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Subject: Econ Pol: ^{Summit} (Williamsburg) Pt 13

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

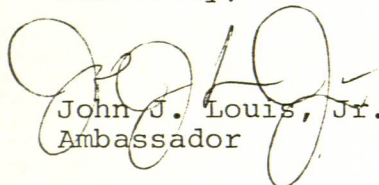
May 9, 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 59/83

Dear Prime Minister:

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

Sincerely,


John J. Louis, Jr.
Ambassador

Enclosure

SECRET

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

SECRET

Dear Maggie,

It is now less than a month before we assemble in Williamsburg. I am satisfied that this Summit will have more flexibility and opportunity for a thorough exchange of views. My earlier letters to you confirmed our common determination to preserve an informal environment, avoid a pre-negotiated communique, and ensure a preparatory process reflecting our personal views at each stage.

The preparations to date reflect the careful contributions of each of you. We have laid a solid foundation of issues and points of view from which to begin our discussions at Williamsburg. Our common objective is to have a well prepared Summit which can produce meaningful results, yet does not begin with a pre-negotiated communique that leaves only a few bracketed phrases for us to resolve. Since this is the first time that we have sought to avoid a pre-negotiated communique, I wanted to lay out for you, in some detail, how I envision the remaining preparations before the Summit and our discussions at the Summit itself.

After the last preparatory meeting, my personal representative circulated a final, integrated summary, outlining the results of the preparatory discussions thus far. Through your personal representative, we requested you to respond with suggested themes for Williamsburg. My personal representative then drafted an initial thematic paper, and he or members of his team met individually with each of your personal representatives to discuss it. The paper has now been revised and I am sending it to you to review before the final preparatory session in mid-May.

May I stress that this paper is merely a point of departure, not a formal agenda for our deliberations at Williamsburg. The most important themes we have agreed on are the inter-relationships among our economies, and the policies we should pursue for a lasting, non-inflationary recovery. The paper also notes areas of both progress and continuing problems, while suggesting a common approach to ensure the new era of growth we want to achieve in the industrial and developing world.

At the mid-May meeting, I would hope you could transmit your further views on the content of the thematic paper. Then, after carefully noting points of agreement and disagreement, our respective representatives can brief us and each leader

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-2-

can gain a better understanding of the general themes and specific results we can anticipate at the Summit. Through your cooperation and participation, we can use the thematic paper as a vehicle to prepare for a more productive Summit.

But let me stress that the thematic paper should not constrain our discussions at Williamsburg in any way. I feel strongly that the outcome of the Summit should be determined by our meetings at Williamsburg, not by a preparatory document. Certainly, we need careful preparatory work and the thematic paper should identify the serious issues we will discuss. However, I do not want us to be faced with a situation where our first conversation centers on the communique, even before we have begun our substantive discussions.

Our thematic paper should serve as background for addressing the serious issues. On the first day of discussions, at our heads-only morning session, we can discuss our overall approach to world economic recovery, including an assessment of current economic conditions, and national and international actions to ensure sustained, non-inflationary growth. In the afternoon, we will be joined by our Ministers, to explore specific issues in more detail, such as domestic policies and international trade and finance, and a review of East-West economic relations. On the basis of these discussions, we will instruct our personal representatives to develop the first draft of the final joint statement.

As we all agree, a successful Summit requires both careful preparation and the necessary flexibility for each of us, as democratically-elected heads of state, or government, to discuss fully our respective points of view, and to decide personally on the collective expression of our message to the world from Williamsburg. I think we have found the right balance between careful preparation, as reflected in the thematic paper, and flexibility as reflected in the process for drafting the joint statement at Williamsburg itself.

I am grateful to each of you for your strong support in taking a new approach to this Summit. I am firmly convinced that our efforts will produce a more meaningful and relevant discussion and a more timely and direct message to the world from those of us who have the leadership responsibilities in our great democracies.

Sincerely,

/s/

Ronald Reagan

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I. SUMMARY INTRODUCTION

THIS IS A TIME OF REAL IMPROVEMENT IN ECONOMIC CIRCUMSTANCES. RECOVERY IS UNDERWAY IN SOME COUNTRIES, AND THIS FACT INCREASES CONFIDENCE THAT IT WILL SOON SPREAD TO OTHER COUNTRIES, BOTH INDUSTRIAL AND DEVELOPING. THE CHALLENGE IS TO INSURE THAT THIS RECOVERY ENDURES AND REVERSES A

DECADE OF CUMULATIVE INFLATION AND UNEMPLOYMENT. TO ACHIEVE THIS GOAL FOR OURSELVES AND FUTURE GENERATIONS REQUIRES STEADY, PURPOSEFUL ACTION OVER BOTH THE SHORT AND LONG TERM ACROSS A RANGE OF POLICIES THAT EXPLOIT AND REINFORCE INTER-RELATIONSHIPS AMONG OUR ECONOMIES, BETWEEN OUR ECONOMIES AND THE INTERNATIONAL TRADE AND FINANCIAL SYSTEM AND BETWEEN ECONOMIC STRENGTH AND WESTERN SECURITY:

— PROMOTING CONDITIONS FOR GROWTH WHILE OPENING MARKETS TO SPREAD AND REINFORCE GROWTH.

-- MAINTAINING THE FIGHT AGAINST INFLATION WITH THE OBJECTIVE OF ACHIEVING MORE STABLE EXCHANGE RATES WHILE INTENSIFYING CONSULTATIONS ON ECONOMIC POLICIES AND MARKET CONDITIONS.

— SUPPORTING THE INTERNATIONAL FINANCIAL SYSTEM WHILE TAKING SPECIFIC STEPS TO REVERSE PROTECTIONISM AND ANTICIPATE NEW EFFORTS TO FURTHER LIBERALIZE TRADE.

-- STRENGTHENING WORLD ECONOMIC COOPERATION AND INSTITUTIONS WHILE PROMOTING ;STRUCTURAL ADJUSTMENT IN BOTH INDUSTRIAL AND DEVELOPING COUNTRIES.

-- RECOGNIZING THAT PROSPERITY IS MORE THAN MATERIAL GAIN, BUT ALSO REFLECTS OUR BASIC SHARED VALUES OF POLITICAL

FREEDOM, ECONOMIC OPPORTUNITY AND HUMAN DIGNITY, AND CONTRIBUTES TO THE DEFENSE OF THESE VALUES WHICH ALSO GUIDE OUR ECONOMIC AND OTHER RELATIONS WITH EASTERN COUNTRIES.

II. ASSESSMENT: REALISTIC OPTIMISM

IMPROVEMENTS IN SOME COUNTRIES ARE UNDENIABLE:

-- MAJOR SUCCESSES HAVE BEEN ACHIEVED IN REDUCING INFLATION.

-- NOMINAL INTEREST RATES HAVE BEEN SIGNIFICANTLY REDUCED.

-- OIL PRICES HAVE DECLINED.

-- PRODUCTIVITY INCREASES HAVE BEEN REGISTERED.

-- SOME SUCCESSES IN CONTROLLING BUDGET EXPENDITURES HAVE BEEN ACHIEVED.

-- CONSENSUS EXISTS TO REDUCE INFLATION AND CREATE THE BASIS FOR SUSTAINABLE GROWTH PROMOTING POLICY CONVERGENCE

AND GREATER STABILITY OF EXCHANGE RATES.

— RECOVERY IN SOME COUNTRIES SPREADING TO OTHERS WILL HELP ENSURE THE REVIVAL OF WORLD TRADE AND EASING OF THE DEBT BURDEN OF MANY DEVELOPING COUNTRIES.

HOWEVER, SERIOUS PROBLEMS REMAIN, ENDANGERING THE PROSPECTS OF AN ENDURING RECOVERY.

— UNEMPLOYMENT, ESPECIALLY AMONG YOUNG PEOPLE, REMAINS INTOLERABLY HIGH AND CONTINUES TO INCREASE IN SOME COUNTRIES.

-- DIFFERENCES IN INFLATION AMONG COUNTRIES REMAIN TOO GREAT.

— INFLATIONARY EXPECTATIONS, FED BY UNACCEPTABLY HIGH FUTURE BUDGET DEFICITS AND THE POSSIBILITY OF EXCESSIVE AND VOLATILE MONEY GROWTH, HAVE KEPT INTEREST RATES TOO HIGH, THREATENING TO CHOK OFF RECOVERY AND PRODUCING DISTORTIONS IN EXCHANGE RATES.

-- PROTECTIONIST PRESSURES THREATEN OUR OPEN TRADE AND FINANCIAL SYSTEM AND PROSPECTS FOR RECOVERY IN BOTH INDUSTRIAL AND DEVELOPING COUNTRIES.

-- UNPRECEDENTED DEBT BURDENS EXACERBATED BY HIGH INTEREST RATES CONTINUE TO CONSTRAIN TRADE AND THREATEN FINANCIAL AND RELATED POLITICAL INSTABILITY IN SOME COUNTRIES.

III. COMMON APPROACH TO A SUSTAINED RECOVERY

NO SINGLE COUNTRY, POLICY OR IMMEDIATE ACTION CAN ENSURE A QUICK OR SUSTAINED RECOVERY. SUCCESS ;REQUIRES A COMMON APPROACH INVOLVING ACTIONS TAKEN NOW ACROSS A BROAD RANGE OF POLICY AREAS, ANCHORED WITHIN A FRAMEWORK OF LONGER-TERM POLICY GOALS AND DECISIONS.

ACTIONS NOW:

-- ENHANCE THE INTENSIVE CONSULTATION PROCESS INITIATED AT VERSAILLES TO PROMOTE CONVERGENCE OF ECONOMIC CONDITIONS IN KEY CURRENCY COUNTRIES AND THEREBY CONTRIBUTE TO GREATER EXCHANGE RATE STABILITY.

-- DEVELOP COOPERATIVE CONSULTATIONS ON POLICIES AND EXCHANGE MARKET CONDITIONS AND, WHILE RETAINING THE FREEDOM TO OPERATE INDEPENDENTLY, BE WILLING TO INTERVENE IN EXCHANGE MARKETS IN A COORDINATED MANNER IN INSTANCES WHERE WE AGREE SUCH INTERVENTION WOULD BE HELPFUL.

-- ENCOURAGE GOVERNMENTS TO REDUCE PROJECTED FUTURE BUDGET DEFICITS, THEREBY LOWERING INFLATIONARY EXPECTATIONS AND HIGH LONG-TERM INTEREST RATES.

-- PURSUE APPROPRIATE NON-INFLATIONARY GROWTH OF MONETARY AGGREGATES TO ACHIEVE AND MAINTAIN LOW INFLATION AND

IN INTEREST RATES.

-- REVERSE PROTECTIONISM AND PROGRESSIVELY DISMANTLE TRADE BARRIERS AND MARKET-DISTORTING DOMESTIC MEASURES.

-- GIVE NEW IMPETUS TO RESOLVE CURRENT TRADE DISPUTES, WITH SPECIAL ATTENTION TO PROBLEMS IN AGRICULTURAL TRADE, CONFLICTS OF JURISDICTION AND THE NEED TO ACHIEVE A SAFEGUARD AGREEMENT BY OCTOBER 1983 AS MANDATED BY THE GATT MINISTERIAL.

-- AGREE TO PRESS FORWARD WITH THE GATT WORK PROGRAM ON TRADE IN SERVICES AND TO INITIATE A STUDY ON LIBERALIZATION OF TRADE IN HIGH TECHNOLOGY PRODUCTS.

-- BEGIN WORK NOW TO ANTICIPATE FURTHER TRADE LIBERALIZATION IN THE GATT, FOCUSING PARTICULARLY ON TRADE WITH THE DEVELOPING COUNTRIES AND THE CRUCIAL LINK BETWEEN THE

ABILITY OF THESE COUNTRIES TO EXPORT AND THEIR ABILITY TO SERVICE DEBT WITHOUT IMPEDING GROWTH.

-- SECURE EARLY RATIFICATION OF THE INCREASES IN IMF AND GAB RESOURCES.

-- REAFFIRM COMMITMENTS TO PROVIDE AGREED FUNDING LEVELS FOR IDA AND THE OTHER MULTILATERAL DEVELOPMENT BANKS.

-- CONTINUE WITH AGREED STRATEGY FOR MANAGING CURRENT DEBT PROBLEMS, INCLUDING EFFECTIVE ADJUSTMENT, ADEQUATE PRIVATE AND OFFICIAL FINANCING, AND SUSTAINED, NON-INFLATIONARY

RECOVERY IN INDUSTRIAL COUNTRIES.

— WELCOME OPENNESS TO DIALOGUE EXPRESSED BY DEVELOPING COUNTRIES AND ENGAGE CONSTRUCTIVELY IN UNCTAD VI, EMPHASIZING OUR PROGRAM FOR A DURABLE RECOVERY AND PRACTICAL PROPOSALS TO MANAGE DEBT PROBLEMS; FACILITATE ADJUSTMENT, PROMOTE TRADE, REVIVE COMMODITY MARKETS; ENCOURAGE MORE PRIVATE AND PUBLIC INVESTMENT IN DEVELOPING COUNTRIES AND STRENGTHEN THE DIALOGUE WITH DEVELOPING COUNTRIES IN APPROPRIATE FORUMS.

— AGREE TO CONSULT AMONG EACH OTHER AND WITH OTHER COUNTRIES TO ADDRESS INTERRELATIONSHIPS AMONG TRADE AND FINANCE IN THE WORLD ECONOMY AND TO ENCOURAGE BETTER COORDINATION AMONG INTERNATIONAL ECONOMIC INSTITUTIONS.

— IMPLEMENT AGREED CONCLUSIONS FOR EARLY ACTION REFLECTED IN THE RESULTS OF WORK PROGRAMS ON EAST-WEST ECONOMIC RELATIONS. (IDENTIFY SIGNIFICANT RESULTS OF PRE-SUMMIT MEETINGS.)

IV. LONGER-TERM POLICY GOALS AND DECISIONS

— SUSTAIN FIGHT AGAINST INFLATION AND STRUCTURAL BUDGET DEFICITS TO ENCOURAGE A HIGHER LEVEL OF INVESTMENT AND NEW JOB CREATION.

— PURSUE THE CONSULTATIVE ARRANGEMENT AGREED AT VERSAILLES TO PROMOTE ECONOMIC CONVERGENCE TOWARD LOW INFLATION AND SUSTAINED GROWTH AND THEREBY ACHIEVE GREATER EXCHANGE RATE STABILITY IN THE CONTEXT OF AN OPEN TRADING, INVESTMENT AND FINANCIAL SYSTEM.

— PROMOTE STRUCTURAL ADJUSTMENT, IN PARTICULAR BY STRENGTHENING TECHNOLOGICAL DEVELOPMENT AND THE PROGRAM FOR COOPERATION INITIATED AT VERSAILLES, TAKING INTO ACCOUNT IMPORTANT SOCIAL AND ENVIRONMENTAL GOALS, AND BY

REVITALIZING RETRAINING AND PUBLIC EDUCATION EFFORTS TO WIN PUBLIC ACCEPTANCE OF SOCIALLY PRODUCTIVE CHANGE AND MOBILITY.

— BASED ON WORK INITIATED NOW, STATE INTENTION TO CALL FOR A GATT MINISTERIAL IN ABOUT TWO YEARS TIME TO CONSIDER LAUNCHING A NEW ROUND OF TRADE NEGOTIATIONS, WITH SPECIAL EMPHASIS ON TRADE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, AND TRADE IN SERVICES AND HIGH TECHNOLOGY PRODUCTS.

— EXAMINE WAYS TO IMPROVE THE EFFECTIVENESS OF THE DEVELOPMENT PROCESS AND STRUCTURAL ADJUSTMENT BY ASSURING NON-INFLATIONARY FLOWS OF PUBLIC AND PRIVATE FINANCE AND INVESTMENT TO THE DEVELOPING COUNTRIES, WITH SPECIAL ATTENTION TO AN ADEQUATE FLOW OF RESOURCES TO THE POOREST COUNTRIES THROUGH IDA, THE IBRD AND SIMILAR INSTITUTIONS.

— CONTINUE EFFORTS TO CONSERVE ENERGY AND DEVELOP ECONOMICAL ALTERNATIVE ENERGY RESOURCES SO AS TO ENSURE

WESTERN ENERGY SECURITY AND ENHANCE ENERGY PRODUCTION IN DEVELOPING COUNTRIES.

— FIND PRACTICAL WAYS TO PROMOTE INCREASED FOOD PRODUCTION IN DEVELOPING COUNTRIES.

-- CONTINUE WORK IN APPROPRIATE EXISTING FORA TO DEVELOP AGREED ANALYSIS OF OUR ECONOMIC RELATIONS WITH THE EAST, WITH ATTENTION TO OUR SHARED SECURITY CONCERNS, AND ON THIS BASIS PURSUE INDEPENDENT POLICY ACTIONS CONSISTENT WITH AGREED PRINCIPLES AND COMMON ANALYSIS REFLECTING THE FACT THAT THESE RELATIONS SHOULD BE COMPATIBLE WITH THE BASIC VALUES AND SECURITY CONCERNS OF WESTERN COUNTRIES.

END TEXT.