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CONFIDENTIAL

1987 ECONOMIC SUMMIT - AFTERNOON PLENARY SESSION

VENICE, ITALY

PARTICIPANTS: President Ronald Reagan
 Secretary George Shultz
 Secretary James Baker

 Prime Minister Amintore Fanfani
 Minister of Foreign Affairs Giulio Andreotti
 Minister of Treasury & Budget Giovanni Goria

 President Francois Mitterrand
 Prime Minister Chirac
 Minister of Finance Edouard Balladur

 Chancellor Helmut Kohl
 Minister of Foreign Affairs Hans-Dietrich
 Genscher
 Minister of Finance Gerhard Stoltenberg
 Minister of Economy Martin Bangemann

 Prime Minister Yasuhiro Nakasone
 Minister of Foreign Affairs Tadashi Kuranari
 Minister of Finance Kiichi Miyazawa
 Minister of Industry & Foreign Trade
 Hagime Tamura

 Prime Minister Brian Mulroney
 Secretary of State for External Affairs
 Joseph Clark
 Minister of Finance Michael Wilson

 President of European Council Jacques Delors
 Economic Communities Representative Martens
 Minister of Foreign Affairs of Belgium
 Leo Tindemans
 Member of the Commission of the European
 Communities Willy de Clercq

 Sir Geoffrey Howe, Secretary of State for
 Foreign & Commonwealth Affairs
 Chancellor of the Exchequer Nigel Lawson

DATE & TIME: Tuesday, June 9, 1987 - 3:18 PM -

FANFANI calls on Goria to report for Finance Ministers.

GORIA: Recalls Tokyo establishment of G-7 and duties assigned have made significant progress. Economies have grown, but slower. Have slowed exchange rates (sic). He is reading too fast to cover but we should be able to get text. Commitments at Plaza, Louvre, Washington. Exchange rates within ranges roughly compatible -- usual formula.

DECLASSIFIED

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Authority NSC/State/Treas. Waivers
BY dm NARA DATE 3/13/2020

Using indicators in multilateral surveillance. List a few -- rapidly. We'll have to define objective, etc., etc., etc. Might use rangers as goals. Need pragmatism and flexibility. These are main criteria for selecting indicators. Indicators may change from time to time. No automaticity. Can contribute to greater stability.

3:29 PM

GORIA: (Continued) Must give markets confidence in stability. Report should be absolutely confidential -- could affect markets. Yesterday and today discussed international trade, especially agriculture will not go beyond OECD Ministerial. Might repeat precisely what was said at OECD. Committed to presenting material for communique. Unanimous agreement reached. Have a paragraph to substitute for paragraph 9 in present draft. International debts -- discussion only started regarding poorest of poor. Prepared to reschedule, lower interest rates, and give grace periods. INF directors initiative much appreciated. Everyone showed a will to reach an agreement next fall.

3.37 PM

No discussion of mid-level debtors. Fanfani; Sherpas (?) will polish statement tonight for review tomorrow.

3:39 PM

KOHL: Public expects two messages. East-West relations, and third world debt. Must go further than previous Summits Communique; must say much more than this report does. Find a way to get a statement for tomorrow that goes much further.

FANFANI: Thinks all agree we must say something decisive and precise. Question has important political aspects. Should also discuss agriculture.

MULRONEY: In Jan-Feb was in Zambia and Senegal, talked to Kuada yesterday. 650 - 350 changes in per capita GNP over 4-1/2 years. (Canadian dollars)

External debt grew 67 percent. Per capita investment \$47. Followed IMF but had food riots.

MULRONEY (Continued) and stopped IMF. Aid should be grants not aid; ODA loans should be converted to grants. 60 percent of foreign earnings used to service debts. Endorse Camdessus proposal, Japan to put half the money to triple structural adjustment facility.

3:49 PM

BAKER: Debt problem different for poorest of poor. Approach must be different for mid-income countries problem is growth. Four principles of (Baker Plan) still valid. Debt of least developed countries mostly official debt. US no longer in position to take 60 percent of exports from debtor countries. Thinks there will be new commercial bad flow. But banks after reserving, in position to be firmer.

LAWSON: Backs what Baker said. Need to work toward more market oriented solution. Develop secondary markets. But for LLDC's burden of debt is insupportable. Grants must be conditioned on policy reforms. What they need is not more lending and rescheduling, but debt relief. (Gap)

REAGAN: Have we been neglecting teaching how to farm, how to set private businesses? Using volunteers (Peace Corps).

4:00 PM

CHIRAC: Was for IMF in September take action promptly. Any proposal from Camdessus will be well thought out -- we should endorse.

DECLERQ: Are all initiatives good but should not be scattered -- should be concerted.

HOWE: Reagan point should not be passed over unsupported. Good results from human aid.

CLARK: Also supports volunteers.

HOWE: Not just volunteers.

LAWSON (British): Camdessus proposal good but not enough -- must deal with debt to individual countries and international organizations.

FANFANI: Summarizes -- emphasizing urgency.

NAKASONE: Agrees with Fanfani summary and other remarks. Discuss not just in terms of feelings, make scientific (sic) studies. Various roles -- banks, MDB's volunteers. Japan will grant \$500 million to sub-South African countries. But what is most efficient means of concerting action.

NAKASONE: (Continued) Take supplement IMF as target. Have experts meet, have clear strategy and long-term perspective.

KOHL: Very important subject -- Latin America and Africa. FRG has written off \$4.2 billion DM. This Summit must go out with clear message. Decide direction now, don't wait until September. Must subject ethical quality. It is not the children or the starving who are to blame. Case by case, no across the board. Solutions: There are international organizations to devise methods. Political considerations important. Finance Ministers should draw up a text we can adopt tomorrow. We must do something.

MITTERRAND: Lack practical way to deal with debt. Must give Finance Ministers more specific instructions. Our intentions are varied. Must go further this evening.

4:22 PM

MITTERRAND: (Continued) Are we ready or are we not to put up funds immediately? Let's spend 30 minutes, 15 minutes maybe 5 specifying what Finance Ministers should do.

SHULTZ: Any statement on sub-Saharan Africa must have important dimension beyond funds. Refer to 85 famine. Problem of maldistribution of food still a problem. Africa a continent of plagues. Locusts last year. AIDS of stunning proportions, affect those who agree to manage a plan that centers only on debt (does not dismiss debt problem). Can be seriously incomplete. A lot more to problem than what is in jurisdiction of Finance Ministers.

ANDREOTTI: Talks about financial problems. Write-off would destroy their credits. Has analyzed whether debts for weapons. Weapons bought with cash. Some least developed countries have bled themselves dry buying weapons for cash. Need monetary and surveillance.

4:34 PM

FANFANI: Calls on Goria -- are Finance Ministers prepared to prepare a paper tonight?

GORIA: Two issues: (1) International cooperation (2) The indebtedness situation. Need to decide on certain initiatives Camdessus proposal good. Paris Club - reached, lower interest, grace. He will assume responsibility to convene Finance Ministers for dinner and prepare a statement to submit to Sherpas before too late.

Regarding middle income level countries. Role of commercial banks. Goria thinks recent reserving an adverse development.

MULRONEY: Ronald Reagan said communique should go beyond OECD.

GORIA: Conclusions of Finance Ministers not to go beyond OECD, which was compromise.

4:46 PM

GORIA: (Continued) Finance Ministers concluded not possible to do more or less than OECD.

REAGAN: Important to go beyond OECD. Prime importance. Translate OECD into proposed action. (Used talking points recently given him).

STOLTENBERG: Agrees with Gloria. If we achieve what OECD called for, it will be enormous step forward.

REAGAN: Quotes former saying "If you are not farming the government you are just not with it."

BAKER: Add a sentence call on Trade Ministers to develop plan to meet objectives of OECD and report to next Summit.

MITTERRAND: Can't refer anything from Summit to another group. Would be an absurdity. France would object strenuously.

4:56 PM

HOWE: Should do everything we can to advance Agriculture solution, so don't wait. Could suggest using tools OECD has developed -- paragraph 14 "and in particular to the updating and improving"

REAGAN: Mexico producing midget cows that use 1/10 as much food, produce 2/3ds as much milk.

MULRONEY: Supports combining statements from OECD with draft communique.

FANFANI: Ready to adjourn.

5:03 PM

LAWSON: Can't be here tomorrow. Evolution of cooperation on development of world economy. Since Tokyo much progress on cooperation. Louvre accord important. Punte del este also important. But faced by major imbalances; Germany and Japan trade surpluses. US budget deficit. Should continue stability of exchange rates. Must adjust economies to the changed exchange rates.

5:07 PM

LAWSON: (Continued) US Federal deficit 60 percent of total for OECD. Main action needed is on supply side, not demand -- in FRG in Japan. Agriculture a supply side. Would help solve unemployment problem. UK growth has not slowed while others are.

STOLTENBERG: FRG surplus has dropped considerably.

REAGAN: Supports supply side approach. Trying to cut deficit. Making gains from 6.3 to 3.9 percent of GNP. Deficit down \$40 billion this year, 18 percent in one year. Total taxes 19 percent GNP, spending 24 percent.

BAKER: Total deficit OECD basis 2.5 percent.

LAWSON: Still 40 percent.

BAKER: Our GNP is 38 percent.

LAWSON: Problem is its massive size.

BAKER: If judge others on percentage of GNP, do us same way.

5:18 PM

NAKASONE: Hope to try tax reform again this year. Maekowa report medium and long term _____ is being carried. Cutting coal production from twenty to ten million tons. Privatized several companies cutting blast furnaces in operation. Structural adjustments proceeding tax cuts of a trillion yen next year. Government procurement will import one billion dollars next year. Direct investment abroad accelerating.

Large increase in imports. Liberalizing finance markets ODA being expended. Not stopping here.

FANFANI: Into next years Summit.

5:25 PM Adjourn.

THE WHITE HOUSE

WASHINGTON

Venice, Italy

June 8, 1987

MEMORANDUM TO KATHY OSBORNE
FROM: CHIEF OF STAFF HOWARD BAKER

SUBJECT: PRESIDENTIAL NOTES TAKEN BY ALLEN WALLIS AT ECONOMIC
SUMMIT

During the Economic Summit meetings on June 9th and 10th,
the following persons have access to Allen Wallis' notes
taken on behalf of the President:

Senator Baker
Secretary Shultz
Secretary Baker
Frank Carlucci
Rhett Dawson
Steve Danzansky
Dave Mulford
Allen Wallis
Ken Duberstein

As the President's notes of the Summit Meeting are finalized,
copies of those notes taken by Allen Wallis may be given only
to the following people on an Eyes Only Basis:

Secretary Shultz
Secretary Baker
Senator Baker
Frank Carlucci
Allen Wallis

According to usual procedures, the notes taken by Allen Wallis
on behalf of the President will be retained by the Assistant
to the President for Operations, Rhett Dawson.

Memo to K.O.

Fr H.M.B

Re: IP's Summit Notes

on an eyes only basis:

As the IP's notes of the Summit meeting are binuclear copies of those notes may be given ^{only} to the following people:

- . Sec Shultz
- . Sen Baker
- . Sen Baker — Ken Abrahamson
- . F. Carlucci
- . Alan Wallis

~~The notes~~ According to usual procedure, the IP's notes will be retained by the Asst to the IP for ~~operation~~.

1986

Access

Eyes Only To/Keep

- Shultz
- Gen Baker
- A. Wallis
- Adm. President
- Chew
- Steve Danzberg
- Dave Inneford
- Regan

- Shultz
- Gen Baker
- Paundexter
- Chew
- Regan
- (Wallis)

VENEZIA SUMMIT CONFERENCE

Venezia Economic Declaration

Introduction

1. We, the Heads of State or Government of the seven major industrialized countries and the representatives of the European Community, have met in Venice from 8 to 10 June 1987, to review the progress that our countries have made, individually and collectively, in carrying out the policies to which we committed ourselves at earlier Summits. We remain determined to pursue these policies for growth, stability, employment, and prosperity for our own countries and for the world economy.

2. We can look back on a number of positive developments since we met a year ago. Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates have come down. Interest rates have generally declined. Changes have occurred in relationships among leading currencies which over time will contribute to a more sustainable pattern of current account positions and have brought exchange rates within ranges broadly consistent with economic fundamentals. In volume terms the adjustment of trade flows is under way, although in nominal terms imbalances so far remain too large.

Macroeconomic policies and exchange rates

3. Since Tokyo, the Summit countries have intensified their economic policy coordination with a view to ensuring internal consistency of domestic policies and their international compatibility. This is essential to achieving stronger and sustained global growth, reduced external imbalances and more stable exchange rate relationships. Given the policy agreements reached at the Louvre and in Washington, further substantial shifts in exchange rates could prove counterproductive to efforts to increase growth and facilitate adjustment. We reaffirm our commitment to the swift and full implementation of those agreements.

4. We now need to overcome the problems that nevertheless remain in some of our countries: external imbalances that are still large; persistently high unemployment; large public sector deficits; and high levels of real interest rates. There are also continuing trade restrictions and increased protectionist pressures, persistent weakness of many primary commodity markets, and reduced prospects for developing countries to grow, find the markets they need and service their foreign debt.

5. The correction of external imbalances will be a long and difficult process. Exchange rate changes alone will not solve the problem of correcting these imbalances while sustaining growth. Surplus countries will design their policies to strengthen domestic demand and reduce external surpluses while maintaining price stability. Deficit countries, while following policies designed to encourage steady low-inflation growth, will reduce their fiscal and external imbalances.

6. We call on other industrial countries to participate in the effort to sustain economic activity worldwide. We also call on newly industrialized economies with rapid growth and large external surpluses to assume greater responsibility for preserving an open world trading system by reducing trade barriers and pursuing policies that allow their currencies more fully to reflect underlying fundamentals.

7. Among the Summit countries, budgetary discipline remains an important medium-term objective and the reduction of existing public sector imbalances a necessity for a number of them. Those Summit countries which have made significant progress in fiscal consolidation and have large external surpluses remain committed to following fiscal and monetary policies designed to strengthen domestic growth, within a framework of medium-term fiscal objectives. Monetary policy should also support non-inflationary growth and foster stability of exchange rates. In view of the outlook for low inflation in many countries, a further market-led decline of interest rates would be helpful.

Structural policies

8. We also agree on the need for effective structural policies especially for creating jobs. To this end we shall:

- promote competition in order to speed up industrial adjustment;
- reduce major imbalances between agricultural supply and demand;
- facilitate job creating investment;
- improve the functioning of labour markets;
- promote the further opening of internal markets;
- encourage the elimination of capital market imperfections and restrictions and the improvement of the functioning of international financial markets.

Multilateral surveillance and policy coordination

9. We warmly welcome the progress achieved by the Group of Seven Finance Ministers in developing and implementing strengthened arrangements for multilateral surveillance and economic coordination as called for in Tokyo last year. The new process of coordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by our countries.

10. The Heads of State or Government reaffirm the important policy commitments and undertakings adopted at the Louvre and Washington meetings of the Group of Seven, including those relating to exchange rates. They agree that, if in the future world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they call on their Finance Ministers to develop, if necessary, additional appropriate policy measures for this purpose and to continue to cooperate closely to foster stability of exchange rates.

11. The coordination of economic policies is an ongoing process which will evolve and become more effective over time. The Heads of State or Government endorse the understandings reached by the Group of Seven Finance Ministers to strengthen, with the assistance of the International Monetary Fund (IMF), the surveillance of their economies using economic indicators including exchange rates, in particular by:

- the commitment by each country to develop medium-term objectives and projections for its economy, and for the group to develop objectives and projections, that are mutually consistent both individually and collectively; and
- the use of performance indicators to review and assess current economic trends and to determine whether there are significant deviations from an intended course that require consideration of remedial actions.

12. The Heads of State or Government consider these measures important steps towards promoting sustained non-inflationary global growth and greater currency stability. They call upon the Group of Seven Finance Ministers and Central Bank Governors to:

- intensify their coordination efforts with a view to achieving prompt and effective implementation of the agreed policy undertakings and commitments;

- monitor economic developments closely in cooperation with the Managing Director of the IMF; and

- consider further improvements as appropriate to make the coordination process more effective.

Trade

13. We note rising protectionist pressures with grave concern. The Uruguay Round can play an important role in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. Recognizing the interrelationship among growth, trade and development, it is essential to improve the multilateral system based on the principles and rules of the General Agreement on Tariffs and Trade (GATT) and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral discipline. Protectionist actions would be counterproductive, would increase the risk of further exchange rate instability and would exacerbate the problems of development and indebtedness.

14. We endorse fully the commitment to adopt appropriate measures in compliance with the principles of stand-still and rollback which have been reaffirmed in the Ministerial Declaration on the Uruguay Round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.

15. Basing ourselves on the Ministerial Declaration on the Uruguay Round and on the principles of the GATT, we call on all Contracting Parties to negotiate comprehensively, in good faith and with all due despatch, with a view to ensuring mutual advantage and increased benefits to all participants. Canada, Japan, the United States and the European Community will table a wide range of substantive proposals in Geneva over the coming months. Progress in the Uruguay Round will be kept under close political review. In this context the launching, the conduct and the implementation of the outcome of the negotiations should be treated as parts of a single undertaking; however, agreements reached at an early stage might be implemented on a provisional or definitive basis by agreement prior to the formal conclusion of the negotiations, and should be taken into account in

assessing the overall balance of the negotiations.

16. A strong, credible, working GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. The functioning of the GATT should be improved through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; and through ensuring better coordination between the GATT and the IMF and the World Bank. We consider that it would be useful to have, as appropriate, in the course of the negotiations, a meeting of the Trade Negotiating Committee at the Ministerial level.

Agriculture

17. At Tokyo we recognized the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognized the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued the approach outlined at Tokyo, and we take satisfaction from the agreement in the Ministerial Declaration adopted in Punta del Este on the objectives for the negotiations on agriculture in the Uruguay Round.

18. We reaffirm our commitment to the important agreement on agriculture set out in the OECD Ministerial communique of May 13, 1987; in particular, the statement of the scope and urgency of the problem which require that a concerted reform of agricultural policies be implemented in a balanced and flexible manner; the assessment of the grave implications, for developed and developing countries alike, of the growing imbalances in supply of and demand for the main agricultural products; the acknowledgment of shared responsibility for the problems as well as for their equitable, effective and durable resolution; the principles of reform and the action required. The long-term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.

19. We underscore our commitment to work in concert to achieve the necessary adjustments of agricultural policies, both at home and through comprehensive negotiations in the Uruguay Round. In this as in other fields, we will table comprehensive proposals for negotiations in the coming months to be conducted in accordance with the mandate in the Ministerial Declaration, and we intend to review at our next meeting the progress achieved and the tasks that remain.

20. In the meantime, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay Round as a whole and as a step towards

the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more generally, damage trade relations.

Developing countries and debt

21. We attach particular importance to fostering stable economic progress in developing countries, with all their diverse situations and needs. The problems of many heavily indebted developing countries are a cause of economic and political concern and can be a threat to political stability in countries with democratic regimes. We salute the courageous efforts of many of these countries to achieve economic growth and stability.

22. We underline the continuing importance of official development assistance and welcome the increased efforts of some of our countries in this respect. We recall the target already established by international organizations (0,7%) for the future level of official development assistance and we take note that overall financial flows are important to development. We strongly support the activities of international financial institutions, including those regional development banks which foster policy reforms by borrowers and finance their programmes of structural adjustment. In particular:

- we support the central role of the IMF through its advice and financing and encourage closer cooperation between the IMF and the World Bank, especially in their structural adjustment lending;

- we note with satisfaction the contribution made by the Eighth replenishment of the International Development Association (IDA);

- we support a general capital increase of the World Bank when justified by increased demand for quality lending, by its expanded role in the debt strategy and by the necessity to maintain the financial stability of the institution;

- in the light of the different contributions of our countries to official development assistance, we welcome the recent initiative of the Japanese government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries.

23. For the major middle-income debtors, we continue to support the present growth-oriented case-by-case strategy. Three elements are needed to strengthen the growth prospects of debtor countries: the adoption of comprehensive macroeconomic and structural reforms by debtor countries themselves; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor country reforms. We shall play our part by helping to sustain growth and expand trade. A number of debt agreements have allowed some resumption of growth,

correction of imbalances, and significant progress in restoring the creditworthiness of some countries. But some still lack adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings, the repatriation of flight capital, increased flows of foreign direct investment, and in particular reforms of financial markets.

24. There is equally a need for timely and effective mobilization of lending by commercial banks. In this context, we support efforts by commercial banks and debtor countries to develop a "menu" of alternative negotiating procedures and financing techniques for providing continuing support to debtor countries.

25. Measures should be taken, particularly by debtor countries, to facilitate non-debt-creating capital flows, especially direct investment. In this connection, the Multilateral Investment Guarantee Agency (MIGA) should begin to serve its objectives as soon as possible. It is important to maintain flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programmes.

26. We recognize the problems of developing countries whose economies are solely or predominantly dependent on exports of primary commodities the prices of which are persistently depressed. It is important that the functioning of commodity markets should be improved, for example through better information and greater transparency. Further diversification of these economies should be encouraged, with the help of the international financial institutions, through policies to support their efforts for improved processing of their products, to expand opportunities through market access liberalization, and to strengthen the international environment for structural change.

27. We recognize that the problems of some of the poorest countries, primarily in sub-Saharan Africa, are uniquely difficult and need special treatment. These countries are characterized by such features as acute poverty, limited resources to invest in their own development, unmanageable debt burdens, heavy reliance on one or two commodities, and the fact that their debt is owed for the most part to governments of industrialized countries themselves or to international financial institutions. For those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached, especially in the Paris Club, on longer repayment and grace periods to ease the debt service burden. We welcome the various proposals made in this area by some of us and also the proposal by the Managing Director of the IMF for a significant increase in the resources of the Structural Adjustment Facility over the three years from January 1, 1988. We urge a conclusion on discussions on these proposals within this year.

28. We note that UNCTAD VII provides an opportunity for a discussion with developing countries with a view to arriving at a

common perception of the major problems and policy issues in the world economy.

Environment

29. Further to our previous commitment to preserve a healthy environment and to pass it on to future generations, we welcome the report by the environment experts on the improvement and harmonization of techniques and practices of environmental measurement. Accordingly, we encourage the United Nations Environment Programme (UNEP) to institute a forum for information exchange and consultation in cooperation with the International Organization for Standardization (ISO) and the International Council of Scientific Union (ICSU), assisted by other interested international organizations and countries, so that continuing progress in this important field can be ensured. The priority environmental problems identified by the environment experts in their report should receive full attention.

30. We underline our own responsibility to encourage efforts to tackle effectively environmental problems of worldwide impact such as stratospheric ozone depletion, climate change, acid rains, endangered species, hazardous substances, air and water pollution, and destruction of tropical forests. We also intend to examine further environmental issues such as stringent environmental standards as an incentive for innovation and for the development of clean, cost-effective and low-resource technology as well as promotion of international trade in low-pollution products, low-polluting industrial plants and other environmental protection technologies.

31. We welcome the important progress achieved since Tokyo, particularly in the International Atomic Energy Agency, in enhancing effective international cooperation, with regard to safety in the management of nuclear energy.

Other issues

32. We welcome the initiative of the Human Frontier Science Programme presented by Japan, which is aimed at promoting, through international cooperation, basic research on biological functions. We are grateful for the informal opportunities our scientists have had to take part in some of the discussions of the feasibility study undertaken by Japan. We note that this study will be continued and we would be pleased to be kept informed about its progress.

33. We welcome the positive contribution made by the Conference of High Level Experts on the future role of education in our society, held in Kyoto in January 1987.

34. We shall continue to review the ethical implications of developments in the life sciences. Following the Conferences sponsored by Summit governments - by Japan in 1984, by France in 1985, by the Federal Republic of Germany in 1986 and by Canada in 1987 - we welcome the Italian government's offer to host the next bioethics Conference in Italy in April, 1988.

Next Economic Summit

35. We have agreed to meet again next year and have accepted the invitation of the Canadian Prime Minister to meet in Canada.

* * * * *

Chairman's statement on AIDS
(Text to be distributed to the press)

On the basis of the concern already shown in the past for health problems (London Chairman's oral statement on cancer and Bonn Chairman's oral statement on drugs), the Heads of State or Government and the representatives of the European Community affirm that AIDS is one of the biggest potential health problems in the world. National efforts need to be intensified and made more effective by international cooperation and concerted campaigns to prevent AIDS from spreading further, and will have to ensure that the measures taken are in accordance with the principles of human rights. In this connection, they agree that:

- international cooperation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organizations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organization (WHO) is the best forum for drawing together international efforts on a worldwide level to combat AIDS, and all countries should be encouraged fully to cooperate with the WHO and support its special programme of AIDS-related activities;

- in the absence of a vaccine or cure, the best hope for the combat and prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or spreading it. Appropriate opportunities should be used for exchanging information about national education campaigns and domestic policies. The Heads of State or Government and the representatives of the European Community welcome the proposal by the United Kingdom Government to co-sponsor, with the WHO, an international conference at ministerial level on public education about AIDS;

- further cooperation should be promoted for basic and clinical studies on prevention, treatment and the exchange of information (as in the case of the E.C. programme). The Heads of State or Government and the representatives of the European Community welcome and support joint action by researchers in the Seven countries (as in the case of the joint programme of French and American researchers, which is being enlarged, and similar programmes) and all over the world for the cure of the disease, clinical testing on components of the virus, and the development of a successful vaccine. The Heads of State or Government and the representatives of the European Community welcome the proposal by the President of the French Republic aiming at the creation of an International Committee on the ethical issues raised by AIDS.

* * * * *

Venezia, June 10, 1987

CHAIRMAN'S SUMMARY ON POLITICAL ISSUES

The Venice Summit has provided us with the opportunity for a useful exchange of views on the main international political issues of the moment. Our discussions took place in the same spirit of constructive cooperation which inspired yesterday's statements on East-West relations, the Gulf conflict, and terrorism and confirmed a significant unity of approaches.

In the field of East-West relations, particular attention was paid to a number of regional issues.

On the subject of Afghanistan, emphasis was placed once again on the need to keep up pressure so that the Afghan people can very soon determine their own future in a Country no longer subject to external military occupation.

It was noted that the presence in Kampuchea of foreign troops continues to be an obstacle to the peace and tranquillity of South-East Asia.

In the Pacific, newly-independent island states are faced with difficult economic situations. We have stressed the need to support their development process in conditions of complete freedom from outside political interference.

In Asia, we agreed that particular attention should be paid to the efforts for economic reform undertaken by China. We reviewed the situation in the Korean peninsula, in the belief that the next Olympic Games may create a climate favourable to the development of a more open dialogue between North and South. In the Philippines, the democratic government is involved in a courageous attempt at economic and social renewal which deserves our support.

As regards Africa - a continent with enormous potentialities but facing extremely serious economic, social and political problems - we viewed the situation

2.

in South Africa with particular concern. We agreed that a peaceful and lasting solution can only be found to the present crisis if the apartheid regime is dismantled and replaced by a new form of democratic, non-racial government. There is an urgent need, therefore, to begin a genuine dialogue with the representatives of all the components of South African society. At the same time we noted the importance of humanitarian assistance initiatives for the victims of Apartheid and of supporting the efforts by SADCC (Southern African Development Coordination Conference) member states to develop and strengthen their own economies.

Serious concern was expressed at the continuing dangerous tensions and conflicts in the Near and Middle East and at the absence of concrete progress toward a solution to the Arab-Israeli dispute. The need for action to create conditions for a just, global and lasting peace was reaffirmed.

Concern was also expressed at the situation in the occupied territories.

The situation in Lebanon, with its serious internal tensions and the persisting problem of the Palestinian camps, continues to give cause for concern. In this connection we reaffirmed our hope that genuine efforts be made towards national reconciliation.

With regard to Latin America, the discussion highlighted the need to promote appropriate initiatives aimed at supporting democratic governments and encouraging the return to democracy and its consolidation throughout the continent. There was also agreement that efforts toward regional integration will help open up a fruitful and constructive dialogue with the West: they therefore deserve support.

With regard to developments in Central America, it is hoped that the forthcoming Summit to be held in Guatemala can play a positive role in paving the way to peace and stability.

Finally, we turned to the problems of the United Nations Organizations and, in particular to its current financial difficulties and considered possible ways of overcoming them.

date 9/6/87

hour 12:23

VERSION NUMBER 1

STATEMENT ON EAST-WEST RELATIONS

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2. We recognize with pride that our shared values of freedom, democracy and respect for human rights are the source of the dynamism and prosperity of our societies. We renew our commitment to the search for a freer, more democratic and more humane world.

3. Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no-one, protects freedom, deters aggression and maintains peace. We shall continue to consult closely on all matters affecting our common interest. We will not be separated from the principles that guide us all.

4. Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.

5. We are following with close interest recent developments in the internal and external policies of the Soviet Union. It is our hope that they will prove to be of great significance for the improvement of political, economic and security relations between the countries of East and West. At the same time, profound differences persist; each of us must remain vigilantly alert in responding to all aspects of Soviet policy.

6. We reaffirm our commitment to peace and increased security at lower levels of arms. We seek a comprehensive effort to lower tensions and to achieve verifiable arms reductions. While reaffirming the continuing importance of nuclear deterrence in preserving peace, we note with satisfaction that dialogue on arms control has intensified and that more favourable prospects have emerged for the reduction of nuclear forces. We appreciate US efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons. We emphasize our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical weapons. We believe that these goals should be actively pursued and translated into concrete agreements. We urge the Soviet Union to negotiate in a positive and constructive manner. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.

7. We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

- We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since.
- We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of

Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future.

- We encourage greater contacts, freer interchange of ideas and more extensive dialogue between our people and the people of the Soviet Union and Eastern Europe.

8. Thus, we each seek to stabilize military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; and to build contacts, confidence and trust between governments and peoples in a more humane world. Progress across the board is necessary to establish a durable foundation for stable and constructive relationships between the countries of East and West.

STATEMENT ON TERRORISM

We, the Heads of State or Government of seven major democracies and the Representatives of the European Community assembled here in Venice, profoundly aware of our peoples' concern at the threat posed by terrorism;

- reaffirm our commitment to the statements on terrorism made at previous Summits, in Bonn, Venice, Ottawa, London and Tokyo;
- resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;
- confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;
- remain resolved to apply, in respect of any State clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;
- welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986, and in particular the initiative taken by France and Germany to convene in May in Paris a meeting of Ministers of nine countries, who are responsible for counter-terrorism;
- reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora;

- will continue our efforts to improve the safety of travellers. We welcome improvements in airport and maritime security, and encourage the work of ICAO and IMO in this regard. Each of us will continue to monitor closely the activities of airlines which raise security problems. The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;

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The Heads of State or Government urge other governments to join them in this commitment.

PERSONAL CONTRIBUTION OF THE PERSONAL REPRESENTATIVES FOR A DRAFT
ON IRAQ-IRAN WAR AND FREEDOM OF NAVIGATION IN THE GULF

We agree that new and concerted international efforts are urgently required to help bring the Iraq-Iran war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end of the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of just and effective measures by the UN Security Council. With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded.

We pledge to continue to consult on ways to pursue these important goals effectively.

date 9/6/87

hour 04:30

VERSION NUMBER 0

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~~CONFIDENTIAL~~

1987 ECONOMIC SUMMIT - OPENING MEETING

VENICE, ITALY

PARTICIPANTS: President Ronald Reagan
Prime Minister Amintore Fanfani
President Francois Mitterrand
Prime Minister Margaret Thatcher
Chancellor Helmut Kohl
Prime Minister Yasuhiro Nakasone
Prime Minister Brian Mulroney
President Jacques Delors
Economic Communities Representative Martens

DATE & TIME: Tuesday, June 9, 1987 - 9:57 AM - 12:08 PM

9:57 AM FANFANI opens Summit.

Texts on Iran-Iraq, terrorism, Gulf available. Any comments?

THATCHER: Happy with East-West and terrorism and Iran-Iraq war -- support effective measures, add enforceable. Means sanctions on arms.

REAGAN: Just, effective and enforceable measures. Someone else (Japan?) supports.

MITTERRAND: Word enforceable has not been discussed so can't agree.

FANFANI: Says just covers enforceable -- moral duty to find right way to enforce.

KOHL: Likes enforceable, not just. The Sherpa statement sound.

FANFANI: Asks Thatcher views. She says unless all agree can't go. Effective implies enforceable.

REAGAN: Some effective measures might be unjust. Doesn't see any concern with either word.

NAKASONE: Enforceable alone rather harsh attitude. Just must be in - reflects value judgment.

MITTERRAND: These summits are economic summits. If must be enforceable, a task for Security Council. Should not pre-empt Security Council.

10:07 AM

THATCHER: Security Council does not always adopt just measures -- neither does an assembly.

REAGAN: Agrees, says UN has degenerated into a debating society.

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DECLASSIFIED

Authority: NSE/state/Inas. Waivers
by: dr NARA DATE 3/13/2020

MARTENS: Agrees just should be added -- but this not appropriate forum.

FANFANI: Everyone agrees to omit enforceable but what about just? Encourages Security Council to be fair. So let's accept and go on to economy only add word just and let other papers stand.

FANFANI: Wants to go on TV now and read the statement.

THATCHER: Won't world press think us a little bit quick? Start on economic then break for coffee, put out for lunch.

FANFANI: OK.

MULRONEY: South Africa evidently did not receive unanimous support. Can chairman refer to it in closing remarks.

THATCHER: We did that last year, can do it again.

10:17 AM

KOHL: Do not give impression we discussed South Africa unless we really do so. Outstandingly good work by Sherpas but let's turn to economy.

FANFANI: Thought Mulroney satisfied last night. Deferred to riper time and more suitable forum -- e.g., Reykjavik next week.

MITTERRAND: Terrorism was not discussed -- neither was Iran-Iraq war -- but he won't kill it.

10:21 AM Economics

FANFANI: Summarized subjects to be discussed.

NAKASONE: Mixed picture for world economy. Must implement policy coordination and restructuring. Must achieve long-term stability of exchange rates -- Japan with trade surplus has major responsibility but so does U. S. because of the budget imbalance. Six trillion yen program, twenty billion recycling to developing world. One billion government procurement, half billion to sub-Saharan countries.

10:35 AM

NAKASONE: (Continues) Japan often criticized for not fulfilling promises -- he'll see that they do. Exchange rate instability important to Japan. Major causes have been relation between U. S. and Japan.

-- Japan trade surplus

-- U. S. budget deficit

Deficit reduction by U. S. might cause some recession which would hurt LDC's -- industrialized countries must be prepared to help.

KOHL: Have made progress since Tokyo. FRG has been adjusting since end of 85. Growth slowed more than expected because negative effects of lower oil prices took effect sooner than positive effects. More important than new commitments is carrying out those we have already made.

-- Reducing taxes Jan 86, 88, 90.

Total 2-1/2 percent of GNP -- limit of what is possible.

-- Interest rates at historical lows.

10:43 AM

KOHL: (Continued) FRG trade surplus has declined substantially and will go further. Military program expanded GNP 4 percent. Exports rose far less than imports. Proceed along lines laid down by OECD Minister at GATT -- although agriculture very difficult.

KOHL: LDC's -- commodity price problem. Debt problem still serious. Future strategy must treat poorest differently. Replenish IDA -- General Capital Increase as soon as possible.

10:50 AM

REAGAN: Structural adjustment is necessary for sustained, higher level of economic growth and for better balance in our external accounts. Supply side policies important, but need to give these terms more concrete meaning. In US have made substantial progress, e.g., banking, airline, and telecommunication deregulation; deregulation of energy prices; tax reform and cutting government expenditures. Have much more to do in other areas, for instance agriculture. We are spending billions in subsidies to assist small family farms, but much of it flowing to those who don't need it. There are other areas in which we can cut government expenditures.

Here are a few examples from your countries. Much has been written lately about cost of land and housing in Japan. Japanese housing apparently costs 7 times workers' income versus 3 times in US, due in part to high land values. This in turn induces excess saving and dampens consumption. Is this related to agricultural subsidies and laws that keep land from being converted from farming to other uses?

In Europe we still see serious labor market rigidities. Labor costs high. Legislation restricts overtime; difficult if not impossible to lay off workers and to close unprofitable plants. This, plus overregulation and lack of financing inhibits people from starting new firms, the main sources of employment growth.

I understand that in Italy banks reluctant to take on new employees to handle volatile levels of stock transactions because they cannot lay off employees when markets slow down.

If US had such limitations, we would never have developed our high tech centers and other new industries.

Primary cause of oversupply and distress in agricultural markets is government farm support policies tied to production. These misallocate and overcommit resources to agriculture, shelter producers from market realities and prevent necessary structural adjustments to stagnating demand and rapidly-increasing productivity.

These policies cost our countries, together, over \$140 billion a year. They also have severe effect on developing countries, many of which depend on earnings from agricultural exports to repay debt and promote growth. Import protection and export subsidies have been necessary to sustain these policies. These trade distortions cannot be reduced unless we deal with the basic problem. Any support to farming must be in ways that do not provide incentives to production.

Summit countries must lead others in Uruguay Round to act together to reduce production-linked support, trade barriers and subsidies. Politically, no country can accept freer trade unless others do too.

I have reviewed language that our hosts have proposed on agriculture. I think it is positive. Important that we go beyond language adopted as OECD. This is an area where we have great responsibility to promote reform.

Several improvements needed. Will leave details to Sherpas. However, of prime importance:

-- We cannot leave Summit with merely "an endorsement" of OECD language; must translate into action.

-- Must ask Trade Ministers to develop expeditiously elements of a comprehensive approach to achieve objectives set forth by OECD. We should have a report at our next Summit.

10:56 AM

MARTENS: Conditions for remedying imbalances have improved. Dominant retardent of growth less in structural maladjustments -- exchange rates now in accord with economic factors.

10:58 AM

Trade imbalances must be smoothed out -- due to differences in rates of growth. Solutions:

- 1) Surplus countries cut export would lead to recession.
- 2) (Missed.)
- 3) Coordination for durable, noninflationary adequate growth. Need concrete credible commitments from this Summit on all subjects on agenda.

Pleads for sound commitments by U. S. for reduction in budget deficit. Four essentials:

- 1) In spite of market stability resulting from Louvre, may again deteriorate.
- 2) Macro policy alone cannot bring prosperity -- structural adjustment needed.
- 3) Balanced growth of economy, trade, keeping markets open.
- 4) Sufficient influx of capital into developing countries.

11:08 AM

THATCHER: Summits have been very important to world economy -- got inflation down, interest rates down. But we must consider current problems U. S. getting budget deficit down, U. S. trade deficit declining. Tremendous benefit of U. S. trade deficit coming to end -- can be devastating. President working to get budget deficit down. Unless U. S. trade deficit picked up by others in for serious trouble. Compliments Nakasone. But in Japan rising value of yen does not lead to influx of imports. Japan's current account surplus in dollars not likely to decline in near term, will rise in long term from investments. Germany -- there is a (slight) hope of growth.

Surplus countries must pick up stimulus U. S. has provided UK budget deficit less than 1 percent of GDP. Trade inbalance because of exports to U. S.

11:16 AM

Agrees with "RON" criticism of European structural maladjustment. Worries that Japan exports to UK will rise as their exports to US decline. Protectionism will be unstoppable if markets not open in other countries. Third world - reduced demand for commodities results from technological change so they need to be able to export food. Can't put on oils and fats tax -- "hypocritical." UK has turned some loans to grants, is cutting interest but what they need is trade not aid. Need investments but this requires protection against confiscation. Banks -- Citicorp reserves a good step. UK banks have been doing; will effect willingness of banks to lend -- and it should. Some LDC's should sell internal assets to help pay debts.

11:24 AM

THATCHER continues. Agriculture policies can't go on. Agrees with "RON" not enough just to reaffirm OECD -- need action. Must act together -- can't take it out of 3rd world with fats and oils tax -- would start trade war with U. S.

11:25 AM

MITTERRAND: Developing countries' debt problems: sources of problems identified. Budget deficits, trade deficits, unemployment, exchange rate instability. Conditions of LDC's worse since Tokyo. Commodity prices down, protectionism up. Flows of fresh money down. Traditional remedies won't suffice. Ivory Coast -- good policies, diverse products but can't service debt. Other countries worse off. We must improve world economic environment.

- 1) Stimulate growth -- especially surplus countries.
- 2) Reconstruct international monetary system in such a way as to insure exchange rate stability and low interest rates. Target zones. International monetary system okay until 1971.

11:32AM

MITTERRAND continues.

- 3) Fight protectionism -- "hypocrisy reigns" including France. Must achieve goals set at Punta del Este.
- 4) Halt slide in commodity prices -- World Bank should provide funds for countries to diversify.

Must reschedule debt of mid-income countries. Recycling to developing countries via IMF. Time has come for concrete actions. Triple Structural Adjustment Facility of IMF -- easy loan terms. Do without introducing distortions. Debtor countries must take proper steps. Extend rescheduling in Paris Club to 10 - 20 years.

11:30 AM

MULRONEY: Anyone who doubts value of Summits should have heard Thatcher, Kohl, Mitterrand, Reagan last night. "Most impressive and encouraging." Subsidies -- affect his government severely. Deficit was 8 percent of GDP, unemployment 12 percent when this government took over. Now deficit is 5.4 percent of GDP, unemployment is 9 percent.

11:43 AM

Canada in 87 will spend 4 billion dollars on agriculture.

MULRONEY: Recites economic progress of his administration -- but all jeopardized by competitive subsidization. Appreciates Ronald Reagan's remarks. (Sounds desperate.) African debt owed mostly to governments. Should transform to grants. IMF should forgive (at least he seemed to say that). "Dear old Canada ain't going to survive with this agricultural battle going on."

11:51 AM

FANFANI: Tries to draw out Delors.

DELORS says there is always a role for interaction. There are always Cassandras and optimists. World trade slow. Financial markets and exchange rates highly volatile. World Central banks (other than US) have accumulated 75 billion dollars in market stabilization efforts. Must raise rate of growth of international trade now that US not supporting it.

11:56 AM

DELORS: Continued. Must transfer resources to LDC's to help support freedom and democracy. Baker, Canadians, Brits at IMF made good contributions.

FANFANI: Things are changing in the world today. New attitude in Soviet Union shows exaggerated regulation does not yield good results. Was in Central Siberia and found excitement about opening of a small private cafe. He is a scholar and it is of greatest interest to see in all things that have been said today evidence that the world is changing.

~~CONFIDENTIAL~~

-8-

FANFANI: Must give a clear signal that we understand which way the world is moving. Will allow photographers in, then adjourn.

12:08PM

~~CONFIDENTIAL~~