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F0006-06

July 3, 1985

MEMORANDUM FOR THE RECORD

RE: SUMMIT OF INDUSTRIAL NATIONS

At the time of William Sittmann's departure, ORM received this file containing material relating to the planning and arrangements for the Williamsburg, Virginia, 1983 Summit of Industrialized Nations.

Some of the material is classified.

enclosures filed in  
oversize Attachments # 451  
12/17/2019

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RONALD REAGAN

Dear Bill (Attorney)  
Many thanks for making Wellesley  
a great success.  
Ronald Reagan

Presidential handwritten note  
Other thank you's for trip  
were dated June 21 83.

dated May 87

179

William Hentel  
179/0903

June 2, 1983 564076

THE WILLIAMSBURG SUMMIT

FDD016-06

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- o The summit was a substantial success for all the participants.
- o Observers and participants alike credit President Reagan's leadership with making Williamsburg one of the most successful of all the economic summits.
- o Many anticipated the "unstructured" discussions planned by President Reagan would be a gamble. By all accounts, including those of the participating heads-of-state, if it was a gamble it paid off.
- o The degree of consensus achieved by the participants on strategies for solving shared economic problems was striking.
- o All agreed, in the joint declaration on economic recovery issued at the close of the summit, that "we must all focus on achieving and maintaining low inflation, and reducing interest rates ... (and) renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures."
- o Participants also committed themselves "to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers."
- o All recognized that the prosperity they seek is more than material gain, that it is linked fundamentally to the mutual security of all and contributes to the defense of shared values and of freedom itself.



WILLIAMSBURG ECONOMIC SUMMIT OF 1983

President Reagan will host the Summit of Industrialized Nations in Williamsburg, Virginia, May 28-30. His major purpose will be to provide for an exchange of views on the most important economic issues.

Background: This Summit is the ninth in a series of annual meetings that began in Rambouillet, France in 1975. The other participants will be: Francois Mitterrand (France), Margaret Thatcher (United Kingdom), Pierre Trudeau (Canada), Helmut Kohl (Federal Republic of Germany), Yasuhiro Nakasone (Japan), Antonio Fanfani (Italy), and Gaston Thorn (Commission of European Communities).

The Summit leaders will meet as the worst and longest recession in the postwar period comes to an end. Economic recovery is already underway in the United States and elsewhere. But, serious problems, such as high unemployment, remain.

The President will emphasize informal discussion at this Summit. Although the serious issues will have been carefully prepared, there will be neither a rigid agenda nor a pre-negotiated communique. The brief concluding statement will reflect what the eight leaders actually discuss.

Position: The emphasis of the Summit will be two-fold: to establish the framework for broader economic recovery and to reinforce the cohesion and confidence of the Summit nations.

The President is looking forward to the Summit with four priorities in mind:

Marking the real progress made in beginning economic recovery;

Making clear that only sustained recovery can help the Summit nations and others, especially in Europe where employment has increased for 11 years, and developing nations, where heavy debt obligations will persist for the rest of the decade. These efforts will involve:

- Acting with steadiness, consistency and a longer-term view across a range of policy areas;
- Bringing down inflation in all countries and encouraging convergence of domestic economic performance;
- Reversing recent protectionist trends;
- Supporting the international financial system in order to maintain vital trade, especially for the developing world;
- Continuing ad hoc discussions of the relationship between trade and financial issues;

-- Continuing emphasis on fundamental adjustments so that all nations adapt new technology, retain workers, and reduce inefficiency.

3. Avoiding quick fixes and single solutions to complex issues;

4. Recognizing that the Summit nations' concern with economic progress reflects their basic values by:

--Reinforcing security commitments with economic cooperation and recovery;

-- Reaffirming the common approach to East-West economic relations in the IEA, OECD, and NATO;

-- Restricting the flow of high technology products and knowledge which has a clear and important military application to the East;

--Emphasizing that the work of Williamsburg does not end with the Summit, but that the sound strategies sought there serve the interests of successor generations.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

May 24, 1983

PRESS BRIEFING

BY

SECRETARY OF STATE, GEORGE P. SHULTZ,

AND

SECRETARY OF THE TREASURY, DONALD T. REGAN

ON

THE ECONOMIC SUMMIT AT WILLIAMSBURG

Room 450

The Old Executive Office Building

11:35 A.M. EDT

SECRETARY SHULTZ: I think the Economic Summit puts the heads of state of the leading industrial democracies in a position with an opportunity and a responsibility to give leadership in what I think is a very promising direction. Clearly, what the world needs right now in an economic sense is economic growth with low and moderating inflation. And we have an opportunity for that and a much more positive one than has been around now for several years.

In order to capitalize on that opportunity, of course, we must have policies that support that objective in each country, one by one. But far more than that, the growth that is there and can be there needs to be linked and be mutually reinforcing through the system of open trade. I think, on the whole, given all the pressures, that these leading countries have done a pretty good job through this recession period of keeping the lines of trade open. And that instinct and drive needs to be supported in every way that can be thought of.

Simultaneously, we need, on the one hand, to recognize that the so-called Third World has really come of age economically in the sense that it is truly the case that we do have one world economy, we all do have interdependence with each other, and so we need to recognize and work on those policies that will help promote growth in the Third World. And among the things that I think is outstanding in that regard is the importance of keeping track of the debt problems that are not general, but there are important debt problems. Again, it seems to me, an excellent job has been done by Secretary Regan and his colleagues in the Finance Ministries around the world, by the IMF, the World Bank, and that effort needs to be supported and worked on so that it continues to support the very important, desirable, necessary goal of economic growth with moderating rates of inflation.

So that's the theme song of the Summit -- jobs, and what supports that objective of jobs is national policies, on the one hand, and on the other, those things that link countries together and make a jobs policy in any one country supportive of the same thing in other countries.

SECRETARY REGAN: With four days remaining until the Summit, I think this is a good opportunity to review our objectives. From the outset, I'd like to make clear that these policy meetings of this nature shouldn't strive to produce specific proposals. Rather, they should serve as an opportunity for the participants to discuss general provisions and strategy.

Now that our economy is in recovery, we'll be looking as to how to make that

MORE



recovery sustainable, and how to achieve recovery worldwide through non-inflationary growth. This is the only way to establish durable economies and permanent jobs.

Specifically, we will be looking at inflation, interest rates and unemployment. Now, due to our steadily improving economy, the United States will be able to make a strong contribution to this discussion. We have been able to get inflation down. And interest rates, while they are still too high, are also much lower. Our major challenge now is unemployment. And this problem exists for all of the Summit countries. We must create more jobs and new jobs if the recovery is to be long-term. I am sure there will be // considerable discussion of just how to achieve that.

East-West trade and, of course, protectionism -- either through barriers or subsidies -- is an issue of concern to all of the Summit nations. The United States, since World War II, has been a leader in reducing trade barriers, and recognizing the importance of trade to a healthy world economy. We will continue to put our trust in a free-market system.

The world's monetary system, debt restructuring, and the role of the International Monetary Fund are of immediate importance not only for the countries in financial trouble, but also for the economies of the industrialized nations. And although this issue has received considerable attention, continued vigilance is required. Worldwide economic growth can only take place through cooperative and joint action on the parts of the major, free-world producers. At the Summit, we will have the opportunity to discuss specific economic strategies, reinforce our commitment to the free-market system and, hopefully, arrive at an agreement that is suitable not only to our immediate economic needs, but those of the future as well.

Thank you.

Q Mr. Secretary, could you possibly --

SECRETARY REGAN: Since we are both Secretaries, would you mind -- (laughter).

SECRETARY SHULTZ: I did not have any doubt in my mind who he was talking about. (Laughter.)

Q I guess this might be addressed to either one of you. (Laughter.)

Secretary Shultz, the one thing you failed to mention when you mentioned jobs and the problem of jobs is the controversy over fixed exchange rates and government intervention, which certainly the French and some other Europeans regard as the other side of that coin with 32 million unemployed in the seven nations that will be there. Could you tell us whether you expect some concrete movement toward intervention in the currency markets to come out of the Williamsburg Summit? I know the President said, last Friday, that he would study the Bretton Woods idea. Would anything more concrete than that come out of the Summit?

SECRETARY SHULTZ: I have thoughts on that. But this is really in the Treasury's domain. So I think Secretary Regan should respond.

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SECRETARY REGAN: Thank you, George.

President Mitterrand first surfaced this idea in addressing the OECD Ministers in Paris last week. We will be interested to hear what views he presents at the Summit. We have drawn no conclusions as to what we should do about his ideas until after we have heard the presentation by him, and have had a chance to discuss it with him.

In my judgment, at this time, a call for an immediate conference would be premature. I am not sure that that is what President Mitterrand meant. I think he thinks that that is some time in the future. I notice that Minister Cheysson has said that preparation will be needed.

It might be of interest to you to know that at Treasury, in going back over the record, it has been found that in preparation for the original Bretton Woods of 1944 it took over three years to arrange that conference, and over 150 different drafts before the final one was arrived at. So any kind of an international monetary conference requires a great deal of preparation and the like.

So I would not know, at this moment, just what President Mitterrand will suggest that we do, or how the rest of the world leaders will react to his idea.

SECRETARY SHULTZ: Let me just add one note on that. Everyone would like to see stability in exchange partners. And I think, with the consultative and collaborative arrangements that have been in place now for some time, there is a pretty good opportunity to see more stable exchange markets,

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because it may very well be that underlying conditions will be more stable -- as you have, routed by recent standards, low rates of inflation in leading countries, and you have the beginnings of economic expansion, and so you see a kind of a parallel movement. And it's not underlying parallelism in stability that will give stability to exchange markets. So we have the possibility of entering something of a new area.

Q Secretary Shultz, what political goals do you expect to achieve at the Summit? And what will be the points of conflict and harmony?

SECRETARY SHULTZ: Well, there will be discussions, no doubt, and exchanges of views. I think that the basic objectives that I outlined here are widely shared. Ways to get at them will be discussed by the heads of state. And I think that from a broad leadership standpoint, leadership by the leading countries in the free world, to make our system work well -- that a strong collaborative pattern that will emerge, I think, is going to be a good thing. And that's a political goal.

Q I'm speaking of arms control, the Middle East, the whole NATO range and so forth, will these be coming up?

SECRETARY SHULTZ: I'm sure those subjects will be discussed in the various meetings, but the focus of attention in these summits is economic matters.

Q Secretary Shultz, you mentioned the East-West issue. Wasn't that pretty well settled by your breakfast with your counterparts in Paris? And, second question --

SECRETARY SHULTZ: As a matter of fact, I didn't mention the East-West issue.

Q Well, Secretary Regan did.

SECRETARY SHULTZ: I do think that we had a lot of discussion of it in the OECD meeting, and prior to that, in the COCOM meetings. And we look forward to some discussion of it in the NATO foreign ministers' meeting that's coming up in Paris. So, to a very considerable extent, I think that issue has been dealt with. And, no doubt, the heads of state will want to take note of it in one fashion or another. But it has received a lot of attention.

Q And second question, is it now planned that there will be a communique or a functional equivalent of a communique?

SECRETARY SHULTZ: Well, there will be discussions. There isn't -- as I understand it, unless the Sherpas are deceiving me, there isn't any prearranged communique, and that's somewhat by design or is deliberately by design, since it's thought that the communique, if there is one, should reflect what was discussed rather than the other way around. And that's the big innovation in this summit.

Q Secretary Shultz, is the United States at a disadvantage here, despite our recovery and our better inflation and interest rate postures, because of the big deficits? I mean, how do we respond to Mitterrand on the out year deficits, given the President's opposition to tax increases and the little likelihood of any real congressional action on entitlements and big spending cuts?

SECRETARY SHULTZ: Every country has problems, including us. And the big deficits, particularly in the out years, the President has labeled as a major problem. Others think so, too. We'd like to see our real rate of interest be lower. And that would, no doubt, have some impact on exchange markets. So these are all fair subjects of discussion. We certainly discuss them here, and we're quite prepared to discuss them at a summit meeting.

Since the U.S. economy is so large, it therefore has a certain centrality and comes to bear a proportionate -- therefore a large proportionate share of the discussion. But there are problems everywhere. We're not -- and as a matter of fact, things are not going too badly in the U.S. right now in our economy.

Q What would be the American response, though, on the subject of deficits?

SECRETARY SHULTZ: Well, we have to explain our problem and agree that the deficits as projected are too large. The President has said that and said that. And we're struggling politically to come to grips with it.

SECRETARY REGAN: If I might add --

SECRETARY SHULTZ: I have a feeling we're going to get there one of these fine days, and a beginning of that process in the United States is always the realization and kind of it gets to be like inhaling, that these deficits in those out years are too big. And gradually the political process gets around to it, and I'm sure we will.

Q Secretary Regan, I wonder if I can ask you and Secretary Shultz the same question. You both mentioned the need for non-inflationary growth. And

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I wonder if it's weakening your hand and undercutting your position, in view of the fact that there was a big turnaround in the inflation picture in the statistics released today -- the Consumer Price Index --

SECRETARY REGAN: Well, I don't think that today's one-month statistic is indicative of what the entire year will be. I think you have to look at what the rate of inflation has been over the past 12 months here and what the rate of inflation might be over the next 12 months.

April was the month in which we raised the gasoline tax by 5¢ a gallon and, on top of that, the producers raised their own prices on gasoline. So, naturally, there was an effect on the CPI for the month.

I think that our record at getting inflation down is equal that or better than that of most of the other industrialized nations. I think that we are determined to keep that inflation rate down. And we will be because it looks as though energy prices will remain now down for the rest of the year, our wage settlements have been coming in at very modest increases and productivity, as would be expected, coming out of a recession, is up. So the combination is making unit labor costs very low by the previous decade's standards. And, accordingly, I think we can look forward to reduced inflation over the next several years.

Q Secretary Shultz --

SECRETARY SHULTZ: I agree with Secretary Regan.

Q Secretary Regan, you said that you thought it was premature now to have a conference on the world monetary system. Do you think it might be appropriate somewhere down the road? And would this be a good time to begin making the preparations you said would be necessary?

SECRETARY REGAN: Well, you know, you can't forecast what will be happening two or three years from now in the world's economy and the like. I think you have to take a look at the world's financial system as it changes, as we get into the recovery phase worldwide, to see what happens to exchange rates.

As Secretary Shultz said, if we converge our economies, that is all of our economies are going in the same direction, which, hopefully, is sustained growth in a non-inflationary fashion, then we think that exchange rates will stabilize and there won't be a need for fixed rates or, indeed, any tampering with the world's economic system.

So I think you just have to play that one by ear to see how the economic scenario is going to unfold as time goes on.

Q Well, could I just follow up?

You say that if we ever do need a conference, we may need two or three years of preparation. So, at what point do we know to begin making the preparations?

SECRETARY REGAN: Well, I think part of all of this discussion that's going on, the fact that this is being discussed by various people and in various types of forum, not only in the United States but in Europe and elsewhere, is all part of the process of discussing what's going on in the international monetary system.

Q Secretary Shultz, going back to the political question, would the U.S. like to see a statement of support of U.S. Middle East policy and INF policy come out of the summit? And are we prepared in advance of Chancellor Kohl's visit to the Soviet Union to give him some message about flexibility to give Andropov?

SECRETARY SHULTZ: Well, these are the kinds of topics that will be discussed; but the focus of attention in these summits has historically been, and in this case, is on the economic side. And that will be where the focus of any statements are concerned.

We are in touch with our allies, for instance, about the Middle East independently of the summit and I no doubt will discuss it in our Foreign Ministers' meetings. There's a continuous and extensive process of consultation on the INF and relationships with the Soviet Union that goes on. And so that will take place.

Q -- if I could follow up, would you like to see statements of support come out of the summit?

SECRETARY SHULTZ: I don't know that it's especially geared to that. We're always interested in support and we have been getting support and it's not an issue.

Q Secretary Shultz, on the East-West issue, after a year of discussions and some stresses and strains in the alliance on those set of issues, you now say that that appears to have been dealt with.

Can you give us a general sense of how satisfied you are and President Reagan is that all of the difficulties of the last year have been worth it, given what's been agreed to now? Have the allies come round to the President's point of view on this? In a general sense.

SECRETARY SHULTZ: Yes. Well, these are -- in the nature of these issues, they've never dealt with, and perhaps I misspoke in the sense that you

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build a bridge, and there it is, and then you go away and you don't have to worry about it any more.

There are, in the nature of these issues, there are things that -- you have to have a process that engages them. And, a point of view toward that process that's supportive of it. And, from what I can see, in the discussions that I've taken part in and heard about, what has happened is, that all of the leading countries have come to have a view that the strategic and military and security dimensions of East-West economic relations are a legitimate and important point of concern. And, thereby, the workings of COCOM have been strengthened and are being continually strengthened. The concerns about energy dependence have been addressed, and there's been an outcome to a study on that, that I think is very constructive and thoughtful.

The importance of conducting the non-strategic trade with the Soviet Union -- basically according to market principles -- so we don't engage in a process of subsidization. I almost hate to use that word because it means different things in different places and always causes trouble, so I'll just stand on the market principles.

All of these things have been taken in, and people have subscribed to them, and they are in things like the OECD communique and, the overall picture is emerging in a NATO study, so I think there's been a pretty good outcome and I don't think it's particularly a victory of anybody over anybody else. It's the emergence out of a discussion of a point of view that has become widely shared.

Q Secretary Shultz, Norman Bailey of the National Security Council staff -- I believe it was about a week ago in Brussels -- spoke on the role that the developing of military technologies have historically played in economic recovery. And, he pointed to President Reagan's strategic missile defense doctrine as possibly playing an important role in this recovery. Are you planning to take the opportunity at Williamsburg of discussing the economic impact of this ballistic missile defense program?

SECRETARY SHULTZ: I don't think that our economies depend, at all, on military programs. Our economies work well -- with or without -- a military program. As has been seen by the adjustments that our economies have very successfully made in the aftermath of World War II and in the aftermath of the Korean War, we don't need to -- in other words, crank up military programs to support our economy.

Now, having said that, I think it is obviously the case that procurement programs of a hardware sort do have an economic dimension, and they replace, in a sense, other kinds of economic activity that would take place. But, nevertheless, they're not a drag, and they are a contribution to the Gross National Product. But, I don't buy the notion that somehow or other we need these programs to fuel our economy. We don't.

Q Secretary Shultz --

Q Mr. Secretary --

~~MR. SPEAKES: One more question per Secretary, please.~~  
-- Tod. -- Secretary Shultz, Secretary Regan. -- You're last.

Q Secretary Regan and Secretary Shultz, please. Do you think that any steps can be taken during this short summit to alleviate the agriculture trade, war-surplus-subsidy situation, and do you have any thoughts on the subject?

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SECRETARY REGAN: Well, certainly subsidies and barriers to markets in international trade, whether agricultural, manufacturing service industries, will be discussed at the Summit. As to whether specific things will be arrived at, I'm not sure. But definitely it is a subject we want to press because -- as I said in my remarks, and Secretary Shultz has said -- we believe in the free market system and we think that in order to have a world-wide recovery, you've got to have open markets for produce as well as products. And certainly the agricultural barriers among our various nations are impeding this progress.

Q Secretary Shultz?

SECRETARY SHULTZ: A plus. (Laughter.)

MR. SPEAKES: We have one more here --

Q Secretary Shultz, Europeans have sent several communications consistently to this government complaining about this administration's planned strengthening of East-West trade control. But you did say -- that East-West relations, economic relations, are fairly settled. Do you see any reason why the Europeans won't bring this up? Do you think that this really indicates that East-West economic relations are settled?

SECRETARY SHULTZ: Well, I think that it's a subject that everybody will, no doubt, want to bring up and talk about a little bit. But it's been discussed, wrestled with, argued about, and out of all of that, in a very good way, has emerged a point of view and set of decisions and a process -- that I tried to outline a few minutes ago -- and I think on the whole it's on a pretty good track. And that doesn't mean everything is just right or there aren't further arguments, but basically, a lot of headway has been made.

Q I'm talking specifically about the administration's legislative proposal that has the Europeans upset. Do you think --

SECRETARY SHULTZ: The Export Administration Act.

Q Yes.

SECRETARY SHULTZ: Well, that's a matter of our internal legislation and they have raised questions about the administration's proposals, and they have made their views known to members of Congress. Nobody wants us to interfere in their internal affairs, but, as is traditional, everybody interferes in ours. So, they're doing that, and, so be it. We'll work out what we think is the right thing for our country through our political processes.

Q Will they try to interfere -- will they bring it up at the summit?

SECRETARY SHULTZ: I don't know. You'll have to ask them.

Q Are you prepared for them to?

~~SECRETARY SHULTZ: Sure. (Laughter.)~~

THE PRESS: Thank you.

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