**WHITE HOUSE**
**CORRESPONDENCE TRACKING WORKSHEET**

- O - OUTGOING
- I - INTERNAL
- E - INCOMING

**Name of Correspondent:** Thomas J. Ridge

**User Codes:**
- (A) 
- (B) 
- (C) 

**Subject:** Offer of services at the upcoming summit of the Nonindustrialized Nations in Williamsburg, VA in May 1983.

**ROUTE TO:**

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**ACTION CODES:**
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- A - Answered
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- C - Completed
- S - Suspended

**FOR OUTGOING CORRESPONDENCE:**
- Type of Response = Initials of Signer
- Code = “A”
- Completion Date = Date of Outgoing

**Comments:**

NSC # 83-02274

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Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.
# WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- **Date Correspondence Received (YY/MM/DD):** 81/03/84
- **Name of Correspondent:** Thomas J. Ridge

## Subject:
Offices of service in the upcoming summit of the industrialized nations in Williamsburg, VA in May 1983.

### ROUTE TO:
**Office/Agency**: NSC, Staff Name - Secretariat
**Destinations**: 99 DOS

### ACTION

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**Referral Note:**
- 81/04/27
- 81/04/27

**ORIGINATOR**

**Referral Note:**
- 81/04/27
- 81/04/27

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**Comments:**
NSC 8302274

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Refer questions about the correspondence tracking system to Central Reference, ext. 2590.
For: Mr. William P. Clark
National Security Council
The White House

Reference:

To: President Reagan
From: Thomas J. Ridge
Date: March 22
Subject: Williamsburg Summit

WH Referral Dated: April 27
NSC ID #: 8302274

The attached item was sent directly to the Department of State.

Action Taken:

- A draft reply is attached.
- A draft reply will be forwarded.
- A translation is attached.
- An information copy of a direct reply is attached.
- We believe no response is necessary for the reason cited below.
- The Department of State has no objection to the proposed travel.
- Other.

Remarks:

Charles Hill
Executive Secretary
Dear Mr. Ridge:

Mr. Duberstein at the White House has informed me of your interest in making the Williamsburg Summit a success. This includes your thoughtful offer to serve as an advisor at the conference.

We are hoping to create an informal and open atmosphere at Williamsburg which will lead to a frank and, hopefully, constructive exchange of views. For this reason, participation at the Summit will be limited to Heads of State, Treasury and Foreign Affairs secretaries or their equivalents.

While this format precludes the inclusion of Congressional advisors during the Summit, we are looking for opportunities to consult with interested members prior to Williamsburg and will, of course, welcome the chance to discuss developments after the Summit.

In this regard, Under Secretary for Economic Affairs Allen Wallis will be briefing Congressman Hamilton's Subcommittee of Foreign Affairs in a closed session on Tuesday, May 24 at 8:00am. I understand that your attendance would be most welcome, if this is convenient to you. My staff will be contacting your office to see how we can best ensure that you will be kept informed of developments regarding the Summit.

Sincerely,

[Signature]

Powell A. Moore
Assistant Secretary for Congressional Relations

The Honorable
Thomas J. Ridge,
House of Representatives.
MEMORANDUM FOR: STATE SECRETARIAT
DEPARTMENT OF STATE

DOCUMENT DESCRIPTION:

TO: PRESIDENT
SOURCE: RIDGE, THOMAS J
DATE: 22 MAR 83

KEYWORDS: CO
WILLIAMSBURG SUMMIT

SUBJ: RIDGE STRESSES SIGNIFICANCE OF WILLIAMSBURG SUMMIT & OFFERS HIS

REQUIRED ACTION: DIRECT REPLY FURNISH INFO COPY

DUE DATE: 04 MAY 83

COMMENTS: PLEASE CLEAR RESPONSE W/ HENRY NAU (395-6961) & JIM
RENTSCHLER (395-3330)

FOR MICHAEL WHEELER
STAFF SECRETARY
March 30, 1983

Dear Tom:

On behalf of the President, I want to thank you for your recent letter regarding the upcoming Economic Summit in Williamsburg.

The President very much appreciates having your comments on the importance of this conference and your interest in participating in any way possible. We are now sharing your letter with the Administration advisers involved in the Summit, and I assure you that your thoughtful offer will receive close attention and consideration.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Thomas J. Ridge
House of Representatives
Washington, D.C. 20515

cc: w/copy of inc, NSC Secretariat -- for DIRECT response (with copy to Ken Duberstein)

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL INCOMING
The President
The White House
Washington, D.C. 20500

Dear Mr. President,

The eyes and ears of 230 million Americans will be on Williamsburg during May as the United States hosts representatives from all over the world at a Summit of the Industrialized Nations.

As you know, meetings of this type are becoming all the more important as our own economy grows ever more inextricably linked with those of our neighbors around the globe.

I am hopeful that among the results of the upcoming Summit will be further understanding of the serious economic problems facing the industrialized nations, and a renewed commitment by the participating nations to take whatever steps prove necessary to resolve those problems.

I stand ready, therefore, and would be truly honored, to serve in any capacity that would be helpful to you as you strive to make this meeting a success. Thus, if your plans include the appointment of congressional "observers" or "advisors" I hope you will keep in mind my very real interest in participating in this historic conference.

With warm personal regards, I am

Sincerely,

[Signature]

Thomas J. Ridge
Member of Congress
TO: PRESIDENT

FROM: RIDGE, THOMAS J
DUBERSTEIN, K
HILL, C

DOCDATE: 22 MAR 83
30 MAR 83
10 MAY 83

RECEIVED: 05 APR 83

SUBJECT: RIDGE STRESSES SIGNIFICANCE OF WILLIAMSBURG SUMMIT & OFFERS HIS ASSISTANCE

KEYWORDS: CO
WILLIAMSBURG SUMMIT

ACTION: *RECOMS TO NSC/S DUE: 09 APR 83 STATUS CC: FILES WH

FOR ACTION
SOMMER

FOR CONCURRENCE
NAU
MCMINN
BAILEY
TYSON
SIMS

FOR INFO

COMMENTS: *WE RECOMMEND SENDING THIS TO STATE FOR DIRECT RESPONSE,

YES ; NO ; OTHER ;

REF#: 133882
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ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

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TO PRESIDENT
FROM RIDGE, THOMAS J
DUBERSTEIN, K

KEYWORDS: CO
WILLIAMSBURG SUMMIT

SUBJECT: RIDGE STRESSES SIGNIFICANCE OF WILLIAMSBURG SUMMIT & OFFERS HIS ASSISTANCE

ACTION: *RECOMS TO NSC/S
DUE: 09 APR 83 STATUS S FILES
FOR ACTION SOMMER
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FOR INFO NAU
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BAILEY
TYSON
SIMS

COMMENTS *WE RECOMMEND SENDING THIS TO STATE FOR DIRECT RESPONSE,

YES ; NO ; OTHER ;

REF# 133832

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W/ATTCH FILE 404 (C)
## WHITE HOUSE
### CORRESPONDENCE TRACKING WORKSHEET

- **Date Correspondence Received (YY/MM/DD):** 830318
- **Name of Correspondent:** Michael McManus
- **Subject:** Food Fair Proposal for Williamsburg Summit

### ROUTE TO:

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MEMORANDUM FOR MICHAEL A. MCMANUS  
DEPUTY ASSISTANT TO THE PRESIDENT  

FROM: FRED F. FIELDING Orig. signed by FFF  
COUNSEL TO THE PRESIDENT  

SUBJECT: Food Fair Proposal for Williamsburg Summit  

Counsel's Office and the Office of Legal Counsel at the Department of Justice have considered the proposal that food and beverage trade associations establish and operate booths to provide free food and drink to reporters covering the upcoming Economic Summit. While we see no legal impediments to the proposal, it should move forward under the auspices of the State Department and/or the United States Information Agency, not the White House. This will avoid involving the White House in any potential appearance of conflict of interest situations. In particular, any future meetings on the proposal should take place in State Department or USIA offices, and any necessary contact with trade association representatives to implement the proposal should be through State Department or USIA officials. In light of your White House position, you should not continue as the contact with the trade association representatives.

Please do not hesitate to contact us if you have any questions.

FFF:JGR:aw 3/22/83  
cc: FFFielding  
JGRoberts  
Subj.  
Chron
MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS

SUBJECT: Food Fair Proposal for Williamsburg Summit

At a meeting held March 9 in the Roosevelt Room, Michael Deaver described to assembled food and drink trade association representatives (see attached list) a proposal whereby the associations would establish and operate food and drink booths to provide free sustenance to reporters covering the Economic Summit. The Office of Legal Counsel was looking into the proposal at our request, and has now advised that it sees no legal impediments. OLC suggests, however, that the proposal move forward under the auspices of the State Department and/or USIA, to minimize any possible conflicts problems, and because those agencies have gift acceptance authority. In particular, OLC recommends that meetings take place at State or USIA offices, and that direct contact with trade association representatives in implementing the proposal be through State or USIA officials.

Michael McManus is coordinating preparations for the Summit, and was described at the March 9 meeting as the individual to whom trade association representatives should convey their interests in pursuing the proposal. I have prepared a memorandum from you to McManus, advising that if the project moves forward it should be under the auspices of the State Department and/or USIA -- not the White House. I have read the proposed memorandum to Robert Shanks, Deputy Assistant Attorney General at OLC, and he concurs.

Attachment

Let's discuss - I still am troubled by this. Pls forward a copy to OLC opinion as well.

Thanks.

3/18

3/22 New memo to McManus attached.
The summit representatives meet annually to discuss current economic concerns. The last time the United States hosted an economic summit was in 1976 in Puerto Rico. The previous year the first summit meeting was held in Rambouillet, France.

Following is a listing of locations where the summit conferences have been held.

1975 Rambouillet, France  
1976 Puerto Rico  
1977 London, England  
1978 Bonn, Germany  
1979 Tokyo, Japan  
1980 Venice, Italy  
1981 Ottawa, Canada  
1982 Versailles, France  

The following was taken from President Reagan's statement of June 6, 1982 on the conclusion of the Versailles Economic Summit Conference.

"Since World War II our peoples of Europe, Canada, Japan, and the United States have worked together to lay the foundation for global prosperity. Together we built the international institutions which have seen us through the greatest economic expansion in the history of the world. This weekend at Versailles, that spirit was very much alive..."

"A year ago in Ottawa, we ended the first series of economic summits that began in France. With this summit at Versailles, we have begun a new cycle. We thus reaffirm our strong commitment to economic and political cooperation. In the spirit of partnership with our fellow democracies, I want to say that I very much look forward to welcoming these nations to the United States next year."
The White House announced on October 1, 1982 that President Reagan has invited the Heads of State and Government of

Canada  
France  
The Federal Republic of Germany  
Great Britain  
Italy  
Japan  

and the President of the European Commission to attend the 1983 Summit of Industrialized Nations to be held May 28 through May 31, 1983 in Williamsburg, Virginia.

It was announced on October 23, 1982 that the President designated Allen Wallis, Under Secretary of State for Economic Affairs, as his Personal Representative for the 1983 Summit of Industrialized Countries. He also named Michael A. McManus, Deputy Assistant to the President, to be the Coordinator for Administration of the Summit.
PARTICIPANTS AT 3/9/83 MEETING IN ROOSEVELT ROOM, 11 AM, WITH FOOD INDUSTRY ASSOCIATIONS:

Henry King, President
US BREWERS
466-2400

Don Prescott
Assistant to the President
NATIONAL SOFT DRINK ASSOCIATION
463-6732

Linda Ventsam
Office of Government Affairs
NATIONAL PORK PRODUCERS ASSOCIATION
484-3772

Richard Murphy
Vice President, Public Affairs
NATIONAL FOOD PROCESSORS
331-5939

Robert Wager, President
AMERICAN BAKERS
296-5800

David Goldenberg
Director of Industry Relations
NATIONAL TURKEY FEDERATION
860-0120

Robert Pyle, President
INDEPENDENT BAKERS ASSOCIATION
223-2325

Lee Campbell, President
POULTRY AND EGG INSTITUTE OF AMERICA
522-1363

Mr. George Watts, President
NATIONAL BROILER COUNCIL
296-2622

Kathy McCharen
Director of Nutrition
UNITED EGG PRODUCERS
554-0110

Jerry Wilkerson
Director of Government Relations
INTERNATIONAL FRANCHISE ASSOCIATION
659-0790

Lawrence Burch
Executive Vice President
POTATO CHIP/SNACK FOOD ASSOCIATION
920-4805
Richard Connor
Government Relations Representative
DISTILLED SPIRITS COUNCIL
628-3544

Art Silverman
WINE INSTITUTE
347-3101

Patrick B. Healy
Chief Executive Officer
NATIONAL MILK PRODUCERS FEDERATION
243-6111

Marilee Menard
AMERICAN MEAT INSTITUTE
841-2400

James T. Rogers
Director of State Relations
NATIONAL RESTAURANT ASSOCIATION
638-6100

James Hyde
GROCERY MANUFACTURERS OF AMERICA
337-9400
THE WHITE HOUSE
WASHINGTON
February 21, 1983

MEMORANDUM FOR WILLIAM P. CLARK
MICHAEL K. DEAVER

FROM: MICHAEL A. McMANUS, JR.

SUBJECT: Weekly Report on Summit Preparation #2

The following information is submitted to keep you up-to-date on the Task Force’s activities. I have also attached the minutes from our Division Heads meeting last week.

A. Financing – As a result of our meetings last week with OMB and USIA we now have a commitment of $1 million for the press operation from USIA. We will have $200,000 of this available immediately to bring on personnel in the press area. This leaves a shortfall of between $1 - 2 million which OMB will work out between some additional funds from State and if necessary, up to $1 million from Commerce out of I.T.A. funds.

B. Construction – The construction experts will be back in Williamsburg for one last visit on Tuesday before giving us their ideas for converting William & Mary Hall for press briefing purposes. Once we have this proposal and cost estimate we will be meeting with representatives of the College to discuss a plan for reimbursement of the costs of these improvements to their building.

C. Schedule – After our meeting on Friday, we consider that all of the sites for various events have had final approval. We have revised the meeting time to allow for more substantive discussion. We are looking at the time requirements and logistical support necessary to produce a joint statement after the final session. We understand we will plan for:
   a) meetings of Heads only with no notetakers,
   b) meetings of Heads with Finance or Foreign Ministers with no notetakers,
   c) meetings of only one representative from each country in Finance Minister meetings.

D. Interpretation – We have received sign off from the interpreters for a system to be used in the Capitol which would not require the interpreters presence in the meeting room. Since this is a new system it will be tested at our last Sherpa meeting and before that by the Summit staff.
E. Private Sector Involvement - We are putting together a list of all private sector supplies to try to get as many contributions of goods and services as possible.

F. Williamsburg Office Space - We have negotiated with the College to use their Student Center from April 15 on as a Summit Task Force Office at a minimum cost. This should result in some savings over the alternative of using hotel rooms for offices.

G. Security/I.D. System - The system was approved last week. We will now be working on a traffic flow chart based on this system. I have also asked Tom Holman to get us some new designs for Summit pins so they would also have some momento value.

cc: Allen Wallis
Mike McManus opened the meeting by providing the following budget information:

**USIA Budget**

- OMB has stated that 1 million to 1.5 million is available from USIA to budget the press operation.
- There may also be funding available from Commerce (1 million or 1.5 million).
- $100,000 has already been assigned which will be used for personnel in the Press Division.
- $240,000 is now available but, it is being held by USIA until they are provided specific purposes for the use of the money.
- USIA is holding monies apparently wanting more specific line items. Line items need to be specified, not generalized.
- Eric Rosenberger will confirm monies with USIA. If confirmation of monies cannot be accomplished verbally and directly, Rosenberger will arrange meeting with McManus, Wick, Wright and himself to resolve.

**Private Sector Initiatives**

- Mike McManus informed those in attendance that the meeting that was to be held today with Mike Deaver and Mike McManus with the TRW representative was cancelled. McManus will pursue this. He stated that their idea is to designate a representative from TRW within the top management to spearhead the technology showcase.
- Mike McManus also stated that he had talked to Fred Mallock of Marriott in regards to the press food fair and that Mallock expressed reservations about contributing efforts to the Summit in Williamsburg but, that Mallock would talk with individuals in the management area.
- Mike McManus has talked with Red Cavaney, Deputy Assistant to the President for Public Liaison, about setting up a meeting with various food corporations. The intent of this meeting will be to receive a commitment from one vendor causing others to follow in line and commit also.
- Mike McManus stated that he would like the Summit staff to begin putting together a "private sector initiative". This initiative would necessitate listing the needs the Summit may have for various corporations (i.e., IBM, Xerox) to become involved in the Summit operation.

(cont.)
PRIVATE SECTOR INITIATIVES (cont.)

- Fred Corle will be responsible for organizing this private sector initiative.
- Jack LaCovey stated that he learned, through a conversation with a Coca-Cola representative, other corporations are not warm towards the idea of contribution to the Summit effort because they have had previous difficulties breaking into the Colonial Williamsburg market.

DEAVER/CLARK BRIEFING

- It was decided that the briefing for Mike Deaver and Bill Clark planned for tomorrow will be limited to scheduling aspects of the Summit.
- This meeting will be Friday, February 18 at 2:00 P.M. and the attendees will be Mike Deaver, Bill Clark, Mike McManus and those designated by Bill Henkel from the Summit Advance staff.
- Dan Morris is to review scheduling questions already submitted by Ken Bastian and prepare additional questions if necessary.
- Press is to provide the press center site alternatives and recommendations in a memo to Mike McManus by Friday morning, February 18.

Mike McManus informed those in attendance that the memo from Mike Deaver regarding the 1983 Summit of Industrialized Nations being a White House function has been sent to Ed Hickey. Mike McManus and Bill Drennan will talk about the specifics.

SECURITY

- Mike McManus would like copies of the security I.D. draft proposal that was done by Tom Holman provided to the Division Heads. Copies, thus far, have only been provided to Advance. Bill Henkel and Dan Morris are to speak to Holman.
- Mike McManus stated that the pins submitted by the USSS are not acceptable. He would like the design changed to be representative of Williamsburg. Dan Morris is to speak with Tom Holman about creating a new design.
- Emily Ford is to speak to Tom Holman regarding security representation at every staff meeting.

Mike McManus then asked for comments/suggestions from those in attendance; they are listed by subject matter:

OPERATIONS

- Norm Beatty would like to discuss with Larry Eastland alternatives for housing.
OPERATIONS (cont.)

- Larry Eastland will provide projections for housing on Monday. Real numbers vs. projected numbers for room accommodations need to be provided by close of business on Monday, February 21, 1983.

- Larry Eastland stated the importance of the Operations staff moving to Williamsburg early so that they can prepare more effectively for the staff move on April 18.

WILLIAMSBURG TRAVEL

- Tuesday, February 22 will be a travel day to Williamsburg.

- This trip will consist of a full site survey, looking at sites and lighting for the press, discussing contracts and press construction, surveying housing/site alternatives and surveying communications. Fred Corle will bring Jebb Turner of Turner Construction on this trip to survey construction for the press.

- Information for this trip should be provided to Emily Ford on Friday, February 18.

PRESS

- Eric Rosenberger announced that Dan Denning is now on board and that Jane Donaldson will be responsible for the paper flow and critical path for the Press Division.

- Ken Bastian stated that there will be an overlap with the accommodations, transportation and communication within the Press Division (Dan Denning's responsibility) and the Operations Division.

QUESTIONNAIRE

- The deadline for returning completed questionnaires has not been met by most Delegations.

- The Delegations will be asked to return the questionnaires incomplete but, to include immediate needs, i.e. rooms. They will then be asked to resubmit the questionnaire.

FOLLOW-UP: Jack LaCovey is to contact all embassies by close of business, Monday, February 21 to receive latest numbers for accommodations for traveling press Delegations. Those numbers are to be given immediately to Larry Eastland.

WILLIAM AND MARY

- Larry Eastland stated that William and Mary is not interested in "profiting" from charges for office space, etc. They are only concerned with covering out of pocket expenses.

(cont.)
WILLIAM AND MARY (cont.)

- Mike McManus presented the idea of providing a representative, possibly from the White House, to speak at the College at some time. He also suggested that we should host a dinner for the college officials.

WILLIAMSBURG OFFICE SPACE

- Larry Eastland provided material indicating the assigned office space in Williamsburg at the Student Center.

- Eric Rosenberger stated his concern regarding the lack of office space for the Press Division in Williamsburg. Larry Eastland offered to provide some office space assigned to the Operations Division to accommodate the needs of the Press Division.

- Larry Eastland informed the group that there is a total of 14,000 square feet available for office space in addition to the eating facilities.

COMMUNICATIONS

- Larry Eastland also provided material covering the Data Management System. Needs for staff should be given to Larry Eastland for consideration in this system. This system will also be used for names for thank you letters.

- Volunteers being utilized for handling general information inquiries and having a dedicated line for this purpose was discussed and under consideration.

ACCOMMODATIONS

- The need for two holding rooms was discussed; one provided for operations and security and one for the press.

- There are 16 suites available for the Delegations. There will be a suite available for the 2 senior officials from each Delegation.

- Parking will be available. Larry Eastland stated that it would be preferable to assign parking by area as opposed to general parking access. Parking will be provided for the press. There is a parking lot available at the Student Center which is being considered for the motorpool site.

- Currency exchange is under review now. Larry Eastland is waiting for a decision from Treasury to determine if they can provide this service. If not, alternatives for these facilities are already under review.

- Norm Beatty and Larry Eastland will put together a medical facilities plan. Norm Beatty will talk with a White House medical unit designee about these facilities.
ACCOMMODATIONS (cont.)

- There will be a follow-up by the Press Division to the press corps regarding room reservations. The press will be on their own to obtain reservations.
- Firm numbers are needed for the Advance Division for accommodations.
- Individuals requiring accommodations for the evening of the State Dinner (i.e., caterers, entertainers) will need to be provided.

CRITICAL PATH

- Dave Bochnowich stated that slippage is occurring in three areas: 1) press personnel 2) USIA budget and 3) accommodations.
- Press briefing room needs to be decided next week and contract needs to be drawn with USIA and William and Mary.
- William and Mary needs should be further discussed regarding graduating, finals, etc.
- Jack LaCovey is negotiating with USIA for press expenses.
- Norm Beatty needs to continue being fed specifics that he needs to work with.
- Pat Malloy stated that if deadlines given cannot be met to please let him, Ken Basian or Fred Corle know.

TELETECH

- Pat Malloy stated that Time Life, Inc. will provide a new system (teletech unit) to the Summit operation at no cost. He stated that this unit can hold as many as 1,400 pages of information and possibly as many as 2,400 pages.
- Pat Malloy and Larry Eastland will need to discuss the coordination and the possibility of this system considering the data management system the Eastland is already providing. Is this teletech system necessary?
- To pursue this system further, Pat Malloy will need numbers of terminals that may be needed from the Divisions.

-END-
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<th>ACTION ITEMS</th>
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<td>1) Memo regarding press center site alternatives and recommendations</td>
<td>a.m., Friday, February 18</td>
<td>Eric Rosenberger to Mike McManus</td>
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<td>2) Room accommodation numbers</td>
<td>Close of business, Monday, February 21</td>
<td>Division Heads to Larry Eastland</td>
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<td>3) Housing projections</td>
<td>Close of business, Monday, February 21</td>
<td>Larry Eastland to Mike McManus</td>
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<td>4) Contact embassies to obtain room accommodation numbers</td>
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# National Security Council
## The White House

**Package #**

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**Distribution**

cc: VP Meese Baker Deaver Other

**Comments**

Send copy to Henry Dunn.
TO CLARK
FROM MCMANUS, M

KEYWORDS: WILLIAMSBURG SUMMIT

SUBJECT: WEEKLY REPORT ON SUMMIT PREPARATION NO 2

ACTION: FOR RECORD PURPOSES
DUE: FOR ACTION
STATUS C FOR CONCURRENCE
FILES WH FOR INFO
NAU

COMMENTS

REF# LOG NSCIFID (N/N)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

DISPATCH W/ATTCH FILE (C)
ACTION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: HENRY NAU

SUBJECT: Summit Meeting -- Saturday, March 12, 1983

We discussed on Wednesday night having you attend a Sherpa meeting in order to discuss in detail the substantive policy issues and potential pitfalls we perceive in the preparation for the Summit. Judge Clark endorsed such a meeting this morning and told Allen Wallis that it should be held tomorrow before we meet with the President on Monday. Attending the meeting will be Wallis, Sprinkel, Nau and Wallis' Deputy, Bob Morris. This is our chance to raise all the possible issues without confusing the non-policy side of the White House.

Since Wallis has scheduled a meeting of the E-W Steering Group tomorrow from 10:30-12:00, we will need to meet after that. I will need to know a time today so that I can notify the participants.

RECOMMENDATION

That you schedule a meeting tomorrow afternoon.

Yes ☑ Time ____ No ____

Have Allen schedule it at his convenience after 12:00. I will go then.

USTR?
TO MCFARLANE  FROM NAU

KEYWORDS: WILLIAMSBURG SUMMIT

SUBJECT: SUMMIT MTG 12 MAR

ACTION: FOR DECISION  DUE: 12 MAR 83 STATUS X  FILES

FOR ACTION  FOR CONCURRENCE  FOR INFO

MCFARLANE

COMMENTS

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MEMORANDUM

TO: NSC - Michael O. Wheeler
    Treasury - David Pickford
    Commerce - Helen Robbins
    CEA - William Niskanen
    USTR - Dennis Whitfield
    DOD - John Stanford
    USDA - Raymond Lett


Attached, for your information, is the revised version of the on-the-record address that the Deputy Secretary intends to deliver in Geneva, Switzerland, on Monday, March 21, 1983, at the Graduate Institute of Advanced International Studies.

Attachment:

As stated.

L. Paul Bremer, Jr.
Executive Secretary

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By

N50#830/834

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Address by Deputy Secretary of State

Kenneth W. Dam

LOOKING TOWARD WILLIAMSBURG:
U.S. INTERNATIONAL ECONOMIC POLICY

March 21, 1983
Geneva, Switzerland
Your country is the first stop in a trip that will take me to Norway, Denmark, West Germany and Hungary. The purpose of my visit to Western Europe is to discuss with our partners in the industrial democracies the challenges we face. Those challenges are military, political and economic:

-- We must respond to the Soviet arms buildup by modernizing our deterrent where necessary and achieving effective arms control where possible.

-- We must sustain our democratic values at home and support them abroad.

-- And we must encourage noninflationary growth and maintain the open trading system upon which it depends.

The last of these, the need for global growth, is my subject today.

We are now emerging from a recession that lasted 17 months. That recession was the longest since the end of World War II. Economic activity in North America and Europe has declined; Japan's industrial production has leveled off; the growth of several developing countries has stalled under the weight of the $700 billion international debt. Unemployment
has soared -- 32 million people are out of work in the 24 advanced countries of the OECD.

We all know that the recession has caused more than just hardship. It has strained democracy in some countries and caused political upheavals in others. Trade disputes have tested the bonds among long-time allies. The recession has challenged the West's capacity to match the Soviet arms buildup, and encouraged dependence on trade with Eastern Europe and the Soviet Union.

We have been guided through this recession by the basic principle of allied cooperation: if any one of us tries to escape its problems by shifting the burden to its partners, all of us will fail. There are now signs of economic revival in several industrial countries. Those signs should be even more obvious by the end of May. At that time the heads of government of the seven largest industrial democracies, together with the President of the EC Commission, will meet in historic Williamsburg, Virginia.

My theme today is that the Williamsburg Summit will represent a departure in tone and content from those of the recent past. Previous summits have been structured and formal. Williamsburg is intended to be flexible and informal. Previous summits have emphasized anti-inflationary
policies. At Williamsburg the emphasis will shift to policies that promote growth -- without reigniting inflation.

In discussing the issues the Summit partners will face, I shall divide my remarks into three sections. First, an analysis of the causes of the world recession; second, a description of its cure -- world economic growth; and third, a survey of the issues we cannot ignore if we are to seize the recovery that is within our grasp.

[I. THE RECESSION]

The present state of the world economy has its roots in the 1960s and 1970s. Rising inflation in the late 1960s changed the competitive position of industries in Europe, Japan and the United States, and undermined the system of fixed exchange rates. The move to floating exchange rates in 1973 was followed within a year by a quadrupling of world oil prices, and a shift in the distribution of the world's wealth.

After 1973, OPEC moved into current account surplus and the oil importing nations moved into corresponding deficit. From 1974 to 1980, the industrial nations faced current account deficits which averaged $20 billion per year. The non-oil developing countries faced annual deficits of $47 billion. These deficits placed huge demands for capital on financial
markets. Commercial banks became the risk-taking intermediaries between OPEC and the borrowing countries. As a result, the level of international debt, now $700 billion, increased more than sevenfold from 1972 to 1982. In the same ten-year period debt to private lenders jumped from 40% to 60% of outstanding LDC debt.

It would be wrong, however, to characterize the legacy of the oil shock years as a debt problem. Rather, what we face today is an income-earning problem. True, LDCs borrowed a lot in the 1970s, but corporations borrow a lot also. The difference is that corporations invest in productive capacity to generate income to repay their debts. Some LDCs, however, tended to invest in consumption rather than production; they borrowed to finance internal income transfers. This questionable strategy was tolerable as long as LDC export earnings grew fast enough to service their debts. That was the case from 1975 to 1979, when LDC exports grew 22% annually, roughly keeping pace with the 25% annual growth of LDC debt.

After the second oil shock in 1979-80, however, the major industrialized nations adopted more restrictive monetary policies. Those policies slowed inflation, boosted real interest rates, and set in motion a retrenchment from the economic excesses of the 1970s. The average price per barrel of OPEC oil jumped from $13 at the end of 1978 to over $35 in
1981. This increase drew $200 billion, or 3%, from the national incomes of OECD countries. The corresponding reduction in real demand in the West reduced LDC export earnings and depressed prices of LDC commodities. Simultaneously, high interest rates and a strong dollar increased LDC debt service costs from 18% of their total exports in 1980 to 24% in 1981.

The problem faced by high-debt developing countries is serious. Rising debt service costs consume a growing proportion of declining export earnings. Many LDCs are now struggling to increase exports and curb imports. To manage their debt problems, they need access to our markets. This comes at a time when we in the West have experienced record levels of unemployment, worsened trade balances and reduced real income. As a result, the international financial, trade and monetary systems are under serious strain.

[II. THE CURE: WORLD ECONOMIC GROWTH]

But trying to solve the debt problem without solving the world economic problem is like putting out the fire in the ashtray when the living room is ablaze. The only lasting solution to the income-earning problem of the LDCs, as well as the serious economic problems of the industrialized countries, is sustained global growth -- without renewed inflation. Our
own recovery will boost LDC export earnings. Once the LDCs reduce their deficits, our export opportunities will expand, encouraging further world trade.

Some major industrialized countries are poised to lead an expansion of the world economy. In the United States, for example, inflation [measured by the Consumer Price Index] has plunged from 12.4% in 1980 to just 3.8% in the 12 months ending this January. The prime rate is now at 10.5% -- about half its recent peak [of 21.5%]. In February, industrial production rose for the third consecutive month to a level 1.8% above its November 1981 low. Finally, the Dow-Jones Industrial Average has topped the 1100 mark for the first time in history. Our Commerce Department economist called these figures "damn good news."

The recent rollback in oil prices is also good news. Just as oil-price increases in the 1970s were deflationary, price declines should prove expansionary. It has been estimated that a $5-per-barrel decline will boost GDP by 1/2% this year in the OECD area, and decrease inflation by about 1%, lowering interest rates as well. Lower oil prices may hurt oil producers such as Mexico, Venezuela and Nigeria. But the benefits from lower interest rates and higher economic growth should be much greater worldwide.
We are now at a new beginning. Inflation and energy prices, the twin constraints on growth since the early 1970s, have moderated. At Ottawa and Versailles the emphasis was on anti-inflationary policies. At Williamsburg the emphasis will shift to growth. We should not resist this shift, but discipline it. The industrial democracies of North America, Europe and Asia must forge an economic strategy for sustained growth that does not imperil the gains made against inflation over the past few years. Such a strategy would have to concentrate on four areas:

First, strengthening the open trading system;
Second, supporting the international financial system;
Third, improving the monetary system;
Fourth, developing a unified Allied approach to East-West economic relations.

Let me now address each of these areas in turn.

[III. STRENGTHENING THE OPEN TRADING SYSTEM]

Last November's Ministerial meeting of the General Agreement on Tariffs and Trade (GATT) failed to accomplish all that we wanted. But it kept the GATT system together and moving in a positive direction. The Ministers pledged "to refrain from taking or maintaining any measures inconsistent
with the GATT." Translating that open trade pledge from words into concrete actions is more difficult and more crucial than ever.

Economic growth faltered in the mid-1970s and has slowed drastically since 1980. During 1980-82, real output in the OECD area rose only 2%. Reflecting the slowdown in growth, total world exports declined 7% from 1980 to 1982 [from almost $2.1 trillion to less than $1.95 trillion].

The key to recovery is doing more business, not less. Yet the recession and high unemployment rates in the West understandably have increased protectionist pressures. In the United States, for example, the 98th Congress will probably press for local content legislation, agricultural subsidies, and protectionist measures directed at hard-hit sectors such as steel and autos. Europe sins, too. Because of existing "voluntary restraint" agreements, in any year only 11 out of 100 British car buyers (and only three in 100 French) can choose a new Japanese car.

These protectionist measures threaten to choke off recovery. Quotas, tariffs and other trade barriers raise costs to us and deny borrowing countries the hard currency earnings needed to service their debts and buy our exports. Conversely, open trade speeds resources to their most productive uses and
creates more jobs than it destroys. Consequently, President Reagan has pledged that the United States will not turn its back on open trade.

That does not mean, however, that we will turn the other cheek on other nations' trade-distorting practices -- especially those imposed on sectors, such as agriculture and services, in which we enjoy a comparative advantage. The United States sees no difference between trade in these sectors and trade in other goods.

Yet, uncompetitive practices, such as the European Community's export subsidies, continue unabated. While agricultural prices in the United States have been steadily declining in real terms since their 1973 peak, the EC's Common Agricultural Policy has artificially boosted prices on some commodities to double those in the United States, encouraging high production. The resulting surplus is then exported with the aid of massive subsidies. This practice has helped European farmers to expand their share of third-country markets at the expense of American farmers.

The United States appreciates the problems faced by European leaders in formulating agricultural policies. We have responded to EC subsidies through serious negotiation and through selective action: recently we sold subsidized wheat flour to Egypt.
The issue of protectionism is an economic one. But it is a political imperative to resolve it before it threatens more basic common interests. As Secretary of State Shultz said in testimony before the U.S. Congress:

"Temporary . . . measures such as the wheat flour transaction can be justified on the ground that 'when all the world is mad, 'tis folly to be sane.' But history has taught us that temporary measures tend to become permanent, and retaliation has an inherent tendency to escalate. Constructive negotiations, in which we meet unreason with reason, present the only lasting solution to protectionist problems."

This is the spirit my government will take in approaching these problems. We hope our partners will reciprocate.

[IV. SUPPORTING THE INTERNATIONAL FINANCIAL SYSTEM]

A strong open trading system will do more than ease the unemployment problems of the industrialized countries. It will also ease the debt problems of the developing countries. Import cuts in debtor countries can free up only so much hard currency; export growth must lead the way in their recovery.

The cases of Brazil, Mexico and Argentina have shown that the debt burden can be managed. A successful strategy includes
a combination of short-term bridge financing, plus adjustment programs implemented in conjunction with the IMF and commercial banks.

Private banks, however, are now reducing their rate of new lending to the developing world. Net new bank lending was flat between the first half of 1981 and the first half of 1982. Estimates for the second half of 1982 show a precipitous drop in new lending.

An abrupt contraction in new lending would imperil the recovery of the debtor countries. Reduced lending would also retard American and European recovery by contracting LDC imports from the West. The Morgan Guaranty Trust Company estimates that if capital flows into the LDCs were cut by $25 billion, OECD growth would drop half a percentage point. With OECD growth in 1983 expected to be only 1.8%, half of a percentage point would be a significant decline.

The Morgan Guaranty study is hypothetical. But import cuts are already a reality. A dramatic case in point is Mexico. In 1982 Mexican imports from the United States dropped 37% from the 1981 level. Consequently, in a single year the U.S. balance of merchandise trade with Mexico swung from a $3.7 billion surplus to a $4.5 billion deficit. This swing had adverse effects on our economy and our employment situation.
The international economy is too vulnerable to contraction to permit a continued decline in lending to the Third World. Private banks in the United States, Europe and Japan have a collective interest in extending sufficient new money to permit the developing countries to service their debts. Western governments have a similar stake in seeing that the LDCs have capital to pay for imports that will enhance LDC productivity and contribute to world economic growth.

The United States stands ready to do its part. The Reagan Administration strongly supports the proposed 47.5% quota increase. We also support the expansion of the General Arrangements to Borrow (GAB) from $7 to $19 billion. To demonstrate our concern, the United States has proposed accelerating the quota increase from 1985 to 1983. These funds are needed not to help developing countries pay off old debts. These funds are needed to encourage sound policies -- policies to curb inflation, trim government spending and shift resources from consumption to investment. By providing supplementary financing to ease the process of adjustment, the IMF contributes to the maintenance of economic and political stability in the developing world. I am confident that the US Congress will recognize the close links between our own well-being and LDC growth, and will act quickly to approve the quota increase.
[V. IMPROVING THE MONETARY SYSTEM.]

The economic expansion needed to boost recovery in the West and ease the debt burden of developing countries would be aided by stability in exchange markets -- something we have not had in recent years.

Financial flows, for example, are having a powerful effect on exchange rate movements. This presents difficulties from the standpoint of trade. During 1982 financial flows into the United States led to the greatest appreciation of the dollar since the beginning of floating rates. The strong dollar increased the price of U.S. exports abroad and decreased the cost competitiveness of U.S. industry. The effect of dollar appreciation on other industrial countries was a drop in the exchange rate of their currencies and higher domestic inflation. The strong dollar is expected to increase the U.S. trade deficit in 1983.

An additional problem we face in the international monetary system is the great volatility in exchange rates. For example between May and November of 1982, the yen depreciated from about 230 yen to the dollar to 276. This depreciation raised the price of U.S. exports in Japan and in third country markets, and reduced the price of Japanese imports in the United States. By the end of the year, however, the yen had swung back to the prior level of 230.
The causes of excessive exchange rate volatility are many and complex. The problem is due in large part to different inflation, interest and savings rates among the major industrial economies. The United States believes that a convergence of underlying economic policies is necessary to achieve greater exchange rate stability. Fortunately, the surveillance mechanism set up at the Versailles Summit will help ensure close consultations on economic policies as our recovery proceeds.

[VI. EAST-WEST ECONOMIC RELATIONS]

I began this discussion by noting the fundamental economic, military and political goals that face the industrialized countries of the West. Those goals are not distinct, but interrelated. To ensure that economic expansion reinforces our other objectives—safeguarding the peace and supporting democratic values—the United States and its allies have agreed on the need for a common approach to East-West relations.

On November 13, 1982, President Reagan announced that the major industrial nations of the West recognized "the necessity of conducting their relations with the U.S.S.R. and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental interests." As a result, we agreed with our allies:
-- Not to engage in trade arrangements which contribute to the military or strategic advantage of the Soviet Union.

-- Not to give preferential aid to the heavily militarized Soviet economy; and

-- Not to sign any new natural gas contracts with the Soviet Union, pending a new Alliance study on energy alternatives.

On the positive side, we agreed to strengthen existing controls on the transfer of strategic items to the Soviet Union, and to examine whether our collective security requires new controls on certain kinds of high technology and oil and gas equipment. We also agreed to work toward harmonizing our export credit policies.

The studies are under way, and plans are being developed to carry out the steps agreed to by the Allies. We expect that the results of the studies will be available for review and discussion at the Williamsburg Summit at the end of May.

It is important to note, however, that what the United States advocates is not economic warfare. Rather, we simply believe that trade with the Soviet Union should be conducted
within a common framework consistent with our political and
security objectives. As a result, the U.S. policy on East-West
trade is based upon a desire to maintain an open door to
mutually beneficial trade based on sound commercial principles,
while restricting strategic exports and other trade
arrangements that would enhance Soviet military capabilities.
Fortunately, there is a widening consensus on the basic
principles that ought to guide East-West trade. Western
governments should now develop the policies that will give
concrete expression to that consensus.

[VII. CONCLUSION]

Williamsburg, Virginia has played a unique role in our
history. The Virginia Declaration of Rights was signed at
Williamsburg in 1776. That declaration was derived from the
British Magna Carta. It was echoed in the French Declaration
of the Rights of Man. It sets forth those ideals that we in
the West hold in common:

-- That all men are by nature equally free and
   independent.
-- That all power is vested in, and derived from, the
   people.
-- That government is, or ought to be, instituted for the
   common benefit, protection and security.
When the Summit Partners gather at Williamsburg in May, we will have an opportunity to reaffirm these ideals. We have weathered the oil shocks, inflation and recession. I am confident that we can master our new challenges:

-- To support the principle of open trade;
-- To strengthen the international monetary and financial systems; and
-- To develop a new consensus on East-West relations.

Our task will be to forge a strategy for noninflationary growth. Our triumph will be in demonstrating the ability of free markets and democratic governments to provide for our "common benefit, protection and security."
TO: WHEELER
FROM: BREMER

KEYWORDS: WILLIAMSBURG SUMMIT ECONOMICS DAM, K
SWITZERLAND SPEECHES

SUBJECT: PROPOSED ADDRESS BY DAM / LOOKING TOWARD WILLIAMSBURG / US INTL ECONOMIC POLICY ON 21 MAR

ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES WH
FOR ACTION FOR CONCURRENCE FOR INFO

NAU
MCMINN
BAILEY
TYSON
SIMS
FORTIER
MYER
ROBINSON

COMMENTS

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