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THE WHITE HOUSE
WASHINGTON

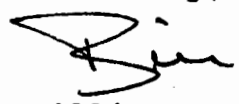
April 18, 1983

Dear Charlie:

Thanks for your letter of April 1 concerning the President's Youth Exchange Initiative. I concur with you that we should feature this initiative in the Williamsburg Summit. It should certainly be mentioned in the press statement at the Summit and, if the schedule will allow, a photograph with young people is also an attractive idea.

I have instructed my staff members who will work on the Summit to pursue both of these ideas, keeping me informed.

Sincerely,



William P. Clark

The Honorable Charles Z. Wick^x
Director
United States Information Agency
Washington, D.C. 20547

NSC# 8302212

MW

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

April 11, 1983

MEMORANDUM FOR WILLIAM P. CLARK

SIGNED

FROM: DENNIS BEAIR/HENRY NAU

SUBJECT: International Youth Exchange Initiative

Charles Wick has written you (Tab II) requesting your support in adding some visibility at the Williamsburg Summit to the Youth Exchange Initiative. Charlie's ideas of mentioning it in the communique and his request for a photo opportunity are sound. Attached for your signature is a letter back to Wick praising his idea and telling him we will pursue it.

RECOMMENDATION

That you sign the letter at Tab I.

Approve Disapprove

- Tab I Letter to Wick
- Tab II Wick letter to Clark

**United States
Information
Agency**

Washington, D.C. 20547

2112
Office of the Director



83 APR 2 11:18

April 1, 1983

Dear Bill:

WHITE HOUSE
SITUATION ROOM
I would like to bring you up to date on the President's International Youth Exchange Initiative and obtain your support for placing youth exchange on the agenda at the Williamsburg Economic Summit. An official statement of support would be extremely helpful in securing financial support for the project from the other governments.

I know the subject of an official endorsement of the President's Youth Initiative would be well received by all countries, and particularly by the Germans and the Japanese. Both Chancellor Kohl of West Germany and Prime Minister Nakasone of Japan understand, as the President does, the profound importance of contact between young people to the future security of the Western Alliance. Last January, in Bonn, at a luncheon for the Vice President, Helmut Kohl said:

"Friendship thrives on encounter and dialogue. We set great store by encouraging and improving personal contacts and exchange between our two countries. Above all, our efforts are directed to the young people so that they renew the active dialogue that was crucial in determining the outlook of an entire generation of Germans and Americans immediately after the War."

Prime Minister Nakasone during his visit to Washington this past winter shared his feelings about the importance of his daughter's exchange in the United States to her and his family. The President recounted this story at the meeting at the White House on January 20 of the President's Council for International Youth Exchange.

The Honorable
Judge William P. Clark, Jr.
Assistant to the President for
National Security Affairs
The White House

I believe we should also take advantage of the high level gathering to take a photograph of the seven leaders with a group of exchange students from each of the seven countries. A photograph dramatizes in ways no official text can, the importance of our young people to future relations among the allies. A photograph also lends itself to media placement in support of our efforts. I have written to Mike Deaver suggesting this idea, and he is reviewing the possibility of a photo opportunity. Such an historic photograph would be an important precursor to our national public service ad campaign, conservatively worth \$30 million, to start this summer.

Enclosed for your information is a memorandum I sent to Larry Eagleburger whose office is responsible for preparing political items to be discussed at the Summit. In my memo, I underlined the importance of an official mention of the President's Initiative in order that the project not simply be an American Initiative, but a project supported fully by all seven Summit partner nations.

I look forward to your positive support to both an official endorsement and a photo opportunity.

Best wishes.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Z. Wick". The signature is written in black ink and is positioned above the typed name and title.

Charles Z. Wick
Director

MAR 30 1983



MEMORANDUM FOR: Lawrence S. Eagleburger
Under Secretary for Political Affairs

FROM: Charles Z. Wick *W*
Director

SUBJECT: The Economic Summit: Discussion of Youth
Exchange

Further to our discussion Friday, I would like to bring to your attention the latest telegram from the American Embassy in Tokyo (Attachment A) stating the need for the U.S. to inform the other countries of our desire to discuss youth exchange at the Williamsburg Summit. Without an endorsement at the Summit, increased financial support for youth exchange by the Japanese Foreign Ministry is unlikely (Attachment B). Based on my discussions with our allies, this is true for the other countries as well.

I urge that the President's International Youth Exchange Initiative be endorsed publicly at the Williamsburg Summit as an important underpinning to continued economic and political cooperation among the seven allies. As you recall, President Reagan's idea of an International Youth Exchange Initiative was broached informally at the Summit in Versailles last June, and it is appropriate that it be the Williamsburg Summit at which the leaders give their public endorsement to youth exchange.

At a conference on youth exchange in Williamsburg, January 24-26, representatives of the seven Summit nations agreed to work to have youth exchange placed on the Summit agenda. During Vice President Bush's visit to Bonn at the end of January, Chancellor Kohl spoke at length of the importance of building ties between young people. He said:

"Friendship thrives on encounter and dialogue. We set great store by encouraging and improving personal contacts and exchange between our two countries. Above all, our efforts are directed to the young people so that they renew the active dialogue that was crucial in determining the outlook of an entire generation of Germans and Americans immediately after the War.

The Williamsburg Conference on Youth Exchange which was initiated by President Reagan was a highly promising step towards activating and strengthening understanding between Western democracies."

German commitment to youth exchange was again affirmed during the February visit to Washington of FRG State Secretary von Staden.

The President's Youth Exchange Initiative also has the strong support of Prime Minister Nakasone of Japan who shared his personal feelings about youth exchange at a luncheon in Washington this past winter. It was an emotional moment for him and his daughter who had spent time in the U.S. as an exchange student, and demonstrated the impact an exchange experience can have on a young person and his or her family. The President departed from his prepared text when he met with the President's Council for International Youth Exchange on January 20, 1983 to recount this story. Attached for your information is a summary of the high level endorsements for the President's Initiative (Attachment C).

While these are encouraging signs of support for the President's Initiative, I again stress that public acknowledgment by the Heads of State at the Summit is needed in order to secure necessary funding for increased youth exchange. This Initiative, in order to truly accomplish its goals, must not be simply an American project, but rather one supported fully by our six Summit partners.

Attachments

E/YX

PAGE 01

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ACTION OFFICE ECAY-05

INFO YCO-01 DSO-02 PFW-01 DIS-01 EA-03 PGMG-01 PPPO-01 ECA-08
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USIA FOR E/YX, EA

E.O. 12356: N/A

TAGS: SCUL, OEXC

SUBJECT: WILLIAMSBURG SUMMIT YOUTH EXCHANGE STATEMENT

1. FOREIGN MINISTRY SOURCES (NISHIMURA) HAVE INFORMED
POST QUESTION OF POSSIBLE ENDORSEMENT OF YOUTH EXCHANGE
INITIATIVE BY HEADS OF STATE AT WILLIAMSBURG SUMMIT WAS
NOT RAISED AT RECENT SHERPA MEETING IN SAN DIEGO.

2. THEY REPEAT THAT UNLESS SUMMIT GOVERNMENTS ARE
INFORMED OF USG DESIRES IN THIS REGARD THROUGH CHANNELS
CHARGED WITH PREPARATION OF AGENDA, RESULTS MAY BE
SIMILAR TO THOSE ACHIEVED AT VERSAILLES. HITCHCOCK

BT

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MAR 83 9:10

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~~LIMITED OFFICIAL USE~~ TOKYO 05462

USIA

FOR E/YX, PASS EA

E.O. 12356: N/A
SUBJECT: WILLIAMSBURG SUMMIT

REF: A) TOKYO 04299-C; B) STATE 078978-C

1. WOULD BE MOST HELPFUL TO POST IN PREPARING FOR DISCUSSIONS DIRECTOR WILL BE HAVING HERE WITH JAPANESE OFFICIALS DURING HIS APRIL VISIT TO KNOW WHAT DISCUSSION TOOK PLACE AT SAN DIEGO MEETING ON POSSIBILITY OF INTERNATIONAL YOUTH EXCHANGE ENDORSEMENT AT WILLIAMSBURG SUMMIT.

2. AGENCY IS AWARE OF JAPANESE MINISTRY FOREIGN AFFAIRS (MOFA) POSITION THAT SUCH AN ENDORSEMENT IS ESSENTIAL IF MOFA IS TO HAVE MUCH CHANCE OF INCREASING GOVERNMENT BUDGET FOR YOUTH EXCHANGES IN JAPANESE FY '84.

HITCHCOCK

BT

#5462

DECLASSIFIED
Dept. of State Guidelines, July 21, 1997
BY alb HARA, DATE 12/16/2017

PRESIDENT'S INTERNATIONAL YOUTH EXCHANGE INITIATIVE

High Level Endorsements of the Initiative

President Reagan

- Presidential announcement of the Initiative at a May 24, 1982 meeting at the White House
- In a letter to Charles Wick, Director of the U.S. Information Agency, and to Coy Eklund, Chairman and Chief Executive Officer of the Equitable Life Assurance Society of the United States (Chairman of the President's Council for International Youth Exchange), October 1982:

It is increasingly clear that the successor generation...does not share the same appreciation felt by the leaders of today for international cooperation among the industrialized nations. In the long term, our world can only survive the continuing and ever more vigorous challenge of our adversaries if today's generation of young people cherish the same ideals of freedom which we hold so dear and which are the foundation of all democratic nations.

I believe we have a great opportunity to form new networks of international cooperation and strengthen existing ones via expanded international exchange of youth.

- At a White House arrival ceremony for German Chancellor Kohl on November 15, 1982:

With us today to greet you is a group of young people from your country...they're part of our Youth Exchange Project between our two countries, and these kinds of ties bode well for the future.

-- At a meeting at the White House, January 20, 1983, on the second anniversary of the Reagan Administration's Inauguration. Present were the Presidential Inaugural Trust, the President's Council for International Youth Exchange and other distinguished guests.

Some of you may remember what Winston Churchill said of the United States following World War II. "What other nation in history, when it became supremely powerful, has had no thought of territorial aggrandizement, no ambition but to use its resources for the good of the world." I think that was one of the finest chapters in our history. And we have every reason to be proud.

But today, almost 40 years later, there are many in the world -- especially young people -- who have no personal memory of that period, who do not understand America and what she represents. They do not know that America still possesses that spirit that Churchill described. The lack of understanding is a serious problem for our future. And that is where you, the members of the President's Council for International Youth Exchange, enter the picture. You and I strongly believe in the American ideal. We must trust our system and our values enough to know that young people from other countries, if they have a chance to visit us and live among us, will come to understand the American experience.

And there's another side to this idea. While we receive guests from other countries, we will also send our own young people to experience other cultures and to carry the American values to their host countries.

-- At a meeting with young people from the United States and from other countries, Epcot Center, Orlando, Florida, March 8, 1983:

I'm delighted to be here. I'm especially pleased to acknowledge the presence today of a group of students from eight countries. They're participants in the World Showcase Fellowship Program which Disney World has generously established as part of EPCOT.

This is just the kind of approach that we're encouraging through the President's International Youth Exchange Initiative which I announced last

May at the White House. For those of you who haven't seen it -- well, first of all, let me say I'm convinced that people-to-people programs like World Showcase and the International Youth Initiative are one of the best ways to build real understanding in the world.

May I just in the spirit of that program that we saw, also say something about...this exchange program where you, the same age, will meet with those from other countries and get to know each other as human beings and as individuals.

I have always believed that a lot of the problems in the world come about because people talk about each other instead of to each other. And maybe one day, with programs of this kind, you are setting the stage for the dream that has lived with mankind from the first and earliest days of history, and that is the dream of peace; that one day, knowing each other, it will be impossible for someone to say to you that there must be a war or that you must take up arms and do away with these people that you have come to know so well.

And we shall do everything we can to see that this program prospers and goes forward and increases the ability of young generations like your own to meet and become acquainted with others around the world.

Secretary of State Shultz

In September 1982, Secretary Shultz wrote to the Foreign Ministers of the six Economic Summit partners:

The challenge to those of us responsible for shaping our future relations is to find ways to bridge the gaps in perception between the "successor generations" of your country and mine. I believe expanded programs of youth exchange can make a significant long-term contribution to this goal.

Excerpts from remarks to delegates attending the Williamsburg Conference on International Youth Exchange, at the State Department, Washington, D.C., January 26, 1983:

It isn't just a youth exchange. We're having an exchange when these kids go around, because they come back and they tell us what it is like -- not what it's like in terms of the big, cosmic issues necessarily, although they have a lot of that; but they tell you what it's like, the people they meet, how they are treated, and so on. So I think this Youth Exchange is of tremendous importance.

It is important now, but it is truly a grant to future generations because it is the future generations, and it is a grant to ourselves because they educate us at least as much as they get educated. So I am very pleased to support this program as I have.

I know that you aspire to raise some money, and some money is needed. A good start has been made in the White House ceremony the other day of the Inaugural Trust, matched by some businesses. I think they have a couple million dollars now, at least, and are trying to get ten million dollars -- and I assume that will be possible without any trouble. But that is not the real, in a sense, fund that is being raised here. The fund that is being raised here is a fund of understanding, a fund of good will and of friendship, of a human touch all around the world; and it will be a human touch that will help to sustain the values that we stand for together.

Foreign Leaders

President Carstens of Germany

Remarks at the Villa Hammerschmidt, Bonn, on the occasion of the German-American symposium on youth exchange, December 15, 1982:

I personally do attach a very high value to German-American relations and in particular to youth exchanges between our two countries.

...It (is) necessary for Americans and Germans to talk to one another regularly to harmonize their views whenever they have diverging opinions, in order to come together ...Hence, it is so very important that there should be exchanges, and, in particular, youth exchanges.

As a matter of fact, I myself am a very good example of how useful youth exchanges are, because 34 years ago, in 1948, I went to the United States as an exchange student to go to Yale University and I'm convinced that my whole life would have been different if I hadn't had this experience in the United States; I might well still be a lawyer in my home town of Bremen. So, that is the very personal reason why I am in favor of exchanges with the United States.

Prime Minister Spadolini of Italy

Televised remarks to a group of Italian students returning from a visit to the United States, September 1982:

At the most recent summit of industrialized countries, held in Versailles, a much larger portion of the discussion than usual was given over to the topic of cultural exchanges in the West. I found myself particularly in agreement with President Reagan's especial hope for the development of exchanges involving young people.

It is no accident that your study concentrated on the U.S. political system and U.S. institutions. Many years ago, another European, Alexis de Tocqueville, engaged in a similar study, whose results played an important role in the maturing of democratic awareness in Europe.

We believe that the meeting of the best of European culture and American political culture can result in the better working of our respective democracies in the future, and hence new hope for peace in today's troubled and uncertain international situation.

Remarks at the National Press Club, Washington, D.C.,
November 1982:

The problems of young generations have also been discussed in my talks with President Reagan, and we do appreciate the initiatives that have been taken so as to develop the cultural exchanges within the western world.

Prime Minister Suzuki of Japan

Remarks to a group of American exchange students, Tokyo,
June 1982:

Never before in our history have the U.S. and Japan enjoyed the level of friendship we do today. We enjoy this friendly relationship not only as a result of effort at the governmental level of both countries, but also because of exchanges and dialogues maintained continuously at all levels of both nations to deepen mutual understanding. It is my strong belief that we must recapture and further promote the spirit of mutual understanding which we have already come to share, not only for the development and prosperity of our two countries but also for the peace and stability of the rest of the world.

You are the representatives of the generation that will share the greater part of the responsibility for the promotion of U.S.-Japan friendship in the future. You will also be the prime movers of world peace and prosperity.

Chancellor Kohl of Germany

Statement at Arrival Ceremony, South Lawn of the White House, November 1982:

We must constantly remind ourselves and in particular our young fellow citizens of the foundations of our equal partnership and of our deep friendship because shared fundamental convictions are the key to unity.

Luncheon Speech in honor of Vice President Bush, Bonn,
January 31, 1983:

"Friendship thrives on encounter and dialogue. Participation in this by the young people in our two countries is a matter particularly close to my heart. We set great store by encouraging and improving personal contacts and exchange between our two countries. Above all, our efforts are directed to the young people so that they renew the active dialogue that was crucial in determining the outlook of an entire generation of Germans and Americans immediately after the War. The Williamsburg Conference on Youth Exchange, which was initiated by President Reagan and ended a few days ago, was a highly promising step towards activating and strengthening understanding between Western democracies."

Canadian Secretary of State for External Affairs MacEachen

In a letter to Secretary Shultz:

I can assure you of my interest in the initiative and I consider the programme objectives of creating an awareness of our shared values and strengthening the bonds of understanding among the young people of the United States and Canada to be very worthwhile.

German Foreign Minister Genscher

In a letter to Secretary Shultz:

The Government of the Federal Republic of Germany attaches the utmost importance to preserving and developing good German-American relations. Intensified exchanges between our peoples, especially between the young generations, is the best means of safeguarding these good relations in the long run. We know that we are both in agreement on this point.

We greatly welcome the fact that, in May 1982, your President took the initiative to encourage at the multilateral level youth exchanges among the countries of the Western world.... This initiative confirms our current bilateral efforts. We support its objectives and will seek to gain our friends' support for these plans as well.

Foreign Minister Sakurauchi of Japan

In a letter to Secretary Shultz:

I am fully convinced that the expansion of the exchanges of young people is very significant in further promoting the friendly relations between our two nations, since they belong to coming generations which are to play decisive roles in the future U.S.-Japan relationship. In this respect, I am gratified that President Reagan, yourself and other leaders of various circles concerned have taken a great interest in youth exchange and are making much efforts for its promotion.

I wish to continue our efforts, in cooperation with you, to expand the U.S.-Japan Youth Exchange as one of the most important activities to further promote our friendly relationship.

Secretary of State Pym of Great Britain

In a letter to Secretary Shultz:

I am glad to support this Initiative...and I share your hope for the success of this imaginative enterprise.

Resolution by The North Atlantic Assembly
November 18, 1982

Welcomes the Initiative taken by the President of the United States in making the successor generation and international exchanges among youth in the countries of the Atlantic Alliance a priority in his efforts to strengthen transatlantic solidarity.

617

**National Security Council
The White House**

Package # 2212

'83 APR 11 P6:42

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>m</u>	<u>A</u>
Bud McFarlane	<u>2</u>	<u>✓</u>	
Jacque Hill	<u>3</u>	<u>✓</u>	
Judge Clark			
John Poindexter			
Staff Secretary	<u>4</u>		<u>D</u>
Sit Room			

I-Information A-Action B-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

RECEIVED 02 APR 83 11

TO CLARK

FROM WICK, C

DOCDATE 01 APR 83

KEYWORDS: EXCHANGES

WILLIAMSBURG SUMMIT

AC

SUBJECT: PRES INTL YOUTH EXCHANGE INITIATIVE & REQUEST PHOTO OP

ACTION: PREPARE MEMO FOR CLARK DUE: 06 APR 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BLAIR

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Clark

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To: EOP011 (57:EOP011)
 From: NEWS Posted: Mon 9-May-83 8:24 Sys 97
 (65) Subject: PRESIDENT AND REAGAN : reagan and other
 leaders of the industria

PU

BE003-04

(lgrafcorrection xxx the other; pickup16thgraf: that may adding japan)

Editors: This is the first in a series of five articles on issues of the economic summit of industrial nations in Williamsburg, Va., May 28-30. Others will deal with financing third world development, protectionism, reforming the international monetary system and east-west trade. They will move on successive days this week. They can be used spot or in the future, separately or as a series.

Global interdependence top topic at economic summit
 By DONALD H. MAY

WASHINGTON (UPI) — When President Reagan and other leaders of the industrial world hold their economic summit May 28-30 in Williamsburg, Va. — a cradle of American independence — their central topic will be global interdependence.

The world economy is becoming more closely knitted together.

In 1970, 13 percent of world output moved in international trade. In 1980, 22 percent did.

There are more and more principal actors on the world stage. In 1955 the United States produced 40 percent of the world's output. In 1980 it produced only 24 percent.

Japan's share rose, meanwhile, from 2 percent to 10 percent. Europe's grew from 27 to 28 percent.

The share of developing countries grew from 20.7 percent to 21.5 percent, according to the World Bank. But those figures include declines for the poorest areas, such as sub-Saharan Africa, and they mask a dramatic change.

This was the rapid rise of a score of middle-income developing countries including South Korea, Hong Kong, Taiwan, Thailand, Mexico and Brazil. Their share of world output rose from 13 percent to 17 percent.

Their share of world trade in manufactured goods, rose from 4 percent in 1960 to 10 percent in 1980. They now export 30 percent of the world's clothing, 15 percent of its shoes and 11 percent of its electronics.

The U.S. economy and American jobs depend increasingly on the rest of the world. According to the Overseas Development Council, 11 percent of the demand for U.S. goods and services comes from abroad, compared to 6 percent ten years ago. Of the current demand from abroad, 42 percent comes from developing countries.

For most of the past two decades, world trade has been expanding; the economies of developing countries have been growing at close to 6 percent per year; those of industrial countries a bit more slowly.

Beginning in 1979, after two oil price surges, most industrial nations tightened their monetary policies to fight inflation and

brought on the recent recession. Unemployment among industrial countries has risen to 30 million.

The value of world trade fell in 1981 for the first time in 20 years. The recession spread to developing countries, which as a group are expected to suffer economic declines in both 1982 and 1983.

While the recession seems to be ending for industrial nations, it may not have yet had its full impact on the developing world.

Shahid Javed Burki, World Bank director of international relations, says the futures of both these groups are inseparably linked. Neither can achieve healthy growth without the other.

Thus, a major agenda item for leaders of the United States, Japan, Britain, Canada, France, West Germany and Italy at Williamsburg, will be how to "harmonize" their own economic policies to get world economic growth and trade going again.

That may involve different actions by each of the seven. For example, proposals have been made for the United States to reduce its budget deficits in order to lower interest rates; for Britain and West Germany to avoid too much restriction; for France and Italy to keep fighting inflation. Next: Financing Development of the Third World _____ upi 05-09-83 03:50 aed

S.D.

Vice Chairman

May 12, 1983

The Honorable Craig L. Fuller
Assistant to the President
The White House
Washington, D. C. 20500

Dear Craig:

Enclosed is an editorial from the Financial Times (London) on the Williamsburg parley, which you may not have seen.

The writer(s) focus on the objectives of "financial stability, reasonable external balance, and the orderly growth of money incomes." I submit that a growth of savings (deferred consumption) to offset the Congressionally-induced¹ explosion of debt (accelerated consumption) should also be a target--at least for the United States--and in other countries where a similar phenomenon exists.

Every best wish,

Sincerely,


Stuart D. Root

SDR/lg

cc: Peter G. Peterson
H. P. Goldfield, Esq.

Enclosure

¹Peter G. Peterson, Chairman of Lehman Bros Kuhn Loeb Inc., has given excruciating detail on this point: "No More Free Lunch for the Middle Class," New York Times Magazine, January 17, 1982, p. 40. And, of course, the "middle class" is where savings needs to be inspired the most.

New ideas for Williamsburg

AGAINST ALL the odds—and especially the political odds—some genuinely new and constructive ideas seem to be mustering enough international support to raise hopes for the Williamsburg summit next week. Given the radical disagreements between the seven participating countries, and between the U.S. President and his legislature, there is still much that could go wrong; and since one of the seven is without a Government, and another in the middle of an election campaign, firm leadership will be in short supply. However, the problems the free world faces impose their own urgency, and some suggested answers are beginning to surface.

The problems are all too familiar: the world recovery remains weak and tentative, the international debt problem is very far from solved, and progress on either front is badly hampered by high real interest rates. There is growing agreement, too, on some of the major causes. National economic policies are out of step, and cause turbulence; low real demand, intensified by growing protectionism, undermines the efforts of debtor countries to earn their way out of trouble; and Government borrowing—especially the projected long-term deficit of the U.S. Government—sustains high interest rates.

This much is familiar. What is new is the growing acknowledgement that we did not fall into this trap by ill-luck, but because we followed ill-thought-out policies in nearly all the major countries. In particular, too much weight was given to efforts to control the growth of national money supplies, and too little to the other factors which set the climate for growth and inflation—financial stability, reasonable external balance, and the orderly growth of money incomes.

Consensus

These are at least as much technical as political questions, and it is among the technicians that a new consensus is first beginning to emerge. Thus the OECD Secretariat in Paris and the commercial and central bankers who make up the Group of 30 have both independently proposed the same radical change in the last few days: the aim of monetary policy should be to secure an orderly growth of money national income rather than of the money supply.

The underlying thought could still be described as "monetarist", since the aim of money supply policies always was to secure a steady growth of nominal GDP, but the

realise that this approach does not seem to work in turbulent times, while the traditionally Keynesian Paris group have come to realise that an orderly growth of nominal demand neatly combines their long-term preoccupation with real growth with the over-riding priority of recent years, to limit inflation. By definition, it permits real growth to resume as and when inflation is checked.

This statement of objectives begs many operational questions, of course, as its proponents recognise. It is no easier to secure steady nominal growth today than it was to achieve steady real growth in the era of nearly-stable prices of the 1950s and 1960s; but it should not, after a little experience, prove any harder either.

A convergence of nominal growth rates would of itself do a lot to ease the strains which have made exchange rates so unstable. It is also a formulation which should make sense both to leaders like President Reagan and Mrs Thatcher, who give high priority to monetary stability, and those, like President Mitterrand, who demand some objectives for growth. What has united the bankers and the economists could unite the leaders.

Open markets

A technical restatement of the unchanged aim of macro-economic policy will not, of course, solve all problems; it will simply help us to avoid tripping over our own feet quite so often. A second important, theme, underlined recently by the U.S. Treasury Secretary, is to provide open markets for emerging producers in the Third World. This does pose some hard political questions, especially in Europe and Japan; but protectionism, as Dr Johannes Witteveen points out on behalf of the Group of 30, depresses world trade, intensifies the debt problem, and raises prices in the countries which practice it. U.S. leadership here is welcome.

The rest of the catalogue has become familiar in recent months: the need to frame domestic policies with an eye on the exchange markets, the question of smoothing intervention in the currency markets, and above all the adoption of convincing strategies to reduce structural budget deficits, particularly in the U.S. All this would help to produce stability and lower interest rates.

Williamsburg will certainly not initiate a new Bretton Woods, as President Mitterrand demands; but if it fails to produce some very helpful policy changes, it will not be for lack

FD006-06

DG | DG

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 83/05/23

Name of Correspondent: Alan J. Dixon

MI Mail Report

User Codes: (A) PRES (B) _____ (C) _____

Subject: Urge you to initiate at The Williamsburg Summit a major dialogue on the yen/dollar currency misalignment problem, "one of the most important factors affecting the strength and vitality of the U.S. economic recovery." Recommend a joint declaration by you and Prime Minister Nakasone as well as "a well thought out follow-up plan" to address the yen/dollar imbalance in both the short and long-term

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>LA DUPE</u>	ORIGINATOR	<u>830524</u> ^{we}			<u>1 1</u>
<u>NS</u>	Referral Note: <u>A</u>	<u>830527</u>	<u>DG</u>		<u>C830528</u>
<u>99 DAS</u>	Referral Note: <u>R</u>	<u>830528</u>	<u>DG</u>		<u>1 1</u>
	Referral Note: <u>SEE COMMENTS</u>				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	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: NSC ID 8303702

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.



UNCLASSIFIED
(Classification)

3700
5/28 WH

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT
TRANSMITTAL FORM

S/S 8318004

Date June 10, 1983

For: Mr. William P. Clark
National Security Council
The White House

144186
FO006-06

Reference:

To: President Reagan From: Senator Dixon

Date: May 20, 1983 Subject: Dollar's growing
strength/Williamsburg

WH Referral Dated: May 28, 1983 NSC ID# 3700
(if any)

_____ The attached item was sent directly to the
Department of State.

Action Taken:

- _____ A draft reply is attached.
- _____ A draft reply will be forwarded.
- _____ A translation is attached.
- XX _____ An information copy of a direct reply is attached.
- _____ We believe no response is necessary for the reason
cited below.
- _____ The Department of State has no objection to the
proposed travel.
- _____ Other.

Remarks:

White House referral included two letters - one from Senator Dixon
and one from Congressman Ridge. The response to Congressman Ridge
was sent under S/S #8316740 on June 9.

Charles Hill
Executive Secretary

UNCLASSIFIED
(Classification)



United States Department of State

Washington, D.C. 20520

JUNE 8 1983

Dear Senator Dixon:

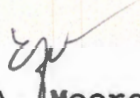
I have been asked to respond to your letter of May 20, 1983 to President Reagan. The concern expressed in your letter regarding the possible trade impact of the dollar's growing strength is widespread. As you know the issue was a matter of special attention at the Williamsburg Summit.

Greater exchange rate stability is high on the Administration's list of international economic priorities. President Reagan obtained agreement at Williamsburg for enhanced efforts to promote convergence of economic performance among all of the Summit partners, including the Japanese. In addition, the Summit partners have agreed to pursue closer consultations on policies affecting exchange markets and on market conditions. When conditions warrant, we indicated our willingness to undertake coordinated exchange market intervention.

These agreements have set the stage for greater stability in foreign exchange markets. This should allow the dollar to remain at a level consistent with relative U.S. economic performance.

With cordial regards,

Sincerely,


Powell A. Moore
Assistant Secretary
for Legislative and
Intergovernmental Affairs

The Honorable
Alan J. Dixon,
United States Senate.

NATIONAL SECURITY COUNCIL

Date: 5/28/83

MEMORANDUM FOR: State Secretariat
Department of State

DOCUMENT DESCRIPTION:


To: Pres
From: Hillis, Elwood & Traxler, BOB
Date: 5/25/83
Subject: Currency exchanges & the Summit

ACTION REQUESTED:

_____	Draft reply for:	_____	Pres signature
_____		_____	White House Staff
_____		_____	Other _____
_____	XXXXXXXXXX Direct reply	_____	XXXXXXXXXX Furnish info copy
_____	Dispatch		
_____	Recommendations/Comments		
_____	Appropriate handling		
_____	Information (FYI: ONLY)		
_____	Translation		
_____	Other _____		

DUE DATE: 6/4/83

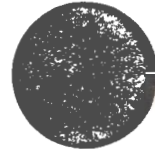
COMMENTS: *** Please coordinate w/ Henry Nau on NSC staff 395-6961.



Robert Kimmitt
Executive Secretary

THE WHITE HOUSE
WASHINGTON

May 27, 1983



MEMO FOR: PETER SOMMER
THROUGH: LORETTA BRAXTON
FROM: CHARLIE PONTICELLI *Cmp*
SUBJECT: "Last-Minute" Letters regarding Summit

Attached are letters to the President from Congressmen Tom Ridge, Jack Kemp, Bud Hillis, Tom Corcoran, and Senator Alan Dixon regarding the Williamsburg Summit.

Because all of these letters have reached us without time for acknowledgement prior to the Summit, we would appreciate your routing them to State for an appropriate direct response (with copies back to Ken Duberstein).

Thanks for your help in handling this request--

RECEIVED 27 MAY 83 16

TO PRESIDENT

FROM RIDGE, TOM

DOCDATE 25 MAY 83

DIXON, ALAN J

20 MAY 83

BOSCHWITZ, RUDY

20 MAY 83

KEYWORDS: CO

INTL FINANCE

WILLIAMSBURG SUMMIT

JAPAN

SUBJECT: HR-194 CONCERNS RE CURRENCY EXCHANGE RATES & THE YEN AT THE SUMMIT

ACTION: RECOMS TO NSC/S

DUE: 28 MAY 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

SOMMER

NAU

MCMINN

BAILEY

SIGUR

COMMENTS WE RECOMMEND SENDING THIS TO STATE FOR DIRECT REPLY

YES

NO

REF# 140011

LOG

Send to state for direct reply to be coordinated with Henry Nam. Note that we put NSC/FID the reply (May 27) and that there is obviously not time to answer prior to submit

RE log #s 3700, 3702, 3706

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

state *c sp8* *direct reply given 9-90* *Peter France 23, 40*

SPATCH

W/ATTCH

FILE

(C)ms

United States Senate

WASHINGTON, D.C. 20510

May 20, 1983

144186

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

Dear Mr. President:

As the Williamsburg Economic Summit approaches, we would like to urge you to undertake serious discussions there on the subject of exchange rate misalignments. We believe this problem is one of the most important factors affecting the strength and vitality of the U.S. economic recovery.

While the present strength of the dollar has increased its value relative to most major currencies, the problem is particularly acute vis-a-vis the Japanese yen. American businessmen and independent analysts have brought to our attention the fact that in the past five years the competitiveness of U.S. products against Japanese products has declined by some 50 percent. This decline occurred despite large improvements in productivity and efficiency by U.S. manufacturing operations because of the dramatic weakening of the yen relative to the dollar, and high U.S. inflation rates.

Many of the industries in our states are engaged in intense marketing competition with the Japanese. They are being severely affected by the unfair advantage Japan derives as a result of the exchange rate misalignment.

We would like to clarify one point that has been often raised regarding this exchange rate dialogue. The problem is not that the yen is maintained at a weak level by "manipulation." Rather, there is broad agreement that two factors: 1) the significant difference in real interest rates between Japan and the U.S.; and 2) uneven capital flows in and out of Japan, have tended to weaken the yen relative to the dollar.

Thus, we believe an important objective of yours at

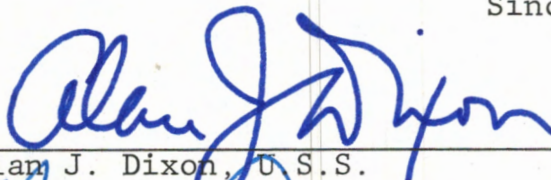
The President
May 20, 1983
Page Two

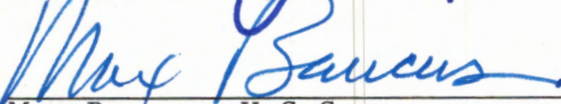
Williamsburg should be to initiate a major dialogue on the yen-dollar topic, and perhaps more broadly, on the implications of exchange rate imbalances on overall world economic stability.

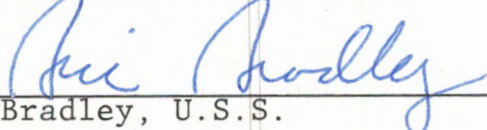
A simple joint declaration by you and Prime Minister Nakasone indicating your recognition of the yen/dollar currency misalignment problem is an important one, and a statement of your intention to work together to relieve the imbalance may provide some help. A well thought out follow-up plan should then be developed to address the yen/dollar imbalance in both the short and long-term.

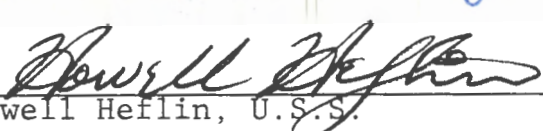
The United States must take the initiative to get such a dialogue started. We urge you to begin that process at Williamsburg.


Sincerely,

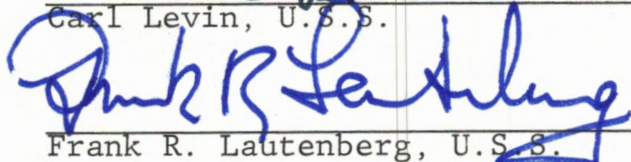

Alan J. Dixon, U.S.S.

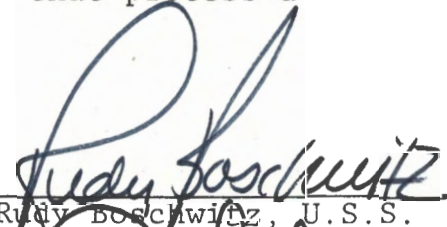

Max Baucus, U.S.S.

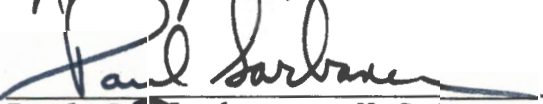

Bill Bradley, U.S.S.

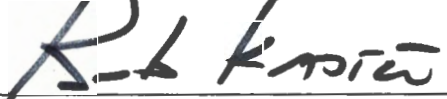

Howell Heflin, U.S.S.


Carl Levin, U.S.S.

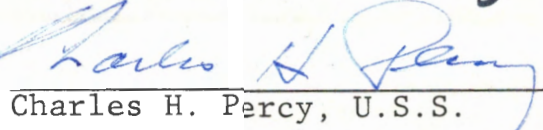

Frank R. Lautenberg, U.S.S.


Rudy Boschwitz, U.S.S.


Paul S. Sarbanes, U.S.S.


Robert W. Kasten, Jr., U.S.S.


David Durenberger, U.S.S.


Charles H. Percy, U.S.S.

98TH CONGRESS
1ST SESSION

H. RES. 194

Urging the President to provide for greater consideration of international currency exchange rates at the Williamsburg summit.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 1983

Mr. TRAXLER (for himself and Mr. HILLIS) submitted the following resolution; which was referred to the Committee on Foreign Affairs

RESOLUTION

Urging the President to provide for greater consideration of international currency exchange rates at the Williamsburg summit.

Whereas the continuing misalignment of major currencies with the United States dollar is a principal factor in undermining United States trade competitiveness and in depressing the United States economy over the past two years; and

Whereas the consequence has been the loss of many hundreds of thousands of jobs, and the severe dislocation in many areas of the United States economy; and

Whereas persisting disparities in interest rate levels between the United States and other key currency countries have contributed heavily to these ongoing exchange rate misalignments; and

Whereas both these maladjustments result in major part from the inadequate coordination and harmonization of general economic policies among the United States and other key currency countries; and

Whereas European and Japanese officials have indicated a desire to discuss remedies for these problems; and

Whereas the forthcoming Williamsburg summit conference at the end of May will bring together the leaders of key currency countries: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Repre-
2 sentatives that:

3 (1) the President should arrange to have included
4 among the highest priority themes of the Williamsburg
5 summit, efforts to seek a consensus among the partici-
6 pants on the need to improve the coordination of eco-
7 nomic policies among summit countries, aimed at re-
8 ducing disparities in economic policies, interest rates,
9 and exchange rates between the major industrial na-
10 tions; and at hastening a healthy and sustained recov-
11 ery of industrial economies and of international trade.

12 (2) such consensus should include announcement
13 of a mechanism or procedure for such consultation on a
14 close and continuing basis: and

15 (3) such consensus should also include provision
16 for an early meeting of summit country Ministers of Fi-
17 nance and the United States Secretary of the Treasury
18 to consider steps to achieve better alinement between

1 the interest rates and major currencies and to make
2 public the objective of such steps; and

3 (4) the President should arrange, in conjunction
4 with the Williamsburg summit, bilateral discussions
5 with the Prime Minister of Japan to initiate special ef-
6 forts to bring about consensus and joint action to
7 achieve the earliest possible further realinement of the
8 yen and dollar exchange rates.

○