

CONFIDENTIAL

(Telegram No. 12 of 30 May from UKDel Williamsburg)

Following is text of 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, personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

1 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.

2 Nevertheless, the industrialised democracies continue to face the challenge of ensuring that the recovery materialises 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.

3 We recognise 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 consistent with low inflation and reduced interest rates.

CONFIDENTIAL

- 2 -

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 General Agency on Tariffs and Trade (GATT) and Organisation for Economic Cooperation and Development, including trade in services and in high technology products. For the medium term, we should discuss preparation for new trade liberalisation negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries, looking toward a new negotiating round in due course.

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 among 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 Agency. 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, 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 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 organisations which have in recent months analysed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organisations, 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