May, 1983

I am delighted to welcome you to Williamsburg, Virginia, for the 1983 Summit of Industrialized Nations.

Williamsburg holds a special place in America's history. Many of the concepts of freedom and justice that guide us today were developed and nurtured here. As you will see from walking around the village, there was no great wealth and little pomp in our infant nation. What I think you will see in this restoration of an early American town is a simple dignity and goodwill, which we Americans believe we carry with us to this very day.

Our hope is that the basic values and openness which Williamsburg represents will set the tone for the Summit and guide our deliberations. Again, all America joins me in welcoming you.

RONALD REAGAN

Residential letters: To participants at the 1983 Summit of Industrialized Nations

Call Margie Crawford, x6687 for pick-up.
PRESIDENTIAL LETTER: TO PARTICIPANTS AT THE 1983 SUMMIT OF INDUSTRIALIZED NATIONS

I am delighted to welcome you to Williamsburg, Virginia, for the 1983 Summit of Industrialized Nations.

Williamsburg holds a special place in America's history. Many of the concepts of freedom and justice that guide us today were developed and nurtured here. As you will see from walking around the village, there was no great wealth and little pomp in our infant nation. What I think you will see in this restoration of an early American town is a simple dignity and goodwill, which we Americans believe we carry with us to this very day.

Our hope is that the basic values and openness which Williamsburg represents will set the tone for the Summit and guide our deliberations. Again, all America joins me in welcoming you.

Sincerely,
TO: Patsy Skidmore
FROM: Margie Crawford

This is to request that the attached letter be prepared in final form and signed by the President (autopened).

This request needs to be done on a red tag basis so I would appreciate having the final version be noon tomorrow, 4-12-83. For you records, Mr. Deaver has approved this letter.

Thank you for your cooperation.
### WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

- **0** - OUTGOING
- **I** - INCOMING

**ID# 136984**

**Date Correspondence Received (YY/MM/DD):** 13/04/16

**Name of Correspondent:** Sam M. Nibborn

**User Codes:** (A) __________ (B) ________ (C) ________

**Subject:** Urge the President to make the current exchange rate and the international monetary system a priority discussion topic at the upcoming Economic Summit to be held in Williamsburg.

<table>
<thead>
<tr>
<th>ROUTE TO:</th>
<th>ACTION</th>
<th>DISPOSITION</th>
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<tbody>
<tr>
<td>La Duke</td>
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<tr>
<td>USTR/Bill Maroni</td>
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</table>

**ACTION CODES:**
- **A** - Appropriate Action
- **C** - Comment/Recommendation
- **D** - Draft Response
- **F** - Furnish Fact Sheet to be used as Enclosure

**DISPOSITION CODES:**
- **A** - Answered
- **B** - Non-Special Referral
- **C** - Completed
- **S** - Suspended

**FOR OUTGOING CORRESPONDENCE:**
- **Type of Response** = Initials of Signer
- **Completion Date** = Date of Outgoing

**Comments:**

- 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.
May 13, 1983

The Honorable Sam N. Gibbons
U.S. House of Representatives
Washington, D.C. 20515

Dear Sam:

I would like to take the opportunity of commenting on the thoughtful letter of April 13 to the President signed by you and five of your colleagues. I certainly share your concerns and those of many others in the Congress about the serious problem of the dollar-yen exchange rate and our increasingly large trade deficit with Japan.

As you know, a good deal of groundwork for the Williamsburg Economic Summit has been laid at the just completed meeting of OECD Ministers in Paris. The success of the precedent-setting meeting between trade and finance Ministers, I feel, has prepared the way for a frank and constructive discussion in Williamsburg about trade and monetary linkages in the world economy. Exchange rates and their impact on trade will undoubtedly be among the specific topics discussed.

As a general proposition, greater exchange rate stability in the world monetary system cannot be ensured without increased stability in the underlying economic conditions in key currency countries. Our meetings at Williamsburg may serve a useful end in highlighting this reality and intensifying the consultation process among Summit countries to achieve this goal.

Whether the U.S. Government seeks cooperation with the Japanese to intervene in exchange markets in support of the yen is ultimately a matter for the Treasury to determine. I do intend to continue my discussions with Secretary Regan on this point. As concerned as we all are over the exchange rate problem, there is nevertheless a limit to which intervention can change the fundamentals of the relationship between the U.S. and Japanese economies. Exchange rate intervention is unfortunately not a fully effective tool for improving the underlying competitiveness of our economy vis-a-vis that of Japan.
I am sure you agree that the problems which arise in the
exchange rate area should be dealt with through exchange
rate and macroeconomic policies rather than through any
direct measures to restrict imports or subsidize exports.
Preservation of an open market system and rollback of
recent restrictions taken by some countries in response
to the world recession are essential. Neither the United
States nor other national economies can achieve sustained,
non-inflationary growth in a world of shrinking inter-
national markets. I look forward to working with you and
your colleagues on efforts both to further liberalize
world markets and to consider appropriate policies in
response to our serious exchange-rate related trade problems.

Very truly yours,

WILLIAM E. BROCK

WEB:wmtd

BWalters:mtd
5/13/83: #3124013: due 5/12
TO: UNITED STATES TRADE REPRESENTATIVE, OFFICE OF  
ATTN: BILL MARONI

ACTION REQUESTED:  
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:  
ID: 136984  
MEDIA: LETTER, DATED APRIL 13, 1983  
TO: PRESIDENT REAGAN  
FROM: THE HONORABLE SAM M. GIBBONS  
CHAIRMAN  
COMMITTEE ON WAYS AND MEANS  
U. S. HOUSE OF REPRESENTATIVES  
WASHINGTON DC 20515

SUBJECT: AS PARTICIPANTS IN A RECENT FACT-FINDING MISSION TO JAPAN ON TRADE ISSUES, URGE YOU TO INCLUDE A DISCUSSION OF CURRENT EXCHANGE RATES AND THE INTERNATIONAL MONETARY SYSTEM AT THE UPCOMING ECONOMIC SUMMIT IN WILLIAMSBURG: "UNTIL AN INTERNATIONAL DISCUSSION IS INITIATED IN THIS AREA, OUR EXISTING TRADE PROBLEMS WILL NOT ONLY CONTINUE, BUT COULD BE EXACERBATED BY CONTINUED INSTABILITY IN EXCHANGE RATE RELATIONSHIPS"

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY  
DIRECTOR OF AGENCY LIAISON  
PRESIDENTIAL CORRESPONDENCE
April 29, 1983

Dear Carroll:

On behalf of the President, I would like to thank you for the letter which you cosigned with five of your colleagues following your recent fact-finding mission to Japan on trade issues.

We appreciated hearing from you in this regard and receiving your recommendation that the Williamsburg Economic Summit include a discussion of current exchange rates and the international monetary system. Please be assured that your comments on these important issues are receiving close attention and consideration.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Carroll A. Campbell, Jr.
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

KMD/CMP/pt{4DUBER}
cc: w/copy of inc., Bill Maroni, Office of U.S. Trade Rep., Washington, D.C. 20506 – for DIRECT response by Secretary Brock (with copy to Ken Duberstein).
✓ cc: w/copy of inc., Peter Sommer – FYI

WH RECORDS MANAGEMENT HAS RETAINED ORIG. INC.
The President  
The White House  
Washington, D.C. 20500  

Dear Mr. President:

During the most recent Congressional recess period, Members of the Subcommittee on Trade of the House Committee on Ways and Means visited Japan. As you know, U.S.-Japan bilateral trade relations have been increasingly strained over the past year. It was our feeling that a fact-finding mission would increase our ability to deal with the many legislative proposals that we expect to be introduced on various trade issues affecting Japan in the 98th Congress. Prior to our departure, the Subcommittee held public hearings regarding U.S.-Japan trade issues.

A common theme of our public hearings and our discussions in Japan, rather than any particular tariff or non-tariff barrier to trade, was the current imbalance in the exchange rate of the U.S. dollar vis-a-vis the Japanese yen. As you know, the dollar has been particularly strong relative to all major currencies in recent months, but due to other factors associated with our trading relationship with Japan, the consequences of the under-valuation of the yen have been particularly significant. U.S. businessmen feel that they have been placed at a competitive disadvantage at home, in Japan, and in third country markets due to the strength of the U.S. dollar. The Japanese with whom we met, including Prime Minister Nakasone, Minister of Finance Takeshita, and others, also indicated that they would prefer to see a stronger yen, as the current currency relationship is both placing Japanese importers at a disadvantage and fueling tensions in the international trading system.

We urged our Japanese colleagues to include a discussion of current exchange rates and the international monetary system at the upcoming Economic Summit to be held in Williamsburg. We would like similarly to urge you to make this subject a priority discussion topic. We feel that exchange rates are a topic of
considerable importance and worthy of discussion by the leaders of the world's leading economies. Until an international discussion is initiated in this area, our existing trade problems will not only continue, but could be exacerbated by continued instability in exchange rate relationships.

Sincerely,

Barber B. Conable, Jr., M.C.

Bill Frenzel, M.C.

Carroll A. Campbell, Jr., M.C.

cc: Honorable Donald T. Regan
    Honorable William E. Brock
### Current Status Details
for CTRH RECID: 137367
MAIN SUBCODE: FO006-06

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[Change Status] [Close Window]

### Review Status History

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<th>User</th>
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<td>6 p. Transferred to FO006-03</td>
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12/16/2019
**WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET**

- **Date Correspondence Received (YY/MM/DD)**: 03/04/85

- **Name of Correspondent**: Jean Selms

- **Mi Mail Report**
  - **User Codes**: (A) _______ (B) _______ (C) _______

- **Subject**: Urges the President to use the Williamsburg Summit to pressure this Nation to consider regarding unfair trade practices.

### ROUTE TO:

<table>
<thead>
<tr>
<th>Office/Agency (Staff Name)</th>
<th>Action Code</th>
<th>Tracking Date YY/MM/DD</th>
<th>Type of Response Code</th>
<th>Completion Date YY/MM/DD</th>
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### ACTION

- **Action Code**: ORIGINATOR: 83/04/85
- **Tracking Date**: KD 4/83/05
- **Type of Response Code**: C 83/05/05
- **Completion Date**: E 83/05/05

- **Referral Note**: Peter Sohn
- **Referral Note**: 83/05/05
- **Referral Note**: Referred by NSE
- **Referral Note**: 83/05/05
- **Referral Note**: 83/05/05
- **Referral Note**: 83/05/05
- **Referral Note**: 83/05/05

### DISPOSITION

### ACTION CODES:
- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
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### DISPOSITION CODES:
- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

### FOR OUTGOING CORRESPONDENCE:
- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

**Comments:**

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.
MEMORANDUM FOR: STATE SECRETARIAT

TO: PRESIDENT

SOURCE: HELMS, JESSE

DATE: 21 APR 83

SUBJ: URGES PRES TO STRESS ELIMINATION OF UNFAIR TRADE PRACTICES AT

WILLIAMSBURG SUMMIT

KEYWORDS: CO INTL. TRADE

REQUIRED ACTION: DIRECT REPLY FURNISH INFO COPY

DUE DATE: 13 MAY 83

COMMENTS:

FOR MICHAEL O WHEELER

STAFF SECRETARY
May 3, 1983

Dear Senator Helms:

Thank you for your letter urging the President to establish as a major goal of the Williamsburg Summit the elimination of the unfair trade practices of other countries which are harming U.S. farmers.

The President was pleased to hear from you and has asked me to assure you that this issue will be on the agenda for the Summit. We have taken the liberty of sharing your letter with the appropriate advisers to ensure thorough consideration of your specific concerns and recommendations.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Jesse Helms
Committee on Agriculture,
    Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

cc: Bill Winter, Office of U.S. Trade Rep., w/copy of incoming for DIRECT response

cc: Peter Sommer NSC, w/copy of incoming -- w/copy of inc for DIRECT response

PLEASE NOTE: When this letter appeared on the President's log of Congressional Mail, the President commented "This is on the agenda."

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL

KMD: CMP: vml--
The President  
The White House  
Washington, D.C. 20505

Dear Mr. President:

In the upcoming Williamsburg Summit, I urge you to place a high priority on ending the unfair trade practices of other countries which are harming U.S. farmers.

I am pleased that the Williamsburg Summit will allow you and other world leaders to address some of the most pressing problems facing our nations today. International trading practices and their ramifications for employment, income, balance of payments and exchange rates certainly should rank among the most important of these issues. I hope the increasing use of massive export subsidies by a number of our trading partners will receive the same attention as these other pressing matters. Specifically, I urge you to establish as a major goal of the Summit the negotiation of an agreement providing for the establishment of a "work program" designed to reduce, and eventually eliminate, predatory agricultural export subsidies and other unfair agricultural trade practices.

U.S. agriculture, in particular, has suffered from the adverse effects of such subsidies by certain exporting nations. The value of U.S. agricultural exports fell from $43.8 billion in fiscal year 1981 to $39.1 billion in fiscal year 1982, the first year-to-year decline since 1969. Export values are expected to decline to $36 billion this year. Although these declines are a result of several factors, including the strong dollar and generally weak world demand, the decline is also clearly attributable to the export subsidy policies of other exporters, particularly the European Economic Community.

While the United States has continued to lose market shares, the EEC's share of the world market has risen dramatically. EEC exports to countries outside the Community have more than doubled in the past five years. The EEC's 1982 exports of over $80 billion in farm products to all sources will continue two decades of uninterrupted gains in their farm exports. This dramatic growth is closely correlated with increases in export subsidies. In 1976, the EEC exported $12 billion of agricultural commodities to non-EEC members, using approximately $2 billion in direct export subsidies. In 1982, the EEC exported nearly $30 billion of agricultural commodities to non-EEC members using nearly $8 billion in direct export subsidies.
Today, many countries' agricultural sectors face serious problems including weak demand, mounting surpluses, escalating government costs for agricultural programs, and declining farm incomes. Certainly these problems characterize the agricultural sectors of both the EEC and the United States. The EEC, however, attempts to export its farm problem through excessive export subsidies. These export practices are causing U.S. market shares to erode, thereby compounding the problems confronting U.S. farmers. Lost export markets cause not only declines in farm income and growing agricultural surpluses, but also result in fewer jobs and less economic growth throughout the entire economy. Lost sales have a negative impact on the U.S. balance of payments and contribute to our escalating trade deficit. Export declines also result in a general slowdown of U.S. business activity since every dollar received from farm exports is more than doubled in the economy. The $4.7 billion drop in agricultural exports from 1981 to 1982 represents a loss of over $9.4 billion in total U.S. business activity.

Employment levels are also adversely affected by export declines. About 1.2 million U.S. citizens are employed in private sector jobs, on and off the farm, related to the production, processing, assembling, and distribution of agricultural exports. More than 630,000 of these jobs are in the non-farm sector. In this time of high unemployment, U.S. citizens cannot afford to have jobs eliminated because of the predatory trading practices of other nations.

Declines in U.S. sales abroad are also costly to U.S. taxpayers. Lost export sales result in increased costs for Federal farm programs.

All trading nations pay for export subsidies. The United States pays for these subsidies in the form of lost markets. The EEC also pays for their export subsidies with escalating fiscal outlays. Moreover, the EEC's export subsidy policy perpetuates an inefficient agricultural sector within the Community. It benefits neither the United States nor the EEC to have these trading practices continue.

I should add, however, that it is not my recommendation that the United States ask the EEC to do anything that we ourselves have not been willing to do. It is a matter of EEC internal policy whether to maintain an inefficient agricultural production base. But it becomes our business when they construct their farm programs in a way that irresponsibly disrupts the world trading system. The United States has been careful to make sure that its domestic farm programs do not disrupt world trade. Rather, the United States has used domestically-oriented farm programs that do not significantly affect the international market. These programs include the target price, farmer-owned reserve, acreage diversion and the "crop swap" PIK programs. The Community, however, does not share our view in this matter, adopting farm programs which are extremely disruptive to world markets. We have no argument with the Europeans if they choose to retain a
high level of domestic farm subsidies, as long as they deal with any resulting problems internally.

Along with the majority of other participating countries, the United States attempted last November at the GATT Ministerial in Geneva to address the export subsidy practices of the EEC. Despite a wide consensus of worldwide opinion against the Community's practices, the EEC was successful in blocking any attempt to resolve these issues. I sincerely hope that you can be more successful at Williamsburg.

U.S. farmers can compete with anyone, anytime, anywhere as long as the trading rules apply equally to all players. Today this is not the case. The EEC trades by its own rules. Their use of export subsidies has knocked out fair competition. If the United States is to retain its fair share of world markets, comity and fairness must be restored to the international trading system. The Williamsburg Summit presents an unparalleled opportunity to address these trading problems. Highlighting these issues will demonstrate the high priority the United States places on the resolution of these issues. Failure to address these problems at the Williamsburg Summit will convey a lack of resolve and concern and serve to encourage those countries using massive export subsidies to continue in their ways.

In this regard, I urge you to stress at the Williamsburg Summit that a simple freeze of the EEC's price supports and subsidies at current levels is not a meaningful way to resolve the problem. Rather, we must adopt a specific work program in which there is established a clear time-frame for negotiating a plan which would include the reduction of, and ultimately the elimination of, export subsidies and concomitant modifications of domestic price support programs.

Again, I urge you to use the Williamsburg Summit as an opportunity to articulate this Nation's concerns in this matter and thereby demonstrate our resolve and commitment to negotiate a favorable resolution of these trading problems.

Sincerely,

Jesse Helms
Chairman
SUBJECT: URGES PRES TO STRESS ELIMINATION OF UNFAIR TRADE PRACTICES AT WILLIAMSBURG SUMMIT

ACTION: *RECOMS TO NSC/S DUE: 09 MAY 83 STATUS S FILES

FOR ACTION FOR CONCURRENCE FOR INFO
SOMMER SOMMER NAU

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

REF# 138333 LOG NSCIFID ( N / )
To: See Distribution Below
From: Rentschler Group
Subject: Williamsburg Clippings

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**WHITE HOUSE**

Mort Allin
James A. Baker, III
William P. Clark
Richard Darman
Michael K. Deaver
David Desarese (STC)
Martin Feldstein (CEA)

---

**COMMERCe**

Mary Nimmo

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**COMMERCE**

Mary Nimmo

---

**DOD**

PA: Henry E. Catto, Jr.

---

**ENERGY**

PA: Robert C. Odle, Jr.

---

**STATE**

PA: John Hughes

---

**TREASURY**

PA: Ann McLaughlin

---

**USIA**

Gilbert A. Robinson

---

**NSC**

Norm Bailey
Dennis Blair
Don Fortier
Cary Loré
Bill Martin
Doug McMinn
Henry Nau
Walt Raymond
Roger Robinson
Gaston Sigur
Bob Sims
**Expected to Intensify U.S.-French Dispute**

**BY ART PINS**

*Wall Street Journal*

WASHINGTON—Differences over a new "coordinated" exchange-market intervention policy adopted by the finance ministers of the seven industrial democracies are expected to intensify the growing U.S.-French dispute over economic issues. . .

At a meeting here this weekend, the seven ministers—representing the U.S., West Germany, Japan, France, Italy, Canada and Britain—"proceeded cautiously" on exchange-market conditions. And, for the first time, they said they would "withhold coordinated intervention" in instances "where it is agreed that such intervention would be helpful." Government officials in the markets by buying or selling currencies to influence exchange rates.

However, immediately after the ministers' news conference, U.S. Treasury Secretary Donald Regan proclaimed that the accord won't affect existing U.S. policy, which is to limit government intervention to rare instances when the market is in unusual turmoil. The Treasury secretary told a news conference that had the new accord been in effect during the past year, the U.S. wouldn't have intervened any more frequently than usual. The agreement, he said, was intended to "be useful only in instances of a disorderly foreign-exchange market," he said.

The accord also sought to damp expectations that the new agreement to "coordinate" intervention would result in a major departure from previous policy. "This means we'll call 'em up on the telephone and tell 'em we're going to do it and see if they want to go along," he said. "If they do, it's coordinated intervention; if they don't, it's unilateral intervention. If more than two countries do it, it's multilateral intervention." Although the Reagan administration's position had been well known for a year, Mr. Regan was the first to cry foul play from France, which had been hoping to portray the accord as a major change in the industrial nations' intervention policy. At a joint news conference in Washington, French Finance Minister Jacques Delors said, he felt "burned again" by the U.S. expansion of IMF duties. In the States, Mr. Regan's remarks. He compared the incident to the seven-country economic summit conference at Ver-sailles last year, when France and the U.S. "agreed" to similar accords over intervention and East-West trade, only to find later that each was interpreting the agreements differently. The accord was set to open the way for other agreements on the exchange market. The accord was also expected to help resolve the trade dispute between the U.S. and the Europeans over the steel tariff. . .

Adoption of the accord followed the publication of a confidential study that had been limited to the rift between the U.S. and France. As expected, the study—conducted by a group of subcommittee officials from each of the seven countries in late spring—was expected to be a series of conclusions that both sides could claim as a victory. The study aimed to reconcile the two sides on the question of coordinated intervention. The study was expected to be a series of conclusions that both sides could claim as a victory. The study aimed to reconcile the two sides on the question of coordinated intervention. The study was expected to be a series of conclusions that both sides could claim as a victory. The study aimed to reconcile the two sides on the question of coordinated intervention. The study was expected to be a series of conclusions that both sides could claim as a victory. The study aimed to reconcile the two sides on the question of coordinated intervention. The study was expected to be a series of conclusions that both sides could claim as a victory.
Market Intervention Held of ‘Limited’ Use

By RICHARD LAWRENCE
Journal of Commerce Staff

WASHINGTON — The United States and six other major industrial nations agreed to continue to not necessarily agree on foreign exchange policy intervention.

The United States will maintain its policy of intervening sparingly in the markets, Treasury Secretary Donald Regan said Friday, on the release of a study prepared by financial authorities of the United States, Britain, France, West Germany, Italy, Japan and Canada.

The study had been ordered by leaders of the seven countries at last year’s economic summit, to help clarify their nations’ different market intervention policies.

In a joint statement Friday, Mr. Regan and the finance ministers of the other six nations said “greater exchange rate stability” is a “major objective and commitment” to be achieved through “compatible mixes of policies supporting sustainable non-inflationary growth.”

Official market intervention, they said, can “under present circumstances” be of only “limited” use, such as to “counter disorderly market conditions and to reduce short-term volatility.” Normally, they said, it is “useful only when complementing and supporting other policies.”

The ministers agreed “on the need for closer consultations on policies and market conditions” and said that they “are willing to undertake coordinated intervention... where it is agreed that intervention would be helpful.”

In his own statement, Mr. Regan was more pointed. While, he said, intervention can have a “limited, short-term impact on exchange rates... it is basically incapable of changing underlying trends and attempts to use it for this purpose can be counter-productive.”

Even coordinated intervention by two or more countries has a “limited and transient” impact, he said...

The United States, he said, still considers intervention useful “only in instances of a disorderly foreign exchange market,” which he refused to define.

The study also hold that “there is no unique definition of what conditions in the market are indicative of this disorder.” It has “never been possible,” it says, “to devise a comprehensive operational definition...”

The study confirms that the major industrial countries have different intervention policies... Canada, France, Italy and West Germany are described as “day-to-day” intervenors, while Britain has reduced its intervention in recent years... Japan has intervened less often than the Europeans but at times to a large degree... Since early 1981, the United States has intervened in “very few instances,” according to the study... about a half dozen times, U.S. officials say...

There is no simple, unambiguous way of assessing the effects of intervention,” the study finds, but it notes that intervention has, at times, helped smooth exchange market conditions.

Cited are Britain’s countering “bouts of sharp selling pressures” on the pound in mid-1981, Japan’s attempt to slow the yen’s rise in 1977-78, and West German and U.S. efforts to stabilize the mark-dollar rate in 1973 and 1980.

But, the study stressed, basic economic policy is the key to exchange rate stability.

Mr. Regan, in his comments Friday, suggested that France and Italy have still not “lived up to” pledges by the major industrial nations to pursue policies designed to promote economic harmony. France, he said, has not adequately managed its money supply...

Mr. Regan indicated that he would welcome a decline in the U.S. dollar partly to help the U.S. trade balance. But, rather than intervene in the exchange markets, he apparently is pinning hopes that a further revaluation in U.S. interest rates will lower the dollar.
Dollar’s Dominance Debated

Caroline Atkinson  
Washington Post Staff Writer

The strong dollar, long the target of bitter complaints from abroad, is now hurting U.S. industry and employment.

Officials expect it to lead to a gaping trade deficit this year, hurting exports and aiding imports, and thus eating into the strength of the economic recovery, now under way.

The dollar’s dominance over other currencies has stirred a top level debate on traditional monetary policy intervention—when governments buy and sell currencies in the foreign exchange markets in an attempt to influence the value of the currencies in relation to each other.

This country’s allies in Europe and Japan would love to see the United States intervene to try to pull the dollar down. They were encouraged by the recent statement by Federal Reserve Board Chairman Paul A. Volcker that intervention “may . . . have a modest beneficial role.”

But Treasury Secretary Donald T. Regan reiterated on Friday that the administration remains opposed to intervention in the foreign exchange market except “on extremely rare occasions, and then only to counter disorderly markets or extreme exchange rate volatility.

Regan spoke at the release of a study by the seven summit nations of the industrialized world, claiming that the study backed the administration position. The French—who are most in favor of joint intervention to bring currencies into line—believe that the U.S. stance is a heavy hand in foreign exchange markets is part and parcel of its failure to use its economic power to lead the world out of recession.

The working group that prepared the study, the G-7, includes officials from the United States, West Germany, France, Canada, Italy, Japan and Britain, but did not spend much time on the fundamental issue of whether U.S. governments are trying to achieve when they go into the foreign exchange markets. Instead, it concentrated more, in the words of one expert, on the narrower issue of whether “we have a separate policy tool that is called intervention” and, if so, how effective that tool is.

One part of the U.S. argument against intervention is that if authorities buy and sell currencies in such a way as to leave monetary policy unchanged, then experience suggests that they will have only a limited impact on exchange rates. If, on the other hand, they allow the intervention to affect monetary policy then the impact can be very much greater. But in that case it is hard to work out how much of the effectiveness is due to the change in monetary policy and how much to the intervention.

Moreover, if governments are content to change monetary policy in order to influence exchange rates, they may as well do that directly rather than indirectly through intervening in the market, the U.S. argument goes. And if they are happy with their domestic monetary and fiscal policies then they should not try to interfere with the market’s judgment about their currency rate. In the real world, exchange rates will be determined by the huge private currency markets according to fundamental factors of inflation, trade flows, interest rates and so on, Treasury officials say.

Intervention is just not a strong enough tool to outweigh these factors, they say.

The study, however, suggests that intervention can be far more effective than administration officials say. It does not, in the words of one expert, “make a case for everyone to go on their own way on monetary policy and fix it up with intervention.”

But it does say that intervention can increase the effectiveness of other policies, particularly monetary policy, and can achieve several limited, short-term goals such as slowing rapid and volatile currency movements and protecting a psychological benchmark for a currency, which “if broken could set off a bandwagon movement that might not reflect underlying economic conditions.

The study also shows that if governments coordinate their action in the foreign exchange market it is generally more effective. But as governments discuss with each other whether or not to undertake coordinated intervention, they are likely to be led back into the question of what they hope to gain from it.

One possible objective is greater exchange rate stability. Although the research evidence so far does not suggest that variable exchange rates are damaging—they do not appear to inhibit trade, for example—many people “are not sure that the last word’s been said” on that, one expert said. Even Regan complained this week that exchange rate volatility was damaging to world economic health.

The other, more ambitious, aim of heavy intervention is to correct what are perceived as “misaligned” exchange rates. This of course begs the question of whether governments or market forces are the better judges of correct exchange rates. Many experts would probably agree with Volcker that “from time to time it may be feasible [for governments] to reach a consensus on when exchange rates seem clearly wrong.” But such thinking runs counter to the administration’s free trade philosophy.

There is a further use for intervention—as part of a wider exchange rate policy. For some nations at some times, domestic policies are tailored at least partly to achieve a particular exchange rate.

Even if this is not the case, as in the United States now, there is an argument for using exchange rate movements as a guide to what changes may be appropriate in domestic policy. If, for example, a currency is persistently weaker than the government would like, this may suggest that domestic policies are too loose. “Exchange rate movements can help tell us something useful,” Volcker said. Finance ministers of the seven summit nations agreed to watch exchange rates as a guide to needed changes in domestic policy.

The reasoning behind this helps explain the French accusation against U.S. exchange rate policy. The strong dollar is an indication some would say, of excessively high U.S. interest rates and overall tight monetary policy.

The administration’s refusal to intervene to bring the dollar down is thus akin to its refusal to bring down interest rates to take the lead for pulling the world out of recovery. Administration officials, in turn can argue that the French support for intervention avoids the real issue behind the weakness of the French franc, which is that French economic policies until recently have been too inflationary.

Disagreements over currency intervention can therefore sometimes reflect deeper disagreements over broad economic objectives, rather than more technical disagreements over how best to achieve them.
White House Plan on Soviet Trade Rebuffed in House Subcommittee

TRADE: From F8

The House Subcommittee on Foreign Affairs has rejected President Reagan's plan to ease trade with the Soviet Union. The administration's proposal, introduced April 5, would allow the president to place curbs on imports from any country that pact against American sanctions by trading with Communist countries. The proposal also calls for the extraterritorial extension of presidential authority in national security cases to foreign subsidiaries of American companies, making them subject to U.S. law as well as the law of the country in which they are incorporated.

The president has said he wants to ease the impact of the sanctions on American businesses. The administration has not formally released the bill, approved by the House subcommittee, which is awaiting approval by the chairman, Rep. Don Young (R-Alaska). The administration's plan, nonetheless, has generated opposition within the bloc, which has sent two diplomatic messages to the State Department within the past six weeks. The latest message was handled by Assistant Secretary of State Richard Wetmore. Thursday by Sir Geoffrey Dunham, the EEC's ambassador to Washington, and West German Ambassador Peter Hermon, representing the country heading the Community's Council of Ministers.

The EEC's concern over the current levels of sanctions is that the sanctions might be too short for industrial products, though it is probably long enough for grain and other agricultural contracts, the EEC said. The clause is further undermined, the EEC said, by provisions that allow the president to override it in cases of national security.

"It is in the interest of both parties that disputes over exports be avoided in the future" to prevent the "considerable political disruption and commercial damage" that arise from the pipeline dispute, the EEC said in its first of two diplomatic messages.

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"It is in the interest of both parties that disputes over exports be avoided in the future" to prevent the "considerable political disruption and commercial damage" that arise from the pipeline dispute, the EEC said in its first of two diplomatic messages.
Regan Denounces Currency Proposal

Regan said he had spent the day in the effectiveness of exchange markets. He also noted that France and Italy were falling in line with the other nations at last year's summit to pursue policies aimed at greater convergence of their economies. Currencies will become more stable only when "underlying economic and financial conditions," permit, he said.

The administration position on currency intervention has drawn fire from U.S. allies since 1981 when the Treasury declared that it was giving up, large-scale buying and selling of currencies that used to be common, and would intervene in the foreign exchange markets only rarely. If it considered it necessary to calm turbulent trading. Since then, the U.S. government has intervened in the markets only about half a dozen times, a Treasury spokesman said yesterday.

Regan acknowledged that the contentious issue of whether and when to intervene in currency markets would continue to be discussed, and it will undoubtedly be raised at the summit meeting of the seven nations in Williamsburg next month. He also left open the possibility that, in the future conditions might change sufficiently to justify more intervention. But he said that if the future currency market conditions were the same as in the past, the United States would act just as it had in the past.

France has been particularly opposed to the U.S. policy of lấying the foreign exchange markets, but all the industrialized nations engage in more intervention than does the United States.

The joint statement of the finance ministers proceeded that "under present circumstances, the role of intervention can only be limited." But it said that, in addition to counteracting "disorderly" markets, and short-term volatility, intervention may also express an attitude toward the exchange markets.

Regan told reporters that if the United States had already begun doing coordinated intervention, though "we didn't know we were doing it." He said coordination meant "we call them up on the telephone and tell them we're going to do it and see if they want to go along. They go along with us, that's counterintervention. If they don't go along with us, it's unilateral intervention."
7 Leading Nations Plan Currency 'Coordination'

By CLYDE H. FARNsworth

WASHINGTON, April 29—Finance ministers of the seven leading industrial countries said today that they were planning to undertake "coordinated" intervention in foreign exchange markets to try to prevent excessive swings in currency values.

But Treasury Secretary Donald T. Regan said that the statement should not be taken as an indication of a policy change by the United States, which favors intervention only in discrete instances.

The statement was issued after a meeting of the finance representatives of Britain, the United States, Britain, Italy, Japan, and Canada, held today to prepare for an economic summit conference in Williamsburg, Va., on Memorial Day weekend.

Mr. Regan told newsmen that the United States understood "coordination" to mean only that other governments should be informed of what the United States was doing.

"The policy of this Administration has been to consider intervention to be useful only in instances of a disorderly foreign exchange market," he said.

The issue of whether the United States should undertake a more active policy of buying and selling currencies to influence the rate of the dollar has been among the more divisive in economic relations among the industrial countries this year.

Continued From First Business Page.

The currency study detailed a number of specific examples of coordinated monetary intervention. It noted that in late January 1975 the United States itself wanted "coordinated and more forceful" central bank intervention.

"Following concerted intervention operations at the beginning of February, the dollar had risen immediately and the pattern of virtually continuous daily drops in the dollar had come to an end," the report said.

Mr. Regan conceded that intervention on a coordinated basis by the countries could have a "bigger impact, basically for psychological reasons, than intervention by a single country." But even here, he noted, the impact was "limited and transitory."

The finance ministers agreed that an effective document was taken by both France and the United States as vindication of their positions. Holdings of the seven countries made the following statement today as their study was released by the United States Treasury:

"We are agreed on the need for closer consultations on policies and market conditions; and while respecting our freedom to operate independently, are willing to undertake coordination of intervention measures where it is agreed that such intervention would be helpful."

Mr. Regan told reporters that, given present conditions, the United States would be intervening no more than in the current pattern of U.S. interventions.

An aide said that the Reagan Administration had intervened a total of six times so far, once on March 23, 1981, when the President was shot.

Asked about recent statements of the chairman of the Federal Reserve Board, Paul A. Volcker, that the United States should consider limited intervention "when exchange values seem clearly wrong," Mr. Regan said that it was the Treasury, not the Federal Reserve, that set the policy. In response to another question, he said that the Fed's advice "stopped at the waterfront."

The public comments were viewed as unusually blunt. In another blunt response to a question, Mr. Regan singled out France and Italy as having "no up to commitments at Versailles."

He later said he felt that France "could do a lot better in reducing inflation and getting its money supply down." The singling out of specific countries for criticism was considered unusual.

By BERNARD D. Nossiter

Valéry Giscard d'Estaing, France's former President and Finance Minister, has proposed an end to floating exchange rates and urged that the dollar and yen move within preannounced limits around Western European currencies.

"I am proposing a movement toward a fixed exchange rate system," he said in an interview this week.

The French government has proposed intervention except under extraordinary circumstances, although Paul A. Volcker, chairman of the Federal Reserve Board, on Thursday endorsed a limited buying and selling of dollars, which stabilize exchange rates within the general framework of the floating system.

Mr. Giscard d'Estaing would go further. In his view, upper and lower limits should be set for the dollar and the yen to "reflect the balance of trade and services. The major European currencies, except for the pound, are already tied to each other and permitted to fluctuate 2.25 percent above and below announced values.

"The dollar and yen inside a given range, or band, would have two advantages," Mr. Giscard d'Estaing said. It would "link domestic monetary policy to objective values and remove uncertainty about future exchange rates," he said.

"There is need for people to have some knowledge and security about the future value of their currency," he said.

Mr. Giscard d'Estaing, who was in New York to give the Russell C. Leffingwell lectures at the Council on Foreign Relations, said that the band system should be introduced gradually.

Central banks should quickly reduce the swings in currencies and make no public announcement of fixed limits for several years. "It would be impudent to go too far too fast," he said.

As France's President from 1974 to 1981, Mr. Giscard d'Estaing inaugurated the first summit meeting that annually brings together the government heads of seven leading industrial nations. For the next few years, at Williamsburg, Va., on May 28, he urged the leaders to "pledge they would not resort to protectionist measures to cope with the two years to come."

"The world is paved by millions of communiqués on which people trample every day, but when there is a political will behind it," pledges at summit meetings have been hollowed, he said.
Leading Indicators Up 1.5% For Seventh Straight Gain

ECONOMY, From F8
Recent strength in the leading index foreshadows further advances in key economic series such as employment, production, income, and business sales.

The increase in the leading index last month brought the total rise in the first three months of the year to more than the average for previous postwar recoveries, the Commerce Department said.

The 0.5 percent increase between December and March was "fairly solid," said Commerce Chief Economist Robert Ottiset said. However, he added that the index still predicts a 1 percent postwar-average growth in the first year of recovery.

The coincident index has gone up by only 1.4 percent since December, less than the 2.4 percent average rise in this index in the early months of a recovery, he said. This index reflects actual production and output.
Continued From Page 1

The index of leading economic indicators, which has 12 components, is designed to rise before the economy moves from a recession into a recovery and to decline before the economy falls into a recession. The index, therefore, will not be of great concern to economists until it begins to turn down again. That would signal problems with this recovery.

Instead, economists will pay closer attention to a companion index of coincident economic indicators, which measures the current pace of economic activity. In March, the index rose seven-tenths of 1 percent, following a decline of five-tenths of 1 percent in February and a jump of 1.3 percent in January. The three figures together showed the economy growing in the first quarter, but at an uneven pace, economists said.

Of the 11 components of the index of leading indicators, available for March, seven contributed to the increase. A rise in sensitive materials prices, which is a positive indication of recovery because it reflects a renewal of demand for production of manufactured goods, was a big contributor to the rise in the index.

Also up were the pace of delivery of goods, orders for new plant and equipment, and net business formation, as well as the average workweek, the stock market and the money supply.

Four of the eleven components declined, led by a drop in credit outstanding, a new component. The rise in initial claims for unemployment insurance, which has a negative impact on the index, was only two-tenths of 1 percent and nothing to worry about, Mr. Grimes said.

But he acknowledged that the 4 percent decline in orders for consumer goods, following an increase of nine-tenths of 1 percent in February, could be a cause for concern if there were another decline for April. But he said that he did not expect this to happen.

Building permits fell 3 percent and are now below the level of January. But they are still 11.9 percent above the December level.

WASHINGTON April 29 -- The Commerce Department's Index of Leading Economic Indicators, which measures the current pace of economic activity, rose 1.3 percent in March, following a decline of five-tenths of 1 percent in February and a jump of 1.3 percent in January. The index, which had risen 1.7 percent in March last year, is now at a new high. The rise, Mr. Grimes said, is in line with the economy's growing recovery.

The rise in the index was spurred by jumps in three of its components: the pace of delivery of goods, orders for new plant and equipment, and net business formation. But he acknowledged that the 4 percent decline in orders for consumer goods, following an increase of nine-tenths of 1 percent in February, could be a cause for concern if there were another decline for April. But he said that he did not expect this to happen.

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Building permits fell 3 percent and are now below the level of January. But they are still 11.9 percent above the December level.
The nation's merchandise trade deficit was $3.6 billion in March, less than expected because of cheaper oil and rebundling trade with Mexico, the government said yesterday.

The Commerce Department said imports increased 2.4 percent to $24.4 billion, while exports also increased 2.6 percent to $16.8 billion.

In March, there was a 1983 trade deficit originally forecast to reach as high as $81 billion, the department said yesterday.

U.S. Trade Gap Wider
In March

WASHINGTON, April 29 (AP) - The nation's merchandise trade deficit widened slightly to $3.63 billion in March despite a drop in the price of imported oil to the lowest level in three years, the Commerce Department reported today.

The volume of oil imports remained at a decade low. The trade deficit reached $10.78 billion for the first quarter of the year, a pace that over the year would bring a 1983 shortfall only a bit higher than last year's record $42.7 billion.

However, Commerce Secretary Malcolm Baldrige said a better gauge for this year's total deficit would be closer to $60 billion.

"Higher monthly deficits appear to be in store for the remainder of 1983," he said in a prepared statement.

"Further increases in nonoil imports and a pickup in oil imports volume will more than offset slow export growth," he added. "As a result, the trade deficit is likely to exceed last year's total by $15 billion or more."

Commenting on the relatively slow export growth, Mr. Baldrige said, "The strong dollar and relatively slow foreign economic growth continue to limit shipments abroad."

The March deficit was only a bit higher than February's $3.58 billion. The slight increase was attributed to the fact that March had 31 days for importing oil, while February had 28.

The nation's oil bill - $3.46 billion in March - accounts for most of the deficit each month.

Oil imports averaged just 3.74 million barrels a day in March, about the same as in February. That level is the lowest since the early 1970s, Commerce Department analysts said.

Also helping to keep the oil bill down in March was the decline in average price to $29.80 a barrel, the lowest since the $27.61 in January 1980.

Today's report covered only trade in merchandise such as manufactured goods, farm produce and oil products, excluding trade in services and other financial investments - areas in which the United States often shows a surplus.

In March, the report said, total merchandise exports rose 2.5 percent, to $18.75 billion, while imports rose 2.4 percent, to $22.38 billion.
E.E.C. Protests
America's View
On Soviet Trade

BY CLYDE H. FARNWORTH
Special to The New York Times

WASHINGTON, April 28 — Europe's Common Market formally expressed its "deep concern" today over Reagan Administration legislative proposals to toughen controls over Western trade with the Soviet Union.

The European Economic Community, as the EEC group is officially named, presented to the State Department a four-page memorandum of discussion, that, in unusually strong language, described the Administration's moves as "contrary to international law and comity." The memorandum called them "unsatisfactory in the context of relations with friendly states."

Inexperienced European and American diplomats said they could not recall tougher language in any formal European-American communications in recent years. "And judging from everything so far, we have not yet reached the plateau," an American diplomat commented.

The memorandum is the second on the subject of East-West trade controls that the European Economic Community has delivered within the last six weeks. It underscores recent amusement created by proposed amendments to the Export Administration Act that the Administration recently submitted to Congress.

These proposals, among other things, would authorize the President to restrict imports from countries that sell to nations of the Communist bloc in violation of American trade sanctions. The proposals threaten to disturb preparations for the seven-nation economic summit conference to be held at Williamsburg, Va., over the Memorial Day weekend.

European sources said the memorandum was completed at a council of Common Market foreign ministers in Luxembourg last Monday. At that session, France's Foreign Minister, Claude Cheysson, announced that France would refuse an invitation by the United States to attend a working dinner of trade ministers and finance ministers in Paris on May 10.

French diplomats explained that France expected the United States to use the meeting to press the Europeans toward a more restrictive approach on East-West trade. It was reported from Paris today that the French Government had now decided to accept the invitation to the dinner.

The memorandum was delivered by Sir Roy Denman, Ambassador of the European Economic Community in Washington, and by Peter Hermes, West Germany's Ambassador in Washington. Sir Roy represents the Executive Commission of the community, and Mr. Hermes represents the country that is currently in the chair at the Council of Ministers, the community's highest authority. Besides West Germany, the members are France, Britain, Italy, the Netherlands, Belgium, Luxembourg, Denmark, Ireland and Greece.

Delivery was accepted by Richard T. McCormack, Assistant Secretary of State for Economic and Business Affairs. He had no comment except to say that the Government was studying the memorandum.

East-West trade controls created tensions between the Atlantic partners last summer following sanctions imposed by President Reagan against several companies in Europe that were making parts for a Soviet natural gas pipeline.

The Europeans objected then to what was described as the extraterritorial reach of the President's action. The President decreed penalties against companies based in Europe that were following orders of European governments to comply with terms of existing contracts even though it meant a violation of American trade controls.

The penalties, which prevented the companies from purchasing American goods and services, were lifted in November. The Europeans have agreed to conduct studies with the United States on East-West trade policies. One of the studies is to be presented before the Williamsburg summit meeting.

The Administration is currently seeking authorization to ban imports from companies, as well as exports to them, if they endanger America's national security. This objective drew a rebuke from the European Community today that "use of import restrictions in this manner could be contrary to the GATT." The General Agreement on Tariffs and Trade is the international organization that coordinates world trade rules.

Europeans Protest
U.S. Views on Trade

Continued From Page 1, Section 1
French Finance Chief, Again Switching Plans, Will Go to Washington

PARIS—Jacques Delors, French economics and finance minister, changed his plans for the second time in two days and announced he will fly to Washington today to meet with finance ministers and senior treasury officials from non-Communist industrialized nations.

His office made the announcement after stating Wednesday—the original date of departure—that Mr. Delors had canceled the trip because of pressing business at home. There had been suggestions, however, that the cancellation reflected French disapproval of U.S.-sponsored informal talks in Paris, slated for May 10, after the annual ministerial meeting of the Organization for Economic Cooperation and Development.

A ministry spokesman said it still wasn't clear whether Mr. Delors would accept an invitation from U.S. Treasury Secretary Donald Regan to participate in the May 10 talks.

The French government also must decide whether to accept President Reagan's invitation to President Francois Mitterrand for private discussions in the U.S. ahead of the seven-nation summit on May 28 in Williamsburg, Va. A spokesman for Mr. Mitterrand said his office was reviewing his schedule before responding.
Keeping Williamsburg From Becoming Versailles

BY STEVEN R. WEISMAN
Special to The New York Times

WASHINGTON, April 26 — All morning, President Reagan and his colleagues argued at the Versailles economic summit conference last June over a single phrase in the documents relating to trade with the Soviet bloc.

Originally, an American official recalled, the communiqué spoke of "limiting export credits in light of commercial policies." But when another official changed the phrase to "limiting export credits" in "limiting export credits in light of commercial policies." The debate was changed to reflect the need for a win-win agreement in limiting export credits.

To carry out this compromise, the leaders then agreed to let the heads of state and the leaders from the various countries present at the meeting, and to report to all the leaders after the meeting.

Mr. Reagan's responsible for the meeting's main objective will likely be the forging of a new policy to achieve worldwide economic growth.

For example, at Versailles the United States opposed the French bid to limit central banks to prop up French and other European currencies. Mr. Reagan's so-called "commodity" economic policies, with everyone trying to lower inflation, could stabilize exchange rates.

As the meeting proceeded, the leaders met in one room, and their finance and foreign ministers met in another room. The leaders then agreed to let the heads of state and the leaders from the various countries present at the meeting, and to report to all the leaders after the meeting.

The hope of participants in the summit on economic relations with the Soviet bloc. Another study is due this week on the experience that each country has had with currency intervention.

"We see the summit as a time to achieve what we want," said a planner of the meeting. "Our goal is to improve our relationship with the leaders from the various countries present at the meeting, and to report to all the leaders after the meeting."
Europe’s Pipeline Folly

Neither high prices nor strategic worries nor fear of Mr. Reagan’s wrath will keep Europeans from their appointed rounds with their Soviet natural gas suppliers. But the most recent chapter in the pipeline book of horrors is the most symbolic yet! West Berlin has just cut a deal with the Soviets on dubious economic and security grounds.

The surrounded city signed up for gas that will be pumped in Sibera and then travel on a line through Czechoslovakia and East Germany before reaching Berlin. Guess who’s paying for the pipeline from Czechoslovakia to West Berlin? The Russian supplier—cash up front. Who will have first dibs on the gas through taps on the pipeline? Czechoslovakia and East Germany. Is Soviet gas the cheapest available? As usual, no.

The 150-mile, $100 million pipe to West Berlin is part of the line’s second stage, linking receiving areas with the main pipe from Sibera. As readers of this line will recall, European governments financed the 3,600 miles of main pipe through heavily subsidized loans (averaging an unwhopping 8.67%) to the Soviets. The West Germans are now going whole hog. They’re paying for the Berlin pipeline themselves.

Ruhrgas, the big German supplier, has agreed to finance an East German company that will build the line. Ruhrgas will get its money back from Berliner Gaswerke, the city’s distributing company. Berliner Gaswerke will get a big subsidy check from the West German government to cover the cost of the pipe. And West German taxpayers will back that check.

Well, no doubt Bonn’s generous support for West Berlin is a good thing and should be expected from a conservative German government like Chancellor Kohl’s. But this pipeline is a bad thing, too. West Berlin, leaving it more than ever at the mercy of Yuri-know-who. If all goes according to plan, West Berlin will begin making the switch to natural gas by the summer and by the end of the decade. Aside the city will get 10% of its energy from gas—the only source for which will be the Soviet Union.

This dependency is clearly dangerous. It’s also unnecessary. As West German energy economist Willfried Prewo argued on this page last fall, a cheaper pipeline could have been built to connect West Berlin with gas suppliers in northern West Germany. The line would have been about half the length and expense of the contracted line and there’d be no need for a politically vulnerable compressor station in East Germany.

Which leaves us wondering why the normally clearheaded Germans would do such a thing. In private, the Germans explain that they’re pleased as punch with the pipeline deal because they say it’s the first time the Soviets have let West Germany negotiate on behalf of West Berlin. They take this to be a pseudo-legal recognition that part of Berlin belongs to the West. It seems to us that the Wall itself does a pretty good job of acknowledging a divided city.

As if the gas pipeline deal wasn’t bad enough, there are reports this week in the German press that a new bargain is being offered: lignite from Sibera. It’s said that Deutscher Bank, which helped bring Europe the Soviet gas pipeline, wants to finance mining and liquefying the lignite and a new pipeline to carry it Westward. The fact that neither the Russians nor the Germans have demonstrated that it can be done economically doesn’t seem to be deterring this way of making new jobs in Germany.

But there are signs that some Europeans are by now rethinking the economic wisdom of the Soviet natural gas pipeline. A spokesman for Gaz de France was recently questioned about assertions—first made in this space—that the Europeans are stuck with high-price Soviet gas because of costly take-or-pay-clauses. These mean Europe is pledged to buy 80% of the contracted volumes at prices that escalate regardless of what’s happened to OPEC’s house of cards cartel. The spokesman called the reports “polemical.” We take that to be a paired confirmation, French-style.

And the International Energy Agency in Paris is about to release a report that says—surprise, surprise—it’s not a good idea to rely heavily on Soviet natural gas. Any country that got 30% of its gas from the Soviets would have to answer to the allies, and Europeans would be expected to diversify their energy sources even if it meant “higher costs.” And the report pleads with Norway and the Netherlands to pump more gas for Europeans.

European governments seem to be giving a better-late-than-never rethink of the pipeline. This might at least avoid more deals like the Berlin pipeline. All those European politicians who moaned over Mr. Reagan’s pipeline sanctions can now thank him for forcing them to reach for their thinking caps. The rest of us can only think of Berlin and hope it’s not too late.
Many Disputes Will Converge at Next Month's Economic Summit

Protectionism Rising, So World Trade Isn't

By CLYDE H. FARNWORTH

WASHINGTON — If the frequency of high-level meetings was an indication of economic health, the world would appear to be on the verge of one of its most buoyant periods of growth.

On Tuesday, trade ministers representing the United States, European Community, Japan and Canada will gather in Brussels. Thursday and Friday, finance ministers from the same countries will meet in Washington.

Next week, the trade and finance ministers will hold one of their rare joint meetings. All these meetings, however, point not to a period of optimism but to one of uncertainty over growth, trade, and international debt.

Specifically, the rush of activity is preliminary to the Memorial Day weekend when President Reagan will host in Williamsburg, Va., the leaders of Britain, France, West Germany, Italy, Canada, Japan and the European Common Market Commission.

Overwhelming most issues is the dismal performance of world trade. For the second year running, trade among industrial nations declined in 1982, off 5.3 percent from 1981, according to the International Monetary Fund. This sharp downturn was the major factor behind the rise in joblessness in industrial countries to some 35 million workers. The advanced countries exported less to each other, and imports to developing countries, which are struggling with their own problems, unemployment and with about $200 billion of debt.

In the United States high unemployment (9.3 percent, counting the military as part of the labor force) was causing the biggest surge in protectionist sentiment since the Smoot-Hawley tariffs in 1930. Other countries were worried that if the United States raised barriers, they would face an awesome obstacle to earning their way.

In turn, American exporters, who in recent years accounted for four out of five of the new jobs in manufacturing and who sold crops planted on one out of three acres of Nebraska, were afraid that a surge in protectionism here would trigger foreign retaliation, further cutting at exports and the jobs that help create.

Trade pressures of another sort were also converging upon the coming meetings. These relate to East-West trade where some of the same tensions that disrupted last year's summit conference at Versailles still poison the air. President Reagan, in negotiating to bring Europe's participation in the Soviet's natural gas pipe-line were finally lifted last fall, but only after the North Atlantic allies agreed to a series of studies aimed at greaterDouble trade policies in Europe. These agreements have now been challenged by American and European sources last said West Germans Balk

During his visit to Washington 10 days ago, West German Chancellor Helmut Kohl told President Reagan that his Government was concerned about holding trade with the Soviets. Just before the visit, the Administration came out with new legislation proposals stiffening its own East-West embargo and were threatening to keep most foreign cars out of the United States.

So, while Mr. Brock inveighs against protectionism as "too destructive," he warns that "you ignore political reality at your peril — the whole process of government is politics." In other words, trade policy, like budget and defense policy, means compromise.

To build its political capital for the coming contest over automobiles, the Administration took a backward step on motorcycles. Harley-Davidson was the last of 149 American and European manufacturers. To be blamed for the death of 3 million Frenchman, West German and Italian manufacturers. To be blamed for the death of a well-known company in middle America (Milwaukee) — and an industry to boot — was too high a political price for free trade purity. The President's trade advisers were unanimous in recommending that he help the company.

Along with decreasing domestic content for automo-


May 11, 1983

MEMORANDUM FOR MR. THOMAS CORMACK
Executive Secretary
Central Intelligence Agency

SUBJECT: Request for Unclassified Graphics for Williamsburg Summit

The Agency-prepared graphic materials included in the press background book for the President's trip last year to Versailles were of high quality and deservedly received very favorable comment.

We would therefore appreciate the Agency preparing similar graphic materials, updated as necessary and possible, for inclusion in the unclassified press background book for the Williamsburg Summit.

Two thousand copies of each graphic and accompanying commentary will be needed, to be received in the NSC by COB Wednesday, May 18.

The subjects listed below were among those included in the Versailles book and continue to be of priority interest for Williamsburg:

Industrial Countries: Economic Power Shifts
Current Account Balance of Industrial Countries, 198__:
  Trade Versus Services

Industrial Countries: Current Account Trends

U.S. Current Account Trends: Trade Versus Services

Japan: Imports of Manufactures

Industrial Countries: Imports of Manufactures from Japan

Japanese Surges in Export Growth

U.S.: Growing Importance of the Service Sector

Selected U.S. Service Industries, Share of Foreign Revenues, 198__
We very much appreciate your invaluable assistance in contributing to the high caliber of the Williamsburg Summit press background book.

John M. Poindexter
Military Assistant to the Assistant to the President for National Security Affairs
MEMORANDUM

NATIONAL SECURITY COUNCIL

May 6, 1983

MEMORANDUM FOR JOHN POINDEXTER

FROM: JIM RENTSCHLER

SUBJECT: Request for Unclassified Graphics for Williamsburg Summit

Your memo to Thomas Cormack (Tab A) tasks the agency with providing unclassified materials for inclusion in the White House press book now being assembled for the Williamsburg Summit.

RECOMMENDATION:

That you sign the memo to Cormack attached.

Approve [Signature] Disapprove [Signature]

Attachment
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TO POINDEXTER FROM RENTSCHLER

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