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(Economic Summit, London, England, June 1984)
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NBC

see ID 237276

4859-add
on



237276

F0006-07

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

10 July 1984

Dear Mr. President,

I was proud and delighted to receive your letter of 15 June about the arrangements for the London Economic Summit, and I am very grateful for your thoughtfulness in writing as you do.

I am glad that you felt that it went well. That it should have done so was the result of the devotion and hard work of a fine team of people here who worked for many months - virtually since the end of the Williamsburg meeting - to make it so.

I should also like to record how much we owe to the help and advice which we received from your people who arranged the Williamsburg Summit, and especially from Mike Deaver and Mike McManus. They came over here at least twice to share their experience with us and to make sure that we did not come to grief by failing to pick up some point which they had encountered and dealt with in the arrangements for Williamsburg; and they responded readily to all our questions. That meant a great deal to us, and to me personally, and I was and am very grateful. And their generosity has taught us to fund our experience for the benefit of our successors when they plan the arrangements for next year's Summit.

*Yours sincerely
Robert Armstrong*

The President of the United States

NSC/S PROFILE

UNCLASSIFIED

ID 8404859

RECEIVED 18 JUN 84 17

TO HOWE, GEOFFREY

FROM PRESIDENT

DOCDATE 15 JUN 84

NEWMAN, KENNETH

10 JUL 84

ARMSTRONG, ROBERT

10 JUL 84

KEYWORDS: LONDON SUMMIT

SUBJECT: PRES THANK YOU LTRS RE SUMMIT

ACTION: FOR DISPATCH

DUE:

STATUS C

FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

STATE

MCMINN

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COMMENTS

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NSCIFID

(J F)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C 7/25	Rec'd Armstrong Reply		Same

DISPATCH

W/ATTCH FILE

Handwritten initials and marks

NSC
(1984)



COMMISSIONER OF POLICE
OF THE METROPOLIS

4857
add-on
NEW SCOTLAND YARD
BROADWAY LONDON SW1H 0BG

237276

FO006-07

Sir Kenneth Newman QPM

10 July 1984

The President
The White House
Washington, DC

Dear Mr President

I was honoured to receive today your very kind letter following the Economic Summit Conference in London.

It was good of you to take the trouble to write, and I would like to thank you on behalf of all officers of the Metropolitan Police for your appreciation.

Sincerely yours

Kenneth Newman

NSC/S PROFILE

UNCLASSIFIED

ID 8404859

RECEIVED 18 JUN 84 17

TO HOWE, GEOFFREY

FROM PRESIDENT

DOCDATE 15 JUN 84

NEWMAN, KENNETH

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KEYWORDS: LONDON SUMMIT

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ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

-	7/20	Dec'd Newman Reply		Same

DISPATCH

W/ATTCH FILE

WH *1984*

49

237276

F0006-07

THE WHITE HOUSE

WASHINGTON

June 15, 1984

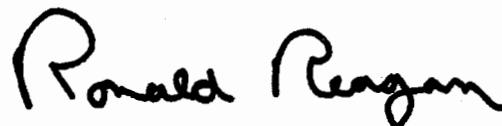
Dear Sir Robert:

I want to congratulate you on the successful arrangements for the London Economic Summit. It was a major undertaking carried off in fine style.

I was told of the extent of your personal involvement and your efforts to insure that things went smoothly. That it all went so well is testimony to your professionalism and skill.

With appreciation and best wishes,

Sincerely,



Sir Robert Armstrong, GCB, CVO
Secretary of the Cabinet
Cabinet Office
London SW1

THE WHITE HOUSE

WASHINGTON

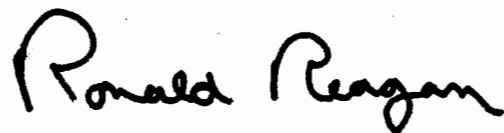
June 15, 1984

Dear Mr. Bassett:

I am writing to thank you and the members of the High School Band for the rousing musical program you gave us during the farewell reception at Winfield House last Sunday. It was heartening to see such a fine example of the talents of young Americans displayed so far from home.

Our congratulations and sincere thanks go to all of you for an excellent performance.

Sincerely,

A handwritten signature in black ink that reads "Ronald Reagan". The signature is written in a cursive, flowing style with a large initial "R".

Mr. Richard Bassett
Music Department
The American School
2-8 Loudoun Road
London NW8

THE WHITE HOUSE

WASHINGTON

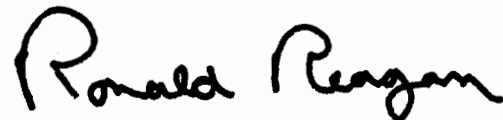
June 15, 1984

Dear Mr. Barrington:

I want to thank you and your staff for the enormous effort that went into organizing this year's summit meeting. It is increasingly important for the leaders of the industrial democracies to meet and consult on major issues of concern and the London Summit provided just such an occasion. The excellent arrangements reflect well upon your meticulous planning and hard work.

With great appreciation,

Sincerely,

A handwritten signature in black ink that reads "Ronald Reagan". The signature is written in a cursive, flowing style with a large initial "R".

Mr. Nicholas Barrington, CMG, CVO
Assistant Under-Secretary of State
Foreign and Commonwealth Office
London SW1

THE WHITE HOUSE

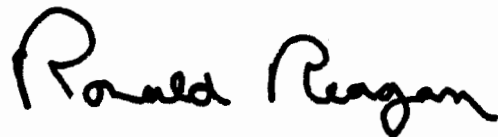
WASHINGTON

June 15, 1984

Dear Mr. Greenslade:

On behalf of Mrs. Reagan and myself, I wish to extend to you my sincerest thanks for your assistance during our visit to London. The logistics of the Economic Summit Conference were complex indeed; and all the officers of Special Branch displayed their usual professionalism and dedication throughout. We are all very grateful for your assistance and congratulate all the men and women of Special Branch.

Sincerely,

A handwritten signature in black ink that reads "Ronald Reagan". The signature is written in a cursive style with a large, prominent "R" at the beginning.

Mr. Anthony Greenslade
Chief Superintendent
Special Branch
New Scotland Yard
10 Broadway
London SW1

THE WHITE HOUSE

WASHINGTON

June 15, 1984

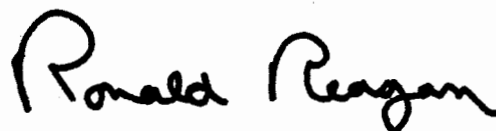
Dear Graham:

Mrs. Reagan and I would like to express our deep appreciation to you and all the members of the Winfield House staff for the outstanding support you have provided us during our stay in London.

We have been very pleased with all the household arrangements, and I know the success has been the result of much hard work and many long hours by you and your colleagues.

Please convey our sincere thanks to the entire staff for a job well done!

Sincerely,

A handwritten signature in black ink that reads "Ronald Reagan". The signature is written in a cursive style with a large, prominent "R" at the beginning.

Mr. Graham Hartley
Winfield House
Regents Park
London

THE WHITE HOUSE
WASHINGTON

June 15, 1984

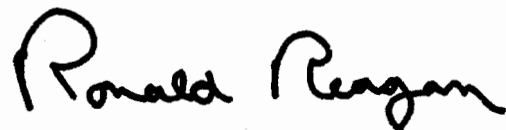
Dear Sir Geoffrey:

Let me congratulate you on a very productive and professionally conducted summit. After Williamsburg, we well understand the difficulties involved in hosting such an event, and your staff rose to the challenge with great success.

I particularly welcomed the opportunities for informal and candid discussions which provide the basis for cooperation among sovereign, democratic partners.

I send my sincere thanks for your efforts toward making the summit and my visit an auspicious occasion for strengthening the longstanding ties between our two nations.

Sincerely,



The Right Honorable
Sir Geoffrey Howe, P.C., Q.C., M.P.
Secretary of State for Foreign
and Commonwealth Affairs
London

THE WHITE HOUSE

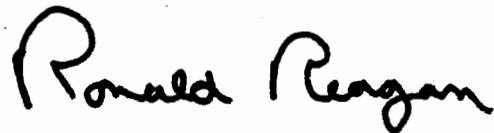
WASHINGTON

June 15, 1984

Dear Sir Kenneth:

On behalf of Mrs. Reagan and myself, I wish to extend to you our sincerest thanks for your assistance during our visit to London. The logistics of the Economic Summit Conference were complex indeed; and your officers displayed their usual professionalism and dedication throughout. We are all very grateful for your assistance and congratulate you and all the men and women of the Metropolitan Police.

Sincerely,

A handwritten signature in cursive script that reads "Ronald Reagan". The signature is written in dark ink and is positioned to the right of the typed name.

Sir Kenneth Newman
Commissioner
Metropolitan Police
New Scotland Yard
10 Broadway
London SW1

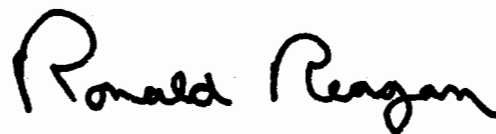
THE WHITE HOUSE
WASHINGTON

June 15, 1984

Dear Lord Mayor:

Please accept my sincere appreciation for your thoughtful hospitality during our visit to the Guildhall. This historic setting in the City of London provided a magnificent venue for the Summit Press Conference. Thank you for making possible a most memorable occasion.

Sincerely,

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The Right Honorable
The Lord Mayor of London
Mansion House
London EC4

REFERRAL

DATE: 18 JUN 84

MEMORANDUM FOR: STATE SECRETARIAT

DOCUMENT DESCRIPTION.

TO: HOWE, GEOFFREY

SOURCE: PRESIDENT

DATE. 15 JUN 84

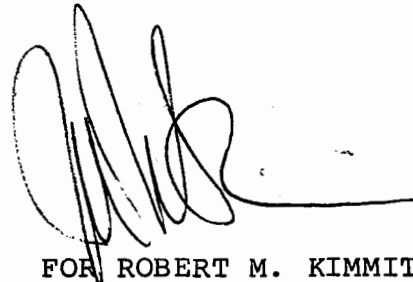
KEYWORDS: LONDON SUMMIT

SUBJ: PRES THANK YOU LTRS RE SUMMIT

REQUIRED ACTION: FOR DISPATCH

DUE DATE:

COMMENTS



FOR ROBERT M. KIMMITT

EXECUTIVE SECRETARY

~~RR R000~~

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NSC/S

Okay for
dispatch

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RECEIVED 18 JUN 84 17

TO HOWE, GEOFFREY FROM PRESIDENT

DOCDATE 15 JUN 84

KEYWORDS LONDON SUMMIT

SUBJECT: PRES THANK YOU LTRS RE SUMMIT

ACTION: FOR DISPATCH DUE: STATUS C FILES WH

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COMMENTS

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DISPATCH

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W/ATTCH FILE (C)

237276 (9)
3300
3500
FO 006-07
TR 105-01
PR001

June 15, 1984

Dear Sir Robert:

I want to congratulate you on the successful arrangements for the London Economic Summit. It was a major undertaking carried off in fine style.

I was told of the extent of your personal involvement and your efforts to insure that things went smoothly. That it all went so well is testimony to your professionalism and skill.

With appreciation and best wishes,

Sincerely,

RONALD REAGAN *D*

Sir Robert Armstrong, GCB, CVO
Secretary of the Cabinet
Cabinet Office
London SW1

cc: Linda Frick ✓

RR/NSC/KO/AVH/jfc--6PMNB

840615

Sir Robert Armstrong, GCB, CVO
Secretary of the Cabinet
Cabinet Office
London SW1

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Sincerely,

Ronald Reagan

June 15, 1984

Dear Mr. Barrington:

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With great appreciation,

Sincerely,

RONALD REAGAN

A

Mr. Nicholas Barrington, CMG, CVO
Assistant Under-Secretary of State
Foreign and Commonwealth Office
London SW1

RR:NSC:KO:AVH:jw:6PMN

cc: Linda Frick ✓

840615

Mr. Nicholas Barrington, CMG, CVO
Assistant Under-Secretary of State
Foreign and Commonwealth Office
London SW1

Dear Mr. Barrington:

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With great appreciation,

Sincerely,

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Our congratulations and sincere thanks go to all of you for an excellent performance.

Sincerely,

RONALD REAGAN *A*

Mr. Richard Bassett
Music Department
The American School
2-8 Loudoun Road
London NW8 ✓

cc: Linda Frick

RR: NSC: KO: AVH: jfc--6PMNB

840615

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2-8 Loudoun Road
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Ronald Reagan

June 15, 1984

Dear Mr. Greenslade:

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Sincerely,

RONALD REAGAN

A

Mr. Anthony Greenslade
Chief Superintendent
Special Branch
New Scotland Yard
10 Broadway
London SW1

RR:NSC:KO:AVH:ech-6PMNC

cc: Linda Frick ✓

840615

Mr. Anthony Greenslade
Chief Superintendent
Special Branch
New Scotland Yard
10 Broadway
London SW1

Mr. Greenslade:

Dear ~~Chief Superintendent:~~

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Ronald Reagan

June 15, 1984

Dear Graham:

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We have been very pleased with all the household arrangements, and I know the success has been the result of much hard work and many long hours by you and your colleagues.

Please convey our sincere thanks to the entire staff for a job well done!

Sincerely,

RONALD REAGAN

1

Mr. Graham Hartley
Winfield House
Regents Park
London

RR:NSC:KO:AVH:ech-6PMNC

cc: Linda Frick

840615

Mr. Graham Hartley
Winfield House
Regents Park
London

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I particularly welcomed the opportunities for informal and candid discussions which provide the basis for cooperation among sovereign, democratic partners.

I send my sincere thanks for your efforts toward making the summit and my visit an auspicious occasion for strengthening the longstanding ties between our two nations.

Sincerely,

RONALD REAGAN

The Right Honorable
Sir Geoffrey Howe, P.C., Q.C., M.P.
Secretary of State for Foreign
and Commonwealth Affairs
London

RR/NSC/KO/AVH/emu
6PMNA

cc: Linda Frick

840615

The Rt. Hon. Sir Geoffrey Howe QC, MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

Dear Sir Geoffrey:

Let me congratulate you on a very productive and professionally conducted summit. After Williamsburg, we well understand the difficulties involved in hosting such an event, and your staff rose to the challenge with great success.

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Sincerely,

Ronald Reagan

The Right Honorable
Sir Geoffrey Howe, P.C., Q.C., M.P.
Secretary of State for Foreign
and Commonwealth Affairs
London

June 15, 1984

Dear Mr. Jordan:

On behalf of Mrs. Reagan and all the White House staff, I want to extend my thanks to you and the Security Guard Force at Winfield House. Our visit to London was, once again, a most pleasant one. Your efforts towards making our stay at Winfield House comfortable and secure are most appreciated. Congratulations to you and your staff on a job well done. We apologize for all the additional work our visit required.

Sincerely,

RONALD REAGAN

A,

Mr. Michael Jordan
Supervisor
Winfield House Guard Force
Regional Security Office
U.S. Embassy
London

RR:NSC:KO:AVH:emu
6PMNA

cc: Linda Frick ✓

840615

Katby - 100 2.
40

These are the guns you suggested I took - guns from the Embassy. Do you want them or should we just send to Carlsbad?

B. Richter

Mr. Michael Jordan
Supervisor
Winfield House Guard Force
Regional Security Office
U.S. Embassy
London

Dear Mr. Jordan:

On behalf of Mrs. Reagan and all the White House staff, I want to extend my thanks to you and the Security Guard Force at Winfield House. Our visit to London was, once again, a most pleasant one. Your efforts towards making our stay at Winfield House comfortable and secure are most appreciated. Congratulations to you and your staff on a job well done. *We apologize for all the additional work our visit required.*

Sincerely,

Ronald Reagan

June 15, 1984

Dear Torie:

Mrs. Reagan and I appreciate very much the personal effort you made to ensure us a pleasant, comfortable stay at Winfield House.

It has been a pleasure to see -- and benefit from -- such an efficiently run household operation. I know that in large part it has been due to your own fine contribution.

Thank you very much for all your assistance.

Sincerely,

RONALD REAGAN

A

Miss Victoria Legge-Bourke
Winfield House
Regents Park
London

RR:NSC:KO:AVH:emu
6PMNA

cc: Linda Frick ✓

Miss Victoria Legge-Bourke
Winfield House
Regents Park
London

Dear Torie:

W. M. T. C. 4/27
~~Nancy~~ and I appreciate very much the personal effort
you ~~have~~ made to ensure us a pleasant, comfortable stay
at Winfield House.

It has been a pleasure to see - and benefit from -
such an efficiently run household operation. I know that
in large part it has been due to your own fine contribution.

Thank you very much for all your assistance.

Sincerely,

Ronald Reagan

June 15, 1984

Dear Lord Mayor:

Please accept my sincere appreciation for your thoughtful hospitality during our visit to the Guildhall. This historic setting in the City of London provided a magnificent venue for the Summit Press Conference. Thank you for making possible a most memorable occasion.

Sincerely,

RONALD REAGAN A

The Right Honorable
The Lord Mayor of London
Mansion House
London EC4

RR:NSC:KO:AVH:jw:6PMN

cc: Linda Frick ✓

840615

The Rt. Hon. The Lord Mayor of London
Mansion House
London EC4

Dear Lord Mayor:

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Sincerely,

Ronald Reagan

*The Right Honorable
The Lord Mayor of London
Mansion House
London EC4*

June 15, 1984

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Sincerely,

RONALD REAGAN

Sir Kenneth Newman
Commissioner
Metropolitan Police
New Scotland Yard
10 Broadway
London SW1

cc: Linda Frick

RR: NSC: KO: AVH: jfc--6PMNB

840615

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Commissioner
Metropolitan Police
New Scotland Yard
10 Broadway
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Sincerely,

Ronald Reagan

EF

C. E. 23837155
FO006-07
FR 105-02
PR005-02

W/S

LONDON ECONOMIC SUMMIT



JUNE 7-9, 1984

Notebook Filed C.F. Oversight Attachment # 338
Ala 1/2/2020

~~SECRET~~

THE TRIP OF PRESIDENT REAGAN
TO THE LONDON ECONOMIC SUMMIT

June 7-9, 1984

MEETING BOOK

TABLE OF CONTENTS

- A. Annotated Schedule
- B. Thematic Paper
- C. Setting
- D. Talking Points
 - 1. Opening Statement
 - 2. Recovery and Outlook
 - 3. Finance, Debt, Monetary
 - 4. Trade
 - 5. Space Station
 - 6. North/South
 - 7. Environment
 - 8. Technology
 - 9. East-West Economic Relations
 - 10. East-West Political Relations
 - 11. Arms Control
 - 12. Non-Proliferation
 - 13. Terrorism
 - 14. The Persian Gulf and Cooperation on Energy
 - 15. Other Regional Issues
 - 16. Closing Remarks

A. Annotated Schedule

B. Thematic Paper

C. Setting

5. Space Station

DECLASSIFIED
Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2000
BY NARA *dk*, DATE 1/2/2020

~~SECRET~~
DECL. OADR

RONALD REAGAN LIBRARY
TRANSFER/PARALLEL/OVERSIZE FILE SHEET

Please circle "preservation" (put in AV, etc.), "classified" (parallel filed in vault/annex), "collection" (misfile, provenance), "RD/FRD" (parallel file), "NATO" (parallel file), "SAP" (parallel file).

PRESERVATION CLASSIFICATION COLLECTION RD/FRD NATO SAP

FROM:

Collection WHDEM Subject File

Series E0006-07

File Folder Title/Casefile #/NSC # 238 37155

Box Number 23

Description of Material:

Brown leather (Sachler by Bosca) binder with gold stamping:

"London Economic Summit June 7-9, 1984"

with Presidential Seal

Ronald Reagan's personal copy

TO:

Collection: FO-Oversize

Series: _____

File Folder Title/Casefile #/NSC # _____

Box Number: _____

Transferred by: dm

Date: 1/3/2020

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SECOND COPY WITH ITEM PARALLEL FILED OR TRANSFERRED
THIRD/FOURTH* COPY FOR COLLECTION FOLDERS - * IF TRANSFERRING TO/FROM TWO
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C. F. 238371-55
EC006-01
TK 105-02

LONDON ECONOMIC SUMMIT



JUNE 7-9, 1984

Notebook Filed C.F. Oversight Attachment # 338

~~SECRET~~

THE TRIP OF PRESIDENT REAGAN
TO THE LONDON ECONOMIC SUMMIT

June 7-9, 1984

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 - 15. Other Regional Issues
 - 16. Closing Remarks

DECLASSIFIED

Sec.3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 14, 2008
BY NARA dh, DATE 1/2/2020

~~SECRET~~
DECL: OADR

A. Annotated Schedule

1984 ECONOMIC SUMMIT

Annotated Agenda

THURSDAY, JUNE 7

7:20 p.m. Depart Winfield House en route to St. James Palace.

7:30 p.m. Reception at St. James Palace.

This is the opening event of the Summit. Attendees will include the Heads, Ministers and Members of the official delegations from all Summit participants. It is essentially an informal, "mix-and-mingle" event.

7:55 p.m. Depart St. James Palace en route No. 10 Downing Street.

8:00 p.m. Working Dinner (2 hours - Heads of State/Government only, plus notetakers, 10 Downing Street).

This informal, initial session will set the stage for your subsequent meetings.

We have decided on several U.S. objectives in the political field; the priority order for addressing them, however, will be determined after the final sherpa meeting, May 20 - 21.

FRIDAY, JUNE 8

9:30 a.m. Photo opportunity at Lancaster House (30 minutes - traditional photograph, Heads of State/Government only.)

10:00 a.m. Meeting with Heads of State/Government (2-1/2 hours - The Music Room, Lancaster House).

This is the first formal meeting involving Heads of State/Government only (with one notetaker each). Prime Minister Thatcher may ask each Head to make an initial summary presentation before moving to general discussion. You should stress your confidence in a durable recovery and the success of the policies you have advocated since Ottawa. You should also focus on our main economic objectives (the debt management strategy, trade negotiations and the space station). We do not expect political subjects to be raised at this session. At the end of the meeting, Thatcher is expected to propose how the meeting should be represented to the press by the British spokesman.

12:30 p.m. Proceed to Committee Room (U.S. Delegation Room).

1:00 p.m. Working Lunch (2 hours - Heads of State/Government only, Lancaster House, Gold Drawing Room).

At this informal session, you will continue discussion of the main political issues of concern to the U.S.

2:30 p.m. Plenary Session in Lancaster House (2 1/2 hours).

The plenary session includes Heads of State/Government, Foreign and Finance Ministers and Personal Representatives as notetakers. We expect Prime Minister Thatcher will lead off by summarizing the morning discussions and that the British Chancellor (Lawson) would present a brief report on the work of the G-10 studying ways to improve the monetary system. You should discuss points of concern to us not covered in the morning meeting. You may also ask Secretaries Shultz and Regan to speak to various points (e.g., Shultz on trade, environment, technology cooperation, and East-West economic relations; Regan on the economic outlook, U.S. domestic economic policy, the debt strategy, and monetary reform). As at the morning session, there is supposed to be agreement at the end on how to represent discussions to the press.

5:05 p.m. Depart en route Winfield House.

5:15 p.m. Arrive Winfield House.

7:50 p.m. Depart en route National Portrait Gallery.

8:00 p.m. Working Dinner (2 hours - Heads of State/Government only, National Portrait Gallery).

This informal session will be devoted to a further exchange of views on political issues.

10:15 p.m. Depart en route Winfield House.

SATURDAY, JUNE 9

9:20 a.m. Depart en route Lancaster House.

9:30 a.m. Continuation of Plenary Discussion (3 hours - Lancaster House).

This plenary session will include the same participants as Friday afternoon. The main order of business will be to approve the final statement, which will have been drafted the night before by the Personal Representatives. If time permits, there is likely to be further discussion of topics which may not have been taken up the previous day.

- 12:30 p.m. Proceed to Committee Room (U.S. Delegation Room).
- 1:00 p.m. Plenary Working Lunch (1-1/2 hours - Lancaster House).
This event, involving Heads of State/Government, Foreign and Finance Ministers, and Personal Representatives, is likely to be unstructured. We do not expect a unified conversation, but it will offer you an opportunity to review informally with other participants their thoughts on the Summit and to raise other matters bilaterally which may not have been covered adequately in previous sessions.
- 2:35 p.m. Depart Lancaster House en route Winfield House.
- 2:45 p.m. Arrive Winfield House.
- 3:25 p.m. Depart Winfield House en route Guild Hall.
- 3:40 p.m. Arrive Guild Hall for reception with Summit Leaders.
- 4:05 p.m. Joint press statement at Guild Hall.
Mrs. Thatcher will read the final statement. Afterward each national delegation will brief the press. Secretary Shultz and Secretary Regan are expected to brief for the U.S.
- 4:25 p.m. Depart Guild Hall en route Winfield House.
- 4:40 p.m. Arrive Winfield House.
- 8:30 p.m. Banquet hosted by the Queen. The dinner will be held at Buckingham Palace. Since this is mainly a ceremonial event, we do not anticipate any substantive discussions. However, it offers an opportunity comparable to that at lunch for informal talks if desired.

SUNDAY, JUNE 10

- 10:50 a.m. Depart London.

B. Thematic Paper

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BY db NARA DATE 1/2/2020

LONDON ECONOMIC SUMMIT

7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
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<u>Medium Term Objectives and Policies</u>	13
<u>Immediate Measures</u>	14
<u>North/South Relations</u>	15
<u>East/West Economic Relations</u>	16
<u>Science, Technology and the Environment</u>	17-20

Chevening, Kent

21 May 1984

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DECL: OADR

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Introduction and Background

1. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly strongly in the United States but also in other industrialized countries.

2. The main concerns are now: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, and to continue to spread its benefits; to make sure that the industrial economies develop flexibly and in response to market needs and technological change; to create conditions conducive to lower interest rates; to encourage flexible labour policies; by these and other means to create conditions for a sustained improvement in employment, especially for the young; to promote improvement of the functioning of the international monetary system; to strengthen and liberalize the international trading system and capital markets; to continue to manage international debt problems in ways which both meet the needs of the debtor countries and protect the viability of the international financial system; to promote and encourage conditions for adequate financial flows to non-industrialized countries; and to cooperate with those countries in their efforts to place their economies on a more secure and self-reliant basis.

3. In many respects, the recovery in the industrialized nations is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts in most countries to reduce underlying fiscal deficits and control monetary growth. But its continuation cannot be taken for granted; it requires unremitting efforts. In the industrialized countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as persistently low income countries, are still encountering severe difficulties.

4. The main developments over the past year have been -

4.1 - economic growth - strong in North America, fairly strong in Japan, somewhat less in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;

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- 4.2 - improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States (only partly the result of the strong recovery there);
 - 4.3 - significant reductions in inflation, although it remains high in some countries;
 - 4.4 - a tendency to increasing budget deficits in certain Summit countries but reductions in others;
 - 4.5 - a revival in world trade, with a marked rise in the imports of some Summit countries, especially the United States, helping to spread the benefits of the recovery;
 - 4.6 - high interest rates, currently rising particularly in the United States;
 - 4.7 - continuing strength of the dollar and continuing volatility of certain exchange rates;
 - 4.8 - a reduced rate of growth of monetary aggregates;
 - 4.9 - substantial imbalances in current account between Summit countries: the United States deficit has increased considerably, the Japanese surplus has been rising, and the Summit countries as a whole have moved in to deficit with the rest of the world. Reductions in current account deficits elsewhere;
 - 4.10 - many debtor countries still face substantial debt servicing costs.
5. The situation of the poorest countries, especially in sub-Saharan Africa, remains daunting. Official aid from most of the Summit countries has increased, but its rise is constrained by budgetary pressures. The outcome of negotiations to replenish the International Development Association (IDA) has so far disappointed many governments.
6. The flexible strategy on debt evolved during the last few years has worked well so far. World economic recovery has been helping the debtor countries but its benefits will be impaired if interest rates continue to rise. An increasing number of debtor countries have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

7. Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries. Nevertheless, there has been no general easing of protectionist pressures and demands for new protectionist measures persist. Little has been done either in the industrialized countries or in the newly industrialized countries to dismantle trade barriers or to reduce internal constraints on competition.

8. Oil prices have remained relatively stable during the year but the market balance is fragile because of current political factors. Other commodity prices have risen modestly.

Prospects

9. Most forecasters expect that on present policies the recovery in the Summit countries should continue, at least for the foreseeable future. Output in North America may rise more slowly after the rapid recent increases, reflecting a return to more sustainable growth; activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but elsewhere the recovery may in the short term bring little or no reduction, particularly where market rigidities persist or where there is short run unemployment caused by structural adjustments. In this situation, and given prudent monetary policies, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help to limit budget deficits in most countries; in the United States the Administration, with its "down payment" measures, has taken an important step in the process of reducing the budget deficit.

10. Prospects for interest rates are uncertain but disquieting. Interest rates have recently been rising, particularly strongly in the United States. Among the factors to which this is attributed are: inflationary expectations, inappropriate monetary policies, rapidly expanding growth, availability of higher rates of return than those on fixed interest assets, and the budgetary deficit. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

11. Exchange rate prospects are also uncertain. The influence on the United States dollar of the level of the current United States balance of payments deficit could be offset by the high rate of return on assets in the United States. Japan's growing surplus and strong macroeconomic performance could lead to

upward pressure on the yen, especially in view of recent and pending liberalization of its capital markets. The maintenance of a high degree of stability of exchange rates in the European Monetary System, brought about by a greater degree of convergence in policies, will depend on the continuing success of the countries concerned in bringing their inflation rates together at a low level.

12. Current account imbalances among Summit countries could increase. Rising exports and higher commodity prices will go some way to help many of the non-oil developing countries to service their debts and reduce their current account deficits. The prospect that the increase in energy demand will be only modest should help towards achieving stable oil prices, leaving aside political factors.

Medium Term Objectives and Policies

13. We have the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives are

- 13.1 - to continue to pursue, and where necessary to strengthen, appropriate monetary policies, supported by strict control of public expenditure and fiscal deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 13.2 - to create the conditions for lower nominal and real interest rates. It will be important to reduce inflationary expectations. Structural budget deficits need to be reduced;
- 13.3 - to ensure that, as demand expands, the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social insurance provisions, which seem likely otherwise to rise to insupportable levels in many industrialized countries. A major objective will be to reduce obstacles to higher employment by encouraging industrial adaptation, job training and flexibility in the use of labour and in wage structures, discouraging measures to prop up declining industries, and reducing or phasing out subsidies and other assistance which distorts markets;

- 13.4 - to promote conditions for the development of new technologies, in traditional as well as in new industries, and to encourage international technical cooperation and trade in the products of high technology and a more rapid and widespread acceptance of technological change;
- 13.5 - to promote conditions which favour productive investment and private enterprise, including in innovative small businesses;
- 13.6 - to make renewed efforts to liberalize and expand trade, in services as well as in manufactures and commodities;
- 13.7 - to maintain and wherever possible increase flows of resources, including official development assistance, to the developing countries, especially to the poorest countries; and to encourage practical measures to conserve resources and enhance indigenous food and energy production;
- 13.8 - to find ways of increasing the flow of private investment, through the progressive removal of impediments to capital flows and by encouraging a climate of confidence for investment;
- 13.9 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, providing an adequate flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialized countries;
- 13.10 - to assist debtor countries in making the necessary economic and financial adjustments, taking due account of political and social difficulties; for them as for the industrialized countries, success will depend on sustained world recovery and adequate but not excessive world liquidity;
- 13.11 - to pursue policies which will avoid, wherever possible, sudden and destabilizing movements in either direction in international oil markets;
- 13.12 - to recognize the international dimension of environmental problems and the role of environmental factors in economic development; to promote research into the causes, effects and means of limiting

pollution; and, particularly in the light of such research, to make greater national and international efforts to reduce, as far as practicable, the pollution of air, water and ground.

Immediate Measures

14. In order to attain these objectives within a framework of sustained growth and promotion of employment, Summit countries can agree on the following measures -
- 14.1 - to make further progress on prudent fiscal and monetary policies, so as to achieve lower inflation and interest rates and greater exchange rate stability; and in particular to carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies;
 - 14.2 - to support and strengthen work in the appropriate international organizations, notably the OECD, on policies to improve economic efficiency, incentives and flexibility and to consider how understanding of the sources and patterns of economic change can be improved;
 - 14.3 - to reduce obstacles to growth, in particular by encouraging productive investment, harmonizing international standards, creating a climate for and stimulating innovation and adaptation, encouraging job training, facilitating the mobility of labour and capital and flexibility in wage structures, and increasing public understanding and acceptance of the need for technological development;
 - 14.4 - to invite Finance Ministers to carry forward, as a matter of urgency, their current work on ways to improve the operation of the international monetary system, including exchange rates, surveillance, the creation, control and distribution of international liquidity and the role of the IMF; and by early 1985 to complete the present phase of their work and to make recommendations for next steps, including further international discussion;
 - 14.5 - to confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international cooperation which has supported them, and recognizing that continued recovery, lower interest rates and trade liberalization will be important for further progress;

- 14.6 - to develop arrangements which could foster renewed economic progress by debtor countries and strengthen their credit standing. These include the encouragement of private direct investment and continuing flexibility in commercial bank lending; closer cooperation between the IMF and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements where necessary in the official supervision of lending by commercial banks;
- 14.7 - to provide adequate flows of official development assistance, including that channelled through the IDA, with special attention to the needs of the poorest countries, particularly those in Sub-Saharan Africa;
- 14.8 - to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade;
- 14.9 - to accelerate the completion of current trade liberalization programmes, in cooperation with other trading partners; to press forward with the work on trade in services in the international fora; and to explore with other GATT partners as quickly as possible the objectives for, the participation in and the timing of a new negotiating round;
- 14.10 - to invite the Working Group in Technology, Growth and Employment, to:
- consider what has been done so far and identify specific areas for research on the causes, effects and means of limiting environmental pollution where existing knowledge is inadequate;
 - identify possible projects for industrial cooperation to develop cost-effective techniques to reduce environmental damage;

and to report by 31 December 1984.

North/South Relations

15. In the light of the foregoing, Heads of State or Government may wish to consider what position the London Summit should take in relation to proposals for pursuing the so-called North-South dialogue.

East/West Economic Relations

16. The Summit countries note, with approval, the continuing consensus on the security and other implications of economic relations with Eastern countries, and on the need to pursue the continuing work on this subject in the appropriate organizations.

Science, Technology and the Environment

17. The Summit countries welcome the report of the Working Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of cooperation launched following that Summit. They invite the Group to pursue further work on technology and the environment, education and employment, adaptation to technological change, trade in technology and the products of technology, and the sharing of major scientific facilities, and to report to Personal Representatives in time for the next Economic Summit.

18. The Summit countries thank Prime Minister Nakasone for his report on the Hakone Conference on Life Sciences and Mankind, organized by the Japan Foundation in March 1984, and welcome the intention of the French Government to host a follow-up Conference in 1985.

19. They welcome the invitation from the United States Administration to other Summit countries to participate in the development of an international manned space station. They note that a space station would be an example of the kind of programme that provides a stimulus for technological development leading to strengthened economies and improved quality of life. They agree that other Summit countries will actively examine the possibility of accepting the invitation, having regard to their own space programmes. They welcome the intention of the United States Administration to report at the next Summit on international participation in the programme.

20. The Summit countries also welcome the invitation from the Government of the Federal Republic of Germany to other Summit countries to a multilateral conference on the environment in Munich on 24-27 June 1984.

C. Setting

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Thursday, June 7

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Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2009
BY NARA 00 DATE 1/2/2020

Setting

- The reception at St. James' Palace is the opening event of the Summit. Attendees will include the Heads, Ministers and other members of official delegations from all participating Summit countries. The reception is essentially a "mix-and-mingle", informal event.

- The working dinner at 10 Downing Street for Heads of State/Government only (plus notetakers) will provide an initial information session for serious discussion, particularly of the political concerns that are import to the U.S. Talking points on the Summit political themes are indexed at Tab D. This dinner is especially important because it will set the stage for your subsequent meetings and discussions.

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Authority Nsc/State Waiver
BY dir PARADATE 1/2/2020

Friday, June 8

- The substantive sessions of the Summit begin today. Events scheduled are the morning Heads of State/Government only meeting, the working lunch for political discussion, the afternoon plenary session, and the working dinner at the National Portrait Gallery.
- The first formal session is the morning meeting for Heads of State/Government only (with one notetaker each). We expect the discussion to proceed along the same format as at Williamsburg, though Prime Minister Thatcher has not indicated exactly how she will approach it. She may ask each Head to make a Summary opening presentation, for which we have provided a summary set of points to make. Your full talking points on subjects which will probably be discussed are located at Tab D.
- The economic subjects move from a general discussion of recovery and domestic economic policy (stressing that recovery has occurred and the policies we should follow to assure it endures) to the key components of policy needed to assure it is spread to other countries. We highlight two main components: (1) the need to promote adjustment in our own societies and in LDCs, with special emphasis on the immediate and longer-term aspects of our debt management strategy, and (2) the need to move to a more open trading system, with emphasis on the need to prepare for a new trade round.
- In addition to these subjects to cover in the morning meeting (if possible), you should cap your presentations with reference to your invitation to participate with us in joint development of the manned space station. You should argue that a decision to engage in such cooperation can be a powerful symbol of our common agreement to cooperate in other areas of economic policy as well as a practical demonstration of our determination to create a basis for technological advance into the 21st Century.
- The second order of business at the morning session is to approve the Statement on Democratic Values (the text of which will have been agreed in advance) and to hold a discussion on international terrorism.

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- 2 -

- The working meals are intended to offer opportunities for informal political discussion. At the working lunch (which will also be attended by Foreign Ministers) you will continue to raise the main political issues of concern to the U.S., expanding the discussion begun the previous evening at dinner.
- The afternoon plenary session includes Heads of State/Government, Foreign and Finance Ministers and Personal Representatives as note-takers. We expect Prime Minister Thatcher will lead off by summarizing the morning discussions and suggesting topics for discussion in this meeting, probably as agreed during the morning meeting.
- It is likely that the British Chancellor (Lawson) would present a brief report on the Finance Ministers' discussions during the morning.
- Your talking points should be used for this meeting as the need arises. You may also wish to ask Secretaries Shultz and Regan to speak to various points (e.g., Shultz on trade, environment, technology cooperation and East-West economic relations; Regan on the economic outlook, U.S. domestic economic policy, the debt strategy and monetary reform).
- The working dinner at the National Portrait Gallery is for Heads of State/Government only and will be devoted to a further exchange of views on political issues.

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Saturday, June 9, Morning Plenary

Setting

- This plenary session will include the same participants as Friday afternoon. The main order of business will be to approve the final statement, which will have been drafted the night before by the Personal Representatives. If time permits, there is likely to be further discussion of topics which may not have been taken up the previous day.
- Our top priorities are to get a statement of agreement to cooperate with us in development of the manned space station and statements in the communique which (1) express confidence that our policies will lead to sustained, non-inflationary growth and new jobs in the years ahead; (2) confirm continued commitment to our agreed debt strategy, while stressing its medium-term aspects and requirements (as outlined in the Scope and Economic themes papers), and (3) endorse the need for a new trade round and for preparations to proceed so that a decision on it can be taken in GATT next year.
- Talking points on the draft communique will be prepared the night before for discussion with you before the morning meeting.
- Chancellor Kohl will invite participants to convene the next Summit in Germany in 1985.

D. Talking Points

1. Opening Statement

All "Talking Points" card versions were placed in the plastic pockets on the back of the binder dividers.

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OPENING PRESENTATION

1

- TAKE CONFIDENCE IN FACT OF RECOVERY.
- SUCCESSFUL NON-INFLATIONARY POLICIES.
- TASK TO ENSURE RECOVERY ENDURES AND SPREADS.
- KEYS ARE REDUCED SPENDING, STABLE MONEY, MARKET-ORIENTED ADJUSTMENT, OPEN TRADE AND FINANCE.
- ADJUSTMENT ESSENTIAL TO CREATE JOBS, PROSPERITY.
- CURRENT STRATEGY ON DEBT WORKING.

-- NEED STRESS ACTIONS FOR MEDIUM TERM: 2

- o LDC ADJUSTMENT;
 - o OPENNESS TO FOREIGN INVESTMENT;
 - o MORE COORDINATION BETWEEN WORLD BANK AND IMF;
 - o INCREASED TRADE OPPORTUNITIES.
- TRADE LIBERALIZATION KEY TO SUSTAINED RECOVERY.
- PROTECTIONIST PRESSURE INTENSE.

-- NEED BUILD CONFIDENCE ARE SERIOUS ABOUT LIBERALIZATION. 3

-- CRITICAL TO PREPARE NEW TRADE ROUND.

-- NEED DECISION IN 1985.

-- OBJECTIVE OF SUMMIT: MOVE US INTO NEXT DECADE.

-- COOPERATION SPACE STATION: SYMBOL OF THIS.

o MOST IMPACT IF YOUR DECISIONS MADE BY EARLY NEXT YEAR.

Friday, June 8 Morning Meeting
Summary Presentation
(For Cards)

- Can take confidence from fact of recovery -- especially strong in US, but evident in all.
- Testifies to success of non-inflationary policies we have discussed since Ottawa which all now following.
- Need continue with policies to assure recovery endures and spreads.
 - o Keys to durable recovery are to restrain spending, reduce size of government, stabilize money growth, increase flexibility of our economies by removing obstacles to initiative, investment, adjustment of labor and capital to new opportunities.
 - o Keys to spreading recovery are to maintain and enhance openness of trade and financial systems, continuation of our strategy for managing debt, including encouragement of effective adjustment in debtor countries.
- Encouraged by attention all are giving to promoting successful structural adjustment strategies.
 - o Essential for each of us if we are to create new jobs and build industries of future.
 - o Essential for developing countries if they are to share in future prosperity.
- Have effective strategy for managing debt problems.
 - o IMF resources replenished and adequate for short-term financing.
 - o Adjustment, growth and open access to world markets are critical to success in medium-term.
 - o For LDCs, openness to foreign investment essential to success of export-oriented growth strategy and restoration of debt/equity balance in external finance.
 - o Need greater coordination between IMF and IBRD to assure consistency between short and longer-term adjustment efforts.

- Other key to sustaining recovery is movement toward greater trade liberalization.
 - o All recognize protectionist pressure intense; our task is to work together to contain and deflect those pressures.
 - o Must begin now to build confidence we are serious about liberalization.
 - o Can do this by implementing agreements to accelerate tariff cuts and begin preparations for new trade round.
 - o Hope we can agree here to reaffirm importance of new round as our Ministers expressed it at the OECD two weeks ago and give momentum to preparations to permit decision on it during 1985.

- Believe basic objective of this Summit should be to lay policy foundations to move our societies into the next decade and beyond.
 - o Have suggested elements of future growth, trade and financial strategies to carry us into the 90's.
 - o Have also proposed to each that we cooperate in development of joint manned space station for launch within a decade.
 - o Agreement can be both symbol and practical demonstration of determination to cooperate to shape our own destinies.
 - o Hope all can agree to join in this effort.
 - o If some need more time to study, propose we at least agree it should be mentioned in positive terms in our final statement, with those not able to make decision now agreeing to study and decide soon.
 - o We will welcome participation at any time. But to have most impact on design of the Station, important that decisions be made by early next year.

2. Recovery and
Outlook

RECOVERY AND OUTLOOK

1

- SUMMIT COUNTRIES' GROWTH TWICE THAT OF LAST YEAR.
- U.S. RECOVERY MAJOR FACTOR.
- SUCCESS OF NON-INFLATIONARY POLICIES IN ALL.
- NEED STRENGTHEN AND SPREAD RECOVERY.
 - o RESTRAIN GOVERNMENT SPENDING; PUBLIC SECTORS TOO LARGE.
- EXPECT EARLY CONGRESS AGREEMENT ON REDUCING U.S. BUDGET DEFICIT.

2

- o DOWNPAYMENT; MORE TO FOLLOW.
- MODERATE MONEY GROWTH, REDUCED INFLATION WILL BRING DOWN INTEREST RATES.
 - o LOWER INTEREST RATES NOT PANACEA FOR OTHER SUMMIT ECONOMIES' STRUCTURAL PROBLEMS.
- NEED REDUCE STRUCTURAL OBSTACLES TO MORE JOBS, HIGHER GROWTH.
- SURVEILLANCE PROCESS WORKING TO ASSURE CONVERGENCE.
- NEED SPREAD RECOVERY IN LDC'S VIA ADJUSTMENT, OPEN MARKETS, DEBT STRATEGY.

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TALKING POINTS

Authority NSC/State lawyers
BY div PARADATE 1/2/2020

Recovery and Outlook

Your Objectives:

- Confirm consensus on policies needed to sustain non-inflationary growth.
- Explain your approach to budget and interest rates.
- Endorse need to reduce obstacles to change and promote structural adjustment.

Watch Out For:

- Criticism of high U.S. budget deficits; argument that they will force interest rates up, choke off recovery and/or reignite inflation.
- Concern about rising interest rates recently in U.S. and effects on recovery and/or LDC debt problems.

Talking Points

Recovery

- Growth in Summit economies will be twice as strong this year as it was last year:
 - o Our 1984 forecast real GNP growth for seven: 4.4%
 - o 1983 real GNP growth for seven: 2.4%
- U.S. recovery a major contributor.
 - o U.S. economy grew 6.2% in year to fourth quarter of 1983, versus 2.7% in other Summit countries.
 - o Contribution of U.S. growth reflected in increased U.S. imports from industrial countries:
 - up \$11 billion in 1983 from 1982;
 - up 38% in first quarter of 1984.
- Summit country economic recovery testifies to success of non-inflationary policies industrial countries have been following.

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- Welcome increased convergence of Summit countries on high growth/low inflation path.

G-7 growth:

- 1982: wide range; -4.4% (Canada) to 3.3% (Japan)
- 1983: only Italy negative; growth in four of Summit countries over 2%;
- 1984: six of seven Summit countries will have real growth of more than 2.5%

G-7 inflation:

- 1982: wide range; 2.7% (Japan) to 16.3% (Italy); average G-7 was 6.8%
- 1983: all but France, Italy less than 6%; average G-7 was 4.3%
- 1984: all but France, Italy less than 6%, but inflation rates closer to other five; average G-7 will be 4.6%.

- Need to keep working to strengthen and spread recovery.

- o Restrain government spending, so as to lower budget deficits and encourage continued expansion of private sector, especially investment.
 - All countries' deficits range between 3-4% of GNP in '83, except Canada and Italy even higher.
- o Public sector size (expenditure, regulation, tax burden) too large in all Summit economies, although wide disparity.
 - Federal, state, local spending as share of GNP: U.S., Japan about 35%; other Summit countries over 45%.
 - Reducing public spending frees resources for private investment that can increase economic growth.
 - Big public sector reduces flexibility of economy; governments do not respond to market forces as well as private sector.
 - U.S. efforts to deregulate very successful -- industry more responsive to consumers; economy benefits from greater efficiency.

Example 1: financial industry deregulation providing consumers opportunity to earn higher returns on savings.

Example 2: airline deregulation has made industry more competitive, more efficient.

- Cutting public sector can have double impact: increases flexibility and reduces deficit.
- o Working now with Congress on deficit reduction and spending cuts: determined to bring both under firm control.
 - With deficit reduction plan:
 - o Deficit falls from \$179 billion (4.6% of GNP) to \$129 billion (2.4% of GNP)
 - o Both Houses have acted on "down payment". Confident will have agreement with Congress soon on reduction over next 3 years of around \$150 billion (i.e., about 1/4 of projected deficits).
 - Use of term "downpayment" intentional; first step in reducing deficit. Longer-term measures include: line-item veto; balanced-budget amendment; tax reform.
- o Reduce excessive monetary growth and volatility to increase confidence in lower inflation, thereby reducing interest rates.
 - No convincing evidence of linkage between deficit and interest rates.
 - Strength and balanced nature of recovery is evidence to counter assertion that large projected deficits would increase interest rates, choke off investment.
 - If interest rates did fall, not clear that domestic economic situation and policies in France, Germany, Italy would permit similar reductions in interest rates.
 - Others must realize U.S. budget deficit not cause of, or panacea for, world economic problems. Lower deficit would not make structural problems disappear or produce strong, non-inflationary growth in countries pursuing poor policies.
 - Real task is to reduce inflationary expectations which will reduce interest rates.

Structural Adjustment

- Need also reduce structural obstacles to higher employment to sustain recovery.
 - o Structural change is key feature of dynamic economies. Must welcome it; not protect ourselves from it.
 - Efforts to protect jobs from changing economic circumstances in Europe have backfired.
 - From 1973-1983, U.S. number of persons employed rose by 17.3 million; in Europe, number employed declined by 2.7 million.
 - Strong recovery reflected in employment growth: From December 1982 to March 1984, employment in U.S. rose by 5 million persons.
 - Need create environment for new jobs.
 - o Continue anti-inflation policies.
 - o Withdraw support from failing industries to free up labor, capital.
 - Example: U.S. steel industry restructuring on own, without government help. From peak in '77, employment reduced by over 250,000 (to less than 300,000) and capacity by 15%.
 - o Remove disincentives for labor mobility.
 - o Let markets determine wages, rates of return on capital.
 - Example: Last year's bus strike was about how much wages should be cut, not raised. This happened largely because of deregulation of air lines, which made buses adjust to competition.
 - o Increase incentives for job creating investment.
 - o Will be happy to work in OECD to help advance our common analysis and exchange experiences on structural adjustment.

Convergence

- Pleased with success of multilateral surveillance process. Believe it has helped promote greater convergence among Summit countries around low inflation, solid growth path.

Spreading Recovery

- Need to strengthen recovery in LDCs.
 - o Encourage effective adjustment.
 - o Maintain open trading system; vital to keep our markets open to them.
 - U.S. takes over half of manufactured exports from non-oil LDCs.
 - o Continue to implement debt strategy which has been successful in encouraging adjustment, avoiding financial disruption.

3. Finance, Debt,
Monetary

FINANCE, DEBT, MONETARY

1

-- CURRENT DEBT STRATEGY WORKING.

o DEBTORS ADJUSTING; IMF RESOURCES ADEQUATE;
BANKS LENDING; BRIDGE FINANCING AVAILABLE;
RECOVERY PROVIDING EXPORT MARKETS,
ESPECIALLY IN U.S.

-- SENSITIVE TO EFFECT OF RISING INTEREST
RATES BUT ESSENTIAL ELEMENTS REMAIN GROWTH
AND OPEN MARKETS IN OUR COUNTRIES.

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BY dr DATE 1/3/2020

2

-- REJECT NEW PROPOSALS SUCH AS INCREASED
OFFICIAL AID (UNREALISTIC), GENERAL DEBT
RELIEF AND ADDED IDA FUNDING.

o CAN COPE WITH AFRICA BY INCREASED IDA
SHARE, EXPAND BILATERAL PROGRAMS.

o URGE OTHERS JOIN IN COORDINATING AND NEW
APPROACHES SUCH AS U.S. AFRICA ECONOMIC
POLICY INITIATIVE.

-- NEED STRENGTHEN MEDIUM-TERM STRATEGY:

3

o ADJUSTMENT; IMF/IBRD COORDINATION;
INCREASED PRIVATE INVESTMENT; NEW
TRADE ROUND.

-- PROGRESS IN MONETARY IMPROVEMENT STUDIES.

-- DECISION ON MONETARY CONFERENCE PREMATURE;
DEPENDS ON STUDIES.

-- (if needed): UNLESS CAN AGREE WE AIM FOR
DECISION IN '85 ON WHETHER TO HAVE TRADE
ROUND, I CANNOT AGREE THAT SUMMIT ENDORSE
THAT STUDIES ON IMPROVING MONETARY SYSTEM
BE COMPLETED IN '85. (FYI: FINANCE
MINISTERS HAVE AGREED TO COMPLETE STUDIES
BY MID-85.)

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BY JR INRADITE 1/2/2020

Finance, Debt, Monetary

Your Objectives:

- Confirm continued need to implement five-point debt strategy.
- If needed, refute arguments favoring major changes in strategy.
- Stress need to focus this Summit on requirements of medium-term elements of the strategy and work now to assure success of it in future.

Watch Out For:

- Proposals to stress need for increased official aid or generalized debt relief as keys to successful debt management.
- Need to reopen IDA VII agreement (perhaps with special reference to Africa).
- Special concern about rising interest rates on LDC debt burdens.
- New French push for monetary reform/conference, perhaps as quid-pro-quo to agreement on new trade round.

Talking Points

Debt: Current Strategy

- Encouraged by progress in resolving international debt problems. Williamsburg five-point strategy is working:
 - o Most troubled debtors (Mexico, Brazil examples) have recognized need for serious adjustment efforts, have begun to get houses in order.
 - reflected in forecasts of higher LDC growth (average 4.5% in 1985-1990).
 - o IMF resources have been increased, and its lending policies strengthened, to permit it to carry out central role in strategy.
 - o Commercial banks continuing to lend (and to restructure debt as necessary), in support of adjustment efforts.

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- Roughly 5% increase in loans outstanding to non-OPEC LDCs (to about \$300 billion) in 1983, compared to excessive (20+%) growth rates in 1979-81.
- Expect continued 5% growth in 1984, which should be sufficient to support adjustment yet enable banks to achieve more prudent position.
- o Governments in creditor countries have shown ability and willingness to come up with temporary "bridge" financing in emergencies. (In fact, participation not limited to industrial countries, as demonstrated by hemispheric response to Argentina.)
- o Recovery is underway in industrial countries, providing growing markets for LDC exports.
 - Especially true in U.S. Imports from LDCs up \$9 billion in 1983 from 1982; rose \$4 billion in January-February of 1984 compared with same period last year.
- Current strategy has promoted necessary economic adjustment, and avoided disruption of financial system.
 - o Broad strategy has proven adaptable, on case-by-case basis, to deal with most difficult situations.
- Sensitive to concerns about impact of rising interest rates on LDC debt.
- Our desire for lower rates as strong as yours, but should not exaggerate impact of high rates. Action some have proposed to lower interest rates artificially would threaten sustainability of expansion, which is critical for increased LDC exports to service debt.
 - o For seven largest debtors, we estimate full year impact of 1% increase in interest rates on variable rate debt to be about \$2.8 billion.
 - o For same seven countries, benefit of 1% increase in OECD growth in terms of increased exports is \$2.5 billion.
 - o Our studies show that rise in exports of key debtors has even more dramatic effect in long term than fall in interest rates.

Debt: Alternative Strategies

-- Major problems with proposals by other Summit countries.

- o Increased concessional financing unrealistic given political and budgetary realities in industrial countries; also reduces incentives for adjustment.
- o Generalized debt relief now would similarly weaken adjustment incentives; would also penalize countries which have adjusted and reward the laggards.
- o IMF, IBRD and IDA have adequate resources if used prudently.
- o Recognize LDC adjustment painful, but no real alternative. Carefully targetted bilateral aid can help alleviate most serious political pressures, but should not reduce incentives to adjustment.
- o We too are concerned about Africa; have proposed focusing IDA funding there as well as special food aid, an expanded bilateral program and U.S. Economic Policy Initiative for Africa; invite cooperation with other donors and examine ways to coordinate efforts and find new approaches to deal with Africa's economic crisis.
- o Complaints that we have no medium-term strategy are just plain wrong -- this is a medium-term strategy.

Debt: Medium-term Elements of Debt Strategy

-- Must strengthen implementation and understanding of medium/longer term aspects of debt strategy.

- o Adjustment efforts still insufficient in some key LDCs. IMF and other multilateral organizations have central role in encouraging and supporting adjustment, including more realistic exchange rates in LDCs.
- o Room for more coordination between IMF and IBRD, especially to assure lending by IBRD consistent with sound adjustment policies worked out with IMF.
- o Industrial countries should continue to strengthen own policies, to ensure durable non-inflationary expansion.
- o Also, much more needs to be done to remove barriers to trade and investment flows, by both industrial countries and LDCs.

- Need encourage more liberal investment environment in LDCs toward increased private direct investment. Would diminish LDC reliance on debt financing, provide needed technology and management expertise, substitute for imports, and expand domestic employment and export capacity.
- Should examine ways IBRD can act as catalyst for more direct investment.
- Open markets in industrial countries crucial to LDC export expansion.
- Also need elimination of subsidies, restrictions by LDCs to increase flexibility and efficiency of their economies, reduce import costs.
- New trade round can help all countries prepare solid basis for growth by establishing business confidence that markets will be open and facilitate successful longer-term adjustment.

Monetary Reform (in response to others)

- G-10 Ministers making progress on studies to improve monetary system.
- Decision on monetary conference premature pending outcome of studies.
- Our view on Conference will depend on studies.
- (if needed): However, unless we can agree that we aim for decision in '85 on whether to have trade round, cannot agree that Summit endorse that studies on improving monetary system be completed in '85. (FYI. Finance Ministers have agreed to complete studies by mid-85.)
- Believe effort to strengthen multilateral surveillance is most positive way to improve functioning of monetary system.