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INFORMATION

June 10, 1987

*Note action on
AID's statement*

MEMORANDUM FOR THE PRESIDENT

FROM: Allen Wallis
Stephen Danzansky
David Mulford

SUBJECT: Venice Economic Declaration

At Tab A is the text of the final draft of the Venice Economic Declaration, prepared by the Sherpas for review by the Heads at this morning's plenary session.

Overall, the declaration meets nearly all the objectives you set out to achieve in Venice. Specifically, success was attained on macro-economic policy coordination, trade, debt and structural adjustment. Although we are disappointed that we did not achieve a dramatic step forward on agriculture, the declaration retains all the progress made at the OECD Ministerial and provides the basis for some forward momentum on this issue.

There is a reference to the IMF Structural Adjustment Facility which is more specific as to timing than we would like, but we do not think it worthwhile to get this altered at this late stage.

One small item which is undesirable from our point of view, and which we have bracketed, is a reference to the forthcoming UNCTAD meeting. We do not yet know if the U.S. will attend or at what level. France feels strongly about mentioning the meeting, as Francois Mitterrand will be the guest of honor. You may wish to indicate to President Mitterrand that, while we are skeptical about UNCTAD, you are willing to make a personal gesture by removing the bracket.

In conclusion, we can fairly say that the U.S. has demonstrated its commitment to past economic initiatives and will be an active and reliable partner in meeting the economic challenges facing the West.

Attached for your information at Tab B is a summary of achievements of the Venice Economic Summit. At Tab C is a paragraph by paragraph description of the Declaration.

Attachments

Tab A	Venice Economic Summit Declaration
Tab B	Summary of Achievements
Tab C	Paragraph by Paragraph Description of Declaration

cc: Secretary Shultz
Secretary Baker
Howard H. Baker
Frank C. Carlucci
Kenneth Duberstein

date 10/6/87

VERSION NUMBER 0

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 relationships. Given the policy agreements reached at the Louvre and in Washington, further substantial shifts in exchange rates could prove counterproductive to efforts to increase growth and facilitate adjustment. We reaffirm our commitment to the swift and full implementation of those agreements.

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

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

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

fully to reflect underlying fundamentals.

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

Structural policies

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

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

Multilateral surveillance and policy coordination

9. We warmly welcome the progress achieved by the Group of Seven Finance Ministers in developing and implementing

strengthened arrangements for multilateral surveillance and economic coordination as called for in Tokyo last year. The new process of coordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by our countries.

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

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

- the commitment by each country to develop medium-term objectives and projections for its economy, and for the group to develop objectives and projections, that are mutually consistent both individually and collectively; and

- the use of performance indicators to review and assess current economic trends and to determine whether there are significant deviations from an intended course that require consideration of remedial actions.

12. The Heads of State or Government consider these measures important steps towards promoting sustained non-inflationary global growth and greater currency stability.

They call upon the Group of Seven Finance Ministers and Central Bank Governors to:

- intensify their coordination efforts with a view to achieving prompt and effective implementation of the agreed policy undertakings and commitments;
- monitor economic developments closely in cooperation with the Managing Director of the IMF; and
- consider further improvements as appropriate to make the coordination process more effective.

Trade

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

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

technology transfers.

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

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

Agriculture


17. At Tokyo we recognised 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. For the major middle-income debtors, we continue to support, and see no feasible alternative to, 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.

23. 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.

24. We underline the continuing importance of official development assistance and welcome the increased efforts of some of our countries in this respect. 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;

- we welcome the initiative of the Japanese government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries. We urge other countries in a position to increase the provision of resources to developing countries to do so.

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 by September.

28. (We note that UNCTAD VII provides an opportunity for a discussion with developing countries with a view to arriving at a common perception of the major problems and policy issues in the world economy.)

Environment

29. Further to our previous commitment to preserve a

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

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

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

Other issues

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

study will be continued and we would be pleased to be kept informed about its progress.

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

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

Next Economic Summit

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

* * * * *

Chairman's statement on AIDS

(Text to be distributed to the press)

On the basis of the concern already shown in the past for health problems (London Chairman's oral statement on cancer and Bonn Chairman's oral statement on drugs), the Heads of State or Government 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 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;

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- 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 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 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.

* * * * *

Chairman's statement on Drugs

(Text not to be distributed to the press)

The Heads of State or Government have examined the drug abuse problem, which causes a tragic loss of human life and now affects people all over the world, especially the young and their families. They emphasize the importance of undertaking a strategy in support of national, regional and multilateral campaigns in order to overcome this problem. They intend to continue their fight against illegal production and distribution of drugs and to create all necessary conditions for more effective international cooperation. They will also work for the eradication of illegal cultivation of natural drugs and for its replacement with other types of production which will further the aims of social and economic development. The leaders welcome the agreements already reached on bilateral and multilateral bases, and look forward with confidence to a successful international Conference on Drug Abuse and Illicit Trafficking, which the United Nations are convening next week in Vienna.

ACCOMPLISHMENTS OF VENICE ECONOMIC SUMMIT

General Outcome:

Successful, forward-looking summit demonstrating that Summit nations are moving forward on shared commitments. This Summit locked in place political commitments to: assure growth through additional policy action, if needed; continue progress on agricultural reform; coordinate macro-economic policy; re-enforce of debt strategy and reaffirm support for expedited progress in Uruguay Round and resistance to protectionism.

Major Accomplishments:

- Macro-economic policy coordination: New process of policy coordination is in place and working. Agreement to take policy steps if necessary to respond to insufficient world growth.
- Agriculture: Endorsement of OECD Ministerial; near term tabling of proposals at GATT to take us a step further along path of international agricultural reform, plus 1988 Summit review of progress.
- Debt Strategy: Re-enforced debt strategy: case-by-case approach for medium income LDCs; special attention to the poorest nations. Calls on banks to offer "menu" approach.
- Trade: Agreement on need to pursue Uruguay Round expeditiously; strengthen the GATT system and underscore commitment to resist protectionism, thus preserving open trading system.
- Structural Adjustment: Agreed on need for effective structural adjustment policies, especially for creating jobs.

VENICE ECONOMIC DECLARATION

Section-by-Section Summary

Paragraph

Introduction

1. Reaffirms previous Summit commitments
2. Stresses positive economic environment for fifth consecutive year.

Macro-economic Policies and Exchange Rates

3. Reviews economic policy coordination since Tokyo; notes further substantial shifts in exchange rates could be counter-productive.
4. Identifies continuing economic problems; external imbalance; high unemployment; public sector deficits; high real interest rates; LDC debt and protectionism.
5. Identifies policy objectives of surplus and deficit countries.
6. Urges non-summit countries to assume their responsibilities.
7. Reviews monetary policy objectives of summit countries with a view towards easing interest rates abroad.

Structural Policies

8. Stresses need for effective structural adjustment policies and identifies examples.

Multilateral Surveillance and Policy Coordination

9. Welcomes progress of G-7 since Tokyo, instructs them to develop additional policy measures if world growth falters and provides guidance to this end.
10. Reaffirms important policy commitments at Louvre and Washington G-7 meetings, and calls on Finance Ministers to develop, if necessary, additional measures if growth insufficient and to cooperate closely to foster stability of exchange rates.
11. Notes coordination of economic policies is an ongoing process and endorses G-7 efforts and surveillance.
12. Heads note objective of sustaining non-inflationary global growth and greater currency stability through greater coordination.

13. Stresses improving multilateral trading system and rejects protectionism.
14. Reaffirms Punta del Este commitments for Uruguay Round.
15. Mentions tabling substantive proposals for new round in Geneva, which will be kept under close political review.
16. Notes measures to strengthen GATT system.

Agriculture

- 17- Identifies nature of agricultural problem, reaffirms commitment to OECD communique, describes strategy to reform agriculture.
20

Developing Countries and Debt

21. Describes nature of LDC debt problem.
22. Reaffirms growth oriented case-by-case debt strategy for middle income debtors.
23. Highlights role of commercial banks and debt countries regarding "menu" approach.
24. Outlines Summit views of official development assistance.
25. Discusses MIGA (Multilateral Investment Guarantee Agency) and export credits.
26. Discusses commodity market.
27. Deals with aid issues and Summit commitment to Sub-Saharan African countries.
28. UNCTAD
- 29- Underlines responsibility to encourage efforts to deal with
30 worldwide environmental problems.
31. Welcomes progress achieved since Tokyo on international cooperation on nuclear energy management.
32. Welcomes Japan's Human Frontier Science Program.
33. Welcomes result of Education Conference (Kyoto, January 1987).

Other Issues

34. Notes April 1988 bioethics conferences in Italy.
35. Accepts Canadian Prime Minister's invitation next year in Canada for 1988 Economic Summit.

Statement on AIDS will be distributed to press (separate from Declaration) as a Charman's statement. Statement on drugs to be included separately in Chairman's Report.

date 10/6/87

hour 12:55

VERSION NUMBER 1

VENEZIA SUMMIT CONFERENCE

Venezia Economic Declaration

Introduction

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17. At Tokyo we recognised the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognized the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued

the approach outlined at Tokyo, and we take satisfaction from the agreement in the Ministerial Declaration adopted in Punta del Este on the objectives for the negotiations on agriculture in the Uruguay Round.

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

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

20. In the meantime, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay Round as a whole and as a step towards the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of

agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more generally, damage trade relations.

Developing countries and debt

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

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

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

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

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

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

23. For the major middle-income debtors, we continue to support the present growth-oriented case-by-case strategy. Three elements are needed to strengthen the growth prospects of debtor countries: the adoption of comprehensive macroeconomic and structural reforms by debtor countries themselves; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor country reforms. We shall play our part by helping to sustain growth and expand trade. A number of debt agreements have allowed some resumption of growth, correction of imbalances, and significant progress in restoring the creditworthiness of some countries. But some still lack adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings, the repatriation of flight capital, increased flows of foreign direct investment, and in particular reforms of financial markets.

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

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

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

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

28. We note that UNCTAD VII provides an opportunity for a discussion with developing countries with a view to arriving at a common perception of the major problems and policy issues in the world economy.

Environment

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

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

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

Other issues

32. We welcome the initiative of the Human Frontier Science Programme presented by Japan, which is aimed at promoting, through international cooperation, basic research on biological

functions. We are grateful for the informal opportunities our scientists have had to take part in some of the discussions of the feasibility study undertaken by Japan. We note that this study will be continued and we would be pleased to be kept informed about its progress.

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

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

Next Economic Summit

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

* * * * *

Chairman's statement on AIDS

(Text to be distributed to the press)

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

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

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

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

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Chairman's statement on Drugs

(Text not to be distributed to the press)

The Heads of State or Government have examined the drug abuse problem, which causes a tragic loss of human life and now affects people all over the world, especially the young and their families. They emphasize the importance of undertaking a strategy in support of national, regional and multilateral campaigns in order to overcome this problem. They intend to continue their fight against illegal production and distribution of drugs and to create all necessary conditions for more effective international cooperation. They will also work for the eradication of illegal cultivation of natural drugs and for its replacement with other types of production which will further the aims of social and economic development. The leaders welcome the agreements already reached on bilateral and multilateral bases, and look forward with confidence to a successful international Conference on Drug Abuse and Illicit Trafficking, which the United Nations are convening next week in Vienna.

~~CONFIDENTIAL~~

1987 ECONOMIC SUMMIT - AFTERNOON PLENARY SESSION

VENICE, ITALY

PARTICIPANTS:

President Ronald Reagan
Secretary George Shultz
Secretary James Baker

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

President Francois Mitterrand
Prime Minister Chirac
Minister of Finance Edouard Balladur

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

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

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

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

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

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

FANFANI calls on Gorla to report for Finance Ministers.

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

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Authority W&E/State/Treasury Waivers
By Ms NARA DATE 3/13/2020

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

3:29 PM

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

3.37 PM

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

3:39 PM

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

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

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

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

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

3:49 PM

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

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

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

4:00 PM

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

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

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

CLARK: Also supports volunteers.

HOWE: Not just volunteers.

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

FANFANI: Summarizes -- emphasizing urgency.

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

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

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

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

4:22 PM

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

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

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

4:34 PM

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

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

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

MULRONEY: Ronald Reagan said communique should go beyond OECD.

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

4:46 PM

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

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

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

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

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

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

4:56 PM

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

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

MULRONEY: Supports combining statements from OECD with draft communique.

FANFANI: Ready to adjourn.

5:03 PM

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

5:07 PM

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

STOLTENBERG: FRG surplus has dropped considerably.

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

BAKER: Total deficit OECD basis 2.5 percent.

LAWSON: Still 40 percent.

BAKER: Our GNP is 38 percent.

LAWSON: Problem is its massive size.

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

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

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

FANFANI: Into next years Summit.

5:25 PM Adjourn.

1987 ECONOMIC SUMMIT -- AFTERNOON PLENARY SESSION, JUNE 9th, 1987

Goria

3:18PM - plenary 6/09 Fanfani calls on ~~XXXXXX~~ to report for Finance Ministers.

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BY dm DATE 3/13/2020

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