

Prime Minutes

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We have arranged a meeting immediately after Easter to discuss Williamsburg.

A.J.C. $\frac{23}{3}$

Ref. A083/0892

MR COLES

Economic Summit: Williamsburg

I went to San Diego, California, from 16 to 18 March for a meeting of Personal Representatives for the preparation of the Williamsburg Summit. I was accompanied by Mr Littler (Treasury) and Mr Evans (Foreign and Commonwealth Office).

Substantive Issues

2. President Reagan's message of 28 January had highlighted two broad topics for the Williamsburg agenda:
 - (1) "an integrated consideration of domestic and international aspects of sustained free world economic recovery", which would cover international economic policy, international financial issues (including the international institutions), trade, and North-South issues;
 - (2) East-West economic relations.
3. There was general agreement among the Personal Representatives that there should be no attempt to split the general economic discussion at Williamsburg into separate subjects or chapters; but there was considerable resistance to any suggestion that East-West economic relations should be treated as a separate agenda item on an equal footing with the general economic discussion. This was most sharply articulated by the French representatives, who said that, if President Reagan insisted on treating East-West economic relations as a separate agenda item, President Mitterrand would insist on North-South economic relations being likewise taken as a separate item.
4. The discussion at San Diego fell broadly into three main sections:

- (1) the general economic situation and the prospects for Williamsburg;
- (2) international trade and debt financing;
- (3) East-West economic relations.

5. On the general economic discussion, there was broad agreement on the theme for the Williamsburg Summit. The Americans were able to point with some confidence to the signs of recovery in the United States economy, and we, the Germans and the Japanese could foreshadow the prospect of some upturn in our Gross Domestic Product in 1983. The French and the Italians were more reserved about the prospects for their own economies, and more cautious about the prospects for sustained world economic recovery. Nonetheless, it was generally agreed that, on the outlook as now foreseen, the Summit should be able to sound a note of optimism and confidence on the prospects for world recovery, and to agree upon the need for the industrialised countries to pursue, each according to its own needs and circumstances, policies which would generate employment and sustained economic recovery without leading to a recrudescence of inflationary pressures.

6. There was some discussion of the effects of the fall in oil prices, and general agreement that, provided that the fall was moderate and gradual, it would contribute to the recovery of the economies of the industrialised countries.

7. There was general agreement upon the need in all countries to control budgetary deficits. The United States representatives recognised that the Administration had not succeeded in bringing down the federal deficit in this term, but were hopeful of doing so by 1988. Some apprehensions were expressed round the table about the possibility that the trend towards economic recovery might be stopped in its tracks by a rise in United States interest rates, which would directly retard activity in the United States itself and would cause acute problems for debtor countries.

8. There was a good deal of discussion on international monetary developments. The increase in quotas in the International Monetary Fund (IMF) agreed by the Interim Committee and the extension of



the General Arrangements to Borrow (GAB) were noted as developments which the Williamsburg Summit could welcome. There was no mention of the idea of a further issue of Special Drawing Rights to help the developing countries. The meeting heard reports on the progress of the studies of intervention and of multilateral surveillance commissioned at the Versailles Summit. Conclusions of the intervention study would be that intervention could play a useful role in helping to secure greater stability of exchange markets, but only a minor and supportive one. The main emphasis must be on wider economic policies and performance. Nevertheless the reports of the studies and the intention of Finance Ministers to follow them up might be noted with approval at Williamsburg.

9. Some delegations - notably the French and the Japanese - stressed the need for greater stability of exchange rates, and the French referred to the "Stabex" scheme for stabilising international commodity prices. The United States delegation reiterated the view that intervention in exchange markets was of only marginal and very short-term significance in this regard: greater stability of exchange rates would follow from greater coherence of economic objectives and greater convergence of policies towards those objectives. There was a suggestion from the United States, which we supported as worth pursuing by Finance Ministers, that these ideas might be developed into fuller guidelines for the outlines of a medium-term strategy which could be used to strengthen the surveillance process and could again be welcomed at Williamsburg.

10. On international trade, there was general agreement that the interests of the industrialised countries and of the developing countries would both be served by the preservation of the open market trading system. The debtor countries would not be able to discharge their debts unless they were able to export to international markets: thus trading opportunities were directly relevant to debt management. It would be very important for the Williamsburg Summit to reaffirm the commitment of the industrialised countries



to the maintenance of the open market trading system, to the avoidance of the creation of new barriers and the removal of existing barriers.

11. The United States delegation made a number of procedural suggestions in this area, notably that:

- (a) there should be more frequent meetings of Trade Ministers of the Summit and other industrialised countries;
- (b) there should be more joint meetings of Trade and Finance Ministers;
- (c) it was not satisfactory that last year's GATT Ministerial meeting had been the first for nine years, and another should be envisaged for 1985;
- (d) there might be something to be said for the Summit setting up an international commission of twelve wise men to rebuild the consensus for free trade.

12. The European Community representatives pointed out that the first two of these suggestions needed to take account of the fact that trade was a matter of Community competence: at international meetings the Community should be represented either by the Commission alone or by the Commission accompanied by representatives of each of the member states. No objection was raised to the idea of another GATT Ministerial meeting in 1985. There was no enthusiasm for the idea of an international commission to rebuild the consensus for free trade: what was needed was not a re-examination of the arguments in favour of free trade but the political will to eschew protectionism.

13. On international debt management, there was general agreement that there could not be an agreed master plan for handling the problems of debtor countries; they would have to continue to be dealt with ad hoc, as with Mexico and Brazil. The elements in the approach to the problem should be:

- (1) there should be effective policy adjustments in borrowing countries; IMF conditionality rules were important in this connection;



- (2) short-term transitional financing should be available ?
from Governments and central banks;
- (3) in the medium-term, resources should be provided through the IMF (subject to conditions on the policies to be followed by borrowing countries), the World Bank and its agencies, bilateral aid programmes, and also (and especially, subject to commercial prudence) from the commercial banks, who would continue to have the major role;
- (4) the open market trading system should be preserved, and the creation of new trade barriers avoided;
- (5) sustained non-inflationary recovery in the industrialised countries would be the greatest contribution those countries could make to the recovery of the developing countries.

14. There were no signs of a French initiative on North-South relations. The Canadian representatives suggested that the developing countries would be looking to Williamsburg for the industrialised countries' response to the New Delhi statement of the meeting of the non-aligned countries. This suggestion did not attract any significant support: the more general feeling was that the message from Williamsburg to the developing countries should be on the lines of the points in paragraph 13 above.

15. On East-West economic relations the United States representatives argued strongly, in the light of the Versailles experience, against attempts to get the subject off the Williamsburg agenda: such attempts would not succeed, and would merely lead to an unsatisfactory discussion and outcome at Williamsburg. We should recognise now that the subject would be discussed, and get it into the right perspective. The United States was not seeking a trade war with the Soviet Union; but it should be recognised that trade with the Eastern bloc was not like other trade. It was therefore suggested that the Williamsburg Summit, basing itself on the principles set out in the Shultz "non-paper" summary of conclusions of



November 1982, should consider:

- (1) the action taken to date in NATO, the OECD, the IEA and COCOM as a result of the Shultz "non-paper";
- (2) the security implications of the trade aspects of East-West relations;
- (3) the possibility of further follow-up action.

This would lay the foundations for a more careful and considered strategy on economic relations with the Soviet Union, which could give important strategic advantages.

16. This produced long and unhappy responses from the French and German representatives, and to a less extent from the Italians and the Japanese. The Germans argued for a dual strategy of avoiding trade with the East which gave the Soviet Union opportunities for political blackmail, while being ready for dialogue, negotiation and cooperation: the Federal Republic needed this dual strategy in order to preserve a modus vivendi in a divided Europe and a divided Germany. The French representative said that the French Government was engaged in the various studies which were in progress, and these studies would probably yield good results if they were conducted objectively and were not pursued towards biased conclusions. If attempts were made to use the Williamsburg Summit as an occasion for seeking to establish a body of doctrine on East-West economic relations, the Williamsburg Summit would run into the same sort of trouble as the Versailles Summit. The French Government would attach more importance to specific decisions and action in COCOM and on the OECD consensus on credit than to trying to establish common doctrine which could prove an unachievable aim.

17. The discussion in the meeting was inconclusive, but contacts in the margins of the meeting showed that this was likely to be the most difficult subject to handle at Williamsburg and in the preparations beforehand. It seems likely that there can be common ground on noting and endorsing the work done in the OECD, the IDA and COCOM as a result of the Shultz "non-paper", and



perhaps on instructions for other specific studies of that kind; but the French will not be willing to countenance any explicit reference back to the principles in the Shultz "non-paper", and will probably have the support of the Germans and the Italians in resisting any attempt by the Americans to introduce into the discussion at Williamsburg or into the public statement at the end of it any general "doctrinal" statements on East-West economic relations.

18. On energy, it was agreed that the implications of the fall in oil prices should be considered in the course of the general economic and monetary discussion; and that unless there was a sharp further fall in oil prices which led to great uncertainty and confusion in the oil markets, there should be no need to call for a report from the High Level Energy Monitoring Group.

19. On the report of the Technology Working Group commissioned as a result of President Mitterrand's initiative at Versailles, the meeting agreed that the report should be published simultaneously in Summit country capitals on 23 March. Personal Representatives would have before them at their May meeting reports from members of the Working Group on progress in following up the proposals and projects set out in the report. The Williamsburg meeting might be asked to agree arrangements for monitoring future progress in this area. The British delegation said that any such arrangements should not involve the erection of any new international bureaucracy.

20. On terrorism and hi-jacking, the meeting noted that this could be reviewed nearer the date of the Summit, but agreed that the assumption should be that, unless something occurred between now and then which called for a reaction from the meeting at Williamsburg, there would be no discussion of the subject at Williamsburg and no reference to it in the final statement.

Administrative Issues

21. Personal Representatives discussed the schedule of meetings at Williamsburg proposed by the Americans, with a view to reducing the amount of moving round by Heads of State or Government and



maximising the time for discussion. We agreed to propose as follows:

- (1) Proceedings on Sunday 29 May should start with a short plenary session which would provide opportunity for a photocall and a statement of welcome by the President.
- (2) Heads of State or Government should meet on their own for the rest of the Sunday morning, with simultaneous interpretation but without notetakers. No attempt should be made to prescribe or suggest an agenda for this meeting in advance. At the same time there should be separate meetings of the Foreign Ministers on their own, to discuss political issues, and of Finance Ministers to discuss specific financial and monetary issues (eg the intervention and multilateral surveillance studies).
- (3) In the afternoon of Sunday 29 May the Heads of State or Government and Finance and Foreign Ministers should meet in plenary session with Personal Representatives as notetakers. The President would report on the morning's discussions of Heads of State or Government; Foreign Ministers and Finance Ministers would report on their meetings in the morning. The object would be that by the end of the afternoon's discussion the Personal Representatives would have material (and if necessary instructions) which would enable them to put in hand the preparation of a draft of the President's final statement.
- (4) There would be a plenary meeting on the morning of Monday 30 May. The first business of that meeting would be to consider the draft of the President's final statement; the object would be to have the draft agreed in time for the President to make the statement at a joint press conference of Heads of State or Government not later than 1.00 pm (so as to be in time for the morning editions of European newspapers the following morning).

22. There would be simultaneous interpretation at the formal meetings. Interpretation at meals would have to be provided by "whispering" interpreters. This is likely to be even more of a



problem than at previous Summits: neither the French President, nor the German Chancellor, nor the Italian or Japanese Prime Ministers have any English.

23. The Americans are at present proposing that dinner on Saturday 28 May and lunch and dinner on Sunday 29 May should all be taken in separate Ministerial groups: Heads of State or Government on their own, Foreign Ministers on their own, and Finance Ministers on their own. Some delegations (including the British) said that their Heads of Government might want one of the Heads of State or Government meals to include Foreign Ministers: perhaps lunch on Sunday 29 May. We shall need instructions if we are to press for this or any other variation from the American proposal.

when we go to the larger groups - we don't see very much work done!

24. The Americans propose a State dinner for all Ministers and delegates on the evening of Monday 30 May. The President will preside and Mrs Reagan will be present. The spouses of other Heads of State or Government will be welcome at the dinner. They will not be expected to come to Williamsburg before the afternoon of Monday 30 May, but those who come to the United States for the dinner will be provided with a programme of events over the weekend in Washington.

25. The President has in mind himself to attend a short church service in Williamsburg's Episcopal Church before the plenary session on Sunday 30 May. Any other Head of State or Government or Minister who would like to attend will be welcome, but the service will not be a Summit event. Invitations will not be issued, but the Americans would like to know in advance who will be attending.

Yes not

26. Arrivals at the airport and at Williamsburg will in principle be in reverse protocol order, and departures in protocol order. Departures from these orders can be arranged by negotiation.

*Prime Ministers
do you wish
to press for a
change?*

A.J.C. 23/3

*Prime Ministers
Will you
attend?*

A.J.C. 23/3

Press arrangements

27. The Americans now expect 6,000 (six thousand) journalists at Williamsburg.

28. The following briefing arrangements are provisionally proposed:

- (1) No briefing or interviews by Heads of State or Government until after the final joint press conference.
- (2) National briefings by official spokesmen after the morning meeting on Sunday 29 May.
- (3) A "Presidency" briefing by a spokesman for the President after the afternoon meeting on Sunday 29 May (content to be broadly agreed at the meeting), supplemented by national briefings by Ministerial or official spokesmen at will.
- (4) Press conferences and interviews by Heads of State or Government after the final press conference.

29. The Americans propose to insert photocalls into the schedule at various points: for instance, at the opening plenary session, and when Heads of State or Government walk from their meeting to lunch on Sunday 29 May.

30. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and the Secretary of State for Energy.

A handwritten signature in dark ink, appearing to read 'RTA'.

ROBERT ARMSTRONG

23 March 1983



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT: WILLIAMSBURG

The Prime Minister read with interest your minute of 23 March.

Your report will of course be considered further at the meeting that has been arranged for after the Easter Recess. It may help you to know that the Prime Minister's marginal comments on your minute indicated:

- (a) some doubt about the wording of the first item suggested by President Reagan for the Williamsburg agenda ("an integrated consideration of domestic and international aspects of sustained free world economic recovery");
- (b) approval of the opposition to the idea of an international commission to rebuild the consensus for free trade;
- (c) some doubt on the statement in your paragraph 13 that short-term transitional financing should be available from governments and central banks for debtor countries.

On your paragraph 23, recording the comment made by some delegations that Heads of Government might want one of the meals to include Foreign Ministers, the Prime Minister has observed that the amount of work done tends to be in inverse ratio to the size of the group.

With regard to your paragraph 25, the Prime Minister proposes to attend the Church Service in the Episcopal Church in Williamsburg.

We shall take up separately the question of whether Mr. Thatcher will wish to attend the dinner on Monday, 30 May.

I am copying this minute to Mr. Fall (FCO), Mr. Kerr (HM Treasury), Mr. Rhodes (Trade) and Mr. West (Energy).

A. J. COLES

25 March 1983

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 ✓ Put Towards Abroad:
 Williamsburg Sept 8
 (Adnan)
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