WHORM Subject File Code: FO006-06 (Economic Summit, Williamsburg, Virginia, 05/29/1983-05/30/1983)
Case file Number(s): 136000-138999

136360
4000
FO006-06
ME
PR014-08

May, 1983

I am delighted to welcome you to Williamsburg, Virginia, for the 1983 Summit of Industrialized Nations.

Williamsburg holds a special place in America's history. Many of the concepts of freedom and justice that guide us today were developed and nurtured here. As you will see from walking around the village, there was no great wealth and little pomp in our infant nation. What I think you will see in this restoration of an early American town is a simple dignity and goodwill, which we Americans believe we carry with us to this very day.

Our hope is that the basic values and openness which Williamsburg represents will set the tone for the Summit and guide our deliberations. Again, all America joins me in welcoming you.

RONALD REAGAN

Presidential letter: To participants at the 1983 Summit of Industrialized Nations

RR:AVH:pps

Call Margie Crawford, x6687 for pick-up.

(Parvin)
April 11, 1983
4:00 p.m.

PRESIDENTIAL LETTER: TO PARTICIPANTS AT THE 1983
SUMMIT OF INDUSTRIALIZED NATIONS

May , 1983

Dear

I am delighted to welcome you to Williamsburg, Virginia, for the 1983 Summit of Industrialized Nations.

Williamsburg holds a special place in America's history. Many of the concepts of freedom and justice that guide us today were developed and nurtured here. As you will see from walking around the village, there was no great wealth and little pomp in our infant nation. What I think you will see in this restoration of an early American town is a simple dignity and goodwill, which we Americans believe we carry with us to this very day.

Our hope is that the basic values and openness which Williamsburg represents will set the tone for the Summit and guide our deliberations. Again, all America joins me in welcoming you.

Sincerely,

THE WHITE HOUSE
WASHINGTON

April 11, 1983

TO: Patsy Skidmore

FROM: Margie Crawford MC

ID 6687

This is to request that the attached letter be prepared in final form and signed by the President (autopened).

This request needs to be done on a red tag basis so I would appreciate having the final version be noon tomorrow, 4-12-83. For you records, Mr. Deaver has approved this letter.

Thank you for your cooperation.

ID # 136984

F0 006-06

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☑ I - INCOMING

Date Correspondence Received (YY/MM/DD) 83/04/16

Name of Correspondent: Sam M. Gibbons

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: Urges the President to make the current exchange rates and the international monetary system a priority discussion topic at the upcoming Economic Summit to be held in Williamsburg.

ROUTE TO: Office/Agency (Staff Name)	ACTION: Action Code	Tracking Date YY/MM/DD	DISPOSITION: Type of Response	Code	Completion Date YY/MM/DD
La Dube	ORIGINATOR	83/04/18	KD	A	83/04/29
	Referral Note:				
USTR / Bill Maroni	R	83/05/04		A	83/05/13
	Referral Note: letter sent to all signers				
La Dube	A	83/05/24		C	83/05/24
	Referral Note:				
		/ /			/ /
	Referral Note:				
		/ /			/ /
	Referral Note:				

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet to be used as Enclosure
I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: ______

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

ID# 136984
Ltr. sent to all signers

May 13, 1983

The Honorable Sam M. Gibbons
U.S. House of Representatives
Washington, D.C. 20515

Dear Sam:

I would like to take the opportunity of commenting on the thoughtful letter of April 13 to the President signed by you and five of your colleagues. I certainly share your concerns and those of many others in the Congress about the serious problem of the dollar-yen exchange rate and our increasingly large trade deficit with Japan.

As you know, a good deal of groundwork for the Williamsburg Economic Summit has been laid at the just completed meeting of OECD Ministers in Paris. The success of the precedent-setting meeting between trade and finance Ministers, I feel, has prepared the way for a frank and constructive discussion in Williamsburg about trade and monetary linkages in the world economy. Exchange rates and their impact on trade will undoubtedly be among the specific topics discussed.

As a general proposition, greater exchange rate stability in the world monetary system cannot be ensured without increased stability in the underlying economic conditions in key currency countries. Our meetings at Williamsburg may serve a useful end in highlighting this reality and intensifying the consultation process among Summit countries to achieve this goal.

Whether the U.S. Government seeks cooperation with the Japanese to intervene in exchange markets in support of the yen is ultimately a matter for the Treasury to determine. I do intend to continue my discussions with Secretary Regan on this point. As concerned as we all are over the exchange rate problem, there is nevertheless a limit to which intervention can change the fundamentals of the relationship between the U.S. and Japanese economies. Exchange rate intervention is unfortunately not a fully effective tool for improving the underlying competitiveness of our economy vis-a-vis that of Japan.

I am sure you agree that the problems which arise in the exchange rate area should be dealt with through exchange rate and macroeconomic policies rather than through any direct measures to restrict imports or subsidize exports. Preservation of an open market system and rollback of recent restrictions taken by some countries in response to the world recession are essential. Neither the United States nor other national economies can achieve sustained, non-inflationary growth in a world of shrinking international markets. I look forward to working with you and your colleagues on efforts both to further liberalize world markets and to consider appropriate policies in response to our serious exchange-rate related trade problems.

Very truly yours,

WILLIAM E. BROCK

WEB:wmtd

BWalters:mtd
5/13/83: #3124013: due 5/12

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
83 MAY 4 A11:41
3124013

T H E   W H I T E   H O U S E   O F F I C E

REFERRAL

MAY 5, 1983

TO: UNITED STATES TRADE REPRESENTATIVE, OFFICE OF
    ATTN: BILL MARONI

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 136984

MEDIA: LETTER, DATED APRIL 13, 1983

TO: PRESIDENT REAGAN

FROM: THE HONORABLE SAM M. GIBBONS
CHAIRMAN
COMMITTEE ON WAYS AND MEANS
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON DC 20515

SUBJECT: AS PARTICIPANTS IN A RECENT FACT-FINDING MISSION TO JAPAN ON TRADE ISSUES, URGE YOU TO INCLUDE A DISCUSSION OF CURRENT EXCHANGE RATES AND THE INTERNATIONAL MONETARY SYSTEM AT THE UPCOMING ECONOMIC SUMMIT IN WILLIAMSBURG: "UNTIL AN INTERNATIONAL DISCUSSION IS INITIATED IN THIS AREA, OUR EXISTING TRADE PROBLEMS WILL NOT ONLY CONTINUE, BUT COULD BE EXACERBATED BY CONTINUED INSTABILITY IN EXCHANGE RATE RELATIONSHIPS"

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
(OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

April 29, 1983

Dear Carroll:

On behalf of the President, I would like to thank you for the letter which you cosigned with five of your colleagues following your recent fact-finding mission to Japan on trade issues.

We appreciated hearing from you in this regard and receiving your recommendation that the Williamsburg Economic Summit include a discussion of current exchange rates and the international monetary system. Please be assured that your comments on these important issues are receiving close attention and consideration.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Carroll A. Campbell, Jr.
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

KMD/CMP/pt(4DUBER)
cc: w/copy of inc., Bill Maroni, Office of U.S. Trade Rep., Washington, D.C. 20506 - for DIRECT response by Secretary Brock (with copy to Ken Duberstein).
✓ cc: w/copy of inc., Peter Sommer - FYI

WH RECORDS MANAGEMENT HAS RETAINED ORIG. INC.

SAM M. GIBBONS, FLA., CHAIRMAN
SUBCOMMITTEE ON TRADE

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GUY VANDER JAGT, MICH.
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BILL FRENZEL, MINN.
RICHARD T. SCHULZE, PA.
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EX OFFICIO:
BARBER B. CONABLE, JR., N.Y.

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

SUBCOMMITTEE ON TRADE

DAN ROSTENKOWSKI, ILL., CHAIRMAN
COMMITTEE ON WAYS AND MEANS

JOHN J. SALMON, CHIEF COUNSEL
A. L. SINGLETON, MINORITY CHIEF OF STAFF

DAVID B. ROHR, SUBCOMMITTEE STAFF DIRECTOR

31

KD

136984

April 13, 1983

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

During the most recent Congressional recess period, Members of the Subcommittee on Trade of the House Committee on Ways and Means visited Japan. As you know, U.S.-Japan bilateral trade relations have been increasingly strained over the past year. It was our feeling that a fact-finding mission would increase our ability to deal with the many legislative proposals that we expect to be introduced on various trade issues affecting Japan in the 98th Congress. Prior to our departure, the Subcommittee held public hearings regarding U.S.-Japan trade issues.

A common theme of our public hearings and our discussions in Japan, rather than any particular tariff or non-tariff barrier to trade, was the current imbalance in the exchange rate of the U.S. dollar vis-a-vis the Japanese yen. As you know, the dollar has been particularly strong relative to all major currencies in recent months, but due to other factors associated with our trading relationship with Japan, the consequences of the under-valuation of the yen have been particularly significant. U.S. businessmen feel that they have been placed at a competitive disadvantage at home, in Japan, and in third country markets due to the strength of the U.S. dollar. The Japanese with whom we met, including Prime Minister Nakasone, Minister of Finance Takeshita, and others, also indicated that they would prefer to see a stronger yen, as the current currency relationship is both placing Japanese importers at a disadvantage and fueling tensions in the international trading system.

We urged our Japanese colleagues to include a discussion of current exchange rates and the international monetary system at the upcoming Economic Summit to be held in Williamsburg. We would like similarly to urge you to make this subject a priority discussion topic. We feel that exchange rates are a topic of considerable importance and worthy of discussion by the leaders of the world's leading economies. Until an international discussion is initiated in this area, our existing trade problems will not only continue, but could be exacerbated by continued instability in exchange rate relationships.

Sincerely,

Sam M. Gibbons

Sam M. Gibbons, Chairman

Barber Conable

Barber B. Conable, Jr., M.C.

D J Pease

Donald J. Pease, M.C.

Bill Frenzel

Bill Frenzel, M.C.

Frank J Guarini

Frank J. Guarini, M.C.

Carroll Campbell

Carroll A. Campbell, Jr., M.C.

cc:
Honorable Donald T. Regan
Honorable William E. Brock

U.S. National Archives & Records Administration

Current Status Details for CTRH RECID: 137367 MAIN SUBCODE: FO006-06

Current Status	Open
User Name	dbarrie
Status Date	2019-12-16
Case Number	F16-011
Notes	6 p. Transferred to FO006-03

Change Status Close Window

Review Status History

No.	Status	Date	User	Case Number	Notes
1	Open	2019-12-16	dbarrie	F16-011	6 p. Transferred to FO006-03

3118

ID # 138333

FO 006-06

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☑ I - INCOMING
Date Correspondence Received (YY/MM/DD) 83/04/25

Name of Correspondent: Jesse Helms

☐ **MI Mail Report** **User Codes: (A)** ______ **(B)** ______ **(C)** ______

Subject: Urges the President to use the Williamsburg Summit to express this Nation's concerns regarding unfair trade practices.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
Ka Duke	ORIGINATOR	83/04/25	KD	A	83/05/03
	Referral Note:				
NS	R	83/05/05		C	83/05/06
	Referral Note: attn Pete Sommer				
99 DAS	R	83/05/06		B	/ /
	Referral Note: referred by NSC				
	—	/ /		—	/ /
	Referral Note:				
	—	/ /		—	/ /
	Referral Note:				

ACTION CODES:
A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet to be used as Enclosure
I - Info Copy Only/No Action Necessary
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FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: ____________________

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ID 8303118 NATIONAL SECURITY COUNCIL PAGE E01

REFERRAL DATE: 06 MAY 83

MEMORANDUM FOR: STATE SECRETARIAT

DOCUMENT DESCRIPTION: TO: PRESIDENT

SOURCE: HELMS, JESSE

DATE: 21 APR 83

KEYWORDS: CO WILLIAMSBURG SUMMIT

INTL TRADE

SUBJ: URGES PRES TO STRESS ELIMINATION OF UNFAIR TRADE PRACTICES AT

REQUIRED ACTION: DIRECT REPLY FURNISH INFO COPY

DUEDATE: 13 MAY 83

COMMENTS:

FOR MICHAEL O WHEELER

STAFF SECRETARY

May 3, 1983

Dear Senator Helms:

Thank you for your letter urging the President to establish as a major goal of the Williamsburg Summit the elimination of the unfair trade practices of other countries which are harming U.S. farmers.

The President was pleased to hear from you and has asked me to assure you that this issue will be on the agenda for the Summit. We have taken the liberty of sharing your letter with the appropriate advisers to ensure thorough consideration of your specific concerns and recommendations.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Jesse Helms
Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

~~cc: Bill Maroni, Office of U.S. Trade Rep., w/copy of incoming for DIRECT response~~

cc: Peter Sommer NSC, w/copy of incoming - w/copy of inc for DIRECT response

PLEASE NOTE: When this letter appeared on the President's log of Congressional Mail, the President commented "This is on the agenda."

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL

KMD:CMP:vml--

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

138333

April 21, 1983

The President
The White House
Washington, D.C. 20505

Dear Mr. President:

In the upcoming Williamsburg Summit, I urge you to place a high priority on ending the unfair trade practices of other countries which are harming U.S. farmers.

I am pleased that the Williamsburg Summit will allow you and other world leaders to address some of the most pressing problems facing our nations today. International trading practices and their ramifications for employment, income, balance of payments and exchange rates certainly should rank among the most important of these issues. I hope the increasing use of massive export subsidies by a number of our trading partners will receive the same attention as these other pressing matters. Specifically, I urge you to establish as a major goal of the Summit the negotiation of an agreement providing for the establishment of a "work program" designed to reduce, and eventually eliminate, predatory agricultural export subsidies and other unfair agricultural trade practices.

U.S. agriculture, in particular, has suffered from the adverse effects of such subsidies by certain exporting nations. The value of U.S. agricultural exports fell from $43.8 billion in fiscal year 1981 to $39.1 billion in fiscal year 1982, the first year-to-year decline since 1969. Export values are expected to decline to $36 billion this year. Although these declines are a result of several factors, including the strong dollar and generally weak world demand, the decline is also clearly attributable to the export subsidy policies of other exporters, particularly the European Economic Community.

While the United States has continued to lose market shares, the EEC's share of the world market has risen dramatically. EEC exports to countries outside the Community have more than doubled in the past five years. The EEC's 1982 exports of over $80 billion in farm products to all sources will continue two decades of uninterrupted gains in their farm exports. This dramatic growth is closely correlated with increases in export subsidies. In 1976, the EEC exported $12 billion of agricultural commodities to non-EEC members, using approximately $2 billion in direct export subsidies. In 1982, the EEC exported nearly $30 billion of agricultural commodities to non-EEC members using nearly $8 billion in direct export subsidies.

Today, many countries' agricultural sectors face serious problems including weak demand, mounting surpluses, escalating government costs for agricultural programs, and declining farm incomes. Certainly these problems characterize the agricultural sectors of both the EEC and the United States. The EEC, however, attempts to export its farm problem through excessive export subsidies. These export practices are causing U.S. market shares to erode, thereby compounding the problems confronting U.S. farmers. Lost export markets cause not only declines in farm income and growing agricultural surpluses, but also result in fewer jobs and less economic growth throughout the entire economy. Lost sales have a negative impact on the U.S. balance of payments and contribute to our escalating trade deficit. Export declines also result in a general slowdown of U.S. business activity since every dollar received from farm exports is more than doubled in the economy. The $4.7 billion drop in agricultural exports from 1981 to 1982 represents a loss of over $9.4 billion in total U.S. business activity.

Employment levels are also adversely affected by export declines. About 1.2 million U.S. citizens are employed in private sector jobs, on and off the farm, related to the production, processing, assembling, and distribution of agricultural exports. More than 630,000 of these jobs are in the non-farm sector. In this time of high unemployment, U.S. citizens cannot afford to have jobs eliminated because of the predatory trading practices of other nations.

Declines in U.S. sales abroad are also costly to U.S. taxpayers. Lost export sales result in increased costs for Federal farm programs.

All trading nations pay for export subsidies. The United States pays for these subsidies in the form of lost markets. The EEC also pays for their export subsidies with escalating fiscal outlays. Moreover, the EEC's export subsidy policy perpetuates an inefficient agricultural sector within the Community. It benefits neither the United States nor the EEC to have these trading practices continue.

I should add, however, that it is not my recommendation that the United States ask the EEC to do anything that we ourselves have not been willing to do. It is a matter of EEC internal policy whether to maintain an inefficient agricultural production base. But it becomes our business when they construct their farm programs in a way that irresponsibly disrupts the world trading system. The United States has been careful to make sure that its domestic farm programs do not disrupt world trade. Rather, the United States has used domestically-oriented farm programs that do not significantly affect the international market. These programs include the target price, farmer-owned reserve, acreage diversion and the "crop swap" PIK programs. The Community, however, does not share our view in this matter, adopting farm programs which are extremely disruptive to world markets. We have no argument with the Europeans if they choose to retain a high level of domestic farm subsidies, as long as they deal with any resulting problems internally.

Along with the majority of other participating countries, the United States attempted last November at the GATT Ministerial in Geneva to address the export subsidy practices of the EEC. Despite a wide consensus of worldwide opinion against the Community's practices, the EEC was successful in blocking any attempt to resolve these issues. I sincerely hope that you can be more successful at Williamsburg.

U.S. farmers can compete with anyone, anytime, anywhere as long as the trading rules apply equally to all players. Today this is not the case. The EEC trades by its own rules. Their use of export subsidies has knocked out fair competition. If the United States is to retain its fair share of world markets, comity and fairness must be restored to the international trading system. The Williamsburg Summit presents an unparalleled opportunity to address these trading problems. Highlighting these issues will demonstrate the high priority the United States places on the resolution of these issues. Failure to address these problems at the Williamsburg Summit will convey a lack of resolve and concern and serve to encourage those countries using massive export subsidies to continue in their ways.

In this regard, I urge you to stress at the Williamsburg Summit that a simple freeze of the EEC's price supports and subsidies at current levels is not a meaningful way to resolve the problem. Rather, we must adopt a specific work program in which there is established a clear time-frame for negotiating a plan which would include the reduction of, and ultimately the elimination of, export subsidies and concomitant modifications of domestic price support programs.

Again, I urge you to use the Williamsburg Summit as an opportunity to articulate this Nation's concerns in this matter and thereby demonstrate our resolve and commitment to negotiate a favorable resolution of these trading problems.

Sincerely,

Jesse

JESSE HELMS
Chairman

NSC/S PROFILE UNCLASSIFIED ID 8303118

RECEIVED 06 MAY 83 14

TO PRESIDENT FROM HELMS, JESSE DOCDATE 21 APR 83

DUBERSTEIN, K 03 MAY 83

138333

FO006-06

KEYWORDS: CO WILLIAMSBURG SUMMIT

INTL TRADE

SUBJECT: URGES PRES TO STRESS ELIMINATION OF UNFAIR TRADE PRACTICES AT WILLIAMSBURG SUMMIT

ACTION: *RECOMS TO NSC/S DUE: 09 MAY 83 STATUS S FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
SOMMER		SOMMER
		NAU
		MCMINN
		BAILEY
		TYSON

COMMENTS *WE RECOMMEND SENDING THIS TO STATE FOR DIRECT RESPONSE,

YES ; NO ; OTHER ; Peter Sommer

REF# 138333 LOG NSCIFID (N /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
State	C 5/6	Direct Reply Furnish Info Cy		BS

DISPATCH 5/6 SE W/ATTCH FILE WH (C) [illegible]

BB

Date: 5/3/83 138700CA FG006-0? PU PR10

To: See Distribution Below

From: Rentschler Group

Subject: Williamsburg Clippings

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Richard Darman
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PA: Ann McLaughlin

USIA
Gilbert A. Robinson

Expected to Intensify U.S.-French Dispute

By Art Pine
Staff Reporter of The Wall Street Journal

WASHINGTON—Differences over a new "coordinated" currency-market intervention policy adopted by the finance ministers of the seven big industrial democracies are expected to intensify the growing U.S.-French dispute over economic issues.

At a meeting here this weekend, the seven ministers—representing the U.S., West Germany, Japan, France, Britain, Italy and Canada—promised "closer consultations" on exchange-market conditions. And, for the first time, they said they are "willing to undertake coordinated intervention" in instances "where it is agreed that such intervention would be helpful." Governments intervene in the markets by buying or selling currencies to influence exchange rates.

However, immediately after the ministers' meeting, U.S. Treasury Secretary Donald Regan proclaimed that the accord won't affect existing U.S. policy, which is to limit government intervention to rare instances when the markets are in unusual turmoil.

The Treasury secretary told a news conference that had the new accord been in effect during the past year, the U.S. wouldn't have intervened any more frequently than the six times it actually did. "The policy of this administration has been and continues to be that we consider intervention to be useful only in instances of a disorderly foreign-exchange market," he said.

Mr. Regan also sought to damp expectations that the new agreement to "coordinate" intervention would result in a major departure from previous policy. "This means we'll call 'em up on the telephone and tell 'em we're going to do it and see if they want to go along," he said. "If they do, it's coordinated intervention. If they don't, it's unilateral intervention. If more than two countries do it, it's multilateral intervention."

Although the Reagan administration's position had been well known for a year, Mr. Regan's remarks drew cries of foul play from France, which had been hoping to portray the accord as a major change in the industrial nation's intervention policy. At a weekend news conference in Washington, French Finance Minister Jacques Delors said he felt "burned again" by the U.S. when he heard about Mr. Regan's remarks. He compared the incident to the seven-nation economic summit conference at Versailles last year, when France and the U.S. "agreed" on similar accords over intervention and East-West trade, only to find later that each was interpreting the agreements differently.

Adoption of the accord followed the publication of an 11-month study that had been intended to help patch up the rift between the U.S. and France. As expected, the study—conducted by a group of subcabinet officials from each of the seven countries involved—produced a series of conclusions that both sides could claim as a victory.

The study determined that intervention has been "an effective tool" in the short run, but that it doesn't have much effect unless countries also change their domestic policies to correct fundamental economic problems. At the same time, the study argued that regardless of whether a country alters its policies, intervention is more effective if two or more governments coordinate their entry into the markets than if one nation attempts it alone.

The pledge to "coordinate" intervention appeared to parallel recent suggestions by Chairman Paul Volcker of the Federal Reserve Board. However, Mr. Regan's statement made it clear that the Reagan administration wouldn't step up intervention as Mr. Volcker has suggested. "The Treasury makes these decisions," Mr. Regan said. "We listen to (the Fed's) advice, but we don't have to take it."

The post-accord sparring followed a heated argument between the U.S. and France at the finance ministers' meeting over details of the wording in the four-paragraph communique. Compromise came after the British proposed vague language that both sides could accept.

There were some indications that bitter-

onto preparations for the 1983 seven-nation economic summit scheduled for May 28-30 in Williamsburg, Va.

Top French officials have intensified their criticism of U.S. economic policies in recent weeks, partly, it has been widely speculated, to use the U.S. as a scapegoat for their own domestic economic problems. But the barrage of criticism—in which French President Francois Mitterrand accused the U.S. of "economic imperialism"—clearly has irked top Reagan administration policymakers. At his news conference, Mr. Regan bluntly singled out France and Italy—an unusual step in a public forum—as two countries that hadn't followed through on a pledge at the Versailles summit conference last year to adopt policies designed to combat inflation.

Mr. Delors, however, insisted that the new accord required more frequent intervention. "If they (U.S. officials) don't believe it, let them look at the text," he said. He charged that the U.S. hadn't "grasped the seriousness of the world economic problem."

France has contended that U.S. refusal to intervene has been a major factor behind the unusual volatility in the currency markets in recent years. Europeans have complained that wide fluctuations in currency values cause distortions in the world economy that hamper the flow of business. The U.S. argues that the fluctuations stem from the disparity between the more growth-oriented economic policies of Italy and France and the more austere measures of other major industrial countries.

However, not all Europeans share France's desires for stepped-up intervention in the exchange markets. West German Finance Minister Gerhard Stoltenberg said over the weekend that the study confirmed Bonn's view that intervention could accomplish very little unless countries changed their economic policies as well. And the British generally back the Reagan administration's views on the issue.

Just before the finance minister's meeting, the joint development committee of the International Monetary Fund and the World Bank voted to begin work on a proposal that would increase the lending capital of the World Bank to bring it in line with a recent expansion of IMF lending resources. The proposal is to be taken up at the annual meeting of the IMF and World Bank in September.

However, U.S. officials indicated that any increase would be small. A.W. Clausen, president of the World Bank, suggested to reporters that the bank would need contributions of as much as $40 billion from the industrial countries by 1985 to maintain its current lending. But Mr. Regan told reporters that "most of us would discourage Mr. Clausen from expecting that kind of money."

The U.S. also agreed to begin discussions in September on a plan for a new issue of "special drawing rights," the artificial reserve asset that the IMF creates and allocates among member nations in an effort to bolster world-wide liquidity. Here, too, however, officials indicated that any increase is likely to be small—perhaps around $5 billion.

Wall Street Journal

5/2/83

SUMMIT CLIPS

4/29-5/2

Journal of Commerce

[redacted] 5/2/83

Market Intervention Held of 'Limited' Use

By RICHARD LAWRENCE
Journal of Commerce Staff

WASHINGTON — The United States and six other major industrial nations have agreed to continue to not necessarily agree on foreign exchange policy intervention.

The United States will maintain its policy of intervening sparingly in the markets, Treasury Secretary Donald Regan said Friday, on the release of a study prepared by financial authorities of the United States, Britain, France, West Germany, Italy, Japan and Canada.

The study had been ordered by leaders of the seven countries at last year's economic summit, to help clarify their nations' different market intervention policies.

In a joint statement Friday, Mr. Regan and the finance ministers of the other six nations said "greater exchange rate stability" is a "major objective and commitment" to be achieved through "compatible mixes of policies supporting sustainable non-inflationary growth."

Official market intervention, they said, can "under present circumstances" be of only "limited" use, such as to "counter disorderly market conditions and to reduce short-term volatility." Normally, they said, it is "useful only when complementing and supporting other policies."

The ministers agreed "on the need for closer consultations on policies and market conditions" and said that they "are willing to undertake coordinated intervention . . . where it is agreed that intervention would be helpful."

In his own statement, Mr. Regan was more pointed. While, he said, intervention can have a "limited, short-term impact on exchange rates . . . it is basically incapable of changing underlying trends and attempts to use it for this purpose can be counter-productive."

Even coordinated intervention by two or more countries has a "limited and transient" impact, he said.

The United States, he said, still considers intervention useful "only in instances of a disorderly foreign exchange market," which he refused to define.

The study acknowledges that "there is no unique definition of what conditions in the market are indicative of this order." It has "never been possible," it says, to "devise a comprehensive operational definition . . ."

The study confirms that the major industrial countries have different intervention policies. Canada, France, Italy and West Germany are described as "day-to-day" interventors, while Britain has reduced its intervention in recent years. Japan has intervened less often than the Europeans but at times to a large degree. Since early 1981 the United States has intervened in "very few instances," according to the study — about a half dozen times, U.S. officials say.

There is "no simple, unambiguous way of accessing the effects of intervention," the study finds, but it notes that intervention has, at times, helped smooth exhange market conditions.

Cited are Britain's countering "bouts of sharp selling pressures" on the pound in mid-1981, Japan's attempt to slow the yen's rise in 1977-78, and West German and U.S. efforts to stabilize the mark-dollar rate in 1978 and 1980.

But, the study stressed, basic economic policy is the key to exchange rate stability.

Mr. Regan, in his comments Friday, suggested that France and Italy have still not "lived up to" pledges by the major industrial nations to pursue policies designed to promote economic harmony. France, he said, has not adequately managed its money supply.

Mr. Regan indicated that he would welcome a decline in the U.S. dollar, partly to help the U.S. trade balance. But, rather than intervene in the exhange markets, he apparently is pinning hopes that a further reduction in U.S. interest rates will lower the dollar.

Washington Post 5/1/83

Dollar's Dominance Debated

Caroline Atkinson
Washington Post Staff Writer

The strong dollar, long the target of bitter complaint from abroad, is now hurting U.S. industry and employment.

Officials expect it to lead to a gaping trade deficit this year, hurting U.S. exports and aiding imports, and thus eating into the strength of the economic recovery now under way.

The dollar's dominance over other currencies has stirred a top level international debate over currency intervention—when governments buy and sell currencies in the foreign exchange markets in an attempt to influence the values of the currencies in relation to each other.

This country's allies in Europe and Japan would love to see the United States intervene to try to make the dollar weaker. They were encouraged by the recent statement by Federal Reserve Board Chairman Paul A. Volcker that intervention "may . . . have a modest but useful" role to play.

But Treasury Secretary Donald T. Regan reiterated on Friday that the administration remains opposed to intervention in the foreign exchange market except on extremely rare occasions, and then only to counter disorderly markets or extreme exchange rate volatility.

Regan spoke at the release of a study by the seven summit nations of the industrialized world, claiming that the study backed the administration position. The French—who are most in favor of joint intervention to bring currencies into line—believe that the U.S. refusal to intervene heavily in foreign exchange markets is part and parcel of its failure to use its economic power to lead the world out of recession.

The working group that prepared the study, senior monetary officials from the United States, West Germany, France, Canada, Italy, Japan and Britain, did not spend much time on the fundamental issue of what governments are trying to achieve when they go into the foreign exchange markets.

Instead, it concentrated more, in the words of one expert, on the narrower issue of whether "we have a separate policy tool that is called intervention," and, if so, how effective that tool is.

One part of the U.S. argument against intervention is that if authorities buy and sell currencies in such a way as to leave monetary policy unchanged, then experience suggests that they will have only a limited impact on exchange rates. If, on the other hand, they allow the intervention to affect monetary policy then the impact can be very much greater. But in that case it is hard to work out how much of the effectiveness is due to the change in monetary policy and how much to the intervention.

Moreover, if governments are content to change monetary policy in order to influence exchange rates, they may as well do that directly rather than indirectly through intervening in the markets, the U.S. argument goes. And if they are happy with their domestic monetary and fiscal policies then they should not try to interfere with the market's judgment about their currency rate. In the end, exchange rates will be determined by the huge private currency markets according to fundamental factors of inflation, trade flows, interest rates and so on, Treasury officials say. Intervention is just not a strong enough tool to outweigh these factors, they say.

The study, however, suggests that intervention can be far more effective than administration officials say. It does not, in the words of one expert, "make a case for everyone to go their own way on monetary policy and fix it up with intervention."

But it does say that intervention can increase the effectiveness of other policies, particularly monetary policy, and can achieve several limited, short-term goals such as slowing rapid and volatile currency movements and protecting a psychological benchmark for a currency, which if broken could set off a bandwagon movement that might not reflect underlying economic conditions.

The study also shows that if governments coordinate their action in the foreign exchange markets it is generally more effective. But as governments discuss with each other whether or not to undertake coordinated intervention, they are likely to be led back into the question of what they hope to gain from it.

One possible objective is greater exchange rate stability. Although the research evidence so far does not suggest that variable exchange rates are damaging—they do not appear to inhibit trade, for example—many people "are not sure that the last word's been said" on that, one expert said. Even Regan complained this week that exchange rate volatility was damaging to world economic health.

The other, more ambitious, aim of heavy intervention is to correct what are perceived as "misaligned" exchange rates. This of course begs the question of whether governments or markets are the best judges of correct exchange rates. Many experts would probably agree with Volcker that "from time to time it may be possible [for governments] to reach a consensus on when exchange rates seem clearly 'wrong.'" But such thinking runs counter to the administration's free market philosophy.

There is a further use for intervention—as part of a wider exchange rate policy. For some nations at some times, domestic policies are tailored at least partly to achieve a particular exchange rate.

Even if this is not the case, as in the United States now, there is an argument for using exchange rate movements as a guide to what changes may be appropriate in domestic policy. If, for example, a currency is persistently weaker than the government would like, this may suggest that domestic policies are too loose. "Exchange rate movements can help 'tell us' something useful," Volcker said. Finance ministers of the seven summit nations agreed to watch exchange rates as a guide to needed changes in domestic policy.

The reasoning behind this helps explain the French accusation against U.S. exchange rate policy. The strong dollar is an indication, some would say, of excessively high U.S. interest rates and overtight monetary policy.

The administration's refusal to intervene to bring the dollar down is thus akin to its refusal to bring down interest rates or take the lead for pulling the world out of recovery. Administration officials in turn can argue that the French support for intervention avoids the real issue behind the weakness of the French franc, which is that French economic policies until recently have been too inflationary.

Disagreements over currency intervention can therefore sometimes reflect deeper disagreement over broad economic objectives, rather than more technical disagreements over how best to achieve them.

Washington Post

4/30/83

White House Trade Plan Is in Trouble

By Stuart Auerbach
Washington Post Staff Writer

A House subcommitee yesterday virtually ignored the Reagan administration's proposal to tighten controls on the flow of Western technology to the Soviet Union. Instead, it drafted its own bill denying the president some of the sweeping powers he requested.

In its second day of marking up legislation to renew the Export Administration Act, the House subcommittee on international economic policy and trade omitted the most controversial administration proposals to limit the flow of Western high technology products to the Eastern bloc.

The markup is expected to be finished early next week and the bill is scheduled to go to the full House Foreign Affairs Committee Thursday, where the subcommittee version is expected to be reported to the floor.

While differences between the House and the administration over curbs on trade with the Soviet bloc have not taken on the proportions of the current debate over President Reagan's policy in Latin America, the foreign affairs subcommittee's action on East-West trade is shaping up as a major challenge to the White House.

The administration appears to be faring better in the Senate, which one staff member said has more "security-concious people of both parties" than the House.

President Reagan's proposal has created a massive rift with Western European nations, who—in exceptionally strong language for diplomatic exchanges between close allies—protested that the administration bill violates international law and is "unacceptable in the context of relations with friendly countries."

The issue threatens to disrupt the western economic summit in Williamsburg over Memorial Day weekend.

The internal debate over the renewal of the Export Administration Act, moreover, brought into the open sharp differences between hard liners, who pressed for the strongest possible controls to stop the flow of technology to the Soviets, and more moderate members of the administration, who insist America's security is better protected by promoting international trade to speed the country toward economic recovery.

Despite complaints by American exporters and the 10-nation European Economic Community that the

See TRADE, F9, Col. 1

White House Plan on Soviet Trade Rebuffed in House Subcommittee

TRADE, From F8

bill goes too far in restricting trade with the Soviet bloc, some of President Reagan's supporters are pressing for even stronger legislation to protect national security.

The administration proposal, introduced April 5 after months of internal debate, would allow the president to place curbs on all imports from any country that goes against American sanctions by trading with Communist countries. The proposal also calls for the extraterritorial extension of presidential authority in national security cases to foreign subsidiaries of American companies, making them bound by U.S. law as well the law of the country in which they are incorporated.

These provisions have been eased by the House subcommittee, which is approving a bill sponsored by its chairman, Rep. Don Bonker (D-Wash.).

The administration's version, nonetheless, has excited opposition within the EEC, which has sent two diplomatic messages to the State Department within the past six weeks. The latest message was handed to Assistant Secretary of State Richard T. McCormack Thursday by Sir Roy Denman, the EEC's ambassador to Washington, and West German Ambassador Peter Hermes, representing the country heading the community's Council of Ministers.

The EEC concerns over the current proposal are an outgrowth of President Reagan's attempts last summer to impose sanctions on European companies working on a natural gas pipeline from the Soviet Union to Western Europe. The president ordered penalties—later lifted—on companies for following orders by the European nations in which they are based to honor existing contracts despite American trade controls.

"This extraterritorial reach," the EEC said in the first of its two diplomatic complaints, "enables the president to impose export controls for reasons of foreign policy adopted by the United States, but not necessarily shaped or shared to the same extent by friendly countries."

The EEC, furthermore, said administration attempts to ease objections by adding a "contract sanctity" clause are too limited. The 270-day period allowed by the clause for the movement of goods already covered by a contract is too short for industrial products, though it is probably long enough to cover most agricultural contracts, the EEC said. The clause is further undermined, the EEC said, by provisions that allow the president to override it in cases of national security.

"It is in the interest of both parties that disputes over U.S. export controls should be avoided in the future" to prevent the "considerable political disruption and commercial damage" that arose from the pipeline dispute, the EEC diplomatic com-

Washington Post 4/30/83

Regan Denounces Currency Proposal

By Caroline Atkinson
Washington Post Staff Writer

Treasury Secretary Donald T. Regan yesterday rebuffed European and Japanese attempts to shift U.S. policy towards more intervention in currency markets, declaring that "the policy of this administration has been and continues to be that we consider intervention to be useful only in instances of a disorderly foreign exchange market."

Regan's statement was released only minutes after the finance ministers of the seven major industrialized nations—including the United States—issued a joint statement that appeared to sanction somewhat more coordinated, government intervention in order to stabilize the dollar and other currencies.

The secretary's comments also came just days after Federal Reserve Board Chairman Paul Volcker spoke out in favor of occasional "coordinated" intervention by governments to dampen sharp currency swings. Regan said he listened to the Fed chairman's advice, "but, I can take it or leave it . . . remember, the decision is mine" in the international arena.

The group of finance ministers, which included Regan, had spent the afternoon in Washington discussing a joint study on the effectiveness of exchange rate intervention. The study was established at last year's economic summit meeting in Versailles after the seven nations failed to reach agreement on an intervention policy.

The seven nations involved in the study were the United States, Britain, France, Canada, Italy, West Germany and Japan.

The results released yesterday were inconclusive enough for all sides to draw some comfort. However, they suggested intervention could be useful in far more cases than the U.S. position would imply.

Regan agreed that the United

See CURRENCY, A14, Col. 1

Economic indicators show gains for the seventh straight month. F8

Regan Rules Out Currency Intervention

CURRENCY, From A1

States also would approve intervention aimed at countering "short-term volatility" of exchange rates, but he stressed that, despite this form of words, which some had thought might imply more intervention in future, U.S. policy had not changed.

He rejected complaints that the United States has contributed to instability in exchange markets by its large budget deficits and high interest rates. He also accused France and Italy of failing to live up to a pledge made by the seven nations at last year's summit to pursue policies aimed at greater convergence of their economies. Currencies will become more stable only when "underlying economic and financial conditions" permit, he said.

The administration position on currency intervention has drawn fire from U.S. allies since 1981 when the Treasury declared that it was giving up large-scale buying and selling of currencies that used to be common, and would intervene in the foreign exchange markets only very rarely, if it considered it necessary to calm turbulent trading. Since then, the U.S. government has intervened in the markets only about half a dozen times, a Treasury spokesman said yesterday.

Regan acknowledged that the contentious issue of whether and when to intervene in currency markets would continue to be discussed, and it will undoubtedly be raised at the summit meeting of the seven nations in Williamsburg next month. He also left open the possibility that, in the future conditions might change sufficiently to justify more intervention. But he said that if the future currency market conditions were the same as in the past, the United States would act just as it had in the past.

France has been particularly opposed to the U.S. policy of laissez-faire in the foreign exchange markets, but all the industrialized nations engage in more intervention than does the United States.

The joint statement of the finance ministers conceded that "under present circumstances, the role of intervention can only be limited." But it said that, in addition to countering "disorderly" markets, and short-term volatility, intervention "may also express an attitude toward exchange markets." It said that the finance ministers were "agreed on the need for closer consultations on policies and market conditions and . . . are willing to undertake coordinated intervention in instances where it is agreed that such intervention would be helpful." The study concluded that intervention was more effective when it was done in a coordinated fashion.

Regan told reporters that t
United States had already be
doing coordinated intervention a
though "we didn't know we were d
ing" it. He said coordination mea
"we call them up on the telepho
and tell them we're going to do
and see if they want to go along.
they go along with us, that's coor
nated intervention. If they don't
along with us, it's unilateral int
vention."

7 Leading Nations Plan Currency 'Coordination'

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, April 29 — Finance ministers of the seven leading industrial countries said today that they were willing to undertake "coordinated" intervention in foreign exchange markets to try to prevent excessive gyrations of currency values.

But Treasury Secretary Donald T. Regan said that the statement should not be taken as an indication of a policy change by the United States, which favors intervention only in disorderly markets.

The statement was issued after a meeting of the finance representatives of the United States, Britain, France, West Germany, Italy, Japan and Canada, held today to prepare for the economic summit conference in Williamsburg, Va., on Memorial Day weekend.

Mr. Regan told newsmen that the United States understood "coordination" to mean only that other governments should be informed of what the United States was doing.

"The policy of this Administration has been and continues to be that we consider intervention to be useful only in instances of a disorderly foreign exchange market."

The issue of whether the United States should undertake a more active policy of buying and selling currencies to influence the rate of the dollar has been among the more divisive in eco-

Continued on Page 33

New York Times

4/30/83

Currency 'Coordination'

Continued From First Business Page

nomic relations among the industrial countries.

The Europeans, led by France, have pressed for more active intervention because they said their economies were being hurt by the high value of the dollar.

Following conflicts that erupted at last year's economic summit meeting at Versailles, France, the seven countries agreed to a study that was published today on the effects of past intervention. The study found that intervention could be an "effective tool" in reducing currency volatility in the short run, but could have a more durable impact only if undertaken with basic policy changes.

The carefully worded document was taken by both France and the United States as vindication of their positions. Ministers of the seven countries made the following statement today as their study was released by the United States Treasury:

"We are agreed on the need for closer consultations on policies and market conditions; and, while retaining our freedom to operate independently, are willing to undertake coordinated intervention in instances where it is agreed that such intervention would be helpful."

Mr. Regan told reporters that, given present conditions, the United States would be intervening no more than in the past.

U.S. Interventions

An aide said that the Reagan Administration had intervened a total of six times so far, once on March 30, 1981, when the President was shot.

Asked about recent statements of the chairman of the Federal Reserve Board, Paul A. Volcker, that the United States should consider limited intervention "when exchange rates seem clearly wrong," Mr. Regan said that it was the Treasury, not the Federal Reserve, that set the policy. In response to another question, he said that the Fed's advice "stopped at the waterfront."

The public comments were viewed as unusually blunt. Mr. Volcker's term as the Fed chairman expires in August and President Reagan has not said whether he would be reappointed.

In another blunt response to a question, Mr. Regan singled out France and Italy as having not lived up to commitments made at Versailles.

He later said he felt that France "could do a lot better in reducing inflation and getting its money supply down." The singling out of specific countries for criticism was considered unusual.

The currency study detailed a number of specific examples of coordinated monetary intervention. It noted that in late January 1975 the United States itself wanted "coordinated and more forceful" central bank intervention. "Following concerted intervention operations at the beginning of February, the dollar had risen immediately and the pattern of virtually continuous daily drops in the dollar had come to an end," the report said.

Mr. Regan conceded that intervention on a coordinated basis by two countries could have a "bigger impact, basically for psychological reasons, than intervention by a single country." But even here, he noted, the impact was "limited and transient."

The finance ministers attending, besides Mr. Regan, were Sir Geoffrey Howe of Britain, Jacques Delors of France, Gerhard Stoltenberg of West Germany, Marc Lalonde of Canada, Francesco Forte of Italy and Noboru Takeshita of Japan.

Giscard Calls for an End To Exchange Rate Float

By BERNARD D. NOSSITER

Valéry Giscard d'Estaing, France's former President and Finance Minister, has proposed an end to floating exchange rates and urged that the dollar and yen move within predetermined limits around Western Europe's currencies.

"I am proposing a movement toward a fixed exchange rate system," he said in an interview this week.

"We are heading toward a band," he said, "with intervention at the limits of the band." Up to now, the Reagan Administration has opposed intervention except under extraordinary circumstances, although Paul A. Volcker, chairman of the Federal Reserve Board, on Thursday endorsed a limited buying and selling of dollars, "to help stabilize exchange rates within the general framework of the floating system."

Mr. Giscard d'Estaing would go further. In his view, upper and lower limits should be set for the dollar and the yen in relation to Europe's currencies. The major European currencies, except for the pound, are already tied to each other and permitted to fluctuate 2.25 percent above and below announced values.

Holding the dollar and yen inside a given range, or band, would have two advantages, Mr. Giscard d'Estaing said. It would "link domestic monetary policy to objective values and aims" and remove uncertainty about future exchange rates, he said. "There is need for people to have some knowledge and security about the future value of their currency," he said.

Mr. Giscard d'Estaing, who was in New York to give the Russell C. Leffingwell lectures at the Council on Foreign Relations, said that the band system should be introduced gradually. Central banks should quietly reduce the swings in currencies and make no public announcement of fixed limits for several years. "It would be imprudent to go too far too fast," he said.

As France's President from 1974 to 1981, Mr. Giscard d'Estaing inaugurated the first summit meeting that annually brings together the government heads of seven leading industrial nations. For the next one, at Williamsburg, Va., on May 28, he urged the leaders to "pledge they would not resort to protectionist measures for the two years to come."

"The world is paved by millions of communiqués on which people trample every day, but when there is a political will behind it," pledges at summit meetings have been honored, he said.

Leading Indicators Up 1.5%

By Caroline Atkinson
Washington Post Staff Writer

The government's index of leading indicators rose by 1.5 percent in March, the seventh consecutive monthly gain and a clean sign that the economy is on the mend, the Commerce Department reported yesterday.

The index of leading indicators gives a guide to future movements in the economy. It "has increased by a strong 6.2 percent since December," Commerce Secretary Malcolm Baldrige said. Another index—which aims to measure what is happening in the economy at the moment—also rose last month, yesterday's release said.

The index of coincident indicators had fallen in February, leading some economists to question the strength and durability of recovery. The Commerce Department said yesterday that this index climbed by 0.7 percent in March and by 1.3 percent in January, with a 0.5 percent dip during February.

Seven out of the eleven indicators that comprise the leading index rose last month, the report said. The increases were "broad and impressive," economist Allen Sinai of Data Resources Inc. said. "They suggest a stronger second half for the economy than first half," he said.

The biggest contribution to the increase came from a rise in prices of some raw materials, which are sensitive to changes in demand. Other indicators which contributed to the rise included the average workweek; vendor performance; net business formation; contracts and orders for plant and equipment, after accounting for inflation; stock prices, and money supply after allowing for inflation.

The increase in the average workweek is "indicative of higher incomes in coming months," Sinai said, adding that in turn this "should lead to higher consumer spending." Consumers have so far been somewhat cautious about spending more, largely because unemployment remains extremely high, at 10.3 percent in March. It will "still not be until sometime in the second quarter that consumers begin to loosen their purse strings," Sinai said, although incomes have now started to rise markedly after allowing for inflation and unemployment is on the way down.

The four indicators that declined in March were claims for state unemployment insurance; manufacturers' new orders for consumer goods and materials, after inflation; building permits, and change in outstanding credit.

"In coming out of recessions, the leading index typically shows strong gains for a time, as it has done recently," Baldrige said. In January, the index jumped by 3.2 percent, and in February it climbed 1.4 percent. "Based on past experience, the

See ECONOMY, F9, Col. 1

ECONOMIC INDICATORS
FEBRUARY TO MARCH
PERCENT CHANGE FROM PREVIOUS MONTH

LEADING INDICATORS	
SENSITIVE MATERIALS PRICES	+0.45
AVERAGE WORKWEEK	+0.43
SLOWER DELIVERIES FROM VENDORS	+0.35
MONEY SUPPLY	+0.26
STOCK PRICES	+0.23
NET BUSINESS FORMATION	+0.17
PLANT AND EQUIPMENT ORDERS	+0.13
INITIAL UNEMPLOYMENT CLAIMS	—0.01
BUILDING PERMITS	—0.07
NEW ORDERS FOR GOODS AND MATERIALS	—0.22
BUSINESS AND CONSUMER BORROWING	—0.39
TOTAL PERCENT CHANGE	+1.49
COINCIDENT INDICATORS	
INDUSTRIAL PRODUCTION	+0.39
PERSONAL INCOME	+0.31
EMPLOYES ON PAYROLL	+0.14
TOTAL PERCENT CHANGE	+0.68

SOURCE: DEPARTMENT OF COMMERCE

By Kathy Jungjohann for The Washington Post

Leading Indicators Up 1.5% For Seventh Straight Gain

ECONOMY, From F8

recent strength in the leading index foreshadows further advances in key economic series such as employment, production, income, and business sales.

The increase in the leading indicators last month brought the total rise in the first three months of the year to more than the average for previous postwar recoveries, the Commerce Department said. The 6.2 percent increase between December and March compared "very favorably" with an average of 4.8 percent, Commerce Chief Economist Robert Ortner said.

However, he said this did not mean that the economic reocvery itself would be stronger than average. The administration still predicts less growth this year than the 7 percent postwar average growth in the first year of recovery, Ortner said.

The coincident index has gone up by only 1.4 percent since December, less than the 2.4 percent average rise in this index in the early months of recovery, he said. This index reflects actual production and output.

Washington Post
4/30/83

New York Times

4/30/83

ECONOMIC INDEX UP BY 1.5% IN MARCH; RISE IS 7TH IN ROW

Baldrige Predicts Gains in Key Sectors, but Expects Pace of Increases to Slow

By JONATHAN FUERBRINGER
Special to The New York Times

WASHINGTON, April 29 — The Government's index of leading economic indicators rose 1.5 percent in March, the Commerce Department reported today, a signal that the economic recovery, which began in the first quarter, will continue to move ahead.

The rise in the index was spurred by jumps in three of its components: the stock market, the money supply and the average workweek. It was the seventh consecutive monthly gain in an index that is intended to forecast economic trends. The index rose 1.4 percent in February and 3.2 percent in January.

Commerce Secretary Malcolm Baldrige hailed the latest rise, saying that it foreshadowed increases in key sectors of the economy, including employment and industrial production.

Slowing of Pace Forecast

But Mr. Baldrige said that, in the coming months, as the recovery moved along, the pace of the rises in the index would slow. This slower pace will not indicate that the recovery is in trouble, however, said Robert Ortner, the department's chief economist. During a period of recovery, the sharpest rises usually occur in the early months.

Jack Carlson, chief economist for the National Association of Realtors, said that "the recovery, at this point, is a cautious one." He added that, despite the rise in the overall index, several key components were negative in March. These included a rise in initial claims for unemployment compensation and declines in building permits and new orders for consumer goods.

The new leading indicators report completes the economic data for the first quarter of this year, data that clearly indicate the beginning of a recovery after the longest recession — 17 months — since World War II.

Modest Recovery Expected

Most economists still expect the recovery to be a modest one this year in comparison to the average of the previous seven recoveries, when the pace of economic growth was in the range of 6 or 7 percent.

The Reagan Administration is forecasting growth of 4.7 percent in the gross national product, the broadest measure of economic activity, from the fourth quarter of last year to the fourth quarter of this year.

A modest recovery would mean that the unemployment rate, which fell from 10.7 percent of the work force in December to 10.1 percent in March, is not

Continued on Page 35, Column 2

Economic Index Up in March for Seventh Month

Continued From Page 1

likely to fall much below 10 percent by the end of the year. Some economists expect the unemployment rate to inch up a bit this spring as the growing recovery entices more people back into the labor force to look for jobs. The April unemployment figures will be released next Friday.

The index of leading economic indicators, which has 12 components, is designed to rise before the economy moves from a recession into a recovery and to decline before the economy falls into a recession. The index, therefore, will not be of great concern to economists until it begins to turn down again. That would signal problems with the recovery.

Instead, economists will pay closer attention to a companion index of coincident economic indicators, which measures the current pace of economic activity. In March, this index rose seven-tenths of 1 percent, following a decline of five-tenths of 1 percent in February and a jump of 1.3 percent in January. The three figures together showed the economy growing in the first quarter, but at an uneven pace, economists said.

Of the 11 components of the index of leading indicators available for March, seven contributed to the increase. A rise in sensitive materials prices, which is a positive indication of recovery because it reflects a renewal of demand for production of manufactured goods, was a big contributor to the rise in the index.

Also up were the pace of delivery of goods, orders for new plant and equipment, and net business formation, as well as the average workweek, the stock market and the money supply.

Rour of the eleven components declined, led by a drop in credit outstanding, a new component. The rise in initial claims for unemployment insurance, which has a negative impact on the index, was only two-tenths of 1 percent and nothing to worry about, Mr. Ortner said.

But he acknowledged that the 4 percent decline in orders for consumer goods, following an increase of nine-tenths of 1 percent in February, could be a cause of concern if there were another decline for April. But he said that he did not expect this to happen.

Building permits fell 2 percent, and are now below the level of Janaury. But they are still 11.9 percent above the December level.

Merchandise Trade Deficit Less Than Seen

United Press International

The nation's merchandise trade deficit was $3.6 billion in March, less of an increase than expected because of cheaper oil and rebounding trade with Mexico, the government said yesterday.

The Commerce Department said imports increased 2.4 percent to $2.4 billion while exports also increased—2.6 percent to $16.8 billion.

Instead of a 1983 trade deficit originally forecast to reach as high as $80 billion, this year's deficit may reach only the "high 50's," a department trade analyst said.

Washington Post

4/30/83

New York Times 4/30/83

U.S. Trade Gap Wider In March

WASHINGTON, April 29 (AP) — The nation's merchandise trade deficit widened slightly to $3.63 billion in March despite a drop in the price of imported oil to the lowest level in three years, the Commerce Department reported today. The volume of oil imports remained at a decade low.

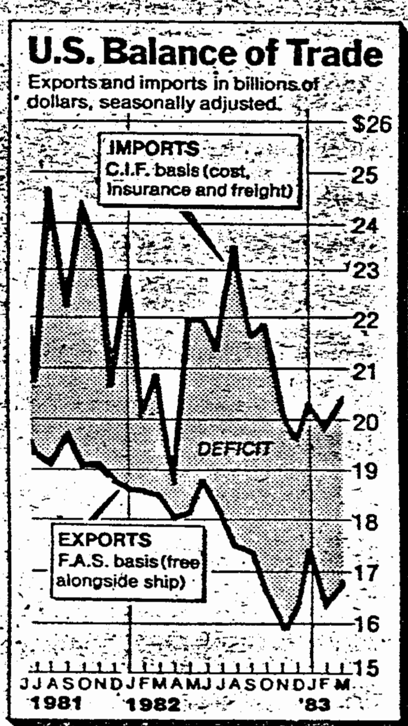
The trade deficit reached $10.78 billion for the first quarter of the year, a pace that over the year would bring a 1983 shortfall only a bit higher than last year's record $42.7 billion.

However, Commerce Secretary Malcolm Baldrige said a better guess for this year's total deficit would be close to $60 billion.

"Higher monthly deficits appear to be in store for the remainder of 1983," he said in a prepared statement.

"Further increases in nonoil imports and a pickup in oil import volume will more than offset slow export growth," he said. "As a result, the trade deficit is likely to exceed last year's total by $15 billion or more."

Commenting on the relatively slow export growth, Mr. Baldrige said, "The strong dollar and relatively slow



The New York Times / April 30, 198

foreign economic growth continue to limit shipments abroad."

The March deficit was only a bit higher than February's $3.58 billion. The slight increase was attributed to the fact that March had 31 days for importing oil, while February had 28.

The nation's oil bill — $3.45 billion in

Continued on Page 33

U.S. Trade Gap Wider

Continued From First Business Page

March — accounts for most of the deficit each month.

Oil imports averaged just 3.74 million barrels a day in March, about the same as in February. That level is the lowest at least since the early 1970's, Commerce Department analysts said.

Also helping to keep the oil bill down in March was the decline in average price to $29.80 a barrel, the lowest since the $27.61 in January 1980.

Today's report covered only trade in merchandise such as manufactured goods, farm produce and oil products, excluding trade in services and other financial investments — areas in which the United States often shows a surplus.

In March, the report said, total merchandise exports rose 2.6 percent, to $16.75 billion, while imports rose 2.4 percent, to $20.38 billion.

New York Times

4/29/83

E.E.C. Protests America's View On Soviet Trade

4/29/83 p.1

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, April 28 — Europe's Common Market formally expressed its "deep concern" today over Reagan Administration legislative proposals to toughen controls over Western trade with the Soviet Union.

The European Economic Community, as the 10-nation group is officially called, presented to the State Department a four-page memorandum of discussion that, in unusually strong language, described the Administration's moves as "contrary to international law and comity." The memorandum called them "unacceptable in the context of relations with friendly states."

Experienced European and American diplomats said they could not recall tougher language in any formal European-American communications in recent years. "And judging from everything so far, we have not yet reached the plateau," an American diplomat commented.

The memorandum is the second on the subject of East-West trade controls that the European Economic Community has delivered within the last six weeks. It underscores resentment created by proposed amendments to the Export Administration Act that the Administration recently submitted to Congress.

Those proposals, among other things,

Continued on Page D9, Column 1

Europeans Protest U.S. Views on Trade

Continued From Page 1, Section 1

would authorize the President to restrict imports from countries that sell to nations of the Communist bloc in violation of American trade sanctions. The proposals threaten to disturb preparations for the seven-nation economic summit conference to be held at Williamsburg, Va., over the Memorial Day weekend.

European sources said the memorandum was completed at a council of Common Market foreign ministers in Luxembourg last Monday. At that session France's Foreign Minister, Claude Cheysson, announced that France would refuse an invitation by the United States to attend a working dinner of trade ministers and finance ministers in Paris on May 10.

French diplomats explained that France expected the United States to use the meeting to press the Europeans toward a more restrictive approach on East-West trade. It was reported from Paris today that the French Government had now decided to accept the invitation to the dinner.

The memorandum was delivered by Sir Roy Denman, Ambassador of the European Economic Community in Washington, and by Peter Hermes, West Germany's Ambassador in Washington. Sir Roy represents the Executive Commission of the community, and Mr. Hermes represents the country that is currently in the chair at the Council of Ministers, the community's highest authority. Besides West Germany, the members are France, Britain, Italy, the Netherlands, Belgium, Luxembourg, Denmark, Ireland and Greece.

Delivery was accepted by Richard T. McCormack, Assistant Secretary of State for Economic and Business Affairs. He had no comment except to say that the Government was studying the memorandum.

East-West trade controls created tensions between the Atlantic partners last summer following sanctions imposed by President Reagan against several companies in Europe that were making parts for a Soviet natural gas pipeline.

The Europeans objected then to what was described as the extraterritorial reach of the President's action. The President decreed penalties against companies based in Europe that were following orders of European governments to comply with terms of existing contracts even though it meant a violation of American trade controls.

The penalties, which prevented the companies from purchasing American goods and services, were lifted in November. The Europeans have agreed to conduct studies with the United States on East-West trade policies. One of the studies is to be presented before the Williamsburg summit meeting.

The Administration is currently seeking authorization to ban imports from companies, as well as exports to them, if they endanger America's national security. This objective drew a rejoinder from the European Community today that "use of import restrictions in this manner could be contrary to the GATT." The General Agreement on Tariffs and Trade is the international organization that coordinates world trade rules.

Wall Street Journal 4/29/83

French Finance Chief, Again Switching Plans, Will Go to Washington

WSJ 4/29

Special to THE WALL STREET JOURNAL

PARIS—Jacques Delors, French economics and finance minister, changed his plans for the second time in two days and announced he will fly to Washington today to meet with finance ministers and senior treasury officials from non-Communist industrialized nations.

His office made the announcement after stating on Wednesday—the original date of departure—that Mr. Delors had canceled the trip because of pressing business at home. There had been suggestions, however, that the cancellation reflected French disapproval of U.S.-sponsored informal talks in Paris, slated for May 10, after the annual ministerial meeting of the Organization for Economic Cooperation and Development.

A ministry spokesman said it still wasn't clear whether Mr. Delors would accept an invitation from U.S. Treasury Secretary Donald Regan to participate in the May 10 talks.

The French government also must decide whether to accept President Reagan's invitation to President Francois Mitterrand for private discussions in the U.S. ahead of the seven-nation summit on May 28 in Williamsburg, Va. A spokesman for Mr. Mitterrand said his office was reviewing his schedule before responding.

White House

Keeping Williamsburg From Becoming Versailles

By STEVEN R. WEISMAN

Special to The New York Times

WASHINGTON, April 26 — All morning, President Reagan and his colleagues argued at the Versailles economic summit conference last June over a single phrase in the communiqué relating to trade with the Soviet bloc.

Originally, an American official recalled, the communiqué spoke of "limiting export credits in light of commercial prudence." After much debate, the phrase was changed to reflect "the need for commercial prudence in limiting export credits."

It took nearly an hour and a half for the leaders of the West to make that switch.

Within days after the participants pronounced themselves pleased at resolving their differences, their agreement broke down in misunderstanding and acrimony. The finger-pointing has gone on ever since.

An Unheard Of Plan

The unhappy experience of the Western allies at Versailles is now leading Mr. Reagan and his aides to try a new approach to the eighth annual economic summit meeting, to be held at Williamsburg, Va., in five weeks. This year, they say, they won't try in vain to paper over their differences with cleverly ambiguous language that creates more problems that it solves.

Their aim also is to minimize the importance of the final communiqué by doing something unheard of: the document will not be written until the summit meeting itself.

Two years ago at the Ottawa economic summit meeting, Mr. Reagan was amazed, according to a top aide, that the first topic of conversation was the closing statement.

Indeed, such statements usually go through several drafts, written and negotiated by aides, by the time the meeting begins. The leaders then use the summit sessions to alter phrases here and there before approving the document.

This year, Mr. Reagan has won support for his decision to take what aides acknowledge is a high-risk approach of hammering the final statement out at Williamsburg.

'It's Got Everybody Nervous'

The theory is that, without a prenegotiated draft, the leaders will have more latitude in putting their thoughts on paper. Administration officials also said that if there is no accord on some things participants will simply "agree to disagree" and seek to resolve differences in other forums.

Yet there is no guarantee that this approach will make things easier.

Indeed, many skeptics think the Reagan plan is unrealistic and dangerous. The goal of summit meeting planners, after all, is to have a successful summit meeting. A successful summit meeting implies agreement. Agreement usually requires careful work by experts in advance.

"It's got everybody nervous," an Administration official acknowledged. "We've got some written material prepared, but we won't have that Snoopy blanket of diplomats, a piece of paper."

The "flying blind" aspect of the meeting is certain in any case to add to the burdens of the man in charge of the agenda, Mr. Reagan. Already the Williamsburg conference is shaping up as a major foreign policy test and one of the biggest extravaganzas of his Presidency.

On the weekend of May 28-31, Colonial Williamsburg is to be transformed into a modern media center for 6,000 journalists.

Pressure on Mr. Reagan will be great because first session will be with the visiting leaders alone — no note-takers or translators present. Translators will view the proceedings through closed-circuit television sets and participants will hear their words through earphones.

It will be Mr. Reagan's responsibility to sum up the proceedings for the diplomats of the various countries after that session, and to report to all the world after the meeting itself.

The summit meeting's main objective will likely be the forging of a united strategy to achieve worldwide noninflationary growth.

But the most divisive issues are the rise of protectionism, the debt problems of the third world, the wobbly international currency system and the American insistence that the West curtail its economic relations with the Soviet bloc.

The participants at Williamsburg will no doubt be chastened by the failures at Versailles on these very issues.

For example, at Versailles the United States opposed the French bid for increased intervention by central banks to prop up French and other European currencies. Mr. Reagan argued that only a "convergence" of economic policies, with everyone trying to lower inflation, could stabilize exchange rates.

As the meeting proceeded, the leaders met in one room and their finance and foreign ministers met in other rooms.

Reagan aides now recall that a compromise did emerge in which the United States would permit language suggesting a modification of its opposition on currency intervention — if the French agreed to language suggesting a tightening of exports to the Soviet Union.

To carry out this compromise, the participants searched for face-saving language on exports to the Soviet Union, allowing the reader to infer that somehow each side was altering its position and also holding firm on basic principles.

"It's obvious now that the leaders should not have tried to find language to disguise their differences," said Robert D. Hormats, an investment banker who was then Assistant Secretary of State for Economic and Business Affairs. "So much time was spent on the wording of the communiqué that they failed to realize there was no meeting of the minds."

The problems began after the meeting ended, when United States officials confided to reporters that there really had not been a change in Mr. Reagan's position on exchange rates. News reports of that infuriated President François Mitterrand of France, who announced that he had not changed his position on export credits to the Soviet Union.

Mr. Reagan, in turn, became angry at Mr. Mitterrand's statement and decided a few weeks later to impose sanctions on the Europeans to stop the construction of the European natural gas pipeline to the Soviet Union. The French and other Europeans, in turn, felt betrayed by Mr. Reagan.

In advance of Williamsburg, no fewer than five studies are being conducted by various international organizations on economic relations with the Soviet bloc. Another study is due this week on the experience that each country has had with currency intervention.

The hope of participants in the summit meeting is that these studies can provide the basis for discussion and possible agreement at Williamsburg. If Mr. Reagan cannot get approval of the American position, his aides said, he will at least try to get everybody to recognize the disagreements.

"We see the summit as a time to assess where we are," said a planner of the meeting. "There's so much that unites us, we can make it clear where our views differ."

New York Times 4/27/83

REVIEW & OUTLOOK

Europe's Pipeline Folly

Neither high prices nor strategic worries nor fear of Mr. Reagan's wrath will keep Europeans from their appointed rounds with their Soviet natural gas suppliers. But the most recent chapter in the pipeline book of horrors is the most symbolic yet! West Berlin has just cut a deal with the Soviets on dubious economic and security grounds.

The surrounded city signed up for gas that will be pumped in Siberia and then travel on a line through Czechoslovakia and East Germany before reaching Berlin. Guess who's paying for the pipeline from Czechoslovakia to West Berlin? The Russian suppliers? No—West Berlin— cash up front. Who will have first dibs on the gas through taps on the pipeline? Czechoslovakia and East Germany. Is Soviet gas the cheapest available? As usual, no.

The 150-mile, $100 million pipe to West Berlin is part of the line's second stage, linking receiving areas with the main pipe from Siberia. As readers of this space will recall, European governments financed the 3,600 miles of main pipe through heavily subsidized loans (averaging an unwhopping 8.67%) to the Soviets. The West Germans are now going whole hog! They're paying for the Berlin pipeline themselves.

Ruhrgas, the big German supplier, has agreed to finance an East German company that will build the line. Ruhrgas will get its money back from Berliner Gaswerke, the city's distributing company. Berliner Gaswerke will get a big subsidy check from the West German government to cover the cost of the pipe. And West German taxpayers will back that check.

Well, no doubt Bonn's generous support for West Berlin is a good thing and should be expected from a conservative German government like Chancellor Kohl's. But this pipeline is a bad thing for West Berlin, leaving it more than ever at the mercy of Yuri-know-who. If all goes according to plan, West Berlin will begin making the switch to natural gas by the summer and by the end of the decade the city will get 10% of its energy from gas—the only source for which will be the Soviet Union.

This dependency is clearly dangerous. It's also unnecessary. As West German energy economist Wilfried Prewo argued on this page last fall, a cheaper pipeline could have been built to connect West Berlin with gas supplies in northern West Germany. The line would have been about half the length and expense of the contracted line and there'd be no need for a politically vulnerable compressor station in East Germany.

Which leaves us wondering why the normally clearheaded Germans would do such a thing. In private, the Germans explain that they're pleased as punch with the pipeline deal because they say it's the first time the Soviets have let West Germany negotiate on behalf of West Berlin. They take this to be a pseudo-legal recognition that part of Berlin belongs to the West. It seems to us that the Wall itself does a pretty good job of acknowledging a divided city.

As if the gas pipeline deal wasn't bad enough, there are reports this week in the German press that a new bargain is being offered: lignite from Siberia. It is said that Deutsche Bank, which helped bring Europe the Soviet gas pipeline, wants to finance mining and liquefying the lignite and a new pipeline to carry it Westward. The fact that neither the Russians nor the Germans have demonstrated that it can be done economically doesn't seem to be deterring this way of making new jobs in Germany.

But there are signs that some Europeans are by now rethinking the economic wisdom of the Soviet natural gas pipeline. A spokesman for Gaz de France was recently questioned about assertions—first made in this space—that the Europeans are stuck with high-price Soviet gas because of wily take-or-pay-clauses. These mean Europe is pledged to buy 80% of the contracted volumes at prices that escalate regardless of what's happened to OPEC's house of cards cartel. The spokesman called the reports "polemical." We take that to be a pained confirmation, French-style.

And the International Energy Agency in Paris is about to release a report that says—surprise, surprise—it's not a good idea to rely heavily on Soviet natural gas. Any country that got 30% of its gas from the Soviets would have to answer to the allies, and Europeans would be expected to diversify their energy sources even if it meant "higher costs." And the report pleads with Norway and the Netherlands to pump more gas for Europeans.

European governments seem to be giving a better-late-than-never rethink of the pipeline. This might at least avoid more deals like the Berlin pipeline. All those European politicians who moaned over Mr. Reagan's pipeline sanctions can now thank him for forcing them to reach for their thinking caps. The rest of us can only think of Berlin and hope it's not too late.

Many Disputes Will Converge at Next Month's Economic Summit

Protectionism Rising, So World Trade Isn't

New York Times 4/24/83

By CLYDE H. FARNSWORTH

WASHINGTON — If the frequency of high-level meetings were an indication of economic health, the world would appear to be on the verge of one of its most buoyant periods of growth.

On Tuesday, trade ministers representing the United States, the European Community, Japan and Canada will gather in Brussels. Thursday and Friday, finance ministers from the same countries will meet in Washington. Next week in Paris the trade and finance ministers will hold one of their rare joint meetings. All these meetings, however, point not to a period of optimism but to one of uncertainty over growth, trade, and international debt. Specifically, the rush of activity is preliminary to the Memorial Day weekend when President Reagan will be host in Williamsburg, Va. to the leaders of Britain, France, West Germany, Italy, Canada, Japan and the European Common Market Commission.

Overshadowing most issues is the dismal performance of world trade. For the second year running, trade among industrial nations declined in 1982, off 5.3 percent from 1981, according to the International Monetary Fund. This sharp downturn was the major factor behind the rise in joblessness in industrial countries to some 35 million workers. The advanced countries exported less to each other and less to developing countries, which are struggling not only with their own even higher unemployment but with about $600 billion of debt.

In the United States high unemployment (10.3 percent, not counting the military as part of the labor force) was causing the biggest surge in protectionist sentiment since the Smoot-Hawley tariffs in 1930. Other countries were worried that if the United States raised barriers, they would face awesome obstacles to earning their way.

In turn, American exporters, who in recent years accounted for four out of five of the new jobs in manufacturing and who sold crops planted on one out of three acres of farmland, feared that a surge in protectionism here would trigger foreign retaliation, further hitting at exports — and the jobs they help create.

Trade pressures of another sort were also converging upon the coming meetings. These relate to East-West trade where some of the same tensions that disrupted last year's summit conference at Versailles still poison the air. President Reagan's sanctions against Western Europe's participation in the Soviet's natural gas pipeline were finally lifted last fall, but only after the North Atlantic allies agreed to a series of studies aimed at greater policy coordination. The studies are not going smoothly, American and European sources said last week.

West Germans Balk

During his visit to Washington 10 days ago, West German Chancellor Helmut Kohl told President Reagan that his Government has limits in restricting trade with the Soviets. Just before the visit, the Administration came out with new legislative proposals stiffening its own East-West trade controls and authorizing import bans on overseas companies that disregard the controls.

But Soviet-West European business talks continue. France's Technip Company has just received a $1.1 billion contract to scrub poisonous hydrogen sulfide from natural gas in the Astrakhan energy project of southern Russia. The Russians have also been discussing a coal gasification project with the West Germans. And despite all its strictures, the Administration didn't mind increasing business with Moscow either. The White House announced it was lifting a ban on negotiations for a long-term grain agreement after signs of lessened Soviet interest in buying grain this year.

The United States Trade Representative, Bill Brock, said last week he did not expect the East-West issues to disrupt the Williamsburg summit if only because "there are hotter issues, such as world economic recovery, on the agenda."

Washington continues to support open trade policies but with a severe recession raising sensitivity to import penetration, it has found itself making protectionist compromises. A little later this month, for example, customs agents will start collecting 10-fold higher duties on heavyweight motorcycles from Japan.

"It's tougher to run a liberal trade policy at a time of recession when the political pressures for protection are so much greater," said Professor Isaiah Frank of the Johns Hopkins School of Advance International Studies. He added: "The overall record of this Administration is not bad, considering the conditions. Sometimes you have to be willing to lose a battle to win a campaign."

At the moment, the campaign is aimed at the so-called Domestic Content bill, which cleared the House in the final days of the 97th Congress and would have the effect of keeping most foreign cars out of the United States. So, while Mr. Brock inveighs against protectionism as "self-destructive," he warns that "you ignore political reality at your peril — the whole process of government is politics." In other words, trade policy, like budget and defense policy, means compromise.

To build its political capital for the coming contest over automobiles, the Administration took a backward step on motorcycles. Harley-Davidson was the last of what had once been as many as 143 American motorcycle manufacturers. To be blamed for the death of a well-known company in middle America (Milwaukee) — and an industry to boot — was too high a political price for free trade purity. The President's trade advisers were unanimous in recommending that he help the company.

Along with decreeing domestic content for automobiles, protectionist bills in the hopper would mandate more "Buy American" provisions for other industries such as steel, revise the trade remedy laws to make the tests much easier for those seeking protection, and stiffen the penalties against imports that are dumped or sold at unfairly low prices in the United States.

"If you believe in free trade, you have to agree that it will be a good session if nothing passes in the 98th Congress," Representative Bill Frenzel, Republican, of Minnesota, commented recently.

House Majority Whip Thomas S. Foley, Democrat of Washington, said that both parties are moving away from support of free trade. Administration trade officials are hoping that protectionism will be dissipated by economic recovery. But Mr. Foley warns, "The trade issues are maturing. They will not go away with simply 1 or 2 points of economic improvement."

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FG006-12

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

May 11, 1983

MEMORANDUM FOR MR. THOMAS CORMACK
Executive Secretary
Central Intelligence Agency

SUBJECT: Request for Unclassified Graphics for Williamsburg Summit

The Agency-prepared graphic materials included in the press background book for the President's trip last year to Versailles were of high quality and deservedly received very favorable comment.

We would therefore appreciate the Agency preparing similar graphic materials, updated as necessary and possible, for inclusion in the unclassified press background book for the Williamsburg Summit.

Two thousand copies of each graphic and accompanying commentary will be needed, to be received in the NSC by COB Wednesday, May 18.

The subjects listed below were among those included in the Versailles book and continue to be of priority interest for Williamsburg:

Industrial Countries: Economic Power Shifts

Current Account Balance of Industrial Countries, 198__:
Trade Versus Services

Industrial Countries: Current Account Trends

U.S. Current Account Trends: Trade Versus Services

Japan: Imports of Manufactures

Industrial Countries: Imports of Manufactures from Japan

Japanese Surges in Export Growth

U.S.: Growing Importance of the Service Sector

Selected U.S. Service Industries, Share of Foreign Revenues, 198_

RTM NSC #8303106

MAY 1 1 1983

We very much appreciate your invaluable assistance in contributing to the high caliber of the Williamsburg Summit press background book.

John M. Poindexter
Military Assistant to the
Assistant to the President
for National Security Affairs

3106

MEMORANDUM

NATIONAL SECURITY COUNCIL

May 6, 1983

SIGNED

MEMORANDUM FOR JOHN POINDEXTER

FROM: JIM RENTSCHLER

SUBJECT: Request for Unclassified Graphics for Williamsburg Summit

Your memo to Thomas Cormack (Tab A) tasks the agency with providing unclassified materials for inclusion in the White House press book now being assembled for the Williamsburg Summit.

RECOMMENDATION:

That you sign the memo to Cormack attached.

Approve ____ Disapprove ____

Attachment

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National Security Council
The White House

12457

MAY 0 6 1983

Package # 3106

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John Poindexter	2	X	
Bud McFarlane	1	M	A
Jacque Hill			
Judge Clark			
John Poindexter			
Staff Secretary	2		D
Sit Room			

MAY 1 1 1983

I–Information A–Action R–Retain D–Dispatch N–No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other___________

COMMENTS

NSC/S PROFILE UNCLASSIFIED ID 8303106

RECEIVED 06 MAY 83 15

TO POINDEXTER FROM RENTSCHLER DOCDATE 06 MAY 83

KEYWORDS: WILLIAMSBURG SUMMIT

SUBJECT: REQUEST FOR UNCLASSIFIED GRAPHICS FOR WILLIAMSBURG SUMMIT

ACTION: FOR SIGNATURE DUE: 09 MAY 83 STATUS S FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
POINDEXTER		

COMMENTS

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
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