

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. C.

27 May, 1983

CONFIDENTIAL

Ref. A083/1525

MR COLES

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.

CONFIDENTIAL

CONFIDENTIAL

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

Rf.

Approved by
ROBERT ARMSTRONG
and signed in his absence.

26 May 1983

CONFIDENTIAL

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;

interest rate?

?

U

- 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.

How? } 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.

with a French description?

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 ^{high} 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: *funding mechanism*

- sharp*
- (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 ^{logically} 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.