Notes of Notetaker, Allen Walls
at The Economic Summit,
Also includes a floppy disc.
THE WHITE HOUSE
WASHINGTON

Recipients of Wallis Notes:

- The President
- Secretary Baker
- Secretary Shultz
- Allen Wallis
- Ken Duberstein
- Rhett Dawson (originals)
- General Powell
- Steve Danzansky
- Marlin Fitzwater

Per General Powell and Ken Duberstein
The White House
Washington

Wilton W.中方, Allan Wallis

at Toronto Summit

Confidential

[Signature]

July 19, 1980
July 6, 1988

With approval from Kathryn Fadd and Florence Ganttt, ORM duplicated the floppy disk containing "1988 Economic Summit - Toronto"

and gave the duplicate to Betty Marshall in Mr. Danzanski's office to be "corrected." Evidently some of the minutes are not clear. They will be clarified and a new set of notes furnished to ORM.
DATE AND TIME: Monday, June 20, 1988 - 3:08 P.M.
PLACE: Main Meeting Room - Metro Toronto Convention Center, Toronto, Canada
PARTICIPANTS:
President Reagan
Secretary of State George Shultz
Secretary of Treasury James A. Baker, III
Allen Wallis, Sherpa - NOTETAKER
Prime Minister Brian Mulroney (Canada)
Secretary of State for External Affairs
Joseph Clark
Minister of Finance Michael Wilson
Premier of Ontario David Peterson
Sylvia Ostry, Sherpa
President Francois Mitterrand (France)
Minister of State for Foreign Affairs
Roland Dumas
Minister of State for Economy, Finance & Budget Pierre Beregovoy
Jacques Attali, Sherpa
Prime Minister Margaret Thatcher (UK)
Secretary of State for Foreign & Commonwealth Affairs Sir Geoffrey Howe
Chancellor of the Exchequer Nigel Lawson
Nigel Wicks, Sherpa
Chancellor Helmut Kohl (FRG)
Vice Chancellor and Minister of Foreign Affairs Hans-Dietrick Genscher
Federal Minister of Finance Gerhard Stoltenberg
Minister of Economics Martin Bangemann
Hans Tietmeyer, Sherpa
Prime Minister Noboru Takeshita (Japan)
Minister of Foreign Affairs Sosuke Uno
Minister of Finance Kiichi Miyazawa
Minister of International Trade and Industry Hajime Tamura
Hiroshi Kitamura, Sherpa
Prime Minister Ciriaco De Mita (Italy)
Minister of Foreign Affairs Giulio Andreotti
Minister of the Treasury Giuliano Amato
Mario Sarcinelli, Sherpa
ECC President Jacques Delors (Commission of the European Communities)
The Honorable Willy DeClercq, Commission of Foreign Affairs
The Honorable Peter M. Schmidhuber, Commission of Monetary Affairs
Pascal Lamy, Sherpa
(3:08PM) Takeshita - Re: NIE's
Dialogue with them should benefit them and world as a whole.

(3:11PM) Mulroney - Asks for further comment. None.
Trade calls on Thatcher.
Mostly agreed on most trade.

Agriculture - must reduce subsidies further. They have gone up enormously. EC has cut increases from 10% per year to 2%.

Real problem in agriculture -- other commodities do not subsidize losers very long. In agriculture we subsidize inefficient -- fabric of society on continent many very small farms, hill farms. Do not help through price mechanism. Subsidies undermine the efficient farmers, harm consumers. Damage to Third World competitive export subsidies.

Recognize all the difficulties - all in the same boat.

Freeze subsidies where they are, then reduce.

(3:18PM) Kohl - Mistakes have been made in EC agriculture policy, but now correcting. February 1988 revision. Farms small in FRG. Cutting subsidies means thousands of farmers forced out -- 40,000 this year -- located where alternative employment are limited -- if any. Can’t reform agriculture over night - takes time. We must work together, keep Third World in mind. Can’t write off one set of debts and let them build up another set.


Agriculture - understands Kohl’s sensitivities to farmers (appears to be reading talking points). Spreading of industry in U. S. has let farmers keep farms and get a salary. Our problems are from subsidizing big farms. Amount of land withdrawn more than in some Summit countries. Grew up in farm area - largely self-sufficient in food. Today buy canned products at supermarket.Must all get together and find answer.

(3:31PM) Takeshita - Japanese agriculture different than other countries. Self-sufficiency tradition but declining. Moving to complete liberalization of beef. Japan largest importer of agriculture products. Since 1965 reducing all support prices. A farm only 1.2 hectares - hope to increase this. Agriculture tied to regional and social questions. Hope Summit gives impetus to Mid-term Review. Re PSE - interesting but opposed to adopting it as official measure - but as an indicator will not oppose.
(3:39pm) Baker - Not our function to negotiate on agriculture just point our negotiators in right direction. Only hold up short-term measures. Others want short-term measures but we want to know what long run goals will be.

(3:43PM) Bangemann - Supports Baker. May be some social problems. When measures to support agriculture distort trade, they should be changed.

(3:44PM) DeClercq - along lines of Baker.

Must make short-term agreements - urgent. Must have standstill and rollback. Go step-by-step, only way to make progress. Need both long-term and short-term measures to get out of deadlock.

(3:50PM) Baker - DeClercq misunderstands. We can't agree on short-term measures until we have long-term agreement. Then we judge short-term measures by how well they advance long-term agreements.

(3:52PM) DeClercq - cites Punta del Este not talking about total elimination.

Baker - Response.

(3:54PM) Mulroney - summarizes - preparing to adjourn.

Satisfactory results in GATT will occur only if Summit gives firm guidance.

(3:57PM) Meeting is adjourned.
Takeshita re NIEs

Talk with them should benefit them and world as a whole.

Mulroney asks for further comment - more trade calls on Thatcher.

Mostly agreed on most trade.

Ag - must reduce subsidies further. They have gone up enormously. EC has cut farm prices from 10% to 2%

Real job in ag - other commodities don't subsidize costs very much. In ag we subsidize insufficient - fabric of society on continent many very small farms, hill farms. Do not help their price mechanism. Subsidies undermine the efficient farmers, harm consumers. Damage to 3rd world - competitive export subsidies.

Recognise all the difficulties. All in the dark boat.

These subs when they are, then reduce.

Kohl. Mistakes have been made, NEC ag policy, but now correcting. Feb 88 revisions. Farms small in FRG. Cutting subs will mean thousands of farmers forced out. 40,000 this year. Future alternative employment are limited. BCR.

Can't reform ag. Our might - take time.

We must work together. Keep 3rd World in mind. Can't write off one set of debts and let them build up another set.
Agriculture: Diet is determined by the climate and cultural practices of the people. Self-sufficient agriculture is important for food security and nutrition. The agricultural system requires a balance between traditional and modern techniques.

In conclusion, the importance of agriculture cannot be overstated. It is crucial for the survival and well-being of communities worldwide.
250
Blacktown
Rise
Rouse
town
measures
planning
town arrangements

MUST have standardised to get out of
unnecessary confusion.

We can't agree
with all this
unnecessary
confusion.

We should agree to
what is necessary
and review
agreements.

He will need agreement or whether
we are in agreement.

Mr. J. agreed to
change issues.

Mr. D. will
be home soon to
check.
Takekita re NIEs
Deal with them should benefit them and world as a whole.
Mulroney asks for further comment - more trade calls on Thatcher.

Mostly agreed on most trade
Ag must reduce subsidies further. They have gone up enormously. EC has cut theirs from 16% to 2%
Real problem - ag, other commod, don't
 Subsidize loss very long. In ag we subsidize inefficient - before 60s society on continent many very small farms, hill farms. Do not help these price mechanisms. Subsidies undermine the efficient farms. Harm consumers, damage to 3rd world - competitive export subsidies.

Recognize all the difficulties - all in the same boat.

Freeze subs when they are reduced. 318 Kohl. Mistakes have been made in EC ag policy, but now correcting. Feb 88 revised. Farm small in FRA. Cutting subsidies mean thousands of farmers faced with -> 400,000 this year. Located. Jobs alternative employment are limited. Can't reform as over night - take time.

We must work together, keep 3rd World in mind. Can't write off one set of debts and let them build up another set.
3,30 Pm, team头脑 must move to make progress. Must work out a team agreement.

We cannot move forward without team agreement. We can’t move forward without team agreement.

He doesn’t want me to write or reframe the record. He doesn’t want me to write or reframe the record.
must all get together and find an answer.

Fakeshite. Greg different than the other counties. Self-sufficiency target is given. If we increase the Ag Res. Re FSE - interest. But opposed to destroying it. 175 acres - 175 acres. But let's not jump to extreme. What is our negotiation measure, but let's not jump to extreme. What is our negotiating position? But we must know what to argue. FSE - interest. But opposed to destroying it. 175 acres - 175 acres.
352 del - direct parties & State
not talking about total elimination

Baker - response

354 Meloney summarizes - preparing to adjourn
Satisfactory results in GAFF well from
only if Summit give firm guidance

357 Adjourns
No original handwritten notes for 6/21.
Morning session were part of this package.
When received in ORM
TUESDAY MORNING SUMMIT PLENARY MEETING

DATE AND TIME: Tuesday, June 21, 1988 - 10:19AM
PLACE: Main Meeting Room - Metro Toronto Convention Center, Toronto, Canada

PARTICIPANTS:
President Reagan
Secretary of State George Shultz
Secretary of Treasury James A. Baker, III
Allen Wallis, Sherpa - NOTETAKER
Prime Minister Brian Mulroney (Canada)
Secretary of State for External Affairs
Joseph Clark
Minister of Finance Michael Wilson
Premier of Ontario David Peterson
Sylvia Ostry, Sherpa
President Francois Mitterrand (France)
Minister of State for Foreign Affairs
Roland Dumas
Minister of State for Economy, Finance & Budget Pierre Beregovoy
Jacques Attali, Sherpa
Prime Minister Margaret Thatcher (UK)
Secretary of State for Foreign & Commonwealth Affairs Sir Geoffrey Howe
Chancellor of the Exchequer Nigel Lawson
Nigel Wicks, Sherpa
Chancellor Helmut Kohl (FRG)
Vice Chancellor and Minister of Foreign Affairs Hans-Dietrick Genscher
Federal Minister of Finance Gerhard Stoltenberg
Minister of Economics Martin Bangemann
Hans Tietmeyer, Sherpa
Prime Minister Noboru Takeshita (Japan)
Minister of Foreign Affairs Sosuke Uno
Minister of Finance Kiichi Miyazawa
Minister of International Trade and Industry
Hajime Tamura
Hiroshi Kitamura, Sherpa
Prime Minister Ciriaco De Mita (Italy)
Minister of Foreign Affairs Giulio Andreotti
Minister of the Treasury Giuliano Amato
Mario Sarcinelli, Sherpa
ECC President Jacques Delors (Commission of the European Communities)
The Honorable Willy DeClercq, Commission of Foreign Affairs
The Honorable Peter M. Schmidhuber, Commission of Monetary Affairs
Pascal Lamy, Sherpa
(10:14AM) Photographers admitted.

(10:17AM) New batch - yelling questions at the President.

(10:19AM) Rid of them, lowering lights.

Attali instructing Mitterrand.

Mulroney - 7:00AM version of the communique.

Paragraph 15 - Thatcher go paragraph by paragraph.

Paragraph 1 okay, 2 okay, 3 okay, 4 okay, 5 - Italian PM DeMita - although employment has risen in Italy so has unemployment. "Has continued to expand generally."

Paragraph 6 okay. Paragraph 7, Thatcher concerns that inflation may have risen. Add we need to maintain vigilance against any insurgence of inflation.

Paragraphs 8 okay, 9 okay, 10 okay, 11 okay, 12 okay, 13 okay, 14 okay.

Paragraph 15, Thatcher - first two sentences - not merely welcome. We "warmly" welcome the Canada-U.S. FTA and the progress toward.

Mulroney - Prefers "strongly" - used in Sunday briefing. Last sentence and "catalize the liberalizing" of.

(10:31AM) Paragraph 18 Mulroney - 2 brackets. Asks Wilson to explain. Says first version is EC - 2nd bracket agree on by Finance Ministers. Foreign Ministers wanted a clear signal to negotiators at Mid-term Review. Also signal that Ministers should have alternatives from which they could choose.

DeClercq (Wilson) objected to singling out agriculture. Some redrafting of 19 being done now to cover this.

DeClercq - First brackets - clear, concise, well-balanced. Can’t take short-term measures without view of long-run goals, or consider long-term without regard to short-term measures to get that. Second bracket ("American version) unbalanced. Why single out agriculture? Don’t prejudice where the balance will lie.

(10:40AM) Wilson - Deal with singling out by moving the sections about decisions to paragraph 19.

Second bracket consistent with Punte del Este.

Beregovoy - Avoid distorting statement - 19 and 18 have two parts. Neither bracket acceptable. Everything can be found in paragraph 19.

CONFIDENTIAL
(10:43am) **Mitterrand** - Don’t understand either bracket so vote against both.

**Kohl** - paragraph 18 first sentence okay. First bracket acceptable but no second bracket. Overlooking enormous reforms made in EC.

**Thatcher** - agriculture is difficult because we have made it so. U. S. has come a long way toward EC. Make commitments at Mid-term Review - action. Could say Ministers can take action on, *inter alia*. First bracket murky. Yesterday Kohl said action.

**DeClercq** - right, bracket 1 is clear (simply clear against action).

(10:52AM) **Reagan** - supports Thatcher. All press questions.

Paying people to produce what there is no demand for.

**Kohl** - We are taking dramatic measures. If lower standard of living 1992 will not happen.

(10:55AM) **Kohl** continued - Can’t change overnight. Keep first bracket.

**Thatcher** - too passive.

**Kohl** - formulation - stronger way. Absolutely against second bracket.

(11:00AM) **Mulroney** - cites second sentence of paragraph 12 - tribute to reform efforts of EC under Kohl’s presidency.

**Andreotti** - Why not stop producing industrial products that can be bought cheaper elsewhere. Second bracket vague - no criteria of distortion.

(11:05AM) **DeClercq** - First bracket not clear - has to be looked at in light of Punta del Este statement (which he quotes on phased withdrawal).

(11:10AM) **Stoltenberg** - What do we mean by long-term adjustments? Must spell out.

(11:12AM) **DeClercq** - Long-term objective - phased reduction of all measures affecting directly or indirectly trade in agriculture.


**Reagan** - Subsidizing something that there is no demand for. Reads our third proposal.
(1:20AM) **DeLors** - (missed - working on RR revision)

(11:25AM) Wants to stick to Punta phrasing. It was the result of eight days of discussion and two years of preparations.

**Kohl** - Wants the text - asks Wilson to prepare while we proceed - Wilson with Delors tries to incorporate Ron’s suggestion.

**Reagan** - re EC reductions - we are reducing our support by $9 billion next year. Subsidies should be for farmers doing something other than producing unneeded agricultural products.

**Delors** - We are moving as Reagan suggests retire then at 50.

Hold 18 and 19 until Wilson comes back - leaving with Delors.

**Mulroney** - Paragraphs 20 okay, 21 okay.

Paragraph 22 - no response to bracket.

**Reagan** says we must see that they get help. Communist threat - security for all of us - not go the other way through need.

**Mitterrand** - So many countries in the same situation - Brazil, Haiti - why single out Philippines? Why do we suddenly mention Philippines? Would agree to a separate paragraph on a few countries - he’ll suggest some.

(11:37AM) **Andreotti** - What about a special "mini-Marshall plan"?

**Mitterrand** - In preparation of Summit no mention of Philippines. Has not met Aquino, so knows nothing about Philippines. France is an independent country. France will not accept the statement.

**Uno** - At Foreign Ministers meeting he talked about Asia and Philippines. Shultz said should be in economic communique. Foreign Ministers unanimous. There is no other than Cory Aquino to run Philippines.

**Andreotti** - We are not the ones proposing a plan for Philippines but press has said a lot about it.

Can we reword the paragraph to put Philippines in general context, as an example of a country that needs strong economic and financial solidarity. We call attention to the Philippines.

Could refer to democracy.
Stoltenberg - Four words in brackets (such as the Philippines) do not justify this controversy. Text says nothing on strategic importance - just developing countries in debt. Not worth the discussion - would need a brand new text.

(11:41AM) Stoltenberg

(11:54AM) Mulroney - Acknowledges Philippines among others.

Mitterrand - Rejects. Need an in-depth discussion on a problem in which we were never consulted - the diplomatic processes of France were neglected. The other 6 can sign if they wish.

Clark - there is no plan - Summit signature not in question. Philippines have become a symbol. Foreign Ministers expressed hope (no demural) statement could cover.

In particular there is a need to encourage countries like the Philippines --

Kohl - Good compromise; might mention some other countries.

Mulroney - Delete brackets, prepare a separate section.

DeMita - Remove the brackets and approve the text.

Mitterrand - Just as good a case for Argentina. Mr. Uno cannot commit France.

Mulroney - New sentence - There is a need to encourage the development toward democracy of . . . (not exact).

(12:09PM) Takeshita - ASEAN meeting in December. Strongly hope for some specific reference to the Philippines.

Clark proposal - "In particular there is a need to encourage countries like the Philippines among others which are making a transition to democracy."

Kohl - Mention another country.

Mitterrand - Unpleasant to be the only cause of dissension. Has happened before. Other six countries can sign; not France.

Mulroney - Down through paragraph 28 okay. 29 - 30.

Paragraph 30 - Lawson - one of the few concrete agreements from the Summit - circulating revision. Line 10 - this approach okay. Remove "or budgetary" - everyone has them.
Baker - needed by U. S. in Congressional budget relations.

Baker-Lawson discussion of Lawson proposal.

Maintain a high grant element in their future assistance to the poorest.

30 okay; 31 okay; 32 okay, 33 okay.

Genscher - Mention North Sea.

Thatcher - Not mentioned before. Kohl pressing.

Thatcher - everything else general, not places.

(12:38PM) Howe - Mediterranean worse.

Mulroney - 33 okay; 34 okay.

Wilson - explains new section 18 and 19.

Baker - "Taking into consideration the diversity . . . ." A step backward. If that is out we will accept - let Ministers make those decisions.

(12:42PM) Kohl - Leave it as is - look at realities.

Beregovoy - Can accept text as it stands.

Baker - Will accept with the deletion, not otherwise.

Kohl - There is a diversity.

Mulroney - Asks Kohl to consider dropping.

Kohl - So banal - why a problem - do not understand.

Baker - Will accept first bracket from this morning’s rather than this.

Thatcher - "Noting" instead of "taking into consideration." ? and given the diversity.

Baker - And noting among other things the diversity . . . .

Agreed

Takeshita - And otherwise remove the burden of (in debt).

(12:59PM) Help make Seoul Olympics a success.
Move everything 40 minutes later. Communiqué on schedule.

(1:08PM) Clark - After ref to Philippines - several countries find themselves in that situation in various regions of the world. Latin America, Africa, and particular the Philippines and that merits our special attention.

Mitterrand - French delegation eager to accommodate has made a suggestion that has been accepted. Should have mentioned Haiti.

Proposal made by France was not accepted.

In chairman’s report say that at request of France we considered Haiti.

Shultz - France not alone in worrying about Haiti. Haiti not at all like Philippines.

(1:14PM) Adjourn.
16:14 Photos admitted
16:17 New radio -
yelling questions & lights
rich & thin, brown mastic
1019 Italian mystery meets
Mersker - 7:30 AM version of comunicato
as per 9.30 AM & 4 of 5.
15 Th. 8/6 & 4th & 5th
as per 2 OK & 3 OK. Although employment has expanded generally.
For instance, "Has continued to expand generally."
As far as we need to maintain vigilance against an
alliance. 13 OK 14 OK
9th 10th 11th 12th OK
As far as needed. Not merely warm
resurgence of light.
9th 10th 11th 12th OK
15 We warmly welcome the CUS FTA and the program
through. Mulroney prefers strongly indeed.
Sorry, briefing. Last sentence
and catalog the liberating 8

6/21
Mitterand. Don't understand other bracket so vote against.

Kohl #1 is Center OK; #2 bracket acceptable but not #3. Proofing

That there's little left because we have made it so.

US has come a long way toward EC.

Make commitments at MTR - action

Make sure we can take action or, inter alia

Greece can take action or, inter alia

Minister can take action or, inter alia

First bracket murky. Yesterday Kohl said

action. De Clerg might bracket + in

clear (imply clear against action)

Reagan supports Th. All press mutants

Paying people to produce what there is no

Demand for dramatic measures. If 

Demand for standard # during 1992 will not happen

Kohl: we are taking dramatic measures. If law
1129 Delays (joint meeting on
R^2 version
R^2 version
R^2 version)

1125 Wants to stick to Pinto phrase

It was result of 2 days 2 discussions and
2 years of preparation

Kohl wants the test - asks Wilson to prepare While
we proceed - Wilson with Delays. Try to incorporate Rods
suggestion
R^2 re EC reductions - we are reducing your support by 9/10
next year. Substantially reduced as product

Then - reduce needed by product

R^2 - re EC reductions - we are reducing your support by 1/10

1132 OF 21 OR 22 - one proposal is tracked -

Reps say we must see that they get help. Authoritative thread
Security for all of us. Not the other way, they need

Mitterrand - so many countries in same situation Brazil

Why single out Philippines? Why Dowe

Suddenly mention Ph. Would agree to separate

A few countries - feel suggest some
Andretti: What about a special "mini-Marshall plan"?

Mitterand: In preparation of Summit, no mention of Philippines. Has not met Aquino, so know nothing about him. France will not accept the statement that the Philippines is a "feudal" country.

Monnet: At first, no help to the Philippines. Shultz wanted to sell "non-Philippines".

One other view: Aquino is the one proposing a plan to communities. In my view, the Philippines and the other countries in the region are not the ones being left out.

Andretti: We are not the ones putting forth the proposal for the Philippines, but it is clear that it needs strong economic and financial support. We call attention to the need for solidarity among the countries that need assistance.

Stallinger: "Words in brackets do not justify the controversial statement. Just debt, countries, and debt. Not worth the discussion. Would not be good news if tested."
Can't change our right

Keep first bracket

K - permanent - stronger way

Th - more passive

Absolutely against second bracket

Andersson cites 2nd section of '71 - tribute to

Reform efforts of EC under Kohl presidency

Andreotti - Why not stop producing industrial

products that can be bought cheaper elsewhere

2nd bracket vague - no criteria of distortion

DeClerq - 1st bracket not clear - has to be looked in light

Rush statement, which he quotes on 2nd paragraph

Stoltenberg - What do we mean by long term adjustment

Must spell out

Rock - it obj - phased reduction Bell means affecting level

or indirectly trade in ag

on indirectly trade in ag

Baker - it obj total elimination. Christ - quitting short term

measures to long term.

Reagan - subsidizing something that there is no demand for

Reads 3rd proposal

Th - a good compromise
Mulroney, among others, and Philippines among others never consulted - the diplomatic process of France were neglected. The other, if you wish if they wish.

Clark - there is no plan - Summit signature not in question. Philippines have become a symbol in my expressed hope (no demurred)

In particular, there is a need to encourage countries like the Philippines -

Roth - good compromise, might mention some other countries.

Mulroney - delete bracket, prepare a separate sentence.

Ritter - remove the brackets and approve the text.

Mitterand, just as good a case for Argentina.

Mr. Uno cannot commit France.

New sentence - there is a need to encourage the money. New sentence - toward democracy of - (not exact)
Clark proposal

In particular there is a need to encourage like the Philippines among others which are making a transition to democracy.

Kohn mentioned another possibility, however unpleasant it be. It has happened before, other countries can sign but not France.

Down there F 28th 29th 30th.

F 30 Lawton - one of the few concrete agreements from this summit - circulating revision.

Baker-Lawson discussion. Baker needed by US in congressional budget relations. Maintain a high grant element in their

30th 31st 32nd 33rd.

Hurtcher - mention North Sea. Tho' not mentioned before, Kuhl pressing.

Th' - everything else general, not places
Wilson - explains new Seco 18+19

Baker - taking into consideration the diversity -- -- A step backward.
If that is out we will accept - let Minister make those decisions.

Kohl - leave it as it is - looks a realistic
Baker - can accept text as it stands.
Kohl - will accept with the deletion, not otherwise.

Kohl - there is a diversity.
Murphy asks Kohl consider dropping.
Kohl - so banal, why a problem - don't understand.
Baker - will accept but bracket it from the AM rather than this.

Thatcher - noting instead of taking into account?
And given the diversity.
Baker - and noting the diversity -- among other things.

Agreed

Taken into - and otherwise remove the burden of
our debt.
Waiting for 12:59. Help make Seoul Olympics a success

Move everything 40 minutes later. Communique in schedule.

1:08 Clark

after ref to Phil

Several countries find themselves in that situation in various regions of the world

Laf Em, Af, and particularly the Ph

that merit our special attention.

Mitterrand - to delay, urgent accommodations

has made a suggestion that has been accepted. Should have mentioned Haiti. Proposal made

by France was not accepted.

In short report say that at request of France we considered Haiti. GPF is not alone in worrying about it - it not at all like Philippines.
POLITICAL DECLARATION

I. EAST-WEST

1. We the leaders of our seven countries, and the representatives of the European Community, uphold common principles of freedom, respect for individual rights, and the desire of all men to live in peace under the rule of law. Our peoples stand in solidarity within the framework of our existing alliances for the cause of freedom, to safeguard democracy and the prosperity which it has produced. In our discussions we considered how these goals and values could be pursued in the field of foreign affairs, particularly with regard to East-West relations.

2. We discussed a wide range of regional questions and these discussions are continuing throughout the Summit.

3. We confirmed our belief in constructive and realistic dialogue and cooperation, including arms control, human rights and regional issues, as the way to build stability between East and West and enhance security at lower levels of arms. We also reaffirmed that for the foreseeable future nuclear deterrence and adequate conventional strength are the guarantees of peace in freedom.

4. In several important respects changes have taken place in relations between Western countries and the Soviet Union since we last met. For our part this evolution has come about because the industrialized democracies have been strong and united. In the Soviet Union greater freedom and openness will offer opportunities to reduce mistrust and build confidence. Each of us will respond positively to any such developments.

5. We welcome the beginning of the Soviet withdrawal of its occupation troops from Afghanistan. It must be total and apply to the entire country. The Afghan people must be able to choose their government freely. Each of us confirms our willingness to make our full contribution to the efforts of the international community to ensure the return of the refugees to their homeland, their resettlement, and the reconstruction of their country. We now look to the Soviet Union to make a constructive contribution to resolving other regional conflicts as well.

6. Since our last meeting, progress has been made between the United States and the Soviet Union in agreeing to reduce
nuclear weapons in a manner which accords fully with the security interests of each of our countries. The INF Treaty, the direct result of Western firmness and unity, is the first treaty ever actually to reduce nuclear arms. It sets vitally important precedents for future arms control agreements: asymmetrical reductions and intrusive verification arrangements. We now look for deep cuts in U.S. and Soviet strategic offensive arms. We congratulate President Reagan on what he has already accomplished, along with General Secretary Gorbachev, towards this goal.

7. Nonetheless, the massive presence of Soviet conventional forces in Eastern Europe, the ensuing conventional superiority of the Warsaw Pact, and its capacity to launch surprise attacks and large scale offensive operations, lie at the core of the security problem in Europe. The Soviet military buildup in the Far East is equally a major source of instability in Asia. These threats must be reduced. Our goal is enhanced security and stability at lower levels of forces, after having eliminated the present imbalances. We seek the early establishment of a comprehensive, effectively verifiable and truly global ban on chemical weapons.

8. Genuine peace cannot be established solely by arms control. It must be firmly based on respect for fundamental human rights. We urge the Soviet Union to move forward in ensuring human dignity and freedoms and to implement fully and strengthen substantially its commitments under the Helsinki process. Recent progress must be enshrined in law and practice, the painful barriers that divide people must come down, and the obstacles to emigration must be removed.

9. We pay special attention to the countries in Eastern Europe. We encourage them to open up their economies and societies, and to improve respect for human rights. In this context we support the continuation and strengthening of the Helsinki process.

10. We take positive note of Eastern countries' growing interest in ending their economic isolation, for example in the establishment and development of relations with the European Community. East-West economic relations can be expanded and serve our common interests so long as the commercial basis is sound, they are conducted within the framework of the basic principles and the rules of the international trade and payments system, and are consistent with the security interests of each of our countries.

TERRORISM

11. We strongly reaffirm our condemnation of terrorism in all its forms, including the taking of hostages. We renew our
commitment to policies and measures agreed at previous Summits, in particular those against state-sponsored terrorism.

12. We strongly condemn recent threats to air security, in particular the destruction of a Korean airliner and the hijacking of a Kuwaiti airliner. We recall the principle affirmed in previous declarations that terrorists must not go unpunished. We appeal to all countries who are not party to the international conventions on civil aviation security, in particular the Hague Convention, to accede to those conventions.

13. We express support for work currently under way in the International Civil Aviation Organization aimed at strengthening international protection against hijackings. We welcome the most recent declaration adopted by the ICAO Council which endorses the principle that hijacked aircraft should not be allowed to take off once they have landed, except in circumstances as specified in the ICAO declaration.

14. We welcome the adoption this year in Montreal and Rome of two international agreements on aviation and maritime security to enhance the safety of travellers.

15. We reaffirm our determination to continue the fight against terrorism through the application of rule of law, the policy of no concessions to terrorists and their sponsors, and international cooperation.

NARCOTICS

16. The illegal use of drugs and the illicit trafficking in them poses grave risks to the peoples of Summit countries as well as the peoples of source and transit countries. There is an urgent need for improved international cooperation in all appropriate fora on programs to counter all facets of the illicit drug problem, in particular production, trafficking, and financing of the drug trade. The complexity of the problem requires additional international cooperation, in particular to trace, freeze and confiscate the proceeds of drug traffickers, and to curb money laundering.

17. We look forward to the successful negotiation in Vienna in November of a United Nations Convention on illicit trafficking.

18. We supported the initiative of the Government of the United States for a special task force to be convened to propose methods of improving cooperation in all areas including national, bilateral and multilateral efforts in the fight against narcotics.
TORONTO ECONOMIC SUMMIT

Economic Declaration

1. We, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Communities, have met in Toronto for the fourteenth annual Economic Summit. We have drawn lessons from the past and looked ahead to the future.

2. Over the past fourteen years, the world economy and economic policy have undergone profound changes. In particular, the information-technology revolution and the globalization of markets have increased economic interdependence, making it essential that governments consider fully the international dimensions of their deliberations.

3. We observed a sharp contrast between the 1970s and 1980s. The former was a decade of high and rising inflation, declining productivity growth, policies dominated by short-term considerations, and frequently inadequate international policy cooperation. In the 1980s inflation has been brought under control, laying the basis for sustained strong growth and improved productivity. The result has been the longest period of economic growth in post-war history. However, the 1980s have seen the emergence of large external imbalances in the major industrial economies, greater exchange rate volatility, and debt-servicing difficulties in a number of developing countries. Our response to these developments has been an increased commitment to international cooperation, resulting in the intensified process of policy coordination adopted at the 1986 Tokyo Summit and further strengthened at the Venice Summit and in the Group of Seven.

4. Summits have proven an effective forum to address the issues facing the world economy, promote new ideas and develop a common sense of purpose. Especially in the 1980s they have helped bring about an increasing recognition that the eradication of inflation and of inflationary expectations is fundamental to sustained growth and job creation. That recognition has been underpinned by a shift from short-term considerations to a medium-term framework for the development and implementation of economic policies, and a commitment to improve efficiency and adaptability through greater reliance on competitive forces and structural reform. Over this period we have also singled out for concerted attention a number of other issues of decisive importance: the overriding need to resist protectionism and strengthen the open, multilateral trading system; to maintain and strengthen an effective strategy to address the challenge of development and alleviate the burden of debt; and to deal with the serious nature of the world agricultural problem.
5. Since we last met, our economies have kept up the momentum of growth. Employment has continued to expand, inflation has been restrained, and progress has been made toward the correction of major external imbalances. These encouraging developments are cause for optimism, but not for complacency. To sustain non-inflationary growth will require a commitment to enhanced cooperation. This is the key to credibility and confidence.

INTERNATIONAL ECONOMIC POLICY COOPERATION

Macroeconomic Policies and Exchange Rates

6. The Tokyo and Venice Summits have developed and strengthened the process of coordination of our economic policies. Developments in the wake of the financial strains last October demonstrate the effectiveness and resilience of the arrangements that have emerged. The policies, the short-term prospects, and the medium-term objectives and projections of our economies are being discussed regularly in the Group of Seven. The policies and performance are assessed on the basis of economic indicators. We welcome the progress made in refining the analytical use of indicators, as well as the addition to the existing indicators of a commodity-price indicator. The progress in coordination is contributing to the process of further improving the functioning of the international monetary system.

7. Fiscal, monetary and structural policies have been undertaken to foster the adjustment to more sustainable economic and financial positions in the context of non-inflationary growth. Efforts in those directions, including continued reduction of budgetary deficits, will continue. We reaffirm our determination to follow and, wherever feasible, strengthen our agreed strategy of coordinated efforts to reduce the growth of spending in countries with large external deficits and to sustain the momentum of domestic demand in those with large external surpluses. The reduction of large external imbalances, however, will require not only our cooperative efforts, but also those of smaller economies, including newly industrializing economies, with large external surpluses.

8. The exchange rate changes in the past three years, especially the depreciation of the U.S. dollar against the Japanese yen and the major European currencies, have played a major role in the adjustment of real trade balances. We endorse the Group of Seven's conclusion that either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilizing to the adjustment process, could be counterproductive by damaging growth prospects in the world economy.
Structural Reforms

9. International cooperation involves more than coordination of macroeconomic policies. Structural reforms complement macroeconomic policies, enhance their effectiveness, and provide the basis for more robust growth. We shall collectively review our progress on structural reforms and shall strive to integrate structural policies into our economic coordination process.

10. We will continue to pursue structural reforms by removing barriers, unnecessary controls and regulations; increasing competition, while mitigating adverse effects on social groups or regions; removing disincentives to work, save, and invest, such as through tax reform; and by improving education and training. The specific priorities that each of us has identified are outlined in the attached Annex on Structural Reforms.

11. We welcome the further development of the OECD's surveillance of structural reforms. Such surveillance would be particularly useful in improving public understanding of the reforms by revealing their impact on government budgets, consumer prices, and international trade.

12. One of the major structural problems in both developed and developing countries is in the field of agricultural policies. It is essential that recent significant policy reform efforts undertaken by a number of parties be continued through further positive action by all Summit participants. More market-oriented agricultural policies should assist in the achievement of important objectives such as preserving rural areas and family farming, raising quality standards and protecting the environment. We welcome the OECD's increased emphasis on structural adjustment and development in the rural economy.

13. Financial and technological innovations are rapidly integrating financial markets internationally, contributing to a better allocation of capital but also increasing the speed and extent to which disturbances in one country may be transmitted to other countries. We will continue to cooperate with other countries in the examination of the functioning of the global financial system, including securities markets.

MULTILATERAL TRADING SYSTEM/URUGUAY ROUND

14. A successful Uruguay Round will assure the integrity of an open, predictable multilateral trading system based on clear rules and will lead to trade expansion and enhanced economic growth. At Punta del Este, Ministers committed themselves to further trade liberalization across the wide range of goods and services, including such new areas as trade-related intellectual property and trade-related investment measures, to strengthen the multilateral trading system, and to allow for early agreement where appropriate. Countries must continue to resist protectionism and the temptation to
adopt unilateral measures outside the framework of GATT rules and to allow for early agreements where appropriate. In order to preserve a favourable negotiating climate, the participants should conscientiously implement the commitments to standstill and rollback that they have taken at Punta del Este and subsequent international meetings.

15. We welcome the Free Trade Agreement between Canada and the USA.* We also welcome the steady progress towards the target of the European Community to complete the internal market by 1992. It is our policy that these developments, together with other moves towards regional cooperation in which our countries are involved, should support the open, multilateral trading system and the liberalizing impact of the Uruguay Round.

16. We attach major importance to strengthening the GATT itself. It is vital that the GATT become a more dynamic and effective organization, particularly in regard to the surveillance of trade policies and dispute settlement procedures, with greater Ministerial involvement, and strengthened linkages with other international organizations. GATT disciplines must be improved so that members accept their obligations and ensure that disputes are resolved speedily, effectively and equitably.

17. Trade plays a key role in development. We encourage the developing countries, especially the newly industrializing economies, to undertake increased commitments and obligations and a greater role in the GATT, commensurate with their importance in international trade and in the international adjustment process, as well as with their respective stages of development. Equally, developed countries should continue to strive to ensure more open markets for the exports of developing countries.

18. In agriculture, continued political impetus is essential to underpin the politically difficult efforts at domestic policy reform and to advance the equally difficult and related process of agricultural trade reform. Although significant progress was made in 1987 in the Uruguay Round negotiations, with the tabling of major proposals, it is necessary to ensure that the Mid-Term Review in Montreal in December, 1988 adds impetus to the negotiations in this as in other fields. We support efforts to adopt a framework approach, including short as well as long-term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets. This would be facilitated by a device for the measurement of support and protection. Also, ways should be developed to take account of food security and social concerns. [Any short-term measures would need to be a step forward in line with long-term goals.] [To move the issue forward, our negotiators in Geneva should develop a framework approach which includes short-term options consistent with agreed upon long-term objectives so that Ministers can take decisions at the Mid-Term Review concerning reduction of trade.

* Reserve of Canada
distortive measures of agricultural policies. The objective of the framework approach would be to make the agricultural sector more responsive to market signals.

19. As the Uruguay Round enters a more difficult phase, it is vital to ensure the momentum of these ambitious negotiations. The Mid-Term Review will provide a unique opportunity to send a credible political signal to the trading world. The greatest possible advance must be made in all areas of the negotiations, so as to reach before the end of the year the stage where tangible progress can be registered. To this end, we support efforts to adopt a framework approach on all issues in the negotiations, i.e. reform of the GATT system and rules, market access, agriculture and new issues (such as trade in services, trade-related intellectual property rights, and trade-related investment measures). For our part, we are committed to ensure that the Mid-Term Review establishes a solid base for the full and complete success of the negotiations, in accordance with the Punta del Este Declaration.

20. We all recognize the critical and expanding role of international investment in the world economy and share a deep concern that increased protectionism would undermine the benefits of open investment policies. We resolve to progressively liberalize international investment policies and urge other countries to do likewise.

NEWLY INDUSTRIALIZING ECONOMIES

21. Certain newly-industrializing economies (NIEs) in the Asia-Pacific region have become increasingly important in world trade. Although these economies differ in many important respects, they are all characterized by dynamic, export-led growth which has allowed them to treble their share of world trade since 1960. Other outward-oriented Asian countries are also beginning to emerge as rapidly-growing exporters of manufactures. With increased economic importance come greater international responsibilities and a strong mutual interest in improved constructive dialogue and cooperative efforts in the near term between the industrialized countries and the Asian NIEs, as well as the other outward-oriented countries in the region. The dialogue and cooperative efforts could centre on such policy areas as macroeconomic, currency, structural and trade to achieve the international adjustment necessary for sustained, balanced growth of the world economy. We encourage the development of informal processes which would facilitate multilateral discussions of issues of mutual concern and foster the necessary cooperation.
DEVELOPING COUNTRIES AND DEBT

22. The performance of developing countries is increasingly important to the world economy. Central to the prospects of the developing countries are a healthy global economic environment and an open trading system, adequate financial flows and, most important, their commitment to appropriate economic reform. 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 developing countries [such as the Philippines] which are making a difficult transition to democracy and merit our special attention.

Middle-Income Countries

23. A number of highly-indebted middle-income countries continue to have difficulties servicing their external debt and generating the investment necessary for sustainable growth. The market-oriented, growth-led strategy based on the case-by-case approach remains the only viable approach for overcoming their external debt problems.

24. We are encouraged that many indebted countries have begun the difficult process of macroeconomic adjustment and structural reform necessary for sustained progress, encouraging the return of flight capital and new investment flows. The success of these efforts is essential for improving the economic performance and strengthening the creditworthiness of these countries.

25. Official financing has played a central role in the debt strategy through the Paris Club (US $73 billion of principal and interest have been consolidated since 1983) and the flexible policies of export credit agencies. The international financial institutions will continue to have a pivotal role. We endorse the recent initiatives taken by the International Monetary Fund to strengthen its capacity to support medium-term programs of macroeconomic adjustment and structural reform and to provide greater protection for adjustment programs from unforeseen external developments. We strongly support the full implementation of the World Bank's US $75 billion General Capital Increase to strengthen its capacity to promote adjustment in middle-income countries. We also support greater awareness by international financial institutions of the environmental impact of their development programs.

26. Commercial banks have played an important role in supporting debtor countries' reform efforts through an expanded menu of financing options which has facilitated the channelling of commercial bank lending into productive uses. Their continued involvement is indispensable to the debt strategy. In this regard, the World Bank and IMF can play an important catalytic role in mobilizing additional financing from private (and official) sources in support of debtor countries' adjustment programs.
27. We note that in recent years there has been increasing recourse to innovative financing techniques. The important characteristics of these techniques are that they are voluntary, market-oriented, and applied on a case-by-case basis. The "menu approach" has engendered new financial flows and, in some cases, reduced the existing stock of debt. The flexibility of the present strategy would be enhanced by the further broadening of the menu approach and the encouragement of innovative financing techniques to improve the quality of new lending, but particular initiatives would have to be carefully considered.

28. International direct investment plays an important role in spurring economic growth and structural adjustment in developing countries. Thus it contributes to alleviating debt problems. Developing countries should welcome and encourage such investment by creating a favourable investment climate.

Debt of the Poorest

29. An increase in concessional resource flows is necessary to help the poorest developing countries resume sustained growth, especially in cases where it is extremely difficult for them to service their debts. Since Venice, progress in dealing with the debt burden of these countries has been encouraging. Paris Club creditors are rescheduling debt at extended grace and repayment periods. In addition, the recent enhancement of the IMF's Structural Adjustment Facility; the World Bank and Official Development Assistance (ODA) agencies' enhanced program of co-financing; and the fifth replenishment of the African Development Fund will mobilize a total of more than US $18 billion in favour of the poorest and most indebted countries undertaking adjustment efforts over the period 1988/90. Out of this total, US $15 billion will be channelled to sub-Saharan African countries.

30. We welcome proposals made by several of us to ease further the debt service burdens of the poorest countries that are undertaking internationally-approved adjustment programs. We have achieved consensus on rescheduling official debt of these countries within a framework of comparability that allows official creditors to choose among concessional interest rates on shorter maturities, longer repayment periods at commercial rates, partial write-offs of debt service obligations during the consolidation period, or a combination of these options. This approach allows official creditors to choose options consistent with their legal or budgetary constraints. The Paris Club has been urged to work out necessary technicalities to ensure comparability by the end of this year at the very latest. This approach will provide benefits over and above the impressive multilateral agreements to help the poorest countries over the past year. On a bilateral basis, several creditor governments have already taken action to write off the principal of ODA loans or to relieve future servicing of these loans, while other countries continue to maintain a high grant element in their assistance to the poorest.
ENVIRONMENT

31. We agree that the protection and enhancement of the environment is essential. The report of the World Commission on Environment and Development has stressed that environmental considerations must be integrated into all areas of economic policy-making if the globe is to continue to support humankind. We endorse the concept of sustainable development.

32. Threats to the environment recognize no boundaries. Their urgent nature requires strengthened international cooperation among all countries. Significant progress has been achieved in a number of environmental areas. The Montreal Protocol on Substances that Deplete the Ozone Layer is a milestone. All countries are encouraged to sign and ratify it.

33. Further action is needed. Global climate change, air and water pollution, acid rain, hazardous substances, deforestation, and endangered species require priority attention. It is, therefore, timely that negotiations on a protocol on emissions of nitrogen oxides within the framework of the Geneva Convention on Long-range Transboundary Air Pollution be pursued energetically. The efforts of the United Nations Environment Program (UNEP) for an agreement on the transfrontier shipment of hazardous wastes should also be encouraged as well as the establishment of an inter-governmental panel on global climate change under the auspices of UNEP and the World Meteorological Organization (WMO). We also recognize the potential impact of agriculture on the environment, whether negative through over-intensive use of resources or positive in preventing desertification. We welcome the Conference on the Changing Atmosphere to be held in Toronto next week.

FUTURE SUMMITS

34. We, the Heads of State or Government, and the representatives of the European Community, believe that the Economic Summits have strengthened the ties of solidarity, both political and economic, that exist between our countries and that thereby they have helped to sustain the values of democracy that underlie our economic and political systems. Our annual meetings have provided the principal opportunity each year for the governments of the major industrialized countries to reflect, in an informal and flexible manner, upon their common responsibility for the progress of the world economy and to resolve how that responsibility should have practical manifestation in the years ahead. We believe that the mutual understanding engendered in our meetings has benefitted both our own countries and the wider world community. We believe, too, that the opportunities afforded by our meetings are becoming even more valuable in today's world of increasing inter-dependence and increasing technological change. We have therefore agreed to institute a further cycle of Summits by accepting the invitation of the President of the French Republic to meet in France, July 14-16, 1989.

**************************************************
OTHER ISSUES

HUMAN FRONTIER SCIENCE PROGRAM

1. We note the successful conclusion of Japan's feasibility study on the Human Frontier Science Program and are grateful for the opportunities our scientists were given to contribute to the study. We look forward to the Japanese Government's proposal for the implementation of the program in the near future.

BIOETHICS

2. We note that, as part of the continuing review of the ethical implications of developments in the life sciences, the Italian Government hosted the fifth conference on bioethics in April 1988, and we welcome the intention of the European Communities to host the sixth conference in the spring of 1989.
ANNEX ON STRUCTURAL REFORMS

- Europe is pursuing structural reforms to complement macroeconomic policies in order to spur job creation, enhance growth potential, and achieve a sustainable pattern of external balances. Structural reform measures are being put into place in the framework of the Communities' program for a unified internal market by 1992; including full liberalization of capital movements; removal of physical, administrative and technical barriers to allow the full mobility of persons, goods and services and an improvement of competition policy. However, full achievement will depend on complete and timely implementation of the measures and on complementary policies including those in the fields of regional, social and environmental policies and of technological co-operation.

- The main elements of Germany's structural reforms are tax reform and reduction, deregulation and privatization, reform of the postal and telecommunications system, increased flexibility in the labour market, and reform of the social security system.

- In France, the main structural reforms will deal with improving the level of education and professional training and development for workers, and with major improvements in the functioning of financial markets in order to facilitate the financing of the economy at the lowest possible cost.

- Italy will seek to promote training and education, increase the flexibility of the labour market to spur employment, improve the functioning of financial markets, revise the tax system to promote efficiency and eliminate distortions, and enhance public sector efficiency.

- In the United Kingdom, there has already been a substantial program of tax reform, trade union law reform, deregulation, opening up of markets and privatization of state industries. This will continue. Further measures are being introduced to improve both the quality of education and the flexibility of the housing market.

- Japan will pursue further structural reforms to support and sustain the greater reliance on domestic demand-led growth which has quickened remarkably. Japan will promote reform of government regulations in key sectors including land use policies and the distribution system, and reform of the tax system.

- For the United States, where recent indications that the declining trend in private savings may have bottomed out are encouraging, it is nonetheless a priority to increase incentives to save. Also the United States will strengthen the international competitiveness of its industrial sector.

- The most promising areas of structural reform in Canada are implementation of the second stage of tax reform, the proposed liberalization of the financial services sector, and, most important, the implementation of the Free Trade Agreement with the United States.