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# WITHDRAWAL SHEET

## Ronald Reagan Library

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>1. Talking Pts</del>	<del>re: Economic Strategy for the Williamsburg Summit,</del>	<del>3/8/83</del>	<del>P1/F1</del>
<del>2. Talking Pts.</del>	<del>re: Enhancing Multilateral Surveillance, 3 p.</del>	<del>n.d.</del>	<del>P1/F1</del>
3. Paper	Williamsburg Summit Strategy, 5 p.	n.d.	P1/F1

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

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NATIONAL SECURITY COUNCIL

March 10, 1983

TO: Bailey  
Blair  
Fortier  
Guhin  
McMinn  
Martin  
Robinson  
Sigur  
Tyson

FROM: Henry Nau

Attached are two sets of talking points for the U.S. Team at the San Diego Preparatory Meeting next week:

1. State's Talking Points on E-W topic and my changes (or additions).
2. Treasury's Talking Points on the economic growth topic (I have not had time as yet to work these over).

Please give me any comments by COB, Friday, or latest -- Monday morning.

Attachs.

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DECLASSIFIED  
White House Guidelines, August 28, 1997  
By ds NARA, Date 10/14/00

State's Talking Points  
for E-W topic

83 Summit  
(E-W)

Presentation of Agenda Topic on  
East-West Economic Relations

-- The main (but probably not only) issue which the President will wish to discuss with the other heads during their joint meeting with the Foreign Ministers Sunday afternoon is East-West economic relations. (It could, of course, also be raised during the Heads only meeting on Sunday.)

-- Our governments have initiated a series of studies and work programs following on discussions last fall which resulted in the Summary of Conclusions paper. It remains our hope that those projects which have been assigned to the OECD/IEA and COCOM will have produced specific results and conclusions, at the proposed High Level COCOM meeting in April or by the time of the OECD Ministerial in early May, as appropriate to the subjects concerned.

-- While the Ministers will not yet have had the spring meeting of the North Atlantic Council before Williamsburg, we expect the study on the security implications of East-West economic relations will have been finished by that date.

-- This timetable will assure that all the elements of the study/work program will be known and available, in one form or another, to the heads at that time.

-- We propose the following as subjects for discussions at the combined Heads/Foreign Ministers meetings:

- Review the results achieved, and agreements reached up to that date;
- Discuss the security implications of East-West economic relations, drawing on the material prepared in the various studies; and
- Consider further steps, projects or processes which should be undertaken to follow up that work.

-- This discussion should proceed from the agreements we recorded in the Summary of Conclusions paper on the principles which should govern the approach our governments take on East-West economic relations. We see no need to negotiate about these principles, since they were previously agreed. However, we believe they are useful in establishing a common framework within which we can achieve greater agreement on future policy coordination to enhance Western security.

-- Without prejudging the outcome of that discussion, the President has asked me to outline for you the approach he

will take and the outcome of the discussion he would like to see:

- (1) We have for too long ignored or relegated to secondary concern the economic aspects of Western security.1
- (2) Work program initiated last December is good first step toward analyzing what those aspects are and how we can better orient and coordinate our policies in those areas to take account of both economic and security concerns.
- (3) A more carefully considered and coordinated economic strategy in our dealings with the East can play an important part in preventing the Soviets from gaining important strategic advantages which could compromise or undermine our national and collective security interests.
- (4) We do not seek or advocate a policy of economic warfare. We do advocate a clear understanding among ourselves of the security implications of economic relations with the East, and to build on that

understanding agreements on particular issues that will adequately reflect an appropriate balance between our security and economic interests.

- (5) At the Summit we would like to elaborate on these points in the discussion; draw from it a reaffirmation of the principles set forth in the Summary of Conclusions; have the leaders note and welcome the agreements already reached and discuss how they should continue to work together toward greater coordination of our policies, identifying particular issues or areas in which further work should be carried out.

-- We suggest that the Personal Representatives prepare a draft of a statement which would be presented to the Foreign Ministers at Williamsburg for their review and eventual release at the conclusion of the Summit. The statement would follow the outline I have just proposed, i.e.:

- a summary of the principles which govern our approach to East-West economic relations;

- recognition of the importance our governments attach to the agreements we have reached in the various forums now engaged in the work we have assigned to them; and
  
- a section recording the agreements arising out of their discussion about work in progress or further work they believe is necessary and their recommendations to the appropriate institutions or intentions on follow-up.

-- Since we will not know until a few weeks before Williamsburg the extent or content of the agreements which may have been reached in COCOM, and in the energy, export credit and OECD review exercises, we will not be able to prepare a useful draft until our final meeting before the Summit. The U.S. will circulate a draft in early May. We recognize that the third element (i.e., next steps) in our proposed outline of the statement will, of course, be subject to the discussion the Heads and Foreign Ministers will hold at Williamsburg. However, we will include our own ideas in the draft we circulate so you will know in general terms what we would like to see.

-- Welcome a discussion now of these proposals.



Presentation of Agenda Topic on Other Foreign Affairs Issues

-- It has become traditional for Foreign Ministers or Political Directors to meet privately and consider various foreign policy problems, including, if necessary, very recent developments. Do not wish to discuss this process now; we will have proposals for topics and procedures as we get closer to Williamsburg. Sufficient to note that our suggested schedule for meetings allows time for Foreign Ministers to meet privately, both Sunday morning and first hour after lunch on Sunday.

-- At one of these meetings, we propose that Foreign Ministers, in addition to other "political" issues they may decide to discuss, also review recent developments pursuant to certain past Summit initiatives. Specifically, a review of our cooperation on terrorism (especially the Bonn Declaration on aircraft hijacking and the Ottawa statement on terrorism) and on the Youth Exchange initiative begun before last year's meetin at Versailles.

-- I expect the groups workings on those projects will be preparing reports for review at Williamsburg. Our proposal is that the Foreign Ministers hold that review and, report, as appropriate, to the heads.

-- Another issue which we propose the Ministers discuss is President Reagan's initiative, launched last year, to promote democracy and democratic institutions. We will be in touch with your governments later on our specific suggestions.

#6609A

## Nau's Changes to State's Talking Points on E-W Topic

- I'd like to turn now to the second topic which we agreed in December the heads would want to discuss at Williamsburg when they meet Sunday afternoon with their Foreign Ministers. That is East-West economic relations.
- I want to be very candid and level with everyone around this table. The United States has pursued a reasoned, constructive discussion of this subject among heads of government, since the preparations for Ottawa. We have encountered two reactions.
  - On the one hand, strong efforts have been made to push the subject off the agenda and avoid a discussion of broad perspectives by the leaders of their economic relations with the East. I am told that at Ottawa the subject was put off until the last session of the meeting after the communique had been discussed covering all other subjects. There was also an effort to keep this issue off the agenda at Versailles.
  - On the other hand, we have encountered the complaint that the issue was not sufficiently discussed. That was certainly the reaction after Versailles from many of the governments around this table.
- These reactions are clearly contradictory. Now, we have a choice. Either we can continue the process of the past two years of delaying the preparation of this issue, having it then discussed in an unsatisfactory manner at the Summit, and encountering continuing differences thereafter. Or, we can agree now that the subject will be discussed, carefully prepare that discussion to permit the heads to consider broad aspects while Ministers deal with any details, and come away from Williamsburg with this issue in perspective and on track with other consultations among our countries.
- If we choose the latter course, we have the best chance <sup>that we have ever had</sup> of placing this issue into a normal pattern of discussion among our countries and avoiding future surprises and political controversies ~~that we have ever had~~.
- Over the past two years, two things should be clear. The United States does not seek trade warfare with the Soviet Union. That argument is a red herring. Secondly, trade with the East is not just like that among Western countries. To argue that there is a difference and that trade is trade is also a red herring.

- The real issue is where do we come out in between. Now, our governments reached a consensus last fall, expressed in the "Summary of Conclusions." That Summary was not published and need not be published, even though some of its basic points were already reflected in the Ottawa and Versailles Summit communiqués. We have all assumed, however, that it has meaningful content.
  
- On the basis of that paper, our governments initiated a series of studies and work programs. It is our hope that these studies will have produced some specific results and conclusions by the time of the Summit.
  - Results of the IEA and OECD studies could be handled at the OECD Ministerial in early May.
  - The COCOM issues will be considered at the proposed high level meeting in April.
  - The NATO study will not be considered at the NATO Council until after the Summit, but we expect the study will be, for all practical purposes, completed by the time of the Summit.

(Continue with fourth tick of Talking Points  
circulated on 3/7/83 by Morris)

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3-8-83

In his letter to the other heads of state, President Reagan suggested a series of questions to guide our thinking initially on the topic of Economic Strategy for the Williamsburg Summit on integrated views of ~~domestic~~ and international aspects of world economic growth. Talking Points

-- At San Diego, the Sherpas will be discussing reactions by Heads of State on the major substantive themes.

-- ~~We propose that economic discussions~~ <sup>An integrated view of the world economy</sup> should focus on four areas:

1. Economic Recovery.

- o Sound domestic and international economic policies are mutually reinforcing. Each country should promote own economic recovery by following anti-inflationary monetary and fiscal policies in framework of internationally responsible policies on trade, investment and finance.
- o We will emphasize urgent need to get economic recovery and employment growth underway in the Summit countries, but without rekindling inflation.
- o We will point to renewed growth in countries which have made substantial progress against inflation -- Germany, Japan, U.K., and our own economic rebound.
- o Will urge greater efforts at convergence of economic policies and performance, working through multilateral surveillance process agreed at last Summit, as a way to assure both sustained non-inflationary recovery and greater exchange rate stability.
- o Would be useful to enhance surveillance process by:
  - reaffirming objectives of lower inflation, higher employment and economic recovery

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BY CAS, NARA, DATE 5/2/01

- focusing in greater detail on policies needed to achieve these objectives (e.g., lower budget deficits in future).
- undertaking periodic evaluations of each country's progress in moving toward goals.

## 2. Containing Protectionism.

- ° Will make another try at getting unified stand against protectionism.
- ° Looking at institutional possibilities for improving interchange between macroeconomic and trade policymakers. Might include occasional meetings of Trade and Finance Ministers.
- ° Also may be useful to organize temporary commission of senior "wise men" to generate ideas on how to rebuild international consensus for open trade.

## 3. Debt and Finance.

- ° Aiming at endorsement of our present strategy for dealing with debt problem -- particularly reaffirmation of urgent need for increase in IMF resources.
- ° Other components of strategy are also familiar:
  - Effective economic adjustment by troubled borrowing countries.
  - Temporary official "bridge loans" quickly available in emergencies which threaten to disrupt system.
  - Continued new commercial bank lending to countries which are adopting sound adjustment policies.
  - Sustained economic recovery in the Western world, and avoidance of protectionism which threatens both our

own economic recovery and the export markets necessary for balance of payments adjustment by the LDCs.

4. East-West Relations.

- ° Would like improved affirmation of unified approach to East-West economic relations, to ensure Western security.
- ° Specific aims would be stricter control over export of sensitive technologies to Soviet bloc; reducing or eliminating export credit subsidies and other commercial advantages to Soviets in trade with them; and avoiding dangerous Western dependency on Soviets -- either as a source of critical imports, such as energy, or as a key export market.
- ° Ways to further develop these would be:
  - NATO study -- conclusions and principles.
  - COCOM -- strengthen controls, and enforcement of controls, on exports to Soviets.
  - OECD -- strengthen Export Credit Arrangement.
  - IEA Energy Study.
- ° There is pressure from other countries for more structure than we originally suggested, and it is likely that there will be a communique of some sort after all.

-- Hoping to keep any communique short and political, with attached more specific "protocols". Communique would be prepared at Summit, protocols before.

- ° Communique would reaffirm common democratic values, commitment to getting sustainable economic recovery and employment expansion quickly underway. "Protocols" on economic policy, trade and East-West economic issues would focus on the four key subject areas in more detail.

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- 4 -

-- Also two studies from last Summit -- intervention and technology.

- ° Expect both released to public this spring.
- ° Others, especially French, eager to get technology report published. We are delaying, hoping we can get parallel commitment to release intervention report which some others, especially French, resisting.
- ° Most likely date for intervention study release is late April or early May, after review by finance ministers and central bank governors.

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Enhancing Multilateral SurveillanceTalking Points

- Think would be useful at Williamsburg to build on Versailles undertakings to strengthen multilateral surveillance. Would emphasize to public our commitment to economic recovery.
  - \* Should put emphasis on recovery and job creation, while reaffirming that controlling inflation remains a central and permanent feature of economic policy.
  - \* Could envision "economic policy protocol" which would deal with objectives, policies, and measurement of performance.
  - \* Surveillance process already focusing on convergence toward policies for sustainable, non-inflationary growth over longer-term, both for own sake and as precondition for international monetary stability.
  - \* Would now like to give it more immediacy; make it more specific.
- Are a number of possibilities for doing this:
  - \* Highlighting exchange rate consequences if countries do not move further toward convergence on sound policies and performance. (This could be done by IMF Managing Director de Larosiere.)
  - \* Focusing more on policy instruments necessary to move toward convergence. Not desirable to set up detailed common policy prescription, but could we envision a common general approach emphasizing:
    - stable monetary growth at moderate rate, accomodating recovery but not reigniting inflation

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BY CS, NARA, DATE 5/2/01

- discipline over government expenditures, especially transfer payments
  - greater emphasis on letting market signals guide private activity and investment into efficient channels (e.g. tax and regulatory policies)
  - increasing flexibility and openness of our economies (free trade, long-term structural adjustment)
- \* Ministers may wish to think more specifically about the time horizon for this exercise.
- Initially, focus has been on medium-term.
  - Without losing sight of medium-term objectives, or perhaps to attain them with greater certainty, should consultations now be aimed at nearer-term actions leading to convergence of economic conditions?
  - How long might rough convergence take to accomplish?
- \* Perhaps desirable to add assessments of progress by each country in moving toward desired approach. This could be done by having countries indicate what they plan to do and then reporting back on their progress. Could perhaps agree on criteria for measuring success:

- inflation rate, interest rates, exchange rate movements (as a group, indicative of credibility of policies and progress in bringing down inflation expectations);
- growth rates of monetary aggregates and base, both absolutely and relative to targets;
- relative size, and direction of change, in government budget expenditures and deficit;
- unemployment rate; recent and prospective real GNP growth rates; productivity growth;
- balance of payments developments;
- movement toward, or away from, greater flexibility and openness of the economy (domestic regulatory changes, trade and capital restrictions, etc.).

*Treasury's Talking Points on Debt Is 2/8/83*

International Debt: An Integrated Strategy  
Talking Points

- Important topic at Williamsburg Summit will be international debt problems which are exerting negative influence on the world economic climate.
  - ° Economic recovery is still in its fragile early stages, and both shrinkage of world trade caused by debt problems and concern over soundness of banks could weaken or derail it.
  - ° If the situation were handled badly enough, debt problems could pose a threat to the soundness of the international financial system.
  
- Have devised a strategy for keeping situation under control.
  - ° Has worked very well so far, but much remains to be done in coming months and years to reach lasting solution.
  - ° Strategy has five elements, embracing actions by governments in both borrowing and lending countries, by commercial banks, and by international organizations -- principally IMF.
  
- First, and in the long run most important, must be effective adjustment in borrowing countries.
  - ° They must take steps to get their economies back on a stable course, and to make sure imports do not grow faster than their ability to pay for them.
  - ° Each borrower in different situation, and each faces own unique constraints. But in general, orderly and effective adjustment will come over a period of time, through measures to expand productive investment and exports, and to improve flexibility of their economies.
  - ° Need for such corrective policies is recognized, and being acted on, by major borrowers -- with support and assistance of IMF.

-- Second element is continued availability of official balance of payments financing from IMF, which not only provides temporary balance of payments financing, but also ensures that use of its funds is tied to implementation of needed policy measures by borrowers.

- ° IMF lending provides extra margin of time and money which borrowers can use to bring their external positions back into reasonable balance in an orderly manner, without being forced into abrupt and more restrictive measures to limit imports.
- ° Conditionality attached to IMF lending designed to assure that orderly adjustment takes place and that borrower is restored to position enabling it to repay IMF over medium term.
- ° Resources now effectively available to IMF have fallen to such low levels that unless action is taken to increase them, its ability to commit funds to future adjustment programs will be exhausted by late 1983 or early 1984.
- ° Accordingly, IMF membership has agreed on two complementary measures to increase its resources:
  - Quota increase of 47 percent, an increase from SDR 61 billion to SDR 90 billion.
  - Contingency borrowing arrangement available to IMF on stand-by basis for use in situations threatening stability of system. IMF's General Arrangements to Borrow would be modified and increased by about SDR 10.5 billion to a new total of SDR 17 billion.

- Third, because problems of troubled borrowers can sometimes crystallize too quickly for negotiations with the creditors and IMF to be of immediate help, governments and central banks in lending countries must be willing to act quickly to respond to debt emergencies.
  - ° Recent experience has demonstrated need to consider providing immediate and substantial short-term financing -- on a selective basis, where system-wide dangers are present -- to tide countries through their negotiations with IMF and other creditors.
  
- Fourth, commercial banks have been largest single source of international financing in the past for both industrial and developing countries.
  - ° Orderly resolution of the present situation requires not only a willingness by banks to "roll over" or restructure existing debts, but also to increase their net lending to developing countries, including the most troubled borrowers, to support effective, non-disruptive adjustment.
  
- Fifth, economic recovery in the industrialized countries. This brings us full circle -- for just as the debt problem is a threat to world trade and economic recovery, a sustainable economic recovery and preservation of the free trading system are keys to resolving the debt problem.
  
- Believe would be useful to include endorsement of this strategy in possible "economic policy protocol".

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MEMORANDUM

NATIONAL SECURITY COUNCIL

March 18, 1983

MEMORANDUM FOR DENNIS BLAIR

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Summit Paper

-- On page [2] interest rates are still high due not to ". . . investors' continued fear of inflation." The nominal interest rate is way down; the real interest rate remains high because of an acute shortage of real investible capital --in other words, supply and demand.

-- Reform of the international monetary system will come up at Williamsburg: I suggest the following --

International Monetary System

-- The post-Smithsonian international monetary system has come under increasing attack as being inadequate to deal with present conditions, or even exacerbating those conditions due to extreme exchange rate instability.

-- Suggestions range from doing nothing, which has been our position up to now, to return to fixed rates and a commodity base.

-- We should demonstrate an understanding of the concern and a willingness to examine alternatives. If the other participants think it would be useful, we could offer to host a conference on reform of the international monetary system.

cc: Roger Robinson