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23458	MEMO	FROM MELVYN LEVITSKY RE PRESIDENTIAL TRIP TO VENICE SUMMIT, ITALY, AND FRG PAR 3/28/2007 NLRRF01-052/1	1	5/14/1987	B1 B3

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May 14, 1987

MEMORANDUM TO:

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NLRR F01-0521 # 23458
BY CN NARA DATE 3/20/07

E	- Mr. Wallis
T	- Mr. Derwinski
AF	- Mr. Crocker
ARA	- Mr. Abrams
EAP	- Mr. Sigur
EB	- Mr. McMinn
EUR	- Ms. Ridgway
HA	- Mr. Shifter
INM	- Ms. Wrobleski
INR	- Mr. Kamman, Acting
IO	- Mr. Keyes
L	- Mr. Sofaer
NEA	- Mr. Murphy
OES	- Mr. Negroponte
PA	- Mr. Redman
PM	- Mr. Holmes
S/CT	- Mr. Bremer
S/NP	- Mr. Kennedy
S/P	- Mr. Solomon
USDA	- Mr. Gaibler
CIA	- [REDACTED]
CEA	- Ms. Machol
DOC	- Ms. Robbins
DOE	- Mr. Vitale
EPA	- Ms. Fisher
NASA	- Ms. Greene
NSC	- Mr. Green
Treasury	- Mr. Zoellick
USIA	- Mr. Taylor
USTR	- Mr. Frierson

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KEY ACTION OFFICES: E, EUR, EAP, EB, Treasury, & others

SUBJECT: Presidential trip to the Venice Summit,
Italy and the FRG, June 3-12, 1987

TRIP COORDINATORS: Eric Melby, E, Room 7260, 647-8854
Bill Bodde, EUR, Room 6219, 647-1752

S/S-S ACTION OFFICER: Dan Friedheim, Room 7241, 647-1522

The White House now plans to distribute the final version of the President's books for this trip early Friday, May 22. Therefore, all revisions must be received in S/S-S by COB May 21, one day earlier than originally tasked. Revisions should be kept to a minimum. Please submit an original, a copy with the new language highlighted, and a new WANG disk to EUR/RPM, Rm. 6513, attn: Jon Benton (647-8050).

Melvyn Levitsky
Melvyn Levitsky
Executive Secretary

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THE WHITE HOUSE
Office of the Press Secretary

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIALS
ON THE VENICE ECONOMIC SUMMIT

May 28, 1987

The Briefing Room

4:00 P.M. EDT

MR. HOWARD: Ladies and gentlemen, we're going to begin our BACKGROUND BRIEFING on the Venice economic summit. For your information, not for publication, our briefers today are Undersecretary of State Allen Wallis and Assistant Secretary of the Treasury for International Affairs David Mulford. We'll begin with Undersecretary Wallis.

SENIOR ADMINISTRATION OFFICIAL: Good afternoon. I'm going to start with an opening statement in which I'll cover four subjects. First I'll talk a little bit about the structure and the mechanics of the summits. Most of you know about that, but for those who don't, it is worthwhile in trying to interpret a summit to know something about that. And I'll talk about the progress that's occurred to date from summit processes, and then I'll talk about some of the current economic problems that they'll be coping with at the summit and, finally, about U.S. objectives -- well, finally, there will be questions and answers. And as you were told, we have Secretary Mulford here from Treasury and I'll rely on him for probably a good many of the questions.

The economic summit will be in Venice, June 8 to 10. It begins with a reception and dinner on the 8th and runs through the afternoon of the 10th. A communique will be given out the late afternoon of the 10th.

That's the 13th of the economic summits -- will be the 13th. And it's the seventh one in which President Reagan has participated. I'm President Reagan's personal representative for planning the preparations on the economic side of the summit and have -- this will be the fifth one I've done, Williamsburg having been the first.

Personal representatives, as you probably know, are always referred to as Sherpas because we're supposed to lead the way to the summit for the heads of state and government. And I have, as does each of the Sherpas, two associate Sherpas, often called sous-Sherpas. One is David Mulford, the Assistant Secretary of the Treasury for International Affairs; and the other one is Stephen Danzansky, who is Senior Director for International Economic Affairs at the National Security Council, and who, unfortunately, couldn't be here this afternoon.

Now, the Sherpas have held four meetings in preparation for the Venice summit. We started with one last October in Sicily; had one in early February in Florence; had another one at the end of April in Sardinia; and then we had one two weeks ago in Venice partly and partly in Stra, which is a nearby villa.

The summits have served as useful consultations -- and I emphasize the word "consultations" -- where the heads of governments can consult on their views on economic and political matters. The heads of government at the summits very rarely negotiate on anything, nor do they really take decisions at the summits. The basic

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objective is to exchange views on economic policy and problems and to come to understand one another's points of view and also to explore possible solutions and see what reactions people have to them. In other words, it's fundamentally to get to know the people and their points of view and the problems and so on. They also give an opportunity for high-level discussion of the aims of a number of the international institutions like the GATT, the IMF, the World Bank, OECD and maybe some others. Now, although they're called economic summits -- and they are basically economic summits -- political issues inevitably are discussed. There's no way you're going to get the heads of the seven largest industrial democracies together and keep -- confine them to economics. There will always be political issues that they want to discuss and so they plan to do that. The way they do it is that during the morning and afternoon sessions, economics is discussed and during the meals, political issues are discussed.

Q Why is that?

SENIOR ADMINISTRATION OFFICIAL: The heads of state and government meet alone, with only the Sherpas present, about half of the time -- maybe a little bit more. And the other half of the time they have their foreign or finance ministers with them. And in the -- the discussions are generally informal. They do not have a rigid agenda. They -- the chairman has a list of topics that need to be talked about and the others know what's on his list. But, he does not try to keep people confined to a given topic at a given time because one of the principle objectives is to be able to discuss interrelations. For example, interrelations among issues of trade, investment and debt. You have finance ministers to deal with debt and trade ministers to deal with trade and economic ministers to deal with some of those things. But, the heads of government are the ones that need to bring it all together. So, to avoid rigid compartmentalization, they simply have a list and the chairman has to steer the discussion to see that everything gets covered.

Q Who's the chairman --

SENIOR ADMINISTRATION OFFICIAL: Let me say something about the progress to date and I'll deal with questions after I've finished the statement. The economic conditions in the summit countries today are a contrast with those that prevailed at the time of the Williamsburg summit or, for that matter, the two that preceded it before I was involved. Basically, because the kinds of policies that used to be referred to as Reaganomics are taking hold to a large extent in all of the summit countries and, indeed, in most other countries besides. A broad consensus has emerged at the summit that those countries share the responsibility for pursuing sound and compatible domestic policies which will promote convergence of strong, non-inflationary economic growth. And that, of course, is essential for a healthy world economy. And those policies include non-inflationary monetary policies that will be conducive to sustained growth,

fiscal policies aimed at reducing government expenditures and, where appropriate, deficits as a share of GNP, policies for labor markets, capital markets, taxes which will improve incentives and flexibility, and re-doubled efforts to resist protectionism and to open markets or keep them open, and we're making progress on all of those objectives.

As a group, the summit countries are now in the fifth year of economic expansion. Inflation and interest rates have come down significantly. Exchange rates, since early '85, are contributing to the adjustment of external imbalances. Summit country finance officials have agreed to some specific undertakings aimed at promoting growth, at payments adjustments and at exchange rate stability, and they've agreed to improve multilateral surveillance procedures.

And at the April meeting of the IMF and the World Bank, the strategy for dealing with problems of heavily indebted countries was reaffirmed and refined to encourage greater flexibility.

And finally, the Uruguay round of multilateral trade negotiations has been launched. And it will be far more comprehensive in scope, and more complicated than any of the previous trade rounds.

Well, let me turn to the setting at Venice. The -- what I've just related is a record of achievement, but serious problems do face the economic policymakers and the political leaders.

In the first place, growth in the summit countries is not as strong as it could be and should be. And furthermore, it even seems to be weakening in most of them. Unemployment, especially in Europe -- it remains troublesomely high. And the trade imbalances in some countries are excessive. And the governments in some countries are spending too large a part of their gross national products, and while major exchange rate changes are contributing to adjustment of trade imbalances, further substantial changes would threaten growth and adjustment. And inflation, although it's greatly reduced, remains too high, and there are possibilities of its increasing. And problems of debt and growth, though they're much alleviated continue to require care and attention.

And finally, protectionist pressures have intensified in response partly to the U.S. trade deficit, partly frustration over limited access to other markets, partly stagnating employment in Europe.

So in short, while the economies of the summit countries are basically healthy, there are, as there always are, hazards to watch out for. The leaders will go to the summit with much reason to be satisfied, but with no basis at all for being complacent or smug.

Now, the U.S. objectives at Venice, which is the fourth thing I said I would talk about -- first, we don't anticipate any new initiatives at Venice. Generally speaking, where economic waters appear to be troubled,

the correct approach is a steady hand on the tiller and not a frantic search for a new course.

And the principle economic topics that will be discussed include: economic policy coordination, agriculture, structural adjustment, debt, and trade. And we'll be following through strongly on a number of those issues.

We will endeavor to promote policies that will assure further convergence of economic performance and a strong, stable global economy. And we'll try to strengthen coordination of economic policies in order to increase growth, reduce trade imbalances, and improve stability of exchange rates.

And we want to hold wide-ranging discussions on reforming agricultural policy, building on the excellent statement of the recent OECD ministerial meeting in Paris.

And we want to support strengthening the debt strategy, including a so-called menu approach to new financing options by banks, as the best means for managing the international debt problems. And we'll suggest more Paris Club debt rescheduling for the poorest countries. And we will want to fight protectionism and move forward expeditiously on the new round of trade negotiations.

And finally, at Toyko, President Reagan raised the issue of agricultural reform. And the other leaders all agreed that concerted international action is essential to avoid bankrupting both farmers and national budgets. And we'll urge prompt movement from words to deeds. And the OECD ministerial was an important first step.

At Venice, we expect to cement the political will to reform.

And then in the GATT, we expect to negotiate the agreements that will be necessary to return agriculture to more market oriented principles.

And, so, now, I'll turn to the questions. I heard Helen ask the question of who's the chairman. The chairman will be acting Prime Minister Fanfani of Italy. Italy is the host country. And the head of the host government is always the chairman of the meeting.

Q And there isn't a windup banquet this time?

SENIOR ADMINISTRATION OFFICIAL: I think there will be a windup luncheon, as I understand it.

Q And then speeches by each -- statements and --

SENIOR ADMINISTRATION OFFICIAL: The communique will be just given by the -- at least the usual procedure is that only the chairman gives a statement at the communique. Some of the other leaders, subsequently, hold press conferences. In fact, I believe they all do, but I can't vouch for that. We had a question --

Q You alluded earlier to trade ministers. Are they going to be participating for the first time?

SENIOR ADMINISTRATION OFFICIAL: No. No, did I allude to trade ministers?

Q Yes.

SENIOR ADMINISTRATION OFFICIAL: Oh, I mentioned that in governments there are trade ministers who deal with trade problems, and those are finance ministers that deal with finance problems, and there are ministers that deal with this, and that and the other. These things are interrelated and the heads of government need to deal with

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the interrelations of trade, and debt, and finance, and whatever -- and growth and whatever it may be.

Yes.

Q All of the leaders seem to be having domestic political problems. How do you think those problems at home will impact the discussions in Venice?

SENIOR ADMINISTRATION OFFICIAL: Well, I hear a lot about that. As far as I can make out from either talking to the Sherpas or even from conversations with the heads themselves whom we've been seeing, I don't think that really is going to make any appreciable difference. In general, these people will be speaking for policies of their governments and -- or if not of their governments, then of their parties if they represent a single party. And I -- so, I think they'll be able to -- and since they don't try to make binding commitments and carry out formal negotiations, I think that they will not really be seriously handicapped.

Yes.

Q Do you expect to reach some kind of agreement on the use of economic indicators to achieve --

SENIOR ADMINISTRATION OFFICIAL: Even today, the answer is already no because -- as I said earlier -- we don't expect to reach agreements at the summit. However, the question -- the substance of the question you're getting at -- the finance ministers will have a meeting alone. The morning that the heads are meeting alone, the finance ministers will be meeting alone and the foreign ministers will be meeting alone and I would think it's quite likely that when the finance ministers are meeting alone they'll discuss some of those subjects. They also are -- were assigned the job at Tokyo of reporting to this summit on what they've done and indicators was one of things mentioned there. And they have been busy, so I think they'll submit a report -- an informative report.

Down here in the middle.

Q Could you review the political issues you expect leaders to discuss at their various meals?

SENIOR ADMINISTRATION OFFICIAL: Let's see, well, there'll probably be some variation there, but -- and also I think they'll discuss some things that don't lead, necessarily to public statements. So it's a little hard to make that kind of a prediction. But, I should think they would certainly talk about things like what's going on in the Persian Gulf, although we -- in the preparations that hasn't even been mentioned because it wasn't an issue at the last Sherpas' meeting, but I'm just conjecturing that they'll be discussing that. They'll probably talk about some of the aspects of terrorism. I should think they would -- they'll certainly be interested in, well, East-West relations -- disarmament problems -- negotiations with the Soviets. There will be some discussion of AIDS and, because of the possibility that international cooperation could be strengthened and an attempt of -- to survey -- have some survey made to see if everything is being done that can be done there. And that's -- well, there are probably some others, but I -- and I don't have a list in my pocket. Does anybody --

Q South Africa?

SENIOR ADMINISTRATION OFFICIAL: I don't think they'll probably discuss that, but I don't know. They might -- there's a lot of interest in that issue, of course.

Yes.

Q Scheduling -- can you say how much time, if any,

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President Reagan will spend alone with leaders of other countries and, if so, how that compares with his previous summits?

SENIOR ADMINISTRATION OFFICIAL: Well, in the actual summit, he'll --

Q I mean, summit or bilateral or -- whatever.

SENIOR ADMINISTRATION OFFICIAL: Well, in the summit itself, more than half -- as I said earlier -- more than half the total time is heads alone.

And I suppose he'll have bilaterals -- we have a list and there may not be all -- he may not be having them with all six of them because some he will have seen recently. But they usually run about an hour, so it will probably be another five or six hours with individuals.

Q Is that about like last time?

SENIOR ADMINISTRATION OFFICIAL: Yes. About the -- the structures of the summits was radically changed with the Williamsburg summit because the President had been quite dissatisfied with the previous two that he went to. And the format adopted there is essentially the one that's been repeated by each of the subsequent host countries.

Q Could you discuss somewhat in detail the agriculture problem?

SENIOR ADMINISTRATION OFFICIAL: Well, in detail -- I don't know --

Q How about in general? (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: Well, without being too lengthy about it, and it wouldn't take a terribly long time to exhaust my knowledge on the subject anyway -- but, basically, agriculture got onto the international agenda as a result of the Tokyo summit. It was clearly planted as the most significant international economic problem, most serious. That resulted, in large measure, from the President's initiative, but others jumped in strongly as soon as he brought it up. So it would be very hard to exaggerate and just say it was all due to him because it was clear the others were primed also on that.

That was a consequence of the OACD ministerial a year ago at which there was extensive discussion and at which it was agreed that we'll stop pointing our fingers at others and saying it's all your fault -- we're doing just right, but you're messing up the whole world. Instead, we're saying we're all doing things that are making trouble and the trouble is serious. It's bankrupting our individual countries. It's causing friction among us and our summit partners, between us and the EC and Japan. It's causing a lot of trouble for the countries that don't do much subsidization, like Canada, Argentina, Australia, and others. And then the LDCs, many of the LDCs are being wiped out by it because they're trying to develop agriculture and they could develop agriculture -- many of them have a comparative advantage on agricultural products. But we in the EC and others go down there and offer to sell agricultural products for half what it costs them to produce them and that wipes out their business. It's usually a third of what it costs us to produce them. But that means that they can't develop their agriculture.

So there are these four indictments against it. And they can't be dealt with individually. You really need -- we have some bills in Congress now where, if other countries would introduce other bills, I'm sure Congress would be a whole lot more interested in these proposals.

Q Why is agriculture singled out? Isn't that part of the overall trade?

SENIOR ADMINISTRATION OFFICIAL: It is a part of it, but it's an absolutely overwhelming, dominant part of it.

Q What did you mean the President was dissatisfied? You mean he didn't have enough relaxed, free time to --

SENIOR ADMINISTRATION OFFICIAL: Well, that isn't what he said. Maybe that's true, too. What he said was that when he went into the meeting, he was astonished -- they opened the meeting by passing out a draft communique and saying here's a report of what we

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will have said. And they spent the meeting debating the wording in reporting -- and they hadn't said anything yet. So he made a prohibition against any advance, prenegotiated draft communique.

Q Really?

SENIOR ADMINISTRATION OFFICIAL: Yes. And also made a provision that nothing could be said in the communique that wasn't said in the meeting; and that whatever was said in the meetings ought to be reported in the communique if it was worth reporting; and that it should be a reasonable account of what they did and what happened; and that the meetings shouldn't be so rigidly structured, they should be able to talk freely and informally.

And, to begin with, at the Williamsburg summit which was the first time I'd had any exposure to any of this, they were all telling me, all the others, that won't work, you're out of your mind, that if you don't have a prenegotiated communique you won't have any communique, and so forth and so on.

But, subsequently, they've all -- all of them have repeated it. And I suppose that speaks for itself, the fact that they've repeated it.

Yes.

Q On the subject of terrorism, in the wake of last year's major statement that was made by the summit, would you expect another statement on that subject this time? And also, is there some sort of an issue involving air traffic -- air piracy, perhaps -- air traffic that is expected to be discussed and perhaps resolved at this summit?

SENIOR ADMINISTRATION OFFICIAL: I'm not expecting any discussion of that. But as a result of the Bonn summit, there was a group of experts from the seven countries established to work on that kind of problem and they're still in existence and still working on it. As far as I know, they don't have anything particular to report at this time.

On terrorism, I would think if they don't have anything to say -- they had a good statement last year -- if they don't have anything to say but the same thing, I would suggest, myself, that they not bother to say it again.

MR. HOWARD: Folks, we will be having several more backgrounders including one from Roz Ridgway on the political.

SENIOR ADMINISTRATION OFFICIAL: On the political questions, yes.

Q Can we get back to agriculture? Has the progress during this intervening year at the GATT and among the industrialized nations been what was expected or is it considered stalled?

SENIOR ADMINISTRATION OFFICIAL: Well, it's the opposite of stalled. If it's -- if it wasn't what was expected, it's because it was better than we expected. The OECD statement is what we hoped for, but I won't quite say it's what we expected. But -- and we -- it was very difficult to negotiate that out.

Yes?

Q I'd like to ask your colleague a question about --

SENIOR ADMINISTRATION OFFICIAL: Yes, yes, good. I'd like to have him answer some questions, too. (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I was afraid you'd say that.

Q -- about what he thinks the -- what you think the implications of the bank write-offs on Third World debt -- Citibank and Chase -- are for discussions of the LDC debt problem?

SENIOR ADMINISTRATION OFFICIAL: Well, I certainly think, from our standpoint, the action taken so far by Citibank and Chase are regarded by us as positive actions. And they should facilitate the banks ability to participate more flexibly in the debt strategy, particularly in their ability to help develop the menu of options for participation in new money packages. I think it'll take a little time before this becomes visible because, as you know, it's a case-by-case situation where each country comes up for negotiation and I don't think it's possible to see exactly how that'll work out until packages begin to be negotiated.

I don't think that it, in any way, changes the fundamental principles of the debt strategy, which I think are the same as they've been -- namely, the need for countries to carry out major reforms in their economies, the participation of the international and financial institutions, particularly the enhanced role of the World Bank, and the continued participation by the commercial banks, and the provision of finance for the debtor countries that are reforming. And both banks that have taken those measures have indicated their intent to continue to play a major role in the debt strategy.

Q What are the principal new options that you're looking forward to?

SENIOR ADMINISTRATION OFFICIAL: Well, we've always said that the menu of options is something that we think the banks should develop themselves, and there's been some progress in that. But up until now, many U.S. banks were in the position, as you know in the case for example of the Mexican negotiation, of being involved only in providing a percentage increase of new money over a base defined at some point in the past. And many of them found it difficult to look at various other options and count those as new money provisions, such as debt equity swaps, for example.

And what we have seen so far would suggest that as time passes and the position of individual banks and various countries changes and the debtor countries need to change, it's going to be important that new money packages have a number of dimensions to them. And the sooner that process begins to be worked out, the better. We've seen some of that already -- exit bonds proposed by Argentina, the Philippine investment note concept that was put forward in the Philippine discussion, debt equity swaps, as I've mentioned, and so on. But it's for the banks to design these different options.

Q Can you give us any kind of an indication at all of what might be going on under the fringe of the summit, or perhaps within it, with respect to monetary policy -- interest rates, currencies, and so on?

SENIOR ADMINISTRATION OFFICIAL: Well, I think these issues will be discussed by the finance ministers at their evening dinner meeting and at their morning meeting on Tuesday, and I think there will be a full discussion of those issues.

Q Any possibility of an independent communique or any possibility of a decision of any kind that might be of interest to the markets?

SENIOR ADMINISTRATION OFFICIAL: Well, I think my colleague already said that we weren't looking for major new initiatives at the summit, and I don't think that there would be a second communique. There will just be the summit communique.

Q On the African debt, why is it said from the U.S. perspective that while more generous rescheduling could be supported, outright forgiveness cannot be supported?

SENIOR ADMINISTRATION OFFICIAL: Well, that question concerns largely the treatment of the poorest of the poor countries, most of them are in Africa and the way in which they are dealt with in the so-called Paris Club rescheduling exercise, where there is an effort being made to provide easier, longer terms, longer grace periods, longer reschedulings to them. And I think that's something that will probably come about. That will be discussed. And the aim there is to provide some relief to them, but not in the form of debt forgiveness, which we do not support, or in the area of reducing interest rates to submarket levels.

Q You didn't answer the question. Why do you not support debt forgiveness?

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SENIOR ADMINISTRATION OFFICIAL: Well, debt forgiveness is something which -- is something that we have never supported in the debt strategy, which we think if you do begin to support in one country, you then find that cases are made for it to be utilized in more countries, and indeed in due course in all countries, often without a basis.

Our interest is in seeing -- and I think the debtor countries as well have the same interest -- in seeing their economies improve. And the provision of relief without reforms in their economy really is no answer to their ability to create the conditions for sustained growth in the future.

Q Yes. Would we, at this summit, be likely to see a restatement of the Paris Agreement, as we did -- saw a restatement at the IMF-World Bank meeting here in Washington -- a reaffirmation of their desire to keep the dollar at approximately its current level?

SENIOR ADMINISTRATION OFFICIAL: Well, I think that the -- you're really referring to the economic policy coordination business which is an ongoing effort and it's an incremental effort in which all the countries participate on a continuous basis.

The so-called Louvre Agreement was followed by the G-7 ministerial in April, and commitments were made by the various countries on both occasions. Those commitments, in some cases, have been implemented. In other cases they're still being carried out.

And I think at the summit you will see a review of that situation, and undoubtedly some reference to the same issues. I don't think you will see any effort to negotiate new initiatives because I don't think that's called for. The result of those previous meetings was that given the economic policy commitments made, the present and prospective economic fundamentals were thought to be in line with exchange rates, and that position still prevails.

Q So, we're likely to see a restatement then, once again, of --

SENIOR ADMINISTRATION OFFICIAL: I would think a reaffirmation of those positions -- yes.

Q Do you think -- will they say anything new on the surveillance exercise? The finance ministers are supposed to report at this summit on what's happened since Tokyo -- and what kind of thing might we see from that? And do you expect any new steps in this area?

SENIOR ADMINISTRATION OFFICIAL: Well, I don't think at the summit, as my colleague has said, you see a situation where negotiations take place

that produce new steps or new techniques because this is a highly complex, long-term process. It's --

Q Although, he did at the last summit. This is where it --

SENIOR ADMINISTRATION OFFICIAL: Well, that -- at the last summit, the initiative was taken to create first of all the G-7 and to direct that group and those ministers to develop the economic policy coordination process, as stipulated in the communique, using indicators. That has been done over the past year to a very large extent and the report that is made by the ministers, which is asked for in the communique last year, will be made to the heads this year. It'll be an oral report. And I have no doubt that essential pieces of that will find their way into the communique.

Q But, what new can you say about economic indicators in this upcoming Venice --

SENIOR ADMINISTRATION OFFICIAL: Well, I think the only thing one can say is that -- as we've said before -- that a great deal of progress has been made. We are using indicators in the surveillance process. We have done now since the meeting that took place last autumn here -- the G-7 meeting that took place last September -- at the time of the World Bank meeting. They have been used together with the newly developed process for conducting surveillance -- rather constructively in my opinion. And we've had more coordinated policy action in the past year than at any other time in the recent past. That's how I think you have to look at the way indicators are being used.

Yes.

Q Back on the agricultural issue -- do you think we're going to be moving towards a more coordinated agriculture policy -- besides subsidies? Would we be looking at production controls or barter arrangements more like we -- what we did with the economic summit?

SENIOR ADMINISTRATION OFFICIAL: I'll ask our agricultural specialist to speak on that.

SENIOR ADMINISTRATION OFFICIAL: Well, the summit won't be going into that kind of thing at all. What the summit will be urging is that the GATT round -- the new -- the Uruguay round -- go into all aspects of the -- look at what the OECD said -- all aspects of agriculture that affect market relations -- that affect trade and agriculture. So, they'll be urging that there be absolutely comprehensive consideration of domestic and international policies.

Q But, what Tokyo set forth for economic convergence -- will this perhaps set forth what will be agricultural convergence?

SENIOR ADMINISTRATION OFFICIAL: No, I don't think they'll be that complex. The Tokyo -- let me say to expand a little bit on what my colleague said -- that the finance ministers had met in the morning and they prepared a report, which the ministers -- the heads of government rather -- simply adopted and inserted into their communique. Now, we won't have any agriculture ministers at this summit, so we won't have a group going off and writing something like that to interject. But that wouldn't be appropriate anyway. What they will simply want to do is put some backbone in and some sense of urgency and importance into the GATT negotiations. And then as they begin, and I think it's as early as late June, but at any rate, when they begin, Mr. Yeutter will go over there and he'll lay down a proposal. And whether agriculture will be laid down first or last or in between, that's up for him to decide in the light of how things are developing.

Yes.

MORE

Yes.

Q Can I direct a question to your colleague?

SENIOR ADMINISTRATION OFFICIAL: Sure.

Q One of the stated objectives in the G-7 agreement was exchange rate stability. Do you think that objective's been satisfactorily attained since then?

SENIOR ADMINISTRATION OFFICIAL: Yes I do. The present rates today, for example, deutsche mark rate is approximately where it was at the time of the Louvre meeting. The yen rate is very close to where it was at the time of the G-7 meeting in April. Sterling has moved a little more, but there's rather special reasons for that. By and large, I think the agreement has been very successful.

MR. JARRATT: Excuse me, last couple of questions, please.

Q Could I ask what -- can you describe to us what the proposal -- what the parameters of the proposal on AIDS will be? Is there a specific proposal or legislation?

SENIOR ADMINISTRATION OFFICIAL: No. What they'll want to do is explore whether international cooperation on AIDS, whether everything that can be done by international cooperation is being done. And each of the countries has asked its experts in that field to report to us, and we Sherpas asked them to report to us what's being done internationally, are there any gaps, are there any things that aren't being done that could be done internationally, and is there any needless duplication going on where resources could be diverted to something else that's being neglected, and the general ideas that all of this work should be coordinated through the WHO, the World Health Organization.

Q Is this primarily in research or also in control and testing?

SENIOR ADMINISTRATION OFFICIAL: Anything that's got to do with it -- research or control, education, understanding it -- anything having to do with the subject.

Q I have one more.

SENIOR ADMINISTRATION OFFICIAL: Got one right here.

Q Since the Tokyo summit, there's been a lot of trade friction between the United States and Japan and between the European countries and Japan. Can you -- I know summits tend to be polite forums, but do you see any kind of language coming out of the summit that will be described as sort of a modified form of Japan-bashing? (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: No, and we have lots of problems with Japan, as you know. And in fact, I think I spend about a third of my time fighting with, or anyway, discussing with Japanese various trade issues. But we are very, very resistant to any idea of Jap-bashing. We just think that's extremely unwise and unjustified. Japan is -- has become one of the most important countries in the world. On the whole, overall, it holds up its end very well, and it's increasingly holding up its end, doing its share. But it's a long way behind on a lot of things including trade matters, and its own economy is just horribly inefficient. And that's one of the things that we're trying to get them to do is to get their economy more efficient.

We've been holding what we call "structural adjustment talks" with them for over a year now aimed at focusing on just those things that make them so inefficient. If they had more efficiency in

growth there, they'd be in a better position to buy, and also they'd be in a better position to invest their savings at home. They'd have good investment opportunities at home. Now they don't, so they send them somewhere else, and this is the best place to send them.

Q In the GATT talks in Punta del Este in September, the European community wanted to get inserted in a communique language that referred to a balance of responsibilities --

SENIOR ADMINISTRATION OFFICIAL: Balance of benefits was their phrase.

Q Well, it was benefits, and then it was changed to responsibilities and it never went anywhere. But it was widely viewed as being directed at Japan. If that is proposed again in Venice, would the United States object to inclusion of that kind of language in a communique?

SENIOR ADMINISTRATION OFFICIAL: You know, when that kind of code -- that kind of language has now gotten a secondary meaning that's not in it literally, and as a result, people won't buy it. Where we might have thought it was very, very reasonable. There should be a balance of benefits in international trade. But now when you see that, you know that's a code for "Let's bash the Japanese." So we won't buy that language.

Q What kind of trade statement would you expect, then? I mean, would you expect any kind of trade statement on the communications --

SENIOR ADMINISTRATION OFFICIAL: One urging resisting protectionism, opening markets, diminishing barriers to trade, particularly of course in countries with structural imbalances that are on the positive side.

Q But that's nothing particularly new. I mean, concurrently, they have a lot of EC problems with us. I mean, EC has said that they're going to retaliate --

SENIOR ADMINISTRATION OFFICIAL: No. The focus here will be on multilateral things and on the GATT or the Uruguay round. That'll be the thing that we'll try to get some life into.

Q Let me ask one other question.

MR. JARRATT: Last question, please.

Q Do you think that the heads of state will -- heads of government instruct the finance ministers to do any other studies, for instance on Third World debt or on trade frictions, similar to the ones that they had on exchange coordination?

SENIOR ADMINISTRATION OFFICIAL: I don't anticipate now that they would do that, but partly because the finance ministers are already organized to do that kind of thing and are doing it through various other --

Q Anything that specific that they would have to report at the next summit?

SENIOR ADMINISTRATION OFFICIAL: No. I don't anticipate. Do you anticipate? No, I don't anticipate anything in the summit on that.

Thanks very much.

THE PRESS: Thank you.

END

4:45 P.M. EDT

GROWTH TOPIC AT VENICE

Talking Points for the President

Card 1

-- The world economy is doing reasonably well compared to five years ago: Inflation rates are down in all our countries, and real growth has resumed.

-- However, several problems threaten this progress. Growth has tapered off to disappointing rates in Japan and Europe, and we see signs of renewed inflation in the U.S. Stubborn trade imbalances, among other problems, are fueling protectionist sentiments that threaten to disrupt world trade.

-- We must not let unemployment rates, already high in some of our countries, creep even higher. We must not put new obstacles in the way of developing countries, which need trade expansion to help them pay their debts and to grow faster.

-- World prosperity and growth are at risk, though behind these problems is an opportunity for faster growth and for more products of new technology to enrich our lives. To meet the challenge, we have to work together. We also have to look at the problems comprehensively--at the "supply-side" potential for growth and at the demand sides of our economies.

-- Our finance ministers are meeting now to discuss measures to stimulate demand; their report this afternoon will give us the opportunity to review their progress and to give fresh impetus to their work, if necessary.

-- Winding down our external and internal imbalances may take several years, and it also takes a long time for policy changes aimed at stronger growth potential to take effect. We need to look ahead and move forward now on the needed changes.

Card 2

-- Supply-side policies aim at "structural adjustment." They improve incentives, reduce government interference and barriers to growth, and thus create jobs.

-- The OECD's work in the Economic Policy Committee on Reform of Microeconomic Policies is an excellent beginning. We should support and encourage it.

-- To be more specific about the supply-side reforms, in many countries labor markets are distorted by generous, costly unemployment insurance and by restrictions on hiring and firing. These discourage firms from offering new jobs, reduce labor mobility, and so drag growth rates down.

-- The important, most needed tax reforms are lower marginal rates and lower corporate taxes.

-- Other good ways to reduce distortions are to eliminate subsidies to failing industries, deregulate transportation and other key industries, and divest public enterprises.

-- I should also mention two other examples we have talked the most about at previous meetings. We all agree that agricultural reform and the removal of barriers to international trade in all goods are essential, and we expect to discuss these topics further.

-- All our countries have made beginnings in these directions, and some countries not represented here have also begun to liberalize their economic policies. Their experience, and the experience of those of us who have pressed furthest in these directions, show something about what can be accomplished.

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.

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

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.

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 harmonisation 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 Organisation for Standardization (ISO) and the International Council of Scientific Union (ICSU), assisted by other interested international organisations 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.

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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.

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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

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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.