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File Folder TRIP TO EUROPE, PRESIDENT'S: LONDON ECONOMIC
SUMMIT 06/07/1984-06/09/1984 (BINDER) (3)

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F. COMMUNIQUE - PREVIOUS SUMMITS

Williamsburg



1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187

May 28-31, 1983

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited 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.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Annex

STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

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 non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

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

A. We are focusing on near-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 agreement reached 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 objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.

(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, with particular concern for the problems of youth unemployment, and promote 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.

STATEMENT AT WILLIAMSBURG

MAY 29, 1983

1. As leaders of our seven countries, it is our first duty to defend the freedom and justice on which our democracies are based. To this end, we shall maintain sufficient military strength to deter any attack, to counter any threat, and to ensure the peace. Our arms will never be used except in response to aggression.

2. We wish to achieve lower levels of arms through serious arms control negotiations. With this statement, we reaffirm our dedication to the search for peace and meaningful arms reductions. We are ready to work with the Soviet Union to this purpose and call upon the Soviet Union to work with us.

3. Effective arms control agreements must be based on the principle of equality and must be verifiable. Proposals have been put forward from the Western side to achieve positive results in various international negotiations: on strategic weapons (START), on intermediate-range nuclear missiles (INF), on chemical weapons, on reduction of forces in Central Europe (MBFR), and a Conference on Disarmament in Europe (CDE).

4. We believe that we must continue to pursue these negotiations with impetus and urgency. In the area of INF, in particular, we call upon the Soviet Union to contribute constructively to the success of the negotiations. Attempts to divide the West by proposing inclusion of the deterrent forces of third countries, such as those of France and the United Kingdom, will fail. Consideration of these systems has no place in the INF negotiations.

5. Our nations express the strong wish that a balanced INF agreement be reached shortly. Should this occur, the negotiations will determine the level of deployment. It is well known that should this not occur, the countries concerned will proceed with the planned deployment of the U.S. systems in Europe at the end of 1983.

6. Our nations are united in efforts for arms reductions and will continue to carry out thorough and intensive consultations. The security of our countries is indivisible and must be approached on a global basis. Attempts to avoid serious negotiation by seeking to influence public opinion in our countries will fail.

7. We commit ourselves to devote our full political resources to reducing the threat of war. We have a vision of a world in which the shadow of war has been lifted from all mankind, and we are determined to pursue that vision.

Versailles

VERSAILLES

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES

In the course of our meeting at Versailles we have deepened our mutual understanding of the gravity of the world economic situation, and we have agreed on a number of objectives for urgent action with a view to improving it.

We affirm that the improvement of the present situation, by a further reduction of inflation and by a return to steady growth and higher levels of employment, will strengthen our joint capacity to safeguard our security, to maintain confidence in the democratic values that we share, and to preserve the cultural heritage of our peoples in all their diversity. Full employment, price stability and sustained and balanced growth are ambitious objectives. They are attainable in the coming years only if we pursue policies which encourage productive investment and technological progress; if, in addition to our own individual efforts, we are willing to join forces, if each country is sensitive to the effects of its policies on others and if we collaborate in promoting world development.

In this spirit, we have decided to implement the following lines of action:

- Growth and employment must be increased. This will be attained on a durable basis only if we are successful in our continuing fight against inflation. That will also help to bring down interest rates, which are now unacceptably high, and to bring about more stable exchange rates. In order to achieve this essential reduction of real interest rates, we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits. It is essential to intensify our economic and monetary cooperation. In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North America, of Japan and of the European Community in pursuing medium-term economic and monetary objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment through trade and

growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

- We agree to pursue a prudent and diversified economic approach to the U.S.S.R. and Eastern Europe, consistent with our political and security interests. This includes actions in three key areas. First, following international discussions in January, our representatives will work together to improve the international system for controlling exports of strategic goods to these countries and national arrangements for the enforcement of security controls. Second, we will exchange information in the OECD on all aspects of our economic, commercial and financial relations with the Soviet Union and Eastern Europe. Third, taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the U.S.S.R. and other Eastern European countries, in such a way as to ensure that they are conducted on a sound economic basis, including also the need for commercial prudence in limiting export credits. The development of economic and financial relations will be subject to periodic ex-post review.

- The progress we have already made does not diminish the need for continuing efforts to economise on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil-importing developing countries.

- The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. It is therefore important that a high level of financial flows and official assistance should be maintained and that their amount and their effectiveness should be increased as far as possible, with responsibilities shared broadly among all countries capable of making a contribution. The launching of global negotiations

is a major political objective approved by all participants in the Summit. The latest draft resolution circulated by the Group of the 77 is helpful, and the discussion at Versailles showed general acceptance of the view that it would serve as a basis for consultations with the countries concerned. We believe that there is now a good prospect for the early launching and success of the global negotiations, provided that the independence of the Specialised Agencies is guaranteed. At the same time, we are prepared to continue and develop practical cooperation with the developing countries through innovations within the World Bank, through our support of the work of the Regional Development Banks, through progress in countering instability of commodity export earnings, through the encouragement of private capital flows, including international arrangements to improve the conditions for private investment, and through a further concentration of official assistance on the poorer countries. This is why we see a need for special temporary arrangements to overcome funding problems for IDA VI, and for an early start to consideration of IDA VII. We will give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials, and to programmes to address the implications of population growth.

In the field of balance of payments support, we look forward to progress at the September IMF Annual Meeting towards settling the increase in the size of the Fund appropriate to the coming Eighth Quota Review.

- Revitalization and growth of the world economy will depend not only on our own effort but also to a large extent upon cooperation among our countries and with other countries in the exploitation of scientific and technological development. We have to exploit the immense opportunities presented by the new technologies, particularly for creating new employment. We need to remove barriers to, and to promote, the development of and trade in new technologies both in the public sector and in the private sector. Our countries will need to train men and women in the new technologies and to create the economic, social and cultural conditions which allow these technologies to develop and flourish. We have considered the report presented to us on these issues by the President of the French Republic. In this context we have decided to set up promptly a working group of representatives of our governments and of the European Community to develop, in close consultation with the appropriate international institutions, especially the OECD, proposals to give help to attain these objectives. This group will be asked to submit its report to us by 31 December 1982. The conclusion of the report and the resulting action will be considered at the next economic Summit to be held in 1983 in the United States of America.

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS

1. We accept a joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on convergence of policies designed to achieve lower inflation, higher employment and renewed economic growth; and thus to maintain the internal and external values of our currencies. We are determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

2. We attach major importance to the role of the IMF as a monetary authority and we will give it our full support in its efforts to foster stability.

3. We are ready to strengthen our cooperation with the IMF in its work of surveillance; and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR.

4. We rule out the use of our exchange rates to gain unfair competitive advantages.

5. We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions, as provided for under Article IV of the IMF articles of agreement.

6. Those of us who are members of the EMS consider that these undertakings are complementary to the obligations of stability which they have already undertaken in that framework.

7. We are all convinced that greater monetary stability will assist freer flows of goods, services and capital. We are determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment.

Ottawa

DECLARATION OF THE OTTAWA SUMMIT

1. We have met at a time of rapid change and great challenge to world economic progress and peace. Our meeting has served to reinforce the strength of our common bonds. We are conscious that economic issues reflect and affect the broader political purposes we share. In a world of interdependence, we reaffirm our common objectives and our recognition of the need to take into account the effects on others of policies we pursue. We are confident in our joint determination and ability to tackle our problems in a spirit of shared responsibility, both among ourselves and with our partners throughout the world.

THE ECONOMY

2. The primary challenge we addressed at this meeting was the need to revitalize the economies of the industrial democracies, to meet the needs of our own people and strengthen world prosperity.

3. Since the Venice Summit the average rate of inflation in our countries has fallen, although in four of them inflation remains in double figures. In many countries unemployment has risen sharply and is still rising. There is a prospect of moderate economic growth in the coming year but at present it promises little early relief from unemployment. The large payments deficits originating in the 1979-80 oil price increase have so far been financed without imposing intolerable adjustment burdens but are likely to persist for some time. Interest rates have reached record levels in many countries and, if long sustained at these levels, would threaten productive investment.

4. The fight to bring down inflation and reduce unemployment must be our highest priority and these linked problems must be tackled at the same time. We must continue to reduce inflation if we are to secure the higher investment and sustainable growth on which the durable recovery of employment depends. The balanced use of a range of policy instruments is required. We must involve our peoples in a greater appreciation of the need for change: change in expectations about growth and earnings, change in management and labour relations and practices, change in the pattern of industry, change in the direction and scale of investment, and change in energy use and supply.

5. We need in most countries urgently to reduce public borrowing; where our circumstances permit or we are able to make changes within the limits of our budgets, we will increase support for productive investment and innovation. We must also accept the role of the market in our economies. We must not let transitional measures that may be needed to ease change become permanent forms of protection or subsidy.

6. We see low and stable monetary growth as essential to reducing inflation. Interest rates have to play their part in achieving this and are likely to remain high where fears of inflation remain strong. But we are fully aware that levels and movements of interest rates in one country can make stabilization policies more difficult in other countries by influencing their exchange rates and their economies. For these reasons, most of us need also to rely on containment of budgetary deficits, by means of restraint in government expenditures as necessary. It is also highly desirable to minimize volatility of interest rates and exchange rates; greater stability in foreign exchange and financial markets is important for the sound development of the world economy.

7. In a world of strong capital flows and large deficits it is in the interests of all that the financial soundness of the international banking system and the international financial institutions be fully maintained. We welcome the recently expanded role of the IMF in financing payments deficits on terms which encourage needed adjustment.

8. In shaping our long term economic policies, care should be taken to preserve the environment and the resource base of our planet.

RELATIONS WITH DEVELOPING COUNTRIES

9. We support the stability, independence and genuine non-alignment of developing countries and reaffirm our commitment to cooperate with them in a spirit of mutual interest, respect and benefit, recognizing the reality of our interdependence.

10. It is in our interest as well as in theirs that the developing countries should grow and flourish and play a full part in the international economic system commensurate with their capabilities and responsibilities and become more closely integrated in it.

11. We look forward to constructive and substantive discussions with them, and believe the Cancun Summit offers an early opportunity to address our common problems anew.

12. We reaffirm our willingness to explore all avenues of consultation and cooperation with developing countries in whatever forums may be appropriate. We are ready to participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress.

13. While growth has been strong in most middle income developing countries, we are deeply conscious of the serious economic problems in many developing countries, and the grim poverty faced especially by the poorer among them. We remain ready to support the developing countries in the efforts they make to promote their economic and social development within the framework of their own social values and traditions. These efforts are vital to their success.

14. We are committed to maintaining substantial and, in many cases, growing levels of Official Development Assistance and will seek to increase public understanding of its importance. We will direct the major portion of our aid to poorer countries, and will participate actively in the United Nations Conference on the Least Developed Countries.

15. We point out that the strengthening of our own economies, increasing access to our markets, and removing impediments to capital flows contribute larger amounts of needed resources and technology and thereby complement official aid. The flow of private capital will be further encouraged in so far as the developing countries themselves provide assurances for the protection and security of investments.

16. The Soviet Union and its partners, whose contributions are meagre, should make more development assistance available, and take a greater share of exports of developing countries, while respecting their independence and non-alignment.

17. We will maintain a strong commitment to the international financial institutions and work to ensure that they have, and use effectively, the financial resources for their important responsibilities.

18. We attach high priority to the resolution of the problems created for the non-oil developing countries by the damaging effects on them of high cost of energy imports following the two oil price shocks. We call on the surplus oil-exporting countries to broaden their valuable efforts to finance development in non-oil developing countries, especially in the field of energy. We stand ready to cooperate with them for this purpose and to explore with them, in a spirit of partnership, possible mechanisms, such as those being examined in the World Bank, which would take due account of the importance of their financial contributions.

19. We recognize the importance of accelerated food production in the developing world and of greater world food security, and the need for developing countries to pursue sound agricultural and food policies; we will examine ways to make increased resources available for these purposes. We note that

the Italian Government has in mind to discuss within the European Community proposals to be put forward in close cooperation with the specialized U.N. institutions located in Rome for special action in this field primarily directed to the poorest countries.

20. We are deeply concerned about the implications of world population growth. Many developing countries are taking action to deal with that problem, in ways sensitive to human values and dignity; and to develop human resources, including technical and managerial capabilities. We recognize the importance of these issues and will place greater emphasis on international efforts in these areas.

TRADE

21. We reaffirm our strong commitment to maintaining liberal trade policies and to the effective operation of an open multilateral trading system as embodied in the GATT.

22. We will work together to strengthen this system in the interest of all trading countries, recognizing that this will involve structural adaptation to changes in the world economy.

23. We will implement the agreements reached in the Multilateral Trade Negotiations and invite other countries, particularly developing countries, to join in these mutually beneficial trading arrangements.

24. We will continue to resist protectionist pressures, since we recognize that any protectionist measure, whether in the form of overt or hidden trade restrictions or in the form of subsidies to prop up declining industries, not only undermines the dynamism of our economies but also, over time, aggravates inflation and unemployment.

25. We welcome the new initiative represented by the proposal of the Consultative Group of Eighteen that the GATT Contracting Parties convene a meeting at Ministerial level during 1982, as well as that of the OECD countries in their programme of study to examine trade issues.

26. We will keep under close review the role played by our countries in the smooth functioning of the multilateral trading system with a view to ensuring maximum openness of our markets in a spirit of reciprocity, while allowing for the safeguard measures provided for in the GATT.

27. We endorse efforts to reach agreement by the end of this year on reducing subsidy elements in official export credit schemes.

ENERGY

28. We are confident that, with perseverance, the energy goals we set at Venice for the decade can be achieved, enabling us to break the link between economic growth and oil consumption through structural change in our energy economies.

29. Recognizing that our countries are still vulnerable and energy supply remains a potential constraint to a revival of economic growth, we will accelerate the development and use of all our energy sources, both conventional and new, and continue to promote energy savings and the replacement of oil by other fuels.

30. To these ends we will continue to rely heavily on market mechanisms, supplemented as necessary by government action.

31. Our capacity to deal with short-term oil market problems should be improved, particularly through the holding of adequate levels of stocks.

32. In most of our countries progress in constructing new nuclear facilities is slow. We intend in each of our countries to encourage greater public acceptance of nuclear energy, and respond to public concerns about safety, health, nuclear waste management and non-proliferation. We will further our efforts in the development of advanced technologies, particularly in spent fuel management.

33. We will take steps to realize the potential for the economic production, trade and use of coal and will do everything in our power to ensure that its increased use does not damage the environment.

34. We also intend to see to it that we develop to the fullest possible extent sources of renewable energy such as solar, geothermal and biomass energy. We will work for practical achievements at the forthcoming United Nations Conference on New and Renewable Sources of Energy.

35. We look forward to improved understanding and cooperation with the oil exporting countries in the interests of the world economy.

EAST-WEST ECONOMIC RELATIONS

36. We also reviewed the significance of East-West economic relations for our political and security interests. We recognized that there is a complex balance of political and economic interests and risks in these relations. We concluded

that consultations and, where appropriate, coordination are necessary to ensure that, in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives.

37. We will undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the U.S.S.R.

CONCLUSION

38. We are convinced that our democratic, free societies are equal to the challenges we face. We will move forward together and with all countries ready to work with us in a spirit of cooperation and harmony. We have agreed to meet again next year and have accepted the invitation of the President of the French Republic to hold this meeting in France. We intend to maintain close and continuing consultation and cooperation with each other.

OTTAWA SUMMIT STATEMENT ON TERRORISM

1. The heads of state and government, seriously concerned about the active support given to international terrorism through the supply of money and arms to terrorist groups, and about the sanctuary and training offered terrorists, as well as the continuation of acts of violence and terrorism such as aircraft hijacking, hostage-taking and attacks against diplomatic and consular personnel and premises, reaffirm their determination vigorously to combat such flagrant violations of international law. Emphasizing that all countries are threatened by acts of terrorism in disregard of fundamental human rights, they resolve to strengthen and broaden action within the international community to prevent and punish such acts.
2. The heads of state and government view, with particular concern, the recent hijacking incidents which threaten the safety of international civil aviation. They recall and reaffirm the principles set forth in the 1978 Bonn Declaration and note that there are several hijackings which have not been resolved by certain states in conformity with their obligations under international law. They call upon the governments concerned to discharge their obligations promptly and thereby contribute to the safety of international civil aviation.
3. The heads of state and government are convinced that, in the case of the hijacking of a Pakistan international airlines aircraft in March, the conduct of the Babrak Karmal Government of Afghanistan, both during the incident and subsequently in giving refuge to the hijackers, was and is in flagrant breach of its international obligations under the Hague Convention to which Afghanistan is a party, and constitutes a serious threat to air safety. Consequently, the heads of state and government propose to suspend all flights to and from Afghanistan in implementation of the Bonn Declaration unless Afghanistan immediately takes steps to comply with its obligations. Furthermore, they call upon all states which share their concern for air safety to take appropriate action to persuade Afghanistan to honour its obligations.
4. Recalling the Venice statement on the taking of diplomatic hostages, the heads of state and government approve continued cooperation in the event of attacks on diplomatic and consular establishments or personnel of any of their governments. They undertake that in the event of such incidents, their governments will immediately consult on an appropriate response. Moreover, they resolve that any state which directly aids and abets the Commission of Terrorist Acts, condemned in the

Venice statement, should face a prompt international response. It was agreed to exchange information on terrorist threats and activities, and to explore cooperative measures for dealing with and countering acts of terrorism, for promoting more effective implementation of existing anti-terrorist conventions, and for securing wider adherence to them.

III. SUMMIT THEMATIC PAPER



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LONDON ECONOMIC SUMMIT 7-9 JUNE 1984

BY WJ, NARA, DATE 3/10/08

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Introduction and Background

1. Through successive recent Summits, Governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly in the United States.
2. The main concerns are now: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, and to continue to spread its benefits; to make sure that the industrial economies develop flexibly and in response to market needs and technological change; to encourage flexible labour policies and to create conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trading system and capital markets; to continue to manage international debt problems in ways which meet the needs of the debtor countries and protect the viability of the international financial system; to promote and encourage conditions for adequate financial flows to non-industrialised countries; and to cooperate with those countries in their efforts to place their economies on a more secure and self-reliant basis.
3. In many respects, the recovery in the industrialised nations is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts in most countries to reduce underlying fiscal deficits and control monetary growth. But its continuation

/cannot

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cannot be taken for granted. In the industrialised countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as endemically low income countries, are still encountering severe difficulties.

4. The main developments over the past year have been -

- 4.1 Economic Growth - especially strong in North America and Japan, somewhat less so in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
- 4.2 Improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States;
- 4.3 Significant reductions in inflation, although it remains high in some countries;
- 4.4 A tendency in increasing budget deficits in North America but reductions elsewhere;
- 4.5 A revival in world trade, with a marked rise in the imports of some Summit countries, helping to spread the benefits of the recovery;
- 4.6 Continued strength of the Dollar;
- 4.7 Increases in nominal interest rates in the United States, with real rates remaining high in a number of countries;
- 4.8 A reduced rate of growth of monetary aggregates, consistent with a prudent rise in nominal income;
- 4.9 Significant payments imbalances between Summit countries. The rising Japanese surplus has been more than offset by the United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;
- 4.10 Reductions in current account deficits elsewhere, still leaving many debtor countries with substantial debt servicing costs and increased political and social strains.

5. The future facing the poorest countries remains daunting. Official aid is constrained by budgetary pressures in donor countries. The outcome of negotiations to replenish the International Development Association (IDA) has so far disappointed many governments. The prospects for the poorest countries, especially in Sub-Saharan Africa, remain bleak.



6. The flexible strategy on debt evolved during the last few years has worked well so far. World economic recovery has helped the debtor countries. An increasing number have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

7. (Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial Meeting and at Williamsburg. All Summit Governments have agreed to accelerate implementation of the Tokyo round and to ease restrictions on imports from the poorest countries.) (Note: depends on the outcome of the OECD Ministerial Meeting on 18 May.) Nevertheless, there has been no easing of protectionist pressures, reflecting high unemployment and slow recovery in some cases, and a high exchange rate and growing trade deficit in the United States. The newly industrialised countries and others in the course of industrialisation have done little to dismantle their own trade barriers or to reduce internal constraints on competition.

8. Oil prices have remained relatively stable but the market balance is still fragile. Other commodity prices have risen modestly.

Prospects

9. Most forecasters expect that on present policies the recovery in the Summit countries should continue over the next year or so. Output in North America may rise more slowly after the rapid recent increases, but activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. So long as the recovery in activity proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help to limit budget deficits in most countries; in the United States the Administration is giving priority to curbing public expenditure.

10. Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation and concern about financing the budget deficit could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

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11. Exchange rate prospects are also uncertain. The influence on the United States Dollar of the level of the current United States balance of payments deficit and fears of rising inflation could be offset by the high rate of return on assets in the United States. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the Yen, but capital market rigidities could limit any appreciation. The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend on their success in bringing their inflation rates together at a low level.

12. Current account imbalances among Summit countries could increase. But rising exports and higher commodity prices will go some way to help many of the non-oil countries to service their debts and begin to reduce their current account deficits. The prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices.

Medium Term Objectives and Policies

13. We have the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives are -

- 13.1 To continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 13.2 To create the conditions for lower nominal and real interest rates, by reducing inflationary expectations and putting structural budget deficits onto a sustainable basis;
- 13.3 To reduce obstacles to higher employment by encouraging industrial adaptation and labour mobility, discouraging measures to prop up declining industries and reducing or phasing out export subsidies and other assistance which distorts trade. As demand expands, it will be important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 13.4 To promote the development of new technologies, in traditional as well as in new industries, and to encourage international cooperation and a more rapid and widespread acceptance of technological change;

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- 13.5 To promote conditions which favour productive investment and private enterprise, especially among innovative small businesses;
- 13.6 To make renewed efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities;
- 13.7 To complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the possibility of a new negotiating round early in the second half of the decade;
- 13.8 To maintain adequate flows of resources (including official development assistance) to the non-industrialised countries; and to encourage practical measures to conserve resources, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 13.9 To find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows and by encouraging a climate of confidence for investment;
- (13.10 To adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries)(note: depends on the outcome of the April IMF and May G10 Meetings).
- 13.11 To help debtor countries to make the necessary economic and financial changes, taking due account of political and social difficulties; for them as for the industrialised countries, success will depend on sustained world recovery and adequate but not excessive world liquidity;
- 13.12 To pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 13.13 To pursue research into the causes, effects and means of limiting pollution; in the light of such research, to make greater national and international efforts to reduce pollution of air, water and ground; and to work on measures to minimise the effects of pollution.

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Immediate Measures

14. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following measures -

- 14.1 To carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress on prudent fiscal and monetary policies, so as to achieve lower inflation and interest rates and greater exchange rate stability;
- 14.2 To study with the appropriate international organisations, notably the OECD, policies to improve economic efficiency, incentives and flexibility: and to reduce obstacles to growth, in particular by harmonising international standards, encouraging innovation and adaptation, facilitating the mobility of labour and capital and increasing public understanding and acceptance of the need for technical development;
- 14.3 To invite Finance Ministers to carry forward in the appropriate organisations their consideration of the operations of the international monetary system, including exchange rates, surveillance, international liquidity and the role of the IMF;
- 14.4 To confirm strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international cooperation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation, will help further;
- 14.5 To develop arrangements which could foster renewed economic progress by debtor countries. These might include the encouragement of private direct investment, closer cooperation between the IMF and the IBRD: IBRD operations which can help to attract long-term capital investment: and improvements in the supervision of lending by commercial banks, notably in their overseas operations: (note: depends on outcome of April IMF and May G10 Meetings).
- 14.6 To urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade, (following the decision taken at the meeting of OECD Ministers on 18 May 1984);

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- 14.7 To promote at the GATT Meeting in November 1984 a successful outcome of the work programme laid down at the meeting in 1982: and to consult with other GATT parties and with the Director General with a view to reaching a consensus for a high level meeting of GATT before the end of 1985 to consider launching a new GATT round, with clearly defined objectives and guidelines, early in the second half of the decade.

East/West Economic Relations

15. The Summit countries note, with approval, that work continues in the appropriate organisations on the economic and security implications for relations with Eastern countries.

Science and Technology

16. The Summit countries welcome the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of cooperation. They invite the Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade, and the sharing of major scientific facilities, and to report to the next Economic Summit.

17. The Summit countries thank Prime Minister Nakasone for his report on the Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to host a follow-up conference in 1985.

18. They also welcome the invitation from the United States Administration to other Summit countries to cooperate in the development of an international manned space station: to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively: and the intention of the United States to report progress on space station matters to the next Summit.

British Embassy
WASHINGTON DC

11 May 1984

IV. ANNOTATED SCHEDULE

1984 ECONOMIC SUMMIT

Annotated Agenda

THURSDAY, JUNE 7

7:20 p.m. Depart Winfield House en route to St. James Palace.

7:30 p.m. Reception at St. James Palace.

This is the opening event of the Summit. Attendees will include the Heads, Ministers and Members of the official delegations from all Summit participants. It is essentially an informal, "mix-and-mingle" event.

7:55 p.m. Depart St. James Palace en route No. 10 Downing Street.

8:00 p.m. Working Dinner (2 hours - Heads of State/Government only, plus notetakers, 10 Downing Street).

This informal, initial session will set the stage for your subsequent meetings.

We have decided on several U.S. objectives in the political field; the priority order for addressing them, however, will be determined after the final sherpa meeting, May 20 - 21.

FRIDAY, JUNE 8

9:30 a.m. Photo opportunity at Lancaster House (30 minutes - traditional photograph, Heads of State/Government only.)

10:00 a.m. Meeting with Heads of State/Government (2-1/2 hours - The Music Room, Lancaster House).

This is the first formal meeting involving Heads of State/Government only (with one notetaker each). Prime Minister Thatcher may ask each Head to make an initial summary presentation before moving to general discussion. You should stress your confidence in a durable recovery and the success of the policies you have advocated since Ottawa. You should also focus on our main economic objectives (the debt management strategy, trade negotiations and the space station). We do not expect political subjects to be raised at this session. At the end of the meeting, Thatcher is expected to propose how the meeting should be represented to the press by the British spokesman.

12:30 p.m. Proceed to Committee Room (U.S. Delegation Room).

1:00 p.m. Working Lunch (2 hours - Heads of State/Government only, Lancaster House, Gold Drawing Room).

At this informal session, you will continue discussion of the main political issues of concern to the U.S.

2:30 p.m. Plenary Session in Lancaster House (2 1/2 hours).

The plenary session includes Heads of State/Government, Foreign and Finance Ministers and Personal Representatives as notetakers. We expect Prime Minister Thatcher will lead off by summarizing the morning discussions and that the British Chancellor (Lawson) would present a brief report on the work of the G-10 studying ways to improve the monetary system. You should discuss points of concern to us not covered in the morning meeting. You may also ask Secretaries Shultz and Regan to speak to various points (e.g., Shultz on trade, environment, technology cooperation, and East-West economic relations; Regan on the economic outlook, U.S. domestic economic policy, the debt strategy, and monetary reform). As at the morning session, there is supposed to be agreement at the end on how to represent discussions to the press.

5:05 p.m. Depart en route Winfield House.

5:15 p.m. Arrive Winfield House.

7:50 p.m. Depart en route National Portrait Gallery.

8:00 p.m. Working Dinner (2 hours - Heads of State/Government only, National Portrait Gallery).

This informal session will be devoted to a further exchange of views on political issues.

10:15 p.m. Depart en route Winfield House.

SATURDAY, JUNE 9

9:20 a.m. Depart en route Lancaster House.

9:30 a.m. Continuation of Plenary Discussion (3 hours - Lancaster House).

This plenary session will include the same participants as Friday afternoon. The main order of business will be to approve the final statement, which will have been drafted the night before by the Personal Representatives. If time permits, there is likely to be further discussion of topics which may not have been taken up the previous day.

12:30 p.m. Proceed to Committee Room (U.S. Delegation Room).

1:00 p.m. Plenary Working Lunch (2 hours - Lancaster House).

This event, involving Heads of State/Government, Foreign and Finance Ministers, and Personal Representatives, is likely to be unstructured. We do not expect a unified conversation, but it will offer you an opportunity to review informally with other participants their thoughts on the Summit and to raise other matters bilaterally which may not have been covered adequately in previous sessions.

3:00 p.m. Joint press statement at Guildhall.

Mrs. Thatcher will read the final statement. Afterward each national delegation will brief the press. Secretary Shultz and Secretary Regan are expected to brief for the U.S.

8:30 p.m. Banquet hosted by the Queen. The dinner will be held at Buckingham Palace. Since this is mainly a ceremonial event, we do not anticipate any substantive discussions. However, it offers an opportunity comparable to that at lunch for informal talks if desired.

SUNDAY, JUNE 10

9:00 a.m. Depart London.