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TRADE UNION STATEMENT TO THE OECD'S MINISTERIAL COUNCIL AND THE WILLIAMSBURG SUMMIT, MAY, 1983

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Adopted by the 70th Plenary Session of the Trade Union Advisory Committee to the OECD, 28 - 29 April, 1983.

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Summary

1. The OECD's Ministerial Council and the Williamsburg Summit have to take decisions which put an end to the recession and bring about a sustained recovery with full employment. These decisions have to be taken with full respect to world interdependence. In today's circumstances, individual countries which attempt to force their way to economic and employment growth meet formidable obstacles. The reluctance of one or several countries to join in action for a recovery is a heavy constraint on all others. Complacency arising from any optimistic forecasts is dangerous as it can deter governments from taking the needed concrete policy measures.

2. Coordinated action is the safest and the least costly way to recovery. Making positive use of the interdependence of the OECD economies, as well as that of the industrialised democracies and the developing world, will maximise the benefits for all. A recovery programme has to be the result of negotiations between all OECD countries, regardless of their economic position. In the framework of such a programme, countries have to make full use of whatever room for manoeuvre a better inflation and current account performance can give them.

3. The governments have to make immediate commitments which are backed up by long term policies. Primary importance has to be given to the maintenance of full employment as the basic aim of all countries' policies. As a real confidence-building measure, governments should adopt a monetary and fiscal policy which, together with labour market and employment policies, can immediately halt the rise of unemployment and start bringing it down. International agreement on the reduction in real interest rates is another essential element in a strategy for recovery.

4. Immediate policy measures have to be accompanied by a targeted stimulation of public and private investments, so that an increase in consumption and economic activity will make a reconstruction programme firmly based. An efficient interaction between public and private investment is essential and where private investment is not forthcoming, there has to be sufficient public investment to get the economy moving again. Targeted investment and employment measures have to be taken with respect to the specific impediments each country faces, but such impediments cannot be an excuse for doing nothing.

5. Full employment policies mean that governments should cease to seek a recovery through deflation, lower wages, and a dismantling of the social safety net. Real structural change which benefits the economy requires more than relying upon the market forces only. It will not take place through unemployment or through a polarisation and a further segmentation of the labour market.

6. Free collective bargaining and cooperation with the trade unions are essential for achieving a recovery. The whole range of labour market and employment creation measures are necessary for a sustained recovery programme. They are needed both to absorb the nearly 40 million jobless in the OECD area and to guarantee that technological change will not have an overall negative effect on employment. In carrying out these policies, with a necessary degree of international coordination, full use should be made of any potential for employment creation which a shortening of working time provides.

7. Stability in the international monetary system is indispensable for a climate where productive long term investments can be made and open multilateral trade expanded. The International Monetary Fund has to regain effective surveillance of exchange rates and conditions in exchange markets. The lending conditionality of the IMF should focus on laying the foundations for sound economic growth and employment.

8. Whichever technical measures for an elimination of the instability in the exchange rate market are adopted, they have to meet the basic aims of investment, the creation of employment, stability for carrying out structural change, promoting trade, and preventing one country from passing on its inflation to others. For this purpose, too, an

overall reduction in real interest rates should be negotiated immediately, so that their role in the determination of currency values would diminish.

9. Full employment and an improvement in labour standards must once again be recognised as a necessary condition for a properly functioning open trading system. Competitiveness must not be sought through unemployment and cuts in wages and living standards. Effective measures for trade liberalisation are fruitless unless trade flows are translated into a net increase in jobs and productive economic activity in all trading partners.

10. Negotiations have to ensure that trade between the OECD area and the developing world is made into an engine of growth. Creating and strengthening viable economic and social structures in the developing world should be promoted by making use of the idle human and productive capacities in the industrialised countries.

11. A continuation of the inward looking deflationary strategy by OECD countries will only have a further depressing effect on the developing world. Rescue operations for some countries will simply be an expensive buying of time, unless action is taken on the whole scope of measures for a sustained development effort. An increase in the economic potential of developing countries, improving social and living standards and narrowing the gap between the rich and the poor in them, will benefit the whole world economy.

12. The flow of Official Development Assistance and loans to developing countries must not only be maintained but increased and full use must be made of all available resources. The recently expanded IMF resources, through still insufficient, must be ratified quickly, and a new distribution of Special Drawing Rights to developing countries should be agreed upon. Increased resources must not be used to guarantee loans made by private banks but to ensure that the developing countries can really participate in the world economy.

13. Speculation in the world economy must be starkly reduced as it has now become more profitable to invest in money than with money. In addition to exchange rate stability and policies for economic

growth and employment to foster trade, this calls for strengthening the rules and regulations on the behaviour of multinational enterprises. Jointly agreed industrial and other policies to this end have to be based on the recognition of the common interest of all national economies.

14. Falling oil prices must not lead into further complacency in energy policies. Conservation projects and programmes for alternative energy sources should be intensified and not scrapped, in order to reduce the vulnerability of the economies to new oil price shocks. Negotiations between the oil-producing and oil-consuming countries for an international agreement on prices and supplies of oil are necessary. They will be facilitated by increased energy cooperation between the OECD countries and the developing world.

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TRADE UNION STATEMENT TO THE OECD'S MINISTERIAL COUNCIL AND THE
WILLIAMSBURG SUMMIT, MAY, 1983

Adopted by the 70th Plenary Session of TUAC
Paris, 28 - 29 April, 1983

I - Introduction

1. Last September, the Secretary-General of the OECD made a statement to the Interim Committee of the International Monetary Fund in which he said: "It is, in some sense, less important when the recovery occurs, than that when it occurs it should be firmly based." Recoveries do not and cannot just occur, they have to be brought about. And it is perfectly possible to have now a firmly based recovery which will lead back into a full employment society. With some indicators into which forecasters today read considerable amounts of optimism, it is urgent to lay the foundations for a sufficiently strong and sustained recovery.

2. Signs of an upturn in certain countries, and especially in the United States, should not be interpreted as the automatic recovery which has been now promised for four years as a result of the governments' tight policies. Such an attitude promotes inaction by others who, with a multitude of economic and political arguments, simply wait for the beneficial effect on them to occur. Incipient positive developments in some countries will be abortive unless they are backed up by coordinated international action. The worst outcome of the OECD's Ministerial Council and the Williamsburg Summit would be a continuation of inaction, strengthened by a misleading euphoria derived from some positive figures. Unless sustained and diversified measures are taken by all OECD countries, the small hopes of Spring will turn into a bitter Autumn of disappointment.

3. Cyclical upswings have continuously taken place at higher levels of unemployment than earlier, and this tendency has been aggravated by technological developments. The experience of countries which have been at the forefront of new technologies, such as Japan, shows that the utilisation of these technologies, including robotisation and microelectronics, has raised questions on their consequences for the growth and structure of employment. With any recovery worth the name, the question of employment has to be squarely posed. Full employment cannot be removed from the basic aims of any democratic country's policy, or from those of the OECD itself.

4. In November, 1982, the TUAC presented a statement entitled "Negotiating the Recovery". That statement called upon the governments to use the period before the OECD's Ministerial Council and the Williamsburg Summit to negotiate the measures needed for a co-ordinated recovery programme, amounting to a reconstruction effort after the devastation caused by the recession. With the jointly pursued tight, or "non-accommodating", policies, the interdependence of the OECD economies and indeed of the whole world economy has deepened the recession. In today's circumstances, individual countries which attempt to force their way to economic and employment growth meet formidable obstacles. The reluctance of one or several countries to act is a decisive constraint on others. A new departure, based on efforts negotiated and undertaken by each and every one of the governments, is the only way out of the crisis. Developments since the Autumn of last year have only strengthened the case for joint positive action.

5. Governments have shown their capacity for taking measures when they recognise that they are facing an emergency. However, they should not limit this action to operations which give short-term shelter without affecting basic causes. If the rescue operations mounted by the IMF for the banking community and the rescheduling of loans for developing countries are correctly followed up, they could represent a new start in international co-operation. The Group of Ten which met in Paris in January, 1983, went further in the right direction when it recognised that "a sustainable improvement in activity in the industrial countries in 1983" is essential to prevent the collapse of countries. This can only mean growth

which produces employment. The OECD's Ministerial Council and the Williamsburg Summit will have to continue on this road and revise the strategy followed since the second oil shock.

II - A record of failure

6. The situation in the OECD area has been seriously aggravated by the fact that by and large, all governments have been jointly pursuing similar policies. Yet their policies have been made incompatible with one another because they have all set the same targets. The recession has been deepened by an over-restrictive monetary policy and cutbacks in public expenditure which have amounted to indiscriminate pressure to squeeze inflation out instead of really attacking its causes. Because of the interdependence of the OECD economies, even the slightest signs of economic recovery in one country have been choked off by the policies of others. For instance, efforts to increase exports, reduce imports, and lower government deficits have been frustrated by the same policy objectives in other countries. Governments have ignored their obligation, recognised at the Versailles Summit, to not take such actions which harm each other and they have increasingly resorted to "beggar-thy-neighbour" policies.

7. The assumption that lower inflation, which was the joint target of the OECD governments, would automatically lead to a recovery of investments, employment, and economic activity, proved to be false. Instead, the policy stance has restrained effective demand for investments, housing and consumption, hitting both domestic industries and trading partners. Winding down economic activity has not surprisingly forced inflation down to 6.4 per cent. But the price of this has been a rapid increase in unemployment which has climbed to levels close to 10 per cent. TUAC estimates that in the OECD area, it will reach the 40 million mark in early 1984.

8. The result in the OECD area has been mass unemployment and an erosion of the industrial base. In addition, the policy response to the second oil price shock was inward looking as the indus-

trialised democracies attempted to shake off their inflation through a joint deflationary strategy which imposed further constraints on the position of developing countries. Whatever hopes there were were pinned on trade with the OPEC countries and the so-called Newly Industrialising Countries. The mutual incompatibility of the monetarist "scorched-earth" policy revealed its consequences in the international debt crisis which severely curtailed the export markets of the OECD countries and threatened to put the whole international financial system in jeopardy. Any temporary alleviations of the debt problem which has hit hardest only a limited number of countries will not improve the position of the majority of developing countries. The policy stance of the OECD countries, the slow-down in world trade, falling commodity prices, and exchange rate fluctuations have hurt the whole of the developing world, not only those countries which have been considered sufficiently creditworthy to get a loan from international commercial banks.

9. Persisting with recessionary policies erodes the economic base and sets it off balance so much that a recovery could be delayed indefinitely. Since the previous Ministerial Council and the Versailles Summit, two successive Economic Outlooks of the OECD have expressed grave doubts and warnings on the course of economic policy. "Staying the course" has not only failed to improve the foundation for future growth and a reduction of unemployment: it has further contributed to economic decline. Since May, 1982, registered unemployment has increased by 1 per cent of the total labour force, or 3 million persons; industrial production has fallen by about 3 per cent; with falling inflation, real long term interest rates have gone up and real short term rates remain high; and OECD exports have shrunk by 3 per cent. Since 1979, the size of the OECD economy has grown by barely 1 per cent while at the same time, industrial output has declined by 7 per cent.

10. Interest rates have reached all-time highs, and in the absence of co-ordinated action by governments, real long term interest rates have not responded to mere governments exhortations that they should come down. The return on investments in the financial

markets is more attractive than on productive investments, to the detriment of industrial reconstruction. Thus, we have entered an economy where it is more profitable to invest in money than to make productive investments with money. Inflation rate differences between countries remain high. Exchange rates have not become any stabler with low inflation, and as the margin of manoeuvre for the economies has become smaller, the relative importance of exchange rate fluctuations has grown. The system of floating exchange rates has increasingly worked against the economies, in the same way as the reality of interdependence.

11. Recession is not a mechanism which can effectively bring the world economy out of its downward spiral caused by the oil price shocks of the 1970s. A recovery "just around the corner" has been promised since 1979; it has never materialised, and in retrospect it may well be demonstrated that unwarranted expectations of an impending recovery have encouraged governments to do nothing to bring the recovery about. In addition, the joint strategy has been a constraint on the attempts of any country to struggle against the recession within its frontiers. The irony of recent positive indicators in the United States is that they have not been brought about by the pursuit of the OECD's "non-accommodating" policies but through modifications and a relaxation of them.

III - The international financial crisis

12. The floating exchange rate system as it is now has not worked, and its side-effects have aggravated the economic problems it was meant to make more manageable. Without giving up the necessary degree of flexibility to reflect the differences in the various countries' economic performance, stability is essential. If the conditions for growth and for an expansion of employment are to be rebuilt, the elimination of the chaos which has followed the abandoning of the Bretton-Woods system is a key issue. This disorder undermines international co-operation in monetary matters and contributes to inflation, especially through the cost of the volatile fluctuations of exchange rates and the accompanying spread of hedging practices. Exchange rate policies should reflect the long-term relative economic conditions of countries.

13. With unforeseeable exchange rate fluctuations, both planning for major investments and structural change, and creating the confidence for them, is almost impossible. The potential for gaining short-term advantages in what amounts to exchange rate warfare have been too tempting for governments. Viable industries are hit by the consequences of sudden changes in exchange rates, and uncertainties render meaningless calculations based on the development of domestic costs (not only labour costs but costs of local raw materials, transport, subcontractors etc.) which can be negotiated between the parties concerned. This strengthens the tendency to try to improve competitiveness through unemployment and cuts in wages and social standards.

14. The very nature and size of the so-called hot money has radically changed with the growing importance of multinational enterprises, as massive transfers of funds from one currency to another are a part of their daily routine. Through rapid currency transactions they can both safeguard their own position better than national enterprises and affect the value of currencies. Consequently, an integral part of bringing stability into the system, and reducing the speculative element in it, is increased transparency and monitoring of the capital markets.

15. The central banks have largely surrendered to the commercial banks their own function in the field of surveillance and control of lending, especially international lending. The financial markets cannot be and will not become self-regulating in a way which would bring about stability. The responsibility of governments for the functioning of the financial system has to be restored.

16. The responsibilities of governments and central banks are not limited to financial operations taking place in their own territory. They also extend to the various and proliferating forms of unregulated international banking activities. This presupposes that the responsible national authorities engage in co-operation for stability rather than competition through deregulation. This calls for an

efficient and constructive follow-up of such understandings registered at the Versailles Summit as fostering monetary stability through "converging" policies, an increased role for the International Monetary Fund, interventions in the exchange rate markets to counter "disorderly conditions", and refraining from competitive devaluations. The fact that this statement of intention has not led to any practical implementation was one of the major failures of the Summit Meeting of June, 1982, and it must not be repeated this year.

17. The International Monetary Fund has for a number of reasons lost most of its effectiveness in surveillance of the exchange rates and of the conditions in the exchange markets. Firstly, the very foundations on which the discussions of exchange rate issues and requirements within the IMF are shaky, as was plainly admitted in the last IMF annual report. The interrelationships between balance of payments deficits, budgetary policies, interest rates, and exchange rates are a matter of mere theories, not of actual knowledge. However, such questionable theories have served as a basis for conditions imposed by the IMF on countries whose balance of payments position has compelled them to seek assistance. The lending conditions of the IMF should focus on the creation of sound economic growth and its fair distribution between sectors and individuals, and extreme care should be taken to avoid endangering social stability, strengthening repressive tendencies, and undermining democracy in the recipient countries. After all, the IMF has the duty to promote growth and employment.

18. Secondly, while the IMF can impose stringent conditions on countries with balance of payments deficits, there is no sanction with respect to countries which have persistent balance of payments surpluses. Thirdly, the member governments have not been ready to discuss within the IMF the aspects of their individual policy choices that have, or can have, an adverse impact on other countries. The IMF should seriously consider the effects its recommendations for one country have on others, particularly when drastic reductions of imports are imposed on indebted countries so that the over-all effect is reducing the export markets and weakening the balance of payments position of other countries.

19. Of all economic tools, exchange rates are among the ones over which governments can exercise control, but much depends on how this control is exercised and for which purposes. The right environment for control is enhanced by intergovernmental co-operation. With all its shortcomings, the Bretton-Woods system was part of the arrangements which enabled the world economy to have an unprecedented period of growth. The international monetary system has now to be reshaped so that it will effectively serve governments policies for a recovery. An immediate measure would be to negotiate an over-all reduction in interest rates so that they would play a diminished role in the determination of currency values. At the same time, more interventions will be needed to counter exchange rate fluctuations beyond a margin which would lead into speculative currency flows.

20. More stability could be achieved through linking together the U.S. Dollar, the Pound Sterling, the Japanese Yen, and the currencies in the European Monetary System. As most of world reserves are in these currencies, in which also the dominating part of world trade and investment is calculated, the speculative element would be brought under control. Whichever technical measures are adopted, the international monetary system has to be reconstructed to meet the following aims: investment and the creation of employment; stability for carrying out structural change; promoting trade in the short and long term; and preventing one country from passing its inflation on to others. Exchange rates should reflect the long term effects of government policies on the underlying performance of the economy, and they should not undermine the value of a country's reserves. The "convergence" of government policies, mentioned at the Versailles Summit, should be seen in this light, and these policies have to be complementary and mutually supportive.

IV - International trade

21. In the beginning of the post-war reconstruction period, and in particular at the Havana Conference on Trade and Employment, full employment was considered as a necessary, although not as such sufficient, condition for a properly functioning open trading system.

This consideration has not been translated into the functioning of existing structures, rules and regulations. The changing role of developing countries in world trade has made it necessary to modify various aspects of the trading system devised in Havana without, however, in any way modifying the importance of employment for international trade. With a continuation of deflationary policies, and their consequences for both internal OECD trade and trade with the developing world, there will be more strains on the world trading system and further proliferation of defensive unilateral measures.

22. It is an illusion that trade will create more jobs and prosperity when the world economy is characterised by contraction of markets due to the recession, erratic exchange rate fluctuations, market-controlling positions of multinational enterprises, decreasing scope of competitive trade due to intra-firm trade and barter trade, and import penetration surges. Neither will trade under these conditions bring about desirable structural change. On the contrary, it will further set our economies off balance. With slow or no growth, it will make trade subject to short term speculation. Any effective measures for trade liberalisation are fruitless unless trade flows are translated into a net increase in jobs and productive economic activity in all trading partners, so that trade and the ways to cope with structural change are addressed simultaneously.

23. In trade, as in economic policies in general, the developing countries are to a great extent dependent on the policies pursued in the OECD area. Any growth in world trade will to a great extent depend on an increase of trade flows with these countries. Their needs are clear signals of where there is demand for goods, capital and services from industrial countries which themselves are suffering from an increasing underutilisation of human and productive capacity. However, the effective demand of the developing countries has been virtually destroyed by the oil price shocks and the recessionary policy response of the OECD area. Trade between the industrialised democracies and the developing countries can and should become an engine of growth. But this calls for specific measures to promote it, which will not be achieved by mere liberalisation and unqualified general systems of tariff preferences.

24. What is needed is a combination of industrial policy, social policy, and policies for full employment. Also, much stronger measures are necessary for stabilising export earnings derived from commodities. Trade and investment should create and strengthen viable economic and social structures of the developing countries. Idle human and productive capacities in the industrialised countries have to be used to meet the developing countries' needs at least until such time as they have adequate effective demand. The developing countries have already fallen victim to the recession in an even more dramatic and violent way than the unemployed workers and the bankrupt companies of the OECD area.

25. The social imperative is an important part of the adjustment imperative of international trade, and any meaningful system of rules and regulations must take account of this. This principle underlies the case for social clauses to be negotiated into international trade agreements. Disruptive effects of differences in labour standards between countries which have reached a comparable level of economic development and strength have been growing. With a recession, labour standards (wages and labour costs and their determination, working time, health and safety, social security provisions and so on) can become an increasingly important factor in determining the competitive position of trading partners. Measures which lead to an erosion of social safeguards or standards of living and environment are dangerous weapons in the arsenal of any party to a trading conflict and are in fact powerful protectionist devices. If governments do not write social implications of trade into the rules and regulations of the multilateral trading system, they will pay an increasing price in each of the national economies.

26. In addition, the search for footholds in world trade is also conducted in ways which undermine internationally agreed minimum labour standards and basic trade union rights. The positive relationship between trade and employment and social progress becomes all the more remote when trade flows and investment are forced by suspending trade union rights and allowing violations of minimum labour standards. What a number of governments, both of industrialised and developing countries, thus promote is a replacement of comparative

advantage of productive efficiency by a comparative disadvantage of basic social and trade union rights, to the detriment of global economic welfare.

27. It is useful to remember that in the Havana Charter, the first section of Article 7, on fair labour standards, said: "The Members recognise that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory". The policies of governments which rely on short term advantages where labour standards have a decisive role is diametrically opposed to this basic hypothesis on which a considerable part of the post-war growth was founded.

V - Multinational enterprises

28. With the instability of the world economy, due to the stagnation of trade and rapid exchange rate fluctuations, speculation is an even more important part of international business activity than earlier. Depending on the size of the multinational enterprises, their spread over the globe, their position in the markets, their possibilities of rapidly making large transfers from one currency to another, and their technological capacity, multinational enterprises can survive the recession better than national enterprises and even draw profits out of it. On the other hand, the recession has also increased the problems of enterprises in sectors which have been confronted with particular difficulties, as well as small and medium size enterprises which have not ensured their position in international markets.

29. Financial troubles of multinational enterprises have spill-over effects on other countries, in terms of changes in production and closures which lead into large-scale lay-offs. On occasions, such measures have been applied to subsidiaries which have been profitable and important elements in the local economy. Financial problems of enterprises have led into the draining of profitable subsidiaries, in order to save the parent company.

30. In order to regain economic growth, some governments have taken measures to stimulate activity in sectors which they consider promising and in sectors where the competition from imports is large. These sectors are often ones where multinational enterprises have a strong and even dominating position. Such stimulation of "promising activities" can be self-defeating for governments if it is not backed up by other industrial and economic policy measures. For instance, assisting research and development should not only mean giving initial boosts to domestic enterprises: it should be a part of strengthening the national R & D capacity and innovativeness of the country. There have to be safeguards against governments' assistance merely leading into "market signals" for multinational enterprises which can move in and take over the market.

31. The need to maintain a sufficient degree of surveillance over the results of government policies for stimulating growth applies also to such measures as the deregulation of services which in most countries have been in the public domain. In sensitive areas, such as telecommunications, privatisation tendencies can mean that control over basic domestic services is transferred abroad. For the same reason, certain performance requirements on multinational enterprises are more than warranted, in particular if their entry in to the country and operations there benefit from different kinds of government incentives.

32. To the trade unions it is virtually incomprehensible that governments take measures to support activity in sectors which are internationally dominated by multinational enterprises, and at the same time oppose all attempts to increase their possibilities to supervise the future development of these sectors. A national industrial policy cannot be based on vaguely founded expectations of the behaviour of multinational enterprises. The interests of the multinationals and of governments may well coincide, as has been the case when a multinational enterprise has established itself in a country, with long-term plans, contributing to both

growth and employment. On occasions multinational enterprises have moved in to save a domestic enterprise which has been in trouble. As the multinational enterprises, in any event the large and established ones, do engage in long term planning, there is a good basis for concluding beneficial agreements which take all parties' considerations into account. It should also be remembered that the stability, and relative prosperity, of a society are not uninteresting for a multinational, especially if its products are to be marketed there.

33. However, with more uncertainty and speculation in the world economy and in each of the countries, it is increasingly possible that the long term benefits both governments and enterprises seek fail to materialise. Even established large multinationals with a favourable record in terms of employment and growth are compelled to engage in speculative activities, for the sake of their own prosperity. New entrants may come into the markets only for a short time, to draw maximum benefits from any incentives host countries offer: once these have been exhausted, they leave, and the social costs have to be met by the governments. The call by multinational enterprises for a stable investment climate has a hollow ring to it, when their own business practices undermine the governments' attempts to create stability through national industrial and other policies. On the other hand, the failure of governments to define the policies which correspond to their national interests furthers uncertainty and as a consequence speculative reactions by multinational enterprises.

34. The recession has underlined the need for efficient intergovernmental instruments covering the activities of multinational enterprises. The United Nations Commission on Transnational Corporations should speedily finalise an effective code of conduct to this end. All relevant intergovernmental bodies should strengthen their activities to assist host countries in developing and implementing policies on direct foreign investment. At the OECD level, the 1984 Review of the instruments on multinational enterprises and the

governments' policies towards them should create a true balance between the different instruments. At present, the voluntary Guidelines for Multinational Enterprises are a weak counterweight to a whole set of instruments which aim at liberalising international investments and capital movements, thus weakening the governments' control over them.

35. The Guidelines have to strengthen the governments' policies, as experience shows that there is a serious lack of compliance by multinationals with them. With rapid restructuring by these enterprises, with technological innovations being introduced at the work-place and management systems, and with high and rising unemployment, it is essential that the good practices set out in the Guidelines are adhered to. This concerns particularly information disclosure and consultations and co-operation with the trade unions. TUAC expects that the 1984 Review will lead to measures for a better implementation of the Guidelines through national law and practices and in co-operation between governments, so that the Ministerial Council can recognise and define their joint interests in this field when it adopts the results of the Review.

VI - The implications of world interdependence

36. The governments of the OECD countries have repeatedly talked about interdependence, without sufficient consideration of its consequences. In the OECD area, it has led into a joint deflationary strategy which has been detrimental to all participants. For the developing countries, this inward looking OECD strategy since the second oil price shock had a further depressing effect. The OECD countries must seriously look for ways to make use of the potential for growth and employment which targeted development measures could have, both for an increase in the economic position of developing countries and living standards there, and as a consequence of this, an increase in world trade and economic co-operation.

37. The few exceptions to the OECD strategy - or rather extensions of it - were the OPEC countries, which after the second oil price shock came to be seen as sources of demand for investment and exports as well as of funds deposited in the OECD area, due to their incapacity to absorb all of the additional revenues. But the non-oil producing developing countries ended up facing an increased energy bill, while the deepening recession in the OECD area contributed to a collapse in commodity prices and an increase in interest rates. The 1982 Review of the Development Assistance Committee showed that aid disbursements had been declining in some countries and growing at a slower pace overall. With the paucity of Official Development Assistance, those countries which were considered sufficiently creditworthy turned to private banks whose lending capacity had been boosted by oil revenues. The negative real interest rates of the 1970s resulted in high debt-equity ratios for many developing countries which were vulnerable once real interest rates in the 1980s became very high. The middle and low income developing countries were losing ground all the time, with less resources through Official Development Assistance, and with private investment flows favouring a limited number of better-off countries. The gaps between groups of countries, and between the rich and the poor within the countries, have continued to widen.

38. The prospect of whole countries going bankrupt revealed the consequences of the OECD countries' policy in early Autumn, 1982. Rescue operations for a number of indebted developing countries have had a degree of success - but it would be wrong to say that through them, a solution for any basic problems has been found. TUAC called, in October, 1982, for an urgent meeting of the OECD countries to discuss the global debt problem but not only in the short term: it was reminded that the whole scope of measures for a sustained development effort, aimed at enabling the developing countries to become viable partners in world trade, should be simultaneously discussed. One of the main dangers at this moment is a feeling of complacency, once governments, central banks, and the private banks have persuaded themselves that the acute crisis is over.

39. The stark reality is that numerous developing countries are experiencing a contraction of their economies by percentages which are far greater than, to take an example, that experienced by the Canadian economy last year (5 per cent). Such contraction will have a dramatic impact on these countries, due to the weakness or lack of economic and social structures. We are no longer talking about development being slowed down further but of losing even those insufficient levels which it had attained. Furthermore, the restrictive measures imposed by the International Monetary Fund on the debtor countries are themselves causing problems for their trading partners. Unless the basic causes of debt are tackled, the debt crisis will continuously recur. The position of the OECD countries, the slow-down in world trade, falling commodity prices, high costs of energy, interest rates, and exchange rate fluctuations have hurt the whole developing world. In terms of world-wide development, the debt problem has only been the tip of the iceberg.

40. To avoid further decline, a number of immediate measures have to be taken. Official Development Assistance has to be not only maintained but increased by making full use of all available resources. The flow of loans must also be maintained and increased by the IMF and private commercial banks. The enlarged though still insufficient resources made available in the wider access to the General Arrangements to Borrow and in the Eighth General Review of IMF quotas have to be effected quickly. Agreement should also be reached rapidly on a further distribution of Special Drawing Rights to developing countries and for the replenishment of the International Development Association of the World Bank. Resources must not be used to guarantee loans made by private banks but to ensure that the developing countries can continue to participate in the world economy. If private banks receive protection from the IMF and the Bank for International Settlements, eventual profits they make from a rescheduling of loans should be fully taxed so that a sufficient degree of returns go to replenish World Bank resources and to finance a distribution of SDRs to the developing world. The achievement of remunerative and stable commodity prices should be a priority concern, and it will be assisted by taking the necessary steps for putting the Common Fund into effect.

41. The worsening position of the whole of the developing world is yet one urgent reminder that policies for growth and full employment have to be resumed in the OECD countries. The concept of interdependence should be a guiding one in this context. An increase in the economic potential and in social and living standards in developing countries, a narrowing of the gap between the rich and the poor in them, will benefit the world economy, too.

VII - Energy policies

42. A lowering of energy prices, in particular of oil, should not lead into further complacency in energy policies. The price of energy remains prohibitively high for non-oil producing developing countries, and it has been affected by exchange rate developments and the reduced export earnings of these countries. Assistance to developing countries in energy policies, both for conservation and alternative energy sources, remains a priority matter. Although some success has been recorded in lessening the growth dependency of the OECD economies on imported energy, a recovery will increase demand for all forms of energy and thus have an immediate effect on prices again. Against this background, the scrapping of conservation projects and programmes for alternative energy sources by both industry and governments has increased the vulnerability of the economies to new oil price shocks and disruptions of supply. Fluctuations in prices of various sources of energy must not become once more the decisive, let alone sole criterion of energy policies.

43. Concrete steps towards negotiations between the oil-producing and oil-consuming countries are long overdue. It is necessary to have an international agreement on the supply and price of oil, regardless of whether there is low growth or a recovery. Such an agreement would make any recovery more firmly based. Negotiations would be served by increased co-operation in the energy field between the OECD area and the developing world. Such an agreement also presupposes greater transparency of the ways in which the oil markets function, including the role of oil companies in them.

44. The recent fall in oil prices underlines the importance of a pricing policy which would not be a simple "passing on" of lower prices to individual consumers and the industry, as this would do nothing to reduce the possibility of unforeseen and sudden price rises, and hence inflationary surges, once economic activity picks up again. Instead of reaching for easy solutions to the inflation problem, pricing policies should further conservation, more energy-efficient production, and fuel-switching. Lower oil prices should be able to assist governments in increasing resources for a recovery programme which would reduce unemployment.

45. Any measures which make use of the resources from lower world market prices should be targeted so that the employment effect of energy programmes would be fully made use of. This presupposes investments in developing energy-efficient technology, both for the industry and for conservation in the households. A number of aspects for a more rational use of energy can be subject to international standards, which can be agreed upon (for instance in the International Energy Agency) and made mandatory. In the transport and housing sector, energy-related investments are needed on a large scale. An increased use of coal provides opportunities for investments and jobs in extraction, treatment, distribution, utilisation, and to counter negative effects on the environment.

46. An efficient energy policy will also have to deal with the way the profits of the companies operating in the energy field are used. This is all the more important as these are often windfall profits which are not reinvested in the energy field but which are used either in an unproductive way or for gaining control in other sectors of the economy, while public funds are spent for energy projects. Wherever governments give incentives for companies for energy-related activities, they should make sure that the benefits are not diverted to other ventures.

VIII - Labour market and employment programmes

47. It is evident that the recovery cannot be bought at the labour market but that for growth and increased employment, a change in the economic policies of the OECD countries is needed. However, it is equally clear that a recovery programme will have to have its labour market components. A whole series of labour market and employment creation programmes are needed for assisting a recovery, once the conflict between present economic policies and what is possible in the labour market is removed. It will be easier to design and carry out the needed labour market measures in co-operation with trade unions, instead of by trying to ignore them or in open conflict with them.

48. Labour market measures needed to back up a recovery include increased vocational education and training and measures aimed at youth employment, starting with comprehensive policies for post-compulsory education and an expansion of counselling services, to facilitate the transition from school into working life. In order to ensure that growth will not be choked off, measures to avoid supply and demand mismatches are needed, together with policies for disadvantaged regions and groups. This requires co-operation between a number of authorities, together with trade unions and employers, among others to identify future needs in terms of manpower and the skills involved. Rapid technological change makes such co-operation even more necessary than earlier.

49. Labour market measures which have a positive social impact and a potential for job creation include the shortening of working time. There are various ways in which this can and should urgently be done. In a number of countries, trade unions have made detailed proposals for ways to reduce working time so that it has a positive employment effect. These should be implemented through negotiations between trade unions and employers. Individually and collectively governments can promote an environment in which this takes place. International co-operation and co-ordination facilitate the reduction of working time and the improvement of labour standards in general, so that differences between countries which have reached a comparable level of economic development and strength do not become factors which affect international trade and investment. The OECD is a forum which

50. Governments themselves are increasingly admitting that under present economic policies, labour market measures can only tamper with the problems of unemployment. The growth rates which would be needed simply to stop unemployment from rising are much higher than the ones now forecast, even with a forecast of a certain kind of a recovery. On top of a positive employment effect from higher growth rates, the task remains of absorbing those men and women who are unemployed because of the recession. If their situation and special problems are not tackled by the whole range of labour market and employment policies, they will be by-passed by the recovery. In the final instance, a central role will fall upon employment creation programmes for those who cannot find a job even with given rates of growth. Public sector activities are interdependent with those of private industry and services, and public services have a crucial role in employment growth. Expansion in this sector will allow simultaneously for the creation of jobs and meeting social objectives.

51. Labour markets cannot be equaled with other markets. There has been a persistent school of thought among governments that a recovery can be either achieved or sustained through wage cuts and more "flexibility" in the labour market. The mainstream of this analysis has been built on a conception of how the labour market ought to work, in order to further the aims of deflationary policies. Recent country reports of the OECD (for instance on the United Kingdom, the Netherlands, and Norway) contain direct attacks on structures which have been developed in the labour market. They cross the border-line between describing industrial relations systems and prescribing government policies on collective bargaining, as they suggest changes in collective bargaining practices, greater differentiation in pay, and less stress on a fair income distribution.

52. The way trade unions read such recommendations is that once the beliefs in other automatic mechanisms for recovery (such as a lowering of inflation with new problems of disinflation) have faltered, economic expansion is now expected to come through a further squeeze on wages and curtailing social expenditure.

In the present circumstances, an all-out attack on collective bargaining and trade unions ignores the role they have in economically difficult periods. It also ignores the fact that through collective bargaining, a degree of predictability of labour costs is provided for the economy. Governments should once and for all discard the notion that certain forms of wage bargaining are inflationary in themselves. Differences in bargaining structures between OECD countries do not correspond to differences in inflation rates or, indeed, economic performance. It is not up to the OECD to propose to the member countries interference with collective bargaining practices and structures. In each country, these are a result of the particular ways in which relations between the trade unions, employers and governments, as well as legislation, have evolved over many decades.

53. Prescribing the so-called real wage thesis, i.e. a tying of wages with the profit-levels of the enterprises, is not a way to assist a recovery. An adequate rate of return on investment is naturally important but it is self-defeating to seek this by attacking real wages. Cutting real wages means cutting real demand as well, and this reduces the incentive to invest. This is compounded when every country tries to get competitive advantage from a reduction in wages. Policies for expansion and growth which increase living standards hold out better prospects for a return on investments. A full use of existing productive capacity and the need for improvements in productivity are ignored in the real wage thesis. It is an abstract theory which is now being used as a way of forging profound changes in the relationships between wages, including the social wage, and profits, and it ignores the role of collective bargaining in wage determination. In addition it ignores the differences between sectors and especially the determination of public sector wages.

54. Mass unemployment, created by deficient demand, cannot be solved by marginal changes in relative wages. The recession has led into a continuing drop in real wages, and it has caused "jobs for wages" deals. But when such agreements have been made at the level of specific industries or plants, they have seldom, if ever, created new jobs. On the contrary, through attrition the labour force has continued to decline. With an unemployment rate heading on the average well over 10 per cent, it is of little help to call such

agreements "innovate", as was done by the OECD's Ministerial Council in May, 1982 (paragraph 10 of the Communiqué). They are necessary defensive measures in the absence of growth, but in no way can they be seen as promises for the future, in particular for the growing number of unemployed. They cannot be read as proof of the real wage thesis which, in addition, does not contain any guarantee that increased profits, if they ever materialise through an application of this theory, are reinvested in a way which creates employment.

55. Neither will unemployment be brought down merely through increased "flexibility". This only increases a dangerous polarisation of, and segmentation within the labour market which was already pointed out and recognised at the time of the Meeting of the OECD's Labour Ministers, in March, 1982. The result is a distortion of both consumption and production patterns. Neither can a simple market value be set on basic social safeguards and their dismantling will prove to be even more costly to societies. Structural change in advanced industrial societies cannot be achieved through the unbridled actions of market forces. Trying to mechanically apply yet more labour market and wage flexibility does not facilitate structural change, and it only leads into prolonging the life of unviable enterprises well beyond the point where a variety of restructuring measures should have been taken.

56. The OECD and member governments have been persistently asking for patience and concessions from trade unions. They admit that wages have neither brought about nor prolonged the recession. They should also recognise that for a recovery, other economic tools than a crude wages policy are needed. TUAC has consistently said that the trade unions are prepared to engage in discussions on the whole range of economic policies needed for a co-ordinated recovery programme. But in order to succeed, any reconstruction programme will have to have a positive social and employment effect. A dialogue involving trade unions cannot be about ways to make workers accept further cuts in wages and living standards. If the result is a recovery for some but a deepening of the recession for an increasing number of people, there is a terrible risk of social division which can threaten all of the achievements of the post-war period.

IX - Negotiating the recovery

57. One of the main arguments presented by TUAC has been, and remains, that the recovery programme has to be the result of negotiations between all OECD countries, regardless of their inflation performance, the size of public deficits, dependency on world trade etc. The solution to differences in inflation rates between countries will not be found through prolonging the recession in the high inflation countries while others use up their room for manoeuvre by taking more expansionary action separately. The "locomotive"-approach for increased growth does not work, as it produces a combination of reluctance in those countries which are expected to take the lead and inactivity in the rest. If the concept of interdependence is accepted, then to get out of the crisis, measures have to be taken by even the weakest and the smallest economies, although of course countries with a better inflation and current account performance will be able to contribute the most. With interdependence, the benefits will be maximised through co-ordinated action, but if a number of countries hold back, or drop out, the recovery can be diluted or even negated. After all, co-ordinated action is the safest and least costly way to recovery.

58. Political will and commitments are thus needed by all OECD countries and not only the seven leading economies. However, due to their strength, the countries participating at the Williamsburg Summit have a special responsibility for translating a co-ordinated recovery programme into practical measures. They are in a position to work out the ways to bring order into the international monetary system. Due to their share in world trade, they also can take steps to recreate the foundations for an open multilateral trading system. As they have extensive economic links with developing countries, including the ones which have been hit by the global debt problem, it is in their self-interest to initiate decisive measures for world development which result in building up the developing countries as full partners in international economic co-operation. Finally, they can give a signal to the rest of the OECD countries through a clear refusal to adopt "beggar-thy-neighbour- policies and by showing determination to work together instead of waiting for each other.

59. Negotiating the policy measures needed for a recovery programme should start with immediate commitments and stretch into medium and long term policies. In the first instance, governments should commit themselves to an immediate halt in the growth of unemployment. This can be achieved either by raising sufficiently the ceiling on money supply targets (including the creation of SDRs), or by giving a fiscal stimulus by a set proportionate amount, or by sufficiently large job-creating measures in the labour market. Depending on the circumstances of each country, a combination of these three measures can bring about the immediate target of stopping unemployment from growing. Another immediate element in a recovery programme is international agreement on the reduction of real interest rates. These actions would set the correct direction for the governments' programme and help to re-establish confidence in their ability to act in a positive manner.

60. Beyond the immediate commitments, which can be nothing more than an starting point, there is need for economic reconstruction over a long time horizon, to ensure that the recovery is firmly based and also that inflationary surges do not reoccur. Longer term programmes are needed for the almost 40 million unemployed who would be by-passed by the effects of a return to growth rates which presently can be envisaged. It has to be made sure that investments do in fact follow from an increase in demand, and that reflationary measures also bring unemployment down, after the initial target of stabilising it.

61. A full employment society must remain the basic aim of the OECD and its member governments. In any immediate or longer term programme, the so-called market forces have their role to play, but there is no way that governments can adopt a hands-off policy. Governments have the economic policy tools which can be used to the benefit of the society as a whole, while individual firms do not have this perspective or, indeed, a responsibility for this. In a recovery programme the responsibilities of the enterprises for employment should also be addressed, as it cannot be unimportant for the employers in which kind of a society their production is carried out, transported, and marketed. There has to be an efficient interaction between public and private investment, with the understanding that if private investment is not

forthcoming (and the policies of the OECD governments have failed to produce an increase in productive private investments), there will have to be sufficient public investment to get the economy moving again.

62. In a negotiated recovery programme, each country would make its contribution depending on the characteristics of its national economy. For example, those countries which have done least to overcome their energy constraint would need to concentrate on that sector, ensuring that even with lower oil prices, energy conservation and fuel-switching measures continue so that growth would not be prematurely choked off. In many countries the infrastructure has been seriously neglected. Inadequate housing, transport, social services and obsolete skills need to have priority in any set of targeted investments. Investments in housing, urban reconstruction, transport, energy conservation measures, education, health and social services create employment and have a positive effect on other sectors of the economy. Countries where inflation remains high must realise investments which can ensure that inflationary tendencies, and bottlenecks in their economies, do not remain when growth picks up. These countries have to concentrate on improving the productivity performance of their industries.

63. Given the extent of damage caused by the recession, governments should not be too timid in their commitment to a recovery. A mild and tentative relaxation of policy, with no or little follow-up action, could produce only an insufficient consumption-led boost. This would not even start to bring unemployment down. Such a "recovery" could easily peter out, as has in the recent past happened in one country or another, when governments are forced to take restrictive measures again. Thus, the size of the commitment to the recovery as well as the follow-up action are important.

64. There are no simple solutions, and it is much more difficult to bring about a recovery than allow a slide into a recession. The complexity of recovery requires complex negotiations.

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64. There are no simple solutions, and it is much more difficult to bring about a recovery than allow a slide into a recession. The complexity of recovery requires complex negotiations.

Unfortunately, up to now governments have been only too ready to believe in, and try to apply, simple formulas. The recovery was supposed to come once inflation was brought down; then it was supposed to materialise once lower oil prices were re-established; and now the idea is promoted that a "flexible response" of reducing wages and increasing the shares of profits will provoke a recovery. But this recession and its global dimension are hard reality, and the solution will not be achieved through yet another patent medicine. The governments cannot afford to be afraid of the complexity of the task they are facing. The longer they hesitate, the more difficult it will be to put our societies back to work.

RECEIVED 16 MAY 83 14

DOCDATE 28 APR 83

TO *****

FROM *****

KEYWORDS: OECD

WILLIAMSBURG SUMMIT

INTL TRADE

INTL FINANCE

SUBJECT: TRADE UNION STATEMENT TO OECD MINISTERIAL COUNCIL & WILLIAMSBURG
SUMMIT

ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES WH

FOR ACTION

FOR CONCURRENCE

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WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

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Date Correspondence Received (YY/MM/DD) 8/10/06

Name of Correspondent: _____

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Williamsburg Summit

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
DC Sitt	ORIGINATOR	8/10/06		C	8/10/07 ^{PR}
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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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- S - For Signature
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Michael Deaver

1/WW

WHITE HOUSE TALKING POINTS

M. Mc
7/81

June 2, 1983

149032

THE WILLIAMSBURG SUMMIT

- o The summit was a substantial success for all the participants.
- o Observers and participants alike credit President Reagan's leadership with making Williamsburg one of the most successful of all the economic summits.
- o Many anticipated the "unstructured" discussions planned by President Reagan would be a gamble. By all accounts, including those of the participating heads-of-state, if it was a gamble it paid off.
- o The degree of consensus achieved by the participants on strategies for solving shared economic problems was striking.
- o All agreed, in the joint declaration on economic recovery issued at the close of the summit, that "we must all focus on achieving and maintaining low inflation, and reducing interest rates ... (and) renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures."
- o Participants also committed themselves "to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers."
- o All recognized that the prosperity they seek is more than material gain, that it is linked fundamentally to the mutual security of all and contributes to the defense of shared values and of freedom itself.

ba

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

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O - OUTGOING

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Date Correspondence Received (YY/MM/DD) 83/06/06

Name of Correspondent: _____

~~MT~~ Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Foreign Reactions to Summit
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UNCLASSIFIED (EXCEPT WHERE SHOWN OTHERWISE) 12/15/0017

ROUTE TO: Office/Agency (Staff Name)	ACTION Action Code	ACTION Tracking Date YY/MM/DD	DISPOSITION	
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THE WHITE HOUSE
WASHINGTON

6/3

Mike Deaver, 149033

Bill asked that I

send you a copy of
this.

~~Bill~~
AK

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UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURES
dt 12/18/2017

Send to
m. mcmanus
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Authority state waiver
BY dlr NARA DATE 12/19/2015

Follow-up Foreign Reactions to Williamsburg Summit

Foreign leaders generally are pleased with the results of the Summit.

Most have praised the unity shown by all the participants and, in particular, have cited the arms control statement as proof of the leaders' common purpose. Almost all have noted the meeting was not without its problems--West European leaders continue to criticize US interest rates--but they appear content to announce publicly that they made known to the US their differences with US policies.

Media reaction has not been as positive. First commentaries tended to portray the Summit in a favorable light, but the recent rise in the dollar has sparked some West European controversy. The press is now citing this renewed strength as proof the Summit accomplished nothing with regard to US economic policies.

West Germany

According to an official West German spokesman, Chancellor Kohl briefed his cabinet Wednesday on the Summit talks, saying that "everything was achieved that was possible to achieve." He expressed his disappointment at the lack of agreement between the US and the other leaders on the interest rate question, calling it "annoying and discouraging" and a strain on the spirit of unity. On the other hand, he positively assessed the agreements to stimulate investment, safeguard the international financial system, and reduce budget deficits and unemployment.

West German press reaction has been mixed. Some commentaries expressed skepticism that the Summit accomplished anything meaningful; others praised Kohl and the President, calling the Summit a success for the US President. One major television network broadcast on Tuesday put Kohl in an especially favorable light. "Ronald Reagan's good opinion of Helmut Kohl was confirmed in Williamsburg. Kohl was an important mediator in the formulation of the controversial security statement at the Williamsburg Summit. That Kohl criticized Washington's enormous budget deficit was accepted by the US President."

France

Elysee Secretary-General Bianco told Senator Tower and DCM Maresca on Tuesday that the French were completely satisfied with the results of the Summit and that they had obtained "everything they wanted." He explained Mitterrand's initial reticence about the declaration on security as being attributable to French reservations about dealing at the Summit with a matter handled formally in the NATO context, but said that Paris recognizes the issue's importance and believes the declaration will have a positive effect.

Press reaction has tended to reflect this generally positive appraisal of the results.

Not surprisingly, views on both ends of the political spectrum have been critical of the security declaration. The Communist Party released a statement on 31 May that is being interpreted as a direct attack on Mitterrand, although Socialist Party sources minimize its importance. Although the Secretary General of the Gaullist party approved the substance of the declaration, two younger Gaullist deputies have criticized Mitterrand for aligning France too closely with the US.

United Kingdom

British officials have expressed pleasure that the Summit declaration implicitly endorsed Prime Minister Thatcher's economic priorities of fighting inflation and reducing government deficits. The Prime Minister is undoubtedly pleased that she was able to appear in the British media as a world leader at a time when Labor leader Foot is experiencing difficulties; she also has found the President's remarks about control of cruise missiles based in the UK useful in fending off attacks on INF. Officials praised the President's performance, Chancellor of the Exchequer Howe describing it as "impressive" Opposition leaders, as expected, denounced the Summit as a failure, but voter attention has quickly turned to more pressing domestic issues in the week before the election.

The Summit played to mixed press reviews, with most British papers saying it was useful and a step in the right direction, but that it fell short of laying out concerted action to deal with the world's economic troubles.

Italy

Italian officials also came away from Williamsburg with a sense of accomplishment. In interviews with the Italian press, Prime Minister Fanfani claimed the Summit declaration will have an important impact on world growth if the commitments are seriously followed up. Treasury Minister Gorla told newsmen that Italy used the Summit to sensitize the US to the serious problems created by high US interest rates.

The Italian press has described Williamsburg as a victory for the US and singled out the declaration on arms control as the Summit centerpiece. The US is credited with having demonstrated both sensitivity to the concerns of its allies and the leadership required to reaffirm Western cohesion in the aftermath of last year's Summit. In addition, most Italian observers see the arms control statement as a clear and firm rebuff to recent Soviet threats and tactics. The Communist party paper L'Unita, however, has criticized the declaration, and the PCI reportedly has decided to make opposition to the installation of cruise missiles in Italy one of its principle campaign issues.

Canada

Prime Minister Trudeau pronounced the Summit an "unqualified success" upon his return home, adding that the Canadian delegation was "very happy" with the outcome of discussions on both disarmament and economic issues.

Trudeau enjoyed the informality of this year's meetings, a forum more suitable to his negotiating style than the structured Summits of the past.

Japan

Prime Minister Nakasone and his supporters in the mainstream factions of the Liberal Democratic Party appear pleased with the outcome. Nakasone's approach has received favorable comment from several quarters as well as the expected barbs from political opponents. Leaders of major business organizations have come out in support of the joint statements on both security and economic issues. Middle-of-the-road opposition elements are generally supportive.

The two left-wing opposition parties and some of the media continue to criticize Nakasone for associating Japan with NATO at the summit. A leader of the LDP's Komoto faction also charged that Nakasone went too far. Critical statements from members of the Komoto and Fukuda factions, however, are undoubtedly intended to shift the blame to Nakasone should the LDP do poorly in the 26 June upper house elections. Most Fukuda faction members are as hawkish, if not more so, than the prime minister. Nakasone also received favorable comment in Jakarta for carrying out his pledge to express the concerns of ASEAN leaders at the summit.

/DC

F0006-06

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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Date Correspondence received (YY/MM/DD) 83/06/06

NAME OF CORRESPONDENT: Sol Marshall

DC Mail Report User Codes: (A) _____ (B) _____ (C) _____

SUBJECT: inquired from Williamsburg

ROUTE TO:	ACTION	DISPOSITION		
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>DCS:tt</u>	ORIGINATOR	<u>83/06/06</u> ^{WS}	<u>AKMD</u>	<u>83/06/08</u>
<u>DCM:MA</u>	<u>A</u>	<u>83/06/06</u>		<u>C 83/06/07</u>
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ACTION CODES: A - Appropriate Action C - Comment/Recommendation D - Draft Response F - Furnish Fact Sheet to be	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
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COMMENTS: _____

THE WHITE HOUSE
WASHINGTON

June 8, 1983

Dear Mr. Marshall:

This is in response to your recent letter requesting the menus and receipts from the 1983 Summit of Industrialized Nations held in Williamsburg.

I am happy to enclose for your collection copies of the five menus for the Summit as well as copies of the various receipts.

Thank you for writing.

Sincerely,

MICHAEL K. DEAVER
Assistant to the President
Deputy Chief of Staff

Mr. Sol H. Marshall
8210 Varna Avenue
Van Nuys, California 91402

Enclosures



Sol H. Marshall
8210 VARNA AVENUE
VAN NUYS, CALIFORNIA 91402

*Bull
pens do*

149038

Mr. Michael K. Deaver
Deputy Chief of Staff
The White House
Washington, D.C.

Dear Mr. Deaver:

In the Los Angeles Herald Examiner, on Thursday, May 26, there was an article the five menus that you had ordered created for the two lunches and three dinners at the Williamsburg Conference.

Some of the recipes prepared by Wolfgang Puck were given.

I wonder if you have available all five menus, plus the individual recipes. I would like to have them for my collection of menus and recipes of major dinners around the world.

Thank you for your cooperation.

Sincerely yours,

Sol H. Marshall