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# WITHDRAWAL SHEET

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
244092	MEMO	GEORGE SHULTZ, DONALD REGAN TO THE PRESIDENT, RE: WILLIAMSBURG SUMMIT: SCOPE PAPER	7	5/20/1983	B1
244093	PAPER	INF AND OTHER ARMS CONTROL	2	ND	B1

The above documents were not referred for declassification review at time of processing

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Williamsburg Summit

(Summit Meeting of Industrialized Nations May 28-30, 1983)

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FO 006-06  
TR075

Williamsburg Summit.

(Summit Meeting of Industrialized  
Nations May 28-30, 1983)

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attachment # 197

Williamsburg Summit

5/28-30

TRIP OF PRESIDENT REAGAN  
TO THE WILLIAMSBURG SUMMIT  
MAY 28-31, 1983

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INTRODUCTORY MEMORANDUM

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MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Your Role as Chairman at the Summit

You will be the Chairman of all the sessions at the Williamsburg Summit. This group of heads of state and government is a collegial one. The Chairman is not in command so much as he is the center of communications. His influence is subtle and involves:

- calling on someone to comment at the outset of the discussion or at a critical moment to counter a bad idea or to confirm an agreement.
- bringing the discussion back to key issues.
- checking off issues and agreements as they are discussed.
- being alert for new ideas that have not been part of the preparatory process and noting that these issues have not been sufficiently prepared for detailed discussion.
- summarizing at the end of each session what has been said and how the discussion will be represented to the press.

Moreover, since this Summit is the first one to try to draft a communique at the meeting itself based on the actual discussions of the heads, the Chairman has the additional and special responsibility to guide the conversation toward conclusions that can be translated into instructions to the sherpas for drafting the communique.

This paper identifies for you the specific aspects of your task as chairman in each of the sessions you will have at Williamsburg. Other papers in this book provide guidance on your role as the U.S. representative.

Saturday Dinner

Topic: Arms Control, INF and Security

Time Allotted: 8:00-9:30 p.m.

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Objectives:

- have a good, informal discussion that sets the tone for the rest of the Summit.
- emphasize the unprecedented unity within the Alliance on security and arms control issues.
- approve the Summit Statement on INF to be issued the next day at the Summit.

Techniques:

- open the dinner with a warm welcome and perhaps historical or personal anecdote on Williamsburg (will supply suggestions).
- turn to Thatcher to begin the discussion.
- after general points have been made, turn to the draft INF statement and ask for comments and approval.
- conclude the conversation among heads only by indicating that it is time for Foreign Ministers to join you for coffee.

Things to Watch Out For:

- any attempts to link arms control issues to economic subjects (will supply counters).
- Any attempt to make arms control more important than defense in protecting security interests.

Coffee After Saturday Dinner with Foreign Ministers

Topic: Arms Control, INF and Security

Time Allotted: 9:30-10:15 p.m.

Objectives:

- inform Foreign Ministers of results of heads only discussion.
- agree on common press line with respect to the INF statement.

Techniques:

- welcome Foreign Ministers (joke about heads discovering they didn't need Foreign Ministers and solving all problems themselves).

- ask Thatcher to summarize dinner discussion among heads.
- open up for comment.
- conclude by asking Shultz to summarize common press guidance on INF statement and more generally on the Saturday dinner discussion.

Sunday Morning Heads Only Session

Topics: World Economic Recovery - Themes, Assessment and Commitments.

Time Allotted: 9:00-11:30 a.m.

Objectives:

- conduct general, elevated discussion (avoid details) on individual and common approaches to sustained recovery.
- secure consensus on general theme, tone and structure of the joint statement (as close to the thematic paper as possible).
- identify issues of special interest for discussion with Ministers in the afternoon.

Techniques:

- suggest at outset desire for discussion of general approaches, identification of broad themes, tone and structure for joint statement and your intent to summarize at the end.
- lead off with your own statement emphasizing common interests (avoid arguing any contentious points at the beginning).
- turn to Mitterrand to continue discussion (puts him in the position of starting contentiousness if he is so inclined).
- do not answer Mitterrand, but guide discussion, if possible, to Kohl and Thatcher who will oppose Mitterrand's points if necessary.
- as each leader speaks, check off points on your thematic paper outline as they are raised and any notations that may be appropriate.

- after all leaders have spoken, ask for discussion on points that have not been raised (e.g., ask Mitterrand if he has any comments on technology - will flatter him) or focus discussion on points of difference that need further explanation.
- break for 10 minutes or so at an opportune point and have coffee or tea served.
- summarize at the conclusion what has been said highlighting areas of agreement, especially for joint statement. Ask others for comments on your summary and clarify or modify as necessary.
- agree on how all countries will represent the morning meeting to the press.

Things to Watch Out For:

- topics that were not presented in the preparations and do not appear in the thematic paper.

Late Sunday Morning Session with Foreign Ministers

Topic: Summarize Morning Heads Only Session for Foreign Ministers

Time Allotted: 11:30-11:45 a.m.

Objectives:

- provide a common summary of the morning's discussion to Foreign Ministers for purposes of bringing the press.

Techniques:

- repeat your summary from the conclusion of the morning heads only session.

Sunday Lunch

Topic: East-West Political Relations

Time Allotted: 12:10-1:15 p.m.

Objectives:

- hold general, informal discussion on political relations with the Soviet Union and Eastern Europe.

Techniques:

- call on Kohl to begin discussion.
- ask Kohl at end to summarize discussion for purpose of establishing common press line.

Sunday Afternoon Plenary Session

Topic:                    Actions Now and in Longer-Term to Sustain World Economic Recovery.

Time Allotted: 1:45-4:45 p.m.

Objectives:

- to gain agreement on annex to Joint Statement on improving economic convergence.
- to identify action items on which there is agreement and which can be included in instructions to sherpas for drafting joint statement.
- to focus on action items where differences prevail and, if they are not ripe for agreement, to identify post-Summit procedures for narrowing these differences.

Techniques:

- briefly summarize conclusions of morning heads only session and identify the issues the heads decided in the morning they wanted to discuss with Ministers.
- turn to Regan to begin discussion.
- seek to involve heads to nail down items on which agreement is close at hand.
- let Ministers carry the discussion where differences prevail, turning to heads to decide what post-Summit procedures might be desirable to let Ministers discuss these differences further.
- ask Shultz to summarize the discussion at the end and to establish common guidance for how the discussion will be represented to the press.

- identify issues to be discussed further at Monday morning plenary.
- turn to issue of instructions to sherpas on first draft of joint statement. Give your summary of these instructions and ask for comment. Clarify or modify as necessary.

Late Sunday Afternoon Session with Sherpas

Topic: Instructions to Sherpas for First Draft of Joint Statement.

Time Allotted: 5:00-5:15 p.m.

Objectives:

- to issue firm and full instructions to sherpas.
- to reflect a unity among the heads on such instructions so as to constrain the sherpas in the subsequent drafting process.

Techniques:

- present instructions agreed on among the heads at the end of the afternoon session.
- ask the sherpas if there are any questions.

Things to Watch Out For:

- ambiguity in the instructions.
- heads saying that joint statement should be left to sherpas.

Sunday Dinner

Topic: Middle East Issues

Time Allotted: 8:05-9:55 p.m.

Objectives:

- hold general, informal discussion on situation in Middle East.

Techniques:

- call on Mitterand to begin discussion.

- ask Mitterand to summarize discussion for purpose of establishing common press line.

Possible Sunday After Dinner Coffee with Sherpas

Topic: Joint Statement

Time Allotted: 10:00-10:30 p.m.

Objectives:

- assess status of drafting of joint statement.
- have heads decide any issues that have developed among the sherpas.

Techniques:

- ask Allen Wallis to summarize status of drafting.
- open for comments by heads (not sherpas).
- seek a consensus or an agreement to disagree among the heads so as to minimize all night bargaining among sherpas.
- issue further instructions to sherpas.

Monday Morning Plenary Session

Topic: Carry-Over Issues and Joint Statement/Annex

Time Allotted: 9:10 a.m.-12:30 p.m.

Objectives:

- continue discussion of issues from Sunday afternoon session.
- decide on follow-up mechanisms for issues that need further post-Summit work.
- review and finalize joint statement and annex on improving economic convergence.

Techniques:

- if first draft of joint statement shows broad agreement (you will see a copy at breakfast that morning), spend some time discussing carry-over issues and follow-up mechanisms (avoid, in short, allowing the time available to open up issues on the joint statement).



- with appropriate time remaining, turn to joint statement and annex
  - seek first final endorsement of annex (agreed to on Sunday afternoon).
  - turn second to joint statement.
- urge finalization of joint statement by 12:30 so heads can have wrap-up lunch while joint statement is being translated and printed. (Do final drafting in plenary session; otherwise heads lose control.)
- use 12:30 deadline to close on final language in joint statement.

Monday Lunch

Topic:               Wrap-Up Session

Time Allotted: 12:40-2:10 p.m.

Objectives:

- assuming joint statement and annex have been approved, conduct post-mortem discussion of Summit issues, both political and economic.
- discuss common basis for briefing press on critical aspects of joint statement (avoid post-Versailles problem of open disagreements).
- look ahead to next Summit.

Techniques:

- ask for general assessment of Summit by each leader. (Was it worthwhile?)
- establish common basis for briefing press on Summit outcomes (jokingly ask Mitterrand if he would make sure that Don Regan understands what heads have agreed on).
- ask for suggestions to improve Summit.
- call on British representative (may not be Thatcher, who may have left) to extend invitation to next Summit.

SCOPE PAPER

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## THEMES PAPER

### I. SUMMARY INTRODUCTION

This is a time of real improvement in economic circumstances. Recovery is underway, and this fact increases our mutual confidence that it will soon spread to all countries, industrial and developing. The challenge is to ensure that this recovery endures and reverses a decade of cumulative inflation and unemployment. In this effort, we are mindful of the basic interrelationships that link our economies and the world economic system:

- The link between sustainable domestic growth and the open trading system.
- The link between convergence of domestic policies towards non-inflationary sustainable growth and greater exchange rate stability.
- The link between open markets and the availability of financing.
- The link between international economic cooperation and world progress.

To meet the challenge of an enduring recovery for ourselves and future generations requires steady and purposeful action over both the short and longer term, across a range of policies that exploit and reinforce these interrelationships.

- Promoting conditions for growth, employment and job creation, structural adjustment, and acceptance of technological development.
- Maintaining the fight against inflation with the objective of achieving lower interest rates and more stable exchange rates while intensifying consultations on economic policies and market conditions.
- Supporting the international financial system and strengthening world economic cooperation and institutions.
- Reversing protectionism and beginning to work to achieve further trade liberalization.
- Recognizing that prosperity is more than material gain, but also reflects our basic shared values of political freedom, economic opportunity, cultural creativity, and human dignity, and contributes to the defense of these values which also guide our economic and other relations with Eastern countries.

II. ASSESSMENT: REALISTIC OPTIMISM

Improvements are undeniable:

- Major successes have been achieved in reducing inflation.
- Interest rates have been significantly reduced.
- Productivity increases are being registered.
- Some successes in controlling budget expenditures are being achieved.
- Consensus exists to reduce inflation and unemployment on the basis of sustainable growth promoting policy convergence, further reduction of interest rates and greater stability of exchange rates.
- Measures to reduce dependence on oil have helped to bring about a decline in oil prices.
- Recovery in our countries spreading to others will help ensure the revival of world trade and easing of the debt burden of many developing countries.

However, unemployment, especially among young people, remains intolerably high and continues to increase in some countries. It can be brought down only if an enduring recovery is achieved. Serious problems remain which, if untended, will endanger the prospect of an enduring recovery.

- Differences in inflation among countries remain too great.
- Inflationary expectations, together with unacceptably high current and future budget deficits and the possibility of excessive and volatile monetary growth, keep interest rates too high, threatening to inhibit investment and recovery and producing distortions and volatility in exchange rates.
- Protectionist pressures threaten our open trade and financial system and prospects for recovery in both industrial and developing countries.
- Conditions in many developing countries remain much more acute than in our own; in many of them, unprecedented international debt burdens, exacerbated by high interest rates and low commodity prices, continue to constrain trade and, even in some cases, to threaten financial and related political stability and create human hardship.

### III. COMMON APPROACH TO A SUSTAINED RECOVERY

No single country, policy or immediate action can ensure a quick or sustained recovery. Success requires a common approach involving actions taken now across a broad range of policy areas, anchored within a framework of longer-term policy goals and decisions.

#### Actions Now:

- Enhance the intensive consultation process initiated at Versailles to promote convergence of economic conditions in key currency countries and thereby contribute to greater exchange rate stability.
- Develop cooperative consultations on policies and exchange market conditions and, while retaining the freedom to operate independently, be willing to intervene in exchange markets in a coordinated manner in instances where we agree such intervention would be helpful.
- Encourage governments to reduce excessive budget deficits, especially by reducing expenditures, thereby lowering inflationary expectations and high interest rates.
- Pursue appropriate non-inflationary growth of monetary aggregates to achieve and maintain low inflation and interest rates.
- Halt and reverse protectionism and make use of favorable conditions provided by recovery progressively to relax and dismantle trade barriers and trade-distorting domestic measures, including those related to trade in high technology products.
- Give new impetus to resolve current problems in agricultural trade, conflicts of jurisdiction and the need to achieve a safeguard agreement (by October 1983) as mandated by the GATT Ministerial.
- Agree to press forward with the GATT work program on trade in services.
- Begin work now to achieve further trade liberalization in the GATT, focusing particularly on trade with and among the developing countries, and on their ability to export and so to service their debt.

-- Secure early ratification of the increase in IMF and GAB resources and provide interim financing as appropriate.

-- Reaffirm commitments to provide agreed funding levels for IDA and the other multilateral development banks.

-- Continue with agreed strategy, and strengthen cooperation, for managing current debt problems, including effective adjustment, adequate private and official financing, and sustained, non-inflationary recovery in industrial countries.

-- Welcome openness to dialogue expressed by developing countries at New Delhi and Buenos Aires conferences and engage constructively in UNCTAD VI, emphasizing our program for a durable recovery and practical proposals to manage debt problems, facilitate adjustment, promote trade, revive commodity markets, encourage more private investment in, and official assistance for, developing countries and strengthen the dialogue with developing countries in appropriate fora.

-- Agree to consult among each other and with other countries to address interrelationships among growth, trade, and finance in the world economy and to encourage better coordination among international economic institutions.

-- Implement agreed conclusions for early action reflected in the results of work programs on East-West economic relations. (Identify significant results of pre-Summit meetings.)

#### IV. LONGER-TERM POLICY GOALS AND DECISIONS

-- Sustain fight against inflation and structural budget deficits to encourage a higher level of investment and new job creation.

-- Pursue the consultative arrangement agreed at Versailles to promote economic convergence toward low inflation and sustained growth and thereby achieve greater exchange rate stability, continuing with our agreement on exchange market intervention, in the context of an open trading, investment and financial system.

-- Invite Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

-- Promote technological development and trade, including their public acceptance, and in particular the implementation of the specific projects included in the program for cooperation initiated at Versailles.

-- Promote structural adjustment and its public acceptance, in order to enhance competition and the flexibility of markets and to improve the allocation of resources, by all appropriate means including revitalization of training and the encouragement of mobility.

-- Invite Ministers of Trade, in consultation with the Director General of the GATT, to define the conditions for improving the open multilateral trading system, including trade between developed and developing countries, and to consider the possibility of more frequent Ministerial meetings in the GATT to maintain urgency in this process.

-- Examine ways to improve the effectiveness of the development process and structural adjustment by assuring non-inflationary flows of public and private finance and investment to the developing countries, with special attention to an adequate flow of resources to the poorer countries, both bilaterally and through IDA, the IBRD and similar institutions.

-- Continue efforts to conserve energy and develop economic alternative energy resources so as to ensure Western energy security and enhance energy production in developing countries.

-- Find practical ways to promote increasing food production in developing countries.

-- Work together to find ways, without discouraging growth and technological development, to protect and preserve natural resources and to reduce the threat of pollution from industrial processes (e.g., acid rain).

-- Promote cooperation in the development of human resources, including education and training and the improvement of health.

-- Continue work in appropriate existing fora to develop agreed analysis of our economic relations with the East, with attention to our shared security concerns, and on this basis pursue independent policy actions consistent with agreed principles and common analysis reflecting the fact that these relations should be compatible with the basic values and security concerns of Western countries.



DRAFT STATEMENT

Strengthening Monetary Cooperation for Stability and Growth

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving noninflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic conditions, in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures as agreed at Versailles, through the following approach:

A. We are focusing on nearer-term policy actions leading to convergence of economic conditions in the medium-term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the mandate given to us at Versailles, we are focusing our attention on issues in the

monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions.

Policies and targets that will be kept under review include:

(1) Monetary Policy. Disciplined noninflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates.

(2) Fiscal Policy. Discipline over government expenditures, particularly transfer payments. We will aim to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, and accommodating continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and

improved international cooperation, where appropriate, on structural adjustment measures (e.g. regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time to time, and react promptly to significant changes.

ANNOTATED SCENARIO

CPT

SATURDAY DINNER

INF and Other Arms Control Topics

- A. Scope Paper for Dinner Discussion =
- B. Opening Remarks
- C. Objectives Checklist -
- D. After-dinner Coffee with Foreign Ministers -

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Saturday Dinner: INF and Other Arms Control Issues.

Opening Remarks

- Welcome to Williamsburg.
- I cannot help reminding Margaret Thatcher that if one of her predecessors 210 years ago had been more skillful, she would be host of a meeting in this building.
- And I often wonder how the fathers of the American Revolution would have succeeded if in 1775 there had been 6,000 newsmen waiting for them in the College of William and Mary. Would they have been able to start a revolution?
- More seriously, I know we will talk about our differences in the next two days--differences are what we must work on.
- But we should begin our meetings by remembering what we have in common--the bedrock values of the Free World; our dedication to liberty, democracy, and the value of the individual.
- We do not pursue economic prosperity for its own sake, but so that our citizens can develop as individuals to their fullest potential.
- I know we all believe this, but we can't say it often enough--especially in public where the attention is more on differences in detail than on unity on the essentials.
- During this dinner we will be talking about our security, and in particular our strategy for arms control.
- We are engaged with the Soviet Union in a wider range of arms control negotiations than at any other time.
- I believe we can succeed in these negotiations as long as we are firm on maintaining our defenses. These defenses provide the incentive to the Soviet Union to negotiate with us and the protection for our interests and security if negotiations do not succeed due to Soviet intransigence.
- The INF negotiations are the most visible this year. We are all familiar with what has gone on in Geneva. I think it is important that we say something public from Williamsburg about INF.
- I will ask Margaret Thatcher to begin our discussion of arms control issues.

Saturday Dinner: INF and Other Arms Control Issues

Affirm basic commitment of Summit countries to defense expenditures to meet the Soviet threat, and arms reductions efforts to achieve stability at lower levels of arms.

Notes:

Secure support for U.S. negotiating effort in INF talks in Geneva

- [ ] Agreement to goal of complete elimination of longer-range land-based nuclear missiles (zero/zero proposal)
- [ ] Agreement that British and French systems should not be taken into account in Geneva negotiations
- [ ] Agreement that INF limits should be on a worldwide basis

Notes:

Secure approval from other heads of some form of a public statement on INF at the Summit.

Notes:

Brief the other heads on the status of U.S. thinking on the Start review.

Notes:

(If raised) Secure agreement from European heads that a Conference on Disarmament in Europe (CDE) is only acceptable as part of a balanced, substantive concluding document for the CSCE talks in Madrid, and better Soviet performance on human rights.

Notes:



COFFEE AFTER SATURDAY DINNER

INF and Other Arms Control Topics

Coffee After Saturday Dinner with Foreign Ministers

Topic: Arms Control, INF and Security

Time Allotted: 9:30 - 10:15 p.m.

Objectives:

- inform Foreign Ministers of results of heads only discussion
- agree on common press line with respect to the INF statement

Techniques:

- welcome Foreign Ministers (joke about heads discovering they didn't need Foreign Ministers and solving all problems themselves)
- ask Thatcher to summarize dinner discussion among heads
- open up for comment
- conclude by asking Shultz to summarize common press guidance on INF statement and more generally on the Saturday dinner discussion

C107

SUNDAY MORNING "HEADS-ONLY" SESSION

WORLD ECONOMIC RECOVERY

- A. Your Role as Chairman
- B. Opening and Closing Remarks =
- C. Objectives Checklist -
- D. Contingency Talking Points on
  - Multilateral Surveillance -
  - Trade
  - Debt and Finance
  - East-West Trade .

## YOUR ROLE AS CHAIRMAN OF THE SUMMIT

### Sunday Morning Heads Only Session

Topics: World Economic Recovery - Themes, Assessment and Commitments

Time Allotted: 9:00 - 11:30 a.m.

#### Objectives:

- conduct general, elevated discussion (avoid details) on individual and common approaches to sustained recovery
- secure consensus on general theme, tone and structure of the joint statement (as close to the thematic paper as possible)
- identify issues of special interest for discussion with Ministers in the afternoon

#### Techniques:

- suggest at outset desire for discussion of general approaches, identification of broad themes, tone and structure for joint statement and your intent to summarize at the end
- lead off with your own statement emphasizing common interests (avoid arguing any contentious points at the beginning)
- turn to Mitterrand to continue discussion (puts him in the position of starting contentiousness if he is so inclined)
- do not answer Mitterrand, but guide discussion, if possible, to Kohl and Thatcher who will oppose Mitterrand's points if necessary
- as each leader speaks, check off points on your thematic paper outline as they are raised and any notations that may be appropriate
- after all leaders have spoken, ask for discussion on points that have not been raised (e.g., ask Mitterrand if he has any comments on technology - will flatter him) or focus discussion on points of difference that need further explanation
- break for 10 minutes or so at an opportune point and have coffee or tea served.

- summarize at the conclusion what has been said highlighting areas of agreement, especially for joint statement. Ask others for comments on your summary and clarify or modify as necessary.
- agree on how all countries will represent the morning meeting to the press

Things to Watch Out For:

- topics that were not presented in the preparations and do not appear in the thematic paper

Late Sunday Morning Session with Foreign Ministers

Topic: Summarize Morning Heads Only Session for Foreign Ministers

Time Allotted: 11:30 - 11:45 a.m.

Objectives:

- provide a common summary of the morning's discussion to Foreign Ministers for purposes of briefing the press

Techniques:

- repeat your summary from the conclusions of the morning heads only session

Sunday, May 29 - 9:00 - 11:30 a.m. - Heads Only

Objectives for this Session

- To establish the positive tone for the Summit discussions and joint statement.
- To seek agreement on a medium-term strategy for achieving a balanced sustained, non-inflationary recovery.
- To identify potentially contentious issues from other participants.
- To conclude the session with consensus on the essentials and understanding on points of difference.
- To secure consensus on the themes of interrelationship and realistic optimism for the joint statement.

President's Opening Remarks

Values

- Before economic discussions we should emphasize this Summit brings together countries with common dedication to liberty, democracy and the individual. The importance of these bonds overshadows trade and exchange rates.
- Our common prosperity is more than material gain, it is the reflection of our most important shared values of individual freedom, personal creativity, moral purpose and human dignity, and the guarantee of our common strength in defense of these basic values.
- Economic progress in past year in the U.S. and elsewhere reflects the determined efforts of both governments and the significant sacrifice of our people to rid our economies of a decade of stagflation and mounting unemployment.
- We want this summit to be known as the "Recovery Summit." Our tone should be optimistic, not just on economic recovery, but about our societies. Our democratic societies have been through a severe test and have shown the resilience to make the sacrifices necessary for a sustained, non-inflationary recovery.

U.S. Recovery

- U.S. recovery underway (rise in GNP, consumer spending, modest unemployment downturn); other countries are also into recovery.
- Problems remain: Interest rates still too high; budget deficits still too large; more capital investment and technological development needed.

-- To bring down future budget deficits and to counteract inflationary expectations causing high interest rates, we are pursuing a standby tax plan. To encourage investment we have passed tax measures which encourage capital formation.

-- We are also encouraging stable and moderate monetary growth.

-- Most important, we need more jobs for our citizens.

-- Our employment bill is designed to rebuild old infrastructure -- roads, bridges and dams. Our job training programs are structured to train people for the jobs of the future, not the past.

-- But the real key to unemployment is a wide, deep, sustained, non-inflationary recovery.

### International Recovery

-- I would like to outline our approach to world economic recovery.

-- Our approach is balanced - it recognizes the relationships between our domestic prosperity and international trade; between convergence of economic performance and stable exchange rates; between trade and finance; between economic prosperity and security.

-- No single policy or action that will cure our economic ills. We must act on a broad front and take advantage of key interrelationships in the world economy.

-- The world is looking to this meeting for reassurance that this recovery will not be like other recent ones, that we have a consensus on nurturing and sustaining a non-inflationary recovery over a period of several years, avoiding short-term "quick fixes," and setting a firm long-term course that will bring prosperity and jobs.

-- Only a durable recovery will make any dent in the cumulative unemployment we have inherited from the past. This is especially true for Europe, where unemployment is still increasing.

-- Hence we must not abort recovery through inflation as we encourage growth through our policies we must maintain the fight against inflation to achieve lower interest rates, and more stable exchange rates.

-- We must reverse protectionism and begin to work to achieve further trade liberalization, so that prosperity can spread.

-- We must support the international financial system and strengthen world economic cooperation and institutions.

-- Finally, we must always keep in mind the security dimension

President's Closing Remarks

-- We have had a good general discussion this morning. In a few minutes, we will call in our foreign ministers and personal representatives to tell them what happened. I would like to sum up a few key points.

-- I think we agree that the message we send from Williamsburg should be one of confidence and realistic optimism.

-- We should emphasize that our approach to recovery is a balanced, medium-term plan to achieving sustained, non-inflationary economic growth.

-- We have stressed interrelationships and policies of growth, trade and finance that mutually reinforce one another.

-- I believe that in our joint statement we should reflect these ideas in the introduction, and then go on to talk about some of the more specific actions we will call for in individual specific areas, both immediate actions and longer term.

-- We have discussed some of the specifics this morning; this afternoon with our ministers and personal representatives we will discuss others in more detail.

(Foreign ministers and personal representatives enter room and President summarizes the morning session. Secretary Shultz will then brief the press.)

OBJECTIVES CHECKLIST FOR SUNDAY MORNING SESSION

Williamsburg not just economic discussion, but a meeting of nations with shared values of individual freedom and democracy which give prosperity its meaning.

Notes:

Recovery is underway in the West, real improvement in last year.

- [ ] Reduced inflation and interest rates, increased productivity
- [ ] Reduced oil dependence has helped bring price decline
- [ ] Recovery in the Summit countries will spread, reviving trade and easing debt problems of LDCs

Notes:

Problems remain to be tackled

- [ ] Unemployment, particularly among the young
- [ ] Differences in inflation rates among countries
- [ ] High interest rates due to inflationary expectations, high current and future budget deficits
- [ ] Protectionist pressures threaten recovery by choking off trade
- [ ] Conditions in developing countries still acute, including international debt burdens

Notes:



Interrelationship that link our economies

- [ ] Link between domestic individual growth and open trading system
- [ ] Link between convergence of domestic policies and non-inflationary sustainable growth
- [ ] Link between open markets and availability of financing
- [ ] Link between economic cooperation and world progress

Notes:

Sustaining the recovery requires balanced, steady action over long term across all these interrelationships

- [ ] Promoting conditions for growth in each country
- [ ] Maintaining fight against inflation
- [ ] Reversing protectionism; liberalizing trade
- [ ] Supporting world financial system

Notes:

Objectives for this Topic

- To agree that fundamental national economic performance (inflation rates, interest rates, monetary policy) determine exchange rates;
- To agree to continue the multilateral surveillance process begun at Versailles as the best mechanism to bring about the convergence necessary for exchange rate stability.
- To deflect French proposals for a new Bretton Woods conference to fix exchange rates.

President's Talking Points

- We all must continue to pursue policies to reduce budget deficits, especially by reducing expenditures, to lower inflationary expectations and high interest rates.
- We must pursue appropriate non-inflationary growth of money supplies to achieve and maintain low inflation and interest rates.
- The study that we commissioned at Versailles showed that fundamental national economic performance determines the exchange rates between countries.
- The study also showed that exchange rate intervention can only be a limited tool in the short term, but is most effective when done in a coordinated way by mutual agreement.
- (In response to proposal from Mitterrand for international monetary conference, let Kohl and Thatcher speak first) A conference is an interesting idea, but I believe it is premature. What we really need to continue our efforts, begun at Versailles, to reach better convergence of economic performance.
- In this connection, we should publish as an annex to our joint statement, the excellent statement the finance ministers have prepared on strengthening economic convergence.

## Talking Points for Individual Topics

### Trade

#### Objective for this Topic

- To gain agreement that a strong worldwide recovery and prosperity for the LDCs depends on trade.
- To gain agreement on a commitment to combat protectionism as the worldwide recovery proceeds.

#### President's Talking Points

- In difficult economic times we all feel increased domestic pressures to protect our own businessmen and workers.
- We have all had to compromise as a result of these pressures. We have all had to make some arrangements which restrict trade. It is a hard political fact of life.
- As recovery strengthens, we must avoid and reverse protectionist actions. If we do not, our recovery itself will be impeded and we will all suffer. Trade contributes to a strong recovery; it cannot simply wait for recovery.
- It is also vital for LDC debtor nations to have access to our markets if they are to manage their debt.
- In the United States, we may run a \$70B trade deficit, and we will have a Presidential election in 1984. Yet we will not give in to partisan politics and protectionist pressures.
- Our agreements or arrangements on steel, or on automobiles, or on agricultural products, must be seen as short-term measures which we should aim to remove as soon as possible.
- We must do more with GATT, making it adapt to the emerging issues of the 80's such as trade in high technology products and services.
- Our goal in this decade must be further trade liberalization, supported by a sound international financial system.
- This afternoon, I suggest we discuss in more detail how to implement the agreement I know we share to reverse protectionism and dismantle trade barriers.

## Debt and Finance

### Objectives for this Topic

-- To reach agreement on a balanced approach to supporting the international financial system.

### President's Talking Points

-- Our five-part strategy includes (1) economic adjustment by debtor countries, (2) a strengthened IMF role, (3) commercial bank roll-overs and new money, (4) government assistance and bridging efforts, and (5) global economic recovery.

-- U.S. has taken lead in attempting to solve problems of the major Latin American debt problems, Mexico and Brazil; others of you have shared this burden and taken the lead in other countries.

-- International financial assistance to the developing world is one of the most important forms of economic assistance, and it helps us by providing expanding markets for our goods.

-- It is critical that the Summit and other industrialized countries keep our markets open to the LDCs so they can sell goods and service their debts (relationship between trade and finance).

-- It is also necessary to have close consultation among our trade and finance officials.

## East-West Trade

### Objectives for this Topic

- To reach agreement that East-West trade policies should reflect Western security interests.
- To endorse the results achieved in recent months in COCOM (technology transfer), the IEA (energy security), the OECD (subsidized credits).
- To reach agreement that this work should be continued.

### President's Talking Points

- For the last two summits -- Ottawa and Versailles -- I have consistently emphasized the importance of looking at our economic relations with the East in a security framework.
- I am glad to see that since Versailles we have undertaken the serious analytical work necessary to work out sensible policies in this area.
- We do not believe in economic warfare, but we do believe that our economic relations with the East should not make our defense tasks more difficult, or lead to uneconomic transactions with the East.
- We believe that the results of the IEA study on energy security, the results of the COCOM high-level meeting, the OECD studies on trade and finance and the study done by the Economic Committee of NATO provide the elements of the framework we seek.
- We should endorse the results already achieved in these other bodies, take action on them in our national policies and continue the work into the future.