment to a realistic timetable for the introduction of INF, and a commitment to negotiate upon global reductions in INF. He could also accept the document.



5. The President of the French Republic said that he was not in agreement with the text. France was not in the NATO command; she had not taken part in the dual track decision. This was not a subject which was suitable for discussion at what was intended to be an Economic Summit and France should not be asked to discuss the matter in this forum. He was ready to support the major proposals in the draft statement, but as the Head of State of a sovereign country and not as a member of the seven Summit countries. The declaration might be acceptable in substance, but it went outside French policy over the last ten years. He could not agree to the issue of a text resulting from NATO discussions to which France was not a party.

6. The Chancellor of the Federal German Republic said that he was able to subscribe to the text as drafted. It would, however, be very important to have a text that was supported by all those present: it would be worse than nothing if it was not possible to arrive at a draft upon which everybody could agree. The previous evening the Soviet Union had issued a statement which was addressed to the citizens of the Federal Republic, saying that deployment of Pershing missiles in Germany would destroy all German hopes of national unity. It was therefore urgent to issue an agreed joint statement. The Federal Republic of Germany was in the front line and would stick to deployment, but he sought for the help of his colleagues with a joint statement; it would be very bad to leave Williamsburg and fail to arrive at a solution to this problem.

7. The Prime Minister of Canada said that what was said in the draft was something, which as a member of NATO, Canada could and should accept. But it was the wrong message, utterly and tragically wrong. It would be a good message to send to the leaders of the Soviet Union; it was not a good message to send to the peoples of the countries represented round the table. It was proposed to put in the text negotiating postures about which people could not care less, and concepts of equality which would only frighten them. It insisted on deployment of INF by the end of the year, but it was foolish for the West to commit itself to that at this stage.





People wanted their leaders to carry a big stick but to talk softly in their dealings with the Russians. They wanted to hear something about mutual trust, and the ability to live in peace with the Soviet Union, provided that she did not use force. Mrs Thatcher was going to win her Election because Mr Foot had taken an absurd position: people would not buy unilateral disarmament. But they did want their leaders to "bust their asses" to reach agreement with the Soviet Union. The draft proposed would be a sign of escalation.

8. The Prime Minister of the United Kingdom said that the Federal Chancellor had fought his election on this issue, and she was now fighting hers on the same issue. What Mr Trudeau was saying was utterly devastating and could only give comfort to the Soviet Union.

9. The Federal Chancellor suggested that the Conference should work to arrive at a textual agreement with the President of the French Republic. The President's position on these matters and on defence was generally supportive. In all European countries there was a large peace movement. Of course all the leaders present were in favour of peace. But the Soviet Union had been building up its armed forces and was now fuelling anti-Americanism. He was convinced that the Soviet Union was prepared to move towards the West. It was not enough simply to say that we were in favour of peace. It was all very well to use moderate language but it would be disastrous not to make the position of the West clear. The West should tell the Soviet Union that they were in favour of controlling armaments, but that the Soviet Union could not expect the West to stand still while they increased. He appealed to the Canadian Prime Minister to help. Political scientists were apt to say that leaders could not tell the people the truth. The Federal Chancellor did not accept that. He did not believe that the voters were fooled. Young people expected their leaders to set an example. It was not a bad road that they were engaged on, and the example of the Pope showed what could be achieved by moral force.



10. The Prime Minister of Italy recalled that at dinner the previous evening the French President had said that this gathering was in a special position, with Japan not a member of the Atlantic Alliance and France not in NATO. It was not possible to have a declaration sustained by only five or six of those present. At this point the best thing to do would be to work with the French President to identify what were the specific difficulties for him. He understood that the Canadian Prime Minister had problems of structure; but one or two of those round the table faced elections. The message needed to be directed both to the Soviet Union and to public opinion.

11. The Prime Minister of the United Kingdom said that they had to try to reach an agreement on a statement. If they did not, the message to the Soviet Union would be that the leaders of the Western Alliance were in disarray on a fundamental issue at a time when it would be particularly embarrassing for those of them who were fighting elections. She wondered whether Mr Trudeau's difficulties would be made easier by bringing paragraph nine of the proposed statement up to the beginning.

12. The Prime Minister of Japan said that at dinner the previous evening there had been general agreement that the West should express its intentions on INF. If they were now to come out without a statement, that would have a negative impact; so they had to come out with a statement. Japan was fully in agreement with those who sought to achieve peace, even though she was not a member of NATO. On defence, he was convinced of the need for deterrence and a balance of arms. He understood the French President's problem, but thought that it would be useful for France to agree with NATO in these matters in the interests of unity and solidarity.

13. The French President said that he would like to say something that would not stress difficulties but help to get out of them. The idea of a statement was legitimate. For the reasons he had already stated he had not been willing to accept it. The fact that the statement had been drafted and discussed created a different situation. It was a situation for which he had no responsibility,



but he was ready to try to settle upon a statement in the interests of unity and in order to avoid the risks and danger now envisaged in not issuing a statement. There was not much in the text with which he would disagree, as a partner in the Atlantic Alliance. It was not the objectives he rejected; his difficulty was that France was not in a position to go along with an approach which put France in a position which was inconsistent with French diplomatic policy. France could not put herself into the NATO integrated command system. The twin-track decision had been taken in NATO, and the French were not involved in it, though it was of interest to them. The Atlantic Alliance should stay within its limits. The Summit leaders were not gathered here for the purpose of discussing questions of defence. So his problems were a mixture of substance and form. He would have preferred no text. He would not now want to hamper the search for a text, though he pointed out that France would be committing herself far more than others. The Summit leaders were not a directorate for other countries. Nonetheless he did not see how it was now possible to get out of a situation which he regretted without a statement, which should simply state principles.

14. The President of the United States reminded the French President that he had publicly said that deployment of INF should go ahead if agreement between the Soviet Union and the West was not reached. The President of the French Republic interjected that he would say the same again. The President of the United States said that the Soviet Union were the common enemy and the only threat. Round this table were represented countries who had once been enemies and were now friends, and he found that very moving. The very fact that the text now before them had been reproduced meant that it was very likely that the press already had it. The Soviet Union were on record as saying that nuclear war would be acceptable to further progressive ideas. The only interest of the West was in stopping them from fulfilling their threats. It simply was not true that the United States already had enough nuclear weapons. The ones they had were old and inaccurate and could not penetrate hardened Russian silos. The



Russians had 1,350 "intermediate" nuclear warheads in Europe; the Americans did not have a single one. The Russians had made it clear that the Pershing II missile was unacceptable and they were trying in every way to stop its deployment. That showed how much it mattered to them: it was the only threat that would keep them at the negotiating table. There was no reason why any country round the table should not accept the proposed declaration. What was wrong with taking the moral high ground against the use of these weapons? He could not understand the objections to the statement. It simply was not true that the United States had enough missiles to blow up the world. If the Russians took out the American silos, the Russians would then be in a position to threaten to blow up American cities if the United States used the other two legs of their "triad". The leaders of the Summit countries were acting in the defence of the free world and not just of NATO.

15. The Prime Minister of Canada said that the French President was saying that the substance of the draft statement was acceptable to him, but he could not commit himself to it for various political reasons. He himself was saying that the draft statement would be a good message to send to the Soviet Union but not a good statement to publish to public opinion. That was not a matter of elections; he just thought that the time was not right. He might be utterly wrong, but if he was utterly wrong it was on timing, because he agreed on the substance. Public opinion did not want to hear that Western leaders were supporting a particular negotiating posture. He thought that it was unwise to seek to be as precise as the statement now proposed. It would be better to send a clear message to the Soviet Union but to speak more softly.

16. The President of the United States said that that was what the West had done for ten years. Who believed that the Soviet Union would listen to that? If they were not careful, all the good of the Williamsburg meeting was going to disappear behind a barrage of headlines about failure to agree on this subject. They needed to lay down a marker that the West was not going to sit back and wait while the Soviet Union built up its forces. The Soviet Union



were at full economic stretch, and could not afford to increase the resources devoted to defence. The United States and the West could do so, and the Soviet Union knew that they could do so, because they had seen us do it. So, faced with the possibility of an arms race, the Soviet Union would pull back.

17. The President of the French Republic said, in response to what had just been said, that he had made it clear before the meeting that he was unfavourable to the idea of a statement on the lines now proposed. He could not be tied to the draft prepared by Foreign Ministers simply by fear that it was already in the hands of the press. As he had already said, he regretted the situation which had now been created, but he recognised that it would now be very difficult to get out of that situation acceptably without a statement. The drafting of the statement should be further considered in the light of the discussion.

18. The Prime Minister of the United Kingdom reiterated her suggestion that paragraph nine of the draft statement should be brought up to the beginning of the draft.

19. The President of the United States invited the Secretary of State and other Foreign Ministers to reconsider the draft statement in the light of the discussion, and to report back to Heads of State or Government at their meeting later in the day.

20. The meeting of Heads of State or Government was adjourned shortly before 12.30 pm.

1 June 1983

NOTES OF A PLENARY SESSION OF THE ECONOMIC SUMMIT CONFERENCE AT THE  
WILLIAMSBURG INN, WILLIAMSBURG, ON SUNDAY 29 MAY 1983 at 2.30 pm

RR: Return to political statement. Does it meet with approval?

MT: Agreed.

HK: Agreed.

PT: Agreed. It goes a considerable distance to avoid specifics. End of paragraph 5 has increased the ambiguity. Tie last half of paragraph 5 to bottom of paragraph 4 to make it clear that we do not want to include British and French weapons in the INF negotiations. Then cut out last sentence.

MT: I cannot weaken it any further.

PT: OK leave it in.

MT: Don't mind switching last sentence of 5 into 4.

RR: OK.

PT: Now he says put new first sentence of 5 into 6.

MT: OK.

PT: Or 6(new 5), I preferred Mitterrand's version.

FM: On paragraph 6 I do not agree with last draft. I suggest "our countries ardently desire an INF agreement to be reached shortly and maintain that all the more because we know that if it were otherwise the countries concerned will proceed with deployment in Europe at the end of the year 1983", I make this proposal not accidentally but with a deliberate meaning.

France not in NATO, not involved in negotiations.

FM: Goes on saying the same thing. Otherwise content. Repeats:

"6. Our nations ardently desire that an INF negotiation take place shortly, all the more because one knows that, if it were otherwise the countries concerned would go ahead with deployment at the end of the year 1983".

HK: "Will" or "would" deploy?

FM: Will.

HK: Then OK.



MT: First sentence unchanged. "Our nations hope that an INF agreement will be reached soon, all the more because we know that, if not, the countries concerned will proceed with deployment at the end of 1983".

FM: That is right. Eliminate rest of paragraph 6.

MT: Agreed.

AF: What about Geneva?

MT: "If deployment begins, we stand ready to negotiate at Geneva". Returns to first 2 sentences of paragraph 5. It says not deploy if agreement is reached. But that only true if zero option is agreed ... "If a satisfactory agreement is not reached ..." It must be clear that we shall deploy unless the Soviets have agreed to zero. If not zero, numbers we deploy will depend on what we can agree in negotiations on balance of weapons.

RR: We seized high ground with zero option. Will accept an interim agreement for less, but zero is ultimate preference. We shall begin to deploy unless total elimination is agreed.

PT: [A lot of tedious repetition.]

MT: Says again we shall deploy. Leave out sentence beginning "Let no-one be misled".

RR: What Soviet understand and respond to is strength. We are quibbling now. Do we agree first half of paragraph 5 at end of 6? Second half at end of paragraph 4?

PT: No-one thinks that Soviet will go to zero. So we are saying "we will deploy come hell come high water". That is the wrong signal. You are saying that zero option is condition of no deployment.

HK: I can't understand this discussion. Put it on paper so that we can see the text.

HK: Everybody knows that zero is ultimate wish. Our aim is to get peace with less weapons. Zero not possible now. So we want interim agreement on reduction. I assume Soviet will reduce, but at one minute to midnight. We must not torpedo our timetable. Do our historic duty: get disarmament. Soviet react only to firm decisions. When first Pershings are up, they will negotiate; not before then. Get it on paper: meanwhile get on with other business.



RR: "Such deployment will be up to the number the Soviet have agreed to so as to have equal and verifiable deployment".

PT: Won't hold this up. A mistake to take an absolutely rigid negotiating position.

RR: This isn't a rigid posture.

PT: You show all your cards. But I am not going to hold out. I think it's unwise. It says whatever Russians do we will deploy.

RR: They say that they want us to have zero. Mean to keep some. The fact that they are so worried about deployment shows the strength of that card.

MT: Back to original, without sentence "Let no-one be misled".

[Discussion adjourned, and then resumed later.]

RR: Back to INF statement. He reads a new version of paragraph 5 - the press is scenting disagreement. We must come to a conclusion. (He is reading too fast for me to record.)

AF: Instead of "balanced" say "balanced" (some mistake surely?).

MT: I can live with what RR read out.

RR: A new suggestion from Mitterrand. "Our nations agree strongly balanced INF grant. Should it occur, negotiations will determine level of deployment. Should that not occur the countries concerned will proceed with the planned deployment of the US systems in Europe at the end of 1983".

FM: "It is the wish of the countries" ... I don't understand the amendment proposed by MT. Makes new proposal: "Earnest wish of the nations to reach agreement on balanced deployment shortly". He's going too fast? He wants to say: Should this not occur it is well known that there will be deployment at the end of 1983. "It is well known that" is for me a sine qua non. Otherwise I am committed to what NATO is saying.

MT: I don't mind that. I need the middle sentence "Should that occur, the negotiations will determine the level of deployment".

AF: Would FM have difficulty with "according to decisions of December 1979" after "the countries concerned"?





FM: No, we are politically with you, but I can't commit myself to NATO decision.

MT: I agree FM's text.

HK: So do I. Let's conclude. Agree with MT.

RR: Reads text.

MT: Agreed.

FM: Agreed.

HK: Agreed.

AF: Agreed.

PT: Agreed.

RR: We have a statement. That will head off press statements on disarray. We can talk about a few language difficulties! Back to economic.

CONQUEROR

FILE

da



10 DOWNING STREET

*From the Private Secretary*

31 May 1983

I write to express my warm appreciation for the gift which I received from the President of the United States during the recent Economic Summit at Williamsburg. I am delighted to have such a beautiful memento of the occasion.

A. J. COLES

The Private Secretary  
to the President of the United States of America

da



FROM: J O KERR

DATE: 31 May 1983

cc PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Economic Secretary  
 PS/Minister of State (C)  
 PS/Minister of State (R)  
 Mr Burns  
 Mr Littler  
 Mr Unwin  
 Mr Cassell  
 Mr Kemp  
 Mr Carey  
 Mr Lavelle  
 Mr Odling-Smee  
 Mr Hall  
 Mr Bottrill  
 Mr Peretz  
 Mr Ridley  
 Mr Hague

A.S.C. 1/6.  
 p.a.

Mr Scholar - No.10 ←  
 Mr Ingham - No.10  
 Mr Fall - FCO  
 Mr Hatfield - Cabinet Office

MR MIDDLETON

... I attach the text of the Chancellor's opening statement at the Press Conference which he gave, with Mr Pym, at Williamsburg after the Summit.

A handwritten signature in dark ink, appearing to be 'J.O.K.' with a flourish.

J O KERR

STATEMENT BY THE CHANCELLOR OF THE EXCHEQUER

You have heard President Reagan's summary of the conclusions of this Summit and seen the statement "Strengthening Economic Cooperation for Growth and Stability".

Economic cooperation has been an important underlying theme in this Summit. Of course there are differences in the precise circumstances of individual countries, and differences of emphasis among Summit participants on particular subjects. But the really striking feature of our discussions here has been the extent to which we share a common view and a common approach to the problems of managing our economies, and the emergence from recession.

This reflects in particular 2 developments over the past six months or so, whose impact has been felt increasingly at successive meetings in the framework of the international financial institutions, and now here.

First: Growing confidence in the recovery, which is now clearly seen to be gathering strength.

Secondly: A growing understanding that, if recovery is to be maintained, inflation must be kept down.

The old demand to know where growth is coming from has not been heard here. It is seen that growth can come, and is coming, from the gradually renewed vitality and confidence of business and industry in the economies which have been most successful in reducing inflation.

The demand for locomotive growth by the stronger economies to support the weaker ones has similarly been absent here. No one, at any stage in our discussions here, has suggested that the Governments of the economies which have made the most headway towards recovery - and they are acknowledged to be the US, Germany, Japan and the UK - should risk the gains they have made, by resorting to artificial and unsustainable boosts, with their inevitable inflationary consequences. And none of these countries is proposing to make that mistake. Indeed other countries are now seeking the same route we are taking to a healthier economy.

Far from looking for artificial stimulative action the Ministers gathered here have emphasised the need to keep public deficits down. This has been unanimously endorsed. Attention has focussed on the US fiscal deficit. We are all conscious of the importance of the low level of inflation achieved in the US and the recovery now developing here. But we know from our own experience that continuing large fiscal deficits make it very difficult to keep growth of money supply, and inflation, under control without recourse to high interest rates. High US real interest rates of course affect markets worldwide.

So we have been urging on our US colleagues the need for them to be able to show, in the outcome of their difficult dialogue with Congress, that they are bringing their future fiscal deficits under effective control. They have shown here that they share our concern. No one at Williamsburg has argued that deficits are good for you. The lesson of the history of the seventies is that they aren't; and that lesson is well understood by all round the Williamsburg table. To argue otherwise - as some in the UK still do - would be seen here as grossly irresponsible.

The document on "Strengthening Economic Cooperation for Growth and Stability" could not have been written a year ago. It reflects very forcefully the impact of experience and of the debates among us in recent months. It has been ~~unanimously~~ agreed as a framework for our future discussions together and for the development of policy in each of our countries. In this way Williamsburg has given additional authority and impetus to the development of what is known as "Multilateral Surveillance" - a process, formally initiated at Versailles a year ago, which helps Summit countries, and particularly the 5 whose currencies constitute the SDR, to assess - and take greater account of - the effects of their policies on each other, and on the world economy as a whole. I hope that we shall go on reinforcing this process.

A key feature of the text on "Strengthening Economic Cooperation" is its stress on the value of consistent medium term policies. This has been demonstrated in the UK by our commitment to a medium term financial strategy. The text focuses clearly and strongly on disciplined monetary and fiscal policies, on compatible exchange rate policies, and on productivity and employment policies aimed at vigorous, adaptable and innovative business and industry.

I ought briefly to highlight 3 other aspects of the President's statement.

First, trade. The collective commitment - or rather recommitment - to fight protectionism is most important. A failure to halt protectionism could slow the pace of world economic recovery. Indeed, as the recovery strengthens, we need to go over to the offensive, and work hard at bringing down the trade barriers which exist today.

Secondly, the developing countries. As the declaration says, the Summit countries are deeply concerned about their recovery. It is of course important to

us. If one quotes just one figure, 25 per cent of British exports (worth nearly £20 billion) now go to the developing countries. But we recognise the importance of recovery for the developing countries themselves. And for countries like ours, concerned with moral purpose and human dignity, the predicament of developing countries must matter.

Finally, let me mention just one other area of discussion which has been prominent on the agenda of Finance Ministers - the question of international debt. We have reaffirmed our agreed strategy. On the one hand we emphasise the need for debtor countries, with IMF guidance, to pursue effective adjustment of their own policies and performances. On the other hand we as creditors accept that creditor governments, banks, and international institutions must cooperate closely in providing realistic help to allow time for that adjustment to be made.

In all these areas, the discussions at Williamsburg have been valuable. This Summit has been an undoubted success. And the stress by all participants on the importance of securing growth without rekindling inflation should help to ensure that the recovery strengthens, and that there is further good progress to report at the next Summit, in the UK next summer.

Williamsburg

30 May 1983

Subject

cc Master

PLENARY: MONDAY 30 MAY 1983

RR: Start with joint statement. I will go off the air for a bit.

Mitterrand: is defending his proposal for a high level international monetary conference. It's in.

Continuing to get on peacefully, but slowly, with the drafting points.

1055 The declaration is approved.

We resume at 1120.

RR: discuss science and technology cancer and DNA.

Nakasone: We endorse contents of report of Versailles meeting through and look forward to progress. Interested in attempts to overcome cancer. A worldwide scourge. Great improvements in research into cancer. Interferon? Need for international co-operation. A 10-year programme in Japan. Hope that all of you will co-operate. Not for inclusion in the declaration, but refer to experts in four ways of promoting co-operation.

2. RECOMBINANT, DNA. Euthenasia. Abortion, Cloning. Questionable whether decisions in these areas can be left to individual countries. Encourage experts to think deeply about gene reprogramming: perhaps need for international understanding, and co-operative efforts to avoid threat to human dignity.

RR: Has there ever been attempt to see that we were not duplicating cancer research. We may be closer than we think to a break-through on cancer.

AF: I understand that they have discovered a means of regeneration that does not involve the intervention of the male.

Someone: That is the worst news all day.

RM: Emminently appropriate that Prime Minister of Japan should bring this to our attention. Endorse.

/ RR



RR: All speak to our own people about more international co-operation and avoidance of duplication of research.

RR: Euthenasia etc, a very difficult and delicate problem. US constitution confers right to life, liberty and the pursuit of happiness. Not for us to take decisions at that early stage. (a little anecdote).

Nakasone: We have other problems: test tube babies. Universities have their own ethical codes. Genetic engineering going ahead. Cloning; what about the appearance of 10 Nakasones. You can already do it with mice. Wise men should get together internationally and co-operatively to discuss and if possible agree upon ethical problems.

Stoltenberg: How to proceed? Universities do already co-operate very closely. Ask Ministers of Science in next 12 months to put together a report on where improvements could be made.

RR: I could go along with this.

Pym: There is already very full and helpful co-operation and exchange of information; do we need more?

RR: Lets all follow up in our own countries to make sure we are doing all we can in that regard. Switch to international debt problems.

Regan: Debt situations have been so far handled in an orderly fashion. More countries may need baling out. Ministers oppose new institutional departments. Existing arrangements cope. The five-point strategy which Heads of State and Government have now endorsed. We agreed on more exchange of information among creditors, more monitoring.

/ PT:

PT: Should we introduce all these conditions? It is an enormous list. Some of them are appallingly difficult to fulfil. Very large figures required. Need for ratification of IMF quotas. We can "view with great concern" the possibilities and risks of default. Not only big debtors: dozens of small ones. I agree not new institutions. Arrangements have coped, with the great help of the US. We have done it, and can do it again; but at great risk.

Regan:Yes. Great problems could arise if a group of countries took precipitate action. Watch cash flow of IMF. The falling off of commercial banks, not only in US is worrying. We should urge the banks to be more forthcoming, so that we don't need to replace commercial with sovereign money. Not enough.

PLG: The situation is very serious. Size, structure and distribution of debt very worrying. Growing tendency of ldc to restrict imports, with bad effects on our trade. People have illusions about another Kennedy round. Not much more we can do, though we could benefit if ldc reduced barriers. IBRD should support, as well as IMF. Role of private banks very important, but loans on modest conditions not sufficient at this time. We understand your position on IDA 7. But support you in your struggle for the future. We cannot envisage a reduction of aid at this time. Situation particularly serious in Africa. Catastrophe possible in next ten years. Need for more surveillance and control and contingency planning for worst cases.

The coming of the Dove.

(Colombo)

Debt problem has primary importance. But don't see and deal with problem in same way. There are differences. With big debtors only a case by case approach. On the other hand we have 4th world countries - the poorest. In Paris we agreed to subscribe. In between - 3rd world - a difficult judgement. They are insolvent, but we don't consider reasons for it. A case by case approach can't work. We need to discover a method. Not necessarily unconditional:

/ they

they should be conditional. But don't abandon them, or leave them to case by case approach.

Howe: Endorses Regan's report. Inclined to continue to bless case by case approach. We may have surmounted a crisis, but we face a series of serious problems. We have developed an effective system of co-operating (bow to Volcker and Regan). Importance of increase in IMF resources (bow to De Lors). Situation may be more manageable than it looks. A number of issues in Interim Committee. Approach them wisely. Replenishment of IDA would be helpful, though we understand US difficulties. Much work being done to improve the case by case approach, and make it as effective as we can. But we must not establish an "international entitlement programme".

De Lors: Largest international community shaken by series of .. We coped as firemen not as architects. A tribute to Volcker. Excessive pressure on commercial banks could lead them into irresponsibility and difficulties. Improvements can be made to firefighting. We need a firetower from which to see conflagrations coming. When you see it, that's too late. We need a fire control officer: one man who collects and collates information. The Paris Club procedure can help, but may not be adequate. Give more thought to the future. A difficult debate ahead at UNCTAD. Not just finance and trade; add

1. more ODA needed
2. high levels of interest rates. Until 1980 real growth rate higher than real interest rates for ldc. That now reversed.
3. liquidity: was growing too much in 1981 but in 1982 it dropped. No wonder a high dollar rate.

Is IMF conditionality too tough and demanding in some cases?

Too rapid adjustment can lead to political disorder. Need to align IMG and IBRD.

Shultz: East-West trade. Refers to para in declaration. There's a lot to note with approval. Out of much discussion has emerged the view that we should look at EWER against security considerations. Work on IEA, COCOM, OECD progressive and valuable and a continuing process. Heart of the matter is COCOM on transfer

of technology. Soviets have done very well, by purchase, theft, etc. COCOM being strengthened. Some scepticism about some of proposed extensions that people will listen to us. IEA study taken ahead and moving forward. We welcome statement in OECD Ministerial communique. Trade should follow market considerations: no special preferences for Soviet Union. Versailles call to OECD to going forward: very constructive. NATO umbrella study going forward: a good basis for looking at this. We keep Japs fully informed. All in all a great deal of progress is being made, and it's not controversial among us.

McEachean: Take satisfaction from progress. The subject difficult. La Sap give an impetus to this work. Tribute to leadership of Shultz. Our understanding has been broadened, to point where we can deal with the matter in a constructive way. Carry on.

Nakasone: Endorse Shultz. EWER tied in with security of West: unity very important. Japan will continue to co-operate. Look forward to continuing consultation with NATO.

Reagan: Exchange of youth programme. Williamsburg will give message of confidence and hope. No quick fixes. But united in determination to secure economic growth.

Howe: Invites next Summit to UK, on behalf of Prime Minister.

Trudeau: Tribute to Reagan. We have had a Summit that was unstructured, informal, unprecooked. In that respect the Summit a great success; has led to better discussions among us. An unmitigated success. We can differ, but reconcile our differences. Hospitality superb. Preparations meticulous. General applause.

Nakasone

Reagan: Thank you

Mitterrand: Exchanges sometimes .. , but frank and open throughout. President Reagan has brought us together.



# 1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187  
May 28-31, 1983

## WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Annex

STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.



(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time-to-time, and react promptly to significant changes.

Subject

✓ Mr. Mather

088

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cc: Sir A. Parsons

10 DOWNING STREET

30 May 1983

From the Private Secretary

Dear Sir,

WILLIAMSBURG: BILATERAL MEETING BETWEEN THE  
PRIME MINISTER AND CHANCELLOR KOHL

I enclose a copy of the record of the conversation between the Prime Minister and Chancellor Kohl which took place at Williamsburg at 1730 hours on Saturday 28 May.

I am copying this letter and its enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

I should be grateful if you and they would circulate the record only to those who have an operational need to know of its contents.

Yours ever

John Colles.

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND CHANCELLOR KOHL  
AT WILLIAMSBURG AT 1730 HOURS ON SATURDAY 28 MAY 1983

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Present:

Prime Minister

Chancellor Kohl

Mr. Coles

Mr. Teltschick

Interpreter

Interpreter

\* \* \* \* \*

Chancellor Kohl enquired as to the progress of the election campaign in the United Kingdom. He said that he had believed for months that the result would be of great importance to the Western Alliance and that Andropov would not start to negotiate seriously about arms control until the outcome was known. The Soviet Union was currently going through a bad period both for economic reasons and because the collapse of Communist ideology was clear - events both in Poland and the German Democratic Republic demonstrated this. Ideology had been replaced by naked power politics. But the Russians remained extremely powerful. Following the UK election, the West would be set on a clear course for some years ahead. The Italian elections would not lead to substantial change in defence policy. German defence policy was soundly established as well. All this was important, particularly in view of the less satisfactory attitudes adopted by Denmark and Sweden. It was important for the United States to have loyal allies, but the Americans had to understand that we were not dependants.

The Prime Minister said that she believed that the Americans did understand that point. It was most important that the Williamsburg Summit should be successful, both in its economic message and in demonstrating the unity of the Alliance on defence issues.

In response to a question from the Prime Minister, Chancellor Kohl said that he would not describe the German economic recovery as rapid; but there was a steady upward movement. The climate of opinion had changed and people were more optimistic. However, the process of reducing unemployment would be a long haul. The trade unions were now in a reasonable frame of mind. He had the

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day before approved a wage settlement for public sector employees which would last for 18 rather than 12 months. They would get an average annual salary increase of only 2.5%. The Prime Minister commented that this was a remarkable achievement. Chancellor Kohl said that for 2 years the salaries of civil servants had risen by only 2%. Inflation was now a little less than 3.5%. If Germany was very lucky, it could be down to 2.9% by December. The Prime Minister observed that unemployment was now the overriding problem. This could be discussed at Stuttgart along with the EC budget problems.

Chancellor Kohl said that it would be very helpful if action could be taken to bring interest rates down, but that largely depended on the US budget deficit. The Prime Minister said that she understood that the US Congress was more interested in tax cuts than in bringing down the deficit, though the latter would be the biggest single measure of assistance to the world economy. Chancellor Kohl agreed, and said that this must be discussed frankly with President Reagan during the Summit. Turning to Japan, he said that he had told the Japanese Prime Minister that he was prepared to support Japan's position on SS20 deployment, but he would be looking for some reciprocal concession on trade. Our markets were open to Japan - Japan's markets should be open to us. The Prime Minister agreed, but observed that Japan had a different culture; Japanese people did not easily contemplate buying foreign goods. The Japanese economy was run in such a way as to promote exports. Japan's balance of payments would create acute problems for the rest of the world this year and next. These matters were brought up with Japan at every Economic Summit. But on each occasion the participants stopped short of applying real pressure. Chancellor Kohl observed that there was now a change in the situation. Japan needed the help of its Western partners on the question of INF missiles and wanted Japanese interests to be borne in mind in the Geneva negotiations. In that case Japan must take account of our trading concerns. The Prime Minister said that she agreed with the Japanese position that arms limitations should be of global application. But the problem remained that Japan exported a narrow range of products that did harm to our own industries while

/ we

we could not effectively penetrate the Japanese market. We should need to continue to take action in the GATT. Chancellor Kohl commented that the West should not be lethargic in the face of Japanese trading behaviour. The Manager of Siemens had recently told him that his firm had no reason to fear the Japanese whose achievements were limited to a narrow sector. In the past 2 years Siemens had made good progress in Japanese markets. Europe still needed to know more about Japan. We should send many more students to study there.

The Prime Minister said that the agenda for the Stuttgart European Council was very full. We needed to make substantial progress on the question of long-term financing and also devise an interim solution for the British budget problem. If we could agree on a timetable and procedure for solution of the long-term problem, we should be more likely to obtain an interim solution. Chancellor Kohl said that he agreed with these views. He thought that final decisions on the entry into the European Community of Portugal and Spain should be taken at the latest in the first half of 1984 under the French Presidency. The Prime Minister commented that if Spain wanted to enter the Community it must completely remove its restrictions on the border with Gibraltar. The Spanish Government was now reluctant to carry out the Lisbon Agreement. Chancellor Kohl said that he had discussed this question with Senor Gonzales. He thought that if the Prime Minister talked directly to Gonzales about it, there was a chance of a solution, for he was extremely keen to see Spain enter the European Community.

President Mitterrand very much wanted the negotiations on enlargement to be concluded during the French Presidency, the actual date for Spanish and Portuguese entry being set for 1986. This was an important point for Germany. Germany would have to pay more towards the Community. But he would only agree to do so if he could present a convincing political case for this. Enlargement of the Community would be understood in Germany as a sufficient reason. But he was not prepared to agree to current ideas about increasing the proportion of VAT contributions to 1.4%.

/ The Prime Minister

The Prime Minister commented that we should be working for a completely different system of financing the Community. This would be even more important after enlargement. Chancellor Kohl agreed that the basic system would have to be changed. Indeed, his willingness to pay more was conditional both on enlargement and on a change in the current financing system.

He was not yet clear as to President Mitterrand's views on future financing. But we should take into account the French mentality. If Mitterrand could claim that the question of enlargement had been settled under his Presidency, he might be more reasonable on other matters. The interim solution depended on progress towards the long-term solution. The Prime Minister said that an interim solution remained of crucial importance to us. In the election campaign she had argued that Britain would obtain a solution, and quickly. In the week following polling day, there would have to be rapid action to prepare the final solution. It might be necessary for her to send an emissary to see Chancellor Kohl about this - or he could send someone to London. Chancellor Kohl said that this was worth considering.

The Prime Minister said that the Brussels conclusions must be honoured. Chancellor Kohl said that at Stuttgart the Prime Minister would have her election behind her. The Prime Minister replied that in that case she would be expected to deliver her promises. We had to obtain a clear solution under the German Presidency. Chancellor Kohl said that he understood that.

The Prime Minister said that she intended to raise with President Reagan the question of the Export Administration Act which could cause great trouble in Europe. Chancellor Kohl said that he was glad to hear this. This legislation was not acceptable to Germany in any way.

The discussion ended at 1805 hours.

A. J. C.

Subject

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cc: Sir A. Parsons

10 DOWNING STREET

30 May 1983

From the Private Secretary

Dear Brian,

WILLIAMSBURG: BILATERAL MEETING BETWEEN THE  
PRIME MINISTER AND THE PRIME MINISTER OF JAPAN

I enclose a copy of the record of conversation between the Prime Minister and Mr. Nakasone which took place at Williamsburg at 1700 hours on Saturday 28 May.

I am sending copies of this letter and its enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

Yours ever

John Coler.

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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889

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME  
MINISTER OF JAPAN AT WILLIAMSBURG AT 1700 HOURS ON SATURDAY 28 MAY 1983

Present:

Prime Minister	Mr. Nakasone
Foreign and Commonwealth Secretary	Mr. Abe
Mr. Coles	Interpreter

Mr. Nakasone recalled that he had first met the Prime Minister when she had visited Japan as Leader of the Opposition. It was very encouraging that she had been able to attend the Economic Summit in the middle of the election campaign. The Japanese Diet would be dissolved within the next year - so he too would soon face an election.

The Prime Minister said that the timing of the Summit was important from the point of view of both economic recovery and current interest in arms control and disarmament. Williamsburg needed to deliver a clear message. In the United Kingdom, a slow recovery was occurring. The Americans were confident that the United States economy was also recovering. She felt that the Summit communique should state that economic recovery was in progress and that the participating countries would pursue policies to sustain it.

Mr. Nakasone said that he agreed completely with this approach. It was very important for the Summit participants to adopt a coordinated stance so that the free world could give help to the world as a whole.

The Prime Minister asked what view Mr. Nakasone took of French ideas about international monetary questions. Her own view was that exchange rate stability was a consequence of sound policies. But perhaps Finance Ministers should be asked to give further detailed consideration to the French ideas.

Mr. Nakasone said that Japan was opposed to any fundamental change in the Bretton Woods system. But there was scope for improving

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the management of the world financial system and Finance Ministers should consider how to achieve this. We should perhaps try, through coordinated policies, to put an end to volatile exchange rates. The Prime Minister commented that she did not believe that speculation could be stopped. This had not been possible even under the Bretton Wood system of fixed exchange rates. It was doubtful whether Governments could do much more than intervene to promote orderly markets. The United Kingdom experience was that we did not have sufficient resources to defend a particular rate. Mr. Nakasone said that the basic aim must be convergence of economic policies. But given the volatility of exchange rates he saw a case for coordinated intervention by governments and central banks. The Prime Minister said that in her view coordinated intervention on a regular basis was not possible. But if there was a serious and persistent movement against a currency, there was scope for the consideration of special arrangements.

The Prime Minister said that we continued to hope that Nissan would make a decision to invest in Britain. They would be very welcome. Japanese companies had been successful in Britain. Mr. Nakasone commented that there was a good tradition of commercial cooperation between Japanese and British firms. His Government was encouraging private firms to invest in Britain but in the final analysis the decisions were for the firms themselves.

The Prime Minister said that she would be interested to hear Mr. Nakasone's views on arms control and disarmament questions. We knew that Japan attached importance to <sup>global</sup> limitations on INF weapons.

Mr. Nakasone stated that this was indeed a very important point for Japan and there was much public interest in it. The West must remain solid on this issue in the face of Soviet attempts to divide it. There should be regular consultations among Western countries.

The Prime Minister asked what Japan's principal aims at the Summit were. Mr. Nakasone replied that he wished Williamsburg to demonstrate Western solidarity <sup>so</sup> that President Reagan felt that all his allies were behind him in the START and INF negotiations. It was very important that the West adopted a consistent view on these questions

/ and pursued

and pursued a collective peace offensive. He thought a summit between President Reagan and Mr. Andropov would be useful at some point in the future. But a prior requisite was a foundation on which President Reagan could work. The most important point was that the NATO dual track decision should be implemented. If Pershing 2 were deployed in Europe there was a risk that the Soviet Union might decide to suspend the INF negotiations. But it was nevertheless important to proceed with deployment.

The Prime Minister agreed. She thought it would be difficult for President Reagan to meet Mr. Andropov until there had been some movement on arms control and disarmament. Otherwise, expectations aroused by a summit would be disappointed. The West must not get itself into a position where it had to make concessions at a summit simply in order to present it as a success. Agreeing, Mr. Nakasone said that it was also important that the Soviet Union should do something to reduce its expenditure on conventional armaments.

The Prime Minister said that she had been extremely sad to learn of the recent earthquake in Japan and the consequent loss of life and injury. Mr. Nakasone said that he was grateful for this sympathy.

The Prime Minister said that she hoped that Mr. Nakasone would manage to pay a visit to the United Kingdom. Such a visit would be welcomed in itself and would also give an impetus to investment. Mr. Nakasone would be able to see for himself how successful some of the Japanese investments in Britain were. We hoped one day to sell as much to Japan as Japan sold to us.

Mr. Nakasone said that he would like to refer to the plans of Prince Hiro to stay in the United Kingdom. The Prince would be arriving in June. The Emperor had mentioned this to him before he left and had particularly asked that his regards be conveyed to the Prime Minister. The Prime Minister asked that her thanks be conveyed to the Emperor and said that we would of course give a warm welcome to Prince Hiro.

The conversation ended at 1730.



10 DOWNING STREET

From the Private Secretary

30 May 1983

Dear Brian,

PRIME MINISTER'S DISCUSSION WITH PRESIDENT REAGAN

On 28 May the Prime Minister had two conversations with President Reagan - the first during a brief courtesy call immediately after her arrival in Williamsburg, the second during her bilateral meeting with the President at 1820 hours. Both of these conversations were tete-a-tete.

The Prime Minister told me afterwards that President Reagan had immediately launched into the question of a possible Summit statement on INF. The Prime Minister had told the President that she herself favoured a broader statement on the strength and unity of the West and its interest in pursuing genuine arms control and disarmament negotiations. She believed that the Summit should inject a new note of urgency into the relevant negotiations. The INF should of course be mentioned but the statement should not be confined to this particular negotiation. The President had responded positively to these ideas (the subject was then taken up at the dinner for Heads of State and Government in the evening).

The President had made it clear that he wanted some steps to be taken to alleviate the plight of the developing countries though he had not been specific as to the measures he envisaged.

The Prime Minister raised with the President the question of the US budget deficit. The President had replied to the effect that he was convinced that the American economic recovery was linked to his tax cuts. If these cuts were not fully implemented, the recovery would be aborted. The implication of economic recovery was that national income would rise and this process would by itself bring the deficit down substantially in 1985/86.

(The Prime Minister has reached the conclusion that there is little point, in the light of these arguments, in pressing the Americans further about the budget deficit).

Mrs. Thatcher told President Reagan that she was very concerned about the Export Administration Act which would cause immense problems in Europe. The President pointed out that there was one bill before the House of Representatives and another before the Senate. The former was better from our point of view and he did not believe that it would in the end cause us much trouble. His powers under this legislation would of course be discretionary.

/ The Prime Minister's

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The Prime Minister's general comment on her meetings with President Reagan was that his health seemed much better and he was also much better informed than on previous occasions.

I am copying this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade) and Richard Mottram (Ministry of Defence).

*John Kerr*

*John Rhodes.*

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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289

file



cc: Sir A. Parsons

10 DOWNING STREET

From the Private Secretary

30 May 1983

Dear Brian,

ANTI-AMERICANISM

Thank you for your letter of 18 May which the Prime Minister saw on her way to Williamsburg.

You will see from my separate letter about the Prime Minister's talks with President Reagan that while she expressed concern to the President about the size of the US budget deficit and the implications of the Export Administration Act - two of the current issues which lead to criticism in this country of the United States - she did not raise the question of anti-Americanism in general.

The Prime Minister told me that she had reached the conclusion that it would be a mistake to broach the general question with the US Administration. In her extensive visits to parts of the United Kingdom in recent weeks she had formed the impression that anti-Americanism was by no means a widespread phenomenon and was perhaps confined to a rather narrow circle. In general, public opinion responded positively to vigorous emphasis on the American contribution to the defence and well-being of the free world.

She is therefore not inclined to pursue the suggestion for promoting a dialogue with the US Administration on this matter.

I am copying this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours ever

John Colles.

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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PS TO PM. NO. 10 DOWNING STREET.

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DESKBY 302100Z  
FM UKDEL WILLIAMSBURG 301910Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 15 OF 30 MAY

PLEASE ADVANCE TO FCO NEWS DEPT, 01D, NUMBER 10 AND C01

ITEM: LEADERS CONFIDENT OF PROSPECTS FOR RECOVERY  
BY JOHN BARROWS, LPS CHIEF ECONOMIC CORRESPONDENT WILLIAMSBURG,  
VIRGINIA (LPS): AT THE END OF THEIR THREE-DAY SUMMIT  
MEETING HERE TODAY 30 MAY, LEADERS OF THE WORLD'S SEVEN MAJOR  
INDUSTRIAL NATIONS DECLARED THEIR DISCUSSIONS HAD GIVEN THEM  
QUOTE NEW CONFIDENCE UNQUOTE IN THE PROSPECTS FOR A RECOVERY OF  
THE WORLD ECONOMY.

IN A FINAL STATEMENT ENTITLED QUOTE THE WILLIAMSBURG DECLARATION  
ON ECONOMIC RECOVERY UNQUOTE, THE HEADS OF STATE AND GOVERNMENT  
FROM THE USA, UK, FRANCE, FEDERAL GERMANY, ITALY, CANADA AND JAPAN,  
SAID: QUOTE WE HAVE STRENGTHENED OUR RESOLVE TO DEAL COOPERATIVELY  
WITH CONTINUING PROBLEMS SO AS TO PROMOTE A SOUND AND SUSTAINABLE  
RECOVERY, BRINGING NEW JOBS AND A BETTER LIFE FOR THE PEOPLES OF  
OUR COUNTRIES AND OF THE WORLD. UNQUOTE

THE DECLARATION SAID THE RECESSION HAD PUT THEIR SOCIETIES  
THROUGH A SEVERE TEST, BUT THEY HAD PROVED RESILIENT. QUOTE  
SIGNIFICANT SUCCESS HAS BEEN ACHIEVED IN REDUCING INFLATION  
AND INTEREST RATES, THERE HAVE BEEN IMPROVEMENTS IN PRODUCTIVITY,  
AND WE NOW CLEARLY SEE SIGNS OF RECOVERY. UNQUOTE

NEVERTHELESS, THE INDUSTRIALISED DEMOCRACIES CONTINUED TO FACE  
THE CHALLENGE OF ENSURING THAT THE RECOVERY MATERIALISED AND  
ENDURED IN ORDER TO REVERSE A DECADE OF CUMULATIVE INFLATION,  
AND REDUCE UNEMPLOYMENT.

QUOTE WE MUST ALL FOCUS ON ACHIEVING AND MAINTAINING LOW  
INFLATION AND REDUCING INTEREST RATES FROM THEIR PRESENT TOO-HIGH  
LEVELS. WE RENEW OUR COMMITMENT TO REDUCE STRUCTURAL BUDGET  
DEFICITS, IN PARTICULAR BY LIMITING THE GROWTH OF EXPENDITURE. UNQUOTE

THE LEADERS PLEDGED THEMSELVES TO ACT TOGETHER AND PURSUE A  
BALANCED SET OF POLICIES DESIGNED TO EXPLOIT RELATIONSHIPS BETWEEN  
GROWTH, TRADE AND FINANCE, SO THAT RECOVERY COULD SPREAD TO ALL  
COUNTRIES, DEVELOPED AND DEVELOPING ALIKE.

PROGRAMME OF ACTION

THE DECLARATION SAID THAT IN PURSUIT OF THESE OBJECTIVES THEY  
HAD AGREED THE FOLLOWING:

/TO

= TO UNDERTAKE APPROPRIATE MONETARY AND BUDGETARY POLICIES CONDUCTIVE TO LOW INFLATION, REDUCED INTEREST RATES, HIGHER PRODUCTIVE INVESTMENT AND GREATER EMPLOYMENT OPPORTUNITIES, ESPECIALLY AMONG THE YOUNG, CONSISTENT WITH LOW INFLATION AND REDUCED INTEREST RATES

= TO PROMOTE CONVERGENCE OF ECONOMIC PERFORMANCE IN THEIR ECONOMIES AND GREATER STABILITY OF EXCHANGE RATES, INCLUDING A WILLINGNESS TO UNDERTAKE COORDINATED INTERVENTION IN EXCHANGE MARKETS WHERE AGREED THAT THIS WOULD BE HELPFUL

= TO HALT PROTECTIONISM, AND AS RECOVERY PROCEEDS, TO REVERSE IT BY DISMANTLING TRADE BARRIERS, AND TO DISCUSS PREPARATION FOR NEW TRADE LIBERALISATION NEGOTIATIONS WITHIN THE GENERAL AGREEMENT ON TARIFFS AND TRADE WITH SPECIAL EMPHASIS ON EXPANDING TRADE WITH AND AMONG DEVELOPING COUNTRIES.

THE LEADERS VIEWED WITH CONCERN THE INTERNATIONAL FINANCIAL SITUATION, ESPECIALLY THE DEBT BURDENS OF MANY DEVELOPING NATIONS. THEY AGREED TO A STRATEGY BASED ON EFFECTIVE ADJUSTMENT AND DEVELOPMENT POLICIES BY DEBTOR NATIONS, ADEQUATE PRIVATE AND OFFICIAL FINANCING. MORE OPEN MARKETS AND WORLDWIDE ECONOMIC RECOVERY. THEY WILL SEEK EARLY RATIFICATION OF INCREASES IN RESOURCES FOR THE INTERNATIONAL MONETARY FUND AND THE GENERAL ARRANGEMENTS TO BORROW.

THE SEVEN SAID THEY HAD INVITED FINANCE MINISTERS, IN CONSULTATION WITH THE IMF MANAGING DIRECTOR, TO DEFINE CONDITIONS FOR IMPROVING THE INTERNATIONAL MONETARY SYSTEM AND CONSIDER THE PART WHICH MIGHT - IN DUE COURSE - BE PLAYED BY A HIGH-LEVEL INTERNATIONAL MONETARY CONFERENCE.

#### DEVELOPING COUNTRIES

THE DECLARATION SAID THE WEIGHT OF THE RECESSION HAD FALLEN VERY HEAVILY ON DEVELOPING COUNTRIES AND THE SEVEN WERE DEEPLY CONCERNED ABOUT THEIR RECOVERY. QUOTE RESTORING SOUND ECONOMIC GROWTH WHILE KEEPING OUR MARKETS OPEN IS CRUCIAL, UNQUOTE THEY SAID. SPECIAL ATTENTION WOULD BE GIVEN TO THE FLOW OF RESOURCES, IN PARTICULAR OFFICIAL DEVELOPMENT ASSISTANCE, TO POORER COUNTRIES, AND FOR FOOD AND ENERGY PRODUCTION, BOTH BILATERALLY AND THROUGH INTERNATIONAL INSTITUTIONS. QUOTE WE REAFFIRM OUR COMMITMENTS TO PROVIDE AGREED FUNDING LEVELS FOR THE INTERNATIONAL DEVELOPMENT AGENCY. UNQUOTE

THE LEADERS AGREED UPON THE NEED TO ENCOURAGE THE DEVELOPMENT OF NEW TECHNOLOGY AND PUBLIC ACCEPTANCE OF ITS ROLE IN PROMOTING GROWTH, EMPLOYMENT AND TRADE.

THEY SHARED THE VIEW THAT MORE PREDICTABILITY AND LESS VOLATILITY IN OIL PRICES WOULD HELP WORLD ECONOMIC PROSPECTS, AND THAT THE FALL IN OIL PRICES IN NO WAY DIMINISHED THE IMPORTANCE OF ENERGY CONSERVATION AND DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

THE SEVEN SAID EAST-WEST ECONOMIC RELATIONS SHOULD BE COMPATIBLE WITH THEIR SECURITY INTERESTS, AND THEY NOTED WITH APPROVAL THE WORK OF MULTILATERAL ORGANISATIONS WHICH RECENTLY HAD ANALYSED KEY ASPECTS OF THESE RELATIONS.

EXPRESSING NEW CONFIDENCE IN THE PROSPECTS FOR RECOVERY AS  
A RESULT OF THIS SUMMIT, THE LEADERS SAID THEY WOULD MEET AGAIN  
NEXT YEAR AND HAD ACCEPTED MRS THATCHER'S INVITATION TO DO SO IN  
BRITAIN. (LPS)

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PS/LORD BELSTEAD  
PS/MR RIFKIND  
PS/MR HURD  
PS/MR RAISON  
PS/PUS  
SIR J BULLARD  
MR EVANS  
MR HANNAY  
MR THOMAS  
MR DONALD  
MR HAYES  
MR ADAMS

ADDITIONAL DISTRIBUTION  
ECONOMIC SUMMIT



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FM UKDEL WILLIAMSBURG 301550Z MAY 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 14 OF 30 MAY

INFO IMMEDIATE WASHINGTON, BONN, PARIS, ROME, OTTAWA, TOKYO,  
UKDEL NATO, MOSCOW.

FOLLOWING PERSONAL FOR AMBASSADORS/MINISTERS

FOLLOWING FROM BULLARD, PERSONAL FOR GILLMORE

OUR TEL NO 008: WILLIAMSBURG SUMMIT: STATEMENT ON DEFENCE AND  
DISARMAMENT.

1. THE STATEMENT IN TUR IS A STRIKING DOCUMENT TO EMERGE, WITH A MINIMUM OF PREPARATION, FROM AN ECONOMIC SUMMIT INCLUDING COUNTRIES WHOSE POSITION ON THESE QUESTIONS IS AS INDIVIDUAL AS THOSE OF FRANCE, JAPAN AND THE UNITED STATES. YOU MAY FIND USEFUL SOME EXPLANATION OF HOW IT HAPPENED. GRATEFUL IF DISTRIBUTION OF WHAT FOLLOWS COULD BE KEPT VERY SMALL, ALTHOUGH YOU WILL NO DOUBT BE CONSIDERING SOME MORE GENERAL GUIDANCE TO POSTS.
2. THE AMERICANS, AS YOU KNOW, HAD WORKED BEFORE THE SUMMIT TO GET AGREEMENT TO A STATEMENT ABOUT THE INF NEGOTIATIONS WHICH WOULD BE HELPFUL TO THEM AT GENEVA AND WITH PUBLIC OPINION. THE REACTION WAS MIXED. THE AMERICANS DECIDED NOT TO PRESS THE MATTER, BUT REMAINED KEEN TO GET SOMETHING AT WILLIAMSBURG IF THE OPPORTUNITY AROSE. THIS WAS A MAJOR FACTOR IN THE PRODUCTION OF THE STATEMENT, AS WAS THE STRONG DESIRE OF SHULTZ TO DO SOMETHING TO ENCOURAGE THE JAPANESE TO PLAY A GREATER ROLE IN WESTERN POLICY.
3. ANOTHER WAS THE PRIME MINISTER'S VIEW, WHICH SHE EXPLAINED AT HER BRIEFING MEETING ON THE FLIGHT TO WILLIAMSBURG, THAT IT WOULD BE INAPPROPRIATE TO ISSUE A STATEMENT CONFINED TO INF, BUT VERY HELPFUL TO PRODUCE ONE WHICH SET OUT THE WESTERN APPROACH TO DEFENCE AND DISSARMAMENT MORE GENERALLY. A DRAFT WAS WORKED OUT ON THE PLANE, AND THE IDEA OF MAKING A STATEMENT OF THIS KIND WAS ENTHUSIASTICALLY ENDORSED BY PRESIDENT REAGAN AND MR SHULTZ IN PARALLEL BILATERAL TALKS WITH THE PRIME MINISTER AND THE SECRETARY OF STATE ON OUR ARRIVAL AT WILLIAMSBURG. COPIES OF THE DRAFT WERE LEFT WITH THE AMERICANS, AND THE PRIME MINISTER SPOKE TO THE IDEAS IN THE DRAFT, WITHOUT FORMALLY REVEALING ITS EXISTENCE, AT THE HEADS OF DELEGATION DINNER THE FIRST EVENING.

A. J. C. 1/6  
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4. IN DISCUSSION AT THE DINNER, MITTERRAND FIRST ARGUED THAT IT WOULD BE INAPPROPRIATE IN PRINCIPLE FOR A STATEMENT OF THIS KIND TO ISSUE FROM WILLIAMSBURG, BUT HE FINALLY LEFT IT THAT HE WOULD BE PREPARED TO LOOK AT A TEXT. TRUDEAU CONTRIBUTED VARIATIONS ON THE THEME THAT THE SOVIET PEOPLE WANT PEACE, WHICH THE PRIME MINISTER AND NO DOUBT OTHERS THOUGHT ALARMINGLY WET. (WE DISCOVERED LATER THAT HE TOO HAD A DRAFT DECLARATION IN HIS POCKET, WHICH HIS DELEGATION PASSED TO THE AMERICANS. FALL WAS GIVEN A BRIEF SIGHT OF IT, AND FOUND IT RATHER BETTER THAN WHAT TRUDEAU HAD BEEN SAYING. BUT IT WAS NOT THE SORT OF TEXT THE AMERICANS WANTED AND IT FOUND LITTLE REFLECTION IN THE DRAFT THEY TABLED THE NEXT MORNING).

5. AT THE MEETING OF FOREIGN MINISTERS ON SUNDAY MORNING, THE AMERICANS CIRCULATED A DRAFT WHICH BURT HAD PRODUCED OVERNIGHT. IT DREW EXTENSIVELY ON OUR DRAFT, ADDING SOME AMERICAN THINKING AND A GOOD DEAL OF DETAIL ON INF. CHEYSSON EXPLAINED THAT HE AND MITTERRAND HAD THOUGHT FURTHER OVERNIGHT, AND COULD NOW AGREE TO A STATEMENT. THE RESULT OF THE MORNINGS WORK (INCLUDING A SESSION AT WHICH POLITICAL DIRECTORS WENT OFF TO DRAFT) WAS A TEXT AGREED FOR SUBMISSION TO HEADS OF DELEGATION WITH ONLY TWO RESERVES (BOTH CANADIAN, ON REFERENCES TO THE ZERO OPTION AND TO THE EXCLUSION OF BRITISH AND FRENCH SYSTEMS). ARRANGEMENTS WERE MADE FOR SHULTZ TO ISSUE AN AGREED TEXT AT A PRESS CONFERENCE AT LUNCHTIME.

6. SUBMISSION TO HEADS OF DELEGATION PROVED NOT TO BE THE ANTICIPATED FORMALITY. MITTERRAND PULLED THE RUG FROM UNDER CHEYSSON, AND RENEWED HIS MUCH EARLIER OBJECTIONS TO THE PRINCIPLE OF ISSUING A STATEMENT. TRUDEAU DUG IN ON THE ZERO OPTION AND ON BRITISH AND FRENCH SYSTEMS. FOREIGN MINISTERS WERE SENT BACK TO WORK OVER LUNCH, AND A NEW TEXT WAS SUBMITTED TO THE AFTERNOON PLENARY WHICH TURNED INTO A VERY DIFFICULT AND AT TIMES BAD-TEMPERED DRAFTING SESSION. THE PROBLEM WAS TO FIND A WAY OF DROPPING THE REFERENCE TO THE ZERO OPTION WITHOUT GIVING THE IMPRESSION (ALL TOO CLEAR FROM TWO FORMULAE PREPARED BY MITTERRAND) THAT ANY AGREEMENT ON INF WOULD BE SUFFICIENT TO AVOID ALL DEPLOYMENT. TRUDEAU SEEMED NOT TO HAVE UNDERSTOOD THAT THE INTERIM PROPOSAL INVOLVED DEPLOYMENT, AND WENT SO FAR AT ONE STAGE AS TO SAY THAT HE HAD NOT BEEN

THAT THE INTERIM PROPOSAL INVOLVED DEPLOYMENT, AND WENT SO FAR AT ONE STAGE AS TO SAY THAT HE HAD NOT BEEN IN OFFICE WHEN THE DOUBLE DECISION WAS TAKEN AND DID NOT REGARD HIMSELF AS COMMITTED BY IT. THE TEXT FINALLY AGREED ON THIS POINT, AND THE SATISFACTORY REFERENCE TO BRITISH AND FRENCH SYSTEMS, WOULD NOT HAVE BEEN ACHIEVED WITHOUT SOME VERY VIGOROUS INTERVENTIONS FROM THE PRIME MINISTER.

7. WE CAME UNCOMFORTABLY CLOSE TO THE BRINK, AND THE RISK OF A VERY PUBLIC FAILURE TO REACH AGREEMENT MUST HAVE BEEN APPARENT TO ALL. THE AMERICANS WERE TO SOME EXTENT TO BLAME BECAUSE THEIR DRAFT WAS INSUFFICIENTLY SENSITIVE TO OTHER POINTS OF VIEW. BUT THERE IS NO DOUBT THAT MITTERRAND AND TRUDEAU BEHAVED BADLY.

8. SHULTZ WAS EVIDENTLY BRUISED BY THE EXPERIENCE AND CONFESSED AS MUCH AT THE FOREIGN MINISTERS' DINNER ON SUNDAY EVENING (WHICH I ATTENDED IN PLACE OF THE SECRETARY OF STATE, WHO WAS REPRESENTING THE PRIME MINISTER AT THE HEADS OF DELEGATION DINNER). HE SAID IT HAD BEEN ONE OF THE MOST DISAPPOINTING DAYS OF HIS LIFE AND DESCRIBED THE ATMOSPHERE AS 'RANCID'. THE RESPONSE WAS STRIKING: A GENERAL AND SPONTANEOUS ENDORSEMENT OF THE VALUE AND IMPORTANCE OF THE TEXT WHICH HAD BEEN AGREED AND (FROM THE EUROPEANS) THE RUEFUL REFLECTION THAT THE PROCESS OF TAKING DECISIONS IN THE COMMUNITY WAS OFTEN MUCH WORSE THAN WHAT SHULTZ HAD JUST EXPERIENCED. I HOPE THAT THIS VIEW - WHICH LOOKS TO THE SUBSTANCE OF THE TEXT RATHER THAN TO THE WAY IT WAS NEGOTIATED- WILL PREVAIL. BUT SHULTZ DID NOT LOOK CONVINCED AND THERE WILL BE LESSONS TO BE DRAWN ON THE PROCEDURAL SIDE (EVEN THOUGH SOME MAY ARGUE THAT SUCH A TEXT WOULD NEVER HAVE EMERGED AT ALL IF IT HAD BEEN PROCESSED IN A MORE ORTHODOX WAY).

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PS (16)  
PS/MR ONSLOW  
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MR EVANS  
SIR J. BULLARD  
MR SQUIRE  
MR THOMAS

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INFO IMMEDIATE UKMIS NEW YORK. PRIORITY WASHINGTON, PARIS,  
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NAMIBIA

1. AT GENSCHER'S INSTIGATION THIS WAS DISCUSSED FOR NINETY MINUTES OVER DINNER BY THE FOREIGN MINISTERS OF THE SEVEN COUNTRIES TAKING PART IN THE WILLIAMSBURG SUMMIT, OR RATHER BY THE FOREIGN MINISTERS OF THE CONTACT GROUP WITH THE JAPANESE AND THE ITALIAN SITTING INTERESTED BUT SILENT THROUGHOUT.
2. GENSCHER'S THEME WAS THAT THE CONTACT GROUP MUST FIND SOME WAY OF MAKING FASTER PROGRESS TOWARDS IMPLEMENTATION OF UN RESOLUTION 435: BUT HOW?.
3. SHULTZ GAVE AN UP-BEAT ACCOUNT OF THE LATEST AMERICAN CONTACTS WITH THE ANGOLANS, WHOM HE DESCRIBED AS SHOWING IMPATIENCE AT THE SLOWNESS OF PROGRESS, ALARM AT THE TENDENCY TOWARDS VIOLENCE, BUT ALSO UNDERSTANDING OF THE REALITIES. HE ALSO SPOKE IN ENCOURAGING TERMS ABOUT HIS TALK WITH NUJOMA AND WITH THE FOREIGN MINISTERS OF THE FRONT LINE STATES.
4. CHEYSSON, IN A LONG STATEMENT, DESCRIBED THE APPROACH OF FRANCE AS VERY DIFFERENT. HE FELT THAT THE CONTACT GROUP WAS TURNING IN CIRCLES AND NOT FACING FACTS. NUJOMA WAS UNTRUSTWORTHY. MANY OF THE WHITES IN NAMIBIA WERE OPTING FOR INDEPENDENCE. ANGOLA WAS IN SUCH DESPERATE STRAITS THAT SHE WOULD SIGN ANY AGREEMENT IF ONLY THE SOUTH AFRICANS WOULD WITHDRAW. FRANCE HAD SERIOUSLY CONSIDERED LEAVING THE CONTACT GROUP, AND WOULD HAVE DONE SO IF IT HAD NOT BEEN FOR APPEALS TO HER FROM THE FLS. THE CRUCIAL QUESTION, IN CHEYSSON'S VIEW, WAS WHETHER SOUTH AFRICA WAS READY TO WITHDRAW FROM NAMIBIA OR NOT: AND IF SO, ON WHAT CONDITIONS.
5. BULLARD (WHO REPRESENTED THE UK BECAUSE THE SECRETARY OF STATE WAS REPRESENTING THE PRIME MINISTER AT THE HEADS OF DELEGATIONS' DINNER) AGREED WITH GENSCHER ON THE NEED TO ACCELERATE THE MOMENTUM. HAD THE TIME COME TO PRESS SOUTH AFRICA TO BEGIN WITHDRAWAL FROM SOUTHERN ANGOLA? AND FOR THE UNITED STATES TO ESTABLISH DIPLOMATIC RELATIONS WITH ANGOLA? SHULTZ DID NOT TAKE UP THE FIRST POINT. ON THE SECOND, HE SAID THAT THE US WAS NOT GOING TO MOVE INTO LUANDA TO FINANCE A SOVIET SATELLITE. THEY WOULD PREFER TO RESPOND WHEN THERE WAS SOMETHING TO RESPOND TO.

WHEN THERE WAS SOMETHING TO RESPOND TO.

6. AFTER SOME FURTHER RHETORICAL QUESTIONS FROM CHEYSSON ABOUT THE REAL INTENTIONS OF SOUTH AFRICA, GENSCHER RECALLED THE MEETING AT MONTEBELLO AT WHICH HAGIG HAD TOLD AMERICA'S PARTNERS IN THE CONTACT GROUP (A) THAT IT WAS ESSENTIAL THAT THE CUBANS SHOULD GET OUT OF ANGOLA AND (B) THAT THE UNITED STATES WOULD ASSUME THE TASK OF BRINGING THIS ABOUT. THIS, SAID GENSCHER, HAD BEEN THE START OF THE SPECIAL ROLE WHICH THE UNITED STATES HAD BEEN PLAYING. BEFORE THAT THE CONTACT GROUP AS A WHOLE HAD SOMETIMES HELD TALKS WITH THE PARTIES, IN WHICH GENSCHER HIMSELF HAD PARTICIPATED. HE EMPHASISED HOW HIGH WERE THE STAKES IN A NAMIBIAN SETTLEMENT. THE SOVIET HOPE WAS TO BRING ABOUT A RACE WAR IN SOUTHERN AFRICA. THEY HAD FAILED TO DO THIS IN RHODESIA/ZIMBABWE. IF A PEACEFUL SOLUTION COULD BE FOUND FOR NAMIBIA, THE RUSSIANS WOULD HAVE LOST THEIR LAST CHANCE IN AFRICA. IT WAS THEREFORE ESSENTIAL TO CARRY FORWARD RESOLUTION 435 WITH "THE UTMOST INTENSITY".

7. MCEACHEN AND CHEYSSON, PICKING UP GENSCHER'S REMARK, THEN BEGAN TO SPECULATE ABOUT THE POSSIBLE ADVANTAGES OF CONCERTED ACTION BY THE CONTACT GROUP WITH THE SOUTH AFRICANS. SHULTZ, BY THIS TIME SHOWING SIGNS OF EXHAUSTION AFTER A LONG AND DIFFICULT DAY, SAID HE SENSED A MASSIVE VOTE OF NO CONFIDENCE IN THE UNITED STATES. HE WOULD BE DELIGHTED TO DROP OUT OF THE WHOLE AFFAIR. BUT HE THOUGHT THAT PUTTING QUESTIONS TO SOUTH AFRICA WOULD BE A WASTE OF BREATH; THE RIGHT WAY WAS TO PUT SOMETHING SUBSTANTIVE IN FRONT OF THEM AND CALL ON THEM TO RESPOND TO IT.

8. GENSCHER SAID THAT NOBODY WANTED TO CHANGE THE AGREEMENT THAT THE UNITED STATES SHOULD SEEK TO NEGOTIATE A CUBAN WITHDRAWAL FROM ANGOLA AS PART OF A PEACEFUL SOLUTION FOR NAMIBIA. THE QUESTION WAS HOW THE OTHER MEMBERS OF THE CONTACT GROUP COULD HELP. THERE HAD BEEN JOINT DIPLOMATIC ACTIVITY BEFORE, AND THIS COULD BE RENEWED. THE TWO URGENT REQUIREMENTS WERE TO KEEP THE GROUP TOGETHER AND TO ACCELERATE THE PACE OF ITS WORK.

9. AFTER BULLARD AND OTHERS HAD ENDORSED THESE TWO OBJECTIVES, CHEYSSON SAID THAT THE IDEAS VENTILATED DURING THIS DISCUSSION WOULD REQUIRE CONSIDERATION. MEANWHILE HE WAS OPPOSED TO ANY STATEMENT TO THE PRESS. FRANCE WOULD BE WILLING TO STAY WITH THE CONTACT GROUP SO LONG AS SHE FELT SHE WAS DOING SOMETHING, BUT NOT IF SHE WERE MERELY PASSIVE. SHULTZ POINTED OUT THAT THE CONTACT GROUP HAD ACHIEVED THE VIRTUAL COMPLETION OF THE NAMIBIA NEGOTIATIONS THEMSELVES.

10. AT BULLARD'S SUGGESTION IT WAS AGREED THAT CHEYSSON SHOULD MAKE ARRANGEMENTS FOR A FURTHER MEETING OF THE FIVE FOREIGN MINISTERS IN THE MARGINS OF THE NATO FOREIGN MINISTERS' MEETING IN PARIS ON 9 AND 10 JUNE.

11. SHULTZ CONFIRMED AT ONE POINT THAT THE UNITED STATES WOULD VOTE FOR THE LATEST VERSION OF THE DRAFT RESOLUTION IN THE UN DEBATE.

11. SHULTZ CONFIRMED AT ONE POINT THAT THE UNITED STATES WOULD VOTE FOR THE LATEST VERSION OF THE DRAFT RESOLUTION IN THE UN DEBATE.

12. FCO PLEASE REPEAT FURTHER AS APPROPRIATE.

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DESKBY 300400Z  
FM UKDEL WILLIAMSBURG 300300Z MAY 83  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 010 OF 30 MAY

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PLEASE ADVANCE FCO NEWS DEPT, O1D, NUMBER 10 AND COI.

ITEM: WESTERN STANCE ON ARMS CONTROL.

BY JOHN BARROWS, LPS CHIEF ECONOMICS CORRESPONDENT WILLIAMSBURG, VIRGINIA (LPS): BRITAIN'S PRIME MINISTER MRS MARGARET THATCHER HAILED AS A 'VERY SIGNIFICANT AND FUNDAMENTAL STATEMENT' A DECLARATION AGREED HERE TODAY 29 MAY BY LEADERS OF THE SEVEN MAJOR WESTERN INDUSTRIALISED NATIONS ON THE SUBJECT OF ARMAMENTS AND ARMS CONTROL NEGOTIATIONS WITH THE SOVIET UNION.

THE STATEMENT, ISSUED BY THE WESTERN ECONOMIC SUMMIT MEETING OF THE LEADERS OF THE USA, UK, FEDERAL GERMANY, FRANCE, ITALY, CANADA AND JAPAN, PLEDGED THAT THESE NATIONS WOULD NEVER USE THEIR ARMAMENTS FOR A FIRST STRIKE AND THAT THEY WOULD STRIVE FOR LOWER LEVELS OF ARMAMENTS THROUGH SERIOUS NEGOTIATIONS.

BUT IT SAID THAT 'AS LEADERS OF OUR SEVEN COUNTRIES IT IS OUR DUTY TO DEFEND THE FREEDOM AND JUSTICE ON WHICH OUR DEMOCRACIES ARE BASED' AND THAT THE SEVEN WOULD THEREFORE MAINTAIN SUFFICIENT MILITARY STRENGTH TO DEFEND THEMSELVES AGAINST ANY ATTACK, COUNTER ANY THREAT AND ENSURE PEACE.

IT CONTINUED: 'OUR ARMS WILL NEVER BE USED EXCEPT IN RESPONSE TO AGGRESSION. WE WISH TO ACHIEVE LOWER LEVELS OF ARMS THROUGH SERIOUS ARMS CONTROL NEGOTIATIONS.'

THE SUMMIT LEADERS REAFFIRMED THEIR DEDICATION TO THE SEARCH FOR PEACE AND MEANINGFUL ARMS REDUCTIONS, AND SAID THEY WERE READY TO WORK WITH THE SOVIET UNION FOR THIS PURPOSE. THEY CALLED UPON THE SOVIET UNION TO WORK WITH THEM, BUT WARNED THAT EFFECTIVE ARMS CONTROL AGREEMENTS MUST BE BASED UPON EQUALITY.

WHILE THEY WERE READY TO PURSUE NEGOTIATION WITH THE SOVIETS WITH IMPETUS AND URGENCY, PARTICULARLY IN THE AREA OF INTERMEDIATE RANGE NUCLEAR FORCES IN EUROPE, THE SEVEN DECLARED THAT SOVIET ATTEMPTS TO DIVIDE THE WEST BY SEEKING THE INCLUSION OF THE DETERRENT FORCES OF THIRD COUNTRIES, SUCH AS THE UK AND FRANCE, IN THE INF NEGOTIATIONS WOULD FAIL. THESE FORCES, THEY DECLARED, HAD NO PLACE IN THESE NEGOTIATIONS.

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THE SEVEN DECLARED THEIR 'STRONG WISH' THAT AN INF AGREEMENT WITH THE SOVIET UNION WOULD BE REACHED SHORTLY AND THAT THESE NEGOTIATIONS WOULD DETERMINE THE LEVEL OF DEPLOYMENT OF SUCH FORCES IN EUROPE.

IF SUCH AN AGREEMENT WAS NOT REACHED, THE STATEMENT SAID, THE WESTERN NATIONS WOULD PROCEED WITH THE DEPLOYMENT OF US SYSETMS (THE PERSHING-2 AND CRUSE MISSILES) IN EUROPE, BEGINNING AT THE END OF 1983.

THE SEVEN DECLARED THAT SOVIET ATTEMPTS TO INFLUENCE PUBLIC OPINION IN THEIR COUNTRIES WOULD FAIL, AND COMMITTED THEMSELVES TO DEVOTE ALL THEIR POLITCAL RESOURCES TO REDUCING THE THREAT OF WAR.

THEY HAD A VISION, THEY DECLARED, OF A WORLD IN WHICH THE SHADOW OF WAR HAD BEEN LIFTED FROM ALL MANKIND, AND WERE DETERMINED TO PURSUE THE VISION.

#### ECONOMIC IMPROVEMENT

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MRS THATCHER, WHO LEFT HERE TO FLY BACK TO THE UK A DAY BEFORE THE END OF THE SUMMIT, SAID AT A PRESS CONFERENCE THAT THE SEVEN HAD NOTED A CONSIDERABLE IMPROVEMENT IN THE ECONOMIES OF A NUMBER OF COUNTRIES SINCE THE LAST SUMMIT IN VERSAILLES.

THERE HAD BEEN IMPROVEMENTS IN REDUCING LEVELS OF INFLATION IN SEVERAL COUNTRIES, IMPROVEMENTS IN PRODUCTIVITY, AND IMPROVEMENTS IN GETTING INTEREST RATES LOWER ALTHOUGH IT WAS RECOGNISED THAT IT WAS IMPORTANT TO GET INTEREST RATES DOWN FURTHER IF THE WORLD ECONOMIC RECOVERY WAS TO BE REINFORCED.

ALL OF THE LEADERS OF THE SEVEN, SHE SAID, HAD SEEN SIGNS OF RECOVERY IN THE WORLD ECONOMY, CHARACTERISING IT IN SUCH TERMS AS 'REALISTIC OPTIMISM, REASONABLE OPTIMISM, OR CAUTIONS OPTIMISM' ABOUT THE PROSPECTS.

THEY WERE AGREED TOO, THAT THIS RECOVERY COULD BE SUSTAINED AND ENHANCED THROUGH THE PURSUANCE OF SOUND FINANCIAL POLICIES - CONTINUING TO LOWER INFLATION, KEEPING BUDGETARY DEFICITS DOWN, AND REDUCING INTEREST RATES.

MRS THATCHER SAID IT HAD BEEN GENERALLY RECOGNISED THAT THE ACHIEVEMENT OF GREATER EXCHANGE RATE STABILITY HINGED UPON THE IMPOSITION OF FINANCIAL DISCIPLINE.

IMPLICITLY REJECTING THE IDEA, REPORTEDLY FLOATED BY THE FRENCH, OF A NEW BRETTON WOODS TYPE CONFERENCE DIRECTED AT CONTROL OF EXCHANGE RATES, MRS THATCHER SAID THERE APPEARED TO BE A GENERAL ACCEPTANCE THAT FURTHER STABILISATION OF EXCHANGE RATES SHOULD BE ACHIEVED THROUGH CONTACTS BETWEEN FINANCE MINISTERS RATHER THAN THROUGH A SPECIAL FORUM.

MRS THATCHER SAID THERE ALSO APPEARED TO BE A GENERAL RECOGNITION THAT FREER WORLD TRADE WAS ANOTHER IMPORTANT ELEMENT IN WORLD ECONOMIC RECOVERY. PRACTICALLY EVERY COUNTRY WAS ENGAGING IN A CERTAIN AMOUNT OF PROTECTIONISM AND THERE WAS A DESIRE TO DIMINISH THIS.

THERE WAS NO 'QUICK OR QUACK' CURE FOR WORLD ECONOMIC PROBLEMS, THE BRITISH PRIME MINISTER SAID. SOUND FISCAL AND MONETARY POLICIES, THE CONVERGENCE OF THE ECONOMIC POLICIES OF THE LEADING INDUSTRIALISED COUNTRIES, INCENTIVES FOR NEW BUSINESSES AND NEW TECHNOLOGY, WERE ALL NECESSARY IF RECOVERY WAS TO BE STRENGTHENED.

THE SUMMIT IS EXPECTED TOMORROW (30 MAY) TO ISSUE A FINAL COMMUNIQUE REFLECTING THE CAUTIOUS OPTIMISM ABOUT WORLD ECONOMIC PROSPECTS WHICH HAS CHARACTERISED THE LENGTHY DELIBERATIONS HERE. (LPS)

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SENT AT 0515



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ECONOMIC SUMMIT

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MR EVANS  
MR HANNAY  
MR THOMAS  
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FM UKDEL WILLIAMSBURG 302055Z MAY 83  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 18 OF 30 MAY  
INFO IMMEDIATE WASHINGTON, UKREP BRUSSELS, EC POSTS, OTTAWA,  
TOKYO, UKDEL NATO, UKMIS NEW YORK  
PRIORITY MEXICO CITY, CANBERRA, WELLINGTON, MOSCOW, DELHI  
BELGRADE, UKDEL OECD, BERNE (FOR LORD COCKFIELD), UKMIS GENEVA  
UKDEL IMF/IBRD WASHINGTON.

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WILLIAMSBURG ECONOMIC SUMMIT: FINAL DECLARATION.

FOLLOWING IS TEXT OF FINAL DECLARATION, AND ANNEX WHICH WERE  
ISSUED TODAY (30 MAY).

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

OUR NATIONS ARE UNITED IN THEIR DEDICATION TO

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

OUR NATIONS ARE UNITED IN THEIR DEDICATION TO DEMOCRACY, INDIVIDUAL FREEDOM, CREATIVITY, MORAL PURPOSE, HUMAN DIGNITY, AND PERSONAL AND CULTURAL DEVELOPMENT. IT IS TO PRESERVE, SUSTAIN, AND EXTEND THESE SHARED VALUES THAT OUR PROSPERITY IS IMPORTANT.

THE RECESSION HAS PUT OUR SOCIETIES THROUGH A SEVERE TEST, BUT THEY HAVE PROVED RESILIENT. SIGNIFICANT SUCCESS HAS BEEN ACHIEVED IN REDUCING INFLATION AND INTEREST RATES; THERE HAVE BEEN IMPROVEMENTS IN PRODUCTIVITY; AND WE NOW CLEARLY SEE SIGNS OF RECOVERY.

NEVERTHELESS, THE INDUSTRIALIZED DEMOCRACIES CONTINUE TO FACE THE CHALLENGE OF ENSURING THAT THE RECOVERY MATERIALIZES AND ENDURES, IN ORDER TO REVERSE A DECADE OF CUMULATIVE INFLATION AND REDUCE UNEMPLOYMENT. WE MUST ALL FOCUS ON ACHIEVING AND MAINTAINING LOW INFLATION, AND REDUCING INTEREST RATES FROM THEIR PRESENT TOO-HIGH LEVELS. WE RENEW OUR COMMITMENT TO REDUCE STRUCTURAL BUDGET DEFICITS, IN PARTICULAR, BY LIMITING THE GROWTH OF EXPENDITURES.

WE RECOGNIZE THAT WE MUST ACT TOGETHER AND THAT WE MUST PURSUE A BALANCED SET OF POLICIES THAT TAKE INTO ACCOUNT AND EXPLOIT RELATIONSHIPS BETWEEN GROWTH, TRADE, AND FINANCE, IN ORDER THAT RECOVERY MAY SPREAD TO ALL COUNTRIES, DEVELOPED AND DEVELOPING ALIKE.

IN PURSUANCE OF THESE OBJECTIVES, WE HAVE AGREED AS FOLLOWS:

(1) OUR GOVERNMENTS WILL PURSUE APPROPRIATE MONETARY AND BUDGETARY POLICIES THAT WILL BE CONDUCIVE TO LOW INFLATION, REDUCED INTEREST RATES, HIGHER PRODUCTIVE INVESTMENT AND GREATER EMPLOYMENT OPPORTUNITIES, PARTICULARLY FOR THE YOUNG.

(2) THE CONSULTATION PROCESS INITIATED AT VERSAILLES WILL BE ENHANCED TO PROMOTE CONVERGENCE OF ECONOMIC PERFORMANCE IN OUR ECONOMIES AND GREATER STABILITY OF EXCHANGE RATES, ON THE LINES INDICATED IN AN ANNEX TO THIS DECLARATION. WE AGREE TO PURSUE CLOSER CONSULTATIONS ON POLICIES AFFECTING EXCHANGE MARKETS AND ON MARKET CONDITIONS. WHILE RETAINING OUR FREEDOM TO OPERATE INDEPENDENTLY WE ARE WILLING TO UNDERTAKE COORDINATED INTERVENTION IN EXCHANGE MARKETS IN INSTANCES WHERE IT IS AGREED THAT SUCH INTERVENTION WOULD BE HELPFUL.

MARKETS IN INSTANCES WHERE IT IS AGREED THAT SUCH INTERVENTION WOULD BE HELPFUL.

(3) WE COMMIT OURSELVES TO HALT PROTECTIONISM, AND AS RECOVERY PROCEEDS TO REVERSE IT BY DISMANTLING TRADE BARRIERS. WE INTEND TO CONSULT WITHIN APPROPRIATE EXISTING FORA ON WAYS TO IMPLEMENT AND MONITOR THIS COMMITMENT. WE SHALL GIVE IMPETUS TO RESOLVING CURRENT TRADE PROBLEMS. WE WILL ACTIVELY PURSUE THE CURRENT WORK PROGRAMS IN THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) AND ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, INCLUDING TRADE IN SERVICES AND IN HIGH TECHNOLOGY PRODUCTS. WE SHOULD WORK TO ACHIEVE FURTHER TRADE LIBERALIZATION NEGOTIATIONS IN THE GATT, WITH PARTICULAR EMPHASIS ON EXPANDING TRADE WITH AND AMONG DEVELOPING COUNTRIES. WE HAVE AGREED TO CONTINUE CONSULTATIONS ON PROPOSALS FOR A NEW NEGOTIATING ROUND IN THE GATT.

(4) WE VIEW WITH CONCERN THE INTERNATIONAL FINANCIAL SITUATION, AND ESPECIALLY THE DEBT BURDENS OF MANY DEVELOPING NATIONS. WE AGREE TO A STRATEGY BASED ON: EFFECTIVE ADJUSTMENT AND DEVELOPMENT POLICIES BY DEBTOR NATIONS; ADEQUATE PRIVATE AND OFFICIAL FINANCING; MORE OPEN MARKETS; AND WORLDWIDE ECONOMIC RECOVERY. WE WILL SEEK EARLY RATIFICATION OF THE INCREASES IN RESOURCES FOR THE INTERNATIONAL MONETARY FUND AND THE GENERAL ARRANGEMENTS TO BORROW. WE ENCOURAGE CLOSER COOPERATION AND TIMELY SHARING OF INFORMATION AMONG COUNTRIES AND THE INTERNATIONAL INSTITUTIONS; IN PARTICULAR BETWEEN THE INTERNATIONAL MONETARY FUND (IMF), THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD), AND THE GATT.

(5) WE HAVE INVITED MINISTERS OF FINANCE, IN CONSULTATION WITH THE MANAGING DIRECTOR OF THE IMF, TO DEFINE THE CONDITIONS FOR IMPROVING THE INTERNATIONAL MONETARY SYSTEM AND TO CONSIDER THE PART WHICH MIGHT, IN DUE COURSE, BE PLAYED IN THIS PROCESS BY A HIGH-LEVEL INTERNATIONAL MONETARY CONFERENCE.

(6) THE WEIGHT OF THE RECESSION HAS FALLEN VERY HEAVILY ON DEVELOPING COUNTRIES AND WE ARE DEEPLY CONCERNED ABOUT THEIR RECOVERY. RESTORING SOUND ECONOMIC GROWTH WHILE KEEPING OUR MARKETS OPEN IS CRUCIAL. SPECIAL ATTENTION WILL BE GIVEN TO THE FLOW OF RESOURCES, IN PARTICULAR OFFICIAL DEVELOPMENT ASSISTANCE, TO POORER COUNTRIES, AND FOR FOOD AND ENERGY PRODUCTION, BOTH BILATERALLY AND THROUGH APPROPRIATE INTERNATIONAL

ASSISTANCE, TO POORER COUNTRIES, AND FOR THE  
PRODUCTION, BOTH BILATERALLY AND THROUGH APPROPRIATE INTERNATIONAL  
INSTITUTIONS. WE REAFFIRM OUR COMMITMENTS TO PROVIDE AGREED  
FUNDING LEVELS FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION.  
WE WELCOME THE OPENNESS TO DIALOGUE WHICH WHICH THE DEVELOPING  
COUNTRIES EVINced AT THE RECENT CONFERENCES OF THE NON-ALIGNED  
MOVEMENT IN NEW DELHI AND THE GROUP OF 77 IN BUENOS AIRES, AND  
WE SHARE THEIR COMMITMENT TO ENGAGE WITH UNDERSTANDING AND  
COOPERATION IN THE FORTHCOMING MEETING OF THE UNITED NATIONS  
CONFERENCE ON TRADE AND DEVELOPMENT IN BELGRADE.

(7) WE ARE AGREED UPON THE NEED TO ENCOURAGE BOTH THE DEVELOPMENT  
OF ADVANCED TECHNOLOGY AND THE PUBLIC ACCEPTANCE OF ITS ROLE IN  
PROMOTING GROWTH, EMPLOYMENT AND TRADE. WE HAVE NOTED WITH  
APPROVAL THE REPORT OF THE WORKING GROUP ON TECHNOLOGY, GROWTH AND  
EMPLOYMENT WHICH WAS SET UP AT VERSAILLES LAST YEAR, AND COMMEND THE  
PROGRESS MADE IN THE 18 COOPERATIVE PROJECTS DISCUSSED IN THAT  
REPORT. WE WILL FOLLOW THE IMPLEMENTATION AND COORDINATION OF WORK  
ON THESE PROJECTS, AND LOOK FORWARD TO RECEIVING A FURTHER REPORT  
AT OUR NEXT MEETING.

(8) WE ALL SHARE THE VIEW THAT MORE PREDICTABILITY AND LESS  
VOLATILITY IN OIL PRICES WOULD BE HELPFUL TO WORLD ECONOMIC  
PROSPECTS. WE AGREE THAT THE FALL IN OIL PRICES IN NO WAY  
DIMINISHES THE IMPORTANCE AND URGENCY OF EFFORTS TO CONSERVE  
ENERGY, TO DEVELOP ECONOMIC ALTERNATIVE ENERGY SOURCES, TO  
MAINTAIN AND, WHERE POSSIBLE, IMPROVE CONTACTS BETWEEN OIL-EXPORTING  
AND IMPORTING COUNTRIES, AND TO ENCOURAGE THE GROWTH OF INDIGENOUS  
ENERGY PRODUCTION IN DEVELOPING COUNTRIES WHICH AT PRESENT LACK IT.

(9) EAST-WEST ECONOMIC RELATIONS SHOULD BE COMPATIBLE WITH OUR  
SECURITY INTERESTS. WE TAKE NOTE WITH APPROVAL OF THE WORK OF THE  
MULTILATERAL ORGANIZATIONS WHICH HAVE IN RECENT MONTHS ANALYZED  
AND DRAWN CONCLUSIONS REGARDING THE KEY ASPECTS OF EAST-WEST  
ECONOMIC RELATIONS. WE ENCOURAGE CONTINUING WORK BY THESE  
ORGANIZATIONS, AS APPROPRIATE.

(10) WE HAVE AGREED TO STRENGTHEN COOPERATION IN PROTECTION OF THE  
ENVIRONMENT, IN BETTER USE OF NATURAL RESOURCES, AND IN HEALTH  
RESEARCH.

OUR DISCUSSIONS HERE AT WILLIAMSBURG GIVE US NEW CONFIDENCE IN THE

OUR DISCUSSIONS HERE AT WILLIAMSBURG GIVE US NEW CONFIDENCE IN THE PROSPECTS FOR A RECOVERY. WE HAVE STRENGTHENED OUR RESOLVE TO DEAL COOPERATIVELY WITH CONTINUING PROBLEMS SO AS TO PROMOTE A SOUND AND SUSTAINABLE RECOVERY, BRINGING NEW JOBS AND A BETTER LIFE FOR THE PEOPLE OF OUR OWN COUNTRIES AND OF THE WORLD.

WE HAVE AGREED TO MEET AGAIN NEXT YEAR, AND HAVE ACCEPTED THE BRITISH PRIME MINISTER'S INVITATION TO MEET IN THE UNITED KINGDOM.

ANNEX: STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY.

I. WE HAVE EXAMINED IN THE LIGHT OF OUR EXPERIENCE THE PROCEDURES OUTLINED IN THE UNDERTAKINGS AGREED AT VERSAILLES LAST YEAR WHICH SEEK TO ENSURE GREATER MONETARY STABILITY IN THE INTEREST OF BALANCED GROWTH AND PROGRESS OF THE WORLD ECONOMY.

II. WE REAFFIRM THE OBJECTIVES OF ACHIEVING NON-INFLATIONARY GROWTH OF INCOME AND EMPLOYMENT, AND PROMOTING EXCHANGE MARKET STABILITY THROUGH POLICIES DESIGNED TO BRING ABOUT GREATER CONVERGENCE OF ECONOMIC PERFORMANCE IN THIS DIRECTION.

III. WE ARE REINFORCING OUR MULTILATERAL COOPERATION WITH THE INTERNATIONAL MONETARY FUND IN ITS SURVEILLANCE ACTIVITIES, ACCORDING TO THE PROCEDURES AGREED AT VERSAILLES, THROUGH THE FOLLOWING APPROACH:

A. WE ARE FOCUSING ON NEAR-TERM POLICY ACTIONS LEADING TO CONVERGENCE OF ECONOMIC CONDITIONS IN THE MEDIUM TERM. THE OVERALL MEDIUM-TERM PERSPECTIVE REMAINS ESSENTIAL, BOTH TO ENSURE THAT SHORT-TERM POLICY INNOVATIONS DO NOT LEAD TO DIVERGENCE AND TO REASSURE BUSINESS AND FINANCIAL MARKETS.

B. IN ACCORDANCE WITH THE AGREEMENT REACHED AT VERSAILLES, WE ARE FOCUSING OUR ATTENTION ON ISSUES IN THE MONETARY AND FINANCIAL FIELDS INCLUDING INTERACTION WITH POLICIES IN OTHER AREAS. WE SHALL TAKE FULLY INTO ACCOUNT THE INTERNATIONAL IMPLICATIONS OF OUR OWN POLICY DECISIONS. POLICIES AND OBJECTIVES THAT WILL BE KEPT UNDER REVIEW INCLUDE:

(1) MONETARY POLICY. DISCIPLINED NON-INFLATIONARY GROWTH OF MONETARY AGGREGATES, AND APPROPRIATE INTEREST RATES, TO AVOID SUBSEQUENT RESURGENCE OF INFLATION AND REBOUND IN INTEREST RATES. THIS

(1) MONETARY POLICY. DISCIPLINED NON-INFLATIONARY GROWTH OF MONETARY AGGREGATES, AND APPROPRIATE INTEREST RATES, TO AVOID SUBSEQUENT RESURGENCE OF INFLATION AND REBOUND IN INTEREST RATES, THUS ALLOWING ROOM FOR SUSTAINABLE GROWTH.

(2) FISCAL POLICY. WE WILL AIM, PREFERABLY THROUGH DISCIPLINE OVER GOVERNMENT EXPENDITURES, TO REDUCE STRUCTURAL BUDGET DEFICITS AND BEAR IN MIND THE CONSEQUENCES OF FISCAL POLICY FOR INTEREST RATES AND GROWTH.

(3) EXCHANGE RATE POLICY. WE WILL IMPROVE CONSULTATIONS, POLICY CONVERGENCE AND INTERNATIONAL COOPERATION TO HELP STABILIZE EXCHANGE MARKETS, BEARING IN MIND OUR CONCLUSIONS ON THE EXCHANGE MARKET INTERVENTION STUDY.

(4) POLICIES TOWARD PRODUCTIVITY AND EMPLOYMENT. WHILE RELYING ON MARKET SIGNALS AS A GUIDE TO EFFICIENT ECONOMIC DECISIONS, WE WILL TAKE MEASURES TO IMPROVE TRAINING AND MOBILITY OF OUR LABOR FORCES, WITH PARTICULAR CONCERN FOR THE PROBLEMS OF YOUTH UNEMPLOYMENT, AND PROMOTE CONTINUED STRUCTURAL ADJUSTMENT, ESPECIALLY BY:

— ENHANCING FLEXIBILITY AND OPENNESS OF ECONOMIES AND FINANCIAL MARKETS.

— ENCOURAGING RESEARCH AND DEVELOPMENT AS WELL AS PROFITABILITY AND PRODUCTIVE INVESTMENT.

— CONTINUED EFFORTS IN EACH COUNTRY, AND IMPROVED INTERNATIONAL COOPERATION, WHERE APPROPRIATE, ON STRUCTURAL ADJUSTMENT MEASURES (E.G., REGIONAL, SECTORAL, ENERGY POLICIES).

IV. WE SHALL CONTINUE TO ASSESS TOGETHER REGULARLY IN THIS FRAMEWORK THE PROGRESS WE ARE MAKING, CONSIDER ANY CORRECTIVE ACTION WHICH MAY BE NECESSARY FROM TIME-TO-TIME, AND REACT PROMPTLY TO SIGNIFICANT CHANGES.

PLEASE SEND ADVANCE COPIES TO NUMBER 10, CABINET OFFICE, FCO NEWS DEPARTMENT, TREASURY NEWS DEPARTMENT, COI AND ERD, FCO.

PYM

ADVANCE COPY

CONFIDENTIAL

FM UKDEL WILLIAMSBURG 302014Z MAY 83  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 17 OF 30 MAY  
INFO IMMEDIATE WASHINGTON

PS  
PS/PUS.  
Mr Wright  
Mr Evans  
Mr Giffard  
Mr Gilmour  
Mr Goo  
Mr Thomas  
Ad/AMO  
Ad/Defence  
Ad/ERG  
RC  
(71)

FOLLOWING FROM PRIVATE SECRETARY.

WILLIAMSBURG SUMMIT: SECRETARY OF STATE'S BILATERAL WITH SHULTZ.

1. THERE WAS ONLY JUST OVER HALF AN HOUR AVAILABLE FOR THE SECRETARY OF STATE'S BILATERAL MEETING WITH SHULTZ ON THE AFTERNOON OF 28 MAY. WE HAVE REPORTED SEPARATELY THE DISCUSSION OF MBFR, CENTRAL AMERICA, AND THE SECRETARY GENERAL OF NATO. MUCH OF THE REST OF THE MEETING WAS DEVOTED TO THE HANDLING OF ISSUES AT WILLIAMSBURG AND IN PARTICULAR TO THE PROPOSED DECLARATION ON DEFENCE AND DISARMAMENT. MR PYM SAID THAT HE WOULD WELCOME THE OPPORTUNITY FOR A RATHER LONGER TALK WITH SHULTZ IN THE NEAR FUTURE, AT WHICH THEY COULD DISCUSS IN MORE DETAIL NOT ONLY THE MAJOR INTERNATIONAL SUBJECTS OF THE DAY BUT ALSO SOME IMPORTANT ITEMS ON THE BILATERAL AGENDA SUCH AS EXTRATERRITORIALITY AND CIVIL AVIATION. HE ADDED THAT HE WOULD BE VERY READY TO COME TO WASHINGTON AT THE END OF JUNE OR IN EARLY JULY FOR THIS PURPOSE, AND WOULD LIKE AT THE SAME TIME TO HAVE ONE OR TWO MEETINGS ON THE HILL. SHULTZ THOUGHT THIS A VERY GOOD IDEA (AND SUBSEQUENTLY CONFIRMED THIS IN PRIVATE CONVERSATION WITH MR PYM) AND IT WAS AGREED THAT PRIVATE OFFICES WOULD GET TOGETHER TO LOOK FOR DATES AFTER SHULTZ'S RETURN FROM A FAR EAST TRIP AT THE END OF JUNE AND THE CONGRESSIONAL RECESS IN EARLY JULY.

2. THE TWO MINISTERS HAVE NOW AGREED TO PENCIL IN THE DATES OF 14 AND 15 JULY. SHULTZ'S OFFICE HAVE EXPLAINED TO ME THAT THESE DATES HAVE, AMONG OTHERS, BEEN SUGGESTED AS POSSIBILITIES FOR A VISIT TO WASHINGTON BY MR BEGIN. THEY DID NOT THINK IT VERY LIKELY THAT THE BEGIN VISIT WOULD TAKE PLACE AT THIS TIME, BUT WE SHALL HAVE TO LOOK FOR ALTERNATIVES FOR A US/UK BILATERAL IF IT DOES.

FCO PLEASE PASS WASHINGTON

PYM

FLASH

PRIME MINISTER.

ADVANCE COPY

10 10 (2)

CONFIDENTIAL  
FM UKDEL WILLIAMSBURG 301300Z MAY 83  
TO FLASH FCO  
TELEGRAM NUMBER 12 OF 30 MAY

PLEASE PASS FOLLOWING TO COLES, 10 DOWNING STREET FROM  
ARMSTRONG.

FOLLOWING IS TEXT OF DRAFT DECLARATION AS SUBMITTED TO  
PERSONAL REPRESENTATIVES TO HEADS OF STATE OR GOVERNMENT.

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

OUR NATIONS ARE UNITED IN THEIR DEDICATION TO DEMOCRACY,  
INDIVIDUAL FREEDOM, CREATIVITY, MORAL PURPOSE, HUMAN DIGNITY, AND  
CULTURAL DEVELOPMENT. IT IS TO PRESERVE, SUSTAIN, AND EXTEND THESE  
SHARED VALUES THAT OUR PROSPERITY IS IMPORTANT.

THE RECESSION OF THE LAST DECADE HAS PUT OUR SOCIETIES THROUGH A  
SEVERE TEST, BUT THEY HAVE PROVED RESILIENT. SIGNIFICANT SUCCESS HAS  
BEEN ACHIEVED IN REDUCING INFLATION AND INTEREST RATES: THERE HAVE  
BEEN IMPROVEMENTS IN PRODUCTIVITY: AND WE NOW CLEARLY SEE SIGNS  
OF RECOVERY.

NEVERTHELESS, THE INDUSTRIALIZED DEMOCRACIES CONTINUE TO FACE THE  
CHALLENGE OF ENSURING THAT THE RECOVERY MATERIALIZES AND ENDURES, IN  
ORDER TO REVERSE A DECADE OF CUMULATIVE INFLATION AND REDUCE  
UNEMPLOYMENT. WE MUST ALL FOCUS ON ACHIEVING AND MAINTAINING LOW  
INFLATION, AND REDUCING INTEREST RATES FROM THEIR PRESENT TOO-HIGH  
LEVELS. WE RENEW OUR COMMITMENT TO REDUCE STRUCTURAL BUDGET DEFICITS,  
IN PARTICULAR, BY LIMITING THE GROWTH OF EXPENDITURES.

WE RECOGNIZE THAT WE MUST ACT TOGETHER AND THAT WE MUST PURSUE A  
BALANCED SET OF POLICIES THAT TAKE INTO ACCOUNT AND EXPLOIT  
RELATIONSHIPS BETWEEN GROWTH, TRADE, AND FINANCE, IN ORDER THAT  
RECOVERY MAY SPREAD TO ALL COUNTRIES, INCLUDING THE DEVELOPING  
NATIONS.

IN PURSUANCE OF THESE OBJECTIVES



IN PURSUANCE OF THESE OBJECTIVES, WE HAVE AGREED AS FOLLOWS:

(1) OUR GOVERNMENTS WILL PURSUE APPROPRIATE MONETARY AND BUDGETARY POLICIES THAT WILL BE CONDUCTIVE TO HIGHER PRODUCTIVE INVESTMENT AND LOWER UNEMPLOYMENT, PARTICULARLY AMONG THE YOUNG, CONSISTENT WITH LOW INFLATION AND REDUCED INTEREST RATES.

~~(2) THE CONSULTATION PROCESS INITIATED AT VERSAILLES WILL BE ENHANCED TO PROMOTE CONVERGENCE OF ECONOMIC PERFORMANCE IN OUR ECONOMIES AND SBICGPEFUASQBSD?'. )5~~

(2) THE CONSULTATION PROCESS INITIATED AT VERSAILLES WILL BE ENHANCED TO PROMOTE CONVERGENCE OF ECONOMIC PERFORMANCE IN OUR ECONOMIES AND GREATER STABILITY OF EXCHANGE RATES, ON THE LINES INDICATED IN AN ANNEX TO THIS STATEMENT. WE AGREE TO PURSUE CLOSER CONSULTATIONS ON POLICIES AFFECTING EXCHANGE MARKETS AND ON MARKET CONDITIONS. WHILE RETAINING OUR FREEDOM TO OPERATE INDEPENDENTLY, WE ARE WILLING TO UNDERTAKE COORDINATED INTERVENTION IN EXCHANGE MARKETS IN INSTANCES WHERE IT IS AGREED THAT SUCH INTERVENTION WOULD BE HELPFUL.

(3) WE COMMIT OURSELVES TO HALT PROTECTIONISM, AND AS RECOVERY PROCEEDS TO REVERSE IT BY DISMANTLING TRADE BARRIERS. WE INTEND TO CONSULT WITHIN APPROPRIATE EXISTING FORA ON WAYS TO IMPLEMENT AND MONITOR THIS COMMITMENT. WE SHALL GIVE NEW IMPETUS TO RESOLVING CURRENT PROBLEMS IN SQUARE BRACKETS BEGIN AGRICULTURAL SQUARE BRACKETS END TRADE AND CONFLICTS OF JURISDICTION. WE WILL ACTIVELY PURSUE THE CURRENT WORK PROGRAMS IN GENERAL AGENCY ON TARIFFS AND TRADE (GATT) AND ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, SQUARE BRACKETS BEGIN INCLUDING TRADE IN SERVICES AND IN HIGH TECHNOLOGY PRODUCTS. SQUARE BRACKETS END SQUARE BRACKETS BEGIN FOR THE MEDIUM TERM, WE SHOULD DISCUSS PREPARATION FOR NEW TRADE LIBERALIZATION NEGOTIATIONS IN THE GATT, WITH PARTICULAR EMPHASIS ON EXPANDING TRADE WITH AND AMONG DEVELOPING COUNTRIES, LOOKING TOWARD A NEW NEGOTIATING ROUND IN DUE COURSE. SQUARE BRACKETS END

(4) WE VIEW WITH GREAT CONCERN THE INTERNATIONAL FINANCIAL SITUATION, AND ESPECIALLY THE DEBT BURDENS OF MANY DEVELOPING NATIONS. WE AGREE TO A STRATEGY BASED ON: EFFECTIVE ADJUSTMENT AND DEVELOPMENT POLICIES BY DEBTOR NATIONS SEMI COLON ADEQUATE PRIVATE AND OFFICIAL FINANCING SEMI COLON MORE OPEN MARKETS SEMI COLON AND WORLDWIDE ECONOMIC RECOVERY. WE WILL SEEK EARLY RATIFICA-

COLON AND WORLDWIDE ECONOMIC RECOVERY. WE WILL SEEK EARLY RATIFICATION OF THE INCREASES IN RESOURCES FOR THE INTERNATIONAL MONETARY FUND AND THE GENERAL ARRANGEMENTS TO BORROW. WE ENCOURAGE CLOSER COOPERATION AMONG THE INTERNATIONAL INSTITUTIONS, IN PARTICULAR BETWEEN THE INTERNATIONAL MONETARY FUND (IMF), THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD), AND THE GATT.

(5) SQUARE BRACKETS BEGIN (WE ALSO DISCUSSED PROPOSALS TO STUDY THE IMPROVEMENT OF THE INTERNATIONAL MONETARY SYSTEM. WE AGREED TO CONTINUE OUR CONSULTATIONS ON THESE PROPOSALS AND ASKED OUR FINANCE MINISTERS, TOGETHER WITH THE MANAGING DIRECTOR OF THE IMF, TO KEEP THEM UNDER CONSIDERATION AS THEY PROCEED WITH THE WORK ON IMPROVING CONVERGENCE OF ECONOMIC PERFORMANCE) SQUARE BRACKETS END.

OR

(5) SQUARE BRACKETS BEGIN (WE HAVE INVITED MINISTERS OF FINANCE, IN CONSULTATION WITH THE MANAGING DIRECTOR OF THE IMF, TO DEFINE THE CONDITIONS FOR IMPROVING THE INTERNATIONAL MONETARY SYSTEM AND TO CONSIDER THE PART WHICH MIGHT, IN DUE COURSE, BE PLAYED IN THIS PROCESS BY A HIGH-LEVEL INTERNATIONAL MONETARY CONFERENCE.) SQUARE BRACKETS END

(6) THE WEIGHT OF THE RECESSION HAS FALLEN VERY HEAVILY ON DEVELOPING COUNTRIES AND WE ARE DEEPLY CONCERNED ABOUT THEIR RECOVERY. RESTORING SOUND ECONOMIC GROWTH WHILE KEEPING OUR MARKETS OPEN IS CRUCIAL. SPECIAL ATTENTION WILL BE GIVEN TO THE FLOW OF RESOURCES, IN PARTICULAR OFFICIAL DEVELOPMENT ASSISTANCE, TO POORER COUNTRIES, AND FOR FOOD AND ENERGY PRODUCTION, BOTH BILATERALLY AND THROUGH APPROPRIATE INTERNATIONAL INSTITUTIONS. WE REAFFIRM OUR COMMITMENTS TO PROVIDE AGREED FUNDING LEVELS FOR THE INTERNATIONAL DEVELOPMENT AGENCY SQUARE BRACKETS BEGIN (AND AGREE ON THE IMPORTANCE OF ADEQUATE REPLENISHMENT OF IDA FOR THE FUTURE.) SQUARE BRACKETS END WE WELCOME THE OPENNESS TO DIALOGUE WITH THE INDUSTRIALIZED COUNTRIES EVINced AT THE RECENT CONFERENCES OF THE NON-ALIGNED MOVEMENT IN NEW DELHI AND THE GROUP OF 77 IN BUENOS AIRES, AND WE SHARE THAT COMMITMENT TO ENGAGE WITH UNDERSTANDING AND COOPERATION IN THE FORTHCOMING MEETING OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT IN BELGRADE.

(7) WE ARE AGREED UPON THE NEED TO ENCOURAGE BOTH THE DEVELOPMENT OF ADVANCED TECHNOLOGY AND THE PUBLIC ACCEPTANCE OF ITS ROLE IN PROMOTING GROWTH, EMPLOYMENT AND TRADE. WE HAVE

WE ARE AGREED UPON THE NEED TO ENCOURAGE BOTH THE DEVELOPMENT OF ADVANCED TECHNOLOGY AND THE PUBLIC ACCEPTANCE OF ITS ROLE IN PROMOTING GROWTH, EMPLOYMENT AND TRADE. WE HAVE NOTED WITH APPROVAL THE REPORT OF THE WORKING GROUP ON TECHNOLOGY, GROWTH AND EMPLOYMENT WHICH WAS SET UP AT VERSAILLES LAST YEAR, AND COMMEND THE PROGRESS MADE IN THE 18 CO-OPERATIVE PROJECTS DISCUSSED IN THAT REPORT. WE WILL FOLLOW THE IMPLEMENTATION AND COORDINATION OF WORK ON THESE PROJECTS, AND LOOK FORWARD TO RECEIVING A FURTHER REPORT AT OUR NEXT MEETING.

(8) SQUARE BRACKETS BEGIN ( WE ALL SHARE THE VIEW THAT MORE PREDICTABILITY AND LESS VOLATILITY IN OIL PRICES WOULD BE HELPFUL TO WORLD ECONOMIC PROSPECTS. ) SQUARE BRACKETS END WE AGREE THAT THE FALL IN OIL PRICES IN NO WAY DIMINISHES THE IMPORTANCE AND URGENCY OF EFFORTS TO CONSERVE ENERGY, TO DEVELOP ECONOMIC ALTERNATIVE ENERGY SOURCES, TO MAINTAIN AND, WHERE POSSIBLE, IMPROVE CONTACTS BETWEEN OIL-EXPORTING AND IMPORTING COUNTRIES, AND TO ENCOURAGE THE GROWTH OF INDIGENOUS ENERGY PRODUCTION IN DEVELOPING COUNTRIES WHICH AT PRESENT LACK IT.

(9) EAST-WEST ECONOMIC RELATIONS SHOULD BE COMPATIBLE WITH OUR SECURITY INTERESTS. WE TAKE NOTE WITH APPROVAL OF THE WORK OF THE MULTILATERAL ORGANIZATIONS WHICH HAVE IN RECENT MONTHS ANALYZED AND DRAWN CONCLUSIONS REGARDING THE KEY ASPECTS OF EAST-WEST ECONOMIC RELATIONS. WE ENCOURAGE CONTINUING WORK BY THESE ORGANIZATIONS, AS APPROPRIATE.

(10) WE HAVE AGREED TO STRENGTHEN COOPERATION IN PROTECTION OF THE ENVIRONMENT, IN BETTER USE OF NATURAL RESOURCES, AND IN HEALTH RESEARCH.

OUR DISCUSSIONS HERE AT WILLIAMSBURG GIVE US NEW CONFIDENCE IN THE PROSPECTS FOR A RECOVERY. WE HAVE STRENGTHENED OUR RESOLVE TO DEAL COOPERATIVELY WITH CONTINUING PROBLEMS SO AS TO PROMOTE A SOUND AND SUSTAINABLE RECOVERY, BRINGING NEW JOBS AND A BETTER LIFE FOR THE PEOPLE OF OUR OWN COUNTRIES AND OF THE WORLD.

WE HAVE AGREED TO MEET AGAIN NEXT YEAR, AND HAVE ACCEPTED THE BRITISH PRIME MINISTER'S INVITATION TO MEET IN THE UNITED KINGDOM.

PYM

Master

Susat

file

SUNDAY 29 MAY

RR: Return to political statement, Does it meet with approval?

MT: Agreed,

HK: Agreed,

PT: Agreed, It goes a considerable distance to avoid specifics. End of para 5 has increased the ambiguity. Last half of para 5 to bottom of para 4 to make it clear that we do not want .... French weapons include British and French weapons in the INF negotiations, Then cut out last sentence.

MT: I cannot weaken it any further.

PT: OK leave it in.

MT: Don't mind switching last sentence of 5 into 4.

RR: OK

PT: Now he says put new first sentence of 5 into 6.

MT: OK

PT: Or 6(new.5), I preferred Mitterrand's version.

FM: On para 6 I do not agree with last draft. I suggest "our countries ardently desire an INF agreement to be reached shortly and maintain that all the more because we know that if it were otherwise the countries concerned will proceed with deployment in Europe at the end of the year 1983", I make this proposal not accidentally but with a deliberate meaning.

France not in NATO, not involved in negotiations.

FM: Goes on saying the same thing, Otherwise content, Repeats: (b) our nations ardently desire that the INF negotiations take place shortly, all the more because we know that, if it were otherwise the countries concerned would go ahead with /deployment

deployment at the end of the year 1983".

HK: "Will" or "would" deploy?

FM: Will.

HK: Then OK.

MT: First sentence unchanged. "Our nations hope that an INF agreement will be reached soon. All the more because we know that, if not, the countries concerned will proceed with deployment at the end of 1983.

FM: That is right. Eliminate rest of para 6.

MT: Agree.

AF: What about Geneva?

MT: "If deployment begins, we stand ready to negotiate at Geneva". Returns to first 2 sentences of para 5. It says not deploy if agreement is reached but that only true if zero option is agreed .... "If a satisfactory agreement is not reached ..."  
It must be clear that we shall deploy unless the Soviets have agreed to zero. If not zero numbers we deploy will depend on what we can agree in negotiations on balance of weapons.

RR: We seized high ground with zero option. Will accept an interim agreement for less, but zero is ultimate preference. We shall begin to deploy unless total elimination is agreed.

PT: A lot of tedious repetition.

MT: Says again we shall deploy. Leave out sentence beginning "Let no one be misled",

RR: What Soviet understand and respond to is strength. We are quibbling now. Do we agree first half of para 5 at end of 6. Second half at end of para 4?

PT: No one thinks that Soviet will go to zero. So we are saying "we will deploy come hell come high water". That is the wrong signal. You are saying that zero option is condition of no deployment.

HK: I can't understand this discussion. Put it on paper so that we can see the text.

HK: Everybody knows that zero is ultimate wish. Our aim is to get peace with less weapons. Zero not possible now. So we want interim agreement on reduction. I assume Soviet will reduce, but at one minute to midnight. We must not torpedo our timetable. Do our historic duty: get disarmament. Soviet react only to firm decisions. When first Pershings are up, they will negotiate; not before then. Get it on paper: meanwhile get on with other business.

RR: "Such deployment will be up to the number the Soviet have agreed to so as to have equal and verifiable deployment".

PT: Won't hold this up. A mistake to take an absolutely rigid negotiating position,

RR: This isn't a rigid posture.

PT: You showed all your cards. But I am not going to hold out. I think its unwise, it says whatever Russians do we will deploy.

RR: They say that they want us to have zero, Mean to keep some. The fact that they are so worried about deployment shows the strength of that card.

MT: Back to original, without sentence "Let no one be misled.

RR: Back to economy, We agreed. Laid foundations for recovery. Recovery on way. Halt protectionism. Pursue steady broad gauge progress to balanced growth. Turn to immediate actions. Ask Reagan to speak.

//Regan:

Regan: Finance Ministers have had a thorough review of economies. As to multilateral surveillance Finance Ministers have met twice with Managing Director of IMF. We must better understand each others policies. But we need public affirmation on need for convergence. Finance Ministers have worked on agreed statement; not sure what you want to do with it. We spent many hours on interest rates and implications. We need more surveillance, less protectionism. Exchange markets have sometimes been volatile. Convergence would reduce instability. Interventionism study very useful. Some have asked for new monetary conference. Most see no possibility ... It would be premature. No new forum needed; use IMF and G10.

1. Main problem is unemployment.
2. Regan reported US situation on interest rates and deficits. We weren't convinced.
3. Export Administration Act is bone of contention. We must express our concern.
4. We would go along with need to reduce protectionism particularly at time of recovery and particularly in relation to ldc's.

Canadian Finance Minister: Both Reagan and Regan pledged to trading system. I would expect Summit to make a statement on protectionism, which would be acceptable. We failed to get dismantling at GATT Ministerial; got no further than saying no new protectionist measures. At OECD Ministers more courageous: "dismantle existing measures as recovery proceeds". A problem of credibility; despite GATT Ministerial, protectionist measures had increased. We need a meaningful commitment. Can it be politically obligatory? Can we monitor trade performance? People don't notify GATT when they undertake border measures which are protectionist in nature. Prosperity will depend on maintaining open markets. Two ways of doing this,

1. Strengthen GATT, or
2. Ask Trade Ministers to consider alternative.

RR: Last night HSG agreed we must face up to fact we were all engaged in protectionist measures.

HK: Recovery has a great deal to do with interest rates. We should like US comments. Given interest rates in US, recovery in Europe more difficult. You spoke about silver lining. Is it real, or grey-silver?

RR: I am not so bullish as I was. MI going up rather rapidly. Interest rates going up. Increasing MI might not bring interest rates down. If we can bring MI down, interest rates could come down. The linkage between interest rates and size of deficits has not been made. However we agree that deficit is a psychological impediment to getting interest rates down. If no progress, tax increases in 1985 (operative).

Regan: Sizeable deficits 1983 and 84. Then a decline. Half deficit is due to recession: 1% on unemployment equals D 27b on deficit. Other half of deficit is structural. Programmes with automatic built in increases. Congress won't act. I will use my veto power on any appropriation which exceeds what we have asked for. A limit to how much you can reduce in deficit by savings on tax increases. Deficit a symptom not a cause. The only answer is recovery. Every extra 1% on forecast recovery = D100 b of the deficit. 2% on would produce a balanced budget. So we aim at solid sustainable recovery. Recovery visible in construction = 77% increase in housing permits = automobiles, appliances, furniture. All typical of recovery. 11,000 small businesses went bankrupt in 1982, but 600,000 started.

Chancellor of the Exchequer: Agrees Regan analysis. Useful to annex our statement to summit declaration. Agree Lambsdorff stress on unemployment. Agree L. on Export Administration Act. Key things to tackle for sustainable growth.



1. Keep inflation going down.
2. Resist and repel protectionism - but don't commit ourselves to what is not credible.
3. Get interest rates down.

High interest rates retarding recovery: effect on debts of LDCs, and the domestic interest rates in Europe. The fact that deficits and interest rates are high agree attempt at eventual reduction in deficit is counter-productive. But show markets not where you are but where you are going; down. Otherwise apprehension in markets will continue.

/RR: I recognise

RR: I recognise interest rates a problem. More psychological than anything else. We have had difficulty in persuading Congress to go along with our programme, but interest rates and inflation have come down.

PT: Nominal interest rates, not real.

RR: We agree that this is a target. Course has been steadily downwards. It's up to Congress. The battle will be on entitlement programmes. We have done what we can to reduce cost of Government. We have reduced increase in costs of one programme from D116 billion to 50 billion.

Shultz: No need for us to be defensive. Interest rates down by 50% since 1981. We are making progress. Only reason why people react to high interest rates is because President has been so fantastically successful in getting inflation. Members will respond to sound policies pursued with persistence and resolution. Deficits bigger than President wants: but tax increase now would be crazy: stop recovery in its tracks. The President has been very courageous and has been doing a hell of a job. Real growth rates of 6 per cent 4th quarter of 1982 - 4th quarter of 1983. A quick fix would be a catastrophe. Trade: put some meat on the bones.

1. Perhaps we should change trade officials with specific plans to fulfil OECD Ministerial. Perhaps monitoring.
2. Get discussions going on trade liberalisation, particularly between developed and developing countries, who are very protectionist.
3. Strengthen GATT.
4. Working on agricultural trade.
5. Need for better rates on all in services and high technology products.

/6. Look

6. Look forward to a new trade liberalisation round in GATT.

7. Trade and finance two sides of coin: have occasional meeting of trade and finance people together.

RR: Back to INF statement. He reads a new version of para. 5 - the press is scenting disagreement. We must come to a conclusion. (He is reading too fast for me to record)

AF: Instead of "balanced" say "balanced" (some mistake surely?)

MT: I can live with what RR read out.

RR: A new suggestion from Mitterrand. "Our nations agree strongly balanced INF grant. Should it occur, negotiations will determine level of deployment. Should that not occur the countries concerned will proceed with the planned deployment of the US systems in Europe at the end of 1983.

FM: "It is the wish of the countries ... I don't understand the amendment proposed by MT. Makes new proposal: "Earnest wish of the nations to reach agreement on balanced deployment shortly. He's going to fast? He wants to say: Should this not occur it is well known that there will be deployment at the end of 1983. "It is well know that" is for me a sine que non . Otherwise I am committed to what NATO is saying.

MT: I don't mind that. I need the middle sentence "Should that occur, the negotiations will determine the level of deployment".

AF: Would FM have difficulty with "according to decisions of December 1979" after "the countries concerned".

/FM: No, we

No, we are politically with you, but can't commit myself.

MT: I agree FM's text.

HK: So do I. Let's conclude. Agree with MT.

RR: Reads text.

MT: Agreed.

FM: Agreed.

HK: Agreed.

AF: Agreed.

PT: Agreed.

RR: We have a statement. That will head off press statements on disarray. A few language difficulties. Back to economic.

Lambsdorff: We would be happy for Finance Ministers statement to be annexed to declaration.

2. We discussed whether meeting of trade and finance ministers should take place. We agreed no new fora: do it in OECD.
3. On deficits and interest rates. Regan not able to convince us that they are not connected. I fear that interest rates will go up, not down, and perhaps we should say so.
4. Deal with protectionism, through strengthened GATT.
5. Say something about Export Administration Act. Mentioned three times.

/Italian Finance Minister:

Italian Finance Minister:

1. Agree annex statement to declaration.
2. Two small observations on statement - keep for another occasion.
2. We are leaving here with substantial convergence of views on objectives, but with greater confusion on what is needed to make the development of recovery sustained. Not convinced by Regan.

Three contradictory elements:

1. Reagan says deficit gets worse if economic conditions get worse and vice versa. But economic conditions are improving and deficit getting bigger.
2. Confused about relationship between deficits and interest rates.
3. A lack of US willingness to reduce rates or an inability to do so. It's not clear.

RR: No lack of willingness on our part. When we started, interest rates were at record high. I took over Carter's budget. Could not start to do anything until budget 82-83. Even when I had signed tax cut law, it would take a long time for tax cuts to have stimulation effect; and tax cuts were in three instalments. We had inherited the highest tax increases ever under Carter; and in same period deficits soared. Our tax cuts were not until July 1983 brought the level of taxes down below what it was. We are victims of our own success. The solution of inflation has meant that tax yields don't increase as much as are expected. Interest rates went down to 10½, 19 per cent at least. Further reductions waiting for July tax cuts. Opposition pressing to cancel tax cuts, but we won't; we need the incentive. But we want to bring interest rates and deficit down. We have not done badly, and we won't let up.

PT: Energy: we should put our hands out to the oil-producing countries. Discuss future with them. We need security of supply, they need steadiness of prices.

/Nakasone: Relations

Nakasone: Relations with South. They let me know what they expect of Williamsburg.

1. Maintain free trade, oppose protectionism.
2. Industrial countries to open markets to developing countries.
3. International financial institutions to increase aid to ldc's.

FM: At last we have come to main point, on basis of worthwhile text. A few comments and suggestions, on omissions from thematic paper.

1. When one talks of convergence, be clear what it means. One has to have convergence in struggle against inflation. France ardently engaged in struggle. From 14 per cent in 1981 to 8 per cent in 1983 and 5 per cent in 1984. We don't want to be separated from others.
2. Social convergence: coping with unemployment convergence means we support recovery. But we cannot act solely as economists.
3. Won't add anything on interest rates to what has been said by Germans and Italians. Which of us would impose on US in mid 1983 to adopt new taxes or reduce deficits or suddenly change interest rates. Markets not beck and call of US Government. But only natural to say to US leaders - be careful. Real interests rates in US range from 5-7 per cent in short to 8 per cent in long. Unprecedented levels. So ask US to contribute as they can and understand the burden of interest rates.
4. The dollar is the world reserve currency. Not just your domestic problem. Whichever way things go with well or badly dollar goes up. Think of effect of US having to purchase things for dollar. Let's try to bring a little order into this. International liquidity.
5. As far as currency is concerned, agree subject to some reservations. But only chance references to ldc. We are accountable to them, and many others not here. Send them a signal from here to me. There are some idiots who prefer poor Communism to non capitalism: threat of unemployed workers. Don't let Soviet

use ideological war. We need an open approach. Talk about food, energy. India has reached food self sufficiency. We ought to stabilise commodity prices, but the world isn't ready for that yet. Make use of increases in IMF resources. We could do more.

6. Necessary for us to commit ourselves on the question of intervention as agreed at Versailles. Bring our whole weight to steady exchange rates. Not talking about fixed rates; bring order. Be inspired by Bretton Woods: not just do what BW did. Agree conference not possible now, but work towards it. We want to find middle ground, recognising need to move towards greater international monetary order.
7. Let's set up a working group to analyse where protection is occurring, and deal with it. We want society not to confine but to serve the individual. Don't issue statements devoid of meaning. I shall be vigilant tomorrow morning.

AF: I am concerned that our Summit should consolidate expectations and hopes for recovery. We should add credibility to our decisions, so that public opinion will be aware of it and believe in it. Therefore we cannot put aside problems caused by disorder or monetary system. No question of going back to Bretton Woods. Examine difficulties we have met in last 10 years, and learn lessons. They have prevented linkage between north and south. We are at beginning of third industrial revolution.

1. Steam.
2. Electricity and oil.
3. Nuclear, and advanced technology.

Advanced technology will produce more unemployment. A new type of unemployment because it's a transferring from one thing to another. Try and see how we can intervene. Can we just remain attached to a system that does all the things that this has done?

A 7 point plan.

1. ?
2. Recovery.
3. N/S

/RR: Sum

RR: Sum up for Sherpas. Keep it short: 3 double spaced paras.

1. Should values of freedom and democracy
2. Domestic policies - underway, but not flights of fancy.
3. Interest rates and deficits.
4. Unemployment structure as well as gelical.
5. LDC revise trade to ease debt problems.
6. Trade: reverse protectionism and try to further liberalisation.
7. Balanced approach to international financial system.
8. Continue multilateral surveillance for exchange rate stability.  
Annex statement by Finance Ministers.

PT: Fivelines on energy please

HK: When do we eight meet again?

RR: 1955 for 2000. Sliding the schedule 30 minutes.

HK: What tomorrow?

Regan: International debt. Support for IFI. East/West economic relations. Plus the statement.

HK: Sherpas to reflect the issues, including the controversial issues. Find a middle road. Include thoughts I don't necessarily hold.

Nakasone: Science and technology. Turn this into concise plans. I am especially interested in cancer and recombinant DNA.

PT: Ask Sherpas to use thematic paper for inspiration.

RR: Agree. Foreign Ministers to go to press for INF statement.

Schultz: I will help generally on economic side.

THE END



TRANSCRIPT OF A PRESS CONFERENCE GIVEN BY THE PRIME MINISTER, MRS THATCHER  
TO THE UK PRESS AT WILLIAMSBURG ON SUNDAY 29 MAY, 1983

Ingham: The Prime Minister is of course very short for time and therefore I would ask you ..... Could I first ask the Prime Minister to say a few words and then we will take questions.

PM: As this is an Economic Summit may I start on the economic subjects. The discussion still continues. We have had a very full discussion about economic matters. I might summarise them so far in this way. We noted the considerable improvement in the economies of a number of countries since we last met at our last Summit. Improvements in getting inflation down, improvements in productivity, improvements in getting down interest rates; although we are particularly conscious that it is important for recovery to get interest rates down further - indeed it is one of the single most important financial things. Secondly, we see signs of recovery. There are various ways of describing it - realistic optimism, reasonable optimism, cautious optimism - but we see signs of recovery which we believe firmly that we can steadily sustain and enhance by pursuing the sound financial policies like keeping inflation down, trying to keep deficits down, trying to keep interest rates down - the customary financial policies you are familiar with in Britain and which a number of other countries have been pursuing. With regard to exchange rates, about which there was a considerable discussion, the point was made very strongly that you get stability in exchange rates first by running your financial affairs at home under certain disciplines and secondly by all countries together running similar policies so that the policies themselves converge. If there is to be any further work done with regard to more stable exchange rates it should be done first through the Finance Ministers and not through the special forum. The fourth point, we are particularly conscious in all of our countries of the problems of unemployment and I suppose it is very largely because of that that we are so anxious to take steps to sustain and improve the recovery. But also we know that unemployment is the last thing to respond to recovery and therefore all of us are putting into place very considerable training schemes to help young people. A further point that was mentioned considerably was the necessity of getting the acceptance of new technology. You will remember at Versailles that we had a report on technology and it was reported to this Summit. Of course often the first effect of new technology is that machines replace unskilled or semi-skilled labour which is one of the problems we are encountering now. Therefore in future you need a higher proportion of your work force to be skilled so they can take up the new science-based industries. We are all fighting across Europe this particular problem but we nevertheless agree that because in the end new technology - not even in the end - in the medium term - new technology produces new jobs that

/.....

..2..

to  
we must work hard/secure its acceptance. Finally, and they are discussing such things as energy at the moment, protectionism I should just mention a word about. We believe that it will help to expand world trade if we try to go towards freer trade. The fact is we talk about it and condemn protectionism but almost every country practises a certain amount. You would all wish to diminish the amount of protectionism that is practised. And finally - which I was going to say a moment ago - there's no such thing as what one of our colleagues calls a quick fix and what I think we call a quick cure is a quack cure. We have to work at it hard along the lines, which we are working in Britain which is sound finance, all help for young people possible through new training, tax incentives to stimulate small businesses and new products. Then we believe we can sustain recovery and work towards convergent policies.

That's on the economic side. We have also had a very considerable discussion among Heads of Government and Foreign Secretaries and also in the plenary with the Chancellor of the Exchequer on defence and disarmament. The statement is about to be issued. It is quite a detailed statement. Mr George Schultz will be issuing it shortly. It goes over the whole field of disarmament pointing out the first duty of a nation is to defend its way of life. Therefore you have to have strong forces, sufficient to defend that and to deter any aggressor. Nevertheless we wish to secure that defence at a lower level of weaponry and expenditure and therefore we wish to ensure that the many levels of disarmament are pursued rather more vigorously than they have been. It is not our fault it is just that the proposals that we have put forward - whether it be in Geneva, Vienna or in Madrid - have not been pursued as vigorously as they should and we do say that we believe that we must continue to pursue these negotiations with impetus and urgency and that attempts to divide the West - and we go on to the INF - that attempts to divide the West by proposing the inclusion of the deterrence forces of third countries such as those of France and the United Kingdom will fail. Consideration of those systems has no claim to the INF negotiations. We also point out that while we hope very earnestly for a balanced INF agreement if there is agreement deployment will take place up to that balance if there is not an agreement by the end of this year then of course the full planned deployment will have to begin.

That is quite a long statement. Like most long statements when you come to draft them they take much longer than you think - particularly when you have to bear in mind that we are not all members of NATO and even those who are members of NATO are fully integrated into the military structure. But it is I think a very significant statement, a very fundamental statement and it is I think a great credit and

/.....

advantage to President Reagan that he managed to secure such a statement at this Summit. I think it is of considerable importance. The Economic Communique of course will be drafted overnight and will be considered in detail by the Chancellor of the Exchequer and Foreign Secretary tomorrow.

Shall we have your questions now please?

Q. Have you changed your perceptions of economic policy at all as a result of the last day and a half of meetings?

PM: No. Our perceptions of economic policy have been reinforced by these discussions.

Q: Does this mean you are taking no new measures to deal with the unemployment situation in Britain?

PM: All our measures are, as you know, very well laid out. We have got the new training scheme coming in in September which we have had to find 460,000 places in industry and commerce. Industry and commerce responded magnificently and the purpose of that scheme is not really to train young people to a higher level of training than they would have had before but also to try and ensure that unemployment is not an option for school leavers. Either they go into a job or else they go into further education or else they go into a year's training. Added to that we believe that our financial policies, coupled with tax incentives for small business, coupled with help to bring innovative new products to the market, are those which form together the best possible strategy for jobs and I think that colleagues here today would agree with that.

Q: Do you think you have made any progress in persuading the other nations to your views?

PM: They don't need persuading. It has been right at the heart of the reason why inflation has gone down, productivity has improved and interest rates have fallen by several points since the Summit last year. They are still high in real terms but inflation has fallen particularly sharply in some countries. But those achievements have been secured by strong financial disciplines and strong financial disciplines are doubly emphasised because to have a stable exchange rate you have to have strong financial discipline if you .....

Q. Do other countries share your objectives in your Election Manifesto in getting down to zero inflation?

PM: I think we are trying to get inflation down as fast as we can. I think all the countries there would like to feel that

we could have stable currencies. Germany and the United States' inflation rates are both below us and so is Japan. France as you know has a target I think to get down to 5% as soon as possible. Italy is having considerable difficulty. All of them are pursuing the same kind of objective with regard to inflation and interest rates as we are.

Q. You have recommended strong financial discipline to all the other countries at the Summit but the fact that the recession in Britain has been a good deal deeper than any other country, that unemployment there is a good deal higher and that our interest rates are still among the highest in the world does not necessarily seem like a very good recommendation ....

PM: It is not I who recommended financial discipline solely. I certainly am recommending it but so are a number of other people there. This is the point that I want to get across. I think everyone there recognised that if you are to get stable exchange rates you have to operate within certain financial disciplines and you won't find that the idea comes exclusively from me. You will find it had enormously wide, almost universal, support there. With regard to our having been hit rather harder by the recession. On the unemployment side, with the exception of some countries in Europe, Holland for example, Belgium, have had even more difficulty than we have. Point number 1 - we have had the worst overmanning and restrictive practices so therefore we were the most inefficient and the recession hit us badly. We had a bad record on strikes - that again hit us. We had a very bad record of paying ourselves regardless of output and if you look at the two you will find that we pay ourselves more compared with output than almost any other country. Japan's pay and output went hand in hand. Germany's pay only went slightly ahead of output and it was interesting that Germany told us that they had secured a pay agreement in the public sector something like 2 or 2½%. Now here are we saying we are doing rather well with 4 - 5%. There's one of our rival countries saying that they have got an agreement in the public sector at 2%. Their inflation is about 3½, 3.9 - not very different from ours. The other thing of course is why our unemployment figures are higher - we do not have compulsory conscription. Almost every other European country does - with the exception of Ireland - and that takes up a whole generation of young people for a whole year. That also helps with the unemployment figures. I hasten to say that I am not thinking of introducing conscription!

Q. Is there nobody at the Summit who has some doubts about

your economic strategy?

PM: They certainly haven't expressed it. France too is now having started off with a different strategy, is trying to get inflation down. She is having to get her balance of payments and trade into balance and also is very anxious to get her interest rates down, to pursue a different policy with regard to revision of wages and taking people on to the bureaucratic payroll. But on the financial side she has come to pursue policies which they said she was not pursuing when the present Government took over.

Q: Did your plea for financial discipline fall on deaf ears?

PM: I don't know why both of you keep suggesting that it was I who made the sole plea for financial discipline. No it did not fall on deaf ears in the United States. The US pointed out that they have got their inflation rates very sharply down. It is below ours. Their interest rate is several points below what it was - it was right up in the 20s it is now down at about 10 - slightly less. They are just as anxious as we are to try and get their interest rates down. And no-one could have tried harder of course to curb public spending than President Reagan and he has indeed managed to get down some of the enormous inbuilt increases that had been present in the United States budget.

Q. What do you think you have really achieved by this Summit that you couldn't have achieved by what you might call the normal processes - discussion between leaders?

PM: First, when you come here you do have separate discussions with the leaders, either in full scale bilaterals or in the margins and I think that in itself is tremendously valuable and the discussion together is tremendously valuable - what is enormously valuable at the moment is to get the kind of reinforcement of one's own policies that we have secured merely because other people believe those to be the right policies - the ones which are beginning to show results and the beginning of a recovery and the ones which, if sustained, will produce a recovery which is the way to get extra jobs and in the meantime we go for a considerable programme of training for young people and special help towards small businesses and towards new technology also which helps to produce jobs for the future.

Q. When do you expect that the cautious optimism you have noted will be reflected in a fall in unemployment?

PM: I am frequently asked this - almost every morning

in press conference. I don't know any Government that has actually predicted the unemployment figures. I only know that if we continue with these policies those offer the best hope for reducing unemployment. How far and when the reduction comes depends not only on Government policies, it depends on the extent to which industry and individuals take advantage of the opportunities and if people go on strike when they have got good jobs and also very considerable Government help that isn't action on their part which helps to keep jobs or helps to induce confidence in people who would otherwise buy from Britain. There is greater demand in Britain at the moment showing in the retail sales. How far our goods are of a design and of the price which attracts British people to buy with the wage packets they earn in Britain I cannot say. It's a combination of whether people will buy British and secondly whether the goods we produce are so good that people here and overseas will buy them too. All of these factors are determine in the end how fast unemployment comes down and I was at one of the big new technology factories on Friday and again they stressed that of course they have a fantastic record of creating new products creating new jobs, very highly skilled jobs and some less skilled. They stressed once again how successful we are will depend on how many customers we can get and that will in turn decide how many extra people we can employ, We had what I call a high technology day on Friday and went to many firms who are very successful, some of which didn't exist or were only one person - in one case three years ago in another ten years ago, and are now expanding. So the opportunities are there. I can't say how fast they will be taken up or how fast people will come to realise that strikes do not help they only lose jobs they don't gain them. Or how fast people will understand that you have got to keep pay in line with output if you really are to gain the orders for the future.

Q. Is there an important difference between you and President Reagan on the role of deficit?

PM: President Reagan and his financial adviser, Mr Regan, would not argue about financial discipline in any way. I think in many ways they would prefer to have their deficit lower than it is. They have after all tried very hard in Congress to try to get it down. They have not met with as much success as they would wish. They will of course argue that as a percentage of GNP their deficit is not unusually high. They also will argue that their savings ratio has improved but none of them will suggest that you do not need financial discipline. They are the first to try and secure financial discipline.

You can go  
stronger  
than this.  
Q

Q. Was any part of the hold up on the defence statement an objection by others that it was being unduly rushed to accommodate your early departure?

PM: Not in any way. I would not say that the communique towards the end of day one was unduly rushed. If my recollection is correct you usually do have one at that time and it is usually on some aspect of foreign affairs. Thinking back we have had one on Afghanistan, on Poland, at Venice we had a major one which also took a very considerable time on the Middle East - the Venice Declaration.

Q. One final point on the economic side. What are your impressions as to when a fall in American interest rates is likely if at all - either in your conversations with President Reagan or in the Plenary?

PM: I don't think that they have changed. You are very well aware of the combination of problems which, were it not for that combination, interest rates would probably be lower now because of the problems - the banking problem, the extensive amounts loaned to other countries who cannot afford either to repay the loan or the interest on the time. Partly because of that the money supply has been up for a number of weeks and that as you know is unlikely to lead to a rapid fall in interest rates. They are caught in a very very difficult position, they'd like interest rates down lower. They don't try to force - you couldn't force interest rates down lower with your money supply rising, it's just not possible to do. You have got to have a look and see what is affecting the market so although they too would like interest rates down lower and the inflation rate itself would warrant a lower interest rate you have still got people worried about two things - about the deficit, whether it is actually going to be reduced in size ..... secondly about the money supply and third that although I think the banking problems with the countries Mexico, Brazil, Argentine and Nigeria, Venezuela, Chile and so on have in fact been handled very well for through the international institutions and the Central Bank and the Commercial Bank, there are still a number of difficulties and all of that has an impact on the interest rates. Otherwise the interest rate, I believe, would be lower than it is.

Q. How concerned are you at the US Export Administration Act?

PM: Very concerned indeed. I have made that concern known. So have a number of other colleagues at the Summit. Very concerned indeed.

..8..

Q. Have you managed to ameliorate the US position on this?

PM: I hope that many of us making our views known very forcefully might help to ameliorate the position. I understand that the proposals in one house are rather different from those in another but I hope that what we said will help to make it clear that if it went through as it is at the moment we should have to consider very carefully what we would do. As you know we had to take legislative action before on the original one.



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WILLIAMSBURG SUMMIT: DEFENCE AND DISARMAMENT.

THE FOLLOWING STATEMENT WAS APPROVED THIS EVENING BY THE HEADS OF STATE AND GOVERNMENT OF THE SEVEN PARTICIPANT COUNTRIES AND WAS DUE TO BE RELEASED TO THE PRESS AT ABOUT 2230Z TODAY 29 MAY.

BEGINS

1. AS LEADERS OF OUR SEVEN COUNTRIES, IT IS OUR FIRST DUTY TO DEFEND THE FREEDOM AND JUSTICE ON WHICH OUR DEMOCRACIES ARE BASED. TO THIS END, WE SHALL MAINTAIN SUFFICIENT MILITARY STRENGTH TO DETER ANY ATTACK, TO COUNTER ANY THREAT, AND TO ENSURE THE PEACE. OUR ARMS WILL NEVER BE USED EXCEPT IN RESPONSE TO AGGRESSION.
2. WE WISH TO ACHIEVE LOWER LEVELS OF ARMS THROUGH SERIOUS ARMS CONTROL NEGOTIATIONS. WITH THIS STATEMENT, WE REAFFIRM OUR DEDICATION TO THE SEARCH FOR PEACE AND MEANINGFUL ARMS REDUCTIONS. WE ARE READY TO WORK WITH THE SOVIET UNION TO THIS PURPOSE AND CALL UPON THE SOVIET UNION TO WORK WITH US.
3. EFFECTIVE ARMS CONTROL AGREEMENTS MUST BE BASED ON THE PRINCIPLE OF EQUALITY AND MUST BE VERIFIABLE. PROPOSALS HAVE BEEN PUT FORWARD FROM THE WESTERN SIDE TO ACHIEVE POSITIVE RESULTS IN VARIOUS INTERNATIONAL NEGOTIATIONS: ON STRATEGIC WEAPONS (START), ON INTERMEDIATE-RANGE NUCLEAR MISSILES (INF), ON CHEMICAL WEAPONS, ON REDUCTION OF FORCES IN CENTRAL EUROPE (MBFR), AND A CONFERENCE ON DISARMAMENT IN EUROPE (CDE).
4. WE BELIEVE THAT WE MUST CONTINUE TO PURSUE THESE NEGOTIATIONS WITH IMPETUS AND URGENCY. IN THE AREA OF INF, IN PARTICULAR, WE CALL UPON THE SOVIET UNION TO CONTRIBUTE CONSTRUCTIVELY TO THE SUCCESS OF THE NEGOTIATIONS. ATTEMPTS TO DIVIDE THE WEST BY PROPOSING INCLUSION OF THE DETERRENT FORCES OF THIRD COUNTRIES, SUCH AS THOSE OF FRANCE AND THE UNITED KINGDOM, WILL FAIL. CONSIDERATION OF THESE SYSTEMS HAS NO PLACE IN THE INF NEGOTIATIONS.

5. OUR NATIONS EXPRESS THE STRONG WISH THAT A BALANCED INF AGREEMENT BE REACHED SHORTLY. SHOULD THIS OCCUR, THE NEGOTIATIONS WILL DETERMINE THE LEVEL OF DEPLOYMENT. IT IS WELL KNOWN THAT SHOULD THIS NOT OCCUR, THE COUNTRIES CONCERNED WILL PROCEED WITH THE PLANNED DEPLOYMENT OF THE U.S. SYSTEMS IN EUROPE AT THE END OF 1983.

6. OUR NATIONS ARE UNITED IN EFFORTS FOR ARMS REDUCTIONS AND WILL CONTINUE TO CARRY OUT THOROUGH AND INTENSIVE CONSULTATIONS. THE SECURITY OF OUR COUNTRIES IS INDIVISIBLE AND MUST BE APPROACHED ON A GLOBAL BASIS. ATTEMPTS TO AVOID SERIOUS NEGOTIATION BY SEEKING TO INFLUENCE PUBLIC OPINION IN OUR COUNTRIES WILL FAIL.

7. WE COMMIT OURSELVES TO DEVOTE OUR FULL POLITICAL RESOURCES TO REDUCING THE THREAT OF WAR. WE HAVE A VISION OF A WORLD IN WHICH THE SHADOW OF WAR HAS BEEN LIFTED FROM ALL MANKIND, AND WE ARE DETERMINED TO PURSUE THAT VISION. ENDS.

FCO PSE PASS ALL.

PYM

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PLEASE ADVANCE FCO NEWS DEPT, OJD, NUMBER 10 AND COI.

ITEM : UK DENIES NEUTRON SHELL REQUEST.

BY JOHN BARROWS, LPS CHIEF ECONOMICS CORRESPONDENT  
WILLIAMSBURG, VIRGINIA (LPS): AN AMERICAN PRESS REPORT THAT  
BRITAIN HAS ASKED THE UNITED STATES GOVERNMENT TO DEVELOP A  
NEUTRON ARTILLERY SHELL FOR DEPLOYMENT IN EUROPE WAS STRONGLY  
DENIED BY A BRITISH SPOKESMAN TODAY 29 MAY.

AN OFFICIAL OF THE FOREIGN OFFICE, SPEAKING TO JOURNALISTS  
ATTENDING THE WESTERN ECONOMIC SUMMIT MEETING HERE, REBUTTED  
THE ARTICLE IN TODAY'S WASHINGTON POST WHICH MADE THE CLAIM.

'THERE HAS BEEN NO PROPOSAL FOR THE DEVELOPMENT OF ENHANCED  
RADIATION WEAPONS IN EUROPE. THE STORY THAT THE BRITISH  
GOVERNMENT HAS ASKED THE U.S. GOVERNMENT TO PRODUCE A NEUTRON  
WEAPON SHELL HAS NO BASIS IN FACT,' HE DECLARED.

THE OFFICIAL SAID THE U.S. WEAPON DEVELOPMENT PROGRAMME WAS,  
OF COURSE, ENTIRELY A MATTER FOR THE U.S. GOVERNMENT. 'AS  
FAR AS DEPLOYMENT IS CONCERNED'. HE CONTINUED 'BRITAIN HAS  
NEITHER MADE NOR RECEIVED ANY REQUEST FOR THE DEPLOYMENT OF  
ENHANCED RADIATION WARHEADS IN EUROPE.'

ASKED WHETHER THE NATO (NORTH ATLANTIC TREATY ORGANISATION)  
COUNTRIES HAD NOT PUT FORWARD SUCH A PROPOSAL AS A JOINT VENTURE,  
THE OFFICIAL REPLIED THAT THEY HAD NOT.

'PART OF THE ROOT OF THE MISUNDERSTANDING IN THE ARTICLE IS  
PROBABLY BECAUSE THERE HAVE BEEN DISCUSSIONS IN NATO ABOUT A  
155 MILLIMETRE NON-NEUTRON NUCLEAR SHELL', HE ADDED.

SYNONYMOUSLY WITH THE BRITISH STATEMENT, FOREIGN MINISTERS OF THE  
SEVEN SUMMIT COUNTRIES WERE HAVING A WIDE-RANGING DISCUSSION ON  
ARMS CONTROL AND DISARMAMENT AND CURRENT NEGOTIATIONS WITH THE  
SOVIET UNION, PARTICULARLY ON INTERMEDIATE RANGE NUCLEAR FORCES IN  
EUROPE. A JOINT STATEMENT ON THESE ISSUES MAY BE ISSUED LATER BY THE  
SEVEN. (LPS)

PYM

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FOLLOWING FROM PRIVATE SECRETARY

WILLIAMSBURG SUMMIT: START

1. AT A MEETING OF THE SEVEN FOREIGN MINISTERS THIS MORNING, SCHULTZ DREW ATTENTION TO THE RECENT REPORT OF THE SCOWCROFT COMMISSION. THIS HAD IN A SENSE QUERIED SOME OF THE THEORETICAL PROMISES ON WHICH THE US APPROACH TO START HAD BEEN BASED, ESPECIALLY BY ITS PROPOSAL FOR A "MIDGETMAN" MISSILE (SMALLER, MOBILE AND CARRYING ONLY ONE WARHEAD). PARITY OF SUCH MISSILES WOULD CLEARLY BE MORE STABLE THAN PARITY OF LARGER MIRVED MISSILES. BUT HITHERTO THE US HAD BEEN TRYING IN START TO GET AGREEMENT BASED ON VERY LOW LAUNCHER LIMITS. THERE WAS AN IMPORTANT DOCTRINAL EVOLUTION HERE, AND IT REMAINED TO BE SEEN HOW FAR IT COULD BE REFLECTED IN START. THE US WAS REVIEWING THE QUESTION AND WOULD KEEP THE ALLIES INFORMED.

FCO PASS ALL

PYM

[THIS TELEGRAM WAS NOT ADVANCED]

[PASSED AS REQUESTED]

LIMITED

DEFENCE D  
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EESD  
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PS

PS/MR HURD  
PS/PUS  
SIR J BULLARD  
MR WRIGHT  
MR GILLMORE  
MR JAMES

ADDITIONAL DISTRIBUTION

START

CONFIDENTIAL

PRIME MINISTER

PRESS CONFERENCE

You are to meet the British media - that is journalists covering the Summit for British press, radio and TV - at 6.10 pm in the Hospitality House Hotel near the Summit Press Centre.

I would expect up to 75 to attend.

We have taken a fairly large suite on the first floor to which I propose you walk. There is an adjacent room where radio and TV will be set up ready to record the usual short - four minute - news interviews with BBC TV and Radio, ITN and IRN. Your interviewers will be ITN - Michael Brunson, BBC TV - Martin Bell, BBC Radio - Clive Small, IRN - Andrew Mandestam.

You will be extremely short of time and radio and TV are very important to you. So I hope you will allow me to close the press conference promptly after 30 minutes at the most. The journalists will not want to hang about because they are running out of time too.

In addition, the Conservative Central Office film crew hope to get some shots of you sitting behind a desk. I am setting up a desk in the radio and TV room at the Hotel so that we can save time.

Colours

The background wallpaper in the press conference room is a very pale green. In the radio and TV interview room it is brown and white regency stripe wallpaper.

Attendance

I think it very important that the Foreign Secretary and the Chancellor of the Exchequer should be at the press conference with you since they will have to wrap up the Summit and do interviews tomorrow.

David Gergen, President Reagan's Press Secretary, has asked if he can attend the press conference and I have raised no objection.

/ Presentation

## Presentation

In my briefing so far I have made two main points:

- the conference got off to a good and heartening start for you in an economic sense because your three bilaterals yesterday reinforced your cautious optimism about the recovery;
- one of your hopes for the Summit is that it will demonstrate the unity of the West in this crucial year and strengthen President Reagan's hand in the disarmament negotiations; the Summit has come at a particularly opportune time for this purpose.

The two other objectives I have mentioned are:

- the need to maintain sound, prudent financial policies aimed at holding down inflation to the very minimum, if the recovery is to be sustained;
- the need for a new commitment to an open trading system and firm opposition to protectionism.

You will leave the Summit against the background of a full discussion of the economic scene and also the session on defence and disarmament at dinner last night.

Therefore the journalists will believe you are in a position to assess, even with one day to go, how far the conference has fulfilled your hopes. The difficulty is that you cannot know precisely how it will all come out in the wash on Monday. It is therefore important that you do not over commit yourself and content yourself with giving the impression of general satisfaction with the way the Summit has gone so far and that you genuinely believe that you can take back to Britain a reassuring message about non-inflationary recovery.

## Problems

The real problem with this Summit is that every effort has been made to damp down expectations and to minimise dissension. The French are, however, perceived to be the potential wild card and in purely journalistic terms the media are looking for difficulties rather than sweetness and light.

/ If they cannot

If they cannot find it on the major issues they will look for it in such items as:

- the American deficit and interest rates (which is potentially the most devisive issue at this stage);
- the Export Administration Act on which we have said you have registered your point;
- the Laker anti-trust case;
- the allegation in the Washington Post today that Britain, Germany and Italy have asked for the deployment of US manufactured neutron warheads in Europe (on which I am getting briefing for you), see annex 1.

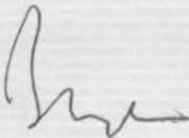
#### Advice

You will want to return to Britain not merely with a message of hope about the economy but also getting over the point that your economic approach is right and is being followed by others, plus, of course a firm but flexible Western position on disarmament.

My advice is that you concentrate in opening on the value of coming to Washington and the encouragement you have derived from doing so.

#### Election

I am keeping in touch with London over any election issue which may arise. The journalists will undoubtedly ask you about the election and how it is going and I have sought to cover that in a draft opening statement at annex 2.



B. INGHAM

29 May 1983

DRAFT OPENING STATEMENT FOR PRESS CONFERENCE

A most useful visit notwithstanding the election campaign.

Well worth the effort coming and I will have tomorrow to recover and work myself back into the campaign which is going well.

*Reasonably*  
~~Cautiously~~ optimistic about the outcome of the election just as I am cautiously optimistic about the economic recovery underway and the prospects that that brings for more real jobs in the world.

All my discussions last evening and today have brought reassurance and confirmation that a recovery is underway in the USA, Germany and Japan, as well as in the UK.

But I think I can also reasonably and fairly claim that the sound and prudent policies we have stuck to in Britain throughout the last four years are generally seen to be what is required if we are to sustain the recovery without inflation.

*all high U.S. deficits and hence interest rates cause concerns including our American friends*

In my time here we have also had a most useful discussion of defence and disarmament - over dinner last evening. I think everyone here wants to strengthen President Reagan's hand in the crucial nuclear disarmament negotiations underway.

All of us gathered round the Summit table are the true disarmers of this world. We all want disarmament on a balanced and verifiable basis. And all of us are convinced that the only way to get it is to negotiate from strength, with determination and perseverance.

/ The other



The other main point about the meeting is that I have succeeded in having a personal chat, either in the margins of the conference or where we have been <sup>staying,</sup> ~~sitting~~ with each of my Summit colleagues.

I find the Summit institution valuable on this count alone just as I am sure do the Foreign Secretary and the Chancellor of the Exchequer who will remain in Williamsburg to represent Britain in the discussions tonight and tomorrow.

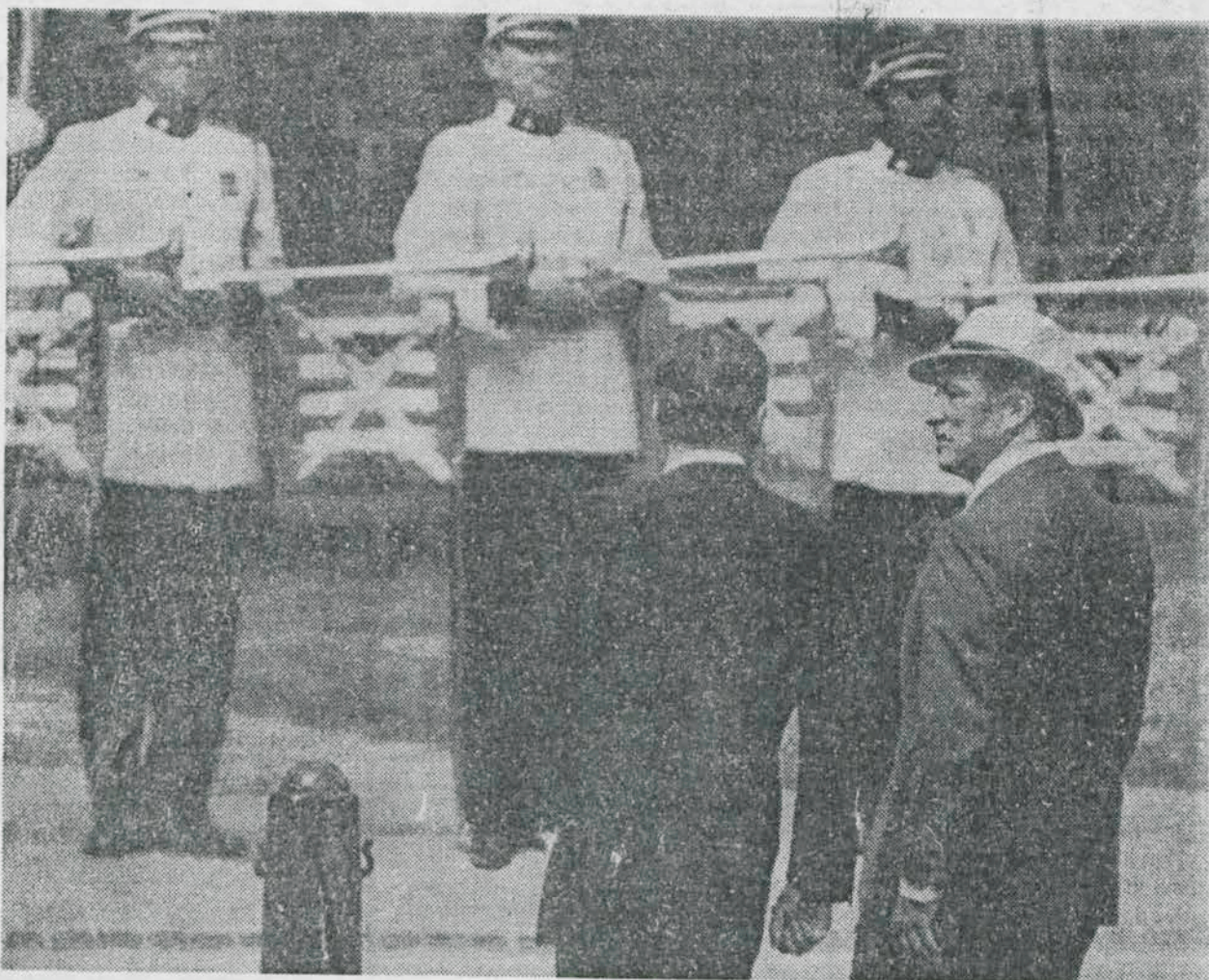
I am grateful for the understanding I have received from President Reagan and my colleagues about my leaving early.

But I am glad I came. I go back into the election campaign reinforced for having come here and genuinely encouraged about the way things are going in the world notwithstanding the many problems that beset us.

The main point is that we are tackling them on the basis of greater understanding and cooperation as a result of meetings like this.

Naturally I hope very soon to be confirmed in office for another five years' cooperation to make this a better and safer world in which to live.

becoming partly sunny, high near 75, chance of showers late tonight, low in the low 60s. Monday—Partly sunny, high in the 70s. Yesterday—AQI: 40; temp. range: 72-54. Details on Page B2.



By James M. Thresher—The Washington Post

President Reagan greets Canada's Prime Minister Pierre Trudeau, whose arrival was marked by playing of controversial music.

## Britain, West Germany and Italy

# Europeans Request Neutron Weapon

By Walter Pincus  
Washington Post Staff Writer

Britain, West Germany and Italy, which have publicly refused deployment of U.S. neutron weapons on their soil, have asked the United States to produce a new 155-mm neutron artillery shell, according to testimony given Congress earlier this year.

The three European allies want the United States to build this smallest of the controversial new generation of short-range, battlefield

nuclear weapons so that the FH70 cannon being developed by the three "can be nuclear-capable," according to Herman E. Roser, assistant secretary of energy for the nuclear weapons-building program.

A declassified transcript of his remarks on March 8 in a closed session of a House Appropriations subcommittee was released last week.

A congressional source said Friday that the Reagan administration has been telling Congress recently that the three nations "are depending on

us to come forward" with the new nuclear shell "because the old 155-mm [nuclear] shells don't fit in their new cannon."

The three now have older, U.S.-made guns that can fire the almost 20-year-old 155-mm nuclear shells stockpiled in Europe. The warheads are under control of U.S. Army custodial teams and cannot be turned over to other nations for use without

See NEUTRON, A21, Col. 1

United States reacts briskly to Soviet missile threat. Page A19

# New 155-mm Neutron Artillery Shell Requested by Three European Allies

## NEUTRON, From A1

specific authority from the president of the United States.

Under NATO agreements, the United States will not release nuclear warheads for use in Europe without permission of the nation from which the warheads would be fired.

Neutron weapons are small hydrogen bombs that produce radiation as their primary kill mechanism, theoretically causing less damage away from the immediate battlefield than older nuclear shells whose main energy output involves blast and heat.

As with other neutron weapons, the Europeans want the new shells stored in the United States until the military situation requires them, or the political situation allows them to be transported to Europe, according to government sources.

The administration is launching a new push for congressional approval of the 155-mm shell, the third type of neutron weapon and one it plans to acquire in the largest numbers. Of the first two types, both rejected by the three allies, about 300 Lance missile warheads have been built and stored, and production of about 1,000 8-inch neutron shells is under way.

Last week, the Office of Management and Budget sent congressional Appropriations committees an

amendment to the fiscal 1984 budget request adding \$47.5 million to help prepare for production of the 155-mm shell. In its letter, according to congressional sources, the OMB said the neutron shell is being produced "for eventual deployment in Europe."

For the last two years, Congress has turned down production funds. One sticking point has been the cost—more than \$1 million apiece—and another is growing congressional opposition to short-range battlefield systems that Europeans do not want stored or used on their territory.

The buildup of new short-range neutron weapons comes as NATO is preparing to announce a unilateral reduction in its European stockpile of more than 6,000 older nuclear battlefield weapons.

After four years of study, a NATO defense subcommittee recommended that as many as 1,000 stockpiled nuclear anti-aircraft warheads and atomic demolition munitions be retired. In addition, the group is studying ways to reduce the almost 3,000 155-mm and 8-inch nuclear shells in Europe.

Short-range, neutron battlefield weapons are one part of NATO's controversial nuclear modernization program. The other weapons are the U.S. medium-range Pershing II and

ground-launched cruise missiles. Deployment of both is to begin in western Europe in December.

These missiles, which could hit targets in the Soviet Union from bases in Britain, West Germany and Italy, have drawn vocal opposition and threats from the Soviet Union. But they also have induced the Soviets to negotiate on eliminating or limiting them.

Neutron weapons, although the object of Soviet propaganda since 1977, never have appeared to bother Moscow seriously. An offer in 1978 by President Carter to halt neutron production in return for Soviet tank reductions in Europe never drew a direct response.

Last week, the House Appropriations Committee, anticipating the OMB letter, added the \$47.5 million to the Energy Department's fiscal 1984 appropriations bill. The Senate Appropriations Committee, which has deleted the money for the 155-mm neutron shell for two years, has not acted on OMB's request.

Although proponents of neutron weapons say that these arms would be less destructive than currently deployed nuclear shells in western Europe, European public opinion has been strongly opposed to them.

## We're really sorry, but...

Due to overwhelming consumer demand for our new Model #12394 13" color television we are currently in short supply and must take orders. This item will be advertised this week. Expected arrival will be no later than July 15. Unfortunately, Model #12394 will appear again in ad sections already printed. Orders already placed, or placed now, will be honored first at our advertised sale price of 329.99.



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TO IMMEDIATE FCO  
TELEGRAM NUMBER 3 OF 29 MAY.

PLEASE ADVANCE TO FCO NEWS DEPT, OI, NUMBER 10 AND COI.  
ITEM: WESTERN UNITY AT ECONOMIC SUMMIT  
BY JOHN BARROWS, LPS CHIEF ECONOMICS CORRESPONDENT  
WILLIAMSBURG, VIRGINIA (LPS) : CAUTIOUS OPTIMISM ABOUT  
RECOVERY OF THE WORLD ECONOMY AND WESTERN UNITY ON ARMS  
CONTROL NEGOTIATIONS WITH THE SOVIET UNION EMERGED AS  
DOMINANT THEMES AT THE SUMMIT MEETING OF THE WORLD'S  
SEVEN LEADING INDUSTRIAL NATIONS HERE TODAY 29 MAY.

SOON AFTER HER ARRIVAL BRITAIN'S PRIME MINISTER MRS  
MARGARET THATCHER HAD A SERIES OF BILATERAL MEETINGS WITH  
JAPANESE PRIME MINISTER MR NAKASONE, FEDERAL GERMAN  
CHANCELLOR HERR KOHL AND THE SUMMIT HOST, PRESIDENT  
REAGAN OF THE UNITED STATES.

INFORMED SOURCES SAID THAT ALL FOUR LEADERS HAD DISCUSSED  
THE PROGRESS OF THEIR OWN NATIONAL ECONOMICS AND HAD AGREED  
UPON A NOTE OF CAUTIOUS OPTIMISM ABOUT THE WAY IN WHICH THE  
WORLD ECONOMY WAS MOVING.

AT THE FIRST GATHERING OF ALL SEVEN HEADS OF STATE AND  
GOVERNMENT - FROM THE USA, UK, FRANCE, ITALY, FEDERAL  
GERMANY, CANADA AND JAPAN - THE DISCUSSIONS CENTRED UPON  
DEFENCE AND DISARMAMENT NEGOTIATIONS, INCLUDING THE GENEVA  
TALKS WITH THE SOVIET UNION ON INTERMEDIATE RANGE NUCLEAR  
FORCES (INF) IN EUROPE.

SOURCES SAID THE LEADERS WERE UNANIMOUS THAT THE WEST, WHILE SEEKING BALANCED FORCE REDUCTIONS, MUST CONTINUE TO MAINTAIN A STRONG AND UNITED FRONT. INFORMED OBSERVERS SAID THIS COMMON STAND WAS TIMELY IN THE LIGHT OF THE LATEST SOVIET THREAT TO DEPLOY MEDIUM-RANGE NUCLEAR WEAPONS IN EAST EUROPE. THIS WAS CHARACTERISED BY THE US ADMINISTRATION AS ANOTHER EFFORT TO DIVIDE THE INDUSTRIAL DEMOCRACIES AND PUT PRESSURE ON THE WEST TO DELAY PLANS TO DEPLOY PERSHING-TWO AND CRUISE MISSILES IN BRITAIN, FEDERAL GERMANY AND ITALY LATER THIS YEAR AS A RESPONSE TO THE SITING OF MORE THAN 300 SOVIET SS-20 MISSILES AIMED CHIEFLY AT WEST EUROPEAN TARGETS.

AT THEIR SECOND FULL GATHERING IN THIS HISTORIC COLONIAL TOWNSHIP, THE LEADERS DISCUSSED THEIR APPROACH TO WORLD ECONOMIC RECOVERY, WITH THE DEBATE CENTRED UPON AN AMERICAN QUOTE THEMATIC PAPER UNQUOTE WHICH REPORTEDLY COVERED A WIDE RANGE OF ECONOMIC ISSUES, INCLUDING CONVERGENCE OF THE ECONOMIC POLICIES OF LEADING INDUSTRIAL NATIONS, EXCHANGE RATE STABILITY, THE PROBLEMS OF DEBTOR COUNTRIES AND THE NEED TO ASSIST DEVELOPING NATIONS TO SHARE IN WORLD ECONOMIC RECOVERY.

BRITISH SOURCES CONSIDERED THAT THE OMENS WERE FAVOURABLE FOR THE SUMMIT TO SEND OUT A MESSAGE OF HOPE FOR ECONOMIC ADVANCE IN DEVELOPED AND DEVELOPING COUNTRIES ALIKE, AND TO SIGNAL STRONGLY THE ADHERENCE OF THE SEVEN TO A FREE WORLD TRADING SYSTEM AND THEIR OPPOSITION TO TRADE PROTECTIONISM.

#### US BUDGETARY DEFICIT

BOTH THE UK PRIME MINISTER, IN HER TALK WITH PRESIDENT REAGAN, AND THE CHANCELLOR OF THE EXCHEQUER, SIR GEOFFREY HOWE, DURING A MEETING WITH US FINANCE SECRETARY DONALD REAGAN, REITERATED THE CONCERN FELT BY THE UK AND OTHER COUNTRIES ABOUT THE SIZE OF THE US FEDERAL BUDGET DEFICIT - CURRENTLY SOME 200 BILLION US DOLLARS - AND THE RETARDING EFFECT THIS MIGHT HAVE ON WORLD ECONOMIC ACTIVITY.

INFORMED SOURCES SAID SIR GEOFFREY TOLD HIS AMERICAN OPPOSITE NUMBER OF THE PROBLEMS THE US DEFICIT COULD POSE TO OTHER NATIONS IN TERMS OF CHOKING OFF INVESTMENT THROUGH HIGHER INTEREST RATES AND IN INCREASING THE BURDENS OF DEVELOPING COUNTRIES IN SERVICING THEIR DEBTS.

THESE SOURCES SAID THE AMERICANS TOOK NOTE OF THIS CONCERN, BUT CONSIDERED THAT THE DEFICIT PROBLEM WOULD PROBABLY EASE ITSELF AS RECOVERY GATHERED MOMENTUM IN THE UNITED STATES. PRESIDENT REAGAN, THEY ADDED, WAS ANXIOUS TO RETAIN TAX CUTS HE HAD INTRODUCED, REGARDING THEM AS AN IMPORTANT MOTOR OF RECOVERY.

#### EXPORT ADMINISTRATION ACT

MRS THATCHER AND THE CHANCELLOR ALSO TOOK THE OPPORTUNITY TO RAISE WITH THE PRESIDENT AND US FINANCE SECRETARY CONCERN FELT BY BRITAIN AND OTHER EUROPEAN COUNTRIES ABOUT THE US EXPORT ADMINISTRATION ACT WHICH COMES BEFORE CONGRESS FOR RENEWAL IN LATE SUMMER.

THEY REITERATED OBJECTIONS TO THE 'EXTRATERRITORIALITY' ASPECTS OF THE ACT WHICH AUTHORISES US SANCTIONS AGAINST EUROPEAN SUBSIDIARIES OF US COMPANIES, OR EUROPEAN COMPANIES MANUFACTURING AMERICAN PRODUCTS UNDER LICENCE, IF THEY SUPPLY COMMUNIST BLOC COUNTRIES WITH WHAT THE AMERICANS CONSIDER TO BE TECHNOLOGY OF STRATEGIC SIGNIFICANCE. THIS CONTROVERSY WAS HIGHLIGHTED LAST YEAR WHEN THE US ADMINISTRATION APPLIED SANCTIONS TO SEVERAL EUROPEAN FIRMS WHICH HAD CONTRACTED TO SUPPLY EQUIPMENT FOR THE SOVIET SIBERIAN NATURAL GAS PIPELINE TO WESTERN EUROPE.

INFORMED SOURCES SAID THAT FINANCE SECRETARY REAGAN HAD TOLD THE CHANCELLOR THAT AMENDMENTS TO THE ACT WHICH WERE BEING CONSIDERED COULD GO SOME WAY TOWARDS MEETING EUROPEAN OBJECTIONS.

#### MUTUAL SURVEILLANCE

ONE SUBJECT LIKELY TO CLAIM CONSIDERABLE ATTENTION AT THIS SUMMIT, THE NINTH OF ITS KIND, IS THE IDEA FIRST FLOATED AT THE VERSAILLES MEETING A YEAR AGO THAT THERE SHOULD BE 'MULTILATERAL SURVEILLANCE' OF THE ECONOMIES OF THE MAJOR INDUSTRIAL NATIONS TO PRODUCE MORE CONVERGENCE OF ECONOMIC POLICIES AND ENSURE THAT THE NATIONAL POLICIES OF ONE COUNTRY DO NOT INHIBIT GENERAL ECONOMIC ADVANCE.

SIR GEOFFREY HOWE, THE CURRENT CHAIRMAN OF THE POLICY-MAKING IMF (INTERNATIONAL MONETARY FUND) INTERIM COMMITTEE, HAS BEEN A LEADING EXPONENT OF SUCH A MOVE, AND PARTICULARLY OF MORE POLICY CONVERGENCE AMONG THE FIVE COUNTRIES WHOSE CURRENCIES MAKE UP THE IMF SPECIAL DRAWING RIGHTS (SDR'S). THESE ARE THE USA, UK, FEDERAL GERMANY, FRANCE AND JAPAN.

THE CURRENT SUMMIT IS EXPECTED TO ENDORSE THE NEED FOR FURTHER PROGRESS ON MULTILATERAL SURVEILLANCE UNDER THE AUSPICES OF THE IMF, AND TO MAKE SOME PRONOUNCEMENT UPON THE JURGENSEN REPORT, COMMISSIONED AT VERSAILLES, CONCERNING THE NEED TO SECURE GREATER EXCHANGE RATE STABILITY AMONG THE WORLD'S MAJOR CURRENCIES.

#### MIDDLE EAST

FOREIGN MINISTERS OF THE SEVEN HAVE ALSO BEEN MEETING HERE, THEIR FIRST ROUNDS OF TALKS CENTERING UPON THE MIDDLE EAST. THEY GAVE A GENERAL WELCOME TO THE SUCCESS OF THE US ADMINISTRATION IN HAVING ACHIEVED AN AGREEMENT BETWEEN ISRAEL AND LEBANON ON THE WITHDRAWAL OF FOREIGN FORCES, BUT THERE WAS CONCERN ABOUT OBSTACLES IN THE WAY OF IMPLEMENTATION OF THE AGREEMENT AND UNEASE ABOUT THE RISKS POSED FOR LEBANON AND GENERALLY FOR THE REST OF THE REGION.

LATER, AS THE HEADS OF STATE AND GOVERNMENT WERE SCHEDULED TO CONCENTRATE ON EAST-WEST QUESTIONS, THE FOREIGN MINISTERS WERE DUE TO CONCENTRATE UPON ARMS CONTROL ISSUES (LPS)

(NOTE TO COI NEWSROOM: PRIME MINISTER GIVING PRESS CONFERENCE TONIGHT BUT UNLIKELY TO LAND COPY IN LONDON MUCH BEFORE ONE AM YOUR TIME.)

PYM

NNNN



RECORD OF DISCUSSION BETWEEN THE CHANCELLOR AND SECRETARY REGAN AT  
6.15 P.M. ON 28 MAY 1983 IN WILLIAMSBURG

PRESENT:

Chancellor of the Exchequer	Secretary Regan
Mr Littler	Mr Sprinkel
Mr Kerr	Mr Leland

*Indicate.*  
*MR 21.*  
*5*

1. The Chancellor and Secretary Regan briefly reviewed the handling of discussions among Finance Ministers in the forthcoming Summit. They agreed in particular on the undesirability of any endorsement of the Mitterrand suggestion for a new Bretton Woods. Secretary Regan said that President Mitterrand had, at a bilateral meeting with President Reagan earlier on 28 May, distanced himself from the press coverage of his remarks on 9 May. In particular, he had acknowledged that the original Bretton Woods Conference had taken 4 years to prepare; and had denied that he had ever publicly or privately advocated a return to fixed exchange rates.

G.5

2. The Chancellor referred to the IMF issues likely to come before the executive board in June/July; and the interim committee in September. He saw some advantage in envisaging an additional G.5 ministerial meeting in late July to review progress. The SDR issue was one on which some co-ordination of views at ministerial level at that stage might be particularly useful. Secretary Regan agreed: a meeting in the last 10 days of July would be timely, particularly given the plan for a meeting of G.5 deputies on 8 July. Secretary Regan assumed that, since the meeting would not be in the 'surveillance' series, Larosiere would not be asked to attend. The Chancellor agreed.

/3.



Brazil

3. The Chancellor said that he had been disturbed by evidence that the Brazilians were not complying in full with the IMF adjustment programme. It might be valuable if the Americans, who carried the most clout with them, could press them to keep up to the mark. Secretary Regan warmly agreed, saying that Secretary Shultz had in fact written on 27 May to the Brazilians in strong terms pointing out that assistance of all kinds to Brazil would start to evaporate if the fund programme were seen to be set on one side. The US authorities would press the Brazilians "as hard as it takes": the next step, if more was required, would be a message from the President.

IMF Quotas

4. The Chancellor congratulated Secretary Regan on the progress through Congress of the Bill approving the increase in IMF quotas agreed on 8 February. Secretary Regan, while acknowledging that the Bill was making fairly rapid progress, expressed concern at some of the amendments which had been added to it. Mr Leland implied that some amendments - those affecting the commercial banks - were so unattractive as to raise the question of a possible veto. Secretary Regan demurred: the worst amendments had, he thought, been struck off. But there still were grounds for concern, particularly as the Administration objected to anything which encouraged commercial banks to reduce their lending abroad. He referred to a leak to the Wall Street Journal of an internal Lloyds Bank International paper on lending to developing countries: this implied that LBI would in future be taking a much more restrictive line. The Chancellor said that he had not seen the text.

Bilateral Issues

5. The Chancellor referred to the US/UK consultations on 23/24 May on the anti-trust actions against British airlines. His understanding was that these had gone well, and that a sensible programme of work had been agreed. This would of course require the US Justice Department to extend their subpoenas on the airlines. He emphasised that if the process of negotiation now in train were to break down, the resulting

/situation

situation would be very serious, and not just for British Caledonian. At issue was the fundamental principle that inter-governmental agreements, in this case air services agreements, should not be called in question by legal proceedings in national courts. Secretary Regan, claiming to be unsighted, instructed Mr Leland to look into the question. It was not one in which the US Treasury had hitherto been involved; but it sounded as if their involvement would be required.

6. The Chancellor then referred to the Export Administration Act, stressing the very difficult issues raised for HMG by the extra-territoriality issue. Secretary Regan claimed that the Bill as amended in the House would give the President powers to intervene only in respect of sales to the Soviet Union of equipment produced in the United States by US firms. The original version of the Bill would have extended also to foreign firms selling to the Soviet Union US-designed products produced abroad. He had initially resisted this. He was content with the version now before the House, but was very concerned by a rival version now in the Senate. It would give the President powers to block imports into the US of products produced anywhere, whether or not the sales to the Soviet Union by the firm in question, which were deemed to affect US security, were of US-designed equipment. His hope was that the compromise version which eventually emerged would be closer to that in the House than that in the Senate.

#### US Deficit

7. The Chancellor expressed renewed concern about the prospect of rising US deficits in future years, and the impact in the markets, visible in very high real interest rates. Secretary Regan said that the alleged causal relationship between high deficits and high interest rates was a grey area: he remained unconvinced. If the Chancellor would like to send a British economic expert to work through the arguments with his people, that would be very welcome. Clearly there

/was

was some relationship between levels of government borrowing and levels of real interest rates, but he did not believe that it was as straightforward as foreign commentators currently suggested. Mr Littler argued that Federal deficits absorbing 85% and more of US domestic savings must be bound to put upward pressure on interest rates: Mr Sprinkel however maintained that, with rapid growth now envisaged, resources for private sector investment would be generated from profits, rather than borrowing. Mr Sprinkel added that the Administration's growth forecasts earlier in the year had been far too modest. With an improved growth performance, the deficit problem would diminish. Each extra percentage point of GNP growth would take \$100 billion off the deficit. \*

8. The Chancellor drew attention to the importance of market perceptions. What mattered, for interest rates, was whether the markets expected the deficit to remain high. Clearly they did. We in the UK had faced a rather similar situation in 1980/81, and had resolved it in the 1981 Budget, when, at the depth of the recession, we had imposed sharp real increases in indirect taxation, and had not increased income tax allowances/thresholds at all. The Chancellor showed Secretary Reagan a chart illustrating the impact of the 1981 Budget on the UK PSBR as a proportion of GNP, and comparing US and UK performance. Secretary Regan said that if the US deficit remained above 3% of GNP in 1985, increases in direct taxation would take effect. His guess was that the proportion in 1985 would in fact be between 3 and 4%. The Chancellor wondered whether it might not make sense to envisage some increases in indirect taxation before then. Our experience in 1981 had demonstrated the value of convincing the markets of one's determination to put one's borrowing on a declining path. Secretary Regan referred to difficulties in Congress.

9. The Chancellor said that concern about the prospective levels of the US deficit would underlie much of the Summit discussion. What worried him and his European and Japanese colleagues was the prospect that world-wide real interest rates would remain high, given the dominant  
/influence

influence of US financial markets. Secretary Regan said that the latest evidence suggested that monetary policy would be likely to have more effect on interest rates than fiscal policy. In the last three weeks interest rates in New York had started to edge up in response to money supply increases. Reining in money supply growth might change the picture again. The Chancellor thought that both fiscal and monetary policy were important; and that the climb out from world recession would be bound to decelerate if interest rates remained high. But he welcomed Secretary Regan's offer of discussions on these issues among experts; and suggested that he might ask Mr Burns to visit the Treasury at Washington. Secretary Regan said that Mr Burns would be very welcome.

10. The meeting ended at 7 p.m.

*JOK.*

29.v.83

Distribution:

PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Economic Secretary  
 Mr Middleton  
 Mr Burns  
 Mr Littler  
 Mr Unwin  
 Mr Carey  
 Mr Lavelle  
 Mr Odling-Smee  
 Mr Ridley  
 Mr Kemp  
 Mr Bottrill

Mr Coles (No 10)  
 Mr Fall (FCO)  
 Mr Rhodes (DOT)  
 Sir O Wright (HMA Washington)  
 Mr Evans (FCO)  
 Mr Wicks (UKDEL IMF/IBRD W'ton)  
 Mr Hatfield (Cabinet Office)

\* (para 7)

Mr Sprinkel subsequented 'clarified' his calculation; explaining to Mr Littler that 1% per year extra growth for 5 years might reduce the deficit by \$100B in the fifth year.

*JOK.*

J O KERR

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TO FLASH UKDEL WILLIAMSBURG  
TELEGRAM NUMBER 2 OF 28 MAY.

NO 10 D. ST. Duty clerk

(R.C.)

WH103

FOLLOWING FOR COLES FROM DUTY CLERK, NO. 10.

AS REQUESTED BELOW IS THE TEXT OF THE ONLY MESSAGE RECEIVED FROM THE PM OF INDIA ON IDA OVER THE LAST 12 MONTHS (DATED 16 APRIL 1983).

BEGINS: I AM WRITING ABOUT THE CONTINUING PROBLEMS OF INTERNATIONAL DEVELOPMENT ASSISTANCE-VI AND THE PROSPECTS FOR IDA-VII WHICH HAVE BECOME MATTERS OF GREAT CONCERN TO DEVELOPING COUNTRIES, PARTICULARLY THE LOW INCOME ONES.

AT THE TORONTO MEETING OF THE WORLD BANK AND INTERNATIONAL MONETARY FUND, DONOR COUNTRIES RECOGNISED THE CRUCIAL ROLE OF MULTI-LATERAL CONCESSIONAL FLOWS IN THE DEVELOPMENT PROGRAMMES OF LOW INCOME COUNTRIES, AND AGREED TO PROVIDE A REASONABLE LEVEL OF COMMITMENT AUTHORITY FOR THE FISCAL YEARS 1983 AND 1984. IT WAS THEN HOPED THAT OVER THE FOUR YEARS OF IDA-VI (FISCAL YEARS 1981-84) THE AGGREGATE COMMITMENT AUTHORITY WOULD SLIGHTLY EXCEED THE ORIGINALLY STIPULATED LEVEL OF DOLLARS 12 BILLION FOR THE THREE YEAR PERIOD, FY - 1981-83. THE STRETCH OUT OF IDA-VI OVER A FOUR YEAR PERIOD, RESULTING IN SMALLER ANNUAL APPROPRIATIONS WAS UNFORTUNATE BUT, CONSIDERING THE CIRCUMSTANCES, THE ACTION OF DONOR COUNTRIES IN PREVENTING A HIATUS IN IDA'S COMMITMENT AUTHORITY WAS A STEP FORWARD.

THIS GAIN IS NOW THREATENED BY A SHORTFALL IN THE APPROPRIATION MADE BY THE UNITED STATES CONGRESS AND THE POSSIBILITY THAT IDA-VI COULD BE FURTHER STRETCHED OUT INTO A FIFTH YEAR. I SHOULD LIKE TO SHARE WITH YOU THE SERIOUS CONCERN OF DEVELOPING COUNTRIES OVER THESE DEVELOPMENTS. IN THE PRESENT UNCERTAIN INTERNATIONAL ECONOMIC ENVIRONMENT, LOW INCOME OIL IMPORTING COUNTRIES SUFFER FROM SEVERE RESOURCE CONSTRAINTS. SO EVERY POSSIBLE EFFORT HAS TO BE MADE TO MAINTAIN AN ORDERLY AND ADEQUATE FLOW OF CONCESSIONAL FUNDS TO SUCH COUNTRIES.

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THE SEVENTH CONFERENCE OF HEADS OF STATE/GOVERNMENT OF NON-ALIGNED COUNTRIES HELD IN MARCH 1983 IN NEW DELHI CALLED, AMONG OTHER MEASURES, FOR A SUBSTANTIAL INCREASE IN THE SEVENTH REPLENISHMENT OF IDA. WE ARE CONCERNED AT REPORTS THAT IN THE CURRENT NEGOTIATIONS ON THE REPLENISHMENT OF IDA-VII, A LOW LEVEL OF REPLENISHMENT IS BEING CONSIDERED. WE ARE DISTURBED THAT FAR FROM SECURING AN INCREASE IN REAL TERMS, EVEN MODEST PROPOSALS TO MAINTAIN THE LEVEL OF IDA-VI IN REAL TERMS APPEAR TO BE ENCOUNTERING RESISTANCE IN SOME DONOR COUNTRIES.

I NEED HARDLY STRESS THE CONSEQUENCES ON LOW INCOME COUNTRIES OF A REDUCTION IN CONCESSIONAL FLOWS IN THE EIGHTIES. THEIR SITUATION IS ALREADY GRAVE AND IT CANNOT BUT WORSEN. WE ARE AWARE OF THE BUDGETARY AND OTHER CONSTRAINTS IN SEVERAL IDA DONOR COUNTRIES, BUT WE HOPE THERE WILL BE SYMPATHETIC UNDERSTANDING OF THE RAPIDLY DETERIORATING ECONOMIC SITUATION OF THE LOW INCOME COUNTRIES. THE AMOUNTS INVOLVED IN RAISING THE SIZE OF IDA-VII ARE RELATIVELY SMALL, BUT IN TERMS OF IMPROVING PROSPECTS OF LOW INCOME COUNTRIES AND OF GENERALLY STRENGTHENING THE CLIMATE FOR INTERNATIONAL COOPERATION, THE GAINS WOULD BE SUBSTANTIAL.

MAY I HOPE THAT IN THE FORTHCOMING DELIBERATIONS AT WILLIAMSBURG, IT WOULD BE POSSIBLE FOR THE LEADERS OF THE MAJOR INDUSTRIAL COUNTRIES TO FOCUS ON THESE ISSUES? WE LOOK TO YOU FOR A LEAD IN THIS MATTER AS YOU HAVE ALWAYS SUPPORTED MULTI-LATERAL DEVELOPMENT ASSISTANCE AND COULD BRING YOUR UNDOUBTEDLY GREAT INFLUENCE TO BEAR ON OTHER MAJOR DONORS TO MAINTAIN THE LEVEL OF IDA-VI IN REAL TERMS AND RAISE THE SIZE OF IDA-VII.  
ENDS.

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TO IMMEDIATE UKDEL WILLIAMSBURG  
TELEGRAM NUMBER 001 OF 28 MAY.

FOLLOWING FOR PRIVATE SECRETARY FROM HANNAY

1. YOU ASKED FOR A BRIEF ON THE BUDGET FOR THE SECRETARY OF STATE'S USE WITH GENSCHER ON THE RETURN JOURNEY FROM WILLIAMSBURG.
2. THE MAIN LINES OF WHAT NEEDS TO BE SAID ARE IN THE BRIEF PREPARED FOR THE PRIME MINISTER'S BILATERAL WITH KOHL. YOU MAY WISH TO SHOW THE SECRETARY OF STATE THAT, A MINUTE FROM WILLIAMSON TO COLES COVERING ALL EC BILATERALS AT THE SUMMIT, AND THE RECORDS OF WHAT PASSES BETWEEN THE PRIME MINISTER AND KOHL AND MITTERRAND WHEN SHE SEES THEM.
3. IN ADDITION THE SECRETARY OF STATE MAY WISH TO NAIL DOWN ARRANGEMENTS WHICH EVANS IS HOPING TO MAKE WITH FISCHER AT WILLIAMSBURG FOR ANGLO-GERMAN BILATERAL CONTACT AT THE OFFICIAL LEVEL IN THE WEEK BEGINNING 6 JUNE, DESIGNED TO ENSURE THAT THE PRESIDENCY'S TWO PAPERS FOR STUTTGART ARE HELPFUL TO US.
4. ON FIGURES FOR THE INTERIM SOLUTION, I WOULD ADVISE AGAINST PRESSING GENSCHER TOO HARD TO PUT A COMPLETE SET IN HIS PRESIDENCY PAPER. FIGURES FOR THE BASIC REFUND AND FOR OVERPAYMENTS (OR A SINGLE FIGURE COVERING BOTH) ARE SURE TO BE TOO LOW/HIGH FOR US AND IT WILL BE HARD THEN TO SHIFT THEM. WE WILL PROBABLY DO BETTER TRYING TO FIX THESE FIGURES AT THE COUNCIL ON 13 JUNE OR AT STUTTGART. BUT WE DO WANT A FIRM AND REALISTIC FIGURE FROM THE PRESIDENCY FOR THE REFERENCE FIGURE OF OUR UNADJUSTED NET CONTRIBUTION (2 THOUSAND M.E.C.U IN THE SECRETARY OF STATE'S GYMNICH PAPER): AND ALL THE OTHER ELEMENTS IN THE GYMNICH PAPER. IT WOULD BE USEFUL IF WE COULD FIND OUT HOW THE GERMANS INTEND TO COVER THEIR OWN PROBLEM IN THE

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PRESIDENCY PAPER.

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PS/MR HURD  
PS/MR RAISON  
PS/FUS  
SIR J BULLARD  
MR EVANS  
MR HANNAY  
MR THOMAS  
MR DONALD  
MR HAYES  
MR ADAMS

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PRIME MINISTER

Williamsburg - Media

This note sets out, partly by way of a reminder, the arrangements for handling the media en route and at Williamsburg.

Departure

All the media and photographers in Downing Street and at Heathrow will be behind barriers.

My advice is not to give off the cuff interviews but to let the pictures speak for themselves. The media will find it difficult to put you in a negative position this time, but some of them may try.

On the plane

We expect to have 10 journalists (but no cameras) on the plane as follows:

Political correspondents:

Jack Warden	-	Daily Express
Jim Wightman	-	Daily Telegraph
Robin Oakley	-	Daily Mail
Michael Brunson	-	ITN
David Buchan	-	Daily Star

Economic correspondents:

Steve Levinson	-	Press Association
Max Wilkinson	-	Financial Times
William Keegan	-	Observer
David Lipsey	-	Sunday Times
Geoffrey Goodman	-	Daily Mirror

The political journalists are much more friendly disposed towards you than the economic bunch, apart from Steve Levinson, PA, who is helpful.

/You

You have agreed to spend 15-20 minutes with the group on board briefing them on your approach to Williamsburg. I suggest you do this after you have briefed yourself on the plane.

I shall make clear the terms on which you speak to them before you do so. It might be advantageous to speak on the record this time, but you can decide that at the time.

#### Arrival/Saturday night

For Saturday evening and Sunday morning there will be plenty of pictures (you have agreed not to give interviews) of your arrival, the horse and carriage drive, of the family group, and then of your bilaterals with Chancellor Kohl and President Reagan, for which photocalls have been arranged.

I shall brief the press at about 7.15 p.m. Williamsburg time after your two bilaterals. Could you please let me know immediately of any line you particularly wish me to get over to the press

I shall also brief the press again after your dinner which could provide new material by which to dominate the Sunday morning broadcasts.

#### Sunday

There will again be no shortage of film for the Sunday bulletins, though there will only be writing journalists (no cameras) in church.

The Sunday lunchtime walk will also produce lots of good pictures.

I shall let you know on Sunday where we suggest you hold your press conference for British journalists on Sunday evening. I need first to examine the possibilities on the ground.

/I shall

I shall, of course, provide a brief on Sunday for the press conference.

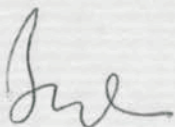
Your objectives

I am defining your four main objectives at Williamsburg to:

- demonstrate the West's unity at this crucial time;
- signal to the industrial and developing countries a message of cautious optimism for sustained economic recovery;
- demonstrate a determination to pursue sound, prudent financial policies which maintain the attack on inflation as the only basis for sustaining recovery;
- signal to the world the Summit's commitment to an open trading system and its resolute opposition to protectionism.

I shall try to get you on board your return aircraft without your being troubled by the press, and without press being on board.

I attach at Annex I British journalists we know will be present over and above your travelling group.



B. INGHAM

27 May, 1983

ANNEX I

British Correspondents at Williamsburg

Broadcasting:

Clive Small	- BBC Radio
Dominic Harrod	- BBC Radio
Stephen Jessel	- BBC Radio
Brian Barron	- BBC TV
Martin Bell	- BBC TV
James Long	- BBC TV
Andrew Manderstam	- IRN

Fleet Street Dailies

Nicholas Ashford	- Times
Bailey Morris	- Times
Anatole Kaletsky	- Financial Times
Harold Jackson	- Guardian
Alex Brummer	- Guardian
Peter Jenkins	- Guardian
Paul Connew	- Daily Mirror
Peter McKay	- Daily Mail

Weeklies

Jon Connell	- Sunday Times
Edmond Fawcett	- The Economist

Agencies

Sidney Weiland	- Reuters
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Provincials

Lance Morgan	- Yorkshire Post
Alastair MacLeod	- The Scotsman

Williamsburg

A short note as an introduction to the briefs.

Saturday will be taken up with arrival ceremonies, bilaterals with Nakasone, Kohl and Reagan and a dinner discussion of arms control which you have agreed to introduce.

Sunday will be devoted almost entirely to discussion of economic issues until your bilateral with Mitterrand at 1720, your meeting with the British press at 1800 and your departure at 1930.

For Saturday I have prepared separate folders for your bilaterals. Just three points about these:-

- (a) President Reagan has agreed that your talk with him should be a tete-a-tete.
- (b) The Americans are putting it about that we do not really mind their Export Administration Act because you never mention it to them. I think you should this time because there is a considerable row in prospect if it goes through Congress unamended.
- (c) Would you make a special point of talking to Fanfani at the reception on Saturday evening. He wanted a bilateral. We cannot fit one in and his nose may be out of joint (and that could matter at Stuttgart). We should like to be able to tell the press that you had a good talk with him in the margins.

I have also prepared a separate folder for your introduction of the arms control discussion at the Saturday dinner.

During our flight out you may first want to satisfy yourself that you have all the material you want for Saturday's business (above).

/Then

Then there are two important papers to discuss on the plane:-

- (a) Robert Armstrong's draft of the declaration to be made by President Reagan on behalf of the Summit on Monday (see attached minute).
- (b) The speaking note prepared by Michael Scholar and Alan Walters (attached) for your contribution to the Sunday morning discussion of the US thematic paper.

Miscellaneous

The Americans are bringing to Williamsburg seven students from the Summit countries who are studying in the US under youth exchange schemes. The British student is Paul Wilkinson of Loughborough University, who is doing a "practical" year of ergonomics with a firm in Hopkinson, Massachusetts. He is likely to be introduced to you at some stage.

So far we have managed to keep the return arrangements secret and for security reasons should continue to do so. I called on John King who has been very helpful. You will have the upper deck with curtained off sleeping accommodation. Otherwise, there will just be Ian Gow, Gordon Cawthorne and myself. I will arrange, if you agree, for your ticket and that of Ian Gow to be paid for by Central Office. Robin and I are absolutely sure that the other tickets are an entirely proper Government expense.

A. J. COLES

27 May, 1983

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FM UKREP BRUSSELS 271815Z MAY 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 2152 OF 27 MAY 1983

AND TO IMMEDIATE WASHINGTON

REF MIPT

1. FOLLOWING IS TEXT OF UNICE STATEMENT:  
WILLIAMSBURG ECONOMIC SUMMIT

#### STATEMENT

1. THE WILLIAMSBURG ECONOMIC SUMMIT IS TAKING PLACE AT A TIME WHEN THE WORLD ECONOMY IS CHARACTERISED BY :

- AN INCREASING INTERDEPENDENCE BETWEEN COUNTRIES SUCH THAT INTERNAL POLICIES HAVE INESCAPABLE EXTERNAL IMPLICATIONS; THIS IS SPECIALLY TRUE OF THE BIGGER INDUSTRIALISED COUNTRIES, WHICH THEREFORE BEAR A GREATER RESPONSIBILITY FOR THE PROCESS OF GROWTH AND THE EXPANSION OF TRADE:

- AN INCREASING INTER-CONNEXION BETWEEN BOTH PROBLEMS AND THE WAYS IN WHICH THEY CAN BE TACKLED: THIS APPLIES IN PARTICULAR TO THE CHOICE OF MEASURES AFFECTING INTEREST RATES AND EXCHANGE RATES AND THEREBY PROSPECTS FOR INVESTMENT, PRODUCTION, TRADE AND THE INDEBTEDNESS OF DEVELOPING COUNTRIES:

- THE IMBALANCES WHICH HAVE RESULTED FROM A PERIOD OF HIGH INFLATION ASSOCIATED WITH SLOW GROWTH, RISING UNEMPLOYMENT AND THE NEED FOR STRUCTURAL ADJUSTMENT HAVE HAD A DE-STABILISING EFFECT ON THE INTERNATIONAL FINANCIAL SYSTEM, ENCOURAGED PROTECTIONISM AND LED TO INCREASED GOVERNMENT INTERVENTION IN THE ECONOMY:

- AFTER SEVERAL YEARS OF RECESSION, SIGNS OF AN UPTURN IN ACTIVITY HAVE APPEARED IN THE UNITED STATES AND, TO A LESSER EXTENT, IN SOME EUROPEAN COUNTRIES: IF PROPERLY NURTURED, SUCH AN INCIPIENT RECOVERY COULD LEAD TO A GRADUAL RETURN TO STEADY GROWTH:

- DESPITE THE SOMEWHAT BRIGHTER OUTLOOK FOR GROWTH, HIGH UNEMPLOYMENT IS IN PROSPECT IN MOST COUNTRIES FOR THE FORESEEABLE FUTURE, WITH ITS DANGEROUS IMPLICATIONS FOR SOCIAL AND POLITICAL STABILITY.

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2. THE PRESENT SITUATION CALLS FOR A CONCERTED INTERNATIONAL RESPONSE AS NATIONAL MEASURES CANNOT BE FULLY EFFECTIVE IN COPING WITH THE CONSEQUENCES OF A WORLDWIDE RECESSION. FURTHERMORE, BALANCED ECONOMIC MANAGEMENT IS REQUIRED, DUE EMPHASIS BEING GIVEN TO ALL ELEMENTS OF POLICY, AVOIDING INCONSISTENCIES WHICH COULD HAVE DISRUPTIVE EFFECTS ON FINANCE AND TRADE.

3. THE HEADS OF STATE AND GOVERNMENT MEETING AT WILLIAMSBURG SHOULD CONCENTRATE ON CREATING THE CONDITIONS CONDUCTIVE TO A STABLE AND SUSTAINED RECOVERY OF OUTPUT AND DEMAND. FOUR MAIN OBSTACLES TO GROWTH NEED TO BE REMOVED.

4. THE FIRST CONCERNS THE REDUCTION OF PRODUCTION COSTS AND UNCERTAINTIES IN THE BUSINESS CLIMATE, IN ORDER TO ENSURE THAT PRIVATE INVESTMENT, WHICH LIES AT THE HEART OF WEALTH CREATION, CAN GO AHEAD. THIS IMPLIES CONTINUITY IN THE CONDUCT OF POLICIES AIMED AT REDUCING INFLATION AND THE STATE'S CALL ON RESOURCES.

THE MAIN ECONOMIES HAVE ACHIEVED SIGNIFICANT RESULTS IN FIGHTING INFLATION. IN OTHER COUNTRIES, THERE IS STILL SOME WAY TO GO. THE CONTROL OF INFLATION SHOULD BE A PERMANENT OBJECTIVE OF ECONOMIC POLICY. NOT ONLY IS IT FUNDAMENTAL TO AN INCREASE IN COMPETITIVENESS, BUT IT SHOULD ALSO PERMIT A REDUCTION IN REAL AS WELL AS NOMINAL INTEREST RATES, WHICH HAVE BEEN HOLDING BACK PRIVATE INVESTMENT AND INCREASING THE BURDEN OF DEBT SERVICING.

MEASURES TO COMBAT INFLATION SHOULD BE TAILORED TO THE CIRCUMSTANCES OF INDIVIDUAL COUNTRIES. TO BE BOTH FULLY EFFECTIVE AND AS NEUTRAL AS POSSIBLE IN THEIR INFLUENCE ON CAPITAL FLOWS, THEY SHOULD BE PROPERLY BALANCED AS BETWEEN MONETARY AND BUDGETARY ELEMENTS.

ACCOUNT SHOULD BE TAKEN OF PROGRESS ACHIEVED IN COMBATING INFLATION AND POLICY MODULATED ACCORDINGLY WITH A VIEW TO ENCOURAGING NON-INFLATIONARY GROWTH.

5. THE INSTABILITY AND VOLATILITY OF EXCHANGE RATES IS THE SECOND OBSTACLE TO THE EXPANSION OF TRADE AND INVESTMENT. OVERVALUED OR UNDERVALUED CURRENCIES HAVE DISRUPTIVE EFFECTS IN THIS RESPECT AND ADD TO PROTECTIONIST PRESSURES. IN PURSUIT OF MONETARY AND BUDGETARY POLICIES, GOVERNMENTS SHOULD NOT NEGLECT EXCHANGE RATES CONSIDERATIONS. IN PARTICULAR, ATTENTION SHOULD BE PAID TO THE CONSEQUENCES OF BUDGETARY MANAGEMENT FOR THE LEVEL OF INTEREST RATES, WHICH HAVE COME TO PLAY AN UNDESIRABLY DOMINANT ROLE IN THE DETERMINATION OF EXCHANGE RATES AND CAPITAL FLOWS. THE U.S., WHOSE POLICIES HAVE SUCH AN IMPORTANT INFLUENCE ON THE WORLD FINANCIAL SYSTEM, BEARS A SPECIAL RESPONSIBILITY IN THIS RESPECT.



INTERVENTION ON THE EXCHANGE MARKETS SHOULD BE LIMITED TO REDUCING ERRATIC FLUCTUATIONS. DESPITE THE INHERENT DIFFICULTIES INVOLVED, CLOSER COORDINATION IN THE MONETARY FIELD SHOULD BE PURSUED.

6. A RELATED THREAT TO SUSTAINED ECONOMIC RECOVERY IS THE FRAGILITY OF THE INTERNATIONAL FINANCIAL SYSTEM. ALTHOUGH MAJOR CRISES HAVE BEEN AVOIDED TO DATE, THE SYSTEM RELIES INCREASINGLY ON A GENERALISED INDEBTEDNESS WITH DANGEROUSLY HIGH COMMITMENTS BY THE PRIVATE BANKS. A RESUMPTION OF GROWTH IN THE INDUSTRIALISED WORLD TOGETHER WITH LOW INTEREST RATES ARE THE SUREST WAYS OF HELPING TO REDUCE THE EXTREME INDEBTEDNESS OF SOME DEVELOPING COUNTRIES. THE SOLUTION OF THIS PROBLEM ALSO REQUIRES A STRENGTHENING OF THE RESOURCES OF THE INTERNATIONAL FINANCIAL INSTITUTIONS TO ENSURE A GREATER FLOW OF FUNDS TO ASSIST THESE COUNTRIES IN ACHIEVING SOUND DEVELOPMENT GOALS WITHOUT HAVING TO ADOPT TOO RESTRICTIVE POLICIES.

7. A FOURTH PROBLEM TO BE TACKLED IS THE INCREASED STATE INTERVENTION IN ECONOMIC ACTIVITY COUPLED WITH STRONGER PROTECTIONIST PRESSURES THAT HAVE BEEN ASSOCIATED WITH THE WORLD RECESSION. UNTIL RECENTLY, THE EXPANSION OF WORLD TRADE HAD ALWAYS EXCEEDED THAT OF OUTPUT AND CONSTITUTED A BASIC ELEMENT OF GROWTH. THE HEADS OF STATE AND GOVERNMENT SHOULD RE-AFFIRM THEIR PLEDGE TO REFRAIN FROM MEASURES WHICH RESULT IN THE RESTRICTION OF INTERNATIONAL TRADE. THE CUMULATIVE, LONG TERM, NEGATIVE EFFECTS OF PROTECTIONISM FAR OUTWEIGH ANY SHORT TERM ADVANTAGES IT MAY AFFORD. BY RESTRICTING COMPETITION, PROTECTIONISM PREVENTS AN OPTIMUM ALLOCATION OF RESOURCES. THE PLEDGE TO AN OPEN, MULTILATERAL TRADE SYSTEM SHOULD APPLY TO ALL COUNTRIES WHOSE LEVEL OF DEVELOPMENT ALLOWS THEM TO SUBSCRIBE TO GATT OBLIGATIONS. IT SHOULD ALSO INCLUDE PROVISION FOR AN EFFICIENT MECHANISM FOR SAFEGUARDING FAIR TRADE. THE ROLE OF THE GATT IS IRREPLACEABLE AND SHOULD BE STRENGTHENED.

8. IF THE WILLIAMSBURG ECONOMIC SUMMIT COULD AGREE ON THE CONCERTED IMPLEMENTATION OF THE FOUR-POINT STRATEGY OUTLINED ABOVE, IT WOULD MAKE A SIGNIFICANT CONTRIBUTION TO THE RESUMPTION OF WORLD GROWTH, WHICH IS THE BEST MEANS TO RAISE EMPLOYMENT, OVERCOME PROTECTIONISM AND EASE THE PROBLEM OF INDEBTEDNESS. ITS SUCCESS WOULD INVOLVE A PROCESS OF CLOSE AND PERMANENT CONSULTATION AND COORDINATION BETWEEN THE WESTERN COUNTRIES.

2. ENDS.

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TO IMMEDIATE FCO  
TELEGRAM NUMBER 2151 OF 27 MAY 1983  
AND TO IMMEDIATE WASHINGTON

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WILLIAMSBURG

1. FOLLOWING IS TEXT OF LETTER FROM G CARLH PRESIDENT UNICE  
(EMPLOYERS) WHICH WE HAVE BEEN ASKED TO BRING TO ATTENTION OF  
PRIME MINISTER:

BEGINS

BUSINESS IN THE EUROPEAN COMMUNITY IS FOLLOWING WITH THE  
GREATEST INTEREST THE PREPARATION OF THE MEETING OF HEADS  
OF STATE AND GOVERNMENT OF THE SEVEN WESTERN COUNTRIES  
WHICH WILL TAKE PLACE AT THE END OF MAY AT WILLIAMSBURG.  
IT IS CONVINCED OF THE NEED FOR WESTERN COUNTRIES TO ADOPT  
CLOSELY CONCERTED AND COHERENT POLICIES TO PROMOTE SUSTAINED  
AND STEADY GROWTH IN ORDER TO REDUCE THE PRESENT VERY HIGH LEVELS  
OF UNEMPLOYMENT.

I AM SENDING YOU HEREWITH A STATEMENT UNANIMOUSLY ADOPTED BY  
UNICE, WHICH COMPRISES ALL THE INDUSTRIAL AND EMPLOYERS'  
FEDERATIONS OF THE MEMBER COUNTRIES OF THE EUROPEAN COMMUNITY  
AND THE OTHER COUNTRIES OF WESTERN EUROPE.

I THANK YOU IN ADVANCE FOR THE ATTENTION YOU MAY KINDLY RESERVE  
THE PRESENT COMMUNICATION.

ENDS

2. MIFT GIVES TEXT OF UNICE STATEMENT. COPIES HAVE ALSO GONE  
TO PRESIDENT OF EUROPEAN COUNCIL AND PRESIDENT OF COMMISSION.  
ORIGINAL CORRESPONDENCE FOLLOWS BY BAG TO GREWE FCO.

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MR GIFFARD  
MR HANNAY  
MR THOMAS  
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FM BOGOTA 271700Z MAY 83

TO IMMEDIATE FCO

TELNO 106 OF 27 MAY

AND TO IMMEDIATE WASHINGTON

INFO PRIORITY MEXICO CITY, CARACAS, PANAMA CITY, SAN JOSE,

TEGUCIGALPA, MADRID, OTTAWA

INFO SAVING EC POSTS

MIPT: WILLIAMSBURG; CENTRAL AMERICA AND THE CONTADORA GROUP

BEGINS

I HAVE THE HONOUR TO ADDRESS YOU ON THE OCCASION OF YOUR MEETING WITH OTHER DISTINGUISHED CHIEFS OF STATE FOR THE PURPOSE OF PRESENTING THEM IN A CONSTRUCTIVE SPIRIT WITH SOME REFLECTIONS ON THE WORLD ECONOMY AND SOCIAL SITUATION AND IN PARTICULAR THAT OF LATIN AMERICA AND THE CARIBBEAN.

THE ECONOMY AND SOCIAL WELFARE OF THE 375 MILLION INHABITANTS OF THIS REGION DEPENDS IN GREAT MEASURE ON THE MACROECONOMIC POLICIES OF THE STATES WHICH YOU REPRESENT.- THIS WAS ONE OF THE REASONS WHICH MOVED PRESIDENT OSVALDO HURTADO OF ECUADOR TO STIMULATE A LATIN AMERICAN SUMMIT OF HIGH LEVEL EXPERTS FROM THE MAJORITY OF THE LATIN AMERICAN AND CARIBBEAN COUNTRIES TO DISCUSS THE CHOICES BEFORE THE CONTINENT IN THE INTERNATIONAL SITUATION.

AT THIS MEETING WHICH TOOK PLACE IN BOGOTA LAST WEEK, ORGANISED BY ECLA AND THE LATIN AMERICAN ECONOMIC SYSTEM (SELA) THERE WAS AN

AT THIS MEETING WHICH TOOK PLACE IN BOGOTA LAST WEEK, ORGANISED BY ECLA AND THE LATIN AMERICAN ECONOMIC SYSTEM (SELA) THERE WAS AN ANALYSIS OF THE CAUSES OF THE WORLD RECESSION AND THE WAY IN WHICH THE DOWNWARD SPIRAL HAS BEEN TRANSMITTED TO THE DEVELOPING COUNTRIES. ECLA, SELA AND OTHERS PARTICIPATING SUGGESTED TO THE PRESIDENT OF COLOMBIA THAT HE SHOULD RESUME IN A MESSAGE TO THE MEETING AT WILLIAMSBURG THE CONCLUSIONS THEY HAD ADOPTED WHICH EXPRESSED THE GENERAL STATE OF MIND IN LATIN AMERICA AND THE CARIBBEAN.

I HAVE AGREED TO SEND IN MY PERSONAL CAPACITY THESE REFLECTIONS - FOLLOWING FROM THOSE WHICH SOME MONTHS AGO I PRESENTED TO PRESIDENT MITTERAND, WHEN HE SPOKE FOR THE FIRST TIME ABOUT THE WILLIAMSBURG MEETING - BECAUSE EVERY DAY OUR PROBLEMS ARE SO INTERDEPENDANT, AND THAT THE RECESSION, UNEMPLOYMENT AND INFLATION ON THE INTERNATIONAL LEVEL ARE THE CONSEQUENCES OF THE DISEQUILIBRIUM BETWEEN PRIMARY AND INDUSTRIAL PRODUCTION ON THE WORLD SCALE. IN THE PAST TEN YEARS WE HAVE EXPERIENCED FLUCTUATIONS IN THE MARKET FOR PRIMARY PRODUCTS WHICH HAVE AFFECTED THE GROWTH OF THE WORLD ECONOMY, IN WHICH THE EXPORTS OF LATIN AMERICA AND THE CARIBBEAN HAVE BEEN AFFECTED BY CYCLES OF OVER PRODUCTION AND FIGURES OF INSTABILITY. THE LACK OF COORDINATION IN THE STRATEGIES OF THE NORTH AND SOUTH ARE OBVIOUS, CONDITIONS WHICH HAVE HAD A HIGH COST FOR ALL.

LATIN AMERICA AND THE CARIBBEAN ARE PASSING THROUGH ONE OF THE MOST DIFFICULT PERIODS OF THE LAST 30 YEARS. THE DETERIORATION OF THE TERMS OF TRADE, THE STRENGTHENING OF PROTECTIONISM, THE RISE IN REAL INTERNATIONAL RATES OF INTEREST, THE TIGHTENING OF THE PERIOD FOR AMORTIZING FOREIGN DEBT AND THE APPLICATION OF EXCESSIVELY RIGID ECONOMIC IDEAS HAVE CAUSED DEFICITS IN THE BALANCE OF PAYMENTS AND IN PUBLIC FINANCE AND REDUCED THE EXPANSION OF THE REGIONAL ECONOMIES THUS INCREASING UNEMPLOYMENT AND INFLATIONARY PRESSURES.

LATIN AMERICA AND THE CARIBBEAN ARE NOT BANKRUPT. OUR HUMAN AND NATURAL RESOURCES AND OUR CAPITAL FORMATION AMOUNT TO A CREDIT SEVERAL TIMES GREATER THAN THE DOLLARS 300,000M WHICH THE REGION NEEDS. WHAT IS NEEDED IS (FOLLOWING UNDERLINED) TO WIDEN THEIR ACCESS TO THE MARKETS OF TECHNOLOGY, CAPITAL AND GOODS, STRENGTHEN THE AGREEMENTS ON BASIC PRODUCTS, ACCELERATE THE RELOCATION OF MULTILATERAL RESOURCES OF CREDIT AND SYNCHRONIZE THE FLOWS OF FUNDS. (END UNDERLINING.) THIS POINT IS FUNDAMENTAL IN THAT IN 1970 AROUND 20 PER CENT OF LATIN AMERICAN

THE RELOCATION OF MULTILATERAL RESOURCES OF CREDIT AND SYNCHRONIZE THE FLOWS OF FUNDS. (END UNDERLINING.) THIS POINT IS FUNDAMENTAL IN THAT IN 1970 AROUND 20 PER CENT OF LATIN AMERICAN AND CARIBBEAN DEBT WAS CONTRACTED ON MORE THAN FIVE YEARS, BUT TODAY LITTLE MORE THAN 4 PER CENT IS LONG TERM AS A CONSEQUENCE OF THE WEAKENING OF THE INTERNATIONAL BANKING SYSTEM FOR DEVELOPMENT.

FOR THIS REASON IT IS NECESSARY TO MODIFY THE INTERNATIONAL ECONOMIC ORDER, THE DIVISION OF WORK REQUIRES A CHANGE OF COURSE SINCE THE DEVELOPING COUNTRIES HAVE THE CAPACITY TO COMPETE IN VARIOUS FIELDS OF MANUFACTURING INDUSTRY, FOR WHICH REASON IT DOES NOT MAKE SENSE TO PROTECT INDUSTRIES OF MEDIUM LEVEL TECHNOLOGY WHICH ARE OPERATING IN THE COUNTRIES OF THE NORTH AT LOW LEVELS OF EFFICIENCY. TO MAKE PROGRESS IN THIS INTERNATIONAL DIVISION OF LABOUR IT WOULD BE APPROPRIATE TO CONVENE A NEW ROUND OF GATT NEGOTIATIONS WHICH WOULD HELP THE PROGRESS OF THE EXPORTING POTENTIAL OF THE DEVELOPING COUNTRIES. ONE COULD ARGUE THAT IN THE TOKYO ROUND SOME PROGRESS WAS MADE IN THIS DIRECTION, UNFORTUNATELY THE DEVELOPING COUNTRIES DID NOT SUCCEED IN MEETING THEIR ASPIRATIONS IN THESE NEGOTIATIONS AND WHAT HAS OCCURRED IS A REVIVAL OF PROTECTIONISM.

AS REGARDS LIQUIDITY THERE IS A NEED TO PROVIDE THE INTERNATIONAL ECONOMY WITH GREATER RESOURCES FOR THE BENEFIT OF THE DEVELOPING COUNTRIES WHICH AFTER ALL REPRESENT MORE THAN 75 PER CENT OF THE WORLD POPULATION; FOR EXAMPLE BETWEEN 1970 AND 1974 INTERNATIONAL RESERVES WERE CREATED AT MORE THAN DOLLARS 100,000M AND OF THIS HUGE SUM THE POOR COUNTRIES RECEIVED LESS THAN 4 PER CENT.

(BEGIN UNDERLINING) ONE MECHANISM TO BE STUDIED WOULD BE THAT THE MULTILATERAL CREDIT ORGANISATIONS SHOULD ISSUE RECONSTRUCTION AND DEVELOPMENT BONDS IN THE INTERNATIONAL MARKET AND THAT THE COUNTRIES OF THE NORTH SHOULD UNDERTAKE TO PURCHASE THEM IN PROPORTION TO THEIR WEALTH(UNDERLINING ENDS).

PERSONALITIES SUCH AS DR KISSINGER OF THE UNITED STATES AND DR SCHMIDT OF THE FRG HAVE RECOGNISED THAT REACTIVATING THE DEVELOPING COUNTRIES WOULD HAVE A HEALTHY EFFECT ON THE ECONOMY OF THE NORTH; IN 1982 LATIN AMERICA ALONE ACHIEVED IMPORTS OF MORE THAN DOLLARS 85,000M, THE GREATER PART COMING FROM THE US AND EC. THEREFORE IF WE DO NOT FIND MECHANISMS WHICH WILL HELP THE DEBT SERVICE OF THESE COUNTRIES, THIS FLOW WILL DIMINISH CAUSING LOSSES FOR ALL THE MEMBERS OF THE INTERNATIONAL ECONOMIC SYSTEM. FOR THIS REASON (BEGIN UNDERLINING) WE NEED TO CREATE AN INTERNATIONAL EMERGENCY FUND OF AT LEAST DOLLARS 40,000M (ADDITIONAL TO THOSE OF THE IMF), WHICH WILL COMPENSATE FOR THE

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MADAM PRIME MINISTER

THE MOMENT HAS COME TO PUT IN HAND A DEVELOPMENT STRATEGY WHICH CANNOT EXCLUDE EITHER THE ARAB OR SOCIALIST COUNTRIES. IN THE CASE OF THE ENERGY MARKET FOR EXAMPLE A WIDE AGREEMENT ON INTERNATIONAL COOPERATION COULD BE OF INTEREST, BECAUSE WE ARE AWARE THAT PETROLEUM IS A SCARCE AND VALUABLE RESOURCE WHICH SHOULD BE USED EFFICIENTLY; IT WOULD BE HIGHLY DESIRABLE TO EMPLOY A MECHANISM WHICH AVOIDED SUDDEN CHANGES OF THE COSTS OF ENERGY EITHER UP OR DOWN.

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LATIN AMERICA AND THE CARIBBEAN TRUST THAT THE WILLIAMSBURG DIALOGUE WILL BE FRUITFUL AND WILL TAKE ACCOUNT OF THESE REALITIES. THE EYES OF THE WORLD ARE FIXED ON SUCH EXALTED SPIRITS AND ON SUCH CLEAR GUIDES.

VERY RESPECTFULLY,  
BELISARIO BETANCUR  
PRESIDENT OF COLOMBIA

ENDS.

FCG PLEASE PASS ALL AND SAVING EC POSTS

ROBSON

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SUBJECT

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TO IMMEDIATE FC0  
TELNO 106 OF 27 MAY  
AND TO IMMEDIATE WASHINGTON  
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TEGUCIGALPA, MADRID, OTTAWA  
INFO SAVING EC POSTS

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T74183

pl. check that the  
F.I.C.O. we prefer  
a reply. A.I.C. 21/5

cc Ops  
Master

MIPT; WILLIAMSBURG; CENTRAL AMERICA AND THE CONTADORA GROUP

BEGINS

I HAVE THE HONOUR TO ADDRESS YOU ON THE OCCASION OF YOUR MEETING WITH OTHER DISTINGUISHED CHIEFS OF STATE FOR THE PURPOSE OF PRESENTING THEM IN A CONSTRUCTIVE SPIRIT WITH SOME REFLECTIONS ON THE WORLD ECONOMY AND SOCIAL SITUATION AND IN PARTICULAR THAT OF LATIN AMERICA AND THE CARIBBEAN.

THE ECONOMY AND SOCIAL WELFARE OF THE 375 MILLION INHABITANTS OF THIS REGION DEPENDS IN GREAT MEASURE ON THE MACROECONOMIC POLICIES OF THE STATES WHICH YOU REPRESENT. - THIS WAS ONE OF THE REASONS WHICH MOVED PRESIDENT OSVALDO HURTADO OF ECUADOR TO STIMULATE A LATIN AMERICAN SUMMIT OF HIGH LEVEL EXPERTS FROM THE MAJORITY OF THE LATIN AMERICAN AND CARIBBEAN COUNTRIES TO DISCUSS THE CHOICES BEFORE THE CONTINENT IN THE INTERNATIONAL SITUATION.

AT THIS MEETING WHICH TOOK PLACE IN BOGOTA LAST WEEK, ORGANISED BY ECLA AND THE LATIN AMERICAN ECONOMIC SYSTEM (SELA) THERE WAS AN ANALYSIS OF THE CAUSES OF THE WORLD RECESSION AND THE WAY IN WHICH THE DOWNWARD SPIRAL HAS BEEN TRANSMITTED TO THE DEVELOPING COUNTRIES. ECLA, SELA AND OTHERS PARTICIPATING SUGGESTED TO THE PRESIDENT OF COLOMBIA THAT HE SHOULD RESUME IN A MESSAGE TO THE MEETING AT WILLIAMSBURG THE CONCLUSIONS THEY HAD ADOPTED WHICH EXPRESSED THE GENERAL STATE OF MIND IN LATIN AMERICA AND THE CARIBBEAN.

I HAVE AGREED TO SEND IN MY PERSONAL CAPACITY THESE REFLECTIONS - FOLLOWING FROM THOSE WHICH SOME MONTHS AGO I PRESENTED TO PRESIDENT MITTERAND, WHEN HE SPOKE FOR THE FIRST TIME ABOUT THE WILLIAMSBURG MEETING - BECAUSE EVERY DAY OUR PROBLEMS ARE SO INTERDEPENDANT, AND THAT THE RECESSION, UNEMPLOYMENT AND INFLATION ON THE INTERNATIONAL LEVEL ARE THE CONSEQUENCES OF THE DISEQUILIBRIUM BETWEEN PRIMARY AND INDUSTRIAL PRODUCTION ON THE WORLD SCALE. IN THE PAST TEN YEARS WE HAVE EXPERIENCED FLUCTUATIONS IN THE MARKET FOR PRIMARY PRODUCTS WHICH HAVE AFFECTED THE GROWTH OF THE WORLD ECONOMY, IN WHICH THE EXPORTS OF LATIN AMERICA AND THE CARIBBEAN HAVE BEEN AFFECTED BY CYCLES OF OVER PRODUCTION AND FIGURES OF INSTABILITY. THE LACK OF COORDINATION IN THE STRATEGIES OF THE NORTH AND SOUTH ARE OBVIOUS, CONDITIONS WHICH HAVE HAD A HIGH COST FOR ALL.

/LATIN

LATIN AMERICA AND THE CARIBBEAN ARE PASSING THROUGH ONE OF THE MOST DIFFICULT PERIODS OF THE LAST 30 YEARS. THE DETERIORATION OF THE TERMS OF TRADE, THE STRENGTHENING OF PROTECTIONISM, THE RISE IN REAL INTERNATIONAL RATES OF INTEREST, THE TIGHTENING OF THE PERIOD FOR AMORTIZING FOREIGN DEBT AND THE APPLICATION OF EXCESSIVELY RIGID ECONOMIC IDEAS HAVE CAUSED DEFICITS IN THE BALANCE OF PAYMENTS AND IN PUBLIC FINANCE AND REDUCED THE EXPANSION OF THE REGIONAL ECONOMIES THUS INCREASING UNEMPLOYMENT AND INFLATIONARY PRESSURES.

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BELISARIO BETANCUR  
PRESIDENT OF COLOMBIA

ENDS.

FCO PLEASE PASS ALL AND SAVING EC POSTS

ROBSON

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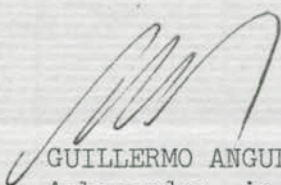
May 27, 1983

To Her Excellency  
MARGARET THATCHER  
Prime Minister of Great Britain  
Chiswell-Bucktrout House  
Williamsburg, Va. 23185

Your Excellency:

At the request of the President of Colombia, BELISARIO  
BETANCUR, it is my pleasure to enclose herewith his  
personal message to you.

Please accept my cordial best wishes.



GUILLERMO ANGULO  
Ambassador, in charge of the  
General Consulate of Colombia

---

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TEL: 949-9898

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T74183

MESSAGE OF HIS EXCELLENCY

BELISARIO BETANCUR

PRESIDENT OF THE REPUBLIC OF COLOMBIA, SOUTH AMERICA

TO HER EXCELLENCY

MARGARET THATCHER

PRIME MINISTER OF GREAT BRITAIN

BOGOTA, MAY 27, 1983

Ⓜ

224432 COLOMBIA

442701 PPRES CO

BOGOTA, MAYO 25 DE 1983

A LA EXCELENTISIMA SENORA  
MARGARET TATCHER  
PRIMER MINISTRO DE GRAN BRETANA  
CHISWELL-BUCKTROUT HOUSE  
WILLIAMSBURG (VIRGINIA) USA

SENORA PRIMER MINISTRO:

TENGO EL HONOR DE DIRIGIRME A USTED CON OCASION DE SU ENCUENTRO CON OTROS DISTINGUIDOS JEFES DE ESTADO, A FIN DE HACERLES LLEGAR CON ESPIRITU CONSTRUCTIVO, ALGUNAS REFLEXIONES SOBRE LA SITUACION ECONOMICA Y SOCIAL DEL MUNDO, Y, EN PARTICULAR, DE AMERICA LATINA Y EL CARIBE.

EL BIENESTAR ECONOMICO Y SOCIAL DE LOS 375 MILLONES DE HABITANTES DE ESTA REGION, DEPENDE EN PROPORCION IMPORTANTE, DE LAS POLITICAS MACROECONOMICAS DE LOS ESTADOS QUE USTEDES REPRESENTAN. FUE ESTA UNA DE LAS RAZONES QUE MOTIVO AL PRESIDENTE OSVALDO HURTADO DEL ECUADOR, A IMPULSAR UNA CUMBRE LATINOAMERICANA DE EXPERTOS DEL MAS ALTO NIVEL DE LA MAYORIA DE LOS PAISES LATINOAMERICANOS Y CARIBENOS, PARA DISCUTIR LAS OPCIONES DEL CONTINENTE ANTE LA SITUACION INTERNACIONAL.

EN ESE ENCUENTRO QUE TUVO LUGAR EN BOGOTA LA SEMANA PASADA, ORGANIZADO POR LA COMISION ECONOMICA PARA LA AMERICA LATINA (CEPAL) DE NACIONES UNIDAS Y EL SISTEMA ECONOMICO LATINOAMERICANO (SELA), SE ANALIZARON LAS CAUSAS DE LA RECESION MUNDIAL Y LA FORMA COMO EL CICLO DESCENDENTE SE HA TRANSMITIDO A LOS PAISES EN DESARROLLO. CEPAL, SELA Y LOS PARTICIPANTES, SUGIRIERON AL PRESIDENTE DE COLOMBIA QUE RECOGIERA EN UN MENSAJE A LA REUNION DE WILLIAMSBURG, LAS CONCLUSIONES ADOPTADAS, LAS CUALES EXPRESAN EL ESTADO GENERAL DE ANIMO EN AMERICA LATINA Y EL CARIBE.

HE ACEPTADO ENVIAR A TITULO PERSONAL ESTAS REFLEXIONES, -QUE PROSIGUEN LAS QUE HACE VARIOS MESES ME PERMITI PRESENTAR AL PRESIDENTE MITTERRAND, CUANDO SE HABLO POR PRIMERA VEZ DE LA CITA DE WILLIAMSBURG-, PORQUE CADA DIA NUESTROS PROBLEMAS SON TAN INTERDEPENDIENTES, QUE LA RECESION, EL DESEMPLEO Y LA INFLACION EN EL PLANO INTERNACIONAL, SON RESULTADO DEL DESEQUILIBRIO ENTRE LA PRODUCCION PRIMARIA Y LA INDUSTRIAL A ESCALA MUNDIAL. EN LOS ULTIMOS DIEZ ANOS HEMOS EXPERIMENTADO FLUCTUACIONES EN LOS MERCADOS DE PRODUCTOS BASICOS, QUE HAN AFECTADO EL CRECIMIENTO DE LA ECONOMIA INTERNACIONAL EN LA CUAL LAS EXPORTACIONES DE AMERICA LATINA Y EL CARIBE, RESULTAN AFECTADAS POR CICLOS DE SUPERPRODUCCION E INDICES DE INESTABILIDAD: ES VISIBLE LA DESCOORDINACION EN LAS ESTRATEGIAS DEL NORTE Y DEL SUR, CIRCUNSTANCIA QUE HA TENIDO ALTOS COSTOS PARA TODOS.

AMERICA LATINA Y EL CARIBE ATRAVIESAN UNA DE LAS EPOCAS MAS DIFICILES DE LOS ULTIMOS TREINTA ANOS. EL DETERIORO DE LOS TERMINOS DE INTERCAMBIO, LA INTENSIFICACION DE LOS PROTECCIONISMOS, LA ELEVACION DE LA TASA DE INTERES REAL INTERNACIONAL, LA REDUCCION DE LOS PLAZOS DE AMORTIZACION DE LA DEUDA EXTERNA Y LA APLICACION DE CONCEPTOS ECONOMICOS EXCESIVAMENTE RIGIDOS, HAN LLEVADO A DEFICITS EN LAS BALANZAS DE PAGOS Y EN LAS FINANZAS PUBLICAS Y A CONTRAER LA EXPANSION DE LAS ECONOMIAS REGIONALES, AUMENTANDO ASI EL DESEMPLEO Y LAS PRESIONES INFLACIONARIAS.

PERO AMERICA LATINA Y EL CARIBE NO ESTAN EN BANCARROTA. NUESTROS RECURSOS HUMANOS Y NATURALES, Y NUESTRA FORMACION DE CAPITAL, REPRESENTAN UN ACTIVO VARIAS VECES SUPERIOR A LOS 300.000 MILLONES DE DOLARES QUE DEBE LA REGION. LO QUE SE REQUIERE ES AMPLIAR SU ACCESO A LOS MERCADOS DE TECNOLOGIA, CAPITAL Y BIENES, FORTALECER LOS CONVENIOS DE PRODUCTOS BASICOS, ACELERAR LA REPOSICION DE RECURSOS MULTILATERALES DE CREDITO Y SINCRONIZAR LOS FLUJOS DE FONDOS CON LOS PLAZOS DE AMORTIZACION DE LOS CREDITOS. ESTE PUNTO ES FUNDAMENTAL, YA QUE EN 1970 CERCA DEL 20 O/O DEL ENDEUDAMIENTO LATINOAMERICANO Y CARIBENO ESTABA CONTRATADO A MAS DE QUINCE ANOS, HOY SOLO UN POCO MAS DEL 4 O/O ES DE LARGO PLAZO, COMO RESULTADO DEL DEBILITAMIENTO DE LA BANCA INTERNACIONAL DE FOMENTO.

POR TANTO, ES NECESARIO MODIFICAR EL ORDEN ECONOMICO INTERNACIO-

LA DIVISION DEL TRABAJO REQUIERE CAMBIOS DE ENVERGADURA, PUES LOS PAISES EN DESARROLLO TIENEN CAPACIDAD PARA COMPETIR EN DIVERSAS RAMAS DE LA INDUSTRIA MANUFACTURERA, POR LO CUAL CARECE DE SENTIDO PROTEGER INDUSTRIAS DE NIVEL TECNOLOGICO MEDIO, QUE OPERAN EN PAISES DEL NORTE CON BAJOS INDICES DE EFICIENCIA. PARA AVANZAR EN ESA DIVISION INTERNACIONAL DEL TRABAJO, CONVENDRIA CONVOCAR UNA NUEVA RUEDA DE NEGOCIACIONES DEL GATT, QUE FACILITE EL AVANCE DEL POTENCIAL EXPORTADOR DE LOS PAISES EN DESARROLLO. SE PODRIA ARGUMENTAR QUE YA EN LA RUEDA DE TOKIO, SE AVANZO EN ESA DIRECCION DESAFORTUNADAMENTE LOS PAISES EN DESARROLLO NO LOGRARON SATISFACER SUS ASPIRACIONES EN ESAS NEGOCIACIONES Y LO QUE SE REGISTRA ES UN RECRUDECIMIENTO DEL PROTECCIONISMO.

EN CUANTO A LIQUIDEZ, ES NECESARIO DOTAR A LA ECONOMIA INTERNACIONAL DE MAYORES RECURSOS EN BENEFICIO DE LOS PAISES EN DESARROLLO QUE AL FIN Y AL CABO REPRESENTAN MAS DEL 75 O/O DE LA POBLACION MUNDIAL: ENTRE 1970 Y 1974, POR EJEMPLO, SE CREARON RESERVAS INTERNACIONALES POR MAS DE 100.000 MILLONES DE DOLARES Y DE ESTA GRAN SUMA LOS PAISES POBRES RECIBIERON MENOS DEL 4 O/O. UN MECANISMO QUE SE PODRIA CONSIDERAR, SERIA QUE LOS ORGANISMOS MULTILATERALES DE CREDITO EMITIERAN BONOS DE RECONSTRUCCION Y DESARROLLO EN LOS MERCADOS INTERNACIONALES Y LOS PAISES DEL NORTE SE COMPROMETIERAN A ADQUIRIRLOS EN PROPORCION A SU RIQUEZA.



PERSONAS COMO EL DOCTOR KISSINGER DE LOS ESTADOS UNIDOS Y EL DOCTOR SCHMIDT DE LA REPUBLICA FEDERAL DE ALEMANIA, HAN RECONOCIDO QUE LA REACTIVACION DE LOS PAISES EN DESARROLLO TENDRIA EFECTO SALUDABLE SOBRE LAS ECONOMIAS DEL NORTE: EN 1982 LA SOLA AMERICA LATINA REALIZO IMPORTACIONES POR MAS DE 85.000 MILLONES DE DOLARES, LA MAYOR PARTE PROVENIENTE DE ESTADOS UNIDOS Y DE LA COMUNIDAD ECONOMICA EUROPEA. PUES BIEN, SI NO ENCONTRAMOS MECANISMOS QUE FACILITEN EL SERVICIO DE LA DEUDA DE ESTOS PAISES, DICHO FLUJO SE CONTRAERA GENERANDO PERDIDAS PARA TODOS LOS INTEGRANTES DEL SISTEMA ECONOMICO INTERNACIONAL. POR TANTO, SE DEBE CREAR UN FONDO INTERNACIONAL DE EMERGENCIA, DE POR LO MENOS 40.000 MILLONES DE DOLARES (ADICIONAL AL DEL FMI), QUE COMPENSE LA CAIDA DE LOS INGRESOS DE EXPORTACION Y PERMITA CUBRIR AQUELLA PARTE DE LA TASA DE INTERES QUE EXCEDIO SU NIVEL NORMAL.

SENORA PRIMER MINISTRO:

HA LLEGADO EL MOMENTO DE PONER EN MARCHA UNA ESTRATEGIA DE DESARROLLO QUE NO PUEDE DEJAR POR FUERA NI A LOS PAISES ARABES, NI A LOS PAISES SOCIALISTAS. EN EL CASO DEL MERCADO DE LA ENERGIA, POR EJEMPLO, UN GRAN ACUERDO DE COOPERACION INTERNACIONAL PODRIA SER DE INTERES, PORQUE SOMOS CONSCIENTES DE QUE EL PETROLEO ES RECURSO ESCASO Y VALIOSO QUE DEBE SER UTILIZADO EFICIENTEMENTE: SERIA ALTAMENTE DESEABLE DISPONER DE UN MECANISMO QUE PERMITIERA EVITAR

CAMBIOS SUBITOS DE LOS PRECIOS DE LA ENERGIA HACIA ARRIBA O HACIA ABAJO.

Y HA LLEGADO EL MOMENTO DE RECONOCER QUE TODOS LOS MIEMBROS DE LA ECONOMIA INTERNACIONAL DEBEN ACEPTAR AJUSTES Y SACRIFICIOS. NO TENDRIA SENTIDO SEGUIR TRANSFIRIENDO LOS COSTOS DEL AJUSTE, A LOS PAISES POBRES. SI NO SOMOS CAPACES DE ADELANTAR ESA COORDINACION, LAS PREOCUPANTES PROYECCIONES DEL CLUB DE ROMA, CUYO PRESIDENTE ACABA DE VISITAR A COLOMBIA, SE ACERCARIAN PELIGROSAMENTE A LA REALIDAD.

AMERICA LATINA Y EL CARIBE, CONFIAN EN QUE EL DIALOGO DE WILLIAMSBURG SEA FRUCTIFERO Y TENGA EN CUENTA ESTAS REALIDADES. EL MUNDO TIENE FIJOS LOS OJOS EN TAN ALTOS ESPIRITUS Y EN GUIAS TAN LUCIDOS.

CON SENTIMIENTOS DE ADMIRACION Y APRECIO LO SALUDA,

BELISARIO BETANCUR

PRESIDENTE DE COLOMBIA

#

224432 COLOMBIA  
442701 PPRES CO

CONFIDENTIAL

Ref. A083/1525

MR COLES

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5.  
h.a.

Economic Summit: Williamsburg

As you know, there has been no preparatory work on the declaration to be made by President Reagan on behalf of his colleagues at the end of the Economic Summit in Williamsburg on 30 May. It has been agreed that, at the end of the plenary session on the afternoon of 29 May, Heads of State or Government should give their Personal Representatives guidance on the structure and content of the declaration as a basis for drafting. As the Americans are in the chair, it will be the responsibility of President Reagan's Personal Representative to write the first draft; but, as President Reagan's latest message to the Prime Minister makes clear, my United States colleague has asked me to work with him on that. The discussion at the last meeting of Personal Representatives showed that that would be acceptable to the other Personal Representatives.

2. I should like to go into that process with some building blocks ready prepared. I should also like - particularly as the Prime Minister will have gone by the time the drafting starts - to go into the process with a reasonably clear idea of what we ourselves would want a declaration to say. It seemed to me that the best way of equipping myself would in fact be to prepare my own draft of a declaration which I could have in my pocket at Williamsburg.

3. I have accordingly prepared a draft, which I have agreed with the Departments concerned. I have assumed that there is not likely to be any marked discontinuity between the United States thematic paper as agreed at the last meeting of Personal Representatives and the final declaration. But the thematic paper was in note form and not wholly free of jargon; I have tried to cast this in a form which lends itself to being read out and which indicates in the text that it is the result of the discussion at Williamsburg. It is consistent with President Reagan's two recent messages to the Prime Minister.

4. I hope that there may be an opportunity to discuss the draft with the Prime Minister and receive her comments and suggestions in the aircraft on the way to Williamsburg.

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5. I am sending copies of this minute and the draft declaration to the Private Secretaries to the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary

ROBERT ARMSTRONG

26 May 1983

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DRAFT DECLARATION

As we have met here at Williamsburg, for the ninth Economic Summit of Heads of State or Government of seven of the largest industrial countries of the world, we recognise that both the industrial countries and the developing countries are still confronted with daunting problems. Our discussion here has convinced us that there exists the basis for making real progress in resolving these problems, in our shared understanding of the nature of the problems, of the objectives which which we should pursue, and of the need for co-operation and coherence in our policies and actions.

2. The world recession has left us all - developed and developing countries alike - with levels of output and unemployment which none of us can regard as acceptable; it has left many of the developing countries with crippling burdens of debt and with insufficient means to service that debt from their earnings; and it has led to a creeping growth of protectionism in world trade, as each country seeks to use protectionist measures on a national basis with the object of keeping businesses and jobs going at home.

3. These problems are not separate, nor separable. Nor can any one country or group of countries resolve the problems on its own. We can solve them only if we work together, and if we tackle them with a co-ordinated approach which takes account of the ways

in which they are linked and interact on each other. In doing so we are determined to avoid the mistakes of the 1970s which contributed to the recession and the instability from which the whole world has been suffering.

4. We have seen signs of improvement, growing in strength over the past year. There has been marked success in the industrialised countries as a whole in reducing the rate of inflation. Recovery of demand and output is gaining ground and broadening. That presents us with an opportunity and a challenge, to ensure that this recovery spreads to the rest of the world, including the developing countries; that it endures; and that it reverses a decade of cumulative inflation and unemployment. This will require steady, purposeful and co-ordinated action across a range of interrelated policies:

- maintaining the fight against inflation, achieving lower interest rates and more stable exchange rates, and to this end intensifying consultation among us on economic policies and market conditions;
- promoting conditions for growth, employment and the creation of new jobs, for structural adjustment, and for the acceptance of technological developments;
- supporting the international financial system, and strengthening world economic co-operation and institutions;

- maintaining the open multilateral trading system, reversing the trend of protectionism and working to achieve greater trade liberalisation;
- recognising that prosperity is more than material gain, and also reflects our basic shared values of political freedom, economic opportunity, cultural creativity and human dignity, and contributes to the defence of these values which also guide our economic and other relations with Eastern countries.

5. The key to all this is a return to sound and sustainable growth: in other words, growth that is not fuelled by and does not generate renewed inflation.

6. Last year at Versailles we instituted a process of consultations to promote convergence of economic conditions in key currency countries, which would among other things contribute to the achievement of greater stability of exchange rates, in the interest of balanced growth and progress of the world economy. This year we note with satisfaction the progress that has been made in this since Versailles, including most recently the Ministerial meeting of the Organisation for Economic Co-operation and Development in Paris earlier this month. We endorse proposals for strengthening monetary co-operation for stability and growth which are described in a separate statement which is being issued with the text of this declaration.

7. That statement refers to the need to avoid a rebound in interest rates, and to encourage investment. We would go further. Though interest rates have come down since we met last year, they are still at levels which discourage investment, and which considerably increase the burden of servicing the debt of the developing countries. They are at these levels in part because they reflect fears about future levels of inflation, and in part because of levels of budget deficits, and therefore of governmental borrowing. It is the more important that we should follow policies which lead to growth without reviving inflation, and that we should intensify our efforts to get and keep budget deficits under control.

8. We have discussed suggestions for a high level international monetary conference to agree upon changes to the international monetary system with a view to restoring greater stability of exchange rates and strengthening the role and institutions of the international monetary system. Though we are all agreed that the conditions do not yet exist in which such a conference would be likely to produce a successful outcome, we are in general agreement on the objectives. We have invited our Finance Ministers, in consultation with the Managing Director of the International Monetary Fund, to define the conditions for improving the international monetary system and to consider the part which might in due course be played in this process by a high level international monetary conference.



9. In our discussions we have reaffirmed our joint and several commitments to the open multilateral trading system, and we have agreed upon the need to halt and reverse the spread of protectionism. The recovery which is under way provides favourable conditions for the progressive relaxation of trade barriers and trade-distorting measures; and opportunities for freer and greater trade are necessary conditions not only of sustained growth in the industrialised countries but also of the progress of economic development and the discharge of the burden of debt service in the developing countries. We have decided to give new impetus to the resolution of current problems in agricultural trade and conflicts of jurisdiction, and to the search for a safeguards agreement as mandated by the Ministerial meeting last November of the contracting parties to the General Agreement on Tariffs and Trade (GATT). We hope that the GATT will press forward its programme for the liberalisation of trade in services. We believe that there should be more frequent meetings of the GATT at Ministerial level in future, with a view to improving the open multilateral trading system, including trade between developed and developing countries. We shall invite our Trade Ministers, and the competent authorities in the European Community, to pursue these matters, in consultation with the Director General of the GATT and all the contracting parties.

10. We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 co-operative projects discussed in that report. We look forward to receiving a further progress report at our meeting in the United Kingdom next year. At the same time we will work together to find ways, without discouraging growth and technological development, to protect and preserve natural resources and to reduce the threats of pollution and disease from industrial processes.

11. We have discussed the implications of the recent fall in oil prices both for the international financial system and for energy supply. We all share the view that a period of stability in oil prices would be helpful to world economic prospects. We are also agreed that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy resources, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

12. Recovery, and a return to sound and sustainable growth in the industrialised countries, is (we believe) the greatest contribution we can make to the welfare

and prosperity of the developing countries, to their economic development and to their ability to service their debts. But more than that is needed.

13. We have agreed to examine ways to improve the effectiveness of the development process and structural adjustment by assuring non-inflationary flows of private and public finance and investment to the developing countries, both bilaterally and through the international institutions. We urge the early ratification of agreements to increase the resources of the International Monetary Fund, through the increases of quotas and of the provisions of the General Arrangements for Borrowing. We reaffirm our commitments to provide agreed funding levels for the International Development Agency and the multilateral development banks, and agree on the importance of adequate replenishment of IDA for the future. We do not believe that there can be any master-plan for dealing with the debt problems that face many developing countries: the problems of each country are different, and have to be considered on their own. But we are agreed that our approach to these problems should be based on the following strategy:

- (1) the need for orderly and effective adjustment in the borrowing country;
- (2) the provision of balance of payments financing by the International Monetary Fund, subject to appropriate conditions;

- (3) the readiness of Governments and central banks to act quickly in response to debt emergencies, in advance of negotiations with creditors and the IMF;
- (4) the readiness of commercial banks to roll over or restructure existing debts and to increase their net lending to developing countries, subject to the limits of commercial prudence;
- (5) the achievement of sound and sustainable recovery in the industrialised countries, as a foundation for lower interest rates and increased trade between developed and developing countries.

14. We are agreed on the importance of official development assistance especially for poorer developing countries. We believe that these resources should be concentrated on such countries and should be related to the greatest extent possible to the development of indigenous food and energy production.

15. We welcome the openness to dialogue with the industrialised countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires. We share their commitment to engage constructively in the forthcoming conference in Belgrade of the United Nations Conference on Trade and Development. We shall be ready at UNCTAD VI to discuss ideas on a desirable recovery and proposals to manage debt problems, facilitate adjustment, promote trade, revive commodity markets and

encourage more private investment in developing countries. We look forward to strengthening dialogue with the developing countries in this and other appropriate fora.

16. We have agreed to continue the work already in progress in various international bodies and fora to develop an agreed analysis of our economic relations with the countries of the Eastern bloc, with attention to our shared security concerns. On this basis we shall each pursue our own policy actions consistently with the agreed principles and analysis, reflecting the fact that our relations with these countries must be compatible with the basic values and security concerns of our own countries.

17. Finally, we have accepted the invitation of the Prime Minister of the United Kingdom to meet again in London next year.

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WILLIAMSBURG: CENTRAL AMERICA AND THE CONTADORA GROUP

1. YOU WILL HAVE SEEN ALREADY MY TELNO 102 (NOT TO ALL) REPORTING THE RECENT CEPAL MEETING IN BOGOTA ADDRESSED BY PRESIDENT BETANCUR WHEN HE UNDERTOOK INITIALLY TO REPRESENT LATIN AMERICA AT WILLIAMSBURG BUT SUBSEQUENTLY TO SEND A MESSAGE SUMMARISING THE CONCLUSIONS OF THE CONFERENCE.

2. WE HAVE JUST RECEIVED A LETTER FROM THE PRESIDENT ADDRESSED TO THE PRIME MINISTER FOR ONWARD TRANSMISSION TO HER. SIMILAR LETTERS APPEAR TO BE GOING TO OTHER HEADS OF STATE ATTENDING WILLIAMSBURG. UNOFFICIAL TRANSLATION IS IN MIFT.

FCO PLEASE PASS ALL AND PASS SAVING TO EC POSTS.

ROBSON

Master  
qs

File

TWP

Subject



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 75/83

10 DOWNING STREET

THE PRIME MINISTER

27 May 1983

Dear Prime Minister,

Thank you for your letter of 9 May, which reached me a few days ago, about the concerns of the Non-Aligned Movement with regard to the prevailing world economic situation and the Williamsburg Economic Summit.

I agree that all countries are affected by the world recession; that we live in a world of growing economic interdependence; and that the developing countries are important for the trade of the developed countries (and, of course, vice versa). I am not convinced, however, that structural reforms are needed in the world economic system. It seems to me that the international financial and economic institutions have adapted well to the challenges which they have faced during the past ten years and that they have displayed a considerable capacity for flexibility and imagination in doing this.

The general theme for the Economic Summit Meeting at Williamsburg is the state of the world economy and the prospects for recovery. My colleagues and I will be reviewing the signs of recovery which are now beginning to emerge in several of the developed countries; considering how this recovery might be nurtured without rekindling inflation; and looking at ways in which the developed and developing countries might co-operate in promoting non-inflationary growth worldwide. The fact that the Sixth Meeting of the United Nations Conference on Trade and Development is due to begin in Belgrade on 6 June will be very much in our minds.

/I was very

qs

I was very glad to have your thoughts on the eve of my departure for Williamsburg.

Yours sincerely  
Rajendra Prasad

Her Excellency Shrimati Indira Gandhi





*File No*

10 DOWNING STREET

*From the Private Secretary*

27 May 1983

WILLIAMSBURG: LETTER FROM THE  
UN SECRETARY GENERAL

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Would you please refer to John Holmes' letter of 26 May.

I enclose a letter to the Secretary General of the United Nations, signed by the Prime Minister. I should be grateful if you would arrange for the contents to be telegraphed to UKMIS New York today and for the signed version to be delivered as soon thereafter as possible.

A. J. COLES

The Resident Clerk,  
Foreign and Commonwealth Office.



File THP  
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10 DOWNING STREET

THE PRIME MINISTER

27 May 1983

Y  
Yours Excellency,

Thank you for your letter of 20 May about the issues which are likely to be raised at the Economic Summit in Williamsburg. There will be no formal agenda for the meeting; but we expect to devote an important part of our discussions to the severe problems faced by developing countries at the present time.

I agree with you that the outcome of the recent OECD Ministerial Council was encouraging. The Council was able to take into account the progress made earlier this year at the IMF Interim Committee in agreeing upon a substantial increase in the effective resources available to the IMF. I also share your view that the main aim for the industrialised nations over the coming months will be to achieve a return to sustainable non-inflationary growth. This will require us to maintain our policies of controlling inflation, resisting protectionist trends, and seeking to reduce interest rates and exchange rate volatility. A lasting recovery among the industrialised countries would in turn enable the developing countries to increase their export earnings and help them to deal with their debt repayment burdens and to invest in the future. We entirely accept that the developing countries will continue to face great difficulties in the period until the recovery is fully established. I have no doubt that ways and means of helping them will be discussed at Williamsburg.

/You refer

R/B

You refer to UNCTAD VI in your letter. I agree that this will be an important conference. My Government has made very careful preparations for the meeting covering the policy areas which you mention, and I hope that UNCTAD VI will be successful.

At Williamsburg we shall have very much in mind the factors which you outline in your letter and I am most grateful to you for letting me have your thoughts about them.

Yours sincerely

Margaret Thatcher

His Excellency Senor Javier Perez de Cuellar

●PART 13 ends:-

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PART ~~14~~ 13 begins:-

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