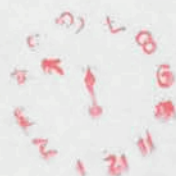


COLOMBIA : Relations : Mars 82



JUN 1982

UNCLASSIFIED
DESKBY 271900Z FCO AND WASHINGTON
FROM UKREP BRUSSELS 271814Z MAY 1983
TO IMMEDIATE FCO
TELEGRAM NUMBER 2151 OF 27 MAY 1983
AND TO IMMEDIATE WASHINGTON

NO. 10 Downing
St.



WILLIAMSBURG

1. FOLLOWING IS TEXT OF LETTER FROM G CARLH PRESIDENT UNICE
(EMPLOYERS) WHICH WE HAVE BEEN ASKED TO BRING TO ATTENTION OF
PRIME MINISTER:

BEGINS

BUSINESS IN THE EUROPEAN COMMUNITY IS FOLLOWING WITH THE
GREATEST INTEREST THE PREPARATION OF THE MEETING OF HEADS
OF STATE AND GOVERNMENT OF THE SEVEN WESTERN COUNTRIES
WHICH WILL TAKE PLACE AT THE END OF MAY AT WILLIAMSBURG.
IT IS CONVINCED OF THE NEED FOR WESTERN COUNTRIES TO ADOPT
CLOSELY CONCERTED AND COHERENT POLICIES TO PROMOTE SUSTAINED
AND STEADY GROWTH IN ORDER TO REDUCE THE PRESENT VERY HIGH LEVELS
OF UNEMPLOYMENT.

I AM SENDING YOU HEREWITH A STATEMENT UNANIMOUSLY ADOPTED BY
UNICE, WHICH COMPRISES ALL THE INDUSTRIAL AND EMPLOYERS'
FEDERATIONS OF THE MEMBER COUNTRIES OF THE EUROPEAN COMMUNITY
AND THE OTHER COUNTRIES OF WESTERN EUROPE.

I THANK YOU IN ADVANCE FOR THE ATTENTION YOU MAY KINDLY RESERVE
THE PRESENT COMMUNICATION.

ENDS

2. MIFT GIVES TEXT OF UNICE STATEMENT. COPIES HAVE ALSO GONE
TO PRESIDENT OF EUROPEAN COUNCIL AND PRESIDENT OF COMMISSION.
ORIGINAL CORRESPONDENCE FOLLOWS BY BAG TO GREWE FCO.

FCO ADVANCE DESKBY TO:-
FCO - DUTY OFFICER GREWE
NO 10 - DUTY OFFICER

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DD 271930Z FCO

DD 271930Z WASHINGTON

GRS 1200

UNCLASSIFIED

DESKBY 271930Z FCO/WASHINGTON

FM UKREP BRUSSELS 271815Z MAY 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 2152 OF 27 MAY 1983

AND TO IMMEDIATE WASHINGTON

REF MIPT

1. FOLLOWING IS TEXT OF UNICE STATEMENT:
WILLIAMSBURG ECONOMIC SUMMIT

STATEMENT

1. THE WILLIAMSBURG ECONOMIC SUMMIT IS TAKING PLACE AT A TIME WHEN THE WORLD ECONOMY IS CHARACTERISED BY :

- AN INCREASING INTERDEPENDENCE BETWEEN COUNTRIES SUCH THAT INTERNAL POLICIES HAVE INESCAPABLE EXTERNAL IMPLICATIONS; THIS IS SPECIALLY TRUE OF THE BIGGER INDUSTRIALISED COUNTRIES, WHICH THEREFORE BEAR A GREATER RESPONSIBILITY FOR THE PROCESS OF GROWTH AND THE EXPANSION OF TRADE:

- AN INCREASING INTER-CONNEXION BETWEEN BOTH PROBLEMS AND THE WAYS IN WHICH THEY CAN BE TACKLED: THIS APPLIES IN PARTICULAR TO THE CHOICE OF MEASURES AFFECTING INTEREST RATES AND EXCHANGE RATES AND THEREBY PROSPECTS FOR INVESTMENT, PRODUCTION, TRADE AND THE INDEBTEDNESS OF DEVELOPING COUNTRIES:

- THE IMBALANCES WHICH HAVE RESULTED FROM A PERIOD OF HIGH INFLATION ASSOCIATED WITH SLOW GROWTH, RISING UNEMPLOYMENT AND THE NEED FOR STRUCTURAL ADJUSTMENT HAVE HAD A DE-STABILISING EFFECT ON THE INTERNATIONAL FINANCIAL SYSTEM, ENCOURAGED PROTECTIONISM AND LED TO INCREASED GOVERNMENT INTERVENTION IN THE ECONOMY:

- AFTER SEVERAL YEARS OF RECESSION, SIGNS OF AN UPTURN IN ACTIVITY HAVE APPEARED IN THE UNITED STATES AND, TO A LESSER EXTENT, IN SOME EUROPEAN COUNTRIES: IF PROPERLY NURTURED, SUCH AN INCIPIENT RECOVERY COULD LEAD TO A GRADUAL RETURN TO STEADY GROWTH:

- DESPITE THE SOMEWHAT BRIGHTER OUTLOOK FOR GROWTH, HIGH UNEMPLOYMENT IS IN PROSPECT IN MOST COUNTRIES FOR THE FORESEEABLE FUTURE, WITH ITS DANGEROUS IMPLICATIONS FOR SOCIAL AND POLITICAL STABILITY.

ADVANCE COPY

IMMEDIATE

Do / No 10 D. Sh

2. THE PRESENT SITUATION CALLS FOR A CONCERTED INTERNATIONAL RESPONSE AS NATIONAL MEASURES CANNOT BE FULLY EFFECTIVE IN COPING WITH THE CONSEQUENCES OF A WORLDWIDE RECESSION. FURTHERMORE, BALANCED ECONOMIC MANAGEMENT IS REQUIRED, DUE EMPHASIS BEING GIVEN TO ALL ELEMENTS OF POLICY, AVOIDING INCONSISTENCIES WHICH COULD HAVE DISRUPTIVE EFFECTS ON FINANCE AND TRADE.

3. THE HEADS OF STATE AND GOVERNMENT MEETING AT WILLIAMSBURG SHOULD CONCENTRATE ON CREATING THE CONDITIONS CONDUCIVE TO A STABLE AND SUSTAINED RECOVERY OF OUTPUT AND DEMAND. FOUR MAIN OBSTACLES TO GROWTH NEED TO BE REMOVED.

4. THE FIRST CONCERNS THE REDUCTION OF PRODUCTION COSTS AND UNCERTAINTIES IN THE BUSINESS CLIMATE, IN ORDER TO ENSURE THAT PRIVATE INVESTMENT, WHICH LIES AT THE HEART OF WEALTH CREATION, CAN GO AHEAD. THIS IMPLIES CONTINUITY IN THE CONDUCT OF POLICIES AIMED AT REDUCING INFLATION AND THE STATE'S CALL ON RESOURCES.

THE MAIN ECONOMIES HAVE ACHIEVED SIGNIFICANT RESULTS IN FIGHTING INFLATION. IN OTHER COUNTRIES, THERE IS STILL SOME WAY TO GO. THE CONTROL OF INFLATION SHOULD BE A PERMANENT OBJECTIVE OF ECONOMIC POLICY. NOT ONLY IS IT FUNDAMENTAL TO AN INCREASE IN COMPETITIVENESS, BUT IT SHOULD ALSO PERMIT A REDUCTION IN REAL AS WELL AS NOMINAL INTEREST RATES, WHICH HAVE BEEN HOLDING BACK PRIVATE INVESTMENT AND INCREASING THE BURDEN OF DEBT SERVICING.

MEASURES TO COMBAT INFLATION SHOULD BE TAILORED TO THE CIRCUMSTANCES OF INDIVIDUAL COUNTRIES. TO BE BOTH FULLY EFFECTIVE AND AS NEUTRAL AS POSSIBLE IN THEIR INFLUENCE ON CAPITAL FLOWS, THEY SHOULD BE PROPERLY BALANCED AS BETWEEN MONETARY AND BUDGETARY ELEMENTS.

ACCOUNT SHOULD BE TAKEN OF PROGRESS ACHIEVED IN COMBATING INFLATION AND POLICY MODULATED ACCORDINGLY WITH A VIEW TO ENCOURAGING NON-INFLATIONARY GROWTH.

5. THE INSTABILITY AND VOLATILITY OF EXCHANGE RATES IS THE SECOND OBSTACLE TO THE EXPANSION OF TRADE AND INVESTMENT. OVERVALUED OR UNDERVALUED CURRENCIES HAVE DISRUPTIVE EFFECTS IN THIS RESPECT AND ADD TO PROTECTIONIST PRESSURES. IN PURSUIT OF MONETARY AND BUDGETARY POLICIES, GOVERNMENTS SHOULD NOT NEGLECT EXCHANGE RATES CONSIDERATIONS. IN PARTICULAR, ATTENTION SHOULD BE PAID TO THE CONSEQUENCES OF BUDGETARY MANAGEMENT FOR THE LEVEL OF INTEREST RATES, WHICH HAVE COME TO PLAY AN UNDESIRABLY DOMINANT ROLE IN THE DETERMINATION OF EXCHANGE RATES AND CAPITAL FLOWS. THE U.S., WHOSE POLICIES HAVE SUCH AN IMPORTANT INFLUENCE ON THE WORLD FINANCIAL SYSTEM, BEARS A SPECIAL RESPONSIBILITY IN THIS RESPECT.

INTERVENTION ON THE EXCHANGE MARKETS SHOULD BE LIMITED TO REDUCING ERRATIC FLUCTUATIONS. DESPITE THE INHERENT DIFFICULTIES INVOLVED, CLOSER COORDINATION IN THE MONETARY FIELD SHOULD BE PURSUED.

6. A RELATED THREAT TO SUSTAINED ECONOMIC RECOVERY IS THE FRAGILITY OF THE INTERNATIONAL FINANCIAL SYSTEM. ALTHOUGH MAJOR CRISES HAVE BEEN AVOIDED TO DATE, THE SYSTEM RELIES INCREASINGLY ON A GENERALISED INDEBTEDNESS WITH DANGEROUSLY HIGH COMMITMENTS BY THE PRIVATE BANKS. A RESUMPTION OF GROWTH IN THE INDUSTRIALISED WORLD TOGETHER WITH LOW INTEREST RATES ARE THE SUREST WAYS OF HELPING TO REDUCE THE EXTREME INDEBTEDNESS OF SOME DEVELOPING COUNTRIES. THE SOLUTION OF THIS PROBLEM ALSO REQUIRES A STRENGTHENING OF THE RESOURCES OF THE INTERNATIONAL FINANCIAL INSTITUTIONS TO ENSURE A GREATER FLOW OF FUNDS TO ASSIST THESE COUNTRIES IN ACHIEVING SOUND DEVELOPMENT GOALS WITHOUT HAVING TO ADOPT TOO RESTRICTIVE POLICIES.

7. A FOURTH PROBLEM TO BE TACKLED IS THE INCREASED STATE INTERVENTION IN ECONOMIC ACTIVITY COUPLED WITH STRONGER PROTECTIONIST PRESSURES THAT HAVE BEEN ASSOCIATED WITH THE WORLD RECESSION. UNTIL RECENTLY, THE EXPANSION OF WORLD TRADE HAD ALWAYS EXCEEDED THAT OF OUTPUT AND CONSTITUTED A BASIC ELEMENT OF GROWTH. THE HEADS OF STATE AND GOVERNMENT SHOULD RE-AFFIRM THEIR PLEDGE TO REFRAIN FROM MEASURES WHICH RESULT IN THE RESTRICTION OF INTERNATIONAL TRADE. THE CUMULATIVE, LONG TERM, NEGATIVE EFFECTS OF PROTECTIONISM FAR OUTWEIGH ANY SHORT TERM ADVANTAGES IT MAY AFFORD. BY RESTRICTING COMPETITION, PROTECTIONISM PREVENTS AN OPTIMUM ALLOCATION OF RESOURCES. THE PLEDGE TO AN OPEN, MULTILATERAL TRADE SYSTEM SHOULD APPLY TO ALL COUNTRIES WHOSE LEVEL OF DEVELOPMENT ALLOWS THEM TO SUBSCRIBE TO GATT OBLIGATIONS. IT SHOULD ALSO INCLUDE PROVISION FOR AN EFFICIENT MECHANISM FOR SAFEGUARDING FAIR TRADE. THE ROLE OF THE GATT IS IRREPLACEABLE AND SHOULD BE STRENGTHENED.

8. IF THE WILLIAMSBURG ECONOMIC SUMMIT COULD AGREE ON THE CONCERTED IMPLEMENTATION OF THE FOUR-POINT STRATEGY OUTLINED ABOVE, IT WOULD MAKE A SIGNIFICANT CONTRIBUTION TO THE RESUMPTION OF WORLD GROWTH, WHICH IS THE BEST MEANS TO RAISE EMPLOYMENT, OVERCOME PROTECTIONISM AND EASE THE PROBLEM OF INDEBTEDNESS. ITS SUCCESS WOULD INVOLVE A PROCESS OF CLOSE AND PERMANENT CONSULTATION AND COORDINATION BETWEEN THE WESTERN COUNTRIES.

2. ENDS.

FCO ADVANCE DESKBY TO:
FCO - DUTY OFFICER: GREWE
NO.10 - DUTY OFFICER ✓

BUTLER



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Foreign and Commonwealth Office

London SW1A 2AH


Prime Minister

Agree these

3 June 1983

two messages?

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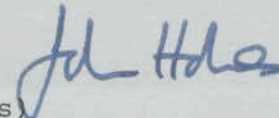
Yes 

Dear John,

Williamsburg: Messages to the Prime Minister

// The President of Colombia and the President of UNICE (Employers) each wrote to the Prime Minister before the Economic Summit at Williamsburg. I enclose draft replies to these messages together with copies of the messages themselves for ease of reference. The replies have been cleared with the Treasury. Mr Pym has not been able to see the drafts himself yet, but I will let you have any comments he may have immediately after the weekend.

I am copying this letter to John Kerr (Treasury).

Yours ever


(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT LETTER

From: Prime Minister

To: G Carli
President
UNICE (Employers)


THE WILLIAMSBURG ECONOMIC SUMMIT

Thank you for sending me a copy of your message to Summit participants. It arrived so soon before the Summit itself that I thought it would be more helpful to reply after the Williamsburg meeting.

2. You will by now have seen the text of the Williamsburg Declaration on Economic Recovery. I think you will find in it commitments and agreements which cover the action points set out in your message. As the Chancellor of the Exchequer said in his Press Conference after the formal meetings at Williamsburg had ended, the United Kingdom believes that growth can come and is coming from the renewed vitality and confidence of business and industry. This is particularly true of business in those countries like the United Kingdom which have had ~~some~~ considerable success in reducing inflation. In our concern to sustain the recovery, to promote convergence of economic performance and greater stability of exchange rates and to pursue balanced fiscal and monetary policies, the Summit has reached agreements which should prove of lasting value to business and industry. I think you will welcome the commitment to halt and reduce protectionism as the economic

recovery gathers strength. In this context we believe that the benefits of the recovery should be shared by developing countries through a strengthening of the open trade system and a general increase in the level of world trade. This process is also vital for the future of exporters in Europe.

3. I do not share the view that the structure of the international financial system is fragile. There is, of course, no room for complacency in view of the strains which international indebtedness have imposed over the recent past. Nevertheless I hope that the confidence, which the Summit participants were able to express in the emerging recovery, will be a source of encouragement and incentive to your members.



DRAFT LETTER

From: Prime Minister

To: His Excellency
Belisario Betancur
President of Colombia

THE WILLIAMSBURG ECONOMIC SUMMIT


Thank you for your message to the participants at the Williamsburg Economic Summit. It was useful to have your personal reflections which also reflected those of the Summit of Latin American and Caribbean economic experts. It arrived so soon before the Summit itself that it seemed more helpful to reply to you once the Summit had taken place.

2. I fully share your view of the interdependence of the world economy. The Williamsburg Summit was not of course intended to design a plan for global recovery. But it did consider and agree upon the overall framework within which the emerging recovery in the industrialised nations can be sustained and spread to other parts of the world. We believe that from the standpoint of the developing countries, and Latin America in particular, it is vital that the recovery in the developed nations should be sound and that its benefits should be shared widely through an increase in international trade and a strengthening of the open trading system. I am sure that you and your colleagues in the Latin American Economic System will agree with this.

3. To achieve this aim the Williamsburg Summit reached a series of important agreements and commitments which are relevant to the points of concern which you mention in your letter. The Summit considered the conditions for improving the international financial system including the part which might in due course be played by a high-level monetary conference. Your proposals will of course be a timely contribution to this task.

4. The Summit participants believe that the Williamsburg Declaration enunciated a coherent strategy which will bring the benefits of recovery to the world economy. Conditions of more stable exchange rates, lower inflation rates and public deficits should nurture the emerging recovery. On more detailed points the Summit recognised the importance of the role of new technology in achieving economic growth and also the need for continued action to reduce dependence on oil. It was not the purpose of the Summit to lay down specific policies in these areas but rather to agree on general policy directions.

5. I believe that the principal message from Williamsburg is one of new confidence in the prospects for recovery. The participants were very conscious of the need to spread the benefits of this recovery more widely to the developing



countries by strengthening the open trading system. I am grateful to you for sharing your thoughts with me and I am confident that the outcome of the Summit will be seen to have been positive and constructive.





10 DOWNING STREET

From the Private Secretary

6 June, 1983.

Messages to the Prime Minister

Thank you for your letter of 3 June to which you attached draft replies to the President of Colombia and the President of UNICE.

The Prime Minister has approved these two messages, and I would be grateful if you could arrange for their despatch.

I am sending a copy of this letter to John Kerr (HM Treasury).

M. C. SCHOLAR

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.