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THE WHITE HOUSE

WASHINGTON

May 10, 1984

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MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SUMMIT WHITE HOUSE GROUP

SUBJECT: Summit White House Group Meeting with the President to Discuss Preparations for the London Economic Summit--Monday, May 14, 1984, 10:00 a.m. - 11:00 a.m., in the Cabinet Room (U)

The Summit White House Group will meet with the President on Monday, May 14, 1984, at 10:00 a.m., to review the preparations for the London Economic Summit. The agenda and list of participants are attached. Also attached is Secretary Shultz' and Secretary Regan's scope paper for the Summit, as well as graphics showing a comparison of Summit country economic performance. ~~(C)~~

Michael K. Deaver
Co-Chairman, Summit
White House Group

Robert C. McFarlane
Co-Chairman, Summit
White House Group

Attachments
TAB 1 Agenda and list of participants
TAB 2 Secretary Shultz' and Secretary Regan's Scope Paper
TAB 3 Graphics

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THE WHITE HOUSE

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May 10, 1984

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DISTRIBUTION LIST

George P. Shultz, Secretary of State

Donald T. Regan, Secretary of the Treasury

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Beryl W. Sprinkel, Under Secretary of Treasury for Monetary Affairs

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Robert M. Kimmitt, Deputy Assistant to the President for National Security Affairs and Executive Secretary, National Security Council

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James F. Dobbins, Deputy Assistant Secretary of State for European Affairs

Douglas W. McMinn, Staff Member, National Security Council

Robert J. Morris, Deputy to the Under Secretary of State for Economic Affairs

Gilbert Rye, Staff Member, National Security Council

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SUMMIT WHITE HOUSE GROUP MEETING
WITH THE PRESIDENT

May 14, 1984

AGENDA

I.	Overview of Economic Objectives for the Summit	Under Secretary Wallis
II.	Status of Preparations for the Economic Agenda	
	A. Review of Preparations Since January 30 Meeting with the President	Under Secretary Wallis
	B. Preparations for May 20-21 International Sherpa Meeting	Under Secretary Wallis
	C. Report on Manned Space Station	Mr. Beggs Colonel Rye
III.	Report on Political Agenda for London	Deputy Assistant Secretary Dobbins
IV.	Public Affairs Aspects of Summit Preparations	Ambassador Rentschler

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PARTICIPANTS IN SUMMIT WHITE HOUSE GROUP MEETING WITH THE PRESIDENT

May 14, 1984

George P. Shultz, Secretary of State

Donald T. Regan, Secretary of the Treasury

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THE SECRETARY OF STATE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: George P. Shultz
Donald T. Regan

SUBJECT: London Summit: Scope Paper

I. YOUR OBJECTIVES

You have three main objectives at the London Economic Summit:

- -- To send a message to the rest of the world that, under U.S. leadership, world economic recovery has taken hold;

- -- To strengthen the emerging consensus among Summit countries on policies which will assure that non-inflationary recovery endures and spreads to other countries; and

- -- To forge new partnerships and broaden the basis for future cooperation with our Summit partners in such areas as space, East-West relations and combating terrorism.

II. SETTING OF LONDON SUMMIT

Since the beginning of your Administration, you have consistently argued that the basis for a smoothly functioning international economy rests on policies to reduce inflation and expand the scope for individual initiative. Your policies have been directed toward reducing obstacles caused by government intervention in the marketplace. The thrust of your message has been that the proper role of the government must be to remove domestic economic rigidities (e.g., excessive taxes, government regulation and planning), to facilitate, rather than frustrate, adjustment to changing circumstances as the best way to create new jobs and durable prosperity.

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Your message, strongly reinforced by the conspicuous success of your economic policies, is now broadly accepted by our Summit partners. The change of European attitudes since Ottawa (or even Williamsburg) has been striking. While reduction of market rigidities in Europe will be slow and painful, all now agree that it must begin. Thus, for the first time in the experience of your participation in these Summits, all will be starting from a basis of generally shared analysis and agreement on the facts (recovery has taken hold) and on the objectives of national economic policies (to sustain non-inflationary recovery and to remove obstacles to structural adjustment).

With that fundamental agreement, London offers the opportunity to look beyond current problems and lay the foundations for a forward-looking international economic strategy that will carry our countries and the world toward actions, to be implemented in your second Administration, that will consolidate recovery and advance our objectives of more open world markets. Likewise, in the political area, there now is a broad consensus among Summit leaders supportive of your approach to the crucial East-West issues. This, for us, is therefore a transition Summit, validating the policies we have implemented over the last three years and defining our broad international economic goals for the next term.

III. ECONOMIC AND POLITICAL ISSUES FOR LONDON

A. ECONOMIC

Economic Outlook and World Recovery

All Summit countries are agreed that the major theme of this Summit should be to stress our confidence that economic recovery has taken hold and is developing into a sustainable economic expansion. The task is to pursue policies that assure that recovery endures and spreads to the rest of the world. There is broad, but nuanced, agreement that those policies must embrace more openness of trade and capital markets, and that national economic policies (especially in Europe) should be designed to keep (or bring) inflation down.

The Europeans and Canadians in particular are likely to concentrate discussion on the need to promote structural adjustment. (In fact, the Canadians introduced a specific proposal on this into the Summit preparatory process.) This will play directly to your strong suit and give you the opportunity to:

-- Underline the need to remove obstacles to change in our individual economies in order to provide opportunities for growth and new job creation; like what

-- Stress our desire to cooperate with others in advancing our collective understanding of the potential of market-oriented adjustment; and

-- Emphasize the need to manage better our international economic policies (trade, finance, monetary) in ways that reinforce domestic strategies to enhance flexibility and growth. good but what specific

Concerns will be expressed about high U.S. budget deficits and the fear that they will produce higher interest rates that could choke off recovery and reignite inflation. We suggest that rather than dwelling on our differences over the effect of budget deficits on interest rates, you should stress our agreement on objectives (i.e., to reduce structural deficits by reducing government spending and bring interest rates down), while emphasizing that progress on the first depends on agreement with Congress, and on the second, on convincing markets that we (and others) are serious in our commitment to keep inflation under control.

Debt, Finance, Monetary

We expect discussion to center on the interrelated issues of debt and finance (with the usual reminder from the French on the need for monetary reform). Our objective in the discussions on debt is to confirm that our strategy for managing LDC debt problems on the flexible, case-by-case basis is working and requires no fundamental change.

The strategy has been criticized for lacking a medium-term dimension. This is not true (both adjustment and more open markets are essentially medium-term objectives). However, this Summit offers an opportunity to expand and clarify these aspects of the strategy by stressing four major elements:

-- The need for continued adjustment efforts by debtor countries with the support of the IMF and increased lending by commercial banks;

-- The need to expand trade between developed and developing countries to promote growth in both and to assure that heavy debtors will be able to earn foreign exchange sufficient to service their debts and validate increased commercial bank lending;

-- The need for developing countries to stimulate increased foreign direct investment to earn foreign exchange to service their debts, without further increasing indebtedness, while enhancing growth potential (and the desirability of strengthened IBRD role in acting as a catalyst for such new investment); and

-- The need for closer coordination between the IMF and IBRD in order to make the role of the Bank more consistent with that of the IMF in promoting adjustment in LDCs, and in strengthening the IBRD's contribution to longer-term development.

While these elements have received general support from our Summit partners, it is likely that France and others will want to put heavier emphasis than we on the need to increase resources available to the World Bank, IDA and other institutions; perhaps attacking us for our positions on IDA VII funding and the World Bank's Selective Capital Increase. We should emphasize that we are supporting appropriate levels of funding for these institutions, that these resources are limited, that the proposed increases are adequate if properly used and distributed among those in most need and willing to follow effective policies. An increase in official flows alone will not solve the long-range problem if we and the LDCs do not take the actions we have stressed to make the market work more effectively.

You can also expect that concerns will be raised in this connection about the adverse effects of high U.S. interest rates on debtor developing countries' ability to service their debts.

Unlike last year, we do not expect Mitterrand to press hard for agreement on the need for an international monetary conference. Progress has been made in following up the Williamsburg commitment to study ways of improving the international monetary system, and the French do not have any basis to criticize us or the other Summit countries on that front. However, Mitterrand will probably recall his interest in monetary reform and underline again his analysis of why it is necessary. As with last year, we expect him to be in the minority on this.

Trade

Prime Minister Nakasone has publicly called for a new round of trade-liberalizing negotiations. We assume he will take the lead on this at London, with you in support. We expect most to be supportive of a Summit conclusion that a new round is needed and that governments should intensify consultations, in GATT and elsewhere, to permit a decision to launch a new round in 1985 (or "by mid-decade"). It is important to gain agreement at London that a new round is an essential stimulus to the future growth which our domestic strategies are designed to achieve.

You should be aware that all participants are concerned by what they perceive to be increased protectionist pressures in the United States in election-year 1984. They point to the Administration's actions last year on specialty steel (quotas on foreign imports) and textiles (a tightening-up on implementation of our current quota system). The extraterritorial aspects of our Export Administration Act proposals may also be in the forefront of our Summit partners' concerns, along with the question of unitary taxation.

Manned Space Station Program

Our overall goal for the London Summit is to build confidence in the current recovery and to lift the sights of Summit countries beyond the present and to prepare our societies to enter the 21st Century. Agreement to participate with us in development of the manned space station will be a concrete symbol of this goal, as well as a practical demonstration of the Summit countries' determination to prepare the technological base for the future. While our invitation is open to all, eventual participation by all is not crucial to success.

Although agreement to commit resources to the program by the time of the Summit is unlikely, a general agreement to study cooperation may be attainable. You should reiterate your invitation to participate but also confirm your intention to proceed with whichever partners wish to join us.

Environment

Germany and Canada will argue for a Summit commitment to introduce new technologies immediately to control sulfur dioxide emissions and acid rain. We have doubled our budget for research in this area, but are not prepared to take immediate and costly measures on the basis of as yet inadequate information. Japan will seek Summit endorsement for its initiatives on cooperation in "life sciences" and may urge convening a meeting of Summit-country Science Ministers to consider cooperation in research on projects too large for single countries (both of which we can support, as long as the latter does not include the space station, which we wish to keep on a separate track). France will press for continued Summit attention to the technology cooperation projects launched at Versailles.

East-West Economic Relations

While there is little enthusiasm among our Summit partners for a review of East-West economic relations, none will oppose reference to the work underway in various fora and the need to continue our efforts to broaden the consensus which we began to build last year.

B. POLITICAL

Our objectives for the political talks at London can be summarized as follows:

West-West Relations

Bring others to think increasingly in terms of their convergent, global interests and need for increased consultations and coordinated actions; build confidence in European-American-Japanese "trilateralism".

East-West Relations

Strengthen support for realistic approach to East-West relations, including primacy of effective defense/deterrence and vital role of Allied firmness and solidarity.

Reinforce confidence in U.S. commitment to secure more balanced, constructive and stable relationship with Soviets and in ultimate success of our approach.

Arms Control

Broaden agreement on arms control, including new MBFR and chemical weapons initiatives and need for Soviets to resume negotiations on strategic and intermediate-range nuclear forces.

Secure support for placing arms control in proper perspective -- i.e., not an end in itself but a means to strengthen security -- and for sustaining defense efforts necessary to give Soviets incentive for significant, equitable and verifiable reductions.

Middle East/Iran-Iraq

Stress our continued interest in promoting reconciliation both in Lebanon and as regards the broader Arab-Israeli problem.

Ensure continued efforts to share information on Iran-Iraq war and to prepare for effective response to any widening of the conflict.

Terrorism

Advance Allied thinking, particularly with regard to state-supported terrorism, including need for close consultations and, where appropriate, coordinated action.

Central America

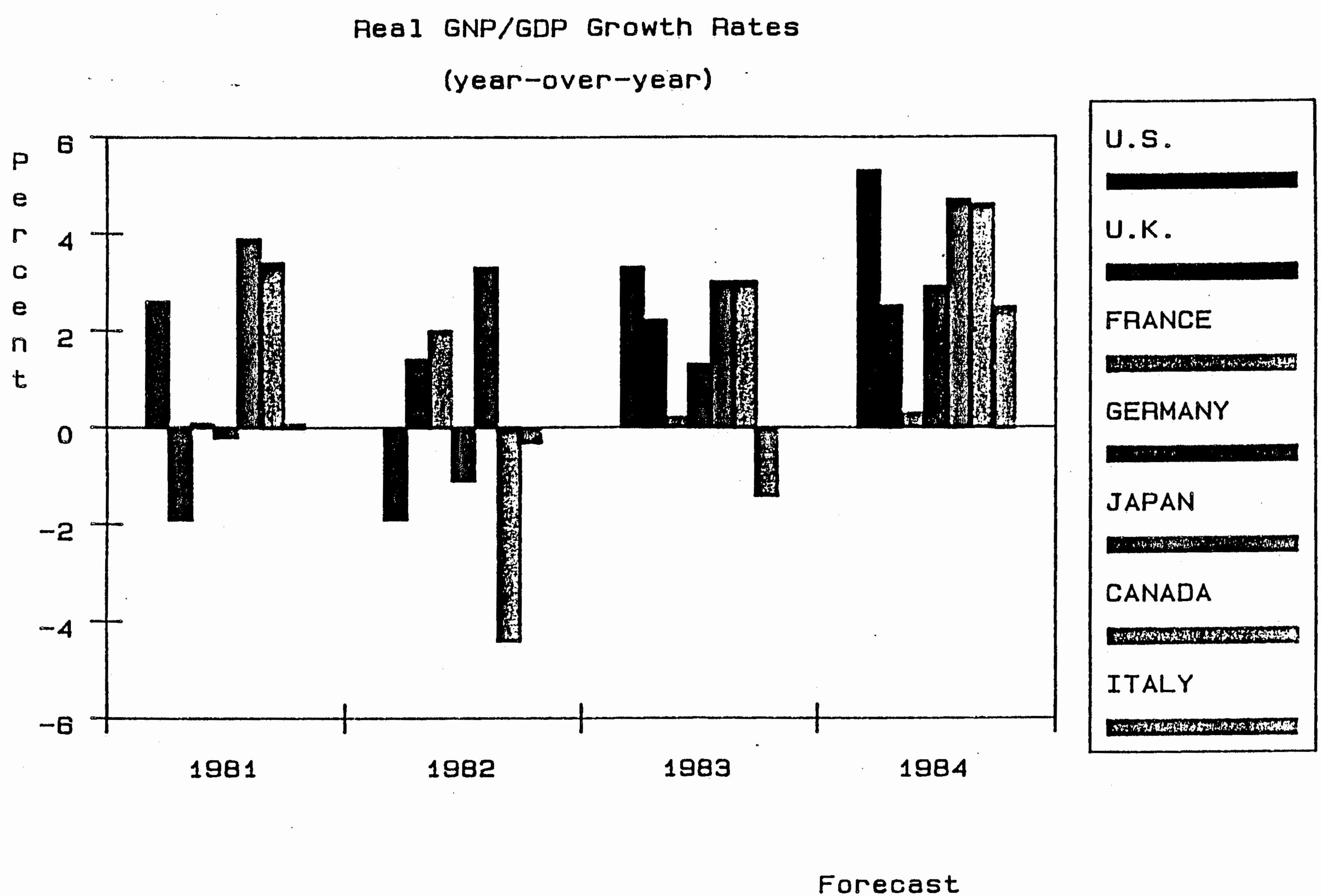
Deepen understanding of our approach to stability and security in the region, focusing on our efforts to strengthen democracy and local economies, and concomitant necessity of military shield if these efforts are to bear fruit.

Push for more active Allied contribution to achieving shared objectives.

Comparative Economic Charts and Commentary on Summit Countries

1. Real GNP/GDP Growth Rates
2. U.S. Recovery: Effects on Summit Country Growth Rates
3. Consumer Price Increases
4. Unemployment Rates
5. Trade Balances (Billions of U.S. Dollars)
6. Trade Balances as Percent of GNP/GDP
7. Current Account Balances (Billions of U.S. Dollars)
8. Current Account Balances as Percent of GNP/GDP
9. Government Deficit as Share of GNP/GDP
10. General Government Expenditures (as percent of GNP/GDP)
11. Average Short-Term Nominal Interest Rates
12. Exchange Rate Changes: U.S. Dollar vs. Other Currencies

May 8, 1984



Real GNP/GDP Growth Rates
(year-over-year)
Percent
6
4
2
0
-2
-4
-6
1981
1982
1983
1984
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY
Forecast

Exchange Rate Changes: U.S. Dollar vs. Other Currencies
(Percent change from end-1980)

-- This chart presents bilateral exchange rates between dollar and currencies of other Summit countries. Upward movements reflect dollar appreciation versus currency named.

-- French franc has experienced greatest depreciation against dollar -- well in excess of German (D-Mark) depreciation.

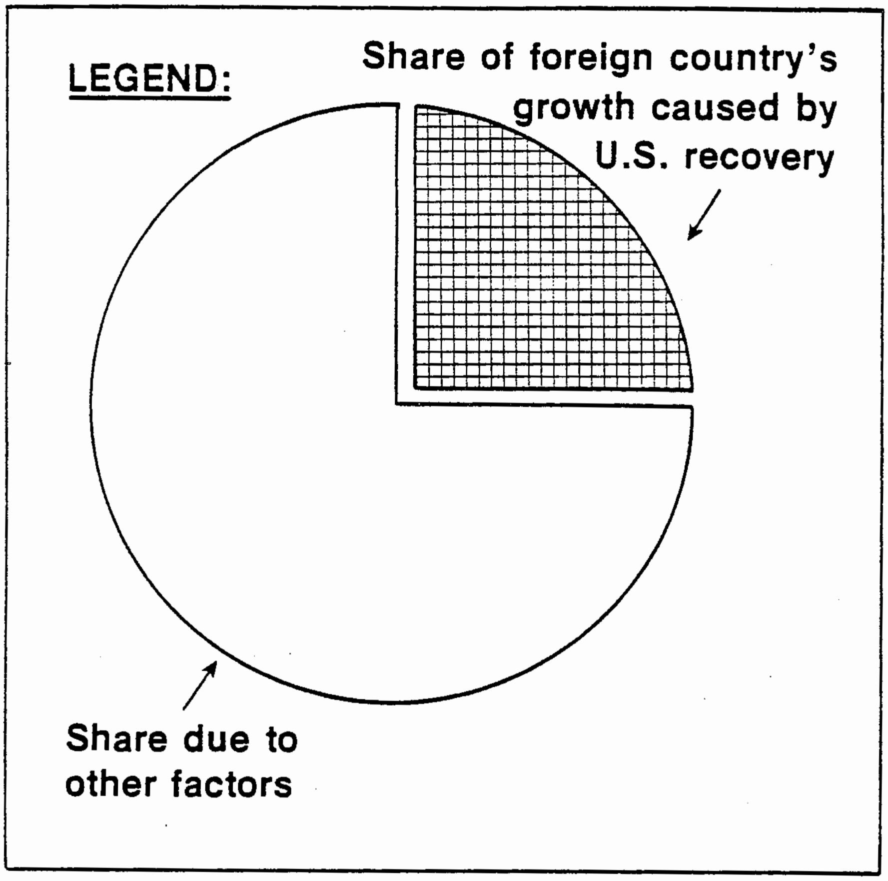
-- Dollar has depreciated against all other Summit currencies (except Canadian dollar) since late 1983.

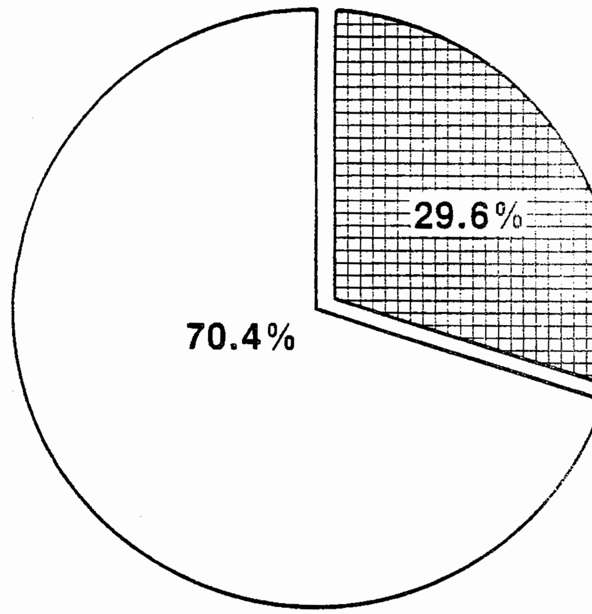
-- Yen has appreciated significantly since late 1982. Over last three years, yen has been strongest of other Summit currencies against dollar (next to Canadian dollar).

-- Canadian dollar has moved very little against U.S. dollar, reflecting Bank of Canada's practice of targeting exchange rate rather than monetary aggregate.

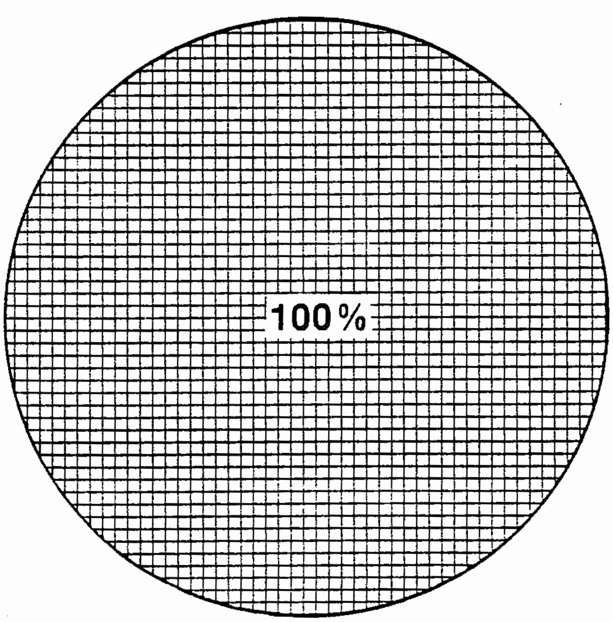
U.S. Recovery Effects on Summit Country Growth

(1983: 4th/4th rates)

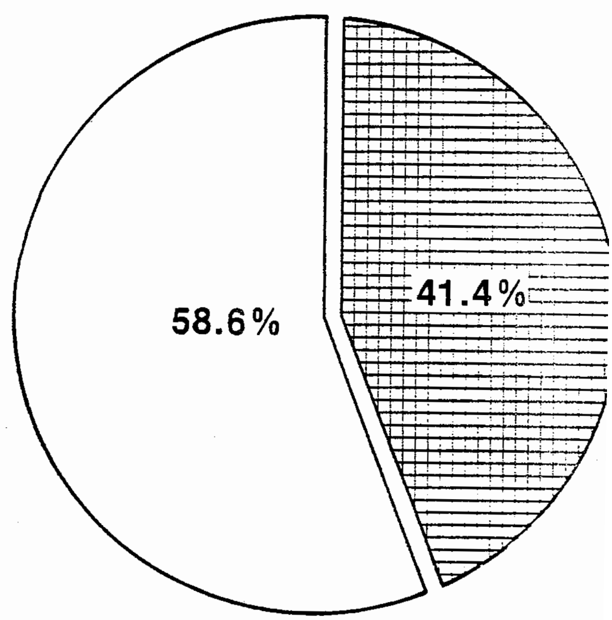




U.K.: Real Growth 2.7%
(Domestic/U.S. Share)



France: Real Growth 0.5%
(Domestic/U.S. Share)
negative growth without U.S. recovery



Germany: Real Growth 2.9%
(Domestic/U.S. Share)

Average Short-Term Nominal Interest Rates

	January:			
	1981	1982	1983	1984
U.S.	16.7	13.4	8.4	9.5
U.K.	14.3	15.1	11.2	9.4
France	11.4	15.0	12.5	12.2
Germany	9.4	10.4	5.8	6.1
Japan	8.9	6.6	6.7	6.0
Canada	16.8	14.9	9.8	9.9
Italy	17.4	21.4	19.0	17.8

-- In most countries rates have fallen dramatically from 1981 levels.

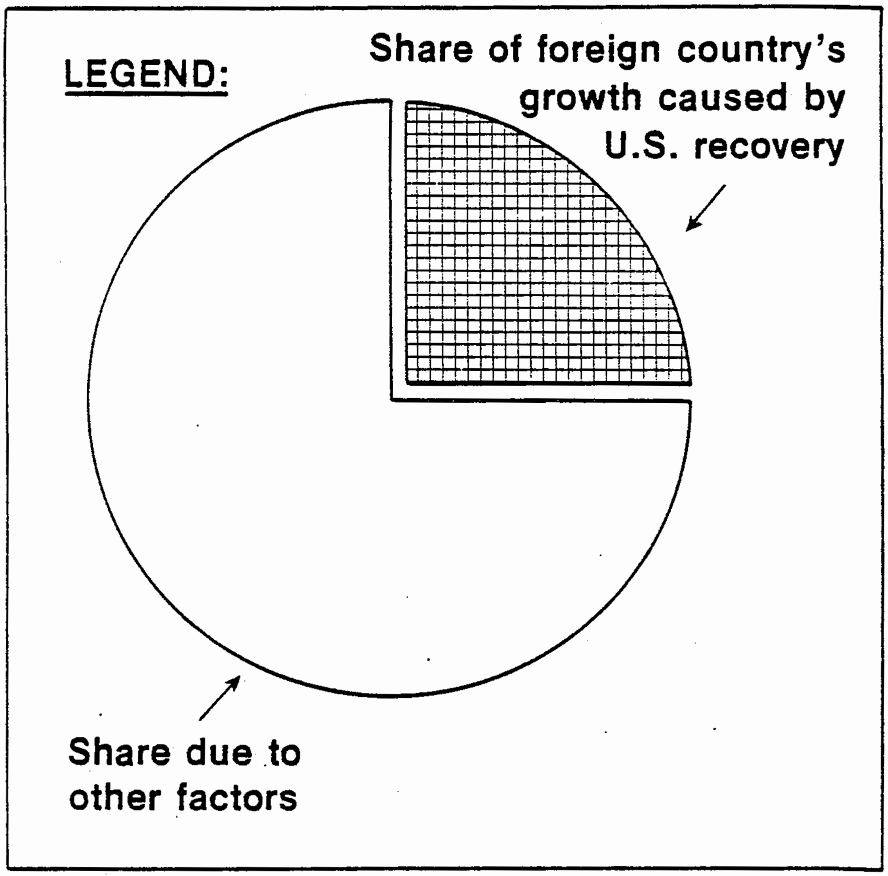
-- Largest interest rate decline where largest drop in inflation: U.S., U.K., Canada.

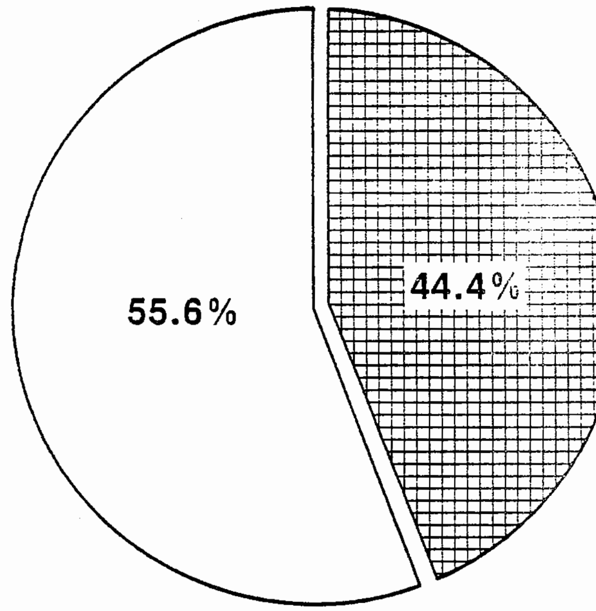
-- Low rates in lowest inflation countries: Japan, Germany.

-- High rates in Italy, France reflect inflation problems.

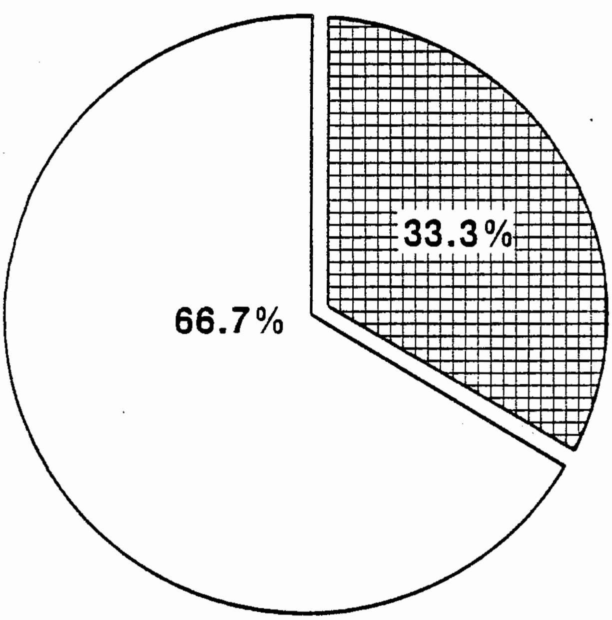
U.S. Recovery Effects on Summit Country Growth

(1983: 4th/4th rates)

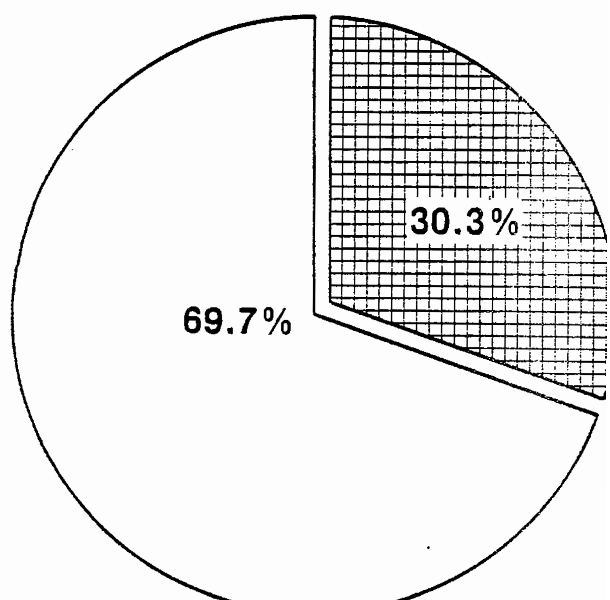




Japan: Real Growth 3.6%
(Domestic/U.S. Share)



Italy: Real Growth 1.2%
(Domestic/U.S. Share)



Canada: Real Growth 6.6%
(Domestic/U.S. Share)

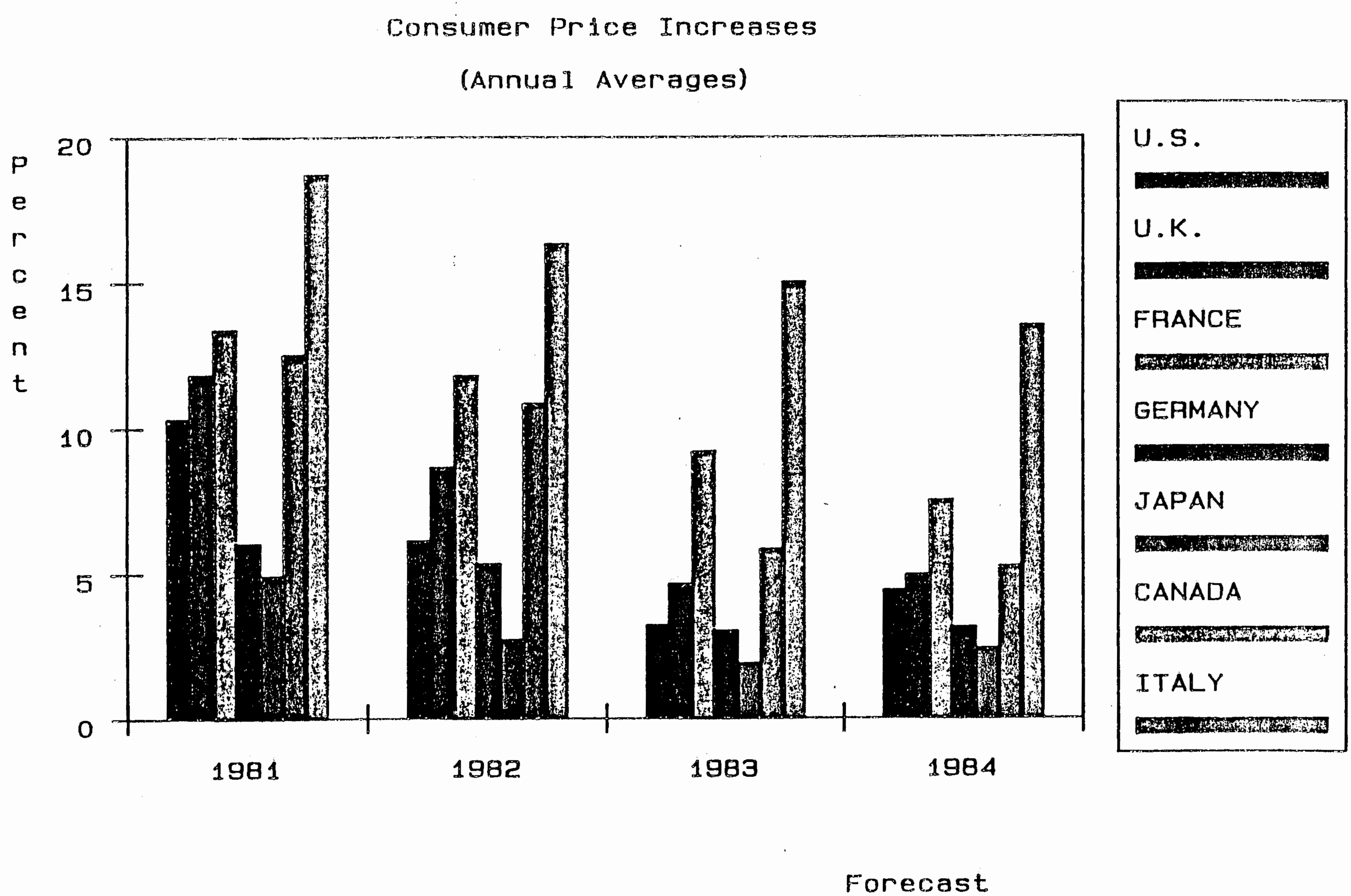
General Government Expenditures
(as percent of GNP/GDP)

	1981	1982	1983
U.S.	33.3	35.4	35.4
U.K.	45.4	44.2	45.1
France	50.7	50.8	52.8
Germany	49.2	49.2	47.9
Japan	33.4	34.5	35.6
Canada	39.3	45.5	46.2
Italy	51.4	53.6	56.0

-- U.S. had lowest ratio of government expenditures to GNP (35.4%) in 1983, with Japan slightly higher (35.6%).

-- Government spending accounts for more than half of French and Italian GNP -- highest share of all Summit countries.

-- Over two years between 1981 and 1983 sharp rise in government share in Canada and Italy.


Consumer Price Increases
(Annual Averages)
percent
20
15
10
5
0
1981
1982
1983
1984
Forecast
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY

Government Deficit as Share of GNP
(Federal, State and Local)

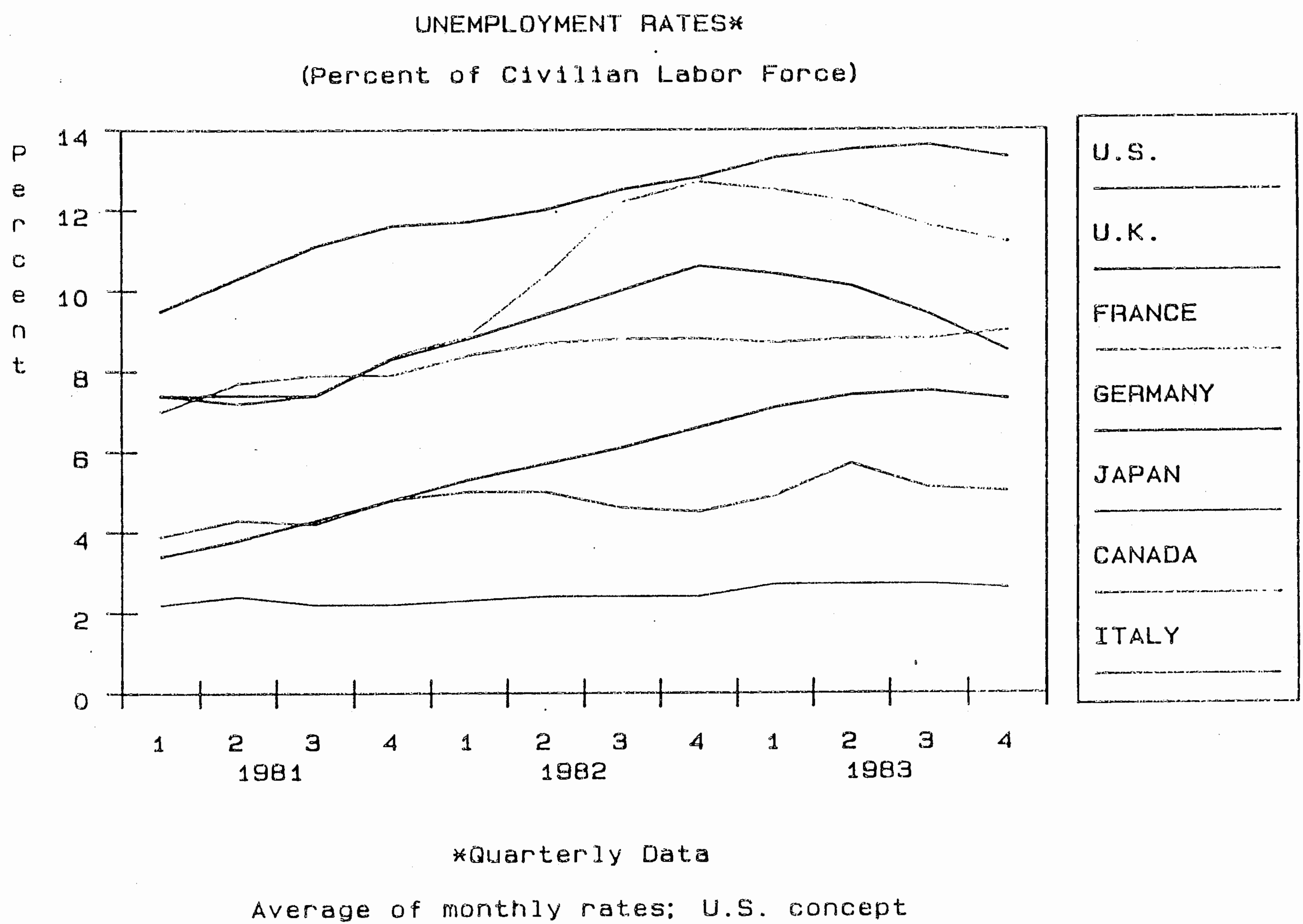
	1981	1982	1983	1984
U.S.	0.9	3.8	4.0	3.7
U.K.	4.5	2.2	3.6	2.8
France	1.8	2.6	3.1	3.1
Germany	3.9	3.5	3.1	2.0
Japan	4.2	4.1	4.1	3.7
Canada	1.1	5.3	5.9	4.2
Italy	13.7	16.1	16.8	15.8

-- All (except Canada and Italy) kept deficits between 3-4% GNP in 1983.

-- Forecasts show deficits as percent of GNP falling in all countries except France.

-- Italy continues to run largest deficit as share of GNP among Summit countries, reaching 16.8% in 1983.

-- Canada has experienced worst deterioration in the last few years, with deficit rising from just over 1% in 1981 to 6% in 1983, but expected to improve to 4% in 1984.

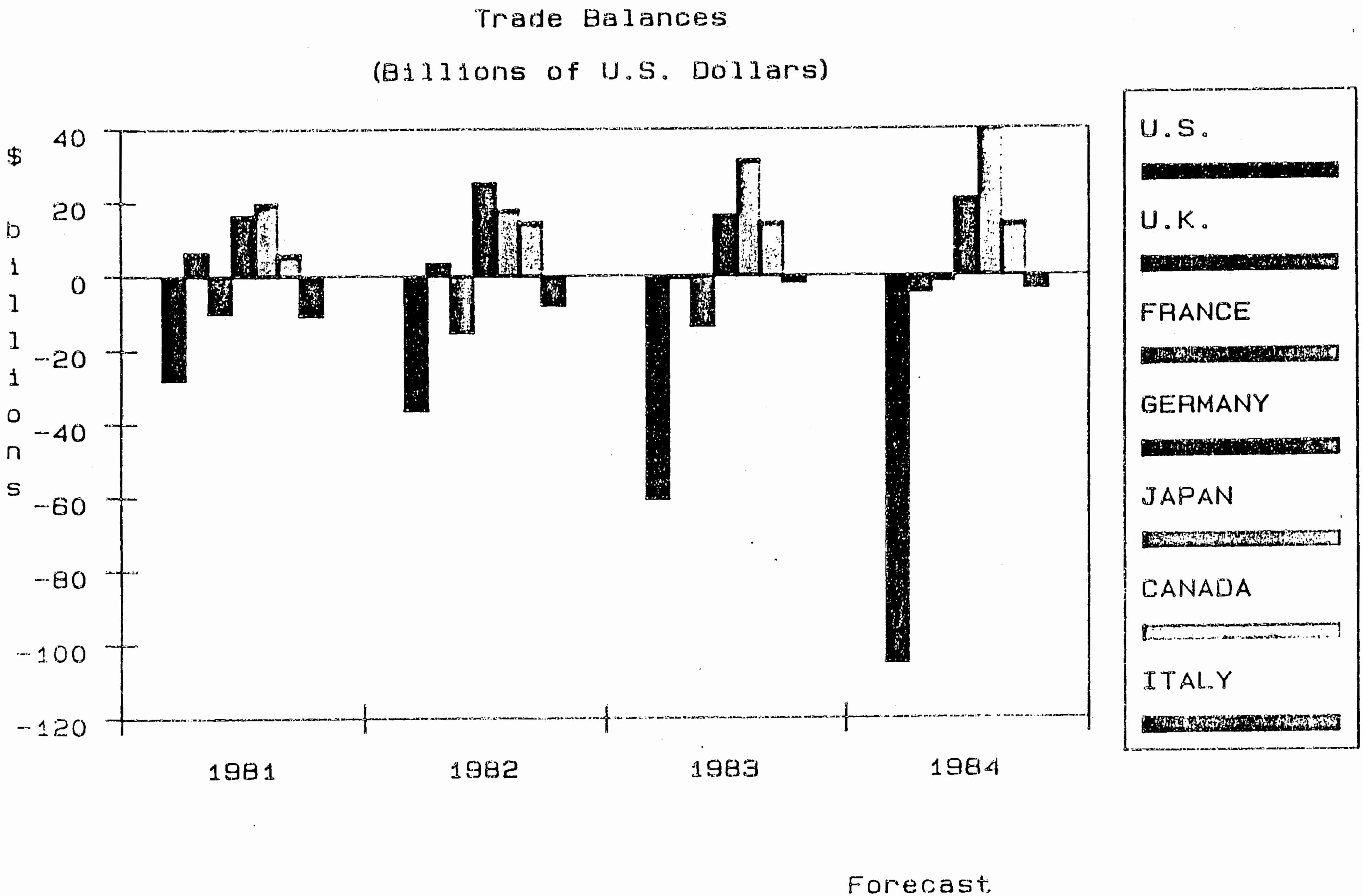

UNEMPLOYMENT RATES*
(Percent of Civilian Labor Force)
Percent
14
12
10
8
6
4
2
0
1
2
3
4
1
2
3
4
1
2
3
4
1981
1982
1983
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY
*Quarterly Data
Average of monthly rates; U.S. concept

Current Account Balances as Percent of GNP/GDP

	1981	1982	1983	1984
U.S.	0.2	-0.4	-1.2	-2.4
U.K.	2.6	2.0	0.8	0.1
France	-0.8	-2.2	-0.8	-0.1
Germany	-0.9	0.5	0.6	0.7
Japan	0.4	0.6	1.8	2.1
Cananda	-1.7	0.8	0.4	0.0
Italy	-2.3	-1.6	0.1	-0.2

-- This graph puts current account balances in perspective by showing them in terms of size of economies.

-- U.S. current account deficit (projected at 2.4% of GNP in 1984) not out of line with what other countries have experienced in recent years, e.g., Italy in 1981, and France in 1982.


Trade Balances
(Billions of U.S. Dollars)
$ billions
40
20
0
-20
-40
-60
-80
-100
-120
1981
1982
1983
1984
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY
Forecast

Current Account Balances
(Billions of U.S. Dollars)

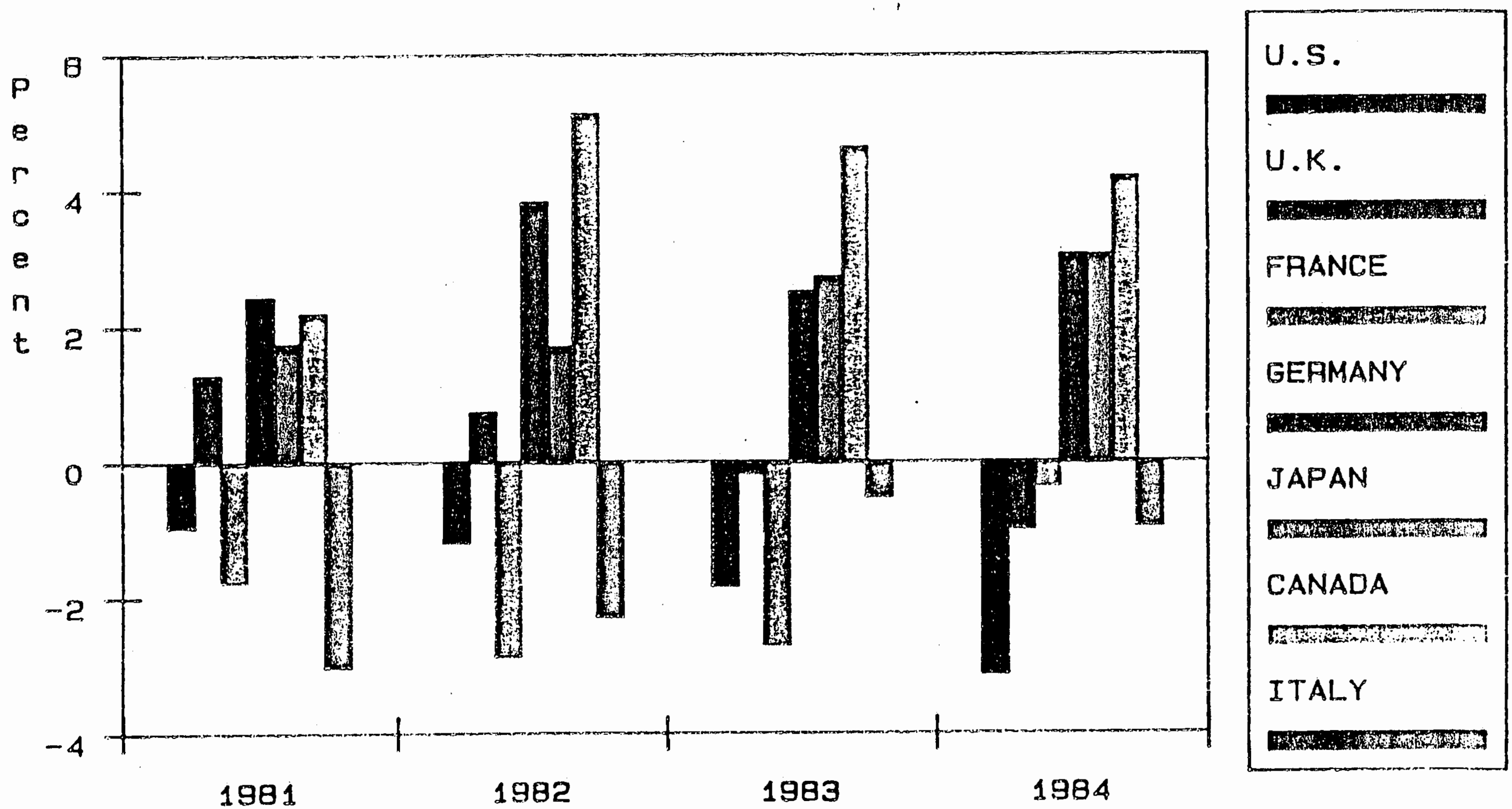
	1981	1982	1983	1984
U.S.	4.6	-11.2	-40.8	-80.0
U.K.	13.2	9.8	3.7	0.6
France	-4.7	-12.0	-4.2	-0.5
Germany	-6.5	3.5	4.0	5.0
Japan	4.8	6.9	20.8	27.9
Canada	-4.8	2.4	1.3	0.0
Italy	-8.1	-5.5	0.5	-0.6

-- Major development is large rise in U.S. current account deficit, which is likely to reach $80 billion this year.

-- Rise in U.S. deficit reflects U.S. recovery ahead of the pack, weak U.S. exports to adjusting LDCs, and effects of earlier appreciation of the dollar.

-- U.S. current account deficits helping economic recovery and adjustment abroad. Last year, U.S. imports from non-OPEC LDCs rose by $9.4 billion; imports from industrial countries up $11 billion.

Trade Balances as Percent of GNP/GDP



Forecast

Trade Balances as Percent of GNP/GDP

	1981	1982	1983	1984
U.S.	-1.0	-1.2	-1.8	-3.1
U.K.	1.3	0.7	-0.2	-1.0
France	-1.8	-2.9	-2.7	-0.4
Germany	2.4	3.8	2.5	3.1
Japan	1.7	1.7	2.7	3.1
Canada	2.2	5.1	4.6	4.2
Italy	-3.0	-2.3	-0.5	-1.0

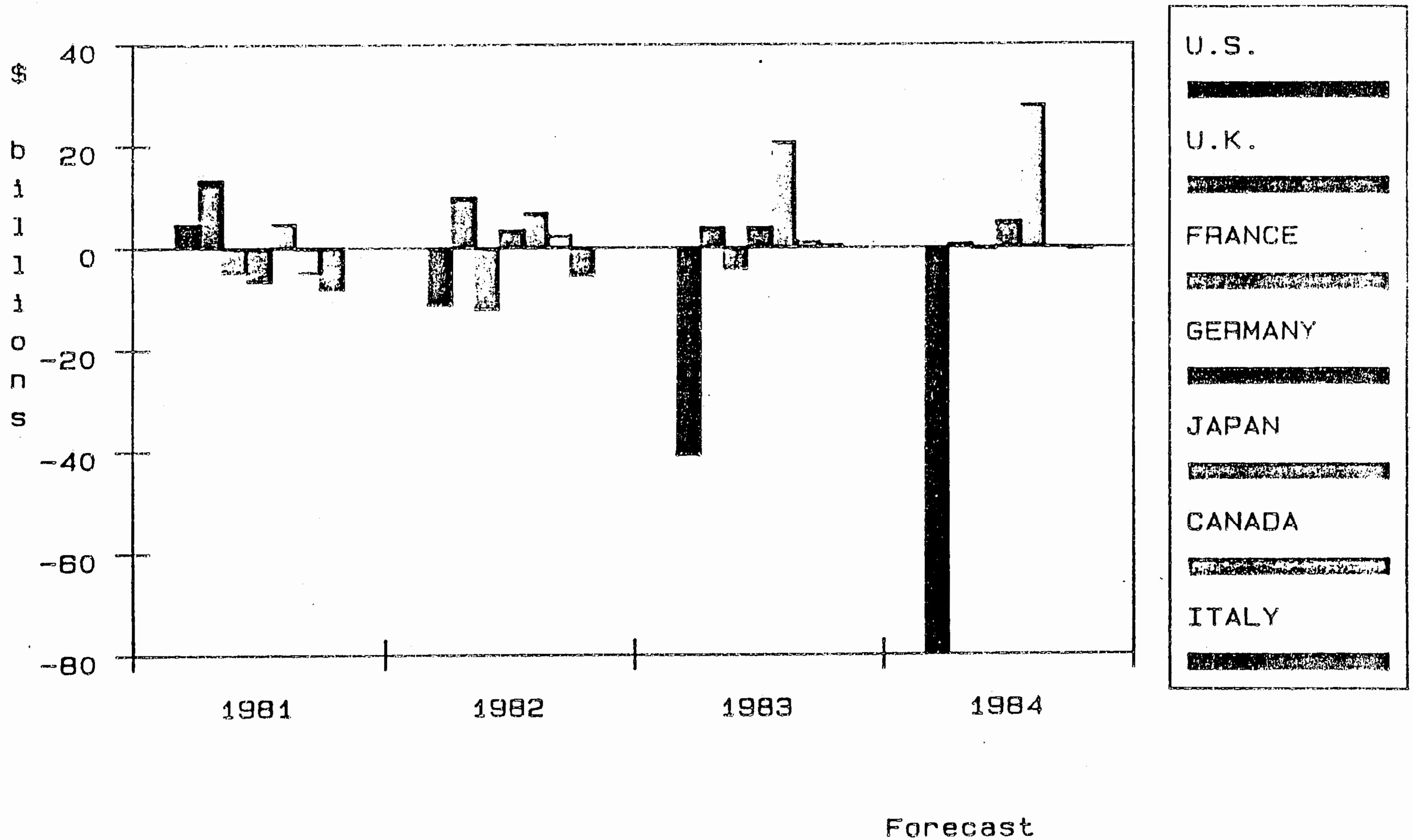
-- This graph puts trade balances in perspective by showing them in terms of size of economies.

-- 1984 U.S. trade deficit, expected to reach $105 billion, or 3.1% of GNP, is about the same as Italy's deficit in 1981 or France's deficit in 1982.

-- Merchandise trade balances do not take account of services receipts and payments (e.g., dividends, interest, travel), on which U.S. has large net surplus position.

Current Account Balances

(Billions of U.S. Dollars)



Trade Balances
(Billions of U.S. Dollars)

	1981	1982	1983	1984
U.S.	-28.1	-36.4	-60.6	-105.0
U.K.	6.5	3.5	-0.8	-4.6
France	-10.1	-15.5	-7.5	-1.9
Germany	16.6	25.2	16.4	20.8
Japan	20.0	18.1	31.6	39.7
Canada	6.2	14.8	14.6	14.4
Italy	-10.6	-7.9	-1.8	-3.6

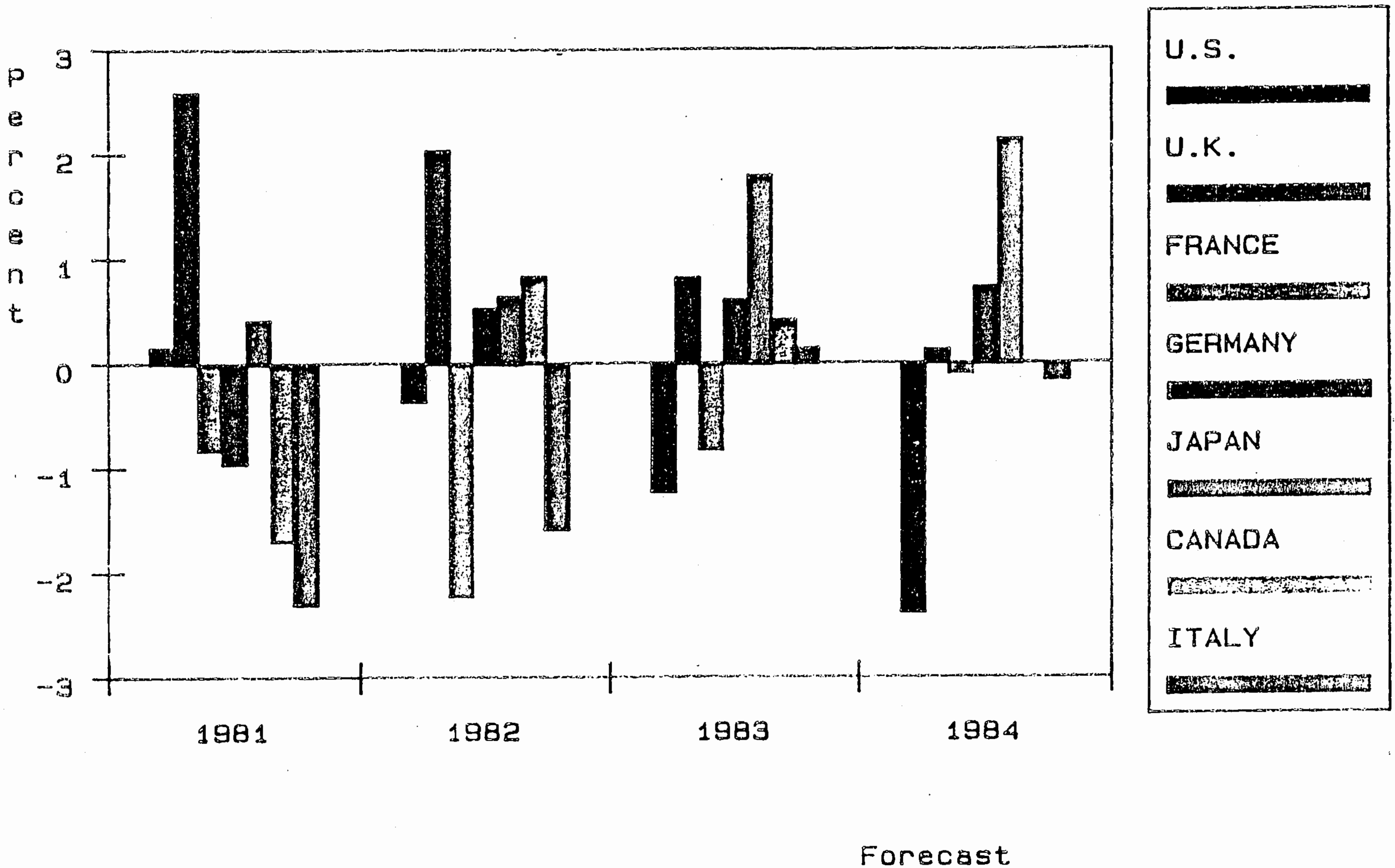
-- Rise in U.S. trade account deficit is most significant development over past several years; expected to reach $105 billion in 1984.

-- Reflects strong U.S. recovery ahead of others, decline in U.S. exports to Latin American countries with debt problems, and higher dollar.

-- Sharp reduction in French deficit as Mitterrand government adjustment measures reduce growth, leading to lower imports.

-- U.K. trade balance turned negative in 1983, following three years of declining surpluses. Trend reflects lower oil prices, and problems in UK competitiveness; likely to continue in 1984.

Current Account Balances as Percent of GNP/GDP

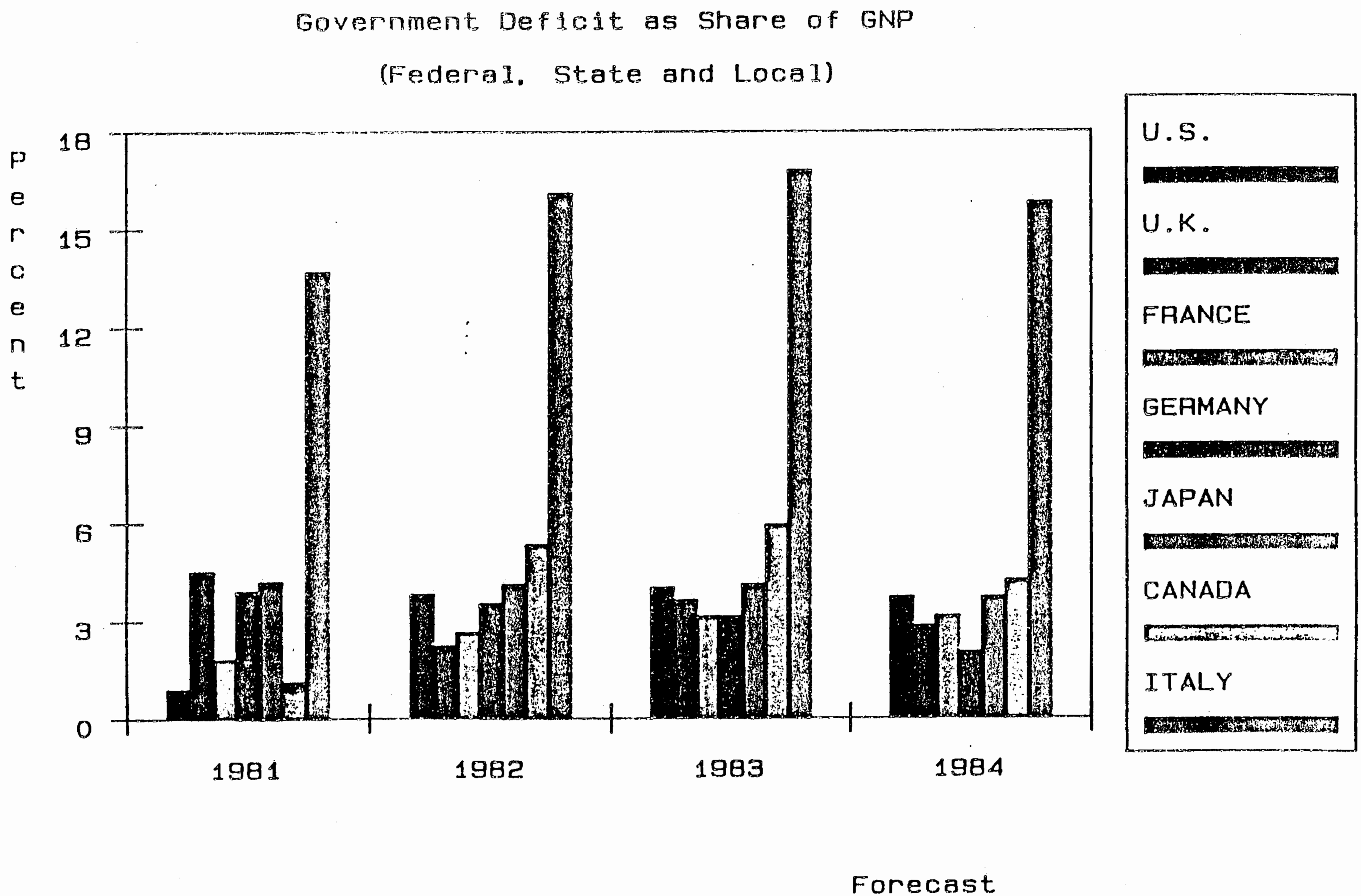


Unemployment Rates
(Percent of Civilian Labor Force)
(All rates adjusted to match U.S. definition of unemployment)

	U.S.	U.K.	France	Germany	Japan	Canada	Italy
1981							
Q1	7.4	9.5	7.0	3.4	2.2	7.4	3.9
Q2	7.4	10.3	7.7	3.8	2.4	7.2	4.3
Q3	7.4	11.1	7.9	4.3	2.2	7.4	4.2
Q4	8.3	11.6	7.9	4.8	2.2	8.4	4.8
1982							
Q1	8.8	11.7	8.4	5.3	2.3	8.9	5.0
Q2	9.4	12.0	8.7	5.7	2.4	10.4	5.0
Q3	10.0	12.5	8.8	6.1	2.4	12.2	4.6
Q4	10.6	12.8	8.8	6.6	2.4	12.7	4.5
1983							
Q1	10.4	13.3	8.7	7.1	2.7	12.5	4.9
Q2	10.1	13.5	8.8	7.4	2.7	12.2	5.7
Q3	9.4	13.6	8.8	7.5	2.7	11.6	5.1
Q4	8.5	13.3	9.0	7.3	2.6	11.2	5.0

-- U.S. rate has fallen sharply since late 1982, and latest data show further decline to 7.8% in April 1984. Canadian rate has fallen moderately. All others have shown no change, or have risen.

-- U.K. rate continues to be highest among Summit countries, while Japanese rate remains lowest.


Government Deficit as Share of GNP
(Federal, State and Local)
percent
18
15
12
9
6
3
0
1981
1982
1983
1984
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY
Forecast

Consumer Price Increases
(Annual Averages)

	1981	1982	1983	1984
U.S.	10.3	6.1	3.2	4.4
U.K.	11.8	8.6	4.6	4.9
France	13.4	11.8	9.2	7.5
Germany	6.0	5.3	3.0	3.1
Japan	4.9	2.7	1.9	2.4
Canada	12.5	10.8	5.8	5.2
Italy	18.7	16.3	15.0	13.5

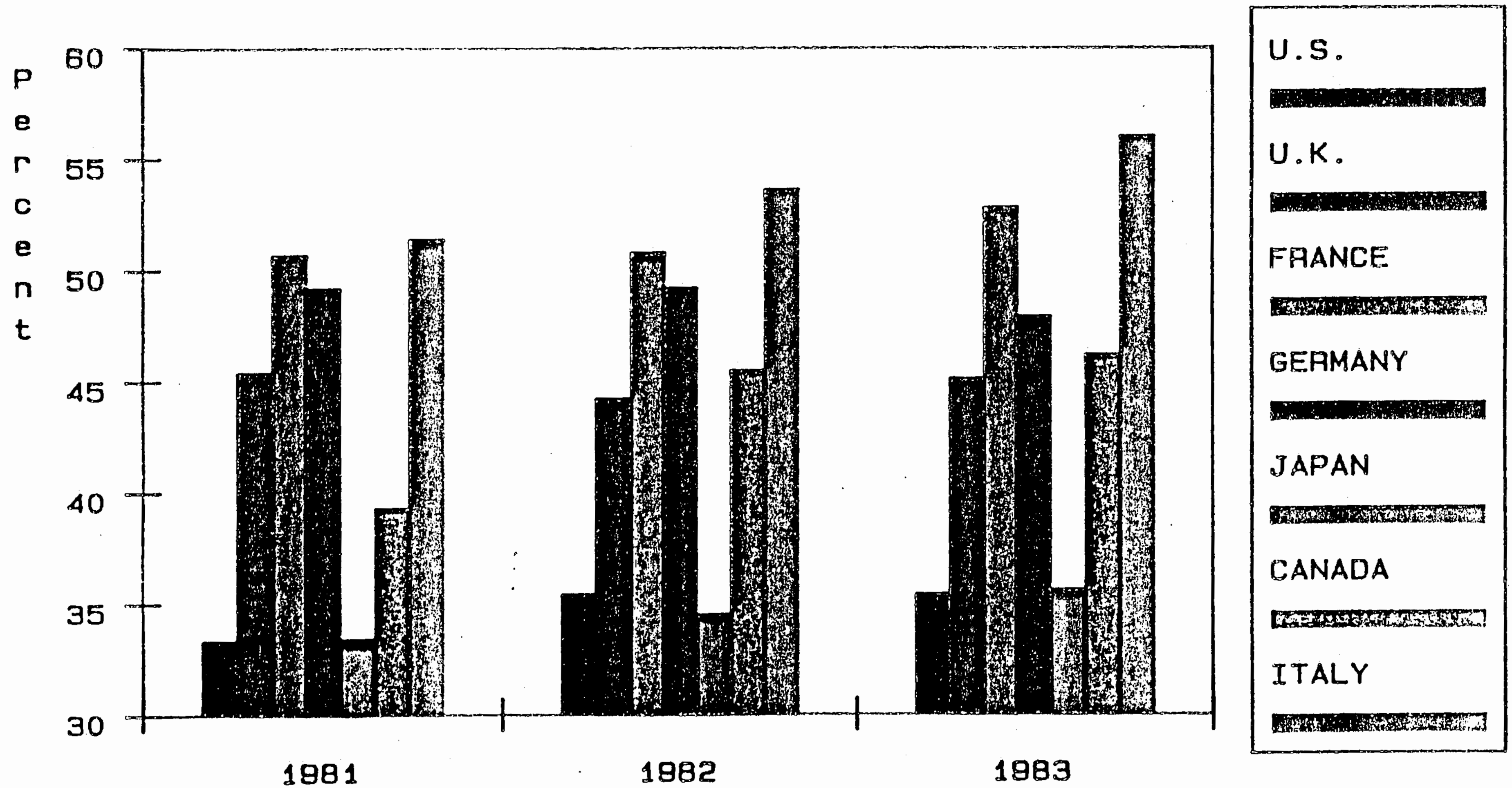
-- All (except France and Italy) have reduced inflation to generally low rates. Inflation now back to pre-OPEC (1972) levels.

-- Both France and Italy stand out, with considerably less progress made in reducing inflation rates. Some improvement expected in 1984, but will still be large difference between inflation rates in France and Italy and those in other Summit countries.

-- This year, high growth and low inflation is expected for the U.S., UK, Germany and Japan. France will have rising growth and declining inflation, while Italy will have solid growth and still high inflation.

Government Expenditures as Share of GNP/GDP

(Total Federal, State, and Local Government)



U.S. Recovery: Effects on Summit Country Growth

-- Charts separate foreign Summit country 1983 (4th/4th) growth rates into two parts:

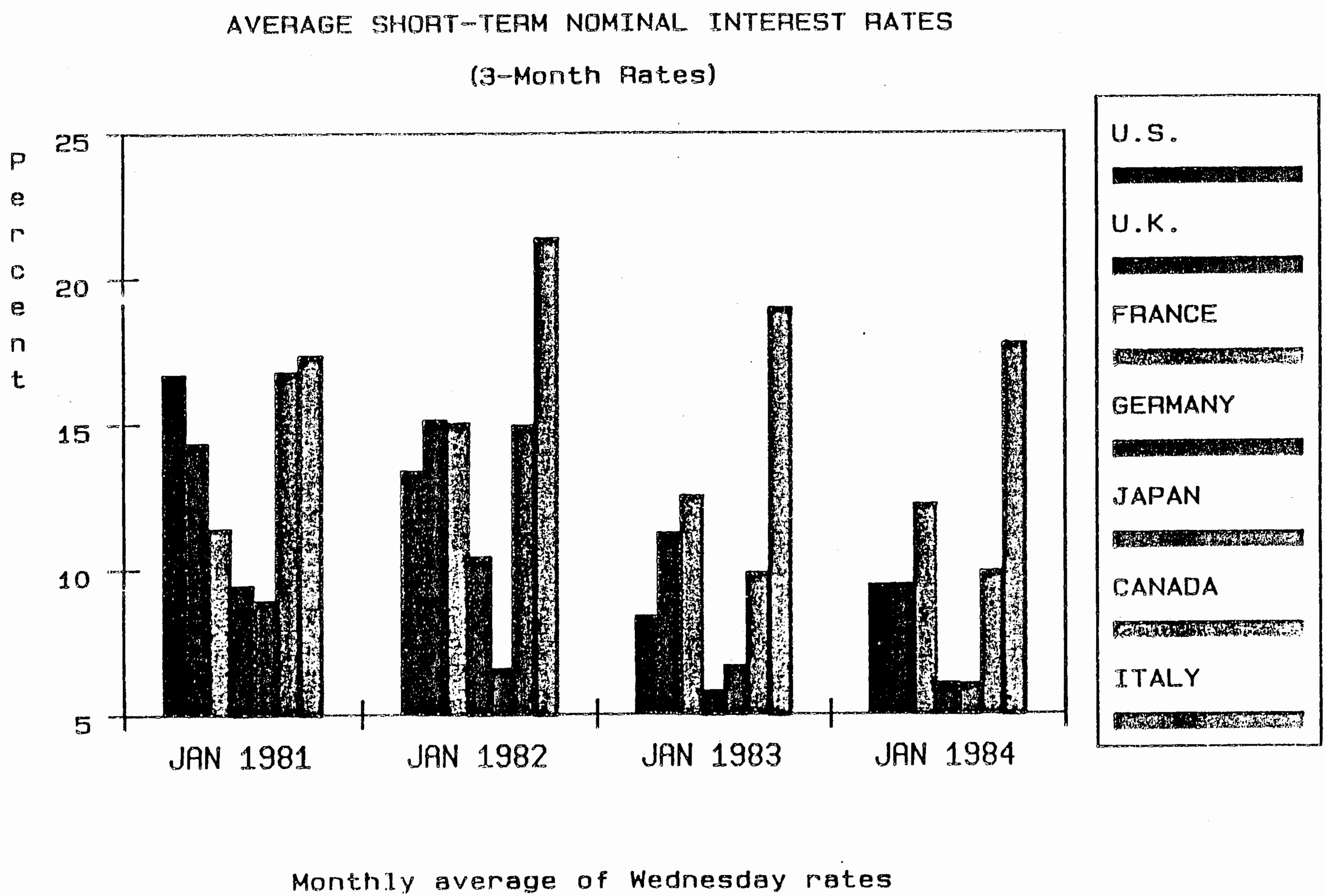
  °° part due to U.S. recovery impact

  °° part due to other factors

-- Calculations based on OECD Secretariat estimates of economic links among industrial countries.

-- Shows direct and indirect impact of U.S. growth. For example, U.S. growth leads to higher imports from Canada; Canada grows faster and imports more from Japan, so Japan grows faster; all caused by U.S. growth.

-- Estimates rough, but give idea of importance of U.S. recovery for recovery abroad.


AVERAGE SHORT-TERM NOMINAL INTEREST RATES
(3-Month Rates)
Percent
25
20
15
10
5
JAN 1981
JAN 1982
JAN 1983
JAN 1984
U.S.
U.K.
FRANCE
GERMANY
JAPAN
CANADA
ITALY
Monthly average of Wednesday rates

U.S. Recovery: Effects on Summit Country Growth

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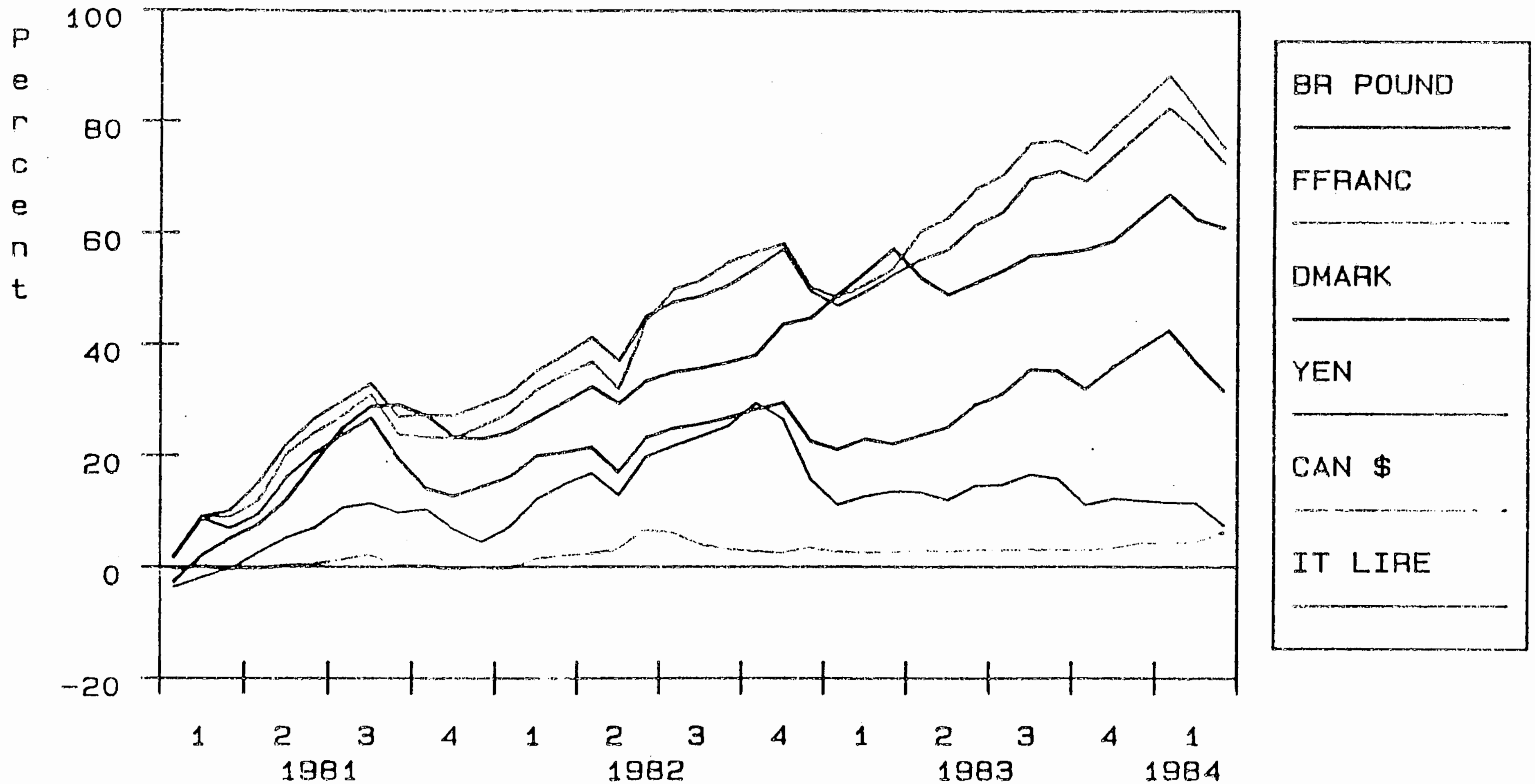
EXCHANGE RATE CHANGES VS. U.S. DOLLAR*

(From December 1980)



* Monthly averages.

Upward movement indicates dollar appreciation.

Real GNP/GDP Growth Rates
(year-over-year)

	1981	1982	1983	1984
U.S.	2.6	-1.9	3.3	5.3
U.K.	-1.9	1.4	2.2	2.5
France	0.1	2.0	0.2	0.3
Germany	-0.2	-1.1	1.3	2.9
Japan	3.9	3.3	3.0	4.7
Canada	3.4	-4.4	3.0	4.6
Italy	0.1	-0.3	-1.4	2.5

-- All Summit countries (except France and Italy) established recovery in 1983. Growth should strengthen in 1984.

-- UK, Germany strongest in Europe last year. Even better performance in 1984 should pull other European countries along.

-- UK recovery should strengthen due to investment measures introduced in their recent budget.

-- Italy began upturn late last year. Will do much better in 1984.

-- France still adjusting. Recovery not expected to begin until second half of this year.