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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: BAILEY, NORMAN: Files

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File Folder: Williamsburg Summit [1983] (9 of 10)

Date: 10/16/00

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	George Shultz, Donald Regan to Reagan, re: Williamsburg Summit: Scope Paper, 7 p.	5/20/83	P1/F1
2. Cable	#201245Z May 83, 2 p.	5/20/83	P1/F1
3. Memo	Bailey to William Clark, re: Summit Response to President Mitterrand's Initiative, 2 p.	5/13/83	P1/F1
4. Memo	Clark to Shultz, Regan, re: Summit Response to President Mitterrand's Call for a New Bretton Woods Conference, 1 p.	n.d.	P1/F1
5. Cable	#240400Z May 83, 2 p.	5/24/83	P1/F1

RESTRICTION CODES

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

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

RECEIVED 06 MAY 83 19

TO HILL, C

FROM POINDEXTER

DOCDATE 06 MAY 83

KEYWORDS: WILLIAMSBURG SUMMIT
JAPAN

EUROPE WEST

11) Summit

SUBJECT: PRES LTR TO SUMMIT HEADS OF STATE / GOVT

ACTION: POINDEXTER SGD MEMO DUE: STATUS C FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

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THE WHITE HOUSE
WASHINGTON

May 6, 1983

MEMORANDUM FOR CHARLES HILL
Executive Secretary
The Department of State

SUBJECT: Presidential Letter to Summits Heads
of State/Government

Attached is a Presidential letter to be transmitted on a priority basis via appropriate channels to Heads of State/Government of the Summit countries.

In view of the fact that the Sherpa meeting takes place on May 11, it is important that this letter and the attached thematic paper be delivered to the respective Heads of State/Government as soon as possible.

Thank you.

Carolyn E. Cleveland
John M. Poindexter *for*
Military Assistant to the Assistant
to the President for National
Security Affairs

Attachments:
Presidential Letter
Thematic Paper

(Elliott)
May 5, 1983
4:00 p.m.

DRAFT PRESIDENTIAL LETTER ON SUMMIT THEMATIC PAPER AND JOINT
STATEMENT

Dear _____:

It is now less than a month before we assemble in Williamsburg. I am satisfied that this Summit will have more flexibility and opportunity for a thorough exchange of views. My earlier letters to you confirmed our common determination to preserve an informal environment, avoid a pre-negotiated communique, and ensure a preparatory process reflecting our personal views at each stage.

The preparations to date reflect the careful contributions of each of you. We have laid a solid foundation of issues and points of view from which to begin our discussions at Williamsburg. Our common objective is to have a well prepared Summit which can produce meaningful results, yet does not begin with a pre-negotiated communique that leaves only a few bracketed phrases for us to resolve. Since this is the first time that we have sought to avoid a pre-negotiated communique, I wanted to lay out for you, in some detail, how I envision the remaining preparations before the Summit and our discussions at the Summit itself.

After the last preparatory meeting, my personal representative circulated a final, integrated summary, outlining the results of the preparatory discussions thus far. Through your personal representative, we requested you to respond with suggested themes for Williamsburg. My personal representative then drafted an initial thematic paper, and he or members of his team met individually with each of your personal representatives to discuss it. The paper has now been revised and I am sending it to you to review before the final preparatory session in mid-May.

May I stress that this paper is merely a point of departure, not a formal agenda for our deliberations at Williamsburg. The most important themes we have agreed on are the interrelationships among our economies, and the policies we should pursue for a lasting, non-inflationary recovery. The paper also notes areas of both progress and continuing problems, while suggesting a common approach to ensure the new era of growth we want to achieve in the industrial and developing world.

At the mid-May meeting, I would hope you could transmit your further views on the content of the thematic paper. Then, after carefully noting points of agreement and disagreement, our respective representatives can brief us and each leader can gain a better understanding of the general themes and specific results we can anticipate at the summit. Through your cooperation and participation, we can use the thematic paper as a vehicle to prepare for a more productive summit.

But let me stress that the thematic paper should not constrain our discussions at Williamsburg in any way. I feel strongly that the outcome of the summit should be determined by our meetings at Williamsburg, not by a preparatory document. Certainly, we need careful preparatory work and the thematic paper should identify the serious issues we will discuss. However, I do not want us to be faced with a situation where our first conversation centers on the communique, even before we have begun our substantive discussions.

Our thematic paper should serve as background for addressing the serious issues. On the first day of discussions, at our heads-only morning session, we can discuss our overall approach

to world economic recovery, including an assessment of current economic conditions, and national and international actions to ensure sustained, non-inflationary growth. In the afternoon, we will be joined by our Ministers, to explore specific issues in more detail, such as domestic policies and international trade and finance, and a review of East-West economic relations.

On the basis of these discussions, we will instruct our personal representatives to develop the first draft of the final joint statement.

As we all agree, a successful Summit requires both careful preparation and the necessary flexibility for each of us, as democratically-elected heads of state, or government, to discuss fully our respective points of view, and to decide personally on the collective expression of our message to the world from Williamsburg. I think we have found the right balance between careful preparation, as reflected in the thematic paper, and flexibility as reflected in the process for drafting the joint statement at Williamsburg itself.

I am grateful to each of you for your strong support in taking a new approach to this Summit. I am firmly convinced that our efforts will produce a more meaningful and relevant discussion and a more timely and direct message to the world from those of us who have the leadership responsibilities in our great democracies.

Sincerely,

Ronald Reagan

I. Summary Introduction

This is a time of real improvement in economic circumstances. Recovery is underway in some countries, and this fact increases confidence that it will soon spread to other countries, both industrial and developing. The challenge is to insure that this recovery endures and reverses a decade of cumulative inflation and unemployment. To achieve this goal for ourselves and future generations requires steady, purposeful action over both the short and long term across a range of policies that exploit and reinforce interrelationships among our economies, between our economies and the international trade and financial system and between economic strength and Western security:

- Promoting conditions for growth while opening markets to spread and reinforce growth.
- Maintaining the fight against inflation with the objective of achieving more stable exchange rates while intensifying consultations on economic policies and market conditions.
- Supporting the international financial system while taking specific steps to reverse protectionism and anticipate new efforts to further liberalize trade.
- Strengthening world economic cooperation and institutions while promoting structural adjustment in both industrial and developing countries.
- Recognizing that prosperity is more than material gain, but also reflects our basic shared values of political freedom, economic opportunity and human dignity, and contributes to the defense of these values which also guide our economic and other relations with Eastern countries.

II. Assessment: Realistic Optimism

Improvements in some countries are undeniable:

- Major successes have been achieved in reducing inflation.
- Nominal interest rates have been significantly reduced.
- Oil prices have declined.
- Productivity increases have been registered.

- Some successes in controlling budget expenditures have been achieved.
- Consensus exists to reduce inflation and create the basis for sustainable growth promoting policy convergence and greater stability of exchange rates.
- Recovery in some countries spreading to others will help ensure the revival of world trade and easing of the debt burden of many developing countries.

However, serious problems remain, endangering the prospects of an enduring recovery.

- Unemployment, especially among young people, remains intolerably high and continues to increase in some countries.
- Differences in inflation among countries remain too great.
- Inflationary expectations, fed by unacceptably high future budget deficits and the possibility of excessive and volatile money growth, have kept interest rates too high, threatening to choke off recovery and producing distortions in exchange rates.
- Protectionist pressures threaten our open trade and financial system and prospects for recovery in both industrial and developing countries.
- Unprecedented debt burdens exacerbated by high interest rates continue to constrain trade and threaten financial and related political instability in some countries.

III. Common Approach to a Sustained Recovery

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

Actions Now:

- Enhance the intensive consultation process initiated at Versailles to promote convergence of economic conditions in key currency countries and thereby contribute to greater exchange rate stability.

- Develop cooperative consultations on policies and exchange market conditions and, while retaining the freedom to operate independently, be willing to intervene in exchange markets in a coordinated manner in instances where we agree such intervention would be helpful.
- Encourage governments to reduce projected future budget deficits, thereby lowering inflationary expectations and high long-term interest rates.
- Pursue appropriate non-inflationary growth of monetary aggregates to achieve and maintain low inflation and interest rates.
- Reverse protectionism and progressively dismantle trade barriers and market-distorting domestic measures.
- Give new impetus to resolve current trade disputes, with special attention to problems in agricultural trade, conflicts of jurisdiction and the need to achieve a safeguard agreement by October 1983 as mandated by the GATT Ministerial.
- Agree to press forward with the GATT work program on trade in services and to initiate a study on liberalization of trade in high technology products.
- Begin work now to anticipate further trade liberalization in the GATT, focusing particularly on trade with the developing countries and the crucial link between the ability of these countries to export and their ability to service debt without impeding growth.
- Secure early ratification of the increases in IMF and GAB resources.
- Reaffirm commitments to provide agreed funding levels for IDA and the other multilateral development banks.
- Continue with agreed strategy for managing current debt problems, including effective adjustment, adequate private and official financing, and sustained, non-inflationary recovery in industrial countries.
- Welcome openness to dialogue expressed by developing countries and engage constructively in UNCTAD VI, emphasizing our program for a durable recovery and practical proposals to manage debt problems,

facilitate adjustment, promote trade, revive commodity markets, encourage more private and public investment in developing countries and strengthen the dialogue with developing countries in appropriate forums.

- Agree to consult among each other and with other countries to address interrelationships among trade and finance in the world economy and to encourage better coordination among international economic institutions.
- Implement agreed conclusions for early action reflected in the results of work programs on East-West economic relations. (Identify significant results of pre-Summit meetings.)

IV. Longer-Term Policy Goals and Decisions

- Sustain fight against inflation and structural budget deficits to encourage a higher level of investment and new job creation.
- Pursue the consultative arrangement agreed at Versailles to promote economic convergence toward low inflation and sustained growth and thereby achieve greater exchange rate stability in the context of an open trading, investment and financial system.
- Promote structural adjustment, in particular by strengthening technological development and the program for cooperation initiated at Versailles, taking into account important social and environmental goals, and by revitalizing retraining and public education efforts to win public acceptance of socially productive change and mobility.
- Based on work initiated now, state intention to call for a GATT Ministerial in about two years time to consider launching a new round of trade negotiations, with special emphasis on trade between developed and developing countries, and trade in services and high technology products.
- Examine ways to improve the effectiveness of the development process and structural adjustment by assuring non-inflationary flows of public and private finance and investment to the developing countries, with special attention to an adequate flow of resources to the poorest countries through IDA, the IBRD and similar institutions.

- Continue efforts to conserve energy and develop economical alternative energy resources so as to ensure Western energy security and enhance energy production in developing countries.
- Find practical ways to promote increased food production in developing countries.
- Continue work in appropriate existing fora to develop agreed analysis of our economic relations with the East, with attention to our shared security concerns, and on this basis pursue independent policy actions consistent with agreed principles and common analysis reflecting the fact that these relations should be compatible with the basic values and security concerns of Western countries.

WASHFAX RECEIPT

83 MAY 6

5:03 THE WHITE HOUSE

C

DEPT OF STATE

13 MAY 6

PM 313

MESSAGE NO. 919 CLASSIFICATION UNCLAS PAGES 9
FROM J. POINDEYTER
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION PRES. LTR ON SUMMIT

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
<u>BAAYO</u>	<u>CHARLES HILL</u>		

REMARKS:

NSC/S PROFILE

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ID 8303490

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURE(S)
FROM HILL, C

dlr 10/16/00

RECEIVED 20 MAY 83 16

TO CLARK

DOCDATE 20 MAY 83

SHULTZ, G

20 MAY 83

REGAN, D

20 MAY 83

KEYWORDS: WILLIAMSBURG SUMMIT

ECONOMICS

Barley

W. Summit

SUBJECT: BRIEFING BOOKS RE WILLIAMSBURG SUMMIT 28 - 30 MAY

ACTION: FOR RECORD PURPOSES DUE: STATUS S FILES PA

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		TYSON
		RENTSCHLER
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		NAU

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<i>N/A</i>	<i>2 s/pe</i>	<i>Rec'd sfs 8315659</i>		
<i>N/A</i>	<i>5 s/pe</i>	<i>Prepare memo to Clark</i>		<i>MC, AB, CI, PA, DS</i>

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3490
United States Department of State

Washington, D.C. 20520

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURE(S)

May 20, 1983

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SECRET ATTACHMENT

MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: Summit Scope Paper for the President

Attached is the Scope Paper for inclusion in the Williamsburg Summit briefing material that was sent on May 20.

CH Hill
Charles Hill
Executive Secretary

Attachment:
As stated.

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

THEMES PAPER

I. SUMMARY INTRODUCTION

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

-- The link between sustainable domestic growth and the open trading system.

-- The link between convergence of domestic policies towards non-inflationary sustainable growth and greater exchange rate stability.

-- The link between open markets and the availability of financing.

-- The link between international economic cooperation and world progress.

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

-- Promoting conditions for growth, employment and job creation, structural adjustment, and acceptance of technological development.

-- Maintaining the fight against inflation with the objective of achieving lower interest rates and more stable exchange rates while intensifying consultations on economic policies and market conditions.

-- Supporting the international financial system and strengthening world economic cooperation and institutions.

-- Reversing protectionism and beginning to work to achieve further trade liberalization.

-- Recognizing that prosperity is more than material gain, but also reflects our basic shared values of political freedom, economic opportunity, cultural creativity, and human dignity, and contributes to the defense of these values which also guide our economic and other relations with Eastern countries.

II. ASSESSMENT: REALISTIC OPTIMISM

Improvements are undeniable:

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

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

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

III. COMMON APPROACH TO A SUSTAINED RECOVERY

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

Actions Now:

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

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

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

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

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

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

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

IV. LONGER-TERM POLICY GOALS AND DECISIONS

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

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

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

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

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

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

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

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

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

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

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

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

DRAFT STATEMENT

Strengthening Monetary Cooperation for Stability and Growth

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

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

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

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

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

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

Policies and targets that will be kept under review include:

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

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

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

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

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

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

-- Continued efforts in each country, and

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

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

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Bailey

National Security Council
The White House

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Package # 3266

W Summit

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MAY 23 1983

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Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>OBE. This was</u>		
Staff Secretary	<u>managed during</u>		
Sit Room	<u>Summit preparations.</u>		

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURE(S) *dlb 10/16/00*

May 23, 1983

~~UNCLASSIFIED with
CONFIDENTIAL ATTACHMENT~~ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*

SUBJECT: Response to Mitterrand Monetary Initiative

The attached memo (Tab I) was prepared on May 13 but for some reason was not forwarded to you while I was away in Brussels.

In the meantime, press reports have indicated (Tab II) that the Administration has adopted the approach recommended, but this is apparently not the case. At this point, I recommend you sign the memo to Shultz and Regan (Tab A), since the approach is still valid and may avoid a clash at Williamsburg.

RECOMMENDATION:

That you sign the memorandum to Shultz/Regan at Tab A.

Approve _____ Disapprove _____

Attachments

Tab I	My Memo of May 13
	Tab A Memo to Shultz/Regan
Tab II	<u>Washington Post Article</u>

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 3-4 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

U.S. May Back 'Bretton Woods' Study

By Hobart Rowen
Washington Post Staff Writer

President Reagan is prepared to endorse a study of a new "Bretton Woods" conference on global monetary and trade problems if the issue is raised, as expected, by French President François Mitterrand next week at the economic summit in Williamsburg.

A high administration official said that unless there is an objection from the other heads of state, Reagan is prepared to suggest that the finance ministers of the seven summit countries study the possibility of such a conference, which would look toward changing the international monetary system.

Bretton Woods is the small New Hampshire village that was the site of the 1944 conference that established fixed-exchange rate rules for the postwar international monetary system that lasted until 1971.

It also created the International Monetary Fund and the World Bank.

Until now, the United States, West Germany and Britain have sloughed off demands for a new conference as impractical. But many smaller countries see a conference as an opportunity to create new rules for trade and finance that will help the Third World.

New York banker Felix Rohatyn, who suggested a global conference

more than a year ago, said in a telephone interview that "if they agree on a study of a 'Bretton Woods,' that single thing would make Williamsburg worthwhile. It would at least raise the question of whether we are following the best possible system."

A new global conference would closely mesh with recent efforts promoted by Treasury Secretary Donald T. Regan to emphasize the interrelationships among trade, finance, and debt problems.

Regan, who along with Trade Ambassador William E. Brock recently organized a first-ever joint meeting of trade and finance ministers, began talking earlier this year about some new global approach, without calling it "Bretton Woods."

A major reason advanced for a new "Bretton Woods" is the growing burden of Third World debt. Poor countries now owe commercial banks and official agencies a debt variously estimated at between \$500 billion and \$700 billion, with little prospect of paying it back unless terms are eased.

According to an idea now being floated by the Reagan administration, there would be just the study—no commitment at Williamsburg actually to convene a "Bretton Woods" conference, or to an agenda of items to be discussed, except in the broadest possible terms. Yet, such a study could well be a first real step, in a

process leading up to a global conference on all the inter-related economic global issues.

Some experienced summit-watchers were skeptical yesterday that a "study" would be useful.

But others argued that a study would be useful, if Mitterrand accepts it, as a way of defusing French-American tensions. Moreover, it was suggested, once it gets rolling, a study might actually produce a positive result. "I think Mitterrand will buy it. It's the best he can get," Rohatyn said.

The prospective Williamsburg debate over a "Bretton Woods" conference looms as the one remaining potential confrontation at a summit for which advance preparation has swept most other contentious matters, such as East-West trade, under the rug.

Mitterrand on May 9 delivered to foreign and finance ministers assembled in Paris a surprise demand for "a new Bretton Woods conference," without which he said there is "no salvation" for the international economic system.

He implied that if he didn't get his way, he might take France out of the summit process after Williamsburg. Since then, Mitterrand has fired additional salvos at the United States, citing high interest rates here and an overvalued dollar as principal causes of France's current economic troubles.

The 1944 Bretton Woods conference linked the world's major paper currencies together by tying them to gold, priced at \$35 an ounce. This system of "fixed" exchange rates began to break down in the late 1960s because of inflation.

It was abandoned in 1971, when President Nixon broke the link between the dollar and gold. By 1973, the major nations had agreed on a much looser arrangement under which exchange rates fluctuate according to supply and demand in exchange markets.

Under the floating system, the French franc, reflecting the weak French economy, has lost nearly half of its value against the dollar in international markets.

The Reagan administration, which defends the floating rate system, is not interested in going back to fixed rates. But there has been increasing pressure from others for some new and high-level discussion of international monetary problems.

"We all want more stable currencies," said a Japanese official yesterday, "but nobody knows how to get there."

There have been particularly wide gyrations in the yen-dollar relationship, causing difficulties for businessmen in both countries. As a result, Japanese Prime Minister Yasuhiro Nakasone reportedly is now also an advocate of some new global economic conference.

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