

# THE TWENTY G7 SUMMITS

THE HISTORY

THE ISSUES

THE PROTAGONISTS,  
AND ALL THE OFFICIAL DECLARATIONS  
OF THE G7 SUMMITS  
FROM RAMBOUILLET  
TO NAPLES

NAPOLI  
NAPLES

1994

Adnkronos  
LIBRARY



A d n k r o n o s  
L I B R I  
P E R I S C O P I O

THE TWENTY  
G-7 SUMMITS

ON THE OCCASION OF THE TWENTIETH SUMMIT

NAPLES

JULY 8/10, 1994

P E R I S C O P I O

THIS BOOK IS PUBLISHED BY  
ADNKRONOS LIBRI SRL  
IN COLLABORATION WITH  
I.A.I. - ISTITUTO AFFARI INTERNAZIONALI, ROME  
  
WITH THE SUPPORT OF  
FINSIEL - CONSULENZA E APPLICAZIONI INFORMATICHE SPA

THE TWENTY G-7 SUMMITS  
NAPLES 1994  
ADNKRONOS LIBRI SRL,  
PIAZZA MIGNANELLI 25, 00187 ROMA  
JUNE 1994

FOR THE ESSAYS BY CARLO BASSI AND GUIDO GARAVOGLIA  
COPYRIGHT 1994 ADNKRONOS LIBRI SRL, ROMA.  
ALL RIGHTS RESERVED.



# C O N T E N T S

7

PUBLISHER'S NOTE

9

PART I

THE ISSUES, THE LEADERS, THE HISTORY

11

The G-7 Summits: between Continuity and Change

*Guido Garavoglia*

30

Issues and Summits

32

The Protagonists of the 1994 Naples Summit

39

The G-7 Summit. A Short History

*Carlo Bassi*

54

The Summits Political Leaders

57

PART II

DOCUMENTS. G-7 SUMMITS DECLARATIONS

59

Rambouillet, 1975

63

San Juan, 1976

69

London, 1977

77

Bonn, 1978

**85**

Tokyo, 1979

**91**

Venice, 1980

**101**

Ottawa, 1981

**109**

Versailles, 1982

**115**

Williamsburg, 1983

**121**

London, 1984

**131**

Bonn, 1985

**139**

Tokyo, 1986

**149**

Venice, 1987

**163**

Toronto, 1988

**177**

Paris, 1989

**197**

Houston, 1990

**215**

London, 1991

**229**

Munich, 1992

**243**

Tokyo, 1993

## PUBLISHER'S NOTE

The Group of the Seven most industrialized countries in the world, which goes by the name of G-7, is now twenty years old. In a way, it enters the annals of History. On the occasion of G-7's twentieth anniversary the Adnkronos Libri Publisher, in collaboration with the IAI (Istituto Affari Internazionali), has decided to publish this book in the hope that it will serve both short and long-term purposes. For the short-term, it seeks to provide all the participants in the summit in Naples with a timely and updated source of information which will assist them in the proceedings of the conference. Moreover, in the long-term, the publisher hopes that this volume will become a durable and useful reference book for those readers who are involved, whether professionally or not, in politics, economics, information. To this end, the second section of the volume, containing the complete collection of the G-7 Official Declarations, arranged in chronological order, is preceded by an essay which offers a comparative survey going through the main issues subsequently dealt with in the summit conferences; additionally, it outlines the topical problems hanging over the future of the Naples summit. The book also includes a short study where the G-7 conferences are reviewed in their historical contexts, from Rambouillet to the immediate present.

June 1994



THE TWENTY G-7 SUMMITS

PART ~ I

THE ISSUES, THE LEADERS,  
THE HISTORY

THE TWENTY G-7 SUMMITS

THE G-7 SUMMITS:  
BETWEEN CONTINUITY AND CHANGE

GUIDO GARAVOGLIA

**W**HEN WE TALK about the G-7, we normally refer to the annual meeting of the Heads of State and Government; however, this multilateral forum (which is not a typical international organization in that it was not established by a treaty and does not have institutions or a permanent structure) has undergone a sort of creeping institutionalization over the years. In fact, the summit preparation process has become more bureaucratic with respect to the early years: the meetings of the sherpas, once sporadic and limited to a small number of personal representatives of the Heads, have become regular sessions of national teams comprising sherpas, sous sherpas, the so-called political directors, and other high officials from the foreign and finance ministries – that is people who are part of the national administrations, but who are much less directly associated with the Heads than those involved in the early years. At the same time, the meetings have been extended at ministerial level to include deputy ministers and high officials, thus creating a new network of cooperation that goes well beyond the annual event itself.

This network has been developed mainly in the economic field. Since 1982, there have been regular meetings of the so-called Quadrilateral Group, comprising the trade ministers of the United States, Japan, Canada and the trade commissioner of the European Union. Since 1986, the Seven have held regular meetings of finance ministers (deputy finance ministers tend to meet even more often), and governors of the central banks. The meetings of the Seven finance ministers (which, with the addition of Italy and Canada, build on the tradition of the Group of Five) have become particularly important since they have been given the mandate to prepare macroeconomic and monetary policies. Finally, in March 1994 labor and finance ministers met for the first time to discuss employment (for the time being regular meetings in this area are not planned).

Meetings involving the Group of Seven have also been held on other issues, sometimes on the initiative of a host country, as in the case of the recent meeting in Florence (March 1994) of the Seven environment ministers, who had previously met at the Rio Conference in June 1992. In addition, the Seven foreign ministers meet regularly on the margins of the



## PART I

autumn session of the United Nations General Assembly, and political directors meet quite often, both to prepare the political agenda of the summits and to address emergencies, as in the case of the Gulf war.

Thus, though «G-7» is usually taken to mean the annual summit, it must be kept in mind that much more is involved. This is particularly important when analyzing the final declarations, as these documents are the result of work done over the course of the year by the various components of the G-7 machine (see annex Table). In order to interpret these documents, therefore, it is necessary to identify the priorities addressed by each of the annual summits and to work through the pages and pages of solemn declarations and well-intentioned proposals on the most disparate subjects.

# The Evolution of the G-7 Agenda

For many years, the G-7 summits, as we call them today, used to be known as «economic summits.» Their promoters, French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt, both of whom took office in 1974, wanted to build on their experience in the so-called Library Group in which they had participated as finance ministers since April 1973. This was an elite club of those responsible for the economies of the United States, Germany, France, and the United Kingdom, which met periodically and without fanfare. With the addition of Japan, it became known as the Group of Five.

The problem, in that period, was to face a very serious monetary crisis which between 1971 and 1973 had virtually disintegrated the system built in Bretton Woods, and that had been made worse by the first oil shock which followed the Yom Kippur war (October 1973). It was essentially an economic emergency, to which the leaders of the major industrialized countries responded with various initiatives, including the Rambouillet Summit of November 1975, which resulted in an important agreement on the exchange rate regime.

The summits continued to deal almost exclusively with economic issues, until the 1979 meeting in Tokyo (the so-called «Energy Summit»), which was almost entirely devoted to the second oil crisis. By the Venice Summit the following year, the deterioration of East-West relations after the deployment of the Soviet SS-20 missiles and the invasion of Afghanistan forced the Heads of State and Government to add political and security issues to the agenda. Attention to these issues increased each year,

gradually overshadowing the traditional economic debate, particularly in the second half of the 1980s. In the third cycle beginning in 1989, the year which marked the turning point in world history, the G-7 began to address a series of what are considered global issues, most notably relations with Russia and the new Central and East European republics.

The analysis presented here traces the changes in the issues dealt with over the twenty-year history of the G-7. Though interrelated, economic, political, security and global issues will be considered in separate sections for the sake of clarity.

### ECONOMIC ISSUES

An examination of final communiqués reveals that economic issues have been the corner-stones of discussions throughout summit history. Economic declarations have always been the central documents (initially the only ones) and have dealt with four main issues: macroeconomic coordination, monetary policies, trade, and North-South relations. Other issues which have been frequently addressed include energy (particularly following the two oil crises), structural reforms, agriculture (often discussed in the framework of trade), and topics which involve economic considerations (e.g. environment and aid for the new democracies in Eastern Europe).

But if we look beyond the documents and consider the events, we see oscillations in the economic discussions over the last twenty years. For the purposes of analysis, this trend will be considered with respect to *macro-economic coordination* and *monetary relations*, which have constituted the core of the economic discussions at the summits. The following four periods can be identified [1].

**1975-1979.** In this phase of strong economic growth, but of high inflation and big imbalance of payments among the seven countries as in the rest of the world, top priority was given to expansionary policies: in the beginning in general terms (Rambouillet and Puerto Rico) and later in more specific ways, with the «locomotive theory» (London 1977) and the «convoy theory» (Bonn 1978). In particular, the Bonn agreement was hailed at the time as the most effective effort of macroeconomic cooperation in

---

[1] These four phases are outlined in Garavoglia-Padoan, «I contenuti: quali temi nel futuro dei vertici?», in *Il vertice dei Sette*, a cura di Guido Garavoglia e Cesare Merlini, Franco Angeli, Milano, 1994. An English version is published in a special issue of *The International Spectator*, April-June 1994.

## PART I

the West since Bretton Woods. In fact, the Seven managed to negotiate a package of binding measures in various sectors. The agreement was largely respected, but the deterioration of the world economy the following year (less growth and higher inflation), caused primarily by the second oil shock, led to a re-evaluation of the initial positive assessments.

*1980-1984.* In this phase of acute recession, which culminated in 1982, the new priorities were the fight against inflation (which was successful), vis-à-vis strong monetary fluctuations, and financial instability. Keynesian macroeconomic policies gave way to new theories in the American administration (monetarism, supply side economics) which became known as *reaganomics*. Greater emphasis was given to microeconomics aspects, while expansionary policies were replaced with prudent budget and monetary policies. The American strategy in this period was based on a low monetary growth with high interest rates and a stronger dollar, with a consequent very large trade deficit. The prevailing strategy was that of concentrating on «putting one's own house in order» first, so the role of the G-7 seemed to be significantly downgraded.

*1985-1989.* In this new phase of substantial expansion, culminating in 1988, there was a renewed interest in macroeconomic coordination. The protagonist of this period, in the second Reagan term, was the Treasury secretary James Baker, who promoted a new policy aiming at the American deficit reduction with lower interest rates and a devalued dollar. The turning point came with the Plaza agreement (September 1985) when a common strategy for intervention on monetary markets was devised. This was followed at the Tokyo Summit (May 1986) by the decision to monitor growth with economic indicators control. Finally, with the Louvre agreement (February 1987) a package of mutual commitments on economic development and sophisticated exchange rate coordination was approved. The system was relatively successful, despite serious challenges such as the stock market crash in October 1987. In this period the finance ministers played a decisive role in negotiations as the Heads entrusted them with the entire process of macroeconomic and monetary coordination. The Group of Seven Finance Ministers was officially formed and as of 1986 met regularly several times a year together with the governors of the central banks.

*1990-1994.* This has been a period of renewed recession, in which attention has shifted from macroeconomic coordination to structural problems and microeconomic issues. Unemployment is the main concern in Western societies and the only traditional economic issue recurring in this phase of summits (other than the debt of developing countries) is international trade, because of the crisis in the Uruguay Round of the GATT



negotiations. Relations with the new democracies in Central-Eastern Europe and the former Soviet Union has become a priority.

In addition to macroeconomics and monetary policies, there have been of course other important issues in summit history, particularly *trade policies and protectionism* – a constant preoccupation of the leaders and regularly discussed in the «Quadrilateral.» Helmut Schmidt considered the summits an indispensable means of keeping the specter of protectionism at bay. The G-7 has dealt with two long multilateral negotiations in the GATT framework: the Tokyo Round (concluded in 1978) and the Uruguay Round (concluded in 1993). It cannot be said that summits were successful in ending the stalemate in the negotiations; five summits had called for the completion of the Uruguay Round, and by the 1993 Tokyo Summit this had become the primary objective as failure to meet the December 1993 deadline would have jeopardized the existence of the summit itself. But it has to be said that the complex technical aspect of trade talks, the number of countries involved, and the wide range of issues dealt with make discussions at the level of Heads of State and Government difficult and their impact weak.

Issues pertaining to *developing countries* have always been on the agenda at summits. These include aid, trade, environment and, most of all, debt. The latter is considered a priority and since the mid 1980s it has become the target of major initiatives which have improved the situation, gradually but unequally. The 1985 Baker plan aimed at controlling international debt by making credits conditional on structural reforms which are evaluated on a case-by-case basis. An incentive for the poorest countries came with the so-called *Toronto Terms* set out at the 1988 summit, and with the founding of the Paris Club, comprising debtors and main international financial institutions to handle the program. In 1989 the Brady plan aimed at reducing the debt of countries most exposed with commercial banks, with the intervention of the International Monetary Fund and the World Bank.

#### POLITICAL ISSUES

We have seen that summits were born for purely economic reasons. Furthermore, in the beginning two of the participating countries were opposed, for different reasons, to the extension of the discussion to political issues, particularly security. France was convinced that these issues could be

## PART I

better dealt with in international organizations such as NATO and the UN Security Council, and did not want to extend these discussions beyond the four main Atlantic countries. Japan was also opposed to the idea, but because it was strictly bound to a national principle of neutrality since the end of World War Two, and was against being drawn into matters of competence of the Atlantic Alliance.

Chancellor Schmidt, on the other hand, did not object to discussing political questions, and had privately expressed his uneasiness with the fact that the big powers did not have an opportunity to discuss these problems confidentially. The United States was of the same opinion, but was reluctant to press in that direction, so as not to offend the sensibilities of the others.

Because of these conflicting positions, in the first five summits, political discussions took place only «behind scenes», often during dinner meetings of the «Big Four» (United States, Germany, France, United Kingdom). For example, in Puerto Rico in 1976, there were discussions about the political situation in Italy (without the country's knowledge) and the advisability of granting further credits if the Communist Party were to come into power. Officially, however, the Seven still did not deal with political issues and final communiqués were confined to economic items. The only exceptions were two paragraphs related to air piracy (Bonn 1978 and Tokyo 1979), and a similarly brief paragraph on Indochinese refugees (Tokyo 1979).

In the meantime, East-West relations had progressively deteriorated, mainly because of the massive deployment of middle-range Soviet SS-20 missiles. European concerns, voiced by Chancellor Schmidt, led to a restricted meeting of the Big Four, according to the model advocated by Giscard d'Estaing and hosted by the French president in Guadeloupe in January 1979. It was a confidential summit, without ministers or an excessive bureaucracy, and without a final declaration. It was during this meeting that the «double track» strategy was formulated (i.e. the linking of the deployment of Cruise and Pershing II missiles in Europe to the result of talks on middle range weapons in Geneva); it was subsequently formally adopted by NATO in December 1979.

Guadeloupe was a strictly political summit and, in addition to Euromissiles, the four leaders discussed Salt II, China, Iran and the situation in the Gulf region. The meeting was considered a success by its participants, but it was to be the only one of its kind because the countries that had been excluded protested and tried to prevent a future meeting modelled on Guadeloupe by promoting the inclusion of political and security issues in the summit agenda.

Their efforts did not result in any change at the following Tokyo summit, mainly because the second oil shock dominated the discussions. Starting with the 1980 Venice Summit, however, political issues gained prominence in the plenary sessions, to the point that for the first time a political declaration was released, dedicated almost entirely to the Soviet invasion of Afghanistan (December 1979). A second document condemned attacks on embassies and hostage-taking, with reference to the occupation of the US embassy in Tehran (November 1979).

From then on, political issues have always been prominent in summits, sometimes even overshadowing traditional economic issues. For example, the most important result of the 1983 Williamsburg Summit was Japan's approval of the «Declaration on Security», in which Tokyo for the first time acknowledged the concept of a global and indivisible Western security.

This evolution in the issues addressed by the summit has been favored, not only by a changed global political situation, but also by the Western leaders of the early 1980s: while in the first few years the scene was dominated by economic experts, the same could not be said for the following generation (that of Reagan, Mitterrand and Kohl), which was more at ease with political issues.

The political discussion at the summits has largely focussed on regional crises, and crisis management has often been included among the primary summit functions, as indicated by declarations issued on Afghanistan and Tehran hostages (1980); Middle East, Lebanon, Cambodia and Afghanistan (1981); Lebanon and Falklands (1982); Iran-Iraq war (1984 and 1987); Middle East, South Africa, Cambodia (1988); the Arab-Israeli conflict, China, South Africa, Central America, Panama, Cambodia and Lebanon (1989), Gulf War, Arab-Israeli conflict, the Middle East, Lebanon, Yugoslavia and South Africa (1991), ex-Yugoslavia (1992, 1993). Some of these crises were discussed at length by the leaders, while others were only given cursory treatment. The extent to which a crisis was discussed depended not only on the seriousness of the situation, but also on the timing of the summit: the meetings are fixed months in advance, while international events are unpredictable, with crises seemingly fated to occur just weeks after summits in the last few years (e.g. the invasion of Kuwait in August 1990; the failed coup in Moscow in August 1991; and the assault on the Russian Parliament in August 1993).

Crisis management is therefore an extremely difficult task, and certainly not one of the main summit functions, particularly because of the lack of effective instruments to implement possible decisions. Other institutions appear better equipped, such as the UN Security Council or



## PART I

NATO. But this does not mean that the Heads of State and Government should not address major political challenges within the framework of the summits and adopt a common position when possible, as the expression of solidarity among the top leaders of the major Western countries sends an important message.

### GLOBAL ISSUES

The beginning of the third summit cycle in 1989 coincided with profound changes in Central and Eastern Europe and in the Soviet Union, and with the end of the political and military opposition of the Eastern and Western blocs. G-7 summits were inevitably affected by these events. New themes have emerged and the concept of international security has been modified and updated. Thus, in addition to the traditional economic agenda (largely delegated to finance ministers) and the continued problems of regional crises (i.e. the Gulf and the former Yugoslavia), new issues have been added, as have some that had previously been considered marginal. These issues are «transnational» (or transregional, in the sense that they concern different geographic areas and are interrelated) and «transverse» (i.e. they involve both political and economic aspects which cannot be addressed separately). Examples of one or both types of issues include environmental protection; the fight against terrorism, international crime, money laundering, drug trafficking, and AIDS; the regulation of international migrations and nuclear non-proliferation. All these are seen as threats to international security and stability and because of this are included (as relative priorities) in the new «global agenda.»

But the inclusion of long paragraphs in final communiqués, on some of these issues are often more the result of particular interests of a given participant motivated by domestic policy concerns than the consequence of real discussions among the leaders. This proliferation of issues is considered one of the main causes of the wordiness of the final declarations, criticized by everyone, but difficult to cure; even if some global issues may objectively be considered important and urgent for all countries (e.g. on terrorism) prescriptions are often quite different from country to country (e.g. on environmental issues).

Among the new items which emerged in the last few years, the most important by far has become *relations with the new democracies in Central and Eastern Europe and with the former Soviet Union*. This has become the main subject of the most recent summits, taking first priority

on the agenda and dominating both the preparatory process of the summits and the G-7 system as a whole (particularly the meetings of the finance ministers).

The issue of Central and Eastern Europe had already been included in the 1989 Summit of the Arch, at which the decision was made to support the democratization process in Poland and Hungary. This summit also established the «Group of 24», comprising the OECD countries and the former Warsaw Pact nations, under the chairmanship of the European Commission, with the goal of providing financial and technical assistance to facilitate the transition of the nascent democracies towards a market economy. In addition the G-7 promoted the creation of the European Bank for Reconstruction and Development (EBRD) to meet needs not addressed by existing international institutions.

One of the main problems for Central-Eastern countries in recent years has been access to Western markets. The European Union has also played a leading role in this area by concluding association agreements with Hungary, Poland, the Czech Republic, Slovakia, Romania and Bulgaria. Germany has been a key actor in this process as its main foreign policy concern in recent years has been that of guaranteeing the transition of these countries toward democracy and a market economy.

Many observers believe that aid to Russia has become the focus of the most recent summits, and in some ways it has been the issue about which discussions have yielded the most concrete results. Following Gorbachev's famous letter to the leaders meeting at the 1989 Paris Summit, the Seven began to address the Soviet problem the next year at Houston. In accordance with the final communiqué, the EC launched a significant initiative that called on the major international economic organizations (IMF, World Bank, OECD and EBRD) to undertake a detailed study on the Soviet economy and to propose systemic reforms and a Western aid plan. This in-depth report was submitted within the prescribed deadline of December 1990.

Gorbachev was then invited to a meeting on the margins of the London Summit in July 1991. The final communiqué of that meeting took quite cautious approach to the problems of the Soviet Union, providing for a possible association (but not full membership) in the International Monetary Fund, and a limited program of technical assistance, as interim measures pending internal developments. It was certainly less than Gorbachev was expecting, and some observers maintain that the attempted coup in August of that year would have never occurred if the West had shown more solidarity to the Soviet president at the London Summit (but this claim is not supported by objective historical analyses).

## PART I

Economic assistance to Yeltsin's Russia, particularly as far as debt and emergency aid are concerned, continued to be the focus of subsequent summits in Munich and Tokyo. A special permanent working group comprising officials of the Seven and the European Commission has been set up to coordinate programs with Russian state structures, while at a political level, joint meetings have been established between the Seven finance ministers and their Russian counterparts (such meetings were held prior to the 1993 Tokyo Summit and in February 1994 in preparation to the Naples Summit).

# From Tokyo to Naples and Beyond. What Issues for Future Summits?

Attempts to predict the concerns of the summits of the 1990s is a risky and in some ways even futile exercise. The obvious forecast is that the leaders will discuss the issues that they will be forced to address. Given the nature of the G-7, it is bound to face the major challenges of the day, and because it is difficult to predict these challenges years in advance, the flexibility that characterizes this semi-institution is a particularly valuable asset. When the second septennial concluded with the 1988 Toronto summit, it could certainly not have been foreseen that future summits would be devoted to helping former enemies in the East to reconstruct their economies according to the logic of capitalism. Who could predict the potential upheaval that could ensue from sudden regional crises such as the recent Gulf crisis? And who can say where Russia will be headed even one year from now?

Thus the summit agenda is always exposed to last minute changes and is tentative until the the last sherpa meeting in the preparatory phase. The summit itself is not an isolated event: it is the culmination of a consultative process that takes place throughout the year in the various multilateral frameworks. Some items on the Naples agenda will be the result of what has been happening since Tokyo; others will be included in the final declaration though they may not have been discussed by the Heads, or even by finance or foreign ministers.

*The urgent need to address unemployment.* The Naples summit will take place in a period of change in the economic cycle in the European countries. Recovery, already under way in the United States and Canada, is

imminent for the rest of the Western world as well, although it will be modest this year. But the end of the recession is coupled with alarming levels of unemployment: at the beginning of 1994, the European average was 10.9 per cent, with 6.5 per cent in the United States, 11.4 in Canada, and 2.5 in Japan. That means a worsening of one per cent in one year in Europe, while the United States has in fact improved its position by one per cent. Concern about this trend was so strong that at the Tokyo Summit President Clinton proposed that a special meeting of labor ministers be convened by the autumn. Amid resistance and uncertainties, the meeting was postponed until March 1994 (in Detroit), and included finance and economic ministers.

In the meantime, the European Commission has presented a White Paper on unemployment in December 1993.

The Detroit conference was accompanied by widespread skepticism in economic circles and even in some governments (Japan, for example did not conceal its basic lack of interest in the initiative). The most frequently raised criticisms point to the impossibility of finding common solutions to structural problems such as unemployment because they are determined by a set of country-specific factors. Proponents of this view suggest that since the G-7 countries already have enormous difficulties coordinating economic and monetary policies, it is unrealistic to think they could address problems which are determined largely by national or, at best, regional conditions.

In fact, no agreement was reached in Detroit, nor was a common approach proposed, despite the importance of the documents submitted (the European Commission White Paper and a detailed study by the OECD analyzing the various aspects and causes of unemployment, and proposing strategies to address the problem). It would have been naive to expect more; nevertheless some positive results were achieved. The Seven ministers were able to discuss their respective experiences, problems and prospects. Thus, for the first time the G-7 approached a structural problem within a special framework instead of mentioning it in the final communiqués as a sort of «by-product» of discussions on global economic issues as was the case in the past. Many have advocated a better integration of micro and macroeconomic issues, and the Clinton administration seems particularly interested in putting more emphasis on microeconomic issues on the agenda of future summits. This does not mean Naples will be successful in adopting a common action plan (this is probably impossible). What can be expected from the summit are appropriate macroeconomic initiatives and effective coordination at the regional level.

*Trade policies.* The conclusion of the Uruguay Round of the GATT negotiations in December 1993 has been met with relief. The credibility

## PART I

of the global system itself (of which the G-7 is an essential part) would have been seriously damaged by further delays. In Tokyo, the issue had been at the center of the discussions and at an *ad hoc* meeting of the Quadrilateral, tentative terms of agreement were worked out, but they proved not to be acceptable. Throughout the following months and virtually until the 15 December deadline everyone feared the worst because of the differences between Europeans (particularly the French position) and Americans. But no one was prepared to accept responsibility for the consequences of a failure to reach an agreement.

With the conclusion of the Uruguay Round, it is no longer necessary to put trade at the top of the summit agenda, so the declaration will express the Seven's satisfaction for having come to this difficult agreement. But there are still a number of open questions, which came up again at the signing of the treaty in Marrakech last April: financial services, telecommunications, audiovisuals, tenders, and particularly the thorny issue of the relationship between trade and the environment. Sustainable development will certainly become a dominant issue for the new World Trade Organization, which will replace the GATT as of 1 January 1995.

*Relations with Russia and Central and Eastern European countries.* Relations of the G-7 with Russia are complex as economic and political aspects are inevitably intertwined: on one hand, to ensure that financial aid is not dissipated, loans and grants are only issued if certain conditions are met; on the other hand, this condition can not be rigidly applied because account must be taken of political considerations so as not to jeopardize the delicate balance on which Yeltsin's leadership is built, as demonstrated by events in the past year.

In 1993 the G-7 approved loans amounting to \$30 bn and according to most observers, the agreement on financial aid to Russia was the most important result of the Tokyo summit. But most of these funds have not yet been used because of insufficient guarantees by the Russian government. In fact, the second installment of the Systemic Transformation Facility was only issued in April 1994 (at the general assembly of the International Monetary Fund), though it was supposed to have been disbursed by August 1993. This decision should open a new phase of economic relations with Moscow, leading to further disbursements of other available funds if reforms yield the expected results.

This turning point came after strong pressures by the United States following Russia's parliamentary elections last December, which resulted in a massive advance by the nationalists led by Vladimir Zhirinovskiy, and after Clinton's visit to Moscow in January. Yeltsin's position on Bosnia, NATO, the

association of Central and East European countries to Partnership for Peace, and his request for membership in the G-7 must be seen as part of his attempt to improve his image on the domestic front.

Similar considerations can be made about the new democracies in Central and Eastern Europe. The West sees economic development and democratic reforms as being inseparable. This was again made explicit at the annual assembly of the EBRD in St Petersburg in April. Thus, it is not surprising that the main beneficiaries of EBRD funds are Hungary and Poland, as they have made the most progress toward a market economy. EBRD priorities will now be support for small and middle-size enterprises and for privatization through a modern banking and financial system and an investment plan for infrastructures; and the creation of regional funds for middle-size companies. On the political front, the G-7 favors a gradual involvement of these countries in NATO through the Partnership for Peace, as an element of stability in the new international security system that is being shaped.

Among the global issues discussed in this chapter, two will probably be given most attention in Naples: the *environment*, which was the subject of a special summit of the Seven environment ministers in Florence in March 1994, and *the fight against organized crime*, particularly the problem of money laundering. Italy has urged its partners to consider these issues in depth, and is calling for their inclusion in the summit agenda.

*The crisis in Bosnia.* Among the political issues to be addressed in the final declarations, the situation in the ex-Yugoslavia will certainly be discussed by the Heads of State and Government, and as recently announced, Yeltsin will be taking part in these talks. Whatever considerations are made about enlarging the G-7 to include Russia, Yeltsin's presence at this session is certainly justified by his country's role in efforts to manage this crisis.

## Towards Reform of the G-7?

In a rapidly changing international environment, the G-7 is no doubt going through an identity crisis, as is much of the multilateral system (suffice it to mention the UN and NATO). Questions are being raised about the future role of the G-7 at a time when trends seem to be in the direction of increasing regionalism (e.g. the EU, NAFTA, APEC), and there are even calls for its total elimination or radical reorganization.

## PART I

*Proposed Reforms.* One perhaps overly ambitious approach is that of turning the G-7 into a sort of *directoire* or world government which would oversee the work of the various international institutions. This would require a strong institutionalization of the G-7 structure, with the annual summit meeting at the top, a council of ministers directly below it (based on the model of the European Union), and a permanent secretariat that would guarantee continuity.

The other main approach, which is being advanced particularly by summit participants, considers the annual meeting as an opportunity to exchange opinions and deepen mutual understanding in an effort to reach broad consensus on the main issues of common interest. This would therefore imply a more austere summit, with less bureaucracy and protocol, and greater time devoted to informal talks that are more in line with the original spirit of the «fireside chat» which, according to some, characterized the first meeting in Rambouillet. The need for such a reform was called for by British Prime Minister John Major, who sent a letter to this effect to all his colleagues after Munich 1992. Following this proposal, a confidential document was prepared by the sherpas for last year's summit in Tokyo, and though it did not immediately produce concrete results, the question of the need for reform and the future of the annual summit was included for the first time in the final declaration. Paragraph 16 of the Tokyo final declaration reads as follows:

«We have reflected on how Summits could best focus our attention on the most significant issues of the time. We value Summits for the opportunity they provide to exchange views, build consensus and deepen understanding amongst us. But we believe Summits should be less ceremonial, with fewer people, documents and declarations, and with more time devoted to informal discussions among us, so that together we may better respond to major issues of common concern. We intend to conduct future Summits in this spirit.»

In fact, as analysts have stressed, the distinction between «personalization» and «institutionalization» of the summits is largely a non-issue. First, not even Rambouillet was the informal model that many have since used as an example; nor could it have been so, since a top-level meeting such as the G-7 certainly can not go by unnoticed, and massive media coverage is not only unavoidable, but is often also welcomed by the leaders as a means of image-building.

Secondly, when we talk about institutionalization, a distinction must be made between the annual summit meeting itself, and the process

leading up to it. A less structured summit does not necessarily mean that the preparatory work and the meetings that take place at various levels have to be eliminated, to the contrary. The goal of summits is in fact to seek a common position on the issues that the participants have decided to address. This cannot be achieved without an agenda that has been set in advance and adequate preparatory work, and this requires the support services of the various components of the G-7 machine.

So what is going to change in Naples? Many (including the Italian organizers) call for a meeting that is less ostentatious, less expensive and less bound by protocol than past summits, with fewer issues in the agenda, and a more concise declaration. Perhaps some progress will be made, provided the new leadership in Italy does not change this position (since the summit will be the first major international meeting for the new government, image-makers may want to give the event a higher profile). But it looks as though Naples will be a first, small step toward reforms that will be made cautiously over the next few years rather than the beginning of a rapid revolutionary process.

*The presence of Russia, from G-7 to G-7 1/2.* The real innovation in the Naples Summit will be the presence of Russia. Gorbachev was invited to meet the Seven at the end of the London Summit in 1991, and the invitation was also extended to Yeltsin at the 1992 Munich and 1993 Tokyo summits. Particularly during the past year, the Russian president and members of his government, Prime Minister Chernomyrdin and Foreign Minister Kozyrev, repeatedly called for full membership in the G-7, arguing that if the West wants Russia to be fully committed to international responsibilities, the country must be admitted to the club of the major actors. The West has responded by discussing the possibility, with some countries (particularly Germany and the Us) being more open to the idea than others (mainly Japan).

There are advantages and disadvantages associated with transforming the G-7 into a G-8. The main advantage is that it is necessary to involve Russia in the process of shaping a new system of international security. This includes finding solutions to problems such as controlling nuclear and conventional weapons in the former Soviet Union; ensuring the safety of nuclear energy power plants; protecting the environment; fighting against terrorism, organized crime and drugs; and protecting/managing regional crises (e.g. the recent Gulf crisis, the current crisis in Bosnia and the potential conflict in North Korea). Secondly, Russia's full membership in this exclusive club could contribute to strengthening the current leadership in a period of great uncertainty for the country's political and economic future.



## PART I

Arguments against full membership for Russia are equally valid. The main one is that Russian participation would undermine what has been one of the strongest features of the G-7 over the last twenty years: the political and economic homogeneity of its members and the shared values on which the Western alliance is founded. While Russia is clearly a key political actor, its democratic system is still fragile and its economy is more comparable to those of developing countries rather than to those of industrial powers. Admitting Russia to the club could constitute the first step toward a change in the very nature of the G-7 and its transformation into something completely different. Some argue that the G-7 is too «Eurocentric», and already see China, Indonesia, Mexico, Brazil, as possible future candidates. (Though there have not been official proposals along this line, the current general director of GATT, Peter Sutherland, has indicated that he would be in favor of a move in this direction.)

Furthermore, it would be extremely embarrassing (and politically very costly) for the West if it granted Russia full membership in the G-7 and then future developments in the country were to make it incompatible with the rest of the club. The format of the previous summits, on the other hand, allows for greater flexibility and could also be applied to other countries in the future, if not on a permanent basis.

The arrangement that has been agreed upon is a compromise which allows Russia to participate in the political discussions, but not in the economic ones. The summit will conclude with a final economic declaration by the Seven, and a political «statement of the chain» on a consensus reached by «Eight.» In the future, Russia should also participate in the political part of the preparatory process of the summit.

This arrangement (referred to in the jargon as «variable-geometry») no doubt constitutes a victory for Russia. Though the country's participation in the economic discussions depends on its ability to implement reforms, the stage has been set and it is now clearly just a matter of time. Furthermore, the distinction between politics and economics is often blurred as the issues overlap. Thus, it is virtually a foregone conclusion that in a few years what has been known as the G-7 for almost two decades will become the G-8.

The following pages contain an updated and revised version of the table published in: Istituto Affari Internazionali, *Economic Summits 1975-1986. Declarations*, Fondazione Cini 1987, pp. 150-151. The table has been drafted on the basis of the official texts of the G-7 Summits final declarations. Issues are indicated when dealt with at some length in the G-7 final declarations.

# Issues and Summits

	<i>Rambouillet</i> 1975	<i>San Juan</i> (P. Rico) 1976	<i>London</i> (DOWNING STR.) 1977	<i>Bonn</i> 1978	<i>Tokyo</i> 1979	<i>Venice</i> 1980	<i>Ottawa</i> 1981	<i>Versailles</i> 1982
AGRICULTURE								
AIDS								
BALANCE OF PAYMENTS	☆	☆				☆	☆	
BIOETHICS								
CAPITAL MARKETS		☆	☆				☆	☆
DEBT	☆	☆	☆			☆	☆	☆
DRUGS								
EAST/WEST (ECONOMICS)	☆						☆	☆
EAST/WEST (SECURITY)						☆	☆	
EMPLOYMENT	☆	☆	☆	☆			☆	☆
ENERGY	☆	☆	☆	☆	☆	☆	☆	☆
ENVIRONMENT				☆	☆	☆	☆	
HUMAN RIGHTS AND DEMOCRATIC VALUES								
INFLATION	☆	☆	☆	☆	☆		☆	☆
INTEREST RATES							☆	☆
MIGRATION								
MONETARY ISSUES	☆	☆	☆	☆	☆	☆	☆	☆
NORTH-SOUTH	☆	☆	☆	☆	☆	☆	☆	☆
REFUGEES					☆	☆	☆	
REGIONAL SECURITY						☆	☆	
SCIENCE AND TECHNOLOGY					☆		☆	☆
STRUCTURAL REFORM				☆	☆	☆	☆	
TERRORISM				☆	☆	☆	☆	
TRADE	☆	☆	☆	☆	☆	☆	☆	☆

msburg GINIA] 1983	London 1984	Bonn 1985	Tokyo 1986	Venice 1987	Toronto 1988	Paris 1989	Houston 1990	London 1991	Munich 1992	Tokyo 1993
			☆	☆	☆		☆	☆	☆	
				☆		☆				
		☆	☆	☆	☆	☆	☆			
				☆	☆					
	☆		☆	☆	☆	☆	☆			
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
				☆	☆	☆	☆	☆		
☆	☆				☆	☆	☆	☆	☆	☆
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
☆	☆	☆	☆	☆					☆	☆
☆	☆		☆	☆		☆	☆	☆	☆	☆
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
☆	☆	☆				☆				
☆	☆		☆						☆	☆
								☆		
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
									☆	
☆	☆			☆	☆	☆	☆	☆	☆	☆
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆
	☆		☆	☆	☆	☆	☆	☆		
☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆

## The Protagonists of the 1994 Naples Summit

JEAN CHRÉTIEN

*Canada: Prime Minister*

Next to last of 19 children, Jean Chrétien was born in Shawinigan, in the French speaking and separatist Québec January 11th, 1934, the son of a poor worker. He managed to complete his regular studies and to go to University to read Law, and then in 1963, when he was still only 29, he was elected by his native Shawinigan to the Parliament in Ottawa, the first of eight straight electoral victories. When his Liberal Party, headed by Pierre Trudeau, won the general elections of 1968, Chrétien became a Secretary for Indian Affairs, and then for Energy, Trade and Industry, Treasure and Justice. When Trudeau abandoned politics in 1984, Chrétien lost the race for the leadership to John Turner. He was then Foreign Secretary for a few months, until the elections, when the Liberals were defeated by Brian Mulroney's Conservative Party. After a four years stint as a private citizen – by choice – from 1986 to 1990, he came back to be elected June 23rd, 1990, leader of the Liberal Party. He was elected in Beausejour, New Brunswick, December 10, 1990. His party won a large majority in the last election on October 25th, 1993. He has been married to Aline Chainé since 1957, and they have three children, France, Hubert and Michel.

FRANÇOIS MITTERRAND

*France: President*

The French President was born 26th October 1916 in Jarnac, a little village in the Charente region. At the University of Paris he obtained first a degree in Law, and an MD in Public Law. An infantry sergeant in 1939, he was sent to the front and was taken prisoner in Germany where he was detained until 1942, when he managed to escape and go back to France to become very active in the Resistance. In 1943 he married Danielle Gouze, who was active in the Resistance Movement as well. In August 1944, Charles de Gaulle called him to the post of General Secretary of the War Prisoners and Veterans Association. This virtually began his political career, since he became in this capacity a member of the provisional French government and after that a member of the Democratic and Socialist Union of Resistance, part of the Republican Leftist Movements Association. Under that banner he was elected for the first time in October 1946. From then on he served as minister eleven times in different governments of the Fourth Republic. In 1965, as the candidate for all the parties in the left, he obtained 45 per cent of the popular vote, against De Gaulle's 55 per cent. As a leader of the Leftist Parties Federation, he managed to regroup the entire movement and in 1971 he founded the Socialist Party. In 1974 he was a candidate for the Presidency again, and he was narrowly defeated by Valéry Giscard d'Estaing. But he finally succeeded in 1981 when he was elected with a 51.7 per cent majority. And in 1988, his margin was even larger when he was elected with 54 per cent of the popular vote.

HELMUT KOHL

*Germany: Federal Chancellor*

Helmut Kohl was born in Ludwigshafen am Rhein, on April 3rd, 1930. He studied at the University of Frankfurt and the University of Heidelberg, receiving a Ph.D. from the latter in 1958. First elected to the legislature of the state of Rhineland-Palatinate in 1959, he became floor leader of the CDU, then in opposition to the government, in 1963 and was minister president of his state from 1969 to 1976. After the 1976 election, in which he was the CDU's candidate for chancellor, he became leader of the opposition in the Bundestag. He was not a candidate in the 1980 election, but became chancellor in 1982 after the FDP withdrew from the government coalition and instead formed a new coalition, with a majority in the Bundestag, with the CDU and CSU. Kohl continued to lead the coalition governments after elections in 1983 and 1987. Prior to the collapse of the Berlin wall on November 9th, 1989, many political observers were talking about a possible end to Kohl's political career. In 1990 the Chancellor led the major effort towards the unification of West and East Germany. Unity was reached on October 3, 1990 and Kohl led the Christian Democratic Union and the Christian Social Union to a 43.8 per cent victory in the first general election in reunited Germany on December 2.

SILVIO BERLUSCONI

*Italy: President of the Council of Ministers*

The new Italian Presidente del Consiglio is not only the absolute newcomer to the summit, but the most striking novelty to world politics as well, having made his debut on the political scene barely three months before the last general elections of March 27. The Italian media giant was born in Milan on September 29, 1936. He received a law degree from the University of Milan and by the age of 23 was the general manager of a building contracting firm. In 1961 he founded Cantieri Milanesi Riuniti to oversee building projects, and two years later he created Edilnord di Silvio Berlusconi & Co. In the 1970s he began buying shares in newspapers, and he set up Milan TV's Channel 5. By early 1990 Berlusconi had the majority interest in all three of Italy's leading private television stations, as well as *Il Giornale*. He also controlled the powerful Milan publishing house Arnoldo Mondadori, which publishes the Rome newspaper *La Repubblica*, the magazines *L'Espresso*, *Epoca* and *Panorama* and a large book list. With Mondadori he dominated 40 per cent of the Italian advertising market and 16 per cento of the daily newspaper circulation. Things changed by the end of that year, after a battle with Olivetti's Carlo de Benedetti, but Berlusconi maintained a powerful position until he resigned all his official positions on the eve of the elections. After his Forza Italia party electoral victory, with about 20 per cent of the popular vote, he has pledged to surrender all his economic interests into a blind trust, to avoid any conflict of interest. He is married with former actress Veronica Lario, with whom he has had three children. He also has two sons from his first marriage.

## PART I

TSUTOMU HATA

### *Japan: Prime Minister*

The Japanese Prime Minister is not a real newcomer to the summit, as he participated before in his capacity of Finance Minister. But for Japan is all the same a sort of record: the country has had two premiers in less than one year, Morihiro Hosokawa, as the leader of the Seven Parties Coalition which defeated the Liberal Democrat party ending its 38 year total domination of the political scene, who was forced to resign April 8, 1994, and former Foreign Minister Tsutomu Hata. At 58 (he was born August 24, 1935), a former Agriculture Minister as well as Finance Minister, Mr. Hata is best known in Japan as Mr. Political Reform: in December 1992, continuous protesting the continuous political scandals in his party, he left his post in the Kiichi Miyazawa government in order to form, with former LDP Secretary General, the Reform Forum 21. In June 1993, just before the general election, he spearheaded a mass defection of 44 LDP deputies to set up his own conservative party, Shinsheito, the Renewal Party, which managed to obtain 55 seats. Hata, a trained economist, who, as a young man liked to organise bus trips with himself in the driver's seat, looked set to embark on a political career from his childhood days. His father, who died in 1969, the same year Mr. Hata was elected for the first time to the House of Representatives, was a lawmaker himself, representing in Parliament the winter resort of Nagano, the venue of the 1996 Olympics. Mr. Hata, who is married, with two sons, loves playing golf, as well as going to classical music concerts and to the theatre.

JOHN MAJOR

### *United Kingdom: Prime Minister*

John Major became the youngest Prime Minister since 1984, when, at the age of 47, he succeeded Margaret Thatcher. Thatcher had lost leadership of the Conservative Party early in that month and resigned on November 22. Major could not have been more different from the traditional image of leading Conservatives. He was born in Merton, South London, on March 29, 1943, into a very low income family, his father a trapeze artist. Major was forced to leave school at 16; he experienced unemployment and failed a test to become a bus conductor, before joining a merchant bank with a junior job, eventually becoming a press officer. His political career took off in 1979 when he became a Conservative MP for Huntingdon, 70 miles north of London, the same year Margaret Thatcher won her first election as a prime minister. He joined the cabinet in 1987 as Chief Secretary of the Treasury and was promoted Foreign Secretary in July 1989. But only three months later, Nigel Lawson resigned and Major made a further step in an astonishing political ascent by becoming Chancellor of the Exchequer. But that was not the end: little more than one year later, Major would become Prime Minister after having proven himself, at least from the economics point of view, on the right of the Conservative party, with a policy of high interest rates and low public spending. His major achievement was to take the pound into the European Monetary System even if only for two years, until sterling, like the Italian lira, crashed under pressures from the markets and had to leave in September 1993.

BILL CLINTON

*The United States of America: President*

He was born in Hope, Arkansas, August the 19th 1946, with the name William Jefferson Blythe. He lost his father, who was killed in a car crash, when he was only two months old and was raised for many years by his grandparents, until his mother married a car dealer, Roger Clinton, who gave the future President his surname. After a full curriculum in Arkansas, Clinton met his future wife Hillary Rodham at Yale. He was only 28 when he was defeated in his first attempt to be elected to the Congress, in 1974. But two years later, at 30, he became Arkansas' Attorney General and after two more years he was elected Governor of the State, a position he would keep for 14 years, until victory in the 1992 presidential race. His hobbies are well known all over the world: a good amateur saxophone player, in love with baseball, a firm believer in jogging, and an eager «customer» of the White House cinema in the East Wing portico. His favourite classics? High Noon and Casablanca.

BORIS YELTSIN

*Russia: President*

*[A participant to the Political Summit]*

Boris Nikolayevich Yeltsin was born in Sverdlovsk Oblast, on February 1, 1931. He graduated as a construction engineer in 1955. A member of the Communist Party from 1961 until 1990, he entered party work in 1968 in Sverdlovsk and was elected First Secretary of the local Party Committee in 1976. Called to Moscow under Mikhail Gorbachev in April 1985, he quickly became first secretary of the Moscow City Party committee, but was sacked by Gorbachev in 1987. He became the most popular political leader in Moscow, winning election to the USSR Congress of Peoples' Deputies in March 1989, and becoming Chairman of the Russian Parliament, against Gorbachev's wishes, in 1990. On the morning of the August 19, 1991, during the coup, Yeltsin managed to escape capture by the KGB and exhorted the population to resist. He called for the return of the President, but when Gorbachev did return, Yeltsin acted independently, signing decrees which consolidated his power. He proscribed the Communist Party, and seized all its property in Russia. On the December 8, Yeltsin joined the Presidents of Ukraine and Bielorrussia to proclaim a new Commonwealth of Independent States. On December 21, eleven of the twelve remaining Republics agreed to join. The old nation crumbled away on Christmas Day, when Gorbachev resigned from the Soviet presidency. President Yeltsin survived another coup d'état, after a long tug of war with the Parliament leadership, on October 3/4, 1993.



## Appendix

### THE SHERPAS, A STRUGGLE TO THE SUMMIT

Their real name is «Personal Representative of the Head of State», or Government, but since The Economist minted for them the very fortunate definition of sherpas, they have been marked for ever. It is a very special name and they cherish it themselves: exactly like on the slopes of Mount Everest or the other Himalayan peaks, without the sherpas not even the best mountaineer in the world will ever get to the top; in a G-7 summit nobody would get there without the restless work of the personal representatives. They not only deserve the high reputation which goes with the fortunate invention by the British weekly, but very often the sherpas get to the summit by their own in other fields, thanks to that training and that reputation. One of the top senior sherpas in the summit's history, Italy's Renato Ruggiero, proceeded to become a Minister for International Trade and when he decide to leave in order to join the private sector he found a top job with Fiat. And Hans Tietmeyer, for years Chancellor Kohl's loyal sherpa, is now the Governor of the ever-so-powerful Bundesbank.

How do they earn such fame, and why such importance? It is obvious: they work very hard, and well. The 1993 Tokyo summit was hardly over and they were already preparing for Naples. Their contacts are daily, month after month, according to a very special calendar of their own, which goes from the end of May to the end of May they weave the summit tapestry July to July. On top of the almost daily conversations over the phone, they travel so often to meet all together or in small preparatory groups that Sir Robert Armstrong, for years Margaret Thatcher's faithful sherpa, used to clock in almost 150 thousand miles a year. It is a life made of four or five journeys to Washington, Ottawa, Tokyo and London, scores of weekly «excursions» to Brussels, Rome, Paris or Bonn. They do not meet only among themselves: there is the World Bank to contact, the IMF, a few Latin American governments to discuss international debt, maybe the Organisation for African Unity, and then the countries of the G-25. The sherpas liturgical calendar has four major encounters during which the next summit takes shape. The first one starts with the final document of the previous summit in front of the personal representatives: the first job is to check if anything is changing in the economic and political panorama, to identify in black and white the points in common, to leave aside the grey areas, those of possible confrontation. It is the first rule of diplomacy: agree on what you can, then start isolating the problems and work over them. Gradually, day after day, the plan takes shape, and, struggling to reach a consensus on everything, the sherpas end up becoming friends themselves. You cannot ring somebody three or four times a day without

developing a sort of intimacy. The final result of all this work is difficult to quantify: but, according to many experts, when a summit starts, the result is already there at least for 90 per cent, maybe 95. The final document itself is 80 per cent ready by the time the leaders take positions for the «family portrait». When the summit takes off, the sherpas are ready for the final dash: they are probably the people who work more and dread most those two and half days. By the time the leaders sit down for the first working dinner together, usually on a Friday night, they are ready to put together all that is said during the convivial occasion and transfer it on paper. When the leaders go to bed, the sherpas, after a short and intense briefing with their «bosses», start working even harder, often throughout the night, busy in completing the remaining twenty per cent of the final document with the results of the first day work. Next day, same thing, with continuous meetings to update the final document after the working sessions of the leaders and the working lunch. No wonder if, when the leader of the host country, reads the final declaration to thousands of journalists from all over the world, the first people to breathe deeply and relax in total satisfaction are the personal representatives, the sherpas.

SHERPAS: WHO ARE THEY?

*Here are the names of the Personal Representatives of the Head of State and Government:*

*Canada:*

Reid Morden, Under Secretary of State for External Affairs

*France:*

Anne Lauvergeon, Assistant General Secretary of the Presidency of the Republic

*Germany:*

Gert Haller, Secretary of State in the Finance Ministry

*Italy:*

Pietro Calamia, Italian Ambassador to the OECD

*Japan:*

Sadayaki Hayashi, Deputy Minister for Foreign Affairs

*United Kingdom:*

Alex Allan, Principal Private Secretary of the Prime Minister

*United States of America:*

Robert Fauver, Special Assistant to the President for National Security and Economic Policy

*European Community:*

Pascal Lamy, Head of Office of the President EC Commission

*Russia [for the Political Summit]:*

Sergei Lavrov, Vice Foreign Minister and Personal Representative for Political Affairs

THE TWENTY G-7 SUMMITS

THE G-7 SUMMIT.  
A SHORT HISTORY

CARLO BASSI

**I**T ALL BEGAN twenty years ago in a French Chateau. It may sound like a fairy tale, but it is not. It is a serious business. After almost twenty years, the most important political and economic summit on the planet is still attracting thousands of journalists from all around the world who are hungry for news. The first summit was the brainchild of Valéry Giscard d'Estaing, then President of France. He was totally convinced of the necessity for the leaders of the world to get together and start to acquaint themselves with one another. According to Karl Otto Pohl, the President of the Bundesbank from 1980 to 1991, the first intuition came quite casually in a rather restricted setting. He writes in an essay on the history of floating exchange rates (to be published by MIT Press), that «this idea of systematic consultations was conceived casually in Washington in May 1973... The world was lucky at this juncture to have an extraordinary trio of men heading key Western finance ministries: Valéry Giscard d'Estaing, Helmut Schmidt and George Shultz. Mr. Shultz had invited Mr. Giscard and Mr. Schmidt, together with Tony Barber, the Chancellor of the Exchequer, for an informal Sunday afternoon chat in the White House library.» They agreed to meet regularly and quickly the Japanese were invited to form the so-called Group of Five. This nucleus led to the idea of conducting annual meetings, to which Italy and Canada were invited, thus laying the foundation for the Group of Seven.

The original quartet thought that the benefits for the balance of world politics and economic stability would be enormous if the leaders of the world were to meet informally in a cozy living room, share a drink, and exchange ideas. The idea was inspired if a bit utopian, as the media was quick to take advantage of an opportunity. The constant barrage of two hundred reporters upset the cozy atmosphere which Valéry Giscard d'Estaing and Chancellor Helmut Schmidt had intended. Nevertheless, the setting fit the mood.

## PART I

### RAMBOUILLET, 1975

Located in the Chateau of Rambouillet from 15th to 17th November of the year 1975, the meeting was the first concrete step which resulted from a long-sought agreement between the United States and France about monetary stability. Giscard d'Estaing had long been seeking a drastic cure by proposing a quick return to fixed exchange rates. The United States had been constantly opposing this proposal. The compromise reached in the historical Chateau was the first solid evidence of the viability that summits did work after all. As a matter of fact, President Ford pledged to the President of France that he would help stabilize the international financial market by preventing strong oscillations of the American dollar.

After recalling the memories of the first meeting, one can not help but experience a bit of déjà-vu as world leaders prepare for the Naples Summit in July, 1994, to discuss the dangers of protectionism. In the Chronicles of Rambouillet, Italy and the United Kingdom were in trouble with their trade balance because of the oil shock. Yet their «protectionist temptations» were settled with a few lines in the final communiqué of the 1975 meeting. Today, however, journalists will soon learn that the lack of words is not as important as what those words entailed.

Reliable sources confirm that even in the first summit, there was much talk of the desirability of using one word rather than another. It is the same today as words are not used frivolously by world leaders, whose personal representatives meticulously study each word. These representatives have earned the nickname «sherpas» to emphasize the importance of their role in helping world leaders, like the real sherpas on Mount Everest.

### SAN JUAN OF PUERTO RICO, 1976

The success of the first meeting convinced the world leaders to quickly repeat the experience. Only seven months lapsed before the leaders of Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States met again – this time in Dorado Beach, Puerto Rico, at the end of June (27th and 28th) 1976. This list of countries is very important; that is, it is apparent at quick glance that the list is alphabetical: protocol is very important and is strictly adhered to. Seniority is also important. At the

second summit, after seven months, the leaders find new friends. Ironically, it is not Italy with her new team headed by Premier Aldo Moro, Foreign Minister Mariano Rumor and Treasury Minister Emilio Colombo; rather, the new leaders are from the United Kingdom and Canada. The leader of the Labour Party, James Callaghan, has taken over from Harold Wilson in the United Kingdom; and Pierre Elliot Trudeau has just won the elections in Canada.

The main themes of the second summit are not too different from the first, but there is some good news. A cautious optimism can be detected in the words of the leaders as they begin to see the light at the end of the recession tunnel. The problems created by the crisis of the 1970s are still around. Inflation and unemployment still exist. Stagflation is still high. But the good news is that new efforts in the fight against protectionism (which sounds like *déjà-vu*) are implemented with the adoption of the «trade pledge» suggested by the OECD and the willingness to conclude the Tokyo Round of GATT by the end of 1977.

#### LONDON, 1977

The third summit occurred in London ten months later (on 7th and 8th May) amid general uneasiness due to widespread concern over the condition of the global economy. In the austere but cozy environment of Downing Street, the Prime Minister's official residence, there are many new faces around the table. Jimmy Carter is now the President of the United States. Japan has a new Prime Minister, Takeo Fukuda; and Italy has a new Presidente del Consiglio, Giulio Andreotti. But the real «historical» development is the involvement of the EEC as a unified unit, represented by the Commission President, Britain's Roy Jenkins (a former Chancellor of the Exchequer who succeeded Jacques Ortoll of France). The main outcome from the summit is the approval of the IMF proposal to increase financial resources for the countries with a trade deficit. Although the previous optimism regarding the Tokyo Round is gone, the Seven acknowledge the fact that they have had some progress in certain sectors. A plan is approved to support the developing countries with reference to the fifth refinancing operation of the International Development Agency. As in the previous summits, the third paragraph of the final declaration, one can read the same themes which today's world leaders are addressing: «Our most urgent task is to create more jobs while continuing to reduce inflation... we are particularly concerned about the problem of unemployment among young people.»

## PART I

### BONN, 1978

At the summit in Bonn, on 16th and 17th July, 1978, the cast of characters is the same and the themes remain unchanged. But this time, the Seven agree to a binding package of measures. This gives new life to observers, analysts and commentators who can now examine a new scenario instead of relying on their traditional criticism of «nothing ever happens.» This time, they can criticize a final document described as a «clear-cut example of political economical concentration of power.» In fact, the leaders decide to establish a new closing date for the GATT negotiations in December of 1978. Yet, they also acknowledge «some difficult and important problems»; namely, the impossibility of meeting the deadline.

The Bonn summit is the first one to take binding decisions on non-economic themes. Particularly important is the agreement on air piracy, which states that the seven countries must commit themselves to stopping flights to and from countries that do not respect the new convention.

### TOKYO, 1979

At the Tokyo summit, 28th and 29 June of 1979, the G-7 veterans can hardly recognize the new faces in the «family photo.» New faces are everywhere, starting with two new heads of government and ending with the new host, Japan's Prime Minister Masioshi Ohira, who has taken over from Takeo Fukuda. But the big novelties are from Canada and the United Kingdom where Joe Clark has succeeded Trudeau and Margaret Thatcher has just won the general election in early May. She is preparing the way for the long series of «caps» – twelve to be exact – giving her a strong position in the club, where she confirmed her name, «Iron Lady», gained back home.

The themes of the Tokyo summit are dominated by one major international crisis caused by both political and economic problems. The Ayatollah Khomeini has just become the new leader of Iran after the Revolution which ousted the Shah. The series of events in Iran were worrying the industrial powers of the world about the possibility of a new oil crisis. Perhaps the gloomy picture resulted in the impressive outcome of the Tokyo summit.

Based on the EEC proposal, the Seven signed an agreement for the first time limiting oil imports with a detailed system of quotas. They decided

as well to keep a book of international oil operations in order to keep domestic and international prices in line. In addition, they hoped to develop more alternative energy industries like coal and nuclear energy. To this effect, a new organization called the «International Energy Technology Group» was created in conjunction with the OED and the IEA.

#### VENICE, 1980

Francesco Cossiga, the new leader of the Italian delegation succeeding Andreotti, greets the G-7 in the splendid city of Venice. The Japanese have yet another new prime minister, Saburo Okita; and Canada sees the return of Trudeau which gives the veterans (Giscard d'Estaing, Schmidt, Jimmy Carter) the opportunity to meet their old friend again. However, the summit on the 22nd and 23rd of June, 1980, does not see a very friendly world situation as threats to security, lack of stability and total uncertainty in the world political scene appear much more urgent than the old energy problem.

Although the issue of oil prices dominates the final statement, the most important issues are the American hostage crisis in Iran and the Soviet invasion of Afghanistan (the latter resulting from the «Brezhnev Doctrine» applied at the end of December, 1979). Regarding the hostage crisis, the leaders condemn the kidnapping of diplomats and call for the adherence to a new international convention outlawing such action. Regarding Afghanistan, they appeal to the «immediate and total withdrawal» of the occupying forces and they confirm their intention to boycott the next Olympics in Moscow.

The Venice summit also sees a further cut in the consumption of energy on the basis of a resolution proposed by the IEA in May, 1980. The goal is reducing consumption by four million barrels a day by 1985. The Seven also pledge to reduce their dependence on oil imports from 53% to a total average of 40% by 1990. Nuclear energy and coal are still seen as the best options for reducing oil consumption.

#### OTTAWA, 1981

On the 20th and 21st of July, 1981, the G-7 meet in Ottawa and put the '80s into motion. Although the decade began a year before, it was only the arrival of Ronald Reagan on the international scene and the subsequent



## PART I

friendship with Margaret Thatcher that started the «greedy» – or monetarist – decade of the Eighties.

There are a lot of new faces in the family picture: Mr. Reagan has replaced Jimmy Carter, Mr. Zenko Suzuki is the new Japanese Premier, Giovanni Spadolini is the new Italian Presidente del Consiglio, a Republican (the first «lay premier» after thirty-five years of Christian Democrats), and Gaston Thorn is the new President of the European Commission. But the novelty is the new French President, Francois Mitterrand, who is the first elected official from a socialist-communist government in the history of the EEC countries. All the newcomers have to face the old problem of inflation; and protectionism has become so rampant that the Seven decide to summon a special ministerial meeting to discuss the issue.

### VERSAILLES, 1982

The summit goes back to France and that signifies a new start after the completion of the first series of seven summits. The summit is marked by a series of real turning points, almost as if the leaders felt the momentum of a new series of summits taking off. For the first time, in the magnificent and opulent setting of Versailles, the summit lasts three days (4th-6th June), which becomes the new norm. The second major change is the arrival, for the first time, of an EEC political representative from the Council of Ministers – in this case Belgium's Wilfried Maertens – who joins the EEC team and the President of the Commission.

The issues on the table are the high levels of American interest rates, the overvaluation of the American dollar, and the international recession. Monetarists policies are the main subject of discussion and the final resolution states a common pledge to ensure more stability of the currency markets. However, there is a heavy political atmosphere around the tables of the summit where international trade rules are in disarray. It seems impossible to solve the problem of West-East credits, and Washington's embargo against the Soviet oil due to martial law in Poland creates major obstacles.

For the most part, problems arise because of misunderstandings between the leaders. For instance, the European countries are heavily affected by the American decision to place an embargo on the Soviet Union. Many European contractors cannot obtain necessary machinery from the Us and their own contracts with the Soviet Union are blocked.

Thus, in the final resolution there is a very cautious statement emphasizing the need for ultimate care to be taken in the Western approach to the East in trade and financial relations. As the final documents demonstrate, the Versailles summit was seen as a general failure.

#### WILLIAMSBURG, 1983

The failure of the Versailles summit convinced the G-7 in Williamsburg, Virginia, to move towards a general compromise. The summit, which took place between the 28th and the 30th of May 1983, had new guests: Italy's Amintore Fanfani, Japan's Yasuhiro Nakasone and Germany's Helmut Kohl. Kohl was making his debut on a scene where he would be considered a major actor in the fourteen years leading to Naples in 1994. Perhaps it was Kohl's presence, or maybe the looming memory of the failure at Versailles, which caused the G-7 to really mean business, or maybe, the fact that for the first time ever, the personal representatives, the sherpas, were charged with the job of preparing the summit. The general economic situation was also helping the summit as oil prices had decreased. Yet, high unemployment was still a priority for the leaders.

No one mentions the embargo against the Soviet Union at Williamsburg, and to everyone's surprise the Seven agree on a document outlining common security policies. This is the first time that countries not part of the same alliance (i.e., Japan) or separated from the integrated military structure (i.e., France) or even non-signatories (i.e., France again) of the Euromissile agreement make a double decision. In other words, the Seven agree formally to the decision to the installation of Euromissiles. Although this agreement is a breakthrough in the summit, the other face of the meeting is seen as a failure because both the dollar and interest rates continue to rise.

#### LONDON, 1984

It is at the summit in London from the 7th to the 9th of June, 1984, where the G-7 (with a new Italian Presidente del Consiglio, Bettino Craxi) can finally take advantage of the economic recovery and devise methods to consolidate it.

Italy, France, Germany, and – to a lesser extent – Great Britain criticize the American monetary policy of maintaining high interest rates as well as

## PART I

the country's enormous trade deficit. They blame the American policies for the stagnation of European economic recovery and the fuelling of Third World debt. The latter becomes the most important item on the agenda because the debt threatens the stability of the international banking system. Different opinions shape the final statement regarding this problem, although the outcome is both weak and general. However, the leaders unanimously denounce terrorism following a dramatic episode in London where, on 17 April, the Libyan embassy was seized. This confirmed the world leaders' concerns about a theme already addressed in Bonn, Venice and Ottawa.

### BONN, 1985

Back in Bonn on 2nd-4th May 1985, two leaders arrived, who were to become very familiar in the next eight years: Canada's premier, Brian Mulroney, and the new President of the European Commission, Jacques Delors, who would eventually become a strong personality on the world scene. However, it was not the people who made Bonn memorable, it was the results.

The American deficit is again a dominant theme, as is the reappearance of the ghost of protectionism. In the final resolutions, little on the economic front seems to signify a condemnation of what critics described as «window dressing.» However, a few months later, the world economy experiences a decisive turning point with the monetary agreement and the decision to let the dollar depreciate as much as possible. Again, while summits are often disappointing with regards to immediate results, they do provide unique opportunities for world leaders to discuss future developments, even if they are not stated on paper.

### TOKYO, 1986

The summit at the beginning of May (4th-6th) 1986, in Tokyo, was dominated by political issues; namely, terrorism and the pledge to fight it. There are no half measures at this summit. The Seven openly condemn Libya and all other regimes which support terrorism. The Seven promise every effort to share information at every level on actual or potential threats by terrorists in the black-listed countries. They agree to the responsibility of preventing terrorist actions and suggest a whole series of

measures against «sponsor» states. They ask for every concerned government to adhere to these new anti-terrorist measures.

The economic resolution is considered quite vague by summit historians. Nonetheless, one can find a concrete determination to harmonize economic indicators. This is seen as a major effort to control macroeconomic policies through a constant monitoring of gross national product, interest rates and parities by the central banks. These issues come up again in Venice in 1987.

#### VENICE, 1987

The summit returns to Italy for the second time from the 8th to the 10th of June, 1987, amidst major changes in Italian politics. Amintore Fanfani is the caretaker prime minister during the «staffetta» where Craxi passes on the premiership to Ciriaco De Mita. Although at least three developments can be seen in the outcome of the summit, professional summit analysts call this Venice summit «non eventful.» The three developments are as follows: the decision to harmonize the main economic indicators is extended, the first official statement against drugs is declared, and AIDS is addressed as a global issue for the first time as well.

Regarding the issue of drugs, the seven leaders decide on a common policy of exchanging information as the best way to fight the problem at every level (refining, eradication and distribution). This is seen as the first common battle against drugs and many bilateral agreements are signed to that effect. The biggest disappointment comes from a new failure to tackle the major source of instability discussed in previous summits; namely, the American deficit, considered to be the major factor behind uncontrollable movements of Eurodollars. The international debt problem is not solved, but the Seven decide to condone their governments' credits between the poorest IDA countries. The final document announces the first total commitment to a common policy of controlling parities by a harmonized macroeconomic policy of interest rates.

#### TORONTO, 1988

The next appointment is in Toronto, from the 19th to the 21th of June, 1988. The major changes in the family picture are the new Italian Premier Ciriaco De Mita, and the new Japanese Prime Minister Noboru Takeshita (who replaced Nakasone after a record five years in office). The summit

## PART I

addresses the monetary storms in the previous autumn and the leaders find reason for comfort in the successful joint intervention by central banks which managed to contain the turbulence.

Once again, the dominant issue was the stability of national deficits, particularly for the United States and Italy. The governments pledged to exercise a «maximum effort» in order to reduce their deficits. There is also the problem of the huge international trade deficit which threatens global stability and cannot be solved on its own. It needs real co-operation from the NIC (newly industrialized countries), South Korea and Taiwan. The Seven take notice with satisfaction of the recent agreement for creation of a free trade area between the United States and Canada, but they are very cautious – if not pessimistic – about the Uruguay Round of the GATT negotiations which were to be concluded in five years.

### PARIS, 1989

Returning to Paris during a time of celebration from 14th to the 16th of July, 1989, this summit is deemed by G-7 historians as the most indecisive of the indecisive summits. In fact, the mirth and merriment of the celebrations commemorating the second centenary of the French Revolution seem to be contagious among summit leaders.

The family picture changes as Japan has a new premier once again and George Bush replaces Reagan as the President of the United States. However, Bush does not propose any major macroeconomic policy changes. He continues to follow the same position as Mr. Reagan on the question of farm subsidies which emerges as a major problem in the subsequent discussions between the Us and Europe in the Uruguay Round talks.

The summit conclusion expressed a general statement of goodwill towards a major effort in the commitment to a concerted macroeconomic policy of interest rates and exchange rates. But a painful decision was taken to impose economic sanctions against China after the Tiannanmen repression just six weeks before the summit began.

### HOUSTON, 1990

The summit from 9th to 11th July, 1990, saw incredible changes take place. First, there was a new Italian Presidente del Consiglio, Giulio Andreotti, and the ninth Japanese Prime Minister in 15 years, Toshiki

Kaifu. Secondly, the world political order had been drastically altered with the fall of the Berlin Wall and the dismantling of the Soviet Union. For the first time, the issue of helping the East and Mikhail Gorbachev under the pressures of change was discussed. The final resolution is described as a «balancing miracle.»

The Seven reject the outright abolition of the sanctions against China, but suggest a gradual normalization process in the future. Yet, they do authorize Japan to open a credit line in the order of 810 billion yen (5.5 billion Us dollars) for Beijing. Although they are unable to reach an agreement for a collective plan to assist the USSR, the Seven begin bi-lateral aid programs and promise an IMF dialogue with Moscow on the condition that the Soviet Union make a decisive effort transform itself into a market economy.

The hovering issue of farm subsidies is brought to a new level of insight with Margaret Thatcher's suggestion of taking a gradual approach to the problem; that is, by limiting the abolition of tariffs in the Uruguay Round. No one comes out the winner, but this way everyone can claim a piece of the pie. However, the United States and the EEC remain deeply divided over the problem of subsidies.

LONDON, 1991

The summit in London in mid-July (15th-17th), 1991, has a special place in history. First of all, Margaret Thatcher is out of the family picture for the first time in twelve years. She is replaced by John Major. Secondly, the President of the Soviet Union is invited to participate in the final day of the event. In fact, the Seven urge Moscow to reach an agreement with the republics and to assume responsibility for their international debt. The Seven agree to assist the Soviet Union to overcome the fear of utter economic collapse.

The final document urges the seven most industrialized countries to take «measures much stronger than in the past» to relieve poor and developing countries in order to help them towards democracy, pluralism and market economy. Thus, more aid is announced for the extremely poor countries, while emergency help for the famine-stricken areas of Africa is promised. Furthermore, an entirely new approach to the «Evil Empire» is taken where there is much optimism for the new spirit of cooperation starting in the Middle East and extending to wherever peace and security is threatened on the globe.

## PART I

The final analysis is that all of the above justifies more assistance for the Soviet Union to help advance the progress of its political and economic reforms. Moscow is constantly praised for its contribution to the easing of tensions and its «new thinking» of foreign policy. While Moscow is receiving praise, a crisis is brewing in Yugoslavia which hovers over the ending of the summit like dark clouds on the horizon.

### MUNICH, 1992

The longest summit in history took place between July 5th and 8th, 1992, in Munich. The issue of Yugoslavia is very much at the center of discussions. It dominates the political discussions and creates many reasons for arguments. A substantial amount of time is dedicated to the wording of the final resolution, leaving observers quite puzzled. Yet most of the declaration is devoted to the modelling of a «new partnership» with Eastern European countries, NATO, and Third World countries. Although the Seven cannot agree on a single political line regarding the Balkan crisis, they do commit themselves to the strengthening of the CSCE and stronger cooperation with former Soviet republics to prevent future conflicts. It seems too late for Yugoslavia, however, as the G-7 excludes her from the international organization and begin discussions of the possibility of armed intervention to stop the massacres.

A whole chapter in the final document is dedicated to non-proliferation of nuclear weapons and arms reduction. The economic line is now «working together toward a more secure future.» There is an emphasis on tackling unemployment. Furthermore, the G-7 express their disappointment over the slow progress in the Uruguay Round, although the document makes headway in reforming EC farm policy. Sustainable development is the final catch phrase, with general pledges of coordination of macroeconomic policies (particularly with the reunification of Germany and the need to control interest rates).

### TOKYO, 1993

Unemployment and Yugoslavia also dominate the Tokyo summit from the 7th to the 9th of July, 1993. This summit marks the debut of President Clinton and the first major breakthrough of the Uruguay Round. The GATT agreement will be signed by December 15. Due to the

fervor of this breakthrough, the summit has an optimistic outlook for future solutions in democracy and open markets. Although they admit that unemployment is quite high (23 million people without work in the seven countries), they blame it on both the global recession and structural inadequacies.

In order to discuss the details of the above problems, a special G-7 meeting is called in March 1994 in Detroit, presided over by President Clinton. The optimism continues as economic recovery is seen in the Us, Latin America and Asia (although Japan and Europe are still lagging behind). At this special meeting, the Seven give priority to the environment by calling for another special meeting. This takes place in Florence in early March, 1994, to discuss the possibility of creating jobs while still protecting the environment. The congratulations for Russia (under Boris Yeltsin) continue for its progress and courageous reforms, while more money is promised through the IMF. In addition, a joint academic study with the World Bank, the IAEA and the former Soviet Republics is undertaken to discuss the problems of nuclear modernization with Chernobyl as the main focus of research.

The final line is the traditional, «See you in...»; but before announcing the rendezvous in Naples, a return to more modest summits is called for. The Seven quite firmly denounce the territorial gains obtained by force, but the degree to which this principle is accepted is yet to be seen. The result is usually a two-page declaration written in a few minutes by foreign ministers. Then the wordage of the declaration is intensely debated over the use of this or that word. Finally, a firm commitment not to accept any territorial solution at the expense of Bosnia's Muslims is written down clearly and left to history to contemplate.



# Political Leaders

	<i>Rambouillet</i> 1975	<i>San Juan</i> [P. RICO] 1976	<i>London</i> [DOWNING STR.] 1977	<i>Bonn</i> 1978	<i>Tokyo</i> 1979	<i>Venice</i> 1980	<i>Ottawa</i> 1981	<i>Versailles</i> 1982	<i>Williamsburg</i> [VIRGINIA] 1983
CANADA	—	Trudeau	Trudeau	Trudeau	Clark	Trudeau	Trudeau	Trudeau	Trudeau
FRANCE	Giscard d'Estaing	Giscard d'Estaing	Giscard d'Estaing	Giscard d'Estaing	Giscard d'Estaing	Giscard d'Estaing	Mitterrand	Mitterrand	Mitterrand
GERMANY	Schmidt	Schmidt	Schmidt	Schmidt	Schmidt	Schmidt	Schmidt	Schmidt	Kohl
ITALY	Moro	Moro	Andreotti	Andreotti	Andreotti	Cossiga	Spadolini	Spadolini	Fanfani
JAPAN	Miki	Miki	Fukuda	Fukuda	Ohira	Okita	Suzuki	Suzuki	Nakason
UNITED KINGDOM	Wilson	Callaghan	Callaghan	Callaghan	Thatcher	Thatcher	Thatcher	Thatcher	Thatcher
UNITED STATES OF AMERICA	Ford	Ford	Carter	Carter	Carter	Carter	Reagan	Reagan	Reagan

London	Bonn	Tokyo	Venice	Toronto	Paris	Houston	London	Munich	Tokyo	Naples
1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
deau	Mulroney	Mulroney	Mulroney	Mulroney	Mulroney	Mulroney	Mulroney	Mulroney	Campbell	Chrétien
Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand	Mitterrand
Kohl	Kohl	Kohl	Kohl	Kohl	Kohl	Kohl	Kohl	Kohl	Kohl	Kohl
Craxi	Craxi	Craxi	Fanfani	De Mita	De Mita	Andreotti	Andreotti	Amato	Ciampi	Berlusconi
Nakasone	Nakasone	Nakasone	Nakasone	Takeshita	Uno	Kaifu	Kaifu	Miyazawa	Miyazawa	Hata
Thatcher	Thatcher	Thatcher	Thatcher	Thatcher	Thatcher	Thatcher	Major	Major	Major	Major
Reagan	Reagan	Reagan	Reagan	Reagan	Bush	Bush	Bush	Bush	Clinton	Clinton

THE TWENTY G-7 SUMMITS

PART ~ II

DOCUMENTS.  
G-7 DECLARATIONS

# RAMBOUILLET

NOVEMBER 15/17, 1975

## LIST OF PARTICIPANTS

RAMBOUILLET, NOVEMBER 15/17, 1975

FRANCE	Valéry Giscard d'Estaing <i>President</i> Jean Sauvagnargues <i>Minister of Foreign Affairs</i> Jean-Pierre Fourcade <i>Minister of the Economy and Finance</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Apel <i>Federal Minister of Finance</i>
ITALY	Aldo Moro <i>President of the Council of Ministers</i> Mariano Rumor <i>Minister of Foreign Affairs</i> Emilio Colombo <i>Minister of the Treasury</i>
JAPAN	Takeo Miki <i>Prime Minister</i> Kiichi Miyaszawa <i>Minister of Foreign Affairs</i> Masayoshi Ohira <i>Minister of Finance</i>
UNITED KINGDOM	Harold Wilson <i>Prime Minister</i> James Callaghan <i>Secretary of State for Foreign and Commonwealth Affairs</i> Denis Healey <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Gerald Ford <i>President</i> Henry Kissinger <i>Secretary of State</i> William E. Simon <i>Secretary of the Treasury</i>

# Declaration

The Heads of State and Government of France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America met in the Château de Rambouillet from 15th to 17th November, 1975, and agreed to declare as follows:

1. In these three days we held a searching and productive exchange of views on the world economic situation, on economic problems common to our countries, on their human, social and political implications, and on plans for resolving them.

2. We came together because of shared beliefs and shared responsibilities. We are each responsible for the government of an open, democratic society, dedicated to individual liberty and social advancement. Our success will strengthen, indeed is essential to democratic societies everywhere. We are each responsible for assuring the prosperity of a major industrial economy. The growth and stability of our economies will help the entire industrial world and developing countries to prosper.

3. To assure in a world of growing interdependence the success of the objectives set out in this declaration, we intend to play our own full part and strengthen our efforts for closer international cooperation and constructive dialogue among all countries, transcending differences in stages of economic development, degrees of resource endowment and political and social systems.

4. The industrial democracies are determined to overcome high unemployment, continuing inflation and serious energy problems. The purpose of our meeting was to review our progress, identify more clearly the problems that we must overcome in the future, and to set a course that we will follow in the period ahead.

5. The most urgent task is to assure the recovery of our economies and to reduce the waste of human resources involved in unemployment. In consolidating the recovery, it is essential to avoid unleashing additional inflationary forces which would threaten its success. The objective must be growth that is steady and lasting. In this way, consumer and business confidence will be restored.

6. We are confident that our present policies are compatible and complementary and that recovery is under way. Nevertheless, we recognize the need for vigilance and adaptability in our policies. We will not allow the recovery to falter. We will not accept another outburst of inflation.

7. We also concentrated on the need for new efforts in the areas of world trade, monetary matters and raw materials, including energy.

8. As domestic recovery and economic expansion proceed, we must seek to restore growth in the volume of world trade. Growth and price stability will be fostered by maintenance of an open trading system. In a period where pressures are developing for a return to protectionism, it is essential for the main trading nations to confirm their commitment to the principles of the OECD (Organization for Economic Cooperation and Development) pledge and to avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social and political fields. There is a responsibility on all countries, especially those with strong balance of payments positions and on those with current deficits, to pursue policies which will permit the expansion of world trade to their mutual advantage.

9. We believe that the multilateral trade negotiations should be accelerated. In accordance with the principles agreed to in the Tokyo Declaration, they should aim at achieving substantial tariff cuts, even eliminating tariffs in some areas, and at significantly expanding agricultural trade and at reducing non-tariff measures. They should seek to achieve the maximum possible level of trade liberalization therefrom. We propose as our goal completion of the negotiations in 1977 .

10. We look to an orderly and fruitful increase in our economic relations with Socialist countries as an important element in progress in detente, and in world economic growth. We will also intensify our efforts to achieve a prompt conclusion of the negotiations concerning export credits.

11. With regard to monetary problems, we affirm our intention to work for greater stability. This involves efforts to restore greater stability in underlying economic and financial conditions in the world economy. At the same time, our monetary authorities will act to counter disorderly market conditions, or erratic fluctuations, in exchange rates. We welcome the rapprochement, reached at the request of many other countries, between the views of the U.S. and France on the need for stability that the reform of the international monetary system must promote. This rapprochement will facilitate agreement through the IMF (International Monetary Fund) at the next session of the Interim Committee in Jamaica on the outstanding issues of international monetary reform.

12. A cooperative relationship and improved understanding between the developing nations and the industrial world is fundamental to the prosperity of each. Sustained growth in our economies is necessary to growth in developing countries; and their growth contributes significantly to health in our own economies. The present large deficits in the current accounts of the developing countries represent a critical problem for them and also for the rest of the world. This must be dealt with in a number of complementary ways. Recent proposals in several international meetings have already improved the atmosphere of the discussion between developed and developing countries. But early practical action is needed to assist the developing countries. Accordingly, we will play our part, through the IMF and other appropriate international fora, in making urgent improvements in international arrangements for the stabilization of the export earnings of developing countries and in measures to assist them in financing their deficits. In this context, priority should be given to the poorest developing countries.

13. World economic growth is clearly linked to the increasing availability of energy sources. We are determined to secure for our economies the energy sources needed for their growth. Our common interests require that we continue to cooperate in order to reduce our dependence on imported energy through conservation and the development of alternative sources. Through these measures as well as international cooperation between producer and consumer countries, responding to the long-term interests of both, we shall spare no effort in order to ensure more balanced conditions and a harmonious and steady development in the world energy market.

14. We welcome the convening of the Conference on International Economic Cooperation scheduled for December 16. We will conduct this dialogue in a positive spirit to assure that the interests of all concerned are protected and advanced. We believe that industrialized and developing countries alike have a critical stake in the future success of the world economy and in the cooperative political relationship on which it must be based.

15. We intend to intensify our cooperation on all these problems in the framework of existing institutions as well as in all the relevant international organizations.

# SAN JUAN

[PUERTO RICO]

JUNE 27/28, 1976



## LIST OF PARTICIPANTS

SAN JUAN [PUERTO RICO], JUNE 27/28, 1976

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Allan J. MacEachen <i>Secretary of State for External Affairs</i> Donald MacDonald <i>Minister of Finance</i>
FRANCE	Valéry Giscard d'Estaing <i>President</i> Jean Sauvagnargues <i>Minister of Foreign Affairs</i> Jean-Pierre Fourcade <i>Minister of the Economy and Finance</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Apel <i>Federal Minister of Finance</i>
ITALY	Aldo Moro <i>President of the Council of Ministers</i> Mariano Rumor <i>Minister of Foreign Affairs</i> Emilio Colombo <i>Minister of the Treasury</i>
JAPAN	Takeo Miki <i>Prime Minister</i> Kiichi Miyazawa <i>Minister of Foreign Affairs</i> Masayoshi Ohira <i>Minister of Finance</i>
UNITED KINGDOM	James Callaghan <i>Prime Minister</i> Anthony Crosland <i>Secretary of State for Foreign and Commonwealth Affairs</i> Denis Healey <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Gerald Ford <i>President</i> Henry Kissinger <i>Secretary of State</i> William E. Simon <i>Secretary of the Treasury</i>

# Declaration

The Heads of State and Government of Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America met at Dorado Beach, Puerto Rico, on the 27th and 28th of June, 1976, and agreed to the following declaration:

1. The interdependence of our destinies makes it necessary for us to approach common economic problems with a sense of common purpose and to work toward mutually consistent economic strategies through better cooperation.

2. We consider it essential to take into account the interests of other nations. And this is most particularly true with respect to the developing countries of the world.

3. It was for these purposes that we held a broad and productive exchange of views on a wide range of issues. This meeting provided a welcome opportunity to improve our mutual understanding and to intensify our cooperation in a number of areas. Those among us whose countries are members of the European Economic Community intend to make their efforts within its framework.

4. At Rambouillet, economic recovery was established as a primary goal and it was agreed that the desired stability depends upon the underlying economic and financial conditions in each of our countries.

5. Significant progress has been achieved since Rambouillet. During the recession there was widespread concern regarding the longer-run vitality of our economies. These concerns have proved to be unwarranted. Renewed confidence in the future has replaced doubts about the economic and financial outlook. Economic recovery is well under way and in many of our countries there has been substantial progress in combatting inflation and reducing unemployment. This has improved the situation in those countries where economic recovery is still relatively weak.

6. Our determination in recent months to avoid excessive stimulation of our economies and new impediments to trade and capital movements has contributed to the soundness and breadth of this recovery. As a result, restoration of balanced growth is within our grasp. We do not intend to lose this opportunity.

7. Our objective now is to manage effectively a transition to expansion which will be sustainable, which will reduce the high level of unemployment which persists in many countries and will not jeopardize our common aim of avoiding a new wave of inflation. That will call for an increase in productive investment and for partnership among all groups within our societies. This will involve acceptance, in accordance with our individual needs and circumstances, of a restoration of better balance in public finance, as well as of disciplined measures in the fiscal area and in the field of monetary policy and in some cases supplementary policies, including incomes policy. The formulation of such policies, in the context of growing interdependence, is not possible without taking into account the course of economic activity in other countries. With the right combination of policies we believe that we can achieve our objectives of orderly and sustained expansion, reducing unemployment and renewed progress toward our common goal of eliminating the problem of inflation. Sustained economic expansion and the resultant increase in individual well-being cannot be achieved in the context of high rates of inflation.

8. At the meeting last November, we resolved differences on structural reform of the international monetary system and agreed to promote a stable system of exchange rates which emphasized the prerequisite of developing stable underlying economic and financial conditions.

9. With those objectives in mind, we reached specific understandings, which made a substantial contribution to the IMF meeting in Jamaica. Early legislative ratification of these agreements by all concerned is desirable. We agreed to improve cooperation in order to further our ability to counter disorderly market conditions and increase our understanding of economic problems and the corrective policies that are needed. We will continue to build on this structure of consultations.

10. Since November the relationship between the dollar and most of the main currencies has been remarkably stable. However, some currencies have suffered substantial fluctuations.

11. The needed stability in underlying economic and financial conditions clearly has not yet been restored. Our commitment to deliberate orderly and sustained expansion, and to the indispensable companion goal of defeating inflation, provides the basis for increased stability.

12. Our objective of monetary stability must not be undermined by the strains of financing international payments imbalances. We thus recognize the importance of each nation managing its economy and its international monetary affairs so as to correct or avoid persistent or structural international payments imbalances. Accordingly, each of us affirms his intention to work toward a more stable and durable payments structure through the application of appropriate internal and external policies.

13. Imbalances in world payments may continue in the period ahead. We recognize that problems may arise for a few developed countries which have special needs, which have not yet restored domestic economic stability, and which face major payments deficits. We agree to continue to cooperate with others in the appropriate bodies on further analysis of these problems with a view to their resolution. If assistance in financing transitory balance of payments deficits is necessary to avoid general disruptions in economic growth, then it can best be provided by multilateral means coupled with a firm program for restoring underlying equilibrium.

14. In the trade area, despite the recent recession, we have been generally successful in maintaining an open trading system. At the OECD we reaffirmed our pledge to avoid the imposition of new trade barriers.

15. Countries yielding to the temptation to resort to commercial protectionism would leave themselves open to a subsequent deterioration in their competitive standing; the vigor of their economies would be affected while at the same time chain reactions would be set in motion and the volume of world trade would shrink, hurting all countries. Wherever departures from the policy set forth in the recently renewed OECD trade pledge occur, elimination of the restrictions involved is essential and urgent. Also, it is important to avoid deliberate exchange rate policies which would create severe distortions in trade and lead to a resurgence of protectionism.

16. We have all set ourselves the objective of completing the Multilateral Trade Negotiations by the end of 1977. We hereby reaffirm that objective and commit ourselves to make every effort through the appropriate bodies to achieve it in accordance with the Tokyo Declaration.

17. Beyond the conclusion of the trade negotiations we recognize the desirability of intensifying and strengthening relationships among the major trading areas with a view to the long-term goal of a maximum expansion of trade.

18. We discussed East/West economic relations. We welcomed in this context the steady growth of East/West trade, and expressed the hope that economic relations

between East and West would develop their full potential on a sound financial and reciprocal commercial basis. We agreed that this process warrants our careful examination, as well as efforts on our part to ensure that these economic ties enhance overall East/West relationships. We welcome the adoption by the participating countries of converging guidelines with regard to export credits. We hope that these guidelines will be adopted as soon as possible by as many countries as possible.

19. In the pursuit of our goal of sustained expansion, the flow of capital facilitates the efficient allocation of resources and thereby enhances our economic well-being. We, therefore, agree on the importance of a liberal climate for international investment flows. In this regard, we view as a constructive development the declaration which was announced last week when the OECD Council met at the Ministerial level.

20. In the field of energy, we intend to make efforts to develop, conserve and use rationally the various energy resources and to assist the energy development objectives of developing countries.

21. We support the aspirations of the developing nations to improve the lives of their peoples. The role of the industrialized democracies is crucial to the success of their efforts. Cooperation between the two groups must be based on mutual respect, take into consideration the interests of all parties and reject unproductive confrontation in favor of sustained and concerted efforts to find constructive solutions to the problems of development.

22. The industrialized democracies can be most successful in helping the developing countries meet their aspirations by agreeing on, and cooperating to implement, sound solutions to their problems which enhance the efficient operation of the international economy. Close collaboration and better coordination are necessary among the industrialized democracies; our efforts must be mutually supportive, not competitive. Our efforts for international economic cooperation must be considered as complementary to the policies of the developing countries themselves to achieve sustainable growth and rising standards of living.

23. At Rambouillet, the importance of a cooperative relationship between the developed and developing nations was affirmed; particular attention was directed to following up the results of the Seventh Special Session of the UN General Assembly, and especially to addressing the balance of payments problems of some developing countries. Since then, substantial progress has been made. We welcome the constructive spirit which prevails in the work carried out in the framework of the Conference on International Economic Cooperation, and also the positive results achieved in some areas at UNCTAD IV in Nairobi. New measures taken in the IMF have made a substantial contribution to stabilizing the export earnings of the developing countries and to helping them finance their deficits.

24. We attach the greatest importance to the dialogue between developed and developing nations in the expectation that it will achieve concrete results in areas of mutual interest. And we reaffirm our countries determination to participate in this process in the competent bodies, with a political will to succeed, looking toward negotiations in appropriate cases. Our common goal is to find practical solutions which contribute to an equitable and productive relationship among all peoples.

LONDON

[DOWNING STREET]

MAY 7/8, 1977

## LIST OF PARTICIPANTS

LONDON [DOWNING STREET], MAY 7/8, 1977

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Donald Jamieson <i>Secretary of State for External Affairs</i> Donald MacDonald <i>Minister of Finance</i>
FRANCE	Valéry Giscard d'Estaing <i>President</i> Raymond Barre <i>Prime Minister and Minister of Economy and Finance</i> Louis De Guiringaud <i>Minister of Foreign Affairs</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Apel <i>Federal Minister of Finance</i>
ITALY	Giulio Andreotti <i>President of the Council of Ministers</i> Arnaldo Forlani <i>Minister of Foreign Affairs</i> Gaetano Stammati <i>Minister of the Treasury</i>
JAPAN	Takeo Fukuda <i>Prime Minister</i> Iichiro Hatoyama <i>Minister of Foreign Affairs</i> Hideo Bo <i>Minister of Finance</i>
UNITED KINGDOM	James Callaghan <i>Prime Minister</i> David Owen <i>Secretary of State for Foreign and Commonwealth Affairs</i> Denis Healey <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Jimmy Carter <i>President</i> Cyrus Vance <i>Secretary of State</i> W. Michael Blumenthal <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Roy Jenkins <i>President of the Commission</i>

# Declaration

In two days of intensive discussion at Downing Street we have agreed on how we can best help to promote the well-being both of our countries and of others.

The world economy has to be seen as a whole; it involves not only co-operation among national governments, but also strengthening appropriate international organizations. We were reinforced in our awareness of the interrelationship of all the issues before us, as well as our own interdependence. We are determined to respond collectively to the challenges of the future.

Our most urgent task is to create more jobs while continuing to reduce inflation. Inflation does not reduce unemployment. On the contrary, it is one of its major causes. We are particularly concerned about the problem of unemployment among young people. We have agreed that there will be an exchange of experience and ideas on providing the young with job opportunities.

We commit our governments to stated economic growth targets or to stabilization policies which, taken as a whole, should provide a basis for sustained non-inflationary growth, in our own countries and worldwide and for reduction of imbalances in international payments.

Improved financing facilities are needed. The International Monetary Fund must play a prominent role. We commit ourselves to seek additional resources for the IMF and support the linkage of its lending practices to the adoption of appropriate stabilization policies.

We will provide strong political leadership to expand opportunities for trade to strengthen the open international trading system, which will increase job opportunities. We reject protectionism: it would foster unemployment, increase inflation and undermine the welfare of our peoples. We will give a new impetus to the Tokyo Round of Multilateral Trade Negotiations. Our objective is to make substantive progress in key areas in 1977. In this field structural changes in the world economy must be taken into consideration.

We will further conserve energy and increase and diversify energy production, so that we reduce our dependence on oil. We agree on the need to increase nuclear energy to help meet the world's energy requirements. We commit ourselves to do this while reducing the risks of nuclear proliferation. We are launching an urgent study to determine how best to fulfill these purposes.

The world economy can only grow on a sustained and equitable basis if developing countries share in that growth. We are agreed to do all in our power to achieve a successful conclusion of the CIEC and we commit ourselves to a continued constructive dialogue with developing countries. We aim to increase the flow of aid and other real resources to those countries. We invite the COMECON countries to do the same. We support multilateral institutions such as the World Bank, whose general resources should be increased sufficiently to permit its lending to rise in real terms. We stress the importance of secure private investments to foster world economic progress.

To carry out these tasks we need the assistance and co-operation of others. We will seek that co-operation in appropriate international institutions, such as the United Nations, the World Bank, the IMF, the GATT, and OECD. Those among us whose countries are members of the European Economic Community intend to make their efforts within its framework.

LONDON [DOWNING STREET], MAY 7/8, 1977

In our discussions we have reached substantial agreement. Our firm purpose is now to put that agreement into action. We shall review progress on all the measures we have discussed here at Downing Street in order to maintain the momentum of recovery.

The message of the Downing Street Summit is thus one of confidence:

- In the continuing strength of our societies and the proven democratic principles that give them vitality;

- That we are undertaking the measures needed to overcome problems and achieve a more prosperous future.



# Appendix

## WORLD ECONOMIC PROSPECTS

Since 1975 the world economic situation has been improving gradually. Serious problems, however, still persist in all of our countries. Our most urgent task is to create jobs while continuing to reduce inflation. Inflation is not a remedy to unemployment but one of its major causes. Progress in the fight against inflation has been uneven. The needs for adjustment between surplus and deficit countries remain large. The world has not yet fully adjusted to the depressive effects of the 1974 oil price rise.

We commit our governments to targets for growth and stabilization which vary from country to country but which, taken as a whole, should provide a basis for sustained non-inflationary growth worldwide.

Some of our countries have adopted reasonably expansionist growth targets for 1977. The governments of these countries will keep their policies under review, and commit themselves to adopt further policies if needed, to achieve their stated target rates and to contribute to the adjustment of payments imbalances. Others are pursuing stabilization policies designed to provide a basis for sustained growth without increasing inflationary expectations. The governments of these countries will continue to pursue those goals.

These two sets of policies are interrelated. Those of the first group of countries should help to create an environment conducive to expansion in the others without adding to inflation. Only if growth rates can be maintained in the first group and increased in the second, and inflation tackled successfully in both, can unemployment be reduced.

We are particularly concerned about the problem of unemployment among young people. Therefore we shall promote the training of young people in order to build a skilled and flexible labour force so that they can be ready to take advantage of the upturn in economic activity as it develops. All of our governments, individually or collectively, are taking appropriate measures to this end. We must learn as much as possible from each other and agree to exchange experiences and ideas.

Success in managing our domestic economies will not only strengthen world economic growth but also contribute to success in four other main economic fields to which we now turn – balance of payments financing, trade, energy, and North-South relations. Progress in these fields will in turn contribute to world economic recovery.

## BALANCE OF PAYMENTS FINANCING

For some years to come oil-importing nations, as a group, will be facing substantial payments deficits and importing capital from OPEC nations to finance them. The deficit for the current year could run as high as \$45 billion. Only through a reduction in our dependence on imported oil and a rise in the capacity of oil-producing nations to import can that deficit be reduced.

This deficit needs to be distributed among the oil-consuming nations in a pattern compatible with their ability to attract capital on a continuing basis. The need for adjustment to this pattern remains large, and it will take much international co-operation, and deter-

LONDON [DOWNING STREET], MAY 7/8, 1977

mined action by surplus as well as deficit countries, if continuing progress is to be made. Strategies of adjustment in the deficit countries must include emphasis on elimination of domestic sources of inflation and improvement in international cost-price relationships. It is important that industrial countries in relatively strong payments positions should ensure continued adequate expansion of domestic demand, within prudent limits. Moreover these countries, as well as other countries in strong payments positions, should promote increased flows of longterm capital exports.

The International Monetary Fund must play a prominent role in balance of payments financing and adjustment. We therefore strongly endorse the recent agreement of the Interim Committee of the IMF to seek additional resources for that organization and to link IMF lending to the adoption of appropriate stabilization policies. These added resources will strengthen the ability of the IMF to encourage and assist member countries in adopting policies which will limit payments deficits and warrant their financing through the private markets. These resources should be used with the conditionality and flexibility required to encourage an appropriate pace of adjustment.

This IMF proposal should facilitate the maintenance of reasonable levels of economic activity and reduce the danger of resorting to trade and payments restrictions. It demonstrates co-operation between oil-exporting nations, industrial nations in stronger financial positions, and the IMF. It will contribute materially to the health and progress of the world economy. In pursuit of this objective, we also reaffirm our intention to strive to increase monetary stability.

We agreed that the international monetary and financial system, in its new and agreed legal framework, should be strengthened by the early implementation of the increase in quotas. We will work towards an early agreement within the IMF on another increase in the quotas of that organization.

#### TRADE

We are committed to providing strong political leadership for the global effort to expand opportunities for trade and to strengthen the open international trading system. Achievement of these goals is central to world economic prosperity and the effective resolution of economic problems faced by both developed and developing countries throughout the world.

Policies of protectionism foster unemployment, increase inflation and undermine the welfare of our peoples. We are therefore agreed on the need to maintain our political commitment to an open and non-discriminatory world trading system. We will seek both nationally and through the appropriate international institutions to promote solutions that create new jobs and consumer benefits through expanded trade and to avoid approaches which restrict trade.

The Tokyo Round of Multilateral Trade Negotiations must be pursued vigorously. The continuing economic difficulties make it even more essential to achieve the objectives of the Tokyo Declaration and to negotiate a comprehensive set of agreements to the maximum benefit of all. Toward this end, we will seek this year to achieve substantive progress in such key areas as:

1. A tariff reduction plan of broadest possible application designed to achieve a substantial cut and harmonization and in certain cases the elimination of tariffs;
2. Codes, agreements and other measures that will facilitate a significant reduction of non-tariff barriers to trade and the avoidance of new barriers in the future and that will take into account the structural changes which have taken place in the world economy;

3. A mutually acceptable approach to agriculture that will achieve increased expansion and stabilization of trade, and greater assurance of world food supplies.

Such progress should not remove the right of individual countries under existing international agreements to avoid significant market disruption.

While seeking to conclude comprehensive and balanced agreements on the basis of reciprocity among all industrial countries we are determined, in accordance with the aims of the Tokyo Declaration, to ensure that the agreements provide special benefits to developing countries.

We welcome the action taken by governments to reduce counterproductive competition in officially-supported export credits and propose that substantial further efforts be made this year to improve and extend the present consensus in this area.

We consider that irregular practices and improper conduct should be eliminated from international trade, banking and commerce, and we welcome the work being done toward international agreements prohibiting illicit payments.

#### ENERGY

We welcome the measures taken by a number of governments to increase energy conservation, and most recently the programme announced by the President of the United States. The increase in demand for energy and oil imports continues at a rate which places excessive pressure on the world's depleting hydrocarbon resources. We agree therefore on the need to do everything possible to strengthen our efforts still further.

We are committed to national and joint efforts to limit energy demand and to increase and diversify supplies. There will need to be greater exchanges of technology and joint research and development aimed at more efficient energy use, improved recovery and use of coal and other conventional resources and the development of new energy sources.

Increasing reliance will have to be placed on nuclear energy to satisfy growing energy requirements and to help diversify sources of energy. This should be done with the utmost precaution with respect to the generation and dissemination of material that can be used for nuclear weapons. Our objective is to meet the world's energy needs and to make peaceful use of nuclear energy widely available, while avoiding the danger of the spread of nuclear weapons. We are also agreed that, in order to be effective, non-proliferation policies should as far as possible be acceptable to both industrialized and developing countries alike. To this end, we are undertaking a preliminary analysis to be completed within two months of the best means of advancing these objectives, including the study of terms of reference for international fuel cycle evaluation.

The oil-importing developing countries have special problems both in securing and in paying for the energy supplies needed to sustain their economic development programmes. They require additional help in expanding their domestic energy production and to this end we hope the World Bank, as its resources grow, will give special emphasis to projects that serve this purpose.

We intend to do our utmost to ensure, during this transitional period, that the energy market functions harmoniously, in particular through strict conservation measures and the development of all our energy resources. We hope very much that the oil-producing countries will take these efforts into account and will make their contribution as well.

We believe that these activities are essential to enable all countries to have continuing energy supplies now and for the future at reasonable prices consistent with sustained non-inflationary economic growth: and we intend through all useful channels to concert

LONDON [DOWNING STREET], MAY 7/8, 1977

our policies in continued consultation and co-operation with each other and with other countries.

#### NORTH/SOUTH RELATIONS

The world economy can only grow on a sustained and equitable basis if developing countries share in that growth. Progress has been made. The industrial countries have maintained an open market system despite a deep recession. They have increased aid flows, especially to poorer nations. Some \$8 billion will be available from the IDA for these nations over the next three years, as we join others in fulfilling pledges to its fifth replenishment. The IMF has made available to developing countries, under its compensatory financing facility, nearly an additional \$2 billion last year. An international fund for agricultural development has been created, based on common efforts by the developed OPEC and other developing nations.

The progress and the spirit of co-operation that have emerged can serve as an excellent base for further steps. The next step will be the successful conclusion of the Conference on International Economic Co-operation and we agreed to do all in our power to achieve this.

We shall work:

1. To increase the flow of aid and other real resources from the industrial to developing countries, particularly to the 800 million people who now live in absolute poverty; and to improve the effectiveness of aid;
2. To facilitate developing countries' access to sources of international finance;
3. To support such multilateral lending institutions as the World Bank, whose lending capacity we believe will have to be increased in the years ahead to permit its lending to increase in real terms and widen in scope;
4. To promote the secure investment needed to foster world economic development;
5. To secure productive results from negotiations about the stabilization of commodity prices and the creation of a common fund for individual buffer stock agreements and to consider problems of the stabilization of export earnings of developing countries; and...
6. To continue to improve access in a non-disruptive way to the markets of industrial countries for the products of developing nations.

It is desirable that these actions by developed and developing countries be assessed and concerted in relation to each other and to the larger goals that our countries share. We hope that the World Bank, together with the IMF, will consult with other developed and developing countries in exploring how this could best be done.

The well-being of the developed and developing nations are bound up together. The developing countries' growing prosperity benefits industrial countries, as the latter's growth benefits developing nations. Both developed and developing nations have a mutual interest in maintaining a climate conducive to stable growth worldwide.

BONN

JULY 16/17, 1978

## LIST OF PARTICIPANTS

BONN, JULY 16/17, 1978

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Donald Jamieson <i>Secretary of State for External Affairs</i> Jean Chrétien <i>Minister of Finance</i>
FRANCE	Valéry Giscard d'Estaing <i>President</i> Louis De Guiringaud <i>Minister of Foreign Affairs</i> René Monory <i>Minister of the Economy and Finance</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Matthöfer <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Giulio Andreotti <i>President of the Council of Ministers</i> Arnaldo Forlani <i>Minister of Foreign Affairs</i> Filippo Maria Pandolfi <i>Minister of the Treasury</i>
JAPAN	Takeo Fukuda <i>Prime Minister</i> Sunao Sonoda <i>Minister of Foreign Affairs</i> Tatsuo Murayama <i>Minister of Finance</i>
UNITED KINGDOM	James Callaghan <i>Prime Minister</i> David Owen <i>Secretary of State for Foreign and Commonwealth Affairs</i> Denis Healey <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Jimmy Carter <i>President</i> Cyrus Vance <i>Secretary of State</i> W. Michael Blumenthal <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Roy Jenkins <i>President of the Commission</i>

# Declaration

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America met in Bonn on 16th and 17th July 1978. The European Community was represented by the President of the European Council and by the President of the European Commission for discussion of matters within the Community's competence.

1. We agreed on a comprehensive strategy covering growth, employment and inflation, international monetary policy, energy, trade and other issues of particular interest to developing countries. We must create more jobs and fight inflation, strengthen international trading, reduce payments imbalances, and achieve greater stability in exchange markets. We are dealing with long-term problems, which will only yield to sustained efforts. This strategy is a coherent whole, whose parts are interdependent. To this strategy, each of our countries can contribute. From it, each can benefit.

## GROWTH, EMPLOYMENT AND INFLATION

2. We are concerned, above all, about worldwide unemployment, because it has been at too high a level for many years, because it hits hardest at the most vulnerable sections of the population, because its economic cost is high and its human cost higher still. We will act, through measures to assure growth and develop needed skills, to increase employment. In doing this, we will build on the progress that has already been made in the fight against inflation and will seek new successes in that fight. But we need an improvement in growth where that can be achieved without rekindling inflation in order to reduce extremes of balance-of-payments surpluses and deficits. This will reduce destabilizing exchange-rate movements.

Improved growth will help to reduce protectionist pressures. We need it also to encourage the flow of private investment, on which economic progress depends. We will seek to reduce impediments to private investment, both domestically and internationally. Better growth is needed to insure that the free world is able to develop to meet the expectations of the citizens and the aspirations of the developing countries.

3. A program of different actions by countries that face different conditions is needed to assure steady non-inflationary growth. In countries whose balance-of-payments situation and inflation rate do not impose special restrictions, this requires a faster rise in domestic demand. In countries where rising prices and costs are creating strong pressures, this means taking new measures against inflation.

Canada reaffirmed its intention, within the limits permitted by the need to contain and reduce inflation, to achieve higher growth of employment and an increase in output of up to 5 percent.

As a contribution to avert the worldwide disturbances of economic equilibrium, the German delegation has indicated that by the end of August, it will propose to the legislative bodies additional and quantitatively substantial measures up to 1 percent of Gross National Product, designed to achieve a significant strengthening of demand and a higher rate of growth. The order of magnitude will take account of the absorptive capacity of the capital market and the need to avoid inflationary pressures.

BONN, JULY 16/17, 1978

The President of the French Republic has indicated that, while pursuing its policy of reduction of the rate of inflation, the French Government agrees, as a contribution to the common effort, to increase by an amount of about 0.5 percent of GNP the deficit of the budget of the State for the year 1978.

The Italian Prime Minister has indicated that the Government undertakes to raise the rate of economic growth in 1979 by 1.5 percentage points with respect to 1978. It plans to achieve this goal by cutting public current expenditure while stimulating investment with the aim of increasing employment in a non-inflationary context.

The Prime Minister of Japan has referred to the fact that his Government is striving for the attainment of the real growth target for fiscal year 1978, which is about 1.5 percentage points higher than the performance of the previous year, mainly through the expansion of domestic demand. He has further expressed his determination to achieve the said target by taking appropriate measures as necessary. In August or September he will determine whether additional measures are needed.

The United Kingdom, having achieved a major reduction in the rate of inflation and improvement in the balance of payments, has recently given a fiscal stimulus equivalent to just over 1 percent of GNP. The Government intends to continue the fight against inflation so as to improve still further the prospects for growth and employment.

The President of the United States stated that reducing inflation is essential to maintaining a healthy United States economic policy. He identified the major actions that have been taken and are being taken to counter inflation in the United States: tax cuts originally proposed for fiscal year 1979 have now been reduced by \$10 billion. Government expenditure projections for 1978 and 1979 have been reduced. A very tight budget is being prepared for 1980. Steps are being taken to reduce the direct contribution by Government regulations or restrictions to rising costs and prices, and a voluntary program has been undertaken to achieve deceleration of wages and prices.

The meeting took note with satisfaction that the common approach of the European Community already agreed at Bremen would reinforce the effectiveness of this program.

#### ENERGY

4. In spite of some improvement, the present energy situation remains unsatisfactory. Much more needs to be done.

5. We are committed to reduce our dependence on imported oil.

6. We note that the European Community has already agreed at Bremen the following objectives for 1985: to reduce the Community's dependence on imported energy to 50 percent, to limit net oil imports, and to reduce to 0.8 the ratio between the rate of increase in energy consumption and the rate of increase in gross domestic product.

7. Recognizing its particular responsibility in the energy field, the United States will reduce its dependence on imported oil. The United States will have in place by the end of the year a comprehensive policy framework within which this effort can be urgently carried forward. By year end, measures will be in effect that will result in oil import savings of approximately 2.5 million barrels per day by 1985. In order to achieve these goals, the United States will establish a strategic oil reserve of 1 billion barrels. It will increase coal production by two-thirds, it will maintain the ratio between growth in gross national product and growth in energy demand at or below 0.8 and its oil consumption will grow more slowly than energy consumption. The volume of oil imported in 1978 and 1979 should be less than that imported in 1977. In order to discourage excessive consumption of oil and to encourage the movement toward coal, the United States remains determined that the



prices paid for oil in the United States shall be raised to the world level by the end of 1980.

8. We hope that the oil-exporting countries will continue to contribute to a stable world energy situation.

9. Looking to the longer term, our countries will review their national energy programs with a view to speeding them up. General energy targets can serve as useful measures of the progress achieved.

10. Private and public investment to produce energy and to use it more efficiently within the industrial world should be increased. This can contribute significantly to economic growth.

11. The further development of nuclear energy is indispensable, and the slippage in the execution of nuclear power programs must be reversed. To promote the peaceful use of nuclear energy and reduce the risk of nuclear proliferation, the nuclear-fuel cycle studies initiated at the London Summit should be pursued. The President of the United States and the Prime Minister of Canada have expressed their firm intention to continue as reliable suppliers of nuclear fuel within the framework of effective safeguards. The President intends to use the full powers of his office to prevent any interruption of enriched uranium supply and to ensure that existing agreements will be respected. The Prime Minister intends that there shall be no interruption of Canadian uranium supply on the basis of effective safeguards.

12. Coal should play an increasingly important role in the long term.

13. Joint or coordinated energy research and development should be carried out to hasten the development of new, including renewable, energy sources and the more efficient use of existing sources.

14. In energy development, the environment and human safety of the population must be safeguarded with greatest care.

15. To help developing countries, we will intensify our national development assistance programs in the energy field and we will develop a coordinated effort to bring into use renewable energy technologies and to elaborate the details within one year. We suggest that the OECD will provide the medium for cooperation with other countries.

16. We stress the need for improvement and coordination of assistance for developing countries in the energy field. We suggest that the World Bank explore ways in which its activities in this field can be made increasingly responsive to the needs of the developing countries, and to examine whether new approaches, particularly to financing hydrocarbon exploration, would be useful.

#### TRADE

17. We reaffirm our determination to expand international trade, one of the driving forces for more sustained and balanced economic growth. Through our joint efforts we will maintain and strengthen the open international trading system. We appreciate and support the progress as set forth in the framework of understanding on the Tokyo Round of Multilateral Trade Negotiations made public in Geneva on July 13, 1978, even though within this framework of understanding some difficult and important issues remain unresolved.

The successful conclusion of these negotiations, the biggest yet held, would mean not just a major trade-liberalization program extending over the 1980s, but the most important progress yet made in the GATT in relation to non-tariff measures. Thus the GATT rules would be brought more closely into line with the requirements of the next decade – particularly in relation to safeguards – in ways which would avoid any weakening of the world

BONN, JULY 16/17, 1978

trading system and be of benefit to all trading countries, developed and developing alike. A substantially higher degree of equity and discipline in the international trading system would be achieved by the creation of new mechanisms in many fields for consultation and dispute settlement. Uniform application of the GATT rules is vital and we shall move in that direction as soon as possible.

In all areas of the negotiations, the summit countries look forward to working even more closely with the developing countries. We seek to ensure for all participants a sound and balanced result, which adequately takes into account the needs of developing countries, for example, through special and differential treatment, and which brings about their greater participation in the benefits and obligations of the world trading system.

At last year's Downing Street summit we rejected a protectionist course for world trade. We agreed to give a new impetus to the Tokyo Round. Our negotiators have fulfilled that commitment. Today we charge them, in cooperation with the other participants, to resolve the outstanding issues and to conclude successfully the detailed negotiations by December 15, 1978.

18. We note with satisfaction the renewal of the pledge to maintain an open-market oriented economic system made by the OECD Council of Ministers last month. Today's world economic problems cannot be solved by relapsing into open or concealed protectionism.

19. We welcome the statement on positive adjustment policy made by the OECD Ministers. There must be a readiness over time to accept and facilitate structural change. Measures to prevent such change perpetuate economic inefficiency, place the burden of structural change on trading partners and inhibit the integration of developing countries into the world economy. We are determined in our industrial, social, structural and regional policy initiatives to help sectors in difficulty, without interfering with international competition and trade flows.

20. We note the need for countries with large current account deficits to increase exports and for countries with large current account surpluses to facilitate increases in imports. In this context the United States is firmly committed to improve its export performance and is examining measures to this end. The Prime Minister of Japan has stated that he wishes to work for the increase of imports through the expansion of domestic demand and various efforts to facilitate imports. Furthermore, he has stated that in order to cope with the immediate situation of unusual surplus, the Government of Japan is taking the temporary and extraordinary step of calling for moderation in exports with the aim of keeping the total volume of Japan's exports for the fiscal year of 1978 at or below the level of fiscal 1977.

21. We underline our willingness to increase our cooperation in the field of foreign private investment flows among industrialized countries and between them and developing countries. We will intensify work for further agreements in the OECD and elsewhere.

22. In the context of expanding world economic activity, we recognize the requirement for better access to our countries' markets for the products of the developing countries. At the same time we look to increasing readiness on the part of the more advanced developing countries to open their markets to imports.

#### RELATIONS WITH DEVELOPING COUNTRIES

23. Success in our efforts to strengthen our countries' economies will benefit the developing countries, and their economic progress will benefit us. This calls for joint action on the basis of shared responsibility.

24. In the years ahead the developing countries, particularly those most in need, can count on us for an increased flow of financial assistance and other resources for their development. The Prime Minister of Japan has stated that he will strive to double Japan's official development assistance in three years. We deeply regret the failure of the COMECON countries to take their due share in the financial assistance to developing countries and invite them once more to do so.

25. The poorer developing countries require increased concessional aid. We support the soft loan funds of the World Bank and the three regional development banks. We pledge our governments to support replenishment of the International Development Association on a scale that would permit its lending to rise annually in real terms.

26. As regards the more advanced developing countries, we renew our pledge to support replenishment of the multilateral development banks' resources, on the scale needed to meet the growing needs for loans on commercial terms. We will encourage governmental and private co-financing of development projects with these banks.

The cooperation of the developing countries in creating a good investment climate and adequate protection for foreign investment is required if foreign private investment is to play its effective role in generating economic growth and in stimulating the transfer of technology.

We also refer to our efforts with respect to developing countries in the field of energy as outlined in paragraphs 15 and 16.

27. We agreed to pursue actively the negotiations on a Common Fund to a successful conclusion and to continue our efforts to conclude individual commodity agreements and to complete studies of various ways of stabilizing export earnings.

#### INTERNATIONAL MONETARY POLICY

28. The erratic fluctuations of the exchange markets in recent months have had a damaging effect on confidence, investment and growth throughout the world. Essentially, exchange rate stability can only be achieved by attacking the fundamental problems which have contributed to the present large balance-of-payments deficits and surpluses. Implementation of the policies described above in the framework of a concerted program will help to bring about a better pattern of world payments balances and lead to greater stability in international exchange markets. This stability will in turn improve confidence and the environment for sustained economic growth.

29. Although exchange rates need to respond to changes in underlying economic and financial conditions among nations, our monetary authorities will continue to intervene to the extent necessary to counter disorderly conditions in the exchange markets. They will maintain extensive consultation to enhance these efforts' effectiveness. We will support surveillance by the International Monetary Fund to promote effective functioning of the international monetary system.

30. The representatives of the European Community informed the meeting of the decision of the European Council at Bremen on 6-7 July to consider a scheme for closer monetary cooperation. The meeting welcomed the report and noted that the Community would keep the other participants informed.

#### CONCLUSION

31. It has been our combined purpose to attack the fundamental economic problems that our countries confront.

BONN, JULY 16/17, 1978

The measures on which we have agreed are mutually reinforcing. Their total effect should thus be more than the sum of their parts. We will now seek parliamentary and public support for these measures.

We cannot hope to achieve our purposes alone. We shall work closely together with other countries and within the appropriate international institutions; those among us whose countries are members of the European Community intend to make their efforts within this framework.

We have instructed our representatives to convene by the end of 1978 in order to review this declaration. We also intend to have a similar meeting among ourselves at an appropriate time next year.

## Statement on Air-Hijacking

The Heads of State and Government, concerned about terrorism and the taking of hostages, declare that their Governments will intensify their joint efforts to combat international terrorism. To this end, in cases where a country refuses extradition or prosecution of those who have hijacked an aircraft and/or do not return such aircraft, the Heads of State and Government are jointly to cease all flights to that country. At the same time, their Governments will initiate action to halt all incoming flights from that country or from any country by the airlines of the country concerned.

They urge other Governments to join them in this commitment.

# TOKYO

JUNE 28/29, 1979

## LIST OF PARTICIPANTS

TOKYO, JUNE 28/29, 1979

CANADA	Joe Clark <i>Prime Minister</i> Flora MacDonald <i>Secretary of State for External Affairs</i> John Crosbie <i>Minister of Finance</i>
FRANCE	Valéry Giscard d'Estaing <i>President</i> Jean François-Poncet <i>Minister of Foreign Affairs</i> René Monory <i>Minister of the Economy and Finance</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Matthöfer <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Giulio Andreotti <i>President of the Council of Ministers</i> Arnaldo Forlani <i>Minister of Foreign Affairs</i> Filippo Maria Pandolfi <i>Minister of Finance</i>
JAPAN	Masayoshi Ohira <i>Prime Minister</i> Sunao Sonoda <i>Minister of Foreign Affairs</i> Ippei Kaneko <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Peter Carrington <i>Secretary of State for Foreign and Commonwealth Affairs</i> Geoffrey Howe <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Jimmy Carter <i>President</i> Cyrus Vance <i>Secretary of State</i> W. Michael Blumenthal <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Roy Jenkins <i>President of the Commission</i>

# Declaration

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America met in Tokyo on the 28th and 29th of June, 1979. The European Community was represented by the President of the European Council and by the President of the European Commission for discussion of matters within the Community's competence.

1. The agreements reached at the Bonn Summit helped to improve the world economy. There was higher growth in some countries, a reduction of payments imbalances, and greater currency stability.

2. But new challenges have arisen. Inflation, which was subsiding in most countries, is now regaining its momentum. Higher oil prices and oil shortage have reduced the room for manoeuvre in economic policy in all our countries. They will make inflation worse and curtail growth, in both the industrial and developing countries. The non-oil developing countries are among the biggest sufferers.

We are agreed on a common strategy to attack these problems. The most urgent tasks are to reduce oil consumption and to hasten the development of other energy sources.

Our countries have already taken significant actions to reduce oil consumption. We will intensify these efforts.

The European Community has decided to restrict 1979 oil consumption to 500 million tons (10 million barrels a day) and to maintain Community oil imports between 1980 and 1985 at an annual level not higher than in 1978. The Community is monitoring this commitment and France, Germany, Italy and the United Kingdom have agreed to recommend to their Community partners that each member country's contribution to these annual levels be specified. Canada, Japan, and the US will each achieve the adjusted import levels to which they are pledged in the IEA for 1979, will maintain their imports in 1980 at a level not higher than these 1979 levels, and will be monitoring this.

The seven countries express their will to take as goals for a ceiling on oil imports in 1985, the following figures:

- For France, Germany, Italy<sup>[1]</sup>, and the United Kingdom: the 1978 figure.
- Canada, whose oil production will be declining dramatically over the period between now and 1985, will reduce its annual average rate of growth of oil consumption to 1%, with the consequent reduction of oil imports by 50,000 barrels per day by 1985. Canada's targets for imports will therefore be 0.6 million barrels per day.
- Japan adopts as a 1985 target a level not to exceed the range between 6.3 and 6.9 million barrels a day. Japan will review this target periodically and make it more precise in the light of current developments and growth projections, and do their utmost to reduce oil imports through conservation, rationalization of use and intensive development of alternative energy sources in order to move toward lower figures.
- The United States adopts as a goal for 1985 import levels not to exceed the levels either of 1977 or the adjusted target for 1979, i.e. 8.5 million barrels per day.

<sup>[1]</sup> Italy's commitment with reference to the 1978 level is accepted in the context of the overall commitment of the European Community.

TOKYO, JUNE 28/29, 1979

These 1985 goals will serve as reference to monitor both energy conservation and the development of alternative energy resources.

A high level group of representatives of our countries and the EEC Commission, within the OECD, will review periodically the results achieved. Slight adjustments will be allowed to take account of special needs generated by growth.

In fulfilling these commitments, our guiding principle will be to obtain fair supplies of oil products for all quantities, taking into account the differing patterns of supply, the efforts made to limit oil imports, the economic situation of each country, the quantities of oil available, and the potential of each country for energy conservation.

We urge other industrialized countries to set similar objectives for themselves.

We agree to take steps to bring into the open the working of oil markets by setting up a register of international oil transactions. We will urge oil companies and oil-exporting countries to moderate spot market transactions. We will consider the feasibility of requiring that at the time of unloading crude oil cargoes, documents be presented indicating the purchase price as certified by the producer country. We will likewise seek to achieve better information on the profit situation of oil companies and on the use of the funds available to these companies.

We agree on the importance of keeping domestic oil prices at world market prices or raising them to this level as soon as possible. We will seek to minimize and finally eliminate administrative action that might put upward pressure on oil prices that result from domestic underpricing of oil and to avoid new subsidies which would have the same effect.

Our countries will not buy oil for governmental stockpiles when this would place undue pressure on prices; we will consult about the decisions that we make to this end.

3. We pledge our countries to increase as far as possible coal use, production, and trade, without damage to the environment. We will endeavor to substitute coal for oil in the industrial and electrical sectors, encourage the improvement of coal transport, maintain positive attitudes toward investment for coal projects, pledge not to interrupt coal trade under long-term contracts unless required to do so by a national emergency, and maintain, by measures which do not obstruct coal imports, those levels of domestic coal production which are desirable for reasons of energy, regional and social policy.

We need to expand alternative sources of energy, especially those which will help to prevent further pollution, particularly increases of carbon dioxide and sulphur oxides in the atmosphere.

Without the expansion of nuclear power generating capacity in the coming decades, economic growth and higher employment will be hard to achieve. This must be done under conditions guaranteeing our peoples' safety. We will cooperate to this end. The International Atomic Energy Agency can play a key role in this regard.

We reaffirm the understanding reached at the Bonn Summit with respect to the reliable supply of nuclear fuel and minimizing the risk of nuclear proliferation.

New technologies in the field of energy are the key to the world's longer-term freedom from fuel crises. Large public and private resources will be required for the development and commercial application of those technologies. We will ensure that these resources are made available. An International Energy Technology Group linked to the OECD, IEA and other appropriate international organizations will be created to review the actions being taken or planned domestically by each of our countries, and to report on the need and potential for international collaboration, including financing.

We deplore the decisions taken by the recent OPEC Conference. We recognize that relative moderation was displayed by certain of the participants. But the unwarranted rises in oil prices nevertheless agreed are bound to have very serious economic and social consequences. They mean more world-wide inflation and less growth. That will lead to more



unemployment, more balance of payments difficulty and will endanger stability in developing and developed countries of the world alike. We remain ready to examine with oil exporting countries how to define supply and demand prospects on the world oil market.

4. We agree that we should continue with the policies for our economies agreed at Bonn, adjusted to reflect current circumstances.

Energy shortages and high oil prices have caused a real transfer of incomes. We will try, by our domestic economic policies, to minimize the damage to our economies. But our options are limited. Attempts to compensate for the damage by matching income increases would simply add to inflation.

5. We agree that we must do more to improve the long-term productive efficiency and flexibility of our economies. The measures needed may include more stimulus for investment and for research and development; steps to make it easier for capital and labor to move from declining to new industries; regulatory policies which avoid unnecessary impediments to investment and productivity; reduced growth in some public sector current expenditures; and removal of impediments to the international flow of trade and capital.

6. The agreements reached in the Tokyo Round are an important achievement. We are committed to their early and faithful implementation. We renew our determination to fight protectionism. We want to strengthen the GATT, both to monitor the agreements reached in the MTNs and as an instrument for future policy in maintaining the open world trading system. We will welcome the full participation of as many countries as possible in these agreements and in the system as a whole.

7. We will intensify our efforts to pursue the economic policies appropriate in each of our countries to achieve durable external equilibrium. Stability in the foreign exchange market is essential for the sound development of world trade and the global economy. This has been furthered since the Bonn Summit by two important developments – the November 1st, 1978 program of the United States in conjunction with other monetary authorities, and the successful emergence of the European Monetary System. We will continue close cooperation in exchange market policies and in support of the effective discharge by the IMF of its responsibilities, particularly its surveillance role and its role in strengthening further the international monetary system.

8. Constructive North-South relations are essential to the health of the world economy. We for our part have consistently worked to bring developing countries more fully into the open world trading system and to adjust our economies to changing international circumstances. The problems we face are global. They can only be resolved through shared responsibility and partnership. But this partnership cannot depend solely on the efforts of the industrialized countries. The OPEC countries have just as important a role to play. The latest decision substantially to increase oil prices will also severely increase the problems facing developing countries without oil resources, as well as the difficulties for developed countries in helping them. The decision could even have a crippling effect on some of the developing countries. In this situation we recognize, in particular, the need for the flow of financial resources to the developing countries to increase, including private and public, bilateral and multilateral, resources. A good investment climate in developing countries will help the flow of foreign investment.

We are deeply concerned about the millions of people still living in conditions of absolute poverty. We will take particular account of the poorest countries in our aid programs.

Once more we urge COMECON countries to play their part.

We will place more emphasis on cooperation with developing countries in overcoming hunger and malnutrition. We will urge multilateral organizations to help these countries to develop effective food sector strategies and to build up the storage capacity needed for strong national food reserves. Increased bilateral and multilateral aid for agricultural

TOKYO, JUNE 28/29, 1979

research will be particularly important. In these and other ways we will step up our efforts to help these countries develop their human resources, through technical cooperation adapted to local conditions.

We will also place special emphasis on helping developing countries to exploit their energy potential. We strongly support the World Bank's program for hydrocarbon exploitation and urge its expansion. We will do more to help developing countries increase the use of renewable energy; we welcome the World Bank's coordination of these efforts.

## Special Statement of the Summit on Indochinese Refugees

The plight of refugees from Vietnam, Laos and Cambodia poses a humanitarian problem of historic proportions and constitutes a threat to the peace and stability of Southeast Asia. Given the tragedy and suffering which are taking place, the problem calls for an immediate and major response.

The Heads of State and Government call on Vietnam and other countries of Indochina to take urgent and effective measures so that the present human hardship and suffering are eliminated. They confirm the great importance they attach to the immediate cessation of the disorderly outflow of refugees without prejudice to the principles of free emigration and family reunification.

The Governments represented will, as part of an international effort, significantly increase their contributions to Indochinese refugee relief and resettlement – by making more funds available and by admitting more people, while taking into account the existing social and economic circumstances in each of their countries.

The Heads of State and Government request the Secretary-General of the United Nations to convene a conference as soon as possible with a view to attaining concrete and positive results. They extend full support to this objective and are ready to participate constructively in such a conference.

The Heads of State and Government call on all nations to join in addressing this pressing problem.

## Statement on Bonn Declaration

The Heads of State and Government expressed their pleasure with the broad support expressed by other States for the Declaration on Hijacking made at the Bonn Summit in July, 1978. They noted that procedures for the prompt implementation of the Declaration have been agreed upon and that to date enforcement measures under the Declaration have not been necessary. They also noted with satisfaction the widespread adherence to the conventions dealing with unlawful interference with international civil aviation. The extensive support for these conventions and the Bonn Declaration on Hijacking reflects the acceptance by the international community as a whole of the principles expressed therein.

# VENICE

JUNE 22/23, 1980

## LIST OF PARTICIPANTS

VENICE, JUNE 22/23, 1980

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Mark MacGuigan <i>Secretary of State for External Affairs</i> Allan J. MacEachen <i>Minister of Finance</i>
FRANCE	Valéry Giscard d'Estaing <i>President</i> Jean François-Poncet <i>Minister of Foreign Affairs</i> René Monory <i>Minister of the Economy and Finance</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Matthöfer <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Francesco Cossiga <i>President of the Council of Ministers</i> Emilio Colombo <i>Minister of Foreign Affairs</i> Filippo Maria Pandolfi <i>Minister of Treasury</i>
JAPAN	Saburo Okita <i>Minister of Foreign Affairs</i> Noboru Takeshita <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Peter Carrington <i>Secretary of State for Foreign and Commonwealth Affairs</i> Geoffrey Howe <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Jimmy Carter <i>President</i> Edmund Muskie <i>Secretary of State</i> William Miller <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Roy Jenkins <i>President of the Commission</i>

# Declaration

## INTRODUCTION

1. In this, our first meeting of the 1980s, the economic issues that have dominated our thoughts are the price and supply of energy and the implications for inflation and the level of economic activity in our own countries and for the world as a whole. Unless we can deal with the problems of energy, we cannot cope with other problems.

2. Successive large increases in the price of oil, bearing no relation to market conditions and culminating in the recent decisions by some members of the Organization of Petroleum Exporting Countries (OPEC) at Algiers, have produced the reality of even higher inflation and the imminent threat of severe recession and unemployment in the industrialised countries. At the same time they have undermined and in some cases virtually destroyed the prospects for growth in the developing countries. We believe that these consequences are increasingly coming to be appreciated by some of the oil-exporting countries. The fact is that the industrialised countries of the free world, the oil-producing countries, and the non-oil developing countries depend upon each other for the realisation of their potential for economic development and prosperity. Each can overcome the obstacles to that development, but only if all work together, and with the interests of all in mind.

3. In this spirit we have discussed the main problems that confront us in the coming decade. We are confident in the ability of our democratic societies, based on individual freedom and social solidarity, to meet these challenges. There are no quick or easy solutions; sustained efforts are needed to achieve a better future.

## INFLATION

4. The reduction of inflation is our immediate top priority and will benefit all nations. Inflation retards growth and harms all sectors of our societies. Determined fiscal and monetary restraint is required to break inflationary expectations. Continuing dialogue among the social partners is also needed for this purpose. We must retain effective international coordination to carry out this policy of restraint, and also to guard against the threat of growing unemployment and worldwide recession.

5. We are also committed to encouraging investment and innovation, so as to increase productivity, to fostering the movement of resources from declining into expanding sectors so as to provide new job opportunities, and to promoting the most effective use of resources within and among countries. This will require shifting resources from government spending to the private sector and from consumption to investment, and avoiding or carefully limiting actions that shelter particular industries or sectors from the rigors of adjustment. Measures of this kind may be economically and politically difficult in the short term, but they are essential to sustained non-inflationary growth and to increasing employment which is our major goal.

6. In shaping economic policy, we need a better understanding of the long-term effects of global population growth, industrial expansion and economic development generally. A

VENICE, JUNE 22/23, 1980

study of trends in these areas is in hand, and our representatives will keep these matters under review.

#### ENERGY

7. We must break the existing link between economic growth and consumption of oil, and we mean to do so in this decade. This strategy requires conserving oil and substantially increasing production and use of alternative energy sources. To this end, maximum reliance should be placed on the price mechanism, and domestic prices for oil should, take into account representative world prices. Market forces should be supplemented, where appropriate, by effective fiscal incentives and administrative measures. Energy investment will contribute substantially to economic growth and employment.

8. We welcome the recent decisions of the European Community (EC), the International Energy Agency (IEA) and the Organization for Economic Cooperation and Development (OECD) regarding the need for long-term structural changes to reduce oil consumption, continuing procedures to monitor progress, the possible use of oil ceilings to deal with tight market conditions, and coordination of stock policies to mitigate the effect of market disruption. We note that the member countries of the IEA have agreed that their energy policies should result in their collective 1985 net oil imports being substantially less than their existing 1985 group objective, and that they will quantify the reduction as part of their continuing monitoring efforts. The potential for reduction has been estimated by the IEA Secretariat, given existing uncertainties, at around 4 million barrels a day (MBD).

9. To conserve oil in our countries:

- We are agreed that no new base-load, oil-fired generating capacity should be constructed, save in exceptional circumstances, and that the conversion of oil-fired capacity to other fuels should be accelerated.

- We will increase efforts, including fiscal incentives where necessary, to accelerate the substitution of oil in industry.

- We will encourage oil saving investments in residential and commercial buildings, where necessary by financial incentives and by establishing insulation standards. We look to the public sector to set an example.

- In transportation, our objective is the introduction of increasingly fuel efficient vehicles. The demand of consumers and competition among manufacturers are already leading in this direction. We will accelerate this progress, where appropriate, by arrangements or standards for improved automobile fuel efficiency, by gasoline pricing and taxation decision, by research and development, and by making public transport more attractive.

10. We must rely on fuels other than oil to meet the energy needs of future economic growth. This will require early, resolute, and wide-ranging actions. Our potential to increase the supply and use of energy sources other than oil over the next ten years is estimated at the equivalent of 15-20 MBD of oil. We intend to make a coordinated and vigorous effort to realise this potential. To this end, we will seek a large increase in the use of coal and enhanced use of nuclear power in the medium-term, and a substantial increase in production of synthetic fuels, in solar energy and other sources of renewable energy over the longer term.

11. We shall encourage the exploration and development of our indigenous hydrocarbon resources in order to secure maximum production on a long term basis.

12. Together we intend to double coal production and use by early 1990. We will encourage long term commitments by coal producers and consumers. It will be necessary to improve infrastructures in both exporting and importing countries, as far as is economic-

ally justified, to ensure the required supply and use of coal. We look forward to the recommendations of the International Coal Industry Advisory Board. They will be considered promptly. We are conscious of the environmental risks associated with increased coal production and combustion. We will do everything in our power to ensure that increased use of fossil fuels, especially coal, does not damage the environment.

13. We underline the vital contribution of nuclear power to a more secure energy supply. The role of nuclear energy has to be increased if world energy needs are to be met. We shall therefore have to expand our nuclear generating capacity. We will continue to give the highest priority to ensuring the health and safety of the public and to perfecting methods for dealing with spent fuels and disposal of nuclear waste. We reaffirm the importance of ensuring the reliable supply of nuclear fuel and minimising the risk of nuclear proliferation.

14. The studies made by the International Nuclear Fuel Cycle Evaluation Group, launched at the London Summit in 1977, are a significant contribution to the use of nuclear energy. We welcome their findings with respect to: increasing predictable supplies; the most effective utilization of uranium sources, including the development of advanced technologies; and the minimization of proliferation risks, including support of International Atomic Energy Agency (IAEA) safeguards. We urge all countries to take these findings into account when developing policies and programmes for the peaceful use of nuclear energy.

15. We will actively support the recommendations of the International Energy Technology Group, proposed at the Tokyo Summit last year, for bringing new energy technologies into commercial use at the earliest feasible time. As far as national programmes are concerned, we will by mid-1981 adopt a two-phased approach; first, listing the numbers and types of commercial scale plants to be constructed in each of our countries by the mid-1980s, and, second, indicating quantitative projections for expanding production by 1990, 1995 and 2000, as a basis for future actions. As far as international programmes are concerned, we will join others in creating an international team to promote collaboration among interested nations on specific projects.

16. A high level group of representatives of our countries and of the EEC Commission will review periodically the results achieved in these fields.

17. Our comprehensive energy strategy is designed to meet the requirements of the coming decade. We are convinced that it can reduce the demand for energy, particularly oil, without hampering economic growth. By carrying out this strategy we expect that, over the coming decade, the ratio between increases in collective energy consumption and economic growth of our countries will be reduced to about 0.6, that the share of oil in our total energy demand will be reduced from 53 per cent now to about 40 per cent by 1990, and that our collective consumption of oil in 1990 will be significantly below present levels so as to permit a balance between supply and demand at tolerable prices.

18. We continue to believe that international cooperation in energy is essential. All countries have a vital interest in a stable equilibrium between energy supply and demand. We would welcome a constructive dialogue on energy and related issues between energy producers and consumers in order to improve the coherence of their policies.

#### RELATIONS WITH DEVELOPING COUNTRIES

19. We are deeply concerned about the impact of the oil price increases on the developing countries that have to import oil. The increase in oil prices in the last two years has more than doubled the oil bill of these countries, which now amounts to over \$ 50 billion.

VENICE, JUNE 22/23, 1980

This will drive them into ever increasing indebtedness, and put at risk the whole basis of their economic growth and social progress, unless something can be done to help them.

20. We approach in a positive spirit the prospect of global negotiations in the framework of the United Nations and the formulation of a new International Development Strategy. In particular, our object is to cooperate with the developing countries in energy conservation and development, expansion of exports, enhancement of human skills, and the tackling of underlying food and population problems.

21. A major international effort to help these countries increase their energy production is required. We believe that this view is gaining ground among oil-exporting countries. We ask the World Bank to examine the adequacy of the resources and the mechanisms now in place for the exploration, development and production of conventional and renewable energy sources in oil-importing developing countries, to consider means, including the possibility of establishing a new affiliate or facility by which it might improve and increase its lending programmes for energy assistance, and to explore its findings with both oil-exporting and industrial countries.

22. We are deeply conscious that extreme poverty and chronic malnutrition afflict hundreds of millions of people of developing countries. The first requirement in these countries is to improve their ability to feed themselves and reduce their dependence on food imports. We are ready to join with them and the international agencies concerned in their comprehensive long term strategies to increase food production, and to help improve national as well as international research services. We will support and, where appropriate, supplement initiatives of the World Bank and of the Food and Agricultural Organization (FAO) and to improve grain storage and food handling facilities. We underline the importance of wider membership of the new Food Aid Convention so as to secure at least 10 million tons of food aid annually and of an equitable replenishment of the International Fund for Agricultural Development.

23. High priority should be given to efforts to cope with population growth and to existing United Nations and other programmes for supporting these efforts.

24. We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would welcome an increase in the rate of lending of these institutions, within the limits of their present replenishments, as needed to fulfill the programmes described above. It is essential that all members, especially the major donors, provide their full contributions on the agreed schedule.

25. We welcome the report of the Brandt Commission. We shall carefully consider its recommendations.

26. The democratic industrialised countries cannot alone carry the responsibility of aid and other different contributions to developing countries: it must be equitably shared by the oil-exporting countries and the industrialised Communist countries. The Personal Representatives are instructed to review aid policies and procedures and other contributions to developing countries and to report back their conclusions to the next Summit.

#### MONETARY PROBLEMS

27. The situation created by large oil-generated payments imbalances, in particular those of oil-importing developing countries, requires a combination of determined actions by all countries to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in rechanneling the substantial oil surplus funds on the basis of sound lend-



ing standards. We support the work in progress by our monetary authorities and the Bank for International Settlements designed to improve the supervision and security of the international banking system. The private banks could usefully supplement these efforts.

28. Private lending will need to be supplemented by an expanded role for international institutions, especially the International Monetary Fund (IMF). We are committed to implementing the agreed increase in the IMF quotas, and to supporting appropriate borrowing by the Fund, if needed to meet financing requirements of its members. We encourage the IMF to seek ways in which it could, within its guidelines on conditionality, make it more attractive for countries with financing problems to use its resources. In particular, we support the IMF's examination of possible ways to reduce charges on credits to low-income developing countries. The IMF and the World Bank should work closely together in responding to these problems. We welcome the Bank's innovative lending scheme for structural adjustment. We urge oil-exporting countries to increase their direct lending to countries with financial problems, thus reducing the strain on other recycling mechanisms.

29. We reaffirm our commitment to stability in the foreign exchange markets. We note that the European Monetary System (EMS) has contributed to this end. We will continue close cooperation in exchange market policies so as to avoid disorderly exchange rate fluctuations. We will also cooperate with the IMF to achieve more effective surveillance. We support continuing examination by the IMF of arrangements to provide for a more balanced evolution of the world reserve system.

#### TRADE

30. We are resolved further to strengthen the open world trading system. We will resist pressures for protectionist actions, which can only be self-defeating and aggravate inflation.

31. We endorse the positive conclusion of the Multilateral Trade Negotiations, and commit ourselves to early and effective implementation. We welcome the participation of some of our developing partners in the new non-tariff codes and call upon others to participate. We also call for the full participation of as many countries as possible in strengthening the system of the General Agreement on Tariffs and Trade. We urge the more advanced of our developing partners gradually to open their markets over the coming decade.

32. We reaffirm our determination to avoid a harmful export credit race. To this end we shall work with the other participants to strengthen the International Arrangement on Export Credits, with a view to reaching a mutually acceptable solution covering all aspects of the Arrangement by 1 December 1980. In particular, we shall seek to bring its terms closer to current market conditions and reduce distortions in export competition, recognising the differentiated treatment of developing countries in the Arrangement.

33. As a further step in strengthening the international trading system, we commit our governments to work in the United Nations toward an agreement to prohibit illicit payments to foreign government officials in international business transactions. If that effort falters, we will seek to conclude an agreement among our countries, but open to all, with the same objective.

#### CONCLUSIONS

34. The economic message from this Venice Summit is clear. The key to success in resolving the major economic challenges which the world faces is to achieve and maintain a balance between energy supply and demand at reasonable levels and at tolerable prices.

VENICE, JUNE 22/23, 1980

The stability of the world economy, on which the prosperity of every individual country relies, depends upon all of the countries concerned, recognising their mutual needs and accepting their mutual responsibilities. Those among us whose countries are members of the European Community intend to make their efforts within this framework. We, who represent seven large industrialised countries of the free world, are ready to tackle our own problems with determination and to work with others to meet the challenges of the coming decade, to our own advantage and to the benefit of the whole world.

## Statement on the Taking of Diplomatic Hostages

Gravely concerned by recent incidents of terrorism involving the taking of hostages and attacks on diplomatic and consular premises and personnel, the Heads of State and Government reaffirm their determination to deter and combat such acts. They note the completion of work on the International Convention Against the Taking of Hostages and call on all States to consider becoming parties to it as well as to the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons of 1973.

The Heads of State and Government vigorously condemn the taking of hostages and the seizure of diplomatic and consular premises and personnel in contravention of the basic norms of international law and practice. The Heads of State and Government consider it necessary that all Governments should adopt policies which will contribute to the attainment of this goal and to take appropriate measures to deny terrorists any benefits from such criminal acts. They also resolve to provide to one another's diplomatic and consular missions support and assistance in situations involving the seizure of diplomatic and consular establishments or personnel.

The Heads of State and Government recall that every State has the duty under international law to refrain from organizing, instigating, assisting or participating in terrorist acts in another State or acquiescing in organised activities within its territory directed towards the commission of such acts, and deplore in the strongest terms any breach of this duty.

## Statement on Refugees

The Heads of State and Government are deeply concerned at the plight of the ever-increasing number of refugees throughout the world. Hundreds of thousands have already left the Indochinese peninsula and Cuba, many of them taking the risk of fleeing across the open seas. Pakistan and Iran have received almost one million refugees from Afghanistan. In Africa refugees number several millions.

The Heads of State and Government note with great regret that the refugee population continues to grow and that, despite major international relief efforts, their suffering continues. They pay tribute to the generosity and forbearance with which countries in the regions affected have received refugees. For their part, the countries represented at this

Summit have already responded substantially to appeals for assistance to and resettlement of refugees. They will continue to do so, but their resources are not unlimited. They appeal to others to join with them in helping to relieve this suffering.

But, however great the effort of the international community, it will be difficult to sustain it indefinitely. The problem of refugees has to be attacked at its root.

The Heads of State and Government therefore make a vigorous appeal to the Governments responsible for it to remove the causes of this widespread human tragedy and not to pursue policies which drive large numbers of their people from their own countries.

## Political Topics

In seeking here in Venice to define a global economic strategy and to show our united determination to make it a reality, we are consciously accepting the responsibility that falls to the three great industrialized areas of the world – North America, Western Europe and Japan – to help create the conditions for harmonious and sustained economic growth. But we cannot do this alone: others too have a part to play.

However, present circumstances oblige us to emphasize that our efforts will only bear fruit if we can at the same time preserve a world in which the rule of law is universally obeyed, national independence is respected and world peace is kept. We call on all countries to join us in working for such a world and we welcome the readiness of non-aligned countries and regional groups to accept the responsibilities which this involves.

We therefore reaffirm hereby that the Soviet military occupation of Afghanistan is unacceptable now and that we are determined not to accept it in the future. It is incompatible with the will of the Afghan people for national independence, as demonstrated by their courageous resistance and with the security of the states of the region. It is also incompatible with the principles of the United Nations Charter and with efforts to maintain genuine detente. It undermines the very foundations of peace, both in the region and in the world at large.

We fully endorse in this respect the views already expressed by the overwhelming majority of the international community, as set out by the United Nations General Assembly in Resolution No. ES-6/2 of 14th January 1980 and by the Islamic Conference at both its recent sessions.

Afghanistan should be enabled to regain the sovereignty, territorial integrity, political independence and non-aligned character it once enjoyed. We therefore call for the complete withdrawal of Soviet troops and for the Afghan people to be left free again to determine their own future.

We have taken note of today's announcement of the withdrawal of some Soviet troops from Afghanistan. In order to make a useful contribution to the solution of the Afghan crisis, this withdrawal, if confirmed, will have to be permanent and continue until the complete withdrawal of the Soviet troops. Only thus will it be possible to reestablish a situation compatible with peace and the rule of law and thereby with the interests of all nations.

We are resolved to do everything in our power to achieve this objective. We are also ready to support any initiative to this end, such as that of the Islamic Conference. And we shall support every effort designed to contribute to the political independence and to the security of the states of the region.

Those Governments represented at this meeting which have taken a position against attendance at the Olympic Games vigorously reaffirm their positions.

VENICE, JUNE 22/23, 1980

## Statement on Bonn Declaration

At the request of the Heads of State and Government who participated in the Summit, I, in my capacity as Chairman of the meeting, am pleased to make the following statement which concerns the Declaration on Air-Hijacking issued in Bonn in July, 1978. The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international conventions dealing with unlawful interference with civil aviation. The increasing adherence to these conventions and the responsible attitude taken by States with respect to air hijacking reflect the fact that the said principles are being accepted by the international community as a whole.

While enforcement measures under the declaration have not yet been necessary, the Heads of State and Government emphasize that hijacking remains a threat to international civil aviation and that there can be no relaxation of efforts to combat this threat. To this end they look forward to continuing cooperation with all other governments.

OTTAWA

JULY 20/21, 1981

## LIST OF PARTICIPANTS

OTTAWA, JULY 20/21, 1981

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Mark MacGuigan <i>Secretary of State for External Affairs</i> Allan J. MacEachen <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Claude Cheysson <i>Minister of Foreign Affairs</i> Jacques Delors <i>Minister for the Economy, Finance and Budget</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Hans Matthöfer <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Giovanni Spadolini <i>President of the Council of Ministers</i> Emilio Colombo <i>Minister of Foreign Affairs</i> Beniamino Andreatta <i>Minister of Treasury</i>
JAPAN	Zenko Suzuki <i>Prime Minister</i> Sunao Sonoda <i>Minister of Foreign Affairs</i> Michio Watanabe <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Peter Carrington <i>Secretary of State for Foreign and Commonwealth Affairs</i> Geoffrey Howe <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> Alexander Haig <i>Secretary of State</i> Donald Regan <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Gaston Thorn <i>President of the Commission</i>

# Declaration

1. We have met at a time of rapid change and great challenge to world economic progress and peace. Our meeting has served to reinforce the strength of our common bonds. We are conscious that economic issues reflect and affect the broader political purposes we share. In a world of interdependence, we reaffirm our common objectives and our recognition of the need to take into account the effects on others of policies we pursue. We are confident in our joint determination and ability to tackle our problems in a spirit of shared responsibility, both among ourselves and with our partners throughout the world.

## THE ECONOMY

2. The primary challenge we addressed at this meeting was the need to revitalize the economies of the industrial democracies, to meet the needs of our own people and strengthen world prosperity.

3. Since the Venice Summit the average rate of inflation in our countries has fallen, although in four of them inflation remains in double figures. In many countries unemployment has risen sharply and is still rising. There is a prospect of moderate economic growth in the coming year but at present it promises little early relief from unemployment. The large payments deficits originating in the 1979-80 oil price increase have so far been financed without imposing intolerable adjustment burdens but are likely to persist for some time. Interest rates have reached record levels in many countries and, if long sustained at these levels, would threaten productive investment.

4. The fight to bring down inflation and reduce unemployment must be our highest priority and these linked problems must be tackled at the same time. We must continue to reduce inflation if we are to secure the higher investment and sustainable growth on which the durable recovery of employment depends. The balanced use of a range of policy instruments is required. We must involve our peoples in a greater appreciation of the need for change: change in expectations about growth and earnings, change in management and labour relations and practices, change in the pattern of industry, change in the direction and scale of investment, and change in energy use and supply.

5. We need in most countries urgently to reduce public borrowing; where our circumstances permit or we are able to make changes within the limits of our budgets we will increase support for productive investment and innovation. We must also accept the role of the market in our economies. We must not let transitional measures that may be needed to ease change become permanent forms of protection or subsidy.

6. We see low and stable monetary growth as essential to reducing inflation. Interest rates have to play their part in achieving this and are likely to remain high where fears of inflation remain strong. But we are fully aware that levels and movements of interest rates in one country can make stabilization policies more difficult in other countries by influencing their exchange rates and their economies. For these reasons, most of us need also to rely on containment of budgetary deficits, by means of restraint in government expenditures as necessary. It is also highly desirable to minimize volatility of interest rates and

OTTAWA, JULY 20/21, 1981

exchange rates; greater stability in foreign exchange and financial markets is important for the sound development of the world economy.

7. In a world of strong capital flows and large deficits it is in the interests of all that the financial soundness of the international banking system and the international financial institutions be fully maintained. We welcome the recently expanded role of the IMF in financing payments deficits on terms which encourage needed adjustment.

8. In shaping our long-term economic policies, care should be taken to preserve the environment and the resource base of our planet.

#### RELATIONS WITH DEVELOPING COUNTRIES

9. We support the stability, independence and genuine non-alignment of developing countries and reaffirm our commitment to co-operate with them in a spirit of mutual interest, respect and benefit, recognizing the reality of our interdependence.

10. It is in our interest as well as in theirs that the developing countries should grow and flourish and play a full part in the international economic system commensurate with their capabilities and responsibilities and become more closely integrated in it.

11. We look forward to constructive and substantive discussions with them, and believe the Cancun Summit offers an early opportunity to address our common problems anew.

12. We reaffirm our willingness to explore all avenues of consultation and cooperation with developing countries in whatever forums may be appropriate. We are ready to participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress.

13. While growth has been strong in most middle-income developing countries, we are deeply conscious of the serious economic problems in many developing countries, and the grim poverty faced especially by the poorer among them. We remain ready to support the developing countries in the efforts they make to promote their economic and social development within the framework of their own social values and traditions. These efforts are vital to their success.

14. We are committed to maintaining substantial and, in many cases, growing levels of official development assistance and will seek to increase public understanding of its importance. We will direct the major portion of our aid to poorer countries, and will participate actively in the United Nations Conference on the Least Developed Countries.

15. We point out that the strengthening of our own economies, increasing access to our markets, and removing impediments to capital flows contribute larger amounts of needed resources and technology and thereby complement official aid. The flow of private capital will be further encouraged in so far as the developing countries themselves provide assurances for the protection and security of investments.

16. The Soviet Union and its partners, whose contributions are meagre, should make more development assistance available, and take a greater share of exports of developing countries, while respecting their independence and non-alignment.

17. We will maintain a strong commitment to the international financial institutions and work to ensure that they have, and use effectively, the financial resources for their important responsibilities.

18. We attach high priority to the resolution of the problems created for the non-oil developing countries by the damaging effects on them of the high cost of energy imports following the two oil price shocks. We call on the surplus oil-exporting countries to broaden their valuable efforts to finance development in non-oil developing countries, especially in the field of energy. We stand ready to cooperate with them for this purpose and to explore with them, in a



## G-7 SUMMITS DECLARATIONS

spirit of partnership, possible mechanisms, such as those being examined in the World Bank, which would take due account of the importance of their financial contributions.

19. We recognize the importance of accelerated food production in the developing world and of greater world food security, and the need for developing countries to pursue sound agricultural and food policies, we will examine ways to make increased resources available for these purposes. We note that the Italian Government has in mind to discuss within the European Community proposals to be put forward in close cooperation with the specialized UN institutions located in Rome for special action in this field primarily directed to the poorest countries.

20. We are deeply concerned about the implications of world population growth. Many developing countries are taking action to deal with that problem, in ways sensitive to human values and dignity; and to develop human resources, including technical and managerial capabilities. We recognize the importance of these issues and will place greater emphasis on international efforts in these areas.

### TRADE

21. We reaffirm our strong commitment to maintaining liberal trade policies and to the effective operation of an open multilateral trading system as embodied in the GATT.

22. We will work together to strengthen this system in the interest of all trading countries, recognizing that this will involve structural adaptation to changes in the world economy.

23. We will implement the agreements reached in the Multilateral Trade Negotiations and invite other countries, particularly developing countries, to join in these mutually beneficial trading arrangements.

24. We will continue to resist protectionist pressures, since we recognize that any protectionist measure, whether in the form of overt or hidden trade restrictions or in the form of subsidies to prop up declining industries, not only undermines the dynamism of our economies but also, over time, aggravates inflation and unemployment.

25. We welcome the new initiative represented by the proposal of the Consultative Group of Eighteen that the GATT contracting parties convene a meeting at Ministerial level during 1982, as well as that of the OECD countries in their programme of study to examine trade issues.

26. We will keep under close review the role played by our countries in the smooth functioning of the multilateral trading system with a view to ensuring maximum openness of our markets in a spirit of reciprocity, while allowing for the safeguard measures provided for in the GATT.

27. We endorse efforts to reach agreement by the end of this year on reducing subsidy elements in official export credit schemes.

### ENERGY

28. We are confident that, with perseverance, the energy goals we set at Venice for the decade can be achieved, enabling us to break the link between economic growth and oil consumption through structural change in our energy economies.

29. Recognizing that our countries are still vulnerable and energy supply remains a potential constraint to a revival of economic growth, we will accelerate the development and use of all our energy sources, both conventional and new, and continue to promote energy savings and the replacement of oil by other fuels.

OTTAWA, JULY 20/21, 1981

30. To these ends we will continue to rely heavily on market mechanisms, supplemented as necessary by government action.

31. Our capacity to deal with short-term oil market problems should be improved, particularly through the holding of adequate levels of stocks.

32. In most of our countries progress in constructing new nuclear facilities is slow. We intend in each of our countries to encourage greater public acceptance of nuclear energy, and respond to public concerns about safety, health, nuclear waste management and non-proliferation. We will further our efforts in the development of advanced technologies, particularly in spent fuel management.

33. We will take steps to realize the potential for the economic production, trade and use of coal and will do everything in our power to ensure that its increased use does not damage the environment.

34. We also intend to see to it that we develop to the fullest possible extent sources of renewable energy such as solar, geothermal and biomass energy. We will work for practical achievements at the forthcoming United Nations Conference on New and Renewable Sources of Energy.

35. We look forward to improved understanding and cooperation with the oil exporting countries in the interests of the world economy.

#### EAST/WEST ECONOMIC RELATIONS

36. We also reviewed the significance of East-West economic relations for our political and security interests. We recognized that there is a complex balance of political and economic interests and risks in these relations. We concluded that consultations and, where appropriate, coordination are necessary to ensure that, in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives.

37. We will undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the USSR.

#### CONCLUSION

38. We are convinced that our democratic, free societies are equal to the challenges we face. We will move forward together and with all countries ready to work with us in a spirit of cooperation and harmony. We have agreed to meet again next year and have accepted the invitation of the President of the French Republic to hold this meeting in France. We intend to maintain close and continuing consultation and cooperation with each other.

## Chairman's Summary of Political Issues

1. Our discussion of international affairs confirmed our unity of view on the main issues that confront us all. We are determined to face them together in a spirit of solidarity, cooperation and responsibility.

2. We all view with concern the continuing threats to international security and stability. Lasting peace can only be built on respect for the freedom and dignity of nations and

individuals. We appeal to all governments to exercise restraint and responsibility in international affairs and to refrain from exploiting crises and tensions.

3. In the Middle East, we remain convinced that a solution must be found to the Arab-Israeli dispute. We all deplore the escalation of tension and continuing acts of violence now occurring in the region. We are deeply distressed by the scale of destruction, particularly in Lebanon, and the heavy civilian loss of life on both sides. We call on all states and parties to exercise restraint, in particular to avoid retaliation which only results in escalation; and to forego acts which could lead, in the current tense situation in the area, to further bloodshed and war.

4. We are particularly concerned, in this respect, by the tragic fate of the Lebanese people. We support the efforts now in progress to permit Lebanon to achieve a genuine national reconciliation, internal security and peace with its neighbours.

5. In East-West relations, we are seriously concerned about the continuing build-up of Soviet military power. Our concern is heightened by Soviet actions which are incompatible with the exercise of restraint and responsibility in international affairs. We ourselves, therefore, need a strong defence capability. We will be firm in insisting on a balance of military capabilities and on political restraint. We are prepared for dialogue and cooperation to the extent that the Soviet Union makes this possible. We are convinced of the importance of working towards balanced and verifiable arms control and disarmament agreements in pursuit of undiminished security at lower levels of armament and expenditure.

6. We welcome the fact that, at the Madrid Conference on Security and Cooperation in Europe, Western countries have just taken another major initiative aimed at defining the area to be covered by the measures the proposed European Disarmament Conference would negotiate. Equally important, they have proposed a number of human rights provisions that would give new hope for individuals deprived of their freedom. We believe that Soviet acceptance of these initiatives would enable a balanced conclusion of the Madrid meeting and a substantial reduction of tension in Europe.

7. As regards Afghanistan, about which we publicly stated our firm and unanimous position at last year's Venice Summit, we note that the situation remains unchanged. Therefore, with the overwhelming majority of nations, we continue to condemn the Soviet military occupation of Afghanistan. We support international efforts to achieve the complete withdrawal of Soviet troops and to restore to the Afghan people, who are fighting a war of liberation, their right to determine their own future. We note with approval the constructive proposal of the European Council for an international conference to bring about this result and call upon the Soviet Union to accept it. We are grateful for the report given us by Foreign Secretary Carrington on his recent visit to Moscow, and his discussions there, on behalf of the Ten, on the international conference proposal.

8. Believing as we do that the Kampuchean people are entitled to self-determination, we welcome and support the Declaration of the International Conference on Kampuchea.

9. Together with other states and regional organizations, we are resolved to do what is necessary to enhance regional security and to ensure a peace built on the independence and dignity of sovereign nations. All peoples should be free to chart their own course without fear of outside intervention. To that end, we shall continue to promote peaceful resolution of disputes and to address underlying social and economic problems. We reaffirm our conviction that respect for independence and genuine non-alignment are important for international peace and security.

10. Recalling the statement on refugees adopted at the Venice Summit, we are seriously concerned over the growing plight of refugees throughout the world. We reaffirm our support for international relief efforts and our appeal to all governments to refrain from actions which can lead to massive flows of refugees.

## Statement on Terrorism

1. The Heads of State and Government, seriously concerned about the active support given to international terrorism through the supply of money and arms to terrorist groups, and about the sanctuary and training offered terrorists, as well as the continuation of acts of violence and terrorism such as aircraft hijacking, hostage-taking and attacks against diplomatic and consular personnel and premises, reaffirm their determination vigorously to combat such flagrant violations of international law. Emphasizing that all countries are threatened by acts of terrorism in disregard of fundamental human rights, they resolve to strengthen and broaden action within the international community to prevent and punish such acts.

2. The Heads of State and Government view with particular concern the recent hijacking incidents which threaten the safety of international civil aviation. They recall and reaffirm the principles set forth in the 1978 Bonn Declaration and note that there are several hijackings which have not been resolved by certain states in conformity with their obligations under international law. They call upon the governments concerned to discharge their obligations promptly and thereby contribute to the safety of international civil aviation.

3. The Heads of State and Government are convinced that, in the case of the hijacking of a Pakistan International Airlines aircraft in March, the conduct of the Babrak Karmal government of Afghanistan, both during the incident and subsequently in giving refuge to the hijackers, was and is in flagrant breach of its international obligations under the Hague Convention to which Afghanistan is a party, and constitutes a serious threat to air safety. Consequently the Heads of State and Government propose to suspend all flights to and from Afghanistan in implementation of the Bonn Declaration, unless Afghanistan immediately takes steps to comply with its obligations. Furthermore, they call upon all states which share their concern for air safety to take appropriate action to persuade Afghanistan to honour its obligations.

4. Recalling the Venice Statement on the Taking of Diplomatic Hostages, the Heads of State and Government approve continued cooperation in the event of attacks on diplomatic and consular establishments or personnel of any of their governments. They undertake that in the event of such incidents, their governments will immediately consult on an appropriate response. Moreover, they resolve that any state which directly aids and abets the commission of terrorist acts condemned in the Venice Statement, should face a prompt international response. It was agreed to exchange information on terrorist threats and activities, and to explore cooperative measures for dealing with and countering acts of terrorism, for promoting more effective implementation of existing anti-terrorist conventions, and for securing wider adherence to them.

# VERSAILLES

JUNE 4/6, 1982

## LIST OF PARTICIPANTS

VERSAILLES, JUNE 4/6, 1982

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Mark MacGuigan <i>Secretary of State for External Affairs</i> Allan J. MacEachen <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Claude Cheysson <i>Minister of External Relations</i> Jacques Delors <i>Minister for the Economy, Finance and Budget</i>
GERMANY	Helmut Schmidt <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Manfred Lahnstein <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Giovanni Spadolini <i>President of the Council of Ministers</i> Emilio Colombo <i>Minister of Foreign Affairs</i> Beniamino Andreatta <i>Minister of the Treasury</i>
JAPAN	Zenko Suzuki <i>Prime Minister</i> Yoshio Sakurauchi <i>Minister of Foreign Affairs</i> Michio Watanabe <i>Minister of Finance</i> Shintaro Abe <i>Minister of International Trade and Industry</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Francis Pym <i>Secretary of State for Foreign and Commonwealth Affairs</i> Geoffrey Howe <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> Alexander Haig <i>Secretary of State</i> Donald Regan <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Wilfried Martens <i>President of the European Council</i> Gaston Thorn <i>President of the Commission</i>

# Declaration

In the course of our meeting at Versailles we have deepened our mutual understanding of the gravity of the world economic situation, and we have agreed on a number of objectives for urgent action with a view to improving it.

We affirm that the improvement of the present situation, by a further reduction of inflation and by a return to steady growth and higher levels of employment, will strengthen our joint capacity to safeguard our security, to maintain confidence in the democratic values that we share, and to preserve the cultural heritage of our peoples in all their diversity. Full employment, price stability and sustained and balanced growth are ambitious objectives. They are attainable in the coming years only if we pursue policies which encourage productive investment and technological progress; if, in addition to our own individual efforts, we are willing to join forces, if each country is sensitive to the effects of its policies on others and if we collaborate in promoting world development.

In this spirit, we have decided to implement the following lines of action:

- Growth and employment must be increased. This will be attained on a durable basis only if we are successful in our continuing fight against inflation. That will also help to bring down interest rates, which are now unacceptably high, and to bring about more stable exchange rates. In order to achieve this essential reduction of real interest rates, we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits. It is essential to intensify our economic and monetary cooperation. In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North America, of Japan and of the European Community in pursuing medium-term economic and monetary objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment through trade and growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

- We agree to pursue a prudent and diversified economic approach to the USSR and Eastern Europe, consistent with our political and security interests. This includes actions in three key areas. First, following international discussions in January, our representatives will work together to improve the international system for controlling exports of strategic goods to these countries and national arrangements for the enforcement of security controls. Second, we will exchange information in the OECD on all aspects of our economic, commercial and financial relations with the Soviet Union and Eastern Europe. Third,

VERSAILLES, JUNE 4/6, 1982

taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the USSR and other Eastern European countries, in such a way as to ensure that they are conducted on a sound economic basis, including also the need for commercial prudence in limiting export credits. The development of economic and financial relations will be subject to periodic ex-post review.

– The progress we have already made does not diminish the need for continuing efforts to economise on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil importing developing countries.

– The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. It is therefore important that a high level of financial flows and official assistance should be maintained and that their amount and their effectiveness should be increased as far as possible, with responsibilities shared broadly among all countries capable of making a contribution. The launching of global negotiations is a major political objective approved by all participants in the Summit. The latest draft resolution circulated by the Group of 77 is helpful, and the discussion at Versailles showed general acceptance of the view that it would serve as a basis for consultations with the countries concerned. We believe that there is now a good prospect for the early launching and success of the global negotiations, provided that the independence of the Specialised Agencies is guaranteed. At the same time, we are prepared to continue and develop practical cooperation with the developing countries through innovations within the World Bank, through our support of the work of the regional development banks, through progress in countering instability of commodity export earnings, through the encouragement of private capital flows, including international arrangements to improve the conditions for private investment, and through a further concentration of official assistance on the poorer countries. This is why we see a need for special temporary arrangements to overcome funding problems for IDA VI, and for an early start to consideration of IDA VII. We will give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials, and to programmes to address the implications of population growth.

In the field of balance of payments support, we look forward to progress at the September IMF Annual Meeting towards settling the increase in the size of the Fund appropriate to the coming Eighth Quota Review.

– Revitalization and growth of the world economy will depend not only on our own efforts but also to a large extent upon cooperation among our countries and with other countries in the exploitation of scientific and technological development. We have to exploit the immense opportunities presented by the new technologies, particularly for creating new employment. We need to remove barriers to, and to promote, the development of and trade in new technologies both in the public sector and in the private sector. Our countries will need to train men and women in the new technologies and to create the economic, social and cultural conditions which allow these technologies to develop and flourish. We have considered the report presented to us on these issues by the President of the French Republic. In this context we have decided to set up promptly a working group of representatives of our governments and of the European Community to develop, in close consultation with the appropriate international institutions, especially the OECD, proposals to give help to



attain these objectives. This group will be asked to submit its report to us by 31 December 1982. The conclusion of the report and the resulting action will be considered at the next economic Summit to be held in 1983 in the United States of America.

## Statement on International Monetary Undertakings

1. We accept a joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on convergence of policies designed to achieve lower inflation, higher employment and renewed economic growth; and thus to maintain the internal and external values of our currencies. We are determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

2. We attach major importance to the role of the IMF as a monetary authority and we will give it our full support in its efforts to foster stability.

3. We are ready to strengthen our cooperation with the IMF in its work of surveillance; and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR.

4. We rule out the use of our exchange rates to gain unfair competitive advantages.

5. We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions, as provided for under Article IV of the IMF Articles of Agreement.

6. Those of us who are members of the EMS consider that these undertakings are complementary to the obligations of stability which they have already undertaken in that framework.

7. We are all convinced that greater monetary stability will assist freer flows of goods, services and capital. We are determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment.

# WILLIAMSBURG

[VIRGINIA]

MAY 28/30, 1983

## LIST OF PARTICIPANTS

WILLIAMSBURG [VIRGINIA], MAY 28/30, 1983

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Allan J. MacEachen <i>Secretary of State for External Affairs</i> Marc Lalonde <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Claude Cheysson <i>Minister of External Relations</i> Jacques Delors <i>Minister for the Economy, Finance and Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Amintore Fanfani <i>President of the Council of Ministers</i> Emilio Colombo <i>Minister of Foreign Affairs</i> Giovanni Goria <i>Minister of the Treasury</i>
JAPAN	Yasuhiro Nakasoné <i>Prime Minister</i> Shintaro Abe <i>Minister of Foreign Affairs</i> Noboru Takeshita <i>Minister of Finance</i> Sanadori Yamanaka <i>Minister of International Trade and Industry</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Francis Pym <i>Secretary of State for Foreign and Commonwealth Affairs</i> Geoffrey Howe <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> Donald Regan <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Gaston Thorn <i>President of the Commission</i>

# Declaration

## THE ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

1. Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

2. The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

3. We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

4. We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

WILLIAMSBURG [VIRGINIA], MAY 28/30, 1983

5. We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

6. The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

7. We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

8. We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

9. East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

10. We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

## Annex

### STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability

in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

- A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.
  - B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:
    1. Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.
    2. Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.
    3. Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.
    4. Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:
      - enhancing flexibility and openness of economies and financial markets.
      - encouraging research and development as well as profitability and productive investment.
      - continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).
- IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time to time, and react promptly to significant changes.

## Declaration on Security

1. As leaders of our seven countries, it is our first duty to defend the freedom and justice on which our democracies are based. To this end, we shall maintain sufficient military strength to deter any attack, to counter any threat, and to ensure peace. Our arms will never be used except in response to aggression.

2. We wish to achieve lower levels of arms through serious arms control negotiations. With this statement, we reaffirm our dedication to the search for peace and meaningful arms reductions. We are ready to work with the Soviet Union to this purpose and call upon the Soviet Union to work with us.

WILLIAMSBURG [VIRGINIA], MAY 28/30, 1983

3. Effective arms control agreements must be based on the principle of equality and must be verifiable. Proposals have been put forward from the Western side to achieve positive results in various international negotiations: on strategic weapons (START), on intermediate-range nuclear missiles (INF), on chemical weapons, on reduction of forces in Central Europe (MBFR), and a Conference on Disarmament in Europe (CDE).

4. We believe that we must continue to pursue these negotiations with impetus and urgency. In the area of INF, in particular, we call upon the Soviet Union to contribute constructively to the success of the negotiations. Attempts to divide the West by proposing inclusion of the deterrent forces of third countries, such as those of France and the United Kingdom, will fail. Consideration of these systems has no place in the INF negotiations.

5. Our nations express the strong wish that a balanced INF agreement be reached shortly. Should this occur, the negotiations will determine the level of deployment. It is well known that should this not occur, the countries concerned will proceed with the planned deployment of the US systems in Europe at the end of 1983.

6. Our nations are united in efforts for arms reductions and will continue to carry out thorough and intensive consultations. The security of our countries is indivisible and must be approached on a global basis. Attempts to avoid serious negotiation by seeking to influence public opinion in our countries will fail.

7. We commit ourselves to devote our full political resources to reducing the threat of war. We have a vision of a world in which the shadow of war has been lifted from all mankind, and we are determined to pursue that vision.

LONDON

JUNE 7/9, 1984



## LIST OF PARTICIPANTS

LONDON, JUNE 7/9, 1984

CANADA	Pierre Elliot Trudeau <i>Prime Minister</i> Allan J. MacEachen <i>Secretary of State for External Affairs</i> Marc Lalonde <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Claude Cheysson <i>Minister of External Relations</i> Jacques Delors <i>Minister for the Economy, Finance and Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Otto Lambsdorf <i>Federal Minister of Economy</i>
ITALY	Bettino Craxi <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of Foreign Affairs</i> Giovanni Gorla <i>Minister of the Treasury</i>
JAPAN	Yasuhiro Nakasone <i>Prime Minister</i> Shintaro Abe <i>Minister of Foreign Affairs</i> Noboru Takeshita <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> Donald Regan <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Gaston Thorn <i>President of the Commission</i> François Xavier Ortoli <i>Vice-President of the Commission</i>

# Declaration

## THE ECONOMY

1. We, the Heads of State or Government of seven major industrialised countries and the President of the Commission of the European Communities, have gathered in London from 7 to 9 June 1984 at the invitation of the Rt Hon Margaret Thatcher FRS MP, the Prime Minister of the United Kingdom, for the tenth annual Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss economic problems, prospects and opportunities for our countries and for the world. We have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on the basic objectives of our respective policies.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in our countries. It is more soundly based than previous recoveries in that it results from the firm efforts made in the Summit countries and elsewhere over recent years to reduce inflation.

4. But its continuation requires unremitting efforts. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth and the creation of new jobs. We need to spread the benefits of recovery widely, both within the industrialised countries and also to the developing countries, especially the poorer countries who stand to gain more than any from a sustainable growth of the world economy. High interest rates, and failure to reduce inflation further and dampen inflationary expectations, could put recovery at risk. Prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to those objectives and policies.

5. Not the least of our concerns is the growing strain of public expenditure in all our countries. Public expenditure has to be kept within the limits of what our national economies can afford. We welcome the increasing attention being given to these problems by national governments and in such international bodies as the Organisation for Economic Co-operation and Development (OECD).

6. As unemployment in our countries remains high, we emphasise the need for sustained growth and creation of new jobs. We must make sure that the industrial economies adapt and develop in response to demand and to technological change. We must encourage active job training policies and removal of rigidities in the labour market, and bring about the conditions in which more new jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalise capital markets.

7. We are mindful of the concerns expressed by the developing countries, and of the political and economic difficulties which many of them face. In our discussion of each of the issues before us we have recognised the economic interdependence of the industrialized and developing countries. We reaffirm our willingness to conduct our relations with them in a spirit of goodwill and co-operation. To this end we have asked Ministers of Finance to consider the scope for intensified discussion of international financial issues of particular concern to developing countries in the IBRD Development Committee, an appropriate and broadly representative forum for this purpose.

LONDON, JUNE 7/9, 1984

8. In our strategy for dealing with the debt burdens of many developing countries, a key role has been played by the International Monetary Fund (IMF), whose resources have been strengthened for the purpose. Debtor countries have been increasingly ready to accept the need to adjust their economic policies, despite the painful and courageous efforts it requires. In a climate of world recovery and growing world trade, this strategy should continue to enable the international financial system to manage the problems that may still arise. But continuously high or even further growing levels of international interest rates could both exacerbate the problems of the debtor countries and make it more difficult to sustain the strategy. This underlines the importance of policies which will be conducive to lower interest rates and which take account of the impact of our policies upon other countries.

9. We have therefore agreed:

- 9.1 to continue with and where necessary strengthen policies to reduce inflation and interest rates, to control monetary growth and where necessary reduce budgetary deficits;
- 9.2 to seek to reduce obstacles to the creation of new jobs:
  - by encouraging the development of industries and services in response to demand and technological change, including in innovative small and medium-sized businesses;
  - by encouraging the efficient working of the labour market;
  - by encouraging the improvement and extension of job training;
  - by encouraging flexibility in the patterns of working time;
  - and by discouraging measures to preserve obsolescent production and technology;
- 9.3 to support and strengthen work in the appropriate international organisations, notably the OECD, on increasing understanding of the sources and patterns of economic change, and on improving economic efficiency and promoting growth, in particular by encouraging innovation and working for a more widespread acceptance of technological change, harmonising standards and facilitating the mobility of labour and capital;
- 9.4 to maintain and wherever possible increase flows of resources, including official development assistance and assistance through the international financial and development institutions, to the developing countries and particularly to the poorest countries; to work with the developing countries to encourage more openness towards private investment flows; and to encourage practical measures in those countries to conserve resources and enhance indigenous food and energy production. Some of us also wish to activate the Common Fund for Commodities;
- 9.5 in a spirit of co-operation with the countries concerned, to confirm the strategy on debt and continue to implement and develop it flexibly case by case; we have reviewed progress and attach particular importance to:
  - helping debtor countries to make necessary economic and financial policy changes, taking due account of political and social difficulties;
  - encouraging the IMF in its central role in this process, which it has been carrying out skilfully;
  - encouraging closer co-operation between the IMF and the International Bank for Reconstruction and Development (IBRD); and strengthening the role of the IBRD in fostering development over the medium and long term;
  - in cases where debtor countries are themselves making successful efforts to improve their position, encouraging more extended multi-year rescheduling of

commercial debts and standing ready where appropriate to negotiate similarly in respect of debts to governments and government agencies;

– encouraging the flow of long-term direct investment; just as there is need for industrial countries to make their markets more open for the exports of developing countries, so these countries can help themselves by encouraging investment from the industrial countries;

– encouraging the substitution of more stable long-term finance, both direct and portfolio, for short-term bank lending;

- 9.6 to invite Finance Ministers to carry forward, in an urgent and thorough manner, their current work on ways to improve the operation of the international monetary system, including exchange rates, surveillance, the creation, control and distribution of international liquidity and the role of the IMF; and to complete the present phase of their work in the first half of 1985 with a view to discussion at an early meeting of the IMF Interim Committee. The question of a further allocation of Special Drawing Rights is to be reconsidered by the IMF Interim Committee in September 1984;
- 9.7 to carry forward the procedures agreed at Versailles and at Williamsburg for multilateral monitoring and surveillance of convergence of economic performance toward lower inflation and higher growth;
- 9.8 to seek to improve the operation and stability of the international financial system, by means of prudent policies among the major countries, by providing an adequate flow of funding to the international financial institutions, and by improving international access to capital markets in industrialised countries;
- 9.9 to urge all trading countries, industrialised and developing alike, to resist continuing protectionist pressures, to reduce barriers to trade and to make renewed efforts to liberalise and expand international trade in manufactures, commodities and services;
- 9.10 to accelerate the completion of current trade liberalisation programmes, particularly the 1982 GATT work programme, in co-operation with other trading partners; to press forward with the work on trade in services in the international organisations; to reaffirm the agreement reached at the OECD Ministerial Meeting in May 1984 on the important contribution which a new Round of Multilateral Trade Negotiations would make to strengthening the open multilateral trading system for the mutual benefit of all economies, industrial and developing; and, building on the 1982 GATT work programme, to consult partners in the GATT with a view to decisions at an early date on the possible objectives, arrangements and timing for a new negotiating round.

10. We are greatly concerned about the acute problems of poverty and drought in parts of Africa. We attach major importance to the special action programme for Africa which is being prepared by the World Bank and should provide renewed impetus to the joint efforts of the international community to help.

11. We have considered the possible implications of a further deterioration of the situation in the Gulf for the supply of oil. We are satisfied that, given the stocks of oil presently available in the world, the availability of other sources of energy, and the scope for conservation in the use of energy, adequate supplies could be maintained for a substantial period of time by international co-operation and mutually supportive action. We will continue to act together to that end.

12. We note with approval the continuing consensus on the security and other implications of economic relations with Eastern countries, and on the need to continue work on this subject in the appropriate organisations.

LONDON, JUNE 7/9, 1984

13. We welcome the further report of the Working Group on Technology, Growth and Employment created by the Versailles Economic Summit, and the progress made in the eighteen areas of cooperation, and invite the Group to pursue further work and to report to Personal Representatives in time for the next Economic Summit. We also welcome the invitation of the Italian Government to an international conference to be held in Italy in 1985 on the theme of technological innovation and the creation of new jobs.

14. We recognise the international dimension of environmental problems and the role of environmental factors in economic development. We have invited Ministers responsible for environmental policies to identify areas for continuing co-operation in this field. In addition we have decided to invite the Working Group on Technology, Growth and Employment to consider what has been done so far and to identify specific areas for research on the causes, effects and means of limiting environmental pollution of air, water and ground where existing knowledge is inadequate, and to identify possible projects for industrial co-operation to develop cost-effective techniques to reduce environmental damage. The Group is invited to report on these matters by 31 December 1984. In the meantime we welcome the invitation from the Government of the Federal Republic of Germany to certain Summit countries to an international conference on the environment in Munich on 24-27 June 1984.

15. We thank the Prime Minister of Japan for his report on the Hakone Conference of Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to sponsor a second conference in 1985.

16. We believe that manned space stations are the kind of programme that provides a stimulus for technological development leading to strengthened economies and improved quality of life. Such stations are being studied in some of our countries with a view to their being launched in the framework of national or international programmes. In that context each of our countries will consider carefully the generous and thoughtful invitation received from the President of the United States to other Summit countries to participate in the development of such a station by the United States. We welcome the intention of the United States to report at the next Summit on international participation in their programme.

17. We have agreed to meet again next year and have accepted the Federal Chancellor's invitation to meet in the Federal Republic of Germany.

## Declaration on Democratic Value

1. We, the Heads of State or Government of seven major industrial democracies with the President of the Commission of the European Communities, assembled in London for the Tenth Economic Summit meeting, affirm our commitment to the values which sustain and bring together our societies.

2. We believe in a rule of law which respects and protects without fear or favour the rights and liberties of every citizen, and provides the setting in which the human spirit can develop in freedom and diversity.

3. We believe in a system of democracy which ensures genuine choice in elections freely held, free expression of opinion and the capacity to respond and adapt to change in all its aspects.

4. We believe that, in the political and economic systems of our democracies, it is for Governments to set conditions in which there can be the greatest possible range and freedom of choice and personal initiative; in which the ideals of social justice, obligations and

rights can be pursued; in which enterprise can flourish and employment opportunities can be available for all; in which all have equal opportunities of sharing in the benefits of growth and there is support for those who suffer or are in need; in which the lives of all can be enriched by the fruits of innovation, imagination and scientific discovery; and in which there can be confidence in the soundness of the currency. Our countries have the resources and will jointly to master the tasks of the new industrial revolution.

5. We believe in close partnership among our countries in the conviction that this will reinforce political stability and economic growth in the world as a whole. We look for co-operation with all countries on the basis of respect for their independence and territorial integrity, regardless of differences between political, economic and social systems. We respect genuine non-alignment. We are aware that economic strength places special moral responsibilities upon us. We reaffirm our determination to fight hunger and poverty throughout the world.

6. We believe in the need for peace with freedom and justice. Each of us rejects the use of force as a means of settling disputes. Each of us will maintain only the military strength necessary to deter aggression and to meet our responsibilities for effective defence. We believe that in today's world the independence of each of our countries is of concern to us all. We are convinced that international problems and conflicts can and must be resolved through reasoned dialogue and negotiation and we shall support all efforts to this end.

7. Strong in these beliefs, and endowed with great diversity and creative vigour, we look forward to the future with confidence.

## Declaration on International Terrorism

1. The Heads of State and Government discussed the problem of international terrorism.

2. They noted that hijacking and kidnapping had declined since the Declarations of Bonn (1978), Venice (1980) and Ottawa (1981) as a result of improved security measures, but that terrorism had developed other techniques, sometimes in association with traffic in drugs.

3. They expressed their resolve to combat this threat by every possible means, strengthening existing measures and developing effective new ones.

4. They were disturbed to note the ease with which terrorists move across international boundaries, and gain access to weapons, explosives, training and finance.

5. They viewed with serious concern the increasing involvement of states and governments in acts of terrorism, including the abuse of diplomatic immunity. They acknowledged the inviolability of diplomatic missions and other requirements of international law: but they emphasised the obligations which that law also entails.

6. Proposals which found support in the discussion included the following:

- closer co-operation and co-ordination between police and security organisations and other relevant authorities, especially in the exchange of information, intelligence and technical knowledge;

- scrutiny by each country of gaps in its national legislation which might be exploited by terrorists;

- use of the powers of the receiving state under the Vienna Convention in such matters as the size of diplomatic missions, and the number of buildings enjoying diplomatic immunity;

LONDON, JUNE 7/9, 1984

- action by each country to review the sale of weapons to states supporting terrorism;
- consultation and as far as possible cooperation over the expulsion or exclusion from their countries of known terrorists, including persons of diplomatic status involved in terrorism.

7. The Heads of State and Government recognised that this is a problem which affects all civilised states. They resolved to promote action through competent international organisations and among the international community as a whole to prevent and punish terrorist acts.

## Declaration on East-West Relations and Arms Control

1. We had a substantial discussion of East-West relations. We stressed that the first need is for solidarity and resolve among us all.

2. At the same time, we are determined to pursue the search for extended political dialogue and long-term co-operation with the Soviet Union and her allies. Contacts exist and are being developed in a number of fields. Each of us will pursue all useful opportunities for dialogue.

3. Our aim is security and the lowest possible level of forces. We wish to see early and positive results in the various arms control negotiations and the speedy resumption of those now suspended. The United States has offered to re-start nuclear arms control talks anywhere, at any time, without pre-conditions. We hope that the Soviet Union will act in a constructive and positive way. We are convinced that this would be in the common interest of both East and West. We are in favour of agreements which would build confidence and give concrete expression, through precise commitments, to the principle of the non-use of force.

4. We believe that East and West have important common interests: in preserving peace; in enhancing confidence and security; in reducing the risks of surprise attack or war by accident; in improving crisis management techniques; and in preventing the spread of nuclear weapons.

## Statement by the Chair: the Iraq-Iran Conflict

1. We discussed the Iraq/Iran conflict in all its various aspects.

2. We expressed our deep concern at the mounting toll in human suffering, physical damage and bitterness that this conflict has brought; and at the breaches of international humanitarian law that have occurred.

3. The hope and desire of us all is that both sides will cease their attacks on each other and on the shipping of other states. The principle of freedom of navigation must be respected. We are concerned that the conflict should not spread further and we shall do what we can to encourage stability in the region.

## G-7 SUMMITS DECLARATIONS

4. We encourage the parties to seek a peaceful and honourable settlement. We shall support any efforts designed to bring this about, particularly those of the United Nations Secretary-General.

5. We also considered the implications for world oil supplies on the lines set out in the Declaration on the Economy. We noted that the world oil market has remained relatively stable. We believe that the international system has both the will and the capacity to cope with any foreseeable problems through the continuation of the prudent and realistic approach that is already being applied.



BONN

MAY 2 /4, 1985

## LIST OF PARTICIPANTS

BONN, MAY 2/4, 1985

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Secretary of State for External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister of External Relations</i> Pierre Bérégovoy <i>Minister for the Economy, Finance and Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Martin Bangemann <i>Federal Minister of Economy</i>
ITALY	Bettino Craxi <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of Foreign Affairs</i> Giovanni Gorla <i>Minister of the Treasury</i>
JAPAN	Yasuhiro Nakasone <i>Prime Minister</i> Shintaro Abe <i>Minister of Foreign Affairs</i> Noboru Takeshita <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> James A. Baker <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Willy De Clerq <i>Member of the Commission</i> Alois Pfeiffer <i>Member of the Commission</i>

# Declaration

## TOWARDS SUSTAINED GROWTH AND HIGHER EMPLOYMENT

1. Conscious of the responsibility which we bear, together with other Governments, for the future of the world economy and the preservation of natural resources, we, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Communities, meeting in Bonn from 2 to 4 May 1985, have discussed the economic outlook, problems, and prospects for our countries and the world.

2. World economic conditions are better than they have been for a considerable time. Since we last met, further progress has been achieved in bringing down inflation and strengthening the basis for growth. The recovery in the industrial countries has begun to spread to the developing world. The debt problems of developing countries, though far from solved, are being flexibly and effectively addressed.

3. Nevertheless, our countries still face important challenges. Above all, we need:

- to strengthen the ability of our economies to respond to new developments;
- to increase job opportunities;
- to reduce social inequalities;
- to correct persistent economic imbalances;
- to halt protectionism; and
- to improve the stability of the world monetary system.

4. Our discussions of these challenges have led us to the following conclusions:

- (a) The best contribution we can make to a lasting new prosperity in which all nations can share is unremittingly to pursue, individually in our own countries and co-operatively together, policies conducive to sustained growth and higher employment.
- (b) The prosperity of developed and developing countries has become increasingly linked. We will continue to work with the developing countries in a spirit of true partnership.
- (c) Open multilateral trade is essential to global prosperity and we urge an early and substantial reduction of barriers to trade.
- (d) We seek also to make the functioning of the world monetary system more stable and more effective.
- (e) Economic progress and the preservation of the natural environment are necessary and mutually supportive goals. Effective environmental protection is a central element in our national and international policies.

## GROWTH AND EMPLOYMENT

5. In order to sustain non-inflationary growth and higher employment, we have agreed that:

- We will consolidate and enhance the progress made in bringing down inflation.
- We will follow prudent, and where necessary strengthened monetary and budgetary policies with a view to stable prices, lower interest rates and more productive investment.

BONN, MAY 2 / 4, 1985

Each of our countries will exercise firm control over public spending in order to reduce budget deficits, when excessive, and, where necessary, the share of public spending in Gross National Product.

- We will work to remove obstacles to growth and encourage initiative and enterprise so as to release the creative energies of our peoples, while maintaining appropriate social policies for those in need.

- We will promote greater adaptability and responsiveness in all markets, particularly the labour market.

- We will encourage training to improve occupational skills, particularly for the young.

- We will exploit to the full the opportunities for prosperity and the creation of permanent jobs, provided by economic change and technological progress.

6. Building on these common principles, each of us has indicated the specific priorities for national policies.

- The President of the United States considers it essential to achieve a rapid and appreciable cut in public expenditure and thus a substantial reduction in the budget deficit. He stresses also the need for further deregulation and for a reform of the tax system aimed at encouraging the efficient use of resources and stimulating new saving and investment.

- The President of the French Republic stresses the need to continue bringing down inflation, to modernize the means of production and to improve employment, to control public spending and to combat social inequality. In that context he attaches high priority to education, research and investment in high technologies with a view to sustained growth.

- The Government of the United Kingdom will continue to work to reduce inflation and to create the conditions for sustained growth. It will continue to keep public spending under strict control and maintain monetary discipline. It will promote the development of small and medium-sized businesses and advanced technological industries, and encourage initiative and enterprise and the creation of new job opportunities.

- The Government of the Federal Republic of Germany attaches high priority to strengthening the flexibility and vigour of the economy in order to achieve a lasting improvement in growth and to create new jobs. Small and medium-sized businesses should be especially encouraged as well as high technologies. It will continue to reduce the claims of the public sector on the economy, the budget deficit and the burden of taxation.

- The Government of Japan considers it essential to persevere with its policy of budgetary discipline and strengthening market functions, particularly with a view to fostering investment. It intends to achieve further progress in deregulating financial markets, promoting the international role of the yen, facilitating access to markets and encouraging growth in imports.

- The Italian Government gives priority to the further reduction of inflation and of the public deficit, while sustaining growth and investment. Particular emphasis will be put on incentives to create small and medium-sized industries, especially in the field of high technology, and to promote employment, especially for young people.

- The Government of Canada will focus on promoting investment and creating jobs in the private sector, on removing obstacles to sustained non-inflationary growth, on reducing the budget deficit and on restraining government expenditure. It will encourage entrepreneurial activities, with emphasis on the small and medium-sized business sectors.

The Commission of the European Communities attaches high priority to completing a genuine internal market without barriers, which will eliminate rigidities and generate fresh economic growth on a Community-wide scale. A strengthened European Monetary System and closer economic convergence will further serve this end.

By pursuing these policies we will not only address our domestic problems, but at the same time contribute to an enduring growth of the world economy and a more balanced expansion of international trade.

## RELATIONS WITH DEVELOPING COUNTRIES

7. Sustained growth in world trade, lower interest rates, open markets and continued financing in amounts and on terms appropriate to each individual case are essential to enable developing countries to achieve sound growth and overcome their economic and financial difficulties. Flows of resources, including official development assistance, should be maintained and, wherever possible, increased, especially to the poorer countries. In particular, more stable long-term finance, such as direct investment from industrial countries, should be encouraged. We welcome longer-term debt restructuring agreements between debtor countries and commercial banks. We continue to stand ready, where appropriate, to negotiate further multi-year reschedulings of debts to governments and government agencies.

8. We continue to encourage the constructive dialogue with the developing countries in the existing international institutions with a view to promoting their economic development and thereby their social and political stability. We emphasize the crucial role of, and the improved cooperation between, the International Monetary Fund and the World Bank Group in supporting policies by debtor countries necessary to strengthen the confidence of domestic and foreign creditors and investors, to mobilize domestic savings and to ensure efficient use of resources and sound long-term development. We agree to work to ensure that these institutions are equipped with the necessary resources and instruments, and we stand ready to discuss an increase in the resources available to the World Bank which may be necessary in the coming years. We remain concerned over the particular problems facing a number of developing countries that are neither among the poorest nor foremost among the group of major debtors. We agree that consideration should be given to easing the financial constraints of these countries on a case-by-case basis.

9. We are deeply concerned about the plight of African peoples who are suffering from famine and drought. We welcome the positive response from our citizens and from private organizations, as well as the substantial assistance provided by the governments of many countries and the establishment by the World Bank of the Special Facility for Sub-Saharan Africa. We shall continue to supply emergency food aid. In addition, we shall intensify our co-operation with African countries to help them develop their economic potential and a long-term food strategy, based on their own agricultural programmes. We are prepared to promote increases in food production by supplying agricultural inputs such as seed, pesticides and fertilizers, within the framework of agricultural development projects. We agree upon the need to improve the existing early warning systems and improve transportation arrangements. Political obstacles in the countries concerned should not be allowed to stand in the way of the delivery of food to the hungry. We emphasize the need to examine the establishment of a research network on dry zone grains. We shall strengthen our co-operation with African countries in fighting against desertification. Continued efforts are needed by all countries to a position to contribute to any or all of this work. We call upon the Soviet Union and other Communist countries to assume their responsibilities in this regard. We have set up an expert group to prepare proposals for follow-up measures to be reported to Foreign Ministers by September 1985.

## MULTILATERAL TRADING SYSTEM AND INTERNATIONAL MONETARY SYSTEM

10. Protectionism does not solve problems; it creates them. Further tangible progress in relaxing and dismantling existing trade restrictions is essential. We need new initiatives for strengthening the open multilateral trading system. We strongly endorse the agreement

BONN, MAY 2/4, 1985

reached by the OECD Ministerial Council that a new GATT round should begin as soon as possible. Most of us think that this should be in 1986. We agreed that it would be useful that a preparatory meeting of senior officials should take place in the GATT before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations. We also agree that active participation of a significant number of developed and developing countries in such negotiations is essential. We are looking to a balanced package for negotiation.

11. It is also essential to improve the functioning of the international monetary system. We take note that the Finance Ministers of the Group of Ten, at their meeting in Tokyo in June, intend to complete their current work on ways to improve the functioning of the monetary system and to put forward proposals to be discussed at the next meeting of the Interim Committee of the International Monetary Fund in Seoul in October, with a view to making the international monetary system more stable and more effective.

#### ENVIRONMENTAL POLICIES

12. New approaches and strengthened international co-operation are essential to anticipate and prevent damage to the environment, which knows no national frontiers. We shall co-operate in order to solve pressing environmental problems such as acid deposition and air pollution from motor vehicles and all other significant sources. We shall also address other concerns such as climatic change, the protection of the ozone layer and the management of toxic chemicals and hazardous wastes. The protection of soils, fresh water and the sea, in particular of regional seas, must be strengthened.

13. We shall harness both the mechanisms of government vigilance and the disciplines of the market to solve environmental problems. We shall develop and apply the «polluter pays» principle more widely. Science and technology must contribute to reconciling environmental protection and economic growth.

14. Improved and internationally harmonized techniques of environmental measurement are essential. We invite the environmental experts of the Technology, Growth and Employment Working Group to consult with the appropriate international bodies about the most efficient ways for achieving progress in this field.

15. We welcome the contribution made by the Environment Ministers to closer international co-operation on environmental concerns. We shall focus our co-operation within existing international bodies, especially the OECD. We shall work with developing countries for the avoidance of environmental damage and disasters worldwide.

#### CO-OPERATION IN SCIENCE AND TECHNOLOGY

16. We are convinced that international co-operation in research and technology in major projects should be enhanced to make maximum use of our scientific potential. We recognize that such projects require appropriately shared participation and responsibility as well as adequate rules concerning access to the results achieved, the transfer of technology and the use of technologies involved.

17. We welcome the positive responses of the Member States of the European Space Agency (ESA), Canada and Japan to the invitation of the President of the United States to co-operate in the United States Manned Space Station Programme on the basis of a genuine partnership and a fair and appropriate exchange of information, experience and technologies. Discussions on intergovernmental cooperation in development and utilization of per-

manently manned space stations will begin promptly. We also welcome the conclusions of the ESA Council on the need for Europe to maintain and expand its autonomous capability in space activity, and on the long-term European Space Plan and its objectives.

18. We welcome the report from the Technology, Growth and Employment Working Group on the work done in the eighteen areas of co-operation and invite the Group to complete its review by the end of the year. We welcome the positive contribution which the Ministerial Conference on «Technological Development and Employment» held in Venice has made towards wider acceptance of the role of technological change in promoting growth and employment. We also welcome the results of the Rambouillet Conference on Bioethics and thank the Federal Republic of Germany for its willingness to host a symposium on neurobiology in 1986.

19. We have agreed to meet again next year and have accepted the Japanese Prime Minister's invitation to meet in Japan.

## Political Declaration on the 40th Anniversary of the End of the Second World War

The Heads of State or Government of Canada, the French Republic, the Federal Republic of Germany, the Republic of Italy, Japan, the United Kingdom and the United States, with the President of the Commission of the European Communities, meeting together in Bonn on the eve of the fortieth anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to aid those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

We have learned the lessons of history. The end of the war marked a new beginning. As the sounds of battle ceased, we tackled the tasks of moral and spiritual renewal and physical reconstruction. Transcending the hostilities which had once divided us we initiated on the basis of common values a process for reconciliation and cooperation amongst us. Today, linked in a peaceful, secure, and lasting friendship, we share in all our countries a commitment to freedom, democratic principles and human rights. We are proud that the governments of our countries owe their legitimacy to the will of our people, expressed in free elections. We are proud that our people are free to say and write what they will, to practise the religions they profess, and to travel where they will. We are committed to assuring the maintenance of societies in which individual initiative and enterprise may flourish and the ideals of social justice, obligations and rights may be pursued.

We recognize that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe, the Community, the embodiment of reconciliation and common purpose, is growing in membership, strength and prosperity. The nations of the dynamic Pacific region are drawing even closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

Other nations that shared with ours in the agonies of the Second World War are divided from us by fundamental differences of political systems. We deplore the division of

BONN, MAY 2 / 4, 1985

Europe. In our commitment to the ideals of peace, freedom and democracy we seek by peaceful means to lower the barriers that have arisen within Europe. We believe that the CSCE process with its promise of enhancing human rights provides an opportunity to increase confidence, cooperation and security in Europe.

Considering the climate of peace and friendship which we have achieved among ourselves forty years after the end of the war we look forward to a stage of peace in Europe in which the German people will regain their unity through free self-determination; and in Asia we earnestly hope that a political environment will be created which permits the parties to overcome the division of the Korean peninsula in freedom.

As recognized in the Charter of the United Nations all countries have a joint responsibility to maintain international peace and security and to this end refrain from the threat and the use of force. We for our part share a determination to preserve the peace while protecting our democratic freedoms. To that end, each of us will work to maintain and strengthen a stable military balance at the lowest possible levels of forces, neither seeking superiority for ourselves nor neglecting our defenses. We are prepared to pursue a high-level dialogue to deal with the profound differences dividing East and West. We strongly support endeavours to strengthen the peace and enhance deterrence through the negotiation of meaningful reductions in existing levels of nuclear arms, limitations on conventional arms, the banning of chemical weapons and lessening the risks of conflict. We welcome the opening of negotiations in Geneva. We appreciate the positive proposals of the United States of America. We urge the Soviet Union to act positively and constructively in order to achieve significant agreements there.

We shall continue to seek to work with the developing countries, so as to help them to fight hunger and disease, to build free and prosperous societies, and to take their part in the community of nations committed to peace and freedom. We respect genuine non-alignment as an important contribution to international security and peace.

So, as we look back to the terrible suffering of the Second World War and the common experience of 40 years of peace and freedom, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear; a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities; a world in which all nations, large and small, combine to work together for a better future for all mankind.



# TOKYO

MAY 4 /6, 1986

## LIST OF PARTICIPANTS

TOKYO MAY 4/6, 1986

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Secretary of State for External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Jacques Chirac <i>Prime Minister</i> Jean Bernard Raimond <i>Minister of Foreign Affairs</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Martin Bangemann <i>Federal Minister of Economy</i>
ITALY	Bettino Craxi <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of Foreign Affairs</i> Giovanni Gorla <i>Minister of the Treasury</i>
JAPAN	Yasuhiro Nakasone <i>Prime Minister</i> Shintaro Abe <i>Minister of Foreign Affairs</i> Noboru Takeshita <i>Minister of Finance</i> Michio Watanabe <i>Minister of Industry and International Trade</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> James A. Baker <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Rudolphus Franciscus Maria Lubbers <i>President of the European Council</i> Jacques Delors <i>President of the Commission</i> Hans van den Broek <i>Minister of Foreign Affairs of the Netherlands</i> Willy De Clerq <i>Member of the Commission</i>

# Declaration

## THE ECONOMY

1. We, the Heads of State or Government of seven major industrialized countries and the representatives of the European Community, meeting in Tokyo for the twelfth Economic Summit, have reviewed developments in the world economy since our meeting in Bonn a year ago, and have reaffirmed our continuing determination to work together to sustain and improve the prosperity and well-being of the peoples of our own countries, to support the developing countries in their efforts to promote their economic growth and prosperity, and to improve the functioning of the world monetary and trading systems.

2. Developments since our last meeting reflect the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years. The economies of the industrialized countries are now in their fourth year of expansion. In all our countries, the rate of inflation has been declining. With the continuing pursuit of prudent fiscal and monetary policies, this has permitted a substantial lowering of interest rates. There has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions. For the industrialized countries, and indeed for the world economy, the recent decline in oil prices will help to sustain non-inflationary growth and to increase the volume of world trade, despite the difficulties which it creates for certain oil-producing countries. Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.

3. However, the world economy still faces a number of difficult challenges which could impair sustainability of growth. Among these are high unemployment, large domestic and external imbalances, uncertainty about the future behaviour of exchange rates, persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-term prospects for the levels of energy prices. If large imbalances and other distortions are allowed to persist for too long, they will present an increasing threat to world economic growth and to the open multilateral trading system. We cannot afford to relax our efforts. In formulating our policies, we need to look to the medium and longer term, and to have regard to the interrelated and structural character of current problems.

4. We stress the need to implement effective structural adjustment policies in all countries across the whole range of economic activities to promote growth, employment and the integration of domestic economies into the world economy. Such policies include technological innovation, adaptation of industrial structure and expansion of trade and foreign direct investment.

5. In each of our own countries, it remains essential to maintain a firm control of public spending within an appropriate medium-term framework of fiscal and monetary policies. In some of our countries there continue to be excessive fiscal deficits which the governments concerned are resolved progressively to reduce.

6. Since our last meeting we have had some success in the creation of new jobs to meet additions to the labour force, but unemployment remains excessively high in many of our countries. Non-inflationary growth remains the biggest single contributor to the limitation

TOKYO, MAY 4/6, 1986

and reduction of unemployment, but it needs to be reinforced by policies which encourage job creation, particularly in new and high-technology industries, and in small businesses.

7. At the same time, it is important that there should be close and continuous coordination of economic policy among the seven Summit countries. We welcome the recent examples of improved coordination among the Group of Five Finance Ministers and Central Bankers, which have helped to change the pattern of exchange rates and to lower interest rates on an orderly and non-inflationary basis. We agree, however, that additional measures should be taken to ensure that procedures for effective coordination of international economic policy are strengthened further. To this end, the Heads of State or Government:

- agree to form a new Group of Seven Finance Ministers, including Italy and Canada, which will work together more closely and more frequently in the periods between the annual Summit meetings;

- request the seven Finance Ministers to review their individual economic objectives and forecasts collectively at least once a year, using the indicators specified below, with a particular view to examining their mutual compatibility;

With the representatives of the European Community:

- state that the purposes of improved coordination should explicitly include promoting non-inflationary economic growth, strengthening market-oriented incentives for employment and productive investment, opening the international trading and investment system, and fostering greater stability in exchange rates;

- reaffirm the undertaking at the 1982 Versailles Summit to cooperate with the IMF in strengthening multilateral surveillance, particularly among the countries whose currencies constitute the SDR, and request that, in conducting such surveillance and in conjunction with the Managing Director of the IMF, their individual economic forecasts should be reviewed, taking into account indicators such as GNP growth rates, inflation rates, interest rates, unemployment rates, fiscal deficit ratios, current account and trade balances, monetary growth rates, reserves, and exchange rates;

- invite the Finance Ministers and Central Bankers in conducting multilateral surveillance to make their best efforts to reach an understanding on appropriate remedial measures whenever there are significant deviations from an intended course; and recommend that remedial efforts focus first and foremost on underlying policy fundamentals, while reaffirming the 1983 Williamsburg commitment to intervene in exchange markets when to do so would be helpful.

The Heads of State or Government:

- request the Group of Five Finance Ministers to include Canada and Italy in their meetings whenever the management or the improvement of the international monetary system and related economic policy measures are to be discussed and dealt with;

- invite Finance Ministers to report progress at the next Economic Summit meeting.

These improvements in coordination should be accompanied by similar efforts within the Group of Ten.

8. The pursuit of these policies by the industrialized countries will help the developing countries in so far as it strengthens the world economy, creates conditions for lower interest rates, generates the possibility of increased financial flows to the developing countries, promotes transfer of technology and improves access to the markets of the industrialized countries. At the same time, developing countries, particularly debtor countries, can fit themselves to play a fuller part in the world economy by adopting effective structural adjustment policies, coupled with measures to mobilize domestic savings, to encourage the repatriation of capital, to improve the environment for foreign investment, and to promote more open trading policies. In this connection, noting in particular the difficult situation facing those countries highly dependent on exports of primary commodities, we agree to

continue to support their efforts for further processing of their products and for diversifying their economies, and to take account of their export needs in formulating our own trade and domestic policies.

9. Private financial flows will continue to play a major part in providing for their development needs. We reaffirm our willingness to maintain and, where appropriate, expand official financial flows, both bilateral and multilateral, to developing countries. In this connection, we attach great importance to an early and substantial eighth replenishment of the International Development Association (IDA) and to a general capital increase of the World Bank when appropriate. We look for progress in activating the Multilateral Investment Guarantee Agency.

10. We reaffirm the continued importance of the case-by-case approach to international debt problems. We welcome the progress made in developing the cooperative debt strategy, in particular, building on the United States initiative. The role of the international financial institutions, including the multilateral development banks, will continue to be central, and we welcome moves for closer cooperation among these institutions, and particularly between the IMF and the World Bank. Sound adjustment programmes will also need resumed commercial bank lending, flexibility in rescheduling debt and appropriate access to export credits.

11. We welcome the improvement which has occurred in the food situation in Africa. Nonetheless a number of African countries continue to need emergency aid, and we stand ready to assist. More generally, we continue to recognize the high priority to be given to meeting the needs of Africa. Measures identified in the Report on Aid to Africa adopted and forwarded to us by our Foreign Ministers should be steadily implemented. Assistance should focus in particular on the medium and long-term economic development of these countries. In this connection we attach great importance to continued cooperation through the Special Facility for Sub-Saharan African countries, early implementation of the newly established Structural Adjustment Facility of the IMF and the use of the IDA. We intend to participate actively in the forthcoming United Nations Special Session on Africa to lay the foundation for the region's long-term development.

12. The open multilateral trading system is one of the keys to the efficiency and expansion of the world economy. We reaffirm our commitment to halting and reversing protectionism, and to reducing and dismantling trade restrictions. We support the strengthening of the system and functioning of the GATT, its adaptation to new developments in world trade and to the international economic environment, and the bringing of new issues under international discipline. The new round should, *inter alia*, address the issues of trade in services and trade-related aspects of intellectual property rights and foreign direct investment. Further liberalization of trade is, we believe, of no less importance for the developing countries than for ourselves, and we are fully committed to the preparatory process in the GATT with a view to the early launching of the new round of multilateral trade negotiations. We shall work at the September Ministerial meeting to make decisive progress in this direction.

13. We note with concern that a situation of global structural surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection of agriculture in all our countries. This harms the economies of certain developing countries and is likely to aggravate the risk of wider protectionist pressures. This is a problem which we all share and can be dealt with only in cooperation with each other. We all recognize the importance of agriculture to the well-being of rural communities, but we are agreed that, when there are surpluses, action is needed to redirect policies and adjust structure of agricultural production in the light of world

TOKYO, MAY 4/6, 1986

demand. We recognize the importance of understanding these issues and express our determination to give full support to the work of the OECD in this field.

14. Bearing in mind that the recent oil price decline owes much to the cooperative energy policies which we have pursued during the past decade, we recognize the need for continuity of policies for achieving long-term energy market stability and security of supply. We note that the current oil market situation enables countries which wish to do so to increase stock levels.

15. We reaffirm the importance of science and technology for the dynamic growth of the world economy and take note, with appreciation, of the final report of the Working Group on Technology, Growth and Employment. We welcome the progress made by the United States Manned Space Programme and the progress made by the autonomous work of the European Space Agency (ESA). We stress the importance for genuine partnership of appropriate exchange of information, experience and technologies among the participating states. We also note with satisfaction the results of the Symposium on Neuroscience and Ethics, hosted by the Federal Republic of Germany and we appreciate the decision of the Canadian Government to host the next meeting.

16. We reaffirm our responsibility, shared with other governments, to preserve the natural environment, and continue to attach importance to international cooperation in the effective prevention and control of pollution and natural resources management. In this regard, we take note of the work of the environmental experts on the improvement and harmonization of the techniques and practices of environmental measurement, and ask them to report as soon as possible. We also recognize the need to strengthen cooperation with developing countries in the area of the environment.

17. We have agreed to meet again in 1987 and have accepted the invitation of the President of the Council of the Italian Government to meet in Italy.

## Statement on International Terrorism

1. We, the Heads of State or Government of seven major democracies and the representatives of the European Community, assembled here in Tokyo, strongly reaffirm our condemnation of international terrorism in all its forms, of its accomplices and of those, including governments, who sponsor or support it. We abhor the increase in the level of such terrorism since our last meeting, and in particular its blatant and cynical use as an instrument of government policy. Terrorism has no justification. It spreads only by the use of contemptible means, ignoring the values of human life, freedom and dignity. It must be fought relentlessly and without compromise.

2. Recognizing that the continuing fight against terrorism is a task which the international community as a whole has to undertake, we pledge ourselves to make maximum efforts to fight against that scourge. Terrorism must be fought effectively through determined, tenacious, discreet and patient action combining national measures with international cooperation. Therefore, we urge all like-minded nations to collaborate with us, particularly in such international fora as the United Nations, the International Civil Aviation Organization and the International Maritime Organization, drawing on their expertise to improve and extend counter-measures against terrorism and those who sponsor or support it.

3. We, the Heads of State or Government agree to intensify the exchange of information in relevant fora on threats and potential threats emanating from terrorist activities and those who sponsor or support them, and on ways to prevent them.

4. We specify the following as measures open to any government concerned to deny to international terrorists the opportunity and the means to carry out their aims, and to identify and deter those who perpetrate such terrorism. We have decided to apply these measures within the framework of international law and in our own jurisdictions in respect of any state which is clearly involved in sponsoring or supporting international terrorism, and in particular of Libya, until such time as the state concerned abandons its complicity in, or support for, such terrorism. The measures are:

- refusal to export arms to states which sponsor or support terrorism;
- strict limits on the size of the diplomatic and consular missions and other official bodies abroad of states which engage in such activities, control of travel of members of such missions and bodies, and, where appropriate, radical reductions in, or even the closure of, such missions and bodies;
- denial of entry to all persons, including diplomatic personnel, who have been expelled or excluded from one of our states on suspicion of involvement in international terrorism or who have been convicted of such a terrorist offence;
- improved extradition procedures within due process of domestic law for bringing to trial those who have perpetrated such acts of terrorism;
- stricter immigration and visa requirements and procedures in respect of nationals of states which sponsor or support terrorism;
- the closest possible bilateral and multilateral cooperation between police and security organizations and other relevant authorities in the fight against terrorism.

Each of us is committed to work in the appropriate international bodies to which we belong to ensure that similar measures are accepted and acted upon by as many other governments as possible.

5. We will maintain close cooperation in furthering the objectives of this statement and in considering further measures. We agree to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. We are ready to promote bilaterally and multilaterally further actions to be taken in international organizations or fora competent to fight against international terrorism in any of its forms.

## Statement on the Implications of the Chernobyl Nuclear Accident

We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, have discussed the implications of the accident at the Chernobyl nuclear power station. We express our deep sympathy for those affected. We remain ready to extend assistance, in particular medical and technical, if and when requested.

Nuclear power is and, properly managed, will continue to be an increasingly widely used source of energy. For each country, the maintenance of safety and security is an international responsibility and each country engaged in nuclear power generation bears full responsibility for the safety of the design, manufacture, operation and maintenance of its installations. Each of our countries meets exacting standards. Each country, furthermore, is responsible for prompt provision of detailed and complete information on nuclear

TOKYO, MAY 4/6, 1986

emergencies and accidents, in particular those with potential transboundary consequences. Each of our countries accepts that responsibility, and we urge the Government of the Soviet Union, which did not do so in the case of Chernobyl, to provide such information, as our and other countries have requested.

We note with satisfaction the Soviet Union's willingness to undertake discussions this week with the Director-General of the International Atomic Energy Agency (IAEA). We expect that these discussions will lead to the Soviet Union's participation in the desired postaccident analysis.

4. We welcome and encourage the work of the IAEA in seeking to improve international cooperation on the safety of nuclear installations, the handling of nuclear accidents and their consequences, and the provision of mutual emergency assistance. Moving forward from the relevant IAEA guidelines, we urge the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents. This should be done with the least possible delay.

## Looking Forward to a Better Future

1. We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, with roots deep in the civilizations of Europe and Asia, have seized the opportunity of our meeting at Tokyo to raise our sights not just to the rest of this century but into the next as well. We face the future with confidence and determination, sharing common principles and objectives, and mindful of our strengths.

2. Our shared principles and objectives, reaffirmed at past Summits, are bearing fruit. Nations surrounding the Pacific are thriving dynamically through free exchange, building on their rich and varied heritages. The countries of Western Europe, the Community members in particular, are flourishing by raising their co-operation to new levels. The countries of North America, enriched by European and Asian cultures alike, are firm in their commitment to the realization in freedom of human potential. Throughout the world we see the powerful appeal of democracy and growing recognition that personal initiative, individual creativity and social justice are main sources of progress. More than ever we have all to join our energies in the search for a safer and healthier, more civilized and prosperous, free and peaceful world.

We believe that close partnership of Japan, North America and Europe will make a significant contribution toward this end.

3. We reaffirm our common dedication to preserving and strengthening peace, and as part of that effort, to building a more stable and constructive relationship between East and West. Each of us is ready to engage in co-operation in fields of common interest. Within existing alliances, each of us is resolved to maintain a strong and credible defence that can protect freedom and deter aggression, while not threatening the security of others. We know that peace cannot be safeguarded by military strength alone. Each of us is committed to addressing East-West differences through high-level dialogue and negotiation. To that end, each of us supports balanced, substantial and verifiable reductions in the level of arms; measures to increase confidence and reduce the risks of conflicts; and the peaceful resolution of disputes. Recalling the agreement between the United States and the Soviet Union to accelerate work at Geneva, we appreciate the United States' negotiating efforts; we shall work for improved respect for the rights of individuals throughout the world.

4. We proclaim our conviction that in today's world, characterized by ever increasing interdependence, our countries cannot enjoy lasting stability and prosperity without stability



and prosperity in the developing world and without the co-operation among us which can achieve these aims. We pledge ourselves afresh to fight against hunger, disease and poverty, so that developing nations can also play a full part in building a common, bright future.

5. We owe it to future generations to pass on a healthy environment and a culture rich in both spiritual and material values. We are resolved to pursue effective international action to eliminate the abuse of drugs. We proclaim our commitment to work together for a world which respects human beings in the diversity of their talents, beliefs, cultures and traditions. In such a world based upon peace, freedom and democracy, the ideals of social justice can be realized and employment opportunities can be available for all. We must harness wisely the potential of science and technology, and enhance the benefits through cooperation and exchange. We have a solemn responsibility so to educate the next generation as to endow them with the creativity befitting the twenty-first century and to convey to them the value of living in freedom and dignity.

# VENICE

JUNE 8/10, 1987

## LIST OF PARTICIPANTS

VENICE, JUNE 8/10, 1987

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Secretary of State for External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Jacques Chirac <i>Prime Minister</i> Jean Bernard Raimond <i>Minister of Foreign Affairs</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Martin Bangemann <i>Federal Minister of Economy</i>
ITALY	Amintore Fanfani <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of Foreign Affairs</i> Giovanni Gorla <i>Minister of the Treasury</i>
JAPAN	Yasuhiro Nakasone <i>Prime Minister</i> Tadashi Kuranari <i>Minister of Foreign Affairs</i> Kiichi Miyazawa <i>Minister of Finance</i> Hajime Tamura <i>Minister of Industry and International Trade</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> James A. Baker <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Wilfried Martens <i>President of the European Council</i> Leo Tindemans <i>Minister of Foreign Affairs of Belgium</i> Willy De Clercq <i>Commissioner for External Relations</i>

# 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.

## MICROECONOMIC 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.

VENICE, JUNE 8/10, 1987

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 on-going 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 economics 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 roll back which have been reaffirmed in the Ministerial Declaration on the Uruguay Round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.

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

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

## AGRICULTURE

17. At Tokyo we recognized the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world

VENICE, JUNE 8/10, 1987

demand, and expressed out 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 requires 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 acknowledgement 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 organisations (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-orientated 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 credit-worthiness 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 the 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 recognise the problems of developing countries whose economies are solely or predominantly dependent upon 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 recognise 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 of governments of industrialised 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



VENICE, JUNE 8/10, 1987

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 environmental 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 environmental 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.

## Statement on East-West Relations

1. We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, have discussed East-West relations. We reaffirm our shared principles and objectives, and our common dedication to preserving and strengthening peace.

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

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

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

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

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

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

- We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since;

- We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future; and

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

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

VENICE, JUNE 8/10, 1987

*Source: U.S., Department of State, Bulletin, No. 2125 (August 1987): 3; Canada, Department of External Affairs, Economic Summits, 1975-1987: Declarations (Ottawa, 198—): Tab. 32, 1-2 [unpublished]; Embassy of Italy, Ottawa, Canada; Canada. Department of External Affairs, Toronto Economic Summit, June 19-21, 1988 (Ottawa, 1988), p. 52.*

## Statement on Terrorism

*June 9, 1987*

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

- Reaffirm our commitment to the statements on terrorism made at previous Summits in Bonn, Venice, Ottawa, London and Tokyo;
- Resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;
- Confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;
- Remain resolved to apply, in respect of any State clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;
- Welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986, and in particular the initiative taken by France and Germany to convene in May in Paris a meeting of Ministers of nine countries who are responsible for counter-terrorism;
- Reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora;
- Will continue our efforts to improve the safety of travelers. We welcome improvements in airport and maritime security, and encourage the work of ICAO [International Civil Aviation Organization] and IMO [International Maritime Organization] in this regard. Each of us will continue to monitor closely the activities of airlines which raise security problems. The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;
- Commit ourselves to support the rule of law in bringing terrorists to justice. Each of us pledges increased cooperation in the relevant fora and within the framework of domestic and international law on the investigation, apprehension and prosecution of terrorists. In particular, we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.

## Annex

The Heads of State or Government recall that in their Tokyo Statement on international terrorism they agreed to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. To this end, in cases where a country refuses extradition or prosecution of those who have committed offences described in the Montreal Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation and/or does not return the aircraft involved, the Heads of State or Government are jointly resolved that their Governments shall take immediate action to cease flights to that country as stated in the Bonn Declaration.

At the same time, their Governments will initiate action to halt incoming flights from that country or from any country by the airlines of the country concerned as stated in the Bonn Declaration.

The Heads of State or Government intend also to extend the Bonn Declaration in due time to cover any future relevant amendment to the above Convention or any other aviation conventions relating to the extradition or prosecution of the offenders.

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

SOURCE U.S., Department of State, *Bulletin*, No. 2125 (August 1987): 3-4; Canada, Department of External Affairs, *Economic Summits, 1975-1987: Declarations* (Ottawa, 198—): Tab 33, 3-5 [unpublished]; Embassy of Italy, Ottawa, Canada; Canada, Department of External Affairs, *Toronto Economic Summit, June 19-21, 1988* (Ottawa, 1988), p. 53.

## Statement on Iraq-Iran War and Freedom of Navigation in the Gulf

June 9, 1987

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

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

SOURCE: U.S., Department of State, *Bulletin*, No. 2125 (August 1987): 4; Canada, Department of External Affairs, *Economic Summits, 1975-1987: Declarations* (Ottawa, 198—): Tab 34 [unpublished]; Embassy of Italy, Ottawa, Canada; Canada, Department of External Affairs, *Toronto Economic Summit, June 19-21, 1988* (Ottawa, 1988), p. 54.

VENICE, JUNE 8/10, 1987

## Chairman's Summary on Political Issues

*June 10, 1987*

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 tranquility 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 favorable 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 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 [sic] and, in particular, to its current financial difficulties, and considered possible ways of overcoming them.

SOURCE: U.S., Department of State, *Bulletin*, No. 2125 (August 1987): 10; Canada, Department of External Affairs, *Economic Summits, 1975-1987: Declarations* (Ottawa, 198—): Tab 35, 1-2 [unpublished].

## Chairman's Statement on AIDS

*June 10, 1987*

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 [Acquired Immune Deficiency Syndrome] 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 program 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; and

- Further cooperation should be promoted for basic and clinical studies on prevention, treatment and the exchange of information (as in the case of the EC program). 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 program of French and American researchers, which is being enlarged, and similar programs) 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.

SOURCE: U.S., Department of State, *Bulletin*, No. 2125 [August 1987]: 10-11; Canada, Department of External Affairs, *Economic Summits, 1975-1987: Declarations* [Ottawa,

VENICE, JUNE 8/10, 1987

198—]: Tab. 36 [unpublished]; Canada, Department of External Affairs, *Toronto Economic Summit, June 19-21, 1988* (Ottawa, 1988), p. 51.

## Chairman's Statement on Drugs

*June 10, 1987*

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 is convening next week in Vienna.

SOURCE: U.S., Department of State, *Bulletin*, No. 2125 [August 1987]: 11; Canada, Department of External Affairs, *Economic Summits, 1975-1987: Declarations* [Ottawa, 198—]: Tab 37 [unpublished]; Canada, Department of External Affairs, *Toronto Economic Summit, June 19-21, 1988* [Ottawa, 1988], p. 51.

TORONTO

JUNE 19/21, 1988



## LIST OF PARTICIPANTS

TORONTO, JUNE 19/21, 1988

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Secretary of State for External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister of External Affairs</i> Pierre Bérégovoy <i>Minister for Economics, Finance and Privatization</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Gerhard Stoltenberg <i>Federal Minister of Finance</i> Martin Bangemann <i>Federal Minister of Economics</i>
ITALY	Ciriaco De Mita <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of Foreign Affairs</i> Giuliano Amato <i>Minister of Finance</i>
JAPAN	Noboru Takeshita <i>Prime Minister</i> Sousuke Uno <i>Minister of Foreign Affairs</i> Kiichi Miyazawa <i>Minister of Finance</i> Hajime Tamura <i>Minister of Industry and International Trade</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs / Minister of Overseas Development</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Ronald Reagan <i>President</i> George P. Shultz <i>Secretary of State</i> James A. Baker <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Willy De Clerq <i>Commissioner for Foreign Affairs</i> Peter M. Schmidhuber <i>Commissioner for Monetary Affairs</i>

# Economic Declaration

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

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

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

4. Summits have proven an effective forum to address the issues facing the world economy, promote new ideas and develop a common sense of purpose. Especially in the 1980s they have helped bring about an increasing recognition that the eradication of inflation and of inflationary expectations is fundamental to sustained growth and job creation. That recognition has been underpinned by a shift from short-term considerations to a medium-term framework for the development and implementation of economic policies, and a commitment to improve efficiency and adaptability through greater reliance on competitive forces and structural reform. Over this period we have singled out for concerted attention a number of other issues of decisive importance: the overriding need to resist protectionism and strengthen the open, multilateral trading system; to maintain and strengthen an effective strategy to address the challenge of development and alleviate the burden of debt; and to deal with the serious nature of the world agricultural problem.

5. Since we last met, our economies have kept up the momentum of growth. Employment has continued to expand generally, inflation has been restrained, and progress has been made toward the correction of major external imbalances. These encouraging developments are cause for optimism, but not for complacency. To sustain non-inflationary growth will require a commitment to enhanced cooperation. This is the key to credibility and confidence.

TORONTO, JUNE 19/21, 1988

# International Economic Policy Co-operation

## MACROECONOMIC POLICIES AND EXCHANGE RATES

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

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

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

## STRUCTURAL REFORMS

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

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

11. We welcome the further development of the OECD's surveillance of structural reforms. Such surveillance would be particularly useful in improving public understanding

of the reforms by revealing their impact on government budgets, consumer prices, and international trade.

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

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

## Multilateral Trading System/Uruguay Round

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

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

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

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

TORONTO, JUNE 19/21, 1988

18. In agriculture, continued political impetus is essential to underpin the politically difficult efforts at domestic policy reform and to advance the equally difficult and related process of agricultural trade reform. Although significant progress was made in 1987 in the Uruguay Round negotiations, with the tabling of major proposals, it is necessary to ensure that the Mid-Term Review in Montreal in December 1988 adds impetus to the negotiations in this as in other fields. We support efforts to adopt a framework approach, including short as well as long-term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets. This would be facilitated by a device for the measurement of support and protection. Also, ways should be developed to take account of food security and social concerns. To move the issue forward, and noting among other things the diversity of our agricultural situations, our negotiators in Geneva must develop a framework approach which includes short-term options in line with long-term goals concerning the reduction of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade. The objective of the framework approach would be to make the agricultural sector more responsive to market signals.

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

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

## Newly Industrializing Economies

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

## Developing Countries and Debt

22. The performance of developing countries is increasingly important to the world economy. Central to the prospects of the developing countries are a healthy global economic environment and an open trading system, adequate financial flows and, most important their commitment to appropriate economic reform. The problems of many heavily-indebted developing countries are a cause of economic and political concern and can be a threat to political stability in developing countries. Several countries find themselves in that situation in various regions of the world: Latin America, Africa and the Pacific, particularly the Philippines, and that merits our special attention.

### MIDDLE-INCOME COUNTRIES

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

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

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

26. Commercial banks have played an important role in supporting debtor countries' reform efforts through an expanded menu of financing options which has facilitated the channelling of commercial bank lending into productive uses. Their continued involvement is indispensable to the debt strategy. In this regard, the World Bank and IMF can play an important catalytic role in mobilizing additional financing from private (and official) sources in support of debtor countries' adjustment programs.

27. We note that in recent years there has been increasing recourse to innovative financing techniques. The important characteristics of these techniques are that they are voluntary, market-oriented, and applied on a case-by-case basis. The «menu approach» has engendered new financial flows and, in some cases, reduced the existing stock of debt. The flexibility of the present strategy would be enhanced by the further broadening of the menu approach and the encouragement of innovative *financing* techniques to improve the quality of new lending, but particular initiatives would have to be carefully considered.

28. International direct investment plays an important role in spurring economic growth and structural adjustment in developing countries. Thus it contributes to allevia-

TORONTO, JUNE 19/21, 1988

ting debt problems. Developing countries should welcome and encourage such investment by creating a favourable investment climate.

#### DEBT OF THE POOREST

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

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

## Environment

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

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

33. Further action is needed. Global climate change, air, sea and fresh water pollution, acid rain, hazardous substances, deforestation, and endangered species require priority attention. It is, therefore, timely that negotiations on a protocol on emissions of nitrogen

oxides within the framework of the Geneva Convention on Long-range Transboundary Air Pollution be pursued energetically. The efforts of the United Nations Environment Program (UNEP) for an agreement on the transfrontier shipment of hazardous wastes should also be encouraged as well as the establishment of an inter-governmental panel on global climate change under the auspices of UNEP and the World Meteorological Organization (WMO). We also recognize the potential impact of agriculture on the environment, whether negative through over-intensive use of resources or positive in preventing desertification. We welcome the Conference on the Changing Atmosphere to be held in Toronto next week.

## Future Summits

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

## Other Issues

### HUMAN FRONTIER SCIENCE PROGRAM

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

### BIOETHICS

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



## Annex on Structural Reforms

- i) Europe is pursuing structural reforms to complement macroeconomic policies in order to spur job creation, enhance growth potential, and achieve a sustainable pattern of external balances. Structural reform measures are being put into place in the framework of the Communities' program for a unified internal market by 1992: including full liberalization of capital movements, removal of physical, administrative and technical barriers to allow the full mobility of persons, goods and services and an improvement of competition policy. However, full achievement will depend on complete and timely implementation of the measures and on complementary policies including those in the fields of regional, social and environmental policies and of technological co-operation.
- ii) The main elements of Germany's structural reforms are tax reform and reduction, deregulation and privatization, reform of the postal and telecommunications system, increased flexibility in the labour market, and reform of the social security system.
- iii) In France, the main structural reforms will deal with improving the level of education and professional training and development for workers, and with major improvements in the functioning of financial markets in order to facilitate the financing of the economy at the lowest possible cost.
- iv) Italy will seek to promote training and education, increase the flexibility of the labour market to spur employment, improve the functioning of financial markets, revise the tax system to promote efficiency and eliminate distortions, and enhance public sector efficiency.
- v) In the United Kingdom, there has already been a substantial program of tax reform, trade union law reform, deregulation, opening up of markets and privatization of state industries. This will continue. Further measures are being introduced to improve both the quality of education and the flexibility of the housing market.
- vi) Japan will pursue further structural reforms to support and sustain the greater reliance on domestic demand-led growth which has quickened remarkably. Japan will promote reform of government regulations in key sectors including land use policies and the distribution system, and reform of the tax system.
- vii) For the United States, where recent indications that the declining trend in private savings may have bottomed out are encouraging, it is nonetheless a priority to increase incentives to save. Also the United States will strengthen the international competitiveness of its industrial sector.
- viii) The most promising areas of structural reform in Canada are implementation of the second stage of tax reform, the proposed liberalization of the financial services sector, and, most important, the implementation of the Free Trade Agreement with the United States.

SOURCE: U.S., Department of State, *Bulletin*, No. 2137 [August 1988]: 49-52; Canada, Department of External Affairs, *Toronto Economic Summits Economic Declarations* (Ottawa, 1988) [unpublished].

# Political Declaration

## EAST-WEST

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

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

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

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

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

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

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

TORONTO, JUNE 19/21, 1988

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

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

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

#### TERRORISM

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

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

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

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

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

#### NARCOTICS

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

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

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

SOURCE: U.S., Department of State, *Bulletin*, No. 2137 [August 1988]: 47-49; Canada, Department of External Affairs, *[Toronto Economic Summit] Political Declaration* [Ottawa, 1988] [unpublished].

## Chairman's Summary of Political Issues

The following represents an agreed summary of the discussions on the Middle East, South Africa, and Cambodia.

### MIDDLE EAST

We express our deep concern at the increasing instability in the Near East. The current violence in the Occupied Territories is a clear sign that the status quo is not sustainable. An early negotiated settlement to the underlying Arab-Israeli dispute is essential. We declare our support for the convening of a properly structured international conference as the appropriate framework for the necessary negotiations between the parties directly concerned. In this perspective we salute current efforts aimed at achieving a settlement, particularly the initiative pursued by Mr. Shultz since February. We urge the parties to co-operate fully in the search for a solution.

We have pursued our consultations about the continuing war between Iran and Iraq, which remains a source of profound concern to us. We reaffirm our support for Security Council Resolution 598, which was adopted unanimously. We express our warm appreciation for the efforts of the Secretary-General to work for a settlement on this basis and reiterate our firm determination to ensure implementation of this mandatory resolution by a follow-up resolution. We condemn the use of chemical weapons by either party, deplore proliferation of ballistic missiles in the region, and renew our commitment to uphold the principle of freedom of navigation in the Gulf.

### SOUTH AFRICA

We declare our abhorrence of apartheid, which must be replaced through a process of genuine national negotiations by a non-racial democracy.

We expressed our urgent opinion on three particular matters:

- 1) All legal options available in South Africa should be used to secure clemency for the Sharpeville Six;
- 2) The enactment of legislation designed to deprive anti-apartheid organizations of overseas aid would place severe strain on the relations each of us has with South Africa;
- 3) We strongly support the current negotiations seeking national reconciliation within Angola, an end to the Angola-Namibia conflict, and early implementation of UN Security Council Resolution 435.

TORONTO, JUNE 19/21, 1988

CAMBODIA

As the recent message from Prince Sihanouk has reminded us, the continuing Cambodian conflict and the suffering of the Cambodian people is of deep concern. We join the vast majority of the nations of the world in calling for the prompt withdrawal of all Vietnamese troops. We support a political settlement in Cambodia which will provide for Cambodian self-determination and lead to the re-emergence of a free and independent Cambodia.

SOURCE: U.S., Department of State, *Bulletin*, No. 2137 [August 1988]: 49; Canada, Department of External Affairs, *[Toronto Economic Summit] Chairman's Summary of Political Issues* [Ottawa, 1988] [unpublished].

# PARIS

JULY 14/16, 1989

## LIST OF PARTICIPANTS

PARIS, JULY 14/16, 1989

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Secretary of State for External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister of State, Minister for Foreign Affairs</i> Pierre Bérégovoy <i>Minister of State, Minister for the Economy, Finance and the Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Theo Waigel <i>Federal Minister of Finance</i> Hans Tietmeyer <i>Federal Minister for Economic Affairs</i>
ITALY	Ciriaco De Mita <i>President of the Council of Ministers</i> Giulio Andreotti <i>Minister of External Affairs</i> Giuliano Amato <i>Minister of the Treasury</i>
JAPAN	Sousuke Uno <i>Prime Minister</i> Hiroshi Mitzuzuka <i>Minister of Foreign Affairs</i> Tatsuo Murayama <i>Minister of Finance</i> Seiroku Kajiyama <i>Minister of Industry and International Trade</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Geoffrey Howe <i>Secretary of State for Foreign and Commonwealth Affairs</i> Nigel Lawson <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	George Bush <i>President</i> James A. Baker <i>Secretary of State</i> Nicholas J. Brady <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Frans Andriessen <i>Vice-President, External Relations</i> Hanning Christophersen <i>Vice-President, Economic and Financial Affairs</i>

# Economic Declaration

1. We, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Communities, have met in Paris for the fifteenth annual Economic Summit. The Summit of the Arch initiates a new round of Summits to succeed those begun at Rambouillet in 1975 and at Versailles in 1982. The round beginning in 1982 has seen one of the longest periods of sustained growth since the Second World War. These Summits have permitted effective consultations and offered the opportunity to launch initiatives and to strengthen international cooperation.

2. This year's world economic situation presents three main challenges:

- The choice and the implementation of measures needed to maintain balanced and sustained growth, counter inflation, create jobs and promote social justice. These measures should also facilitate the adjustment of external imbalances, promote international trade and investment, and improve the economic situation of developing countries.

- The development and the further integration of developing countries into the world economy. Whilst there has been substantial progress in many developing countries, particularly those implementing sound economic policies, the debt burden and the persistence of poverty, often made worse by natural disasters affecting hundreds of millions of people, are problems of deep concern which we must continue to face in a spirit of solidarity.

- The urgent need to safeguard the environment for future generations. Scientific studies have revealed the existence of serious threats to our environment such as the depletion of the stratospheric ozone layer and excessive emissions of carbon dioxide and other greenhouse gases which could lead to future climate changes. Protecting the environment calls for a determined and concerted international response and for the early adoption, worldwide, of policies based on sustainable development.

## International Economic Situation

3. Growth has been sustained by focusing policies on improving the efficiency and flexibility of our economies and by strengthening our cooperative efforts and the coordination process. In the medium term, the current buoyant investment seen during this period should pave the way for an increased supply of goods and services and help reduce the dangers of inflation. The outlook is not, however, without risks.

4. Until now, the threat of inflation in many countries has been contained, thanks to the concerted efforts of governments and monetary authorities. But continued vigilance is required and inflation, where it has increased, will continue to receive a firm policy response so that it will be put on a downward path.

5. While some progress has been made in reducing external imbalances, the momentum of adjustment has recently weakened markedly. There needs to be further progress in adjusting external imbalances through cooperation.

6. In countries with fiscal and current account deficits, including the United States of America, Canada and Italy, further reductions in budget deficits are needed. Action will be



PARIS, JULY 14/16, 1989

taken to bring them down. This may help reduce the saving-investment gap and external imbalances, contribute to countering inflation and encourage greater exchange rate stability in a context of decreasing interest rates.

7. Countries with external surpluses, including Japan and Germany, should continue to pursue appropriate macroeconomic policies and structural reforms that will encourage non-inflationary growth of domestic demand and facilitate external adjustment.

8. All our countries share the responsibility for the sound development of the world economy. Over the medium term, deficit countries have to play a key role in global adjustment through their external adjustment and increased exports; surplus countries have to contribute to sustaining global expansion through policies providing favourable conditions for growth of domestic demand and imports.

9. The emergence of the newly industrializing economies and the initiation of a dialogue with them are welcome. We call on those with substantial surpluses to contribute to the adjustment of external imbalances and the open trade and payments system. To that end, they should permit exchange rates to reflect their competitive position, implement GATT commitments and reduce trade barriers.

## International Monetary Developments and Coordination

10. Under the Plaza and Louvre agreements, our countries agreed to pursue, in a mutually reinforcing way, policies of surveillance and coordination aimed at improving their economic fundamentals and at fostering stability of exchange rates consistent with those economic fundamentals.

There has been progress in the multilateral surveillance and coordination of economic policies with a view to ensuring internal consistency of domestic policies and their international compatibility. The procedures to be used have been more clearly defined and improved in cooperation with the International Monetary Fund.

11. The coordination process has made a positive contribution to world economic development and it has also contributed greatly to improving the functioning of the International Monetary System. There has also been continued cooperation in exchange markets.

It is important to continue, and where appropriate, to develop this cooperative and flexible approach to improve the functioning and the stability of the International Monetary System in a manner consistent with economic fundamentals. We therefore ask the Finance Ministers to continue to keep under review possible steps that could be taken to improve the coordination process, exchange market cooperation, and the functioning of the International Monetary System.

12. We welcome the decision to complete the work on the ninth review of the International Monetary Fund quotas with a view to a decision on this matter before the end of the year.

We note that the question of a resumption of SDR [Special Drawing Rights] allocation remains under consideration in the Executive Board of the International Monetary Fund.

13. Within the European Community, the European Monetary System has contributed to a significant degree of economic policy convergence and monetary stability.

## Improving Economic Efficiency

14. We will *continue* to promote measures in order to remove inefficiencies in our economies. These inefficiencies affect many aspects of economic activity, reduce potential growth rates and the prospects for job creation, diminish the effectiveness of macroeconomic policies and impede the external adjustment process. In this context, tax reforms, modernization of financial markets, strengthening of competition policies and reducing rigidities in all sectors including energy, industry and agriculture are necessary. So are the improvement of education and vocational training, transportation and distribution systems and further policies aimed at giving more flexibility and mobility to the labour market and reducing unemployment. Within the European Community, the steady progress towards the completion by the end of 1992 of the program contained in the Single Act has already given a strong momentum to economic efficiency.

15. The decline of saving in some of our countries in this decade is a cause for concern. This lower level of saving can contribute to high real interest rates and therefore hamper growth. Inadequate saving and large fiscal deficits are associated with large external deficits. We recommend, within the framework of policy coordination, policies to encourage saving and remove hindrances where they exist.

16. Financial activities are being increasingly carried out with new techniques on a worldwide basis. As regards insider trading, which could hamper credibility of financial markets, regulations vary greatly among our countries. These regulations have been recently, or are in the process of being, strengthened. International cooperation should be pursued and enhanced.

## Trade Issues

17. World trade developed rapidly last year. Yet protectionism remains a real threat. We strongly reaffirm our determination to fight it in all its forms. We shall fulfill the Punta del Este standstill and rollback commitments which, *inter alia*, require the avoidance of any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement and its instruments. We agree to make effective use of the improved GATT dispute settlement mechanism and to make progress in negotiations for further improvements. We will avoid any discriminatory or autonomous actions, which undermine the principles of the GATT and the integrity of the multilateral trading system. We also are pledged to oppose the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens to undermine the multilateral system and the Uruguay Round negotiations.

18. The successful negotiation of the Trade Negotiations Committee of the Uruguay Round in Geneva last April, thereby completing the mid-term review, is a very important achievement. It gives a clear framework for future work in all sectors including the pursuit of agricultural reform in the short term as well as in the long term. It also gives the necessary framework for substantive negotiations in important sectors not yet fully included in GATT disciplines, such as services, trade-related investment measures and intellectual property.

Developing countries participated actively in these negotiations and contributed to this success. All countries should make their most constructive contribution possible.

PARIS, JULY 14/16, 1989

We express our full commitment to making further substantive progress in the Uruguay Round in order to complete it by the end of 1990.

19. We note with satisfaction the entry into force of the Free Trade Agreement between Canada and the United States, as well as more recent initiatives to intensify the close economic relations between the European Community and EFTA [European Free Trade Association] countries. It remains our policy that these and other developments in regional cooperation, should be trade-creating and complementary to the multilateral liberalization process.

20. It is the firm intention of the European Community that the trade aspects of the single market program should also be trade-creating and complementary to the multilateral liberalization process.

21. We note with satisfaction the progress that has been made in strengthening the multilateral disciplines on trade and aid distorting export credit subsidies. This effort must be pursued actively and completed in the competent bodies of the OECD [Organization for Economic Co-operation and Development] with a view to improving present guidelines at the earliest possible date.

## General Problems of Development

22. Development is a shared global challenge. We shall help developing countries by opening the world trading system and by supporting their structural adjustment. We shall encourage, too, economic diversification in commodity dependent countries and the creation of a favourable environment for transfers of technology and capital flows.

We underline the continuing importance of official development assistance and welcome the increased efforts of Summit participants in this respect. We note the targets already established by international organizations for the future level of official development assistance and stress the importance of overall financial flows to development.

We underline simultaneously the importance attached to the quality of the aid and to the evaluation of the projects and the programs financed.

23. We urge developing countries to implement sound economic policies. A vital factor will be the adoption of financial and fiscal policies which attract inward investment and encourage growth and the return of flight capital.

24. We note with satisfaction that there has been substantial progress in the multilateral aid initiative for the Philippines that was given special attention in the Toronto economic declaration.

25. Faced with the worrying economic situation of Yugoslavia, we encourage its government to implement a strong economic reform program that can command bilateral and multilateral support.

## The Situation in the Poorest Countries

26. The enhancement of the International Monetary Fund Structural Adjustment Facility, the World Bank special program of assistance for the poorest and most indebted countries and the fifth replenishment of the African Development Fund are all important mea-

tures benefiting those countries having embarked upon an adjustment process. We stress the importance attached to a substantial replenishment of International Development Association resources.

27. As we urged last year in Toronto, the Paris Club reached a consensus in September 1988 on the conditions of implementation of significant reduction of debt service payments for the poorest countries. Thirteen countries have already benefitted by this decision.

28. We welcome the increasing grant element in the development assistance as well as the steps taken to convert loans into grants and we urge further steps to this end. Flexibility in development aid as much as in debt rescheduling is required.

29. We attach great importance to the efficient and successful preparation of the next general conference of the United Nations on the least developed countries, which will take place in Paris in 1990.

## Strengthened Debt Strategy for the Heavily Indebted Countries

30. Our approach to the debt problems has produced significant results, but serious challenges remain: in many countries the ratio of debt service to exports remains high, financing for growth promoting investment is scarce, and capital flight is a key problem. An improvement in the investment climate must be a critical part of efforts to achieve a sustainable level of growth without excessive levels of debt. These improvements of the current situation depend above all on sustained and effective adjustment policies in the debtor countries.

31. To address these challenges, we are strongly committed to the strengthened debt strategy. This will rely, on a case-by-case basis, on the following actions:

- borrowing countries should implement, with the assistance of the Fund and the Bank, sound economic policies, particularly designed to mobilize savings, stimulate investment and reverse capital flight;
- banks should increasingly focus on voluntary, market-based debt and debt service reduction operations, as a complement to new lending;
- the International Monetary Fund and World Bank will support significant debt reduction by setting aside a portion of policy-based loans;
- limited interest support will be provided, through additional financing by the International Monetary Fund and the World Bank, for transactions involving significant debt and debt service reduction. For that purpose the use of escrow accounts is agreed;
- continued Paris Club rescheduling and flexibility of export-credit agencies;
- strengthening of the international financial institutions capability for supporting medium-term macroeconomic and structural adjustment programs and for compensating the negative effects of export shortfalls and external shocks.

32. In the framework of this strategy:

- we welcome the recent decisions taken by the two institutions to encourage debt and debt service reduction which provide adequate resources for these purposes;
- we urge debtor countries to move ahead promptly to develop strong economic reform programs that may lead to debt and debt service reductions in accordance with the guidelines defined by the two Bretton Woods institutions;
- we urge banks to take realistic and constructive approaches in their negotiations with the debtor countries and to move promptly to conclude agreements on financial packages.

PARIS, JULY 14/16, 1989

including debt reduction, debt service reduction and new money. We stress that official creditors should not substitute for private lenders. Our governments are prepared to consider as appropriate tax, regulatory and accounting practices with a view to eliminating unnecessary obstacles to debt and debt service reductions.

## Environment

33. There is growing awareness throughout the world of the necessity to preserve better the global ecological balance. This includes serious threats to the atmosphere, which could lead to future climate changes. We note with great concern the growing pollution of air, lakes, rivers, oceans and seas; acid rain, dangerous substances; and the rapid desertification and deforestation. Such environmental degradation endangers species and undermines the well-being of individuals and societies.

Decisive action is urgently needed to understand and protect the earth's ecological balance. We will work together to achieve the common goals of preserving a healthy and balanced global environment in order to meet shared economic and social objectives and to carry out obligations to future generations.

34. We urge all countries to give further impetus to scientific research on environmental issues, to develop necessary technologies and to make clear evaluations of the economic costs and benefits of environmental policies.

The persisting uncertainty on some of these issues should not unduly delay our action.

In this connection, we ask all countries to combine their efforts in order to improve observation and monitoring on a global scale.

35. We believe that international cooperation also needs to be enhanced in the field of technology and technology transfer in order to reduce pollution or provide alternative solutions.

36. We believe that industry has a crucial role in preventing pollution at source, in waste minimization, in energy conservation, and in the design and marketing of cost-effective clean technologies. The agricultural sector must also contribute to tackling problems such as water pollution, soil erosion and desertification.

37. Environmental protection is integral to issues such as trade, development, energy, transport, agriculture and economic planning. Therefore, environmental considerations must be taken into account in economic decision-making. In fact good economic policies and good environmental policies are mutually reinforcing.

In order to achieve sustainable development, we shall ensure the compatibility of economic growth and development with the protection of the environment. Environmental protection and related investment should contribute to economic growth. In this respect, intensified efforts for technological breakthrough are important to reconcile economic growth and environmental policies.

Clear assessments of the costs, benefits and resource implications of environmental protection should help governments to take the necessary decisions on the mix of price signals (e.g. taxes or expenditures) and regulatory actions, reflecting where possible the full value of natural resources.

We encourage the World Bank and regional development banks to integrate environmental considerations into their activities. International organizations such as the OECD and the United Nations and its affiliated organizations, will be asked to develop further techniques of analysis which would help governments assess appropriate economic mea-

asures to promote the quality of the environment. We ask the OECD, within the context of its work on integrating environment and economic decision-making, to examine how selected environmental indicators could be developed. We expect the 1992 UN Conference on Environment and Development to give additional momentum to the protection of the global environment.

38. To help developing countries deal with past damage and to encourage them to take environmentally desirable action, economic incentives may include the use of aid mechanisms and specific transfer of technology. In special cases, ODA [Official Development Assistance] debt forgiveness and debt for nature swaps can play a useful role in environmental protection.

We also emphasize the necessity to take into account the interests and needs of developing countries in sustaining the growth of their economies and the financial and technological requirements to meet environmental challenges.

39. The depletion of the stratospheric ozone layer is alarming and calls for prompt action.

We welcome the Helsinki conclusions related, among other issues, to the complete abandonment of the production and consumption of chloro-fluorocarbons covered by the Montreal protocol as soon as possible and not later than the end of the century. Specific attention must also be given to those ozone-depleting substances not covered by the Montreal protocol. We shall promote the development and use of suitable substitute substances and technologies. More emphasis should be placed on projects that provide alternatives to chloro-fluorocarbons.

40. We strongly advocate common efforts to limit emissions of carbon dioxide and other greenhouse gases, which threaten to induce climate change, endangering the environment and ultimately the economy. We strongly support the work undertaken by the Intergovernmental Panel on Climate Change, on this issue.

We need to strengthen the worldwide network of observatories for greenhouse gases and support the World Meteorological Organisation initiative to establish a global climatological reference network to detect climate changes.

41. We agree that increasing energy efficiency could make a substantial contribution to these goals. We urge international organizations concerned to encourage measures, including economic measures, to improve energy conservation and, more broadly, efficiency in the use of energy of all kinds and to promote relevant techniques and technologies.

We are committed to maintaining the highest safety standards for nuclear power plants and to strengthening international cooperation in safe operation of power plants and waste management, and we recognize that nuclear power also plays an important role in limiting output of greenhouse gases.

42. Deforestation also damages the atmosphere and must be reversed.

We call for the adoption of sustainable forest management practices, with a view to preserving the scale of world forests. The relevant international organizations will be asked to complete reports on the state of the world's forests by 1990.

43. Preserving the tropical forests is an urgent need for the world as a whole. While recognizing the sovereign rights of developing countries to make use of tropical forests, the protection of all the species therein and the traditional rights to land and other resources of local communities. We welcome the German initiative in this field as a basis for progress.

To this end, we give strong support to rapid implementation of the Tropical Forest Action Plan which was adopted in 1986 in the framework of the Food and Agricultural Organization. We appeal to both consumer and producer countries, which are united in the International Tropical Timber Organization, to join their efforts to ensure better conservation of the forests. We express our readiness to assist the efforts of nations with tropical forests through financial and technical cooperation, and in international organizations.

PARIS, JULY 14/16, 1989

44. Temperate forests, lakes and rivers must be protected against the effects of acid pollutants such as sulphur dioxide and nitrogen oxides. It is necessary to pursue actively the bilateral and multilateral efforts to this end.

45. The increasing complexity of the issues related to the protection of the atmosphere calls for innovative solutions. New instruments may be contemplated. We believe that the conclusion of a framework or umbrella convention on climate change to set out general principles or guidelines is urgently required to mobilize and rationalize the efforts made by the international community. We welcome the work under way by the United Nations Environment Program, in cooperation with the World Meteorological Organization, drawing on the work of the Intergovernmental Panel on Climate Change and the results of other international meetings. Specific protocols containing concrete commitments could be fitted into the framework as scientific evidence requires and permits.

46. We condemn indiscriminate use of oceans as dumping grounds for polluting waste. There is a particular problem with the deterioration of coastal waters. To ensure the sustainable management of the marine environment, we recognize the importance of international cooperation in preserving it and conserving the living resources of the sea. We call for relevant bodies of the United Nations to prepare a report on the state of the world's oceans.

We express our concern that national, regional and global capabilities to contain and alleviate the consequences of maritime oil spills be improved. We urge all countries to make better use of the latest monitoring and clean-up technologies. We ask all countries to adhere to and implement fully the international conventions for the prevention of oil pollution of the oceans. We also ask the International Maritime Organization to put forward proposals for further preventive action.

47. We are committed to ensuring full implementation of existing rules for the environment. In this respect, we note with interest the initiative of the Italian government to host in 1990 a forum on international law for the environment with scholars, scientific experts and officials, to consider the need for a digest of existing rules and to give in-depth consideration to the legal aspects of environment at the international level.

48. We advocate that existing environment institutions be strengthened within the United Nations system. In particular, the United Nations Environment Program urgently requires strengthening and increased financial support. Some of us have agreed that the establishment within the United Nations of a new institution may also be worth considering.

49. We have taken note of the report of the sixth conference on bioethics held in Brussels which examined the elaboration of a universal code of environmental ethics based upon the concept of the «human stewardship of nature».

50. It is a matter of international concern that Bangladesh, one of the poorest and most densely populated countries in the world, is periodically devastated by catastrophic floods.

We stress the urgent need for effective, coordinated action by the international community, in support of the Government of Bangladesh, in order to find solutions to this major problem which are technically, financially, economically and environmentally sound. In that spirit, and taking account of help already given, we take note of the different studies concerning flood alleviation, initiated by France, Japan, the United States and the United Nations Development Program, which have been reviewed by experts from all our countries. We welcome the World Bank's agreement, following those studies, to coordinate the efforts of the international community so that a sound basis for achieving a real improvement in alleviating the effects of flood can be established. We also welcome the agreement of the World Bank to chair, by the end of the year, a meeting to be held in the United Kingdom by invitation of the Bangladesh Government, of the countries willing to take an active part in such a program.

51. We give political support to projects such as the joint project to set up an observatory of the Saharan areas, which answers the need to monitor the development of that rapidly deteriorating, fragile, arid region, in order to protect it more effectively.

## Drug Issues

52. The drug problem has reached devastating proportions. We stress the urgent need for decisive action, both on a national and an international basis. We urge all countries, especially those where drug production, trading and consumption are large, to join our efforts to counter drug production, to reduce demand, and to carry forward the fight against drug trafficking itself and the laundering of its proceeds.

53. Accordingly, we resolve to take the following measures within the relevant paragraph:

- Give greater emphasis on bilateral and United Nations programs for the conversion of illicit cultivation in the producer countries. The United Nations Fund for Drug Abuse Control (UNFDAC), and other United Nations and multilateral organizations should be supported, strengthened and made more effective. These efforts could include particular support for the implementation of effective programs to stop drug cultivation and trading as well as developmental and technical assistance.

- Support the efforts of producing countries who ask for assistance to counter illegal production or trafficking.

- Strengthen the role of the United Nations in the war against drugs through an increase in its resources and through reinforced effectiveness of its operation.

- Intensify the exchange of information on the prevention of addiction, and rehabilitation of drug addicts.

- Support the international conference planned for 1990 on cocaine and drug demand reduction.

- Strengthen the efficiency of the cooperative and mutual assistance on these issues, the first steps being a prompt adhesion to, ratification and implementation of the Vienna Convention on illicit traffic in narcotic drugs and psychotropic substances.

- Conclude further bilateral or multilateral agreements and support initiatives and co-operation, where appropriate, which include measures to facilitate the identification, tracing, freezing, seizure and forfeiture of drug crime proceeds.

- Convene a financial action task force from Summit Participants and other countries interested in these problems. Its mandate is to assess the results of cooperation already undertaken in order to prevent the utilization of the banking system and financial institutions for the purpose of money laundering, and to consider additional preventive efforts in this field, including the adaptation of the legal and regulatory systems so as to enhance multilateral judicial assistance. The first meeting of this task force will be called by France and its report will be completed by April 1990.

## International Co-operation against AIDS

54. We take note of the creation of an International Ethics Committee on AIDS which met in Paris in May 1989, as decided at the Summit of Venice (June 1987). It assembled the



PARIS, JULY 14/16, 1989

Summit Participants and the other members of the EC, together with the active participation of the World Health Organization.

\* \* \*

55. We take note of the representations that we received from various Heads of State or Government and organizations and we will study them with interest.

## Next Economic Summit

56. We have accepted the invitation of the President of the United States to meet next year in the United States of America.

SOURCE: Released by the Summit of the Arch, July 16, 1989.

## Declaration on China

We have already condemned the violent repression in China in defiance of human rights. We urge the Chinese authorities to cease action against those who have done no more than claim their legitimate rights to democracy and liberty.

This repression has led each of us to take appropriate measures to express our deep sense of condemnation to suspend bilateral Ministerial and high-level contacts, and also to suspend arms-trade with China, where it exists. Furthermore, each of us has agreed that, in view of current economic uncertainties, the examination of new loans by the World Bank be postponed. We have also decided to extend the stays of those Chinese students who so desire.

We look to the Chinese authorities to create conditions which will avoid their isolation and provide for a return to cooperation based upon the resumption of movement towards political and economic reform, and openness. We understand and share the grave concern felt by the people of Hong Kong following these events. We call on the Government of the People's Republic of China to do what is necessary to restore confidence in Hong Kong. We recognize that the continuing support of the international community will be an important element in the maintenance of confidence in Hong Kong.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Declaration on East-West Relations

1. We, the leaders of our seven countries and the representatives of the European Community, reaffirm the universal and supreme importance which we attach to freedom, democracy and the promotion of human rights.

2. We see signs of this same desire for greater freedom and democracy in the East. The people there, including the young people, are reasserting these values and calling for a pluralist democratic society. Some of their leaders are aware of the positive contribution that greater freedom and democracy can make to the modernization of their countries and are starting to make changes to their laws, practices and institutions. Others are still endeavoring to resist this movement by taking repressive measures which we strongly condemn.

3. We hope that freedom will be broadened and democracy strengthened and that they will form the basis, after decades of military confrontation, ideological antagonism and mistrust, for increased dialogue and cooperation. We welcome the reforms underway and the prospects of lessening the division of Europe.

4. We call upon the Soviet Government to translate its new policies and pronouncements into further concrete action at home and abroad. Military imbalances favoring the Soviet Union, both in Europe and in Asia, remain an objective threat to each of us. Our Governments must therefore continue to be vigilant and maintain the strength of our countries. For the foreseeable future, there is no alternative for each of us, within existing alliances, to maintaining a strategy of deterrence based upon an appropriate mix of adequate and effective nuclear and conventional forces. In order to hasten the advent of a world in which the weight of arms and military strength is reduced, we recommit ourselves to the urgent pursuit of a global ban on chemical weapons, a conventional forces balance in Europe at the lowest possible level consistent with our security requirements, and a substantial reduction in Soviet and American strategic nuclear arms.

5. We offer the countries of the East the opportunity to develop balanced economic cooperation on a sound commercial basis consistent with the security interests of each of our countries and with the general principles of international trade. We have noted developments of relations between the EEC and countries of the East, in particular the conclusion of an agreement with Hungary, the progress already achieved during the current discussions with Poland and the opening of negotiations with the Soviet Union.

6. We welcome the process of reform underway in Poland and Hungary. We recognize that the political changes taking place in these countries will be difficult to sustain without economic progress. Each of us is prepared to support this process and to consider, as appropriate and in a coordinated fashion, economic assistance aimed at transforming and opening their economies in a durable manner. We believe that each of us should direct our assistance to these countries so as to sustain the momentum of reform through inward investment, joint ventures, transfer of managerial skills, professional training and other ventures which would help develop a more competitive economy.

Each of us is developing concrete initiatives designed to encourage economic reforms, to promote more competitive economies and to provide new opportunities for trade.

We agreed to work along with other interested countries and multilateral institutions to concert support for the process of reform underway in Hungary and Poland, in order to make our measures of support more effective and mutually reinforcing. We will encourage further creative efforts by interested governments and the public and private sectors in support of the reform process.

Concerning concerted support for reform in Poland and Hungary, we call for a meeting with all interested countries which will take place in the next few weeks. We underline, for Poland, the urgent need for food in present circumstances.

To these ends, we ask the Commission of the European Communities to take the necessary initiatives in agreement with the other Member States of the Community, and to associate, besides the Summit participants, all interested countries.

7. We are in favor of an early conclusion of the negotiations between the IMF [International Monetary Fund] and Poland. The strengthened debt strategy is applicable to Poland,

PARIS, JULY 14/16, 1989

provided it meets the conditions. We are ready to support in the Paris Club the rescheduling of Polish debt expeditiously and in a flexible and forthcoming manner.

8. We see good opportunities for the countries of West and East to work together to find just solutions to conflicts around the world, to fight against underdevelopment, to safeguard the resources and the environment and to build a freer and more open world.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Declaration on Human Rights

In 1789, the rights of man and of the citizen were solemnly proclaimed. Just over forty years ago, the General Assembly of the United Nations adopted the Universal Declaration of Human Rights, which have been further developed and codified and are now embodied in the Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights.

We reaffirm our commitment to freedom, democratic principles and human rights. We reaffirm our belief in the rule of law which respects and protects without fear or favor the rights and liberties of every citizen, and provides the setting in which the human spirit can develop in freedom and diversity.

Human rights are a matter of legitimate international concern. We commit ourselves again to encouraging and promoting universal respect for human rights and fundamental freedoms.

Looking towards the future, we see opportunities as well as threats; this impels us to pledge our firm commitment to uphold international standards of human rights and to confirm our willingness to reaffirm them and to develop them further.

We stress the protection of freedom of thought, conscience and religion, and of freedom of opinion and expression; for without these freedoms, other rights cannot be fully realized.

We stress also respect for the rule of law and the plurality of opinion, for without them there can be neither representative government nor democracy.

We believe equally in freedom of association in a pluralist society.

We hold that the right of each individual to physical integrity and dignity must be guaranteed. We abhor and condemn torture in all its forms.

We believe that all human beings must act towards each other in a spirit of fraternity.

We believe that everyone has a right to equality of opportunity as well as to own property, alone or in association with others. Extreme poverty and exclusion from society violate the dignity of everyone enduring them. Those who suffer or are in need should be supported.

We stress that the rights of the child, the disabled and the elderly require special protection.

We consider that developments in the human sciences, for instance the progress achieved in genetics and organ transplantation, must be applied in accordance with all human rights if the dignity of human beings is to be preserved.

We, the present, generation, have an obligation to ensure that future generations will inherit a healthy environment.

We reaffirm our belief that these rights and freedoms cannot be properly safeguarded without the rule of law, impartial justice and genuine democratic institutions.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Declaration on Terrorism

1. We remain resolutely opposed to terrorism in all its forms. We confirm the commitment each of us has undertaken to the principle of making no concessions to terrorists or their sponsors and to cooperating, bilaterally and in all relevant international fora, in combatting terrorism. We reiterate our commitment to the policies agreed at previous summits; in particular we condemn state-sponsored terrorism. We are determined not to let terrorists remain unpunished, and to have them brought to justice within the framework of international law and in conformity with the rule of law. We call upon those states which have supported or encouraged terrorist acts to demonstrate by their actions that they have renounced such policies. We reaffirm in particular our absolute condemnation of the taking of hostages. We call on those holding hostages to release them immediately and unconditionally and on those with influence over hostage-takers to use it to this end.

2. Deeply concerned for the safety of all travelers and outraged by the murderous attacks perpetrated against international civil aviation and the frequent threat to air transport safety from terrorist groups, we reaffirm our commitment to the fight against all forms of terrorism affecting civil aviation. We reiterate our determination to contribute to reinforcing internationally agreed measures for protection against aircraft hijackings and sabotage.

3. We particularly condemn the recent attack on an aircraft over Scotland, which killed 270 people. We have agreed to give priority to preventing such attacks by further strengthening security measures. We attach importance to the implementation of the work plan recently adopted by the ICAO [International Civil Aviation Organization] Council for this purpose.

4. We have also agreed on the need for improved methods of detecting explosives. We endorse efforts currently underway in ICAO to develop, as a matter of high priority, an appropriate international regime for the marking of plastic and sheet explosives for detection.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Communiqué de la Présidence: conflit Israëlo-Arabe

Les participants au Sommet restent profondément préoccupés par la situation au Proche Orient. Certaines récentes déclarations partisanses en Israël, la violence persistante dans les territoires occupés, ainsi que la détérioration des conditions de vie en Cisjordanie et à Gaza montrent plus clairement que jamais qu'une solution respectant les droits politiques légitimes du peuple palestinien ainsi que le droit à la sécurité de tous les Etats de la Région, y compris Israël, revêt une nécessité urgente. Plus que jamais, le temps est venu pour l'ouverture d'un dialogue entre les parties concernées en vue d'une négociation. Les Sept pays considèrent que les élections en projet pour les territoires occupés pourraient marquer un pas en avant vers une reconnaissance mutuelle pour autant qu'elles aient lieu dans une atmosphère de libre expression et qu'elles fassent partie d'un règlement global sur la base des territoires contre la paix. En outre, les Sept pays pensent que la réunion, le moment venu, d'une conférence internationale structurée de manière appropriée constituerait un cadre adapté pour promouvoir un dialogue direct entre toutes les parties et pour traiter tous les problèmes liés dont la solution commande un règlement pacifique au Proche Orient.

PARIS, JULY 14/16, 1989

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on the Arab-Israeli Conflict

*(Unofficial translation)*

The participants in the Summit remain profoundly concerned about the situation in the Near East.

Certain recent partisan declarations in Israel, the persistent violence in the occupied territories, as well as the deterioration of living conditions in West Bank and in Gaza show more clearly than ever that a solution concerning the legitimate political rights of the Palestinian people, as well as the right to security of all of the states in the region, including Israel, is once again an urgent necessity.

More than ever, the time has come to open a dialogue between the concerned parties, with a view toward negotiation.

The seven nations consider that the elections proposed for the occupied territories could mark a positive step toward mutual recognition, to the extent that they take place in an atmosphere of free expression and that they form part of a global settlement of territorial disputes that present obstacles to peace.

Furthermore, the seven nations believe that the holding, at the appropriate time, of an international conference structured in an appropriate manner would constitute a framework adapted to promoting direct dialogue among all the parties and to dealing with all of the related problems whose solution governs a peaceful settlement in the Near East.

## Communiqué de la Présidence: Afrique-Australe

Les participants au sommet expriment leur condamnation de l'apartheid et leur détermination à travailler pour une Afrique du Sud démocratique, sans discrimination raciale. A cet égard ils demandent instamment au Gouvernement Sud africain de prendre des mesures concrètes pour commencer des négociations avec la majorité noire. Ils insistent pour que le Gouvernement libère Nelson Mandela, et les autres prisonniers politiques, pour qu'il soit mis fin à l'état d'urgence, à l'interdiction de l'ANC [African National Congress], de l'UDF [United Democratic Front] et des autres organisations, et pour l'abrogation de la législation discriminatoire. Les participants au Sommet se félicitent des progrès réalisés pour la mise en oeuvre de la résolution 435 du Conseil de Sécurité pour l'indépendance de la Namibie et demande à toutes les parties concernées de veiller à ce que rien n'entrave le processus. Ils espèrent que la récente rencontre au Sommet des dix-huit Chefs d'Etat africains à Gbadolite conduira à un règlement pacifique de la guerre civile en Angola et que des progrès seront faits pour la recherche d'une solution au conflit du Mozambique.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on Southern Africa

*(Unofficial translation)*

The participants in the Summit express their condemnation of apartheid and their determination to work for a democratic South Africa without racial discrimination. In this respect they urgently demand that the South African Government take concrete steps to begin negotiations with the black majority. They insist that the Government free Nelson Mandela, and the other political prisoners, that an end be put to the state of emergency and to the interdiction of the ANC [African National Congress], of the UDF [United Democratic Front] and of the other organizations, and that the discriminatory legislation be repealed. The participants in the Summit are pleased with the progress achieved toward the implementation of Resolution 435 of the Security Council for the independence of Namibia and ask all parties concerned to see that nothing hinders the process. They hope that the recent Summit meeting of eighteen African Heads of State in Gbadolite will lead to the peaceful settlement of the civil war in Angola and that progress will be made in the search for a solution to the conflict in Mozambique.

## Communiqué de la Présidence: Amérique Centrale

Les participants au Sommet soutiennent les accords d'Esquipulas et de la Baie de Tesoro. Ils demandent aux pays de la région de remplir leurs engagements pour l'organisation d'élections libres et régulières, sous le contrôle d'une administration neutre et impartiale.

Ils appellent au respect des droits de l'homme et des règles de droit dans tous les pays de l'Amérique Centrale.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on Central America

*(Unofficial translation)*

The Summit participants support the Esquipulas and Tesoro Bay agreements. They ask the countries of the region to fulfill their undertakings to organize free and orderly elections under neutral and impartial control.

They call for respect for human rights and the rule of law in all countries of Central America.

PARIS, JULY 14/16, 1989

## Communiqué de la Presidence: Panama

Les participants ont examiné la situation à Panama, marquée par l'annulation des résultats des élections du 7 mai dernier et des mesures de répression contre l'opposition. Ils désapprouvent fermement ces pratiques.

Ils lancent un appel à l'Organisation des Etats Américains afin qu'elle continue ses efforts pour faire en sorte que soient pleinement respectés les règles démocratiques et le libre choix du peuple panaméen.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on Panama

*(Unofficial translation)*

The participants examined the situation in Panama, marked by the invalidation of the results of the elections of May 7 last and by repressive measures against the opposition. They firmly disapprove of these practices.

They are sending an appeal to the Organization of American States to continue its efforts to see to it that democratic rules and the free choice of the Panamanian people are fully respected.

## Communiqué de la Presidence: Cambodge

Les participants au Sommet ont évoqué le problème du Cambodge.

Ils se félicitent de l'initiative prise par la France de convoquer une conférence internationale à Paris et lui apportent leur plein appui. Ils souhaitent que cette conférence conduise à un règlement politique global prévoyant, entre autre, le retrait vérifié des troupes vietnamiennes et l'autodétermination du peuple cambodgien. Ils insistent sur la nécessité d'un mécanisme international de contrôle efficace comme composante essentielle de ce règlement.

Rendant hommage dans ce contexte aux efforts entrepris depuis plusieurs mois par les pays de l'ASEAN [Association of South East Asian Nations] pour la recherche d'une issue au conflit, ils estiment que l'occasion doit être saisie aujourd'hui de définir une solution réelle, complète et durable au problème cambodgien.

Les discussions ont montré une disponibilité générale à contribuer, le moment venu, aux efforts de reconstruction du Cambodge.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on Cambodia

*(Unofficial translation)*

The Summit participants recalled the problem of Cambodia.

They are pleased by, and fully support, the initiative of France to convene an international conference in Paris. They hope that this conference will lead to a global political settlement, providing, inter alia, for the verified withdrawal of Vietnamese troops and self-determination for the Cambodian people. They stress the need for an effective international control mechanism as an essential component of that settlement.

In this context, they pay homage to the efforts undertaken for several months by ASEAN [Association of South East Asian Nations] countries to seek an end to the conflict. They consider that the opportunity must be seized today to find a real, complete and lasting solution of the Cambodian problem.

The discussions showed a general receptivity to contribute, when the time comes, to the reconstruction of Cambodia.

## Communiqué de la Présidence: Liban

Les participants au Sommet ont consacré une attention particulière à la situation au Liban et ont été d'accord pour considérer que la communauté des nations ne pouvait ni ne devait rester indifférente devant les dangers qui menacent l'existence même de ce pays.

Ils expriment leur plein appui au Comité des trois Chefs d'Etat arabes chargés, en liaison avec la mission que le Conseil de Sécurité a confié au Secrétaire Général des Nations Unies, de trouver une solution à la crise libanaise. Ils appellent toutes les parties concernées à coopérer pleinement avec lui à l'établissement d'un cessez-le-feu effectif et complet et à la mise en oeuvre d'un règlement politique comportant la restauration des institutions de l'Etat et l'adoption des nécessaires réformes politiques.

Ils affirment leur attachement à la souveraineté, à l'indépendance, à l'unité et à l'intégrité territoriale du Liban, ce qui suppose le retrait de toutes les forces non-libanaises.

SOURCE: Released by the Summit of the Arch, July 15, 1989.

## Statement on Lebanon

*(Unofficial translation)*

The participants in the Summit have devoted particular attention to the situation in Lebanon and have agreed that the community of nations cannot and should not remain indifferent to the dangers that threaten the very existence of that country.

They express their full support for the Committee of the three Arab Heads of State who are charged with finding a solution to the Lebanese crisis, in conjunction with the



PARIS, JULY 14/16, 1989

mission which the Security Council has entrusted to the Secretary General of the United Nations. They call on all concerned parties to cooperate fully with the Committee in establishing an effective and complete cease-fire and in implementing a political settlement that permits the restoration of State institutions and the adoption of the necessary political reforms.

They affirm their support of the sovereignty, independence, unity, and territorial integrity of Lebanon, which presupposes the withdrawal of all non-Lebanese forces.

# HOUSTON

JULY 9/11, 1990

## LIST OF PARTICIPANTS

HOUSTON, JULY 9/11, 1990

CANADA	Brian Mulroney <i>Prime Minister</i> Joe Clark <i>Minister of External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister for Foreign Affairs</i> Pierre Bérégovoy <i>Minister for the Economy, Finance and the Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Martin Bangemann <i>Federal Minister for Economic Affairs</i>
ITALY	Giulio Andreotti <i>President of the Council of Ministers</i> Gianni De Michelis <i>Minister of External Affairs</i> Guido Carli <i>Minister of the Treasury</i>
JAPAN	Toshiki Kaifu <i>Prime Minister</i> Taro Nakayama <i>Minister of Foreign Affairs</i> Ryutaro Hashimoto <i>Minister of Finance</i>
UNITED KINGDOM	Margaret Thatcher <i>Prime Minister</i> Douglas Hurd <i>Secretary of State for Foreign and Commonwealth Affairs</i> John Major <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	George Bush <i>President</i> James A. Baker <i>Secretary of State</i> Nicholas J. Brady <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Henning Christophersen <i>Commissioner</i> Frans Andriessen <i>Commissioner</i>

# Economic Declaration

1. We, the Heads of State and Government of the seven major industrial democracies and the President of the Commission of the European Communities, meeting in Houston for our annual Economic Summit, celebrate the renaissance of democracy throughout much of the world. We welcome unreservedly the spread of multiparty democracy, the practice of free elections, the freedom of expression and assembly, the increased respect for human rights, the rule of law, and the increasing recognition of the principles of the open and competitive economy. These events proclaim loudly man's inalienable rights: When people are free to choose, they choose freedom.

2. The profound changes taking place in Europe, and progress toward democracy elsewhere, give us great hope for a world in which individuals have increasing opportunities to achieve their economic and political aspirations, free of tyranny and oppression.

3. We are mindful that freedom and economic prosperity are closely linked and mutually reinforcing. Sustainable economic prosperity depends upon the stimulus of competition and the encouragement of enterprise – on incentives for individual initiative and innovation, on a skilled and motivated labour force whose fundamental rights are protected, on sound monetary systems, on an open system of international trade and payments, and on an environment safeguarded for future generations.

4. Around the world, we are determined to assist other peoples to achieve and sustain economic prosperity and political freedom. We will support their efforts with our experiences, resources, and goodwill.

## The International Economic Situation

5. In recent years, substantial progress has been achieved in promoting a stronger world economy through sound macroeconomic policies and greater economic efficiency. The economic expansion in our countries, now in its eighth year, has supported notable income growth and job creation in the context of rapid growth of international trade. However, unemployment remains high in a number of countries. Inflation, although considerably lower than in the early 1980's, is a matter of serious concern in some countries and requires continued vigilance. External imbalances have been reduced in the United States and Japan, whereas in other cases they have increased. Continuing adjustment remains a priority in order to counter protectionist pressures, alleviate uncertainties in financial and exchange markets, and contribute to avoiding pressures on interest rates. Sound domestic macroeconomic policies, which may differ according to conditions in each country, will make a major contribution to further external adjustment.

6. In the developing world, the experience of the late 1980s varied widely. Some economies, particularly in East Asia, continued to experience impressive domestic growth rates. The economies of a number of other developing countries have been stagnant or declined.

HOUSTON, JULY 9/11, 1990

Nonetheless, serious efforts – in some cases by new leadership – to implement economic adjustment and market-oriented policies have begun to yield positive results and should be continued.

## International Monetary Developments and Policy Coordination

7. At a time of growing economic interdependence, the Summit countries have developed a cooperative process based on a common appreciation of the need for market-oriented policies and the importance of sound domestic budgetary and monetary policies. This process has contributed importantly to the strengthened performance of the world economy and to improved stability of exchange rates by concentrating attention on multi-lateral surveillance and close coordination of economic policies, including cooperation on exchange markets. It is important to continue and, where appropriate, to strengthen this cooperative and flexible approach to improve the functioning of the international monetary system and contribute to its stability.

8. To sustain the present economic expansion to the benefit of all countries, each nation must pursue sound policies. Balanced expansion of demand with increasing productive capacity is key, while external imbalances and structural rigidities require correction. Price pressures warrant continued vigilance.

9. Countries with sizeable current account deficits should contribute to the adjustment process by the reduction of fiscal deficits, and undertake structural reforms to encourage private saving and increase competitiveness.

10. Countries with large external surpluses should contribute to the adjustment process by sustained non-inflationary growth of domestic demand with structural reform in order to improve the underlying conditions for growth and adjustment and to promote increased investment relative to saving.

11. The investment needs of the world as a whole are expected to grow in the coming years, particularly in Central and Eastern Europe and in developing countries undertaking market reforms, as well as in some industrial countries. To meet these needs, industrial and developing countries alike should foster saving and discourage dissaving.

12. The market-oriented restructuring of Central and Eastern European economies should stimulate their growth and increase their integration into the global economy. We support these changes and seek to assure that this difficult transformation will contribute to global growth and stability.

13. Within the European Community, the European Monetary System is leading to a high degree of economic convergence and stability. We note the European Community's decision to launch the Intergovernmental Conference on Economic and Monetary Union and the beginning of the first stage of that union. During this first stage, closer surveillance and coordination of economic and monetary policies will contribute toward non-inflationary growth and a more robust international economic system.

14. We welcome the prospect of a unified, democratic Germany which enjoys full sovereignty without discriminatory constraints. German economic, monetary and social union will contribute to improved non-inflationary global growth and to a reduction of external imbalances. This process will promote positive economic developments in Central and Eastern Europe.

15. We call on the member countries of the International Monetary Fund (IMF) to implement the agreement by the IMF to increase quotas by 50 per cent under the Ninth General Review of Quotas and to strengthen the IMF arrears strategy.

#### MEASURES AIMED AT ECONOMIC EFFICIENCY

16. Considerable progress has been made over the past few years in supplementing macroeconomic policies with reforms to increase economic efficiency. We welcome the progress in the realisation of the internal market in the European Community and the continuing efforts to reduce structural rigidities in North America and Japan. Nonetheless, we emphasise the widespread need for further steps to promote regulatory reform and liberalise areas such as retail trade, telecommunications, transport, labour markets, and financial markets, as well as to reduce industrial and agricultural subsidies, improve tax systems, and improve labour-force skills through education and training.

17. We welcome the major contributions of the Organisation for Economic Cooperation and Development (OECD) in identifying structural policy challenges and options. We encourage the OECD to strengthen its surveillance and review procedures, and to find ways of making its work operationally more effective.

## The International Trading System

18. The open world trading system is vital to economic prosperity. A strengthened General Agreement on Tariffs and Trade (*GATT*) is essential to provide a stable framework for the expansion of trade and the fuller integration of Central and Eastern Europe and developing countries into the global economy. We reject protectionism in all its forms.

19. The successful outcome of the Uruguay Round has the highest priority on the international economic agenda. Consequently, we stress our determination to take the difficult political decisions necessary to achieve far-reaching, substantial results in all areas of the Uruguay Round by the end of this year. We instruct our negotiators to make progress and in particular to agree on the complete profile of the final package by the July meeting of the Trade Negotiations Committee.

20. We confirm our strong support for the essential broad objectives of the negotiations: reform of agricultural policies; a substantial and balanced package of measures to improve market access; strengthened multilateral rules and disciplines; the incorporation of new issues of services, trade-related investment measures, and intellectual property protection within the *GATT* framework; and integration of developing countries into the international trading system.

21. As regards agriculture, achieving the long-term objective of the reform of agricultural policies is critical to permit the greater liberalisation of trade in agricultural products. Experience has shown the high cost of agricultural policies which tend to create surpluses. The outcome of the *GATT* negotiations on agriculture should lead to a better balance between supply and demand and ensure that agricultural policies do not impede the effective functioning of international markets. We therefore reaffirm our commitment to the long-term objective of the reform, i.e., to allow market signals to influence agriculture production and to establish a fair and market-oriented agricultural trading system.

HOUSTON, JULY 9/11, 1990

22. The achievement of this objective requires each of us to make substantial, progressive reductions in support and protection of agriculture – covering internal regimes, market access, and export subsidies – and develop rules governing sanitary and phytosanitary measures. Variations among countries in the mechanisms of agricultural support reflect differences in the social and economic conditions of farming. The negotiations on agriculture should therefore be conducted in a framework that includes a common instrument of measurement, provides for commitments to be made in an equitable way among all countries, and takes into account concerns about food security. The framework should contain specific assurances that, by appropriate use of the common measure as well as other ways, participants would reduce not only internal support but also export subsidies and import protection in a related way.

23. Agreement on such a framework by the time of the July meeting of the Trade negotiations Committee is critical to the successful completion of the Uruguay Round as a whole. Accordingly, we commend to our negotiators the text submitted by the Chairman of the Agricultural Negotiating Group as a means to intensify the negotiations. We intend to maintain a high level of personal involvement and to exercise the political leadership necessary to ensure the successful outcome of these negotiations.

24. Negotiations on market access should achieve agreement on a substantial and balanced package of measures. As regards textiles, the objective is to liberalise the textile and clothing sector through progressive dismantling of trade barriers and its integration, under a precise timetable, into GATT on the basis of strengthened GATT rules and disciplines.

25. Negotiations on multilateral rules and disciplines should strengthen GATT rules in areas such as safeguards, balance of payments, rules of origin, and updated disciplines for dumping and antidumping measures. Concerning subsidies, rules are needed which will effectively discipline domestic subsidies so as to avoid trade distortions, competitive subsidisation, and trade conflicts. Improved disciplines must also cover countervailing measures so that they do not become barriers to trade.

26. As regards the new areas, the aim is to develop new rules and procedures within the GATT framework, including: a framework of contractually enforceable rules to liberalise services trade, with no sector excluded a priori; an agreement to reduce trade distorting effects of trade-related investment measures; and an agreement to provide for standards and effective enforcement of all intellectual property rights.

27. A successful Uruguay Round is essential for industrialised and developing countries alike. We seek the widest possible participation of developing countries in the Round and their further integration into the multilateral trading system. To achieve this objective, developed countries are prepared to accept greater multilateral disciplines in all areas and to offer improved market access in areas of interest to developing countries such as textiles and clothing, tropical products, and agriculture.

28. For their part, developing countries should substantially reduce their tariffs and increase the percentage of tariffs that are bound; subscribe to balanced and effective restraints on all forms of exceptions, including measures imposed for balance-of-payments difficulties; and participate meaningfully in agreements covering the new areas. The end result should be a single set of multilateral rules applicable to all GATT contracting parties, although some developing countries, especially the least developed, may need longer transition periods or other transitional arrangements on a case by case basis.

29. The wide range of substantive results which we seek in all these areas will call for a commitment to strengthen further the institutional framework of the multilateral trading system. In that context, the concept of an international trade organisation should be addressed at the conclusion of the Uruguay Round. We also need to improve the dispute,

settlement process in order to implement the results of the negotiations effectively. This should lead to a commitment to operate only under the multilateral rules.

## Direct Investment

30. Free flows of investment increase global prosperity by complementing the open international trade system. In particular, foreign direct investment can help restructure the economies of developing and Central and Eastern European countries, create new jobs, and raise living standards.

31. All countries should therefore seek to reduce their barriers to investment and resist protectionist pressures to discourage or discriminate against such investment. The OECD and the GATT should continue to promote investment liberalisation. The multilateral development banks and the IMF should require investment liberalisation in their programmes in Central and Eastern Europe and developing countries.

## Export Credits

32. We welcome the important negotiations that are underway in the OECD on a balanced package of measures to strengthen multilateral disciplines on trade – and aid-distorting export credit subsidies. This package, to be completed by spring of 1991, should reduce substantially, through improved discipline and transparency, distortions resulting from the use of officially supported commercial and aid credits. It is also important to avoid introducing trade distortions in financial flows to the nations of Central and Eastern Europe.

## Reform in Central and Eastern Europe

33. We welcome the political and economic reforms taking place in Central and Eastern Europe. At the recent Conference on Security and Cooperation in Europe (CSCE) in Bonn and by the agreement to establish the European Bank for Reconstruction and Development (EBRD), the participating countries of the region accepted the key principles underpinning market economies. However, the degree of implementation of economic and political reform varies widely by country. Several countries have taken courageous and difficult measures to stabilise their economies and shorten the transition to a market economy.

34. We and other countries should assist Central and Eastern European nations that are firmly committed to economic and political reform. Those providing help should favour countries that implement such reforms.

35. Foreign private investment will be vital in the development of Central and Eastern Europe. Capital will flow to countries with open markets and hospitable investment climates. Improved access for their exports will also be important for those Central and Eastern European countries that are opening up their economies. Western Governments can sup-



HOUSTON, JULY 9/11, 1990

port this process by various means, including trade and investment agreements. The recent decision by the Coordinating Committee for Multilateral Export Controls (COCOM) to liberalise export controls is a positive step.

36. We commend the work done by the Commission of the European Communities on the coordination by the Group of 24 (G-24) of assistance to Poland and Hungary inaugurated at the Summit of the Arch, which has made a significant contribution to helping these countries lay the foundation for self-sustaining growth based on market principles. We welcome the decision of the G-24 to enlarge the coordination of assistance to other emerging democracies in Central and Eastern Europe, including Yugoslavia.

37. We recognise that these countries face major problems in cleaning their environment. It will be important to assist the countries of Central and Eastern Europe to develop the necessary policies and infrastructure to confront those environmental problems.

38. We also welcome the recent initiatives in regional cooperation, e.g., in transport and the environment, that will make a positive contribution to economic progress and stability in the region.

39. We expect the new EBRD to play a key role in fostering investments in those countries and to contribute to orderly transitions toward market economies and a sound basis for democracy. We urge the rapid entry into force of the Bank.

40. The Centre for Cooperation with European Economies in Transition at the OECD will encourage reforms and strengthen relations between these countries and the OECD, as will the OECD's follow up work from the CSCE Economic Conference in Bonn.

41. We invite the OECD to consider a closer relationship with those Central and Eastern European countries that are committed to political and economic reform.

## The Soviet Union

42. We discussed the situation in the Soviet Union, and exchanged views regarding the message that Soviet President Gorbachev sent us several days ago on his economic plans. We welcome the efforts underway in the Soviet Union to liberalise and to create a more open, democratic, and pluralistic Soviet society, and to move toward a market-oriented economy. These measures deserve our support. The success of perestroika depends upon the determined pursuit and development of these reform efforts. In particular, we welcome President Gorbachev's suggestion for a sustained economic dialogue.

43. We have all begun, individually and collectively, to assist these reform efforts. We all believe that technical assistance should be provided now to help the Soviet Union move to a market-oriented economy and to mobilise its own provided resources. Some countries are already in a position to extend large scale financial credits.

44. We also agreed that further Soviet decisions to introduce more radical steps toward a market-oriented economy, to shift resources substantially away from the military sector and to cut support to nations promoting regional conflict will all improve the prospect for meaningful and sustained economic assistance.

45. We have taken note of the decision of the European Council in Dublin on June 26. We have agreed to ask the IMF, the World Bank, the OECD and the designated president of the EBRD to undertake, in close consultation with the Commission of the European Communities, a detailed study of the Soviet economy, to make recommendations for its reform and to establish the criteria under which Western economic assistance could effectively support these reforms. This work should be completed by year's end

and be convened by the IMF. 46. We took note of the importance to the Government of Japan of the peaceful resolution of its dispute with the Soviet Union over the Northern Territories.

47. The host Government will convey to the Soviet Union the results of the Houston Summit.

## The Developing Nations

48. We reiterate that our commitment to the developing world will not be weakened by the support for reforming countries in Central and Eastern Europe. The poorest of the developing nations must remain the focus of special attention. The International Development Association replenishment of SDR 11.6 billion, agreed to last December, will provide needed resources for these countries, and marks the incorporation of environmental concerns into development lending. It is our intention to take a constructive part in the Paris Conference on the least developed countries in September.

49. The advanced industrial economies can make a number of major contributions to the long-run development of the developing countries. By sustaining economic growth and price stability, we can offer stable, growing markets and sources of capital for the developing world. By providing financial and technical support to developing countries undertaking genuine political and economic reform, we can reinforce their ongoing liberalisation. The industrialised nations should continue to make efforts to enhance their development aid and other forms of assistance to the developing countries, including reinforcing the effectiveness of the aid.

50. In the developing world, there is a growing acceptance of the view that growth can be encouraged by a stable macroeconomic framework, sectoral reform to provide more competition, and an opening of markets. Open, democratic, and accountable political systems are important ingredients in the effective and equitable operation of market-oriented economies.

51. Important contributions to a hospitable investment climate can be made by the protection of intellectual property, and by liberalisation of investment regimes, including transparent and equitable investment rules; and equality of treatment for foreign and domestic investors.

52. The recent Enterprise for the Americas initiative announced by the US President will support and encourage more market-oriented politics in Latin America and the Caribbean. We believe that such US efforts hold great promise for the region and will help improve prospects for sustained growth in the Americas through the encouragement of trade, open investment regimes, the reduction of US bilateral concessional debt and the use of debt for equity and nature swaps.

53. In a number of countries, sustainable development requires that population growth remains in some reasonable balance with expanding resources. Supporting the efforts of developing countries to maintain this balance is a priority. Improved educational opportunities for women and their greater integration into the economy can make important contributions to population stabilisation programmes.

54. In the Mediterranean basin, the initiatives of economic integration, which are underway, deserve encouragement and support.

HOUSTON, JULY 9/11, 1990

## Third World Debt

55. Significant progress has been made during the past year under the strengthened debt strategy, which has renewed the resolve in a number of debtor countries to continue economic reforms essential to future growth. In particular, the recent commercial bank agreements with Chile, Costa Rica, Mexico, Morocco, the Philippines, and Venezuela involve significant debt and debt-service reduction. Important financial support for debt and debt-service reduction is being provided by the IMF and the World Bank, as well as by Japan. The Paris Club has agreed, in order to support medium term IMF-supported reform and financing programmes, to provide adequate restructuring agreements, notably through multiyear reschedulings and through lengthening of the repayment period. The combination of debtor reform efforts and commercial bank debt reduction has had a notable impact on confidence in debtor economies, as clearly demonstrated through flows of both new investment and the return of flight capital to Mexico, in particular.

56. These measures represent major innovations in the case by case debt strategy and are potentially available to all debtor nations with serious debt-servicing problems which are implementing economic adjustment policies.

57. The adoption by debtor nations of strong economic reform programmes with the IMF and World Bank remains at the heart of the debt strategy, and a prerequisite for debt and debt service reduction within commercial bank financing packages. It is vital that debtor countries adopt measures to mobilise savings and to encourage new investment flows and the repatriation of flight capital to help sustain their recovery. In this connection, the recent US enterprise for the Americas initiative to support investment reform and the environment in Latin America needs to be given careful consideration by Finance Ministers.

58. For countries implementing courageous reforms, commercial banks should take realistic and constructive approaches in their negotiations to conclude promptly agreements on financial packages including debt reduction, debt-service reduction and new money.

59. Creditor nations will continue to play an important role in this process through ongoing contributions to the international financial institutions, rescheduling of official debts in the Paris Club, and new finance. We encourage the Paris Club to continue reviewing additional options to address debt burdens. In the case of the lower middle-income countries implementing strong reform programmes, we encourage the Paris Club to lengthen the repayment period, taking account of the special situations of these countries. We welcome the decisions taken by France with respect to Sub-Saharan Africa and by Canada with respect to the Caribbean to alleviate the debt burden of the lower middle-income countries.

60. Creditor governments have also provided special support for the poorest countries through the implementation of Toronto terms in Paris Club reschedulings. All of us have cancelled official development assistance (ODA) debt for the poorest countries. We encourage the Paris Club to review the implementation of the existing options that apply to the poorest countries.

61. We note and will study with interest the Craxi Report on debt commissioned by the UN Secretary General.

## The Environment

62. One of our most important responsibilities is to pass on to future generations an environment whose health, beauty, and economic potential are not threatened. Environmental challenges such as climate change, ozone depletion, deforestation, marine pollution, and loss of biological diversity require closer and more effective international cooperation and concrete action. We as industrialised countries have an obligation to be leaders in meeting these challenges. We agree that, in the face of threats of irreversible environmental damage, lack of full scientific certainty is no excuse to postpone actions which are justified in their own right. We recognise that strong, growing, market-oriented economies provide the best means for successful environmental protection.

63. Climate change is of key importance. We are committed to undertake common efforts to limit emissions of greenhouse gases, such as carbon dioxide. We strongly support the work of the Intergovernmental Panel on Climate Change (IPCC) and look forward to the release of its full report in August. The Second World Climate Conference provides the opportunity for all countries to consider the adoption of strategies and measures for limiting or stabilising greenhouse gas emissions, and to discuss an effective international response. We reiterate our support for the negotiation of a framework convention on climate change, under the auspices of the United Nations Environment Programme (UNEP) and the World Meteorological Organisation (WMO). The convention should be completed by 1992. Work on appropriate implementing protocols should be undertaken as expeditiously as possible and should consider all sources and sinks.

64. We welcome the amendment of the Montreal Protocol to phase out the use of chlorofluorocarbons (CFCs) by the year 2000 and to extend coverage of the protocol to other ozone depleting substances. The establishment of a financial mechanism to assist developing countries to tackle ozone depletion marks a new and positive step in cooperation between the developed and developing worlds. We applaud the announcement in London by some major developing countries, including India and China, that they intend to review their position on adherence to the Montreal protocol and its amendments. We would welcome their adherence as a crucial reinforcement of the effectiveness of the Protocol, which would ultimately lead to a worldwide phase out of ozone depleting substances. We urge all parties to ratify the amended Protocol as quickly as possible.

65. We acknowledge that enhanced levels of cooperation will be necessary with regard to the science and impacts of climate change and economic implications of possible response strategies. We recognise the importance of working together to develop new technologies and methods over the coming decades to complement energy conservation and other measures to reduce carbon dioxide and other greenhouse emissions. We support accelerated scientific and economic research and analysis on the dynamics and potential impact of climate change, and on potential responses of developed and developing countries.

66. We are determined to take action to increase forests, while protecting existing ones and recognising the sovereign rights of all countries to make use of their natural resources. The destruction of tropical forests has reached alarming proportions. We welcome the commitment of the new Government of Brazil to help arrest this destruction and to provide sustainable forest management. We actively support this process, and we are ready for a new dialogue with developing countries on ways and means to support their efforts. We are ready to cooperate with the Government of Brazil on a comprehensive pilot programme to counteract the threat to tropical rain forests in that country. We ask the World Bank to prepare such a proposal, in close cooperation with the Commission of the Euro-

HOUSTON, JULY 9/11, 1990

pean Communities, which should be presented at the latest at the next Economic Summit. We appeal to the other concerned countries to join us in this effort. Experience gained in this pilot programme should immediately be shared with other countries faced with tropical forest destruction. The Tropical Forestry Action Plan must be reformed and strengthened, placing more emphasis on forest conservation and protection of biological diversity. The International Tropical Timber Organisation action plan must be enhanced to emphasise sustainable forest management and improve market operations.

67. We are ready to begin negotiations, in the appropriate fora, as expeditiously as possible on a global forest convention or agreement, which is needed to curb deforestation, protect biodiversity, stimulate positive forestry actions, and address threats to the world's forests. The convention or agreement should be completed as soon as possible, but no later than 1992. The work of the IPCC and others should be taken into account.

68. The destruction of ecologically sensitive areas around the world continues at an alarming pace. Loss of temperate and tropical forests, developmental pressures on estuaries, wetlands and coral reefs, and destruction of biological diversity are symptomatic. To reverse this trend, we will expand cooperation to combat desertification; expand projects to conserve biological diversity; protect the Antarctic; and assist developing countries in their environmental efforts. We will work within UNEP and other fora to achieve these objectives, and will participate actively in UNEP's work to protect biodiversity.

69. Efforts to protect the environment do not stop at the water's edge. Serious problems are caused by marine pollution, both in the oceans and in coastal areas. A comprehensive strategy should be developed to address land-based sources of pollution: we are committed to helping in this regard. We will continue our efforts to avoid oil spills, urge the early entry into force of the existing International Maritime Organisation (IMO) Convention, and welcome the work of that organisation in developing an international oil spills convention. We are concerned about the impact of environmental degradation and unregulated fishing practices on living marine resources. We support cooperation in the conservation of living marine resources and recognise the importance of regional fisheries organisations in this respect. We call on all concerned countries to respect the conservation regimes.

70. To cope with energy-related environmental damage, priority must be given to improvements in energy efficiency and to the development of alternative energy sources. For the countries that make such a choice, nuclear energy will continue to be an important contributor to our energy supply and can play a significant role in reducing the growth of greenhouse gas emissions. Countries should continue efforts to ensure highest worldwide performance standards for nuclear and other energy in order to protect health and the environment, and ensure the highest safety.

71. Cooperation between developed and developing countries is essential to the resolution of global environmental problems. In this regard, the 1992 UN Conference on Environment and Development will be an important opportunity to develop widespread agreement on common action and coordinated plans. We note with interest the conclusions of the Siena Forum on International Law of the Environment and suggest that these should be considered by the 1992 UN Conference on Environment and Development.

72. We recognise that developing countries will benefit from increased financial and technological assistance to help them resolve environmental problems, which are aggravated by poverty and underdevelopment. Multilateral development bank programmes should be strengthened to provide greater protection for the environment, including environmental impact assessments and action plans, and to promote energy efficiency. We recognise that debt-for-nature swaps can play a useful role in protecting the environment. We will examine how the World Bank can provide a coordinating role for measures to promote environmental protection.

73. In order to integrate successfully environmental and economic goals, decision-makers in government and industry require the necessary tools. Expanded cooperative scientific and economic research and analysis on the environment is needed. We recognise the importance of coordinating and the sharing the collection of satellite data on earth and its atmosphere. We welcome and encourage the ongoing discussions for the establishment of an International Network. It is also important to involve the private sector, which has a key role in developing solutions to environmental problems. We encourage the OECD to accelerate its very useful work on environment and the economy. Of particular importance are the early development of environmental indicators and the design of market-oriented approaches that can be used to achieve environmental objectives. We also welcome Canada's offer to host in 1991 an international conference on environmental information in the 21st Century. We support voluntary environmental labelling as a useful market mechanism which satisfied consumer demand and producer requirements and promotes market innovation.

74. We note with satisfaction the successful launching of the Human Frontier Science Programme and express our hope that it will make positive contributions to the advancement of basic research in life science for the benefit of all mankind.

## Narcotics

75. We urge all nations to accede to and complete ratification of the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention), and to apply provisionally terms of the Convention.

76. We welcome the conclusion of the UN Special Session on Drugs and urge the implementation of the measures contained in the programme of action it has adopted.

77. We support the declaration adopted at the ministerial meeting on drugs convened by the United Kingdom that drug demand reduction should be accorded the same importance in policy and action as the reduction of illicit supply. Developed countries should adopt stronger prevention efforts and assist demand reduction initiatives in other countries.

78. We endorse the report of the Financial Action Task Force (FATF) and commit our countries to a full implementation of all its recommendations without delay. As agreed at the May meeting of Task Force Finance Ministers, the FATF should be reconvened for a second year, chaired by France, to assess and facilitate the implementation of these recommendations, and to complement them where appropriate. All OECD and financial centre countries that subscribe to the recommendations of the Task Force should be invited to participate in this exercise. The report of the new FATF would be completed before we next meet. We also invite all other countries to participate in the fight against money laundering and to implement the recommendations of the FATF.

79. Effective procedures should be adopted to ensure the precursor and essential chemicals are not diverted to manufacture illicit drugs. A task force similar to the FATF should be created for this purpose, composed of Summit participants and other countries that trade in these chemicals, with the involvement of representatives of the chemical industry. The task force should address the problems which concern cocaine, heroin and synthetic drugs and report within a year.

80. We support a strategy for attacking the cocaine trade as outlined in particular in the Cartagena Declaration. We recognise the importance of supporting all countries strongly engaged in the fight against drug trafficking, especially Colombia, Peru, and Bolivia, with

HOUSTON, JULY 9/11, 1990

economic, law enforcement, and other assistance advice, recognising the need to make contributions within the framework of actions against drug trafficking carried out by the producer countries.

81. The heroin problem is still the most serious threat in many countries, both developed and developing. All countries should take vigorous measures to combat the scourge of heroin.

82. We should support an informal narcotics consultative arrangement with developed countries active in international narcotics control. Such a group could strengthen efforts to reduce supply and demand, and improve international cooperation.

83. We welcome the current review of UN drug abuse control agencies and urge that it result in a more efficient structure.

## Next Economic Summit

84. We have accepted the invitation of Prime Minister Thatcher to meet next July in London.

## Political Declaration

### *Declaration of 10 July on securing democracy*

1. We, the Leaders, of our seven countries and the Representatives of the European Community, salute the men and women around the world whose courage and wisdom have inspired and brought about the historic advances of democracy we have witnessed over the past year. As we enter the final decade of this century, which we intend should be a Decade of Democracy, we reiterate our commitment to support the strengthening of democracy, human rights and economic reconstruction and development through market-oriented economies. We emphasize the important opportunity provided in this forum for representatives from Europe, Japan, and North America to discuss critical challenges of the coming years.

2. Europe is at the dawn of a new era. We welcome enthusiastically the profound and historic changes sweeping the continent. The London Declaration on a transformed North Atlantic Alliance provides a new basis for cooperation among former adversaries in building a stable, secure, and peaceful Europe. We are determined to seize all opportunities to achieve a Europe whole and free and recognize the European Community's contribution to that effort. We applaud the unification of Germany, which is a tangible expression of mankind's inalienable right to self-determination and a major contribution to stability in Europe.

We welcome the replacement of repressive regimes in Central and Eastern Europe by governments freely chosen by their peoples. We applaud the introduction of the rule of law and the freedoms that are the bedrock of a democratic State. We urge Romania, following recent events, to adhere to the positive trend taking place in other countries of Central and Eastern Europe.

3. We welcome the intention of the Soviet Union to move toward a democratic political system, as well as Soviet attempts to reform their economy along market principles. We

commit ourselves to working with the Soviet Union to assist its efforts to create an open society, a pluralistic democracy, and a market-oriented economy. Such changes will enable the Soviet Union to fulfil its responsibilities in the community of nations founded on these principles.

We are heartened by indications that a constructive dialogue is under way between the Soviet Government and the Baltic States, and we urge all sides to continue this dialogue in a democratic spirit.

4. The advance of democracy accompanied by market-oriented economic reforms is not just a European phenomenon. Since we last met, we have witnessed the spread of democratic values in many parts of the world.

In Asia, there are encouraging signs of new political openness in Mongolia and Nepal. In the Philippines, the government continues to engage in courageous efforts to consolidate democracy.

We acknowledge some of the recent developments in China, but believe that the prospects for closer cooperation will be enhanced by renewed political and economic reform, particularly in the field of human rights. We agree to maintain the measures put into place at last year's Summit, as modified over the course of this year. We will keep them under review for future adjustments to respond to further positive developments in China. For example, in addition to existing lending to meet basic human needs, we will explore whether there are other World Bank loans that would contribute to reform of the Chinese economy, especially loans that would address environmental concerns.

5. In Africa, we hope that Namibia's attainment of independence and democracy will be a positive example for freedom, pluralism, and market-oriented economic reform throughout the continent. We also welcome the positive developments that have taken place in South Africa, especially the launching of talks between the government and representatives of the black majority. We hope this will lead to a peaceful transition to a non-racial democracy and the complete dismantlement of the apartheid system. We will continue to support this process and we call on all parties to refrain from violence or its advocacy.

6. In Latin America, we welcome the re-establishment of freedom and democracy in Chile. We applaud the recent fair and free elections in Nicaragua, as well as progress on the path to peace through dialogue in El Salvador and Guatemala. We encourage the efforts of the Panamanian Government to re-establish democracy and the rule of law. We note with satisfaction the positive evolution in Haiti. We hope that Cuba will take steps to join the democratic trend in the rest of Latin America.

7. While we applaud the reduction of ideological conflicts that have divided much of the world since the end of the Second World War, we note with deep concern the re-emergence of intolerance affecting ethnic and religious groups. We agree that such intolerance can lead to conflicts which can threaten fundamental human rights as well as political and economic development.

8. We reaffirm our commitment to the fundamental principles we seek to realize in our own societies, and we underscore that political and economic freedoms are closely linked and mutually reinforcing. Each of us stands ready to help in practical ways those countries that choose freedom, through the provision of constitutional, legal, and economic know-how and through economic assistance, as appropriate.

In drawing from our different constitutional and historical experiences, we stand ready, individually and jointly in relevant forum, to:

- i) assist in the drafting of laws, including bills of rights and civil, criminal, and economic framework laws;
- ii) advise in the fostering of independent media;
- iii) establish training programmes in government, management, and technical fields;



HOUSTON, JULY 9/11, 1990

- iv) develop and expand people-to-people contacts and exchange programmes to help diffuse understanding and knowledge.

In the same spirit, the recent G24 ministerial meeting agreed to extend its assistance in Central and Eastern Europe in parallel with progress in political and economic reform.

We agree the challenge facing the industrialized democracies is to continue to effort already under way in Europe while expanding efforts to support political reform and economic development in other parts of the world. We call on our people and the people of other democracies to join in this great endeavour».

## Declarations on Transnational Issues

### DECLARATION OF 10 JULY ON TERRORISM.

«We, the Heads of State or Government, reaffirm our condemnation of terrorism in all its forms, our commitment to make no concessions to terrorists or their sponsors, and our resolve to continue to cooperate in efforts to combat terrorism. We demand that those governments which provide support to terrorists end such support immediately. We are determined not to allow terrorists to remain unpunished, but to see them brought to justice in accordance with international law and national legislation.

We welcome the recent release of several hostages, but remain deeply concerned that hostages are still being held, some for more than five years. Their ordeal and that of their families must end. We call for the immediate, unconditional and safe release of all hostages and for an account of all persons taken hostage who may have died while being held. We call on those with influence over hostage-takers to use their influence to this end.

We note with deep concern the continuing threat presented to civil aviation by terrorist groups, as demonstrated by such outrages as the sabotage of civil aircraft over Lockerbie, Scotland on 21 December 1988, above Niger on 19 September 1989, and over Colombia on 27 November 1989. We reiterate our determination to fight terrorist assaults against civil aviation.

Accordingly, we will continue our cooperation to negotiate a convention requiring the introduction of additives into plastic strengthen explosives to aid in their detection. We pledge to work to strengthen international civil aviation security standards. Consistent with this objective, we note the importance of making available training and technical assistance to other nations. We support initiatives undertaken through the International Civil Aviation Organization (ICAO) regarding this issue. We will work together with ICAO to expand such assistance».

### DECLARATION OF 10 JULY ON NON-PROLIFERATION.

«We discussed the threat to international security posed by the proliferation of nuclear, chemical and biological weapons, and of ballistic missile weapons delivery systems.

With regard to nuclear proliferation, we take special note of the recent declaration issued by the European Council in Dublin on that subject. That document underscored the great importance attached to the maintenance of an effective international nuclear non proliferation regime and the need to make every effort to contribute to strengthening non-proliferation and encouraging the participation of further countries in the regime. The treaty on Non-

Proliferation of Nuclear Weapons (NPT) is an important element of that regime. We further endorse the EC's call for all States to apply EAFA safeguards on as universal a basis as possible.

We also urge all nuclear suppliers to adopt nuclear export control measures equivalent to the Nuclear Suppliers' Group Guidelines.

Whether NPT parties or not, we commit ourselves to working actively to secure a satisfactory outcome to nuclear non-proliferation discussions in the forthcoming months, including those at the Fourth Review Conference of the NPT.

We hope that these discussions will contribute to the achievement of as broad a consensus as possible in favour of an equitable and stable non-proliferation regime. Such a regime should be based on an indispensable balance between the non-proliferation of arms and the development of peaceful and safe uses of nuclear energy.

The global community has focused for decades on nuclear proliferation, especially when combined with advanced missile delivery systems. Today we also face new and growing problems from the proliferation of chemical and biological weapons.

With regard to chemical and biological proliferation, we commit ourselves to pursue efforts to prevent the diversion of chemical precursors at a national level, as well as in the relevant Western forums. We similarly commit ourselves to be vigilant about the danger of potential diversions in the field of biological technologies.

We endorse a complete ban on chemical weapons, through an effective and verifiable treaty, as the only long-term guarantee against the proliferation of chemical weapons. We believe an important step toward achieving such a treaty was made in the recent US-Soviet agreement on destruction and non-production of chemical weapons and the recent declaration of intent by NATO States to welcome original signatories to the Chemical Weapons Convention. We reiterate our determination, first expressed at the 1969 Paris Conference on Chemical Weapons, to redouble the effort at the Conference on Disarmament in Geneva to resolve the renewing issues and to conclude the Convention at the earliest date. We also urge all States to become parties as soon as it is concluded. Similarly, as the 1991 Review Conference on the Biological Weapons Convention approaches, we call on all nations that have not become party to the Convention to do so and to participate in confidence-building measures designed to strengthen its effectiveness.

We wish to highlight the importance of dealing with the related threat of ballistic missiles capable of delivering nuclear, chemical and biological weapons. We note especially the contribution of the Missile Technology Control Regime (MTCR) to our joint efforts to control missile proliferation. We applaud the recent decisions of additional nations to adhere to the MTCR, and we call upon all nations to observe the MTCR guidelines».

## Infringement Procedures Initiation of Proceedings for Failure to Implement Directives

### LETTERS OF FORMAL NOTICE

In July and August the Commission sent letters of formal notice for failure to inform it of any national implementing measures in the following cases:

HOUSTON, JULY 9/11, 1990

– Internal market

Council Directive 88/182/EEC of 22 March 1988 amending Directive 83/189/EEC laying down a procedure for the provision of information in the field of technical standards and regulation (Italy, Netherlands).

OJ L 81, 26.3.1988

– Social affairs

Council Directive 86/378/EEC of 24 July 1986 on the implementation of the principle of equal treatment for men and women in occupational social security schemes (Belgium, Denmark, Greece, Ireland, Italy, Luxembourg)

OJL 225, 12.8.1986

– Transport

Council Directive 86/364/EEC of 24 July 1986 relating to proof of compliance of vehicles with Directive 85/3/EEC on the weights, dimensions and certain other technical characteristics of certain road vehicles (France)

OJL 221, 7.8.1986

– Environment

Council Directive 85/444/EEC of 27 September 1985 amending Directive 83/129/EEC concerning the importation into Member States of skins of certain real pups and products derived therefrom (Greece)

OJL 259, 1.10.1985

# LONDON

JULY 15/17, 1991

## LIST OF PARTICIPANTS

LONDON, JULY 15/17, 1991

CANADA	Brian Mulroney <i>Prime Minister</i> Barbara McDougall <i>Minister of External Affairs</i> Michael H. Wilson <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister for Foreign Affairs</i> Pierre Bérégovoy <i>Minister for the Economy, Finance and the Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Hans-Dietrich Genscher <i>Federal Minister of Foreign Affairs</i> Theo Waigel <i>Federal Minister for Economic Affairs</i>
ITALY	Giulio Andreotti <i>President of the Council of Ministers</i> Gianni De Michelis <i>Minister of External Affairs</i> Guido Carli <i>Minister of the Treasury</i>
JAPAN	Toshiki Kaifu <i>Prime Minister</i> Taro Nakayama <i>Minister of Foreign Affairs</i> Ryutaro Hashimoto <i>Minister of Finance</i>
UNITED KINGDOM	John Major <i>Prime Minister</i> Douglas Hurd <i>Secretary of State for Foreign and Commonwealth Affairs</i> Norman Lamont <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	George Bush <i>President</i> James A. Baker <i>Secretary of State</i> Nicholas J. Brady <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Rudd Lubbers <i>President for Netherlands</i> Henning Christophersen <i>Commissioner</i> Frans Andriessen <i>Commissioner</i>

# Political Declaration

## STRENGTHENING THE INTERNATIONAL ORDER

1. We, the leaders of our seven countries and the representatives of the European Community, renew our firm commitment to the ideal of a peaceful, just, democratic and prosperous world. The international community faces enormous challenges. But there is also reason for hope. We must reinforce the multilateral approach to the solution of common problems and work to strengthen the international system of which the United Nations, based on its Charter, remains so central a part. We call on the leaders of other nations to join us in that cause.

2. It is a matter for hope and encouragement that the United Nations Security Council, with the backing of the international community, showed during the Gulf crisis that it could fulfil its role of acting to restore international peace and security and to resolve conflict. With the East-West confrontation of the last four decades behind us, the international community must now build on this new spirit of cooperation not only in the Middle East but wherever danger and conflict threaten or other challenges must be met.

3. We believe the conditions now exist for the United Nations to fulfil completely the promise and the vision of its founders. A revitalised United Nations will have a central role in strengthening the international order. We commit ourselves to making the UN stronger, more efficient and more effective in order to protect human rights, to maintain peace and security for all and to deter aggression. We will make preventive diplomacy a top priority to help avert future conflicts by making clear to potential aggressors the consequences of their actions. The UN's role in peacekeeping should be reinforced and we are prepared to support this strongly.

4. We note that the urgent and overwhelming nature of the humanitarian problem in Iraq caused by violent oppression by the Government required exceptional action by the international community, following UNSCR 688. We urge the UN and its affiliated agencies to be ready to consider similar action in the future if the circumstances require it. The international community cannot stand idly by in cases where widespread human suffering from famine, war, oppression, refugee flows, disease or flood reaches urgent and overwhelming proportions.

5. The recent tragedies in Bangladesh, Iraq and the Horn of Africa demonstrate the need to reinforce UN relief in coping with emergencies. We call on all Member States to respond to the Secretary General's appeal for voluntary contributions. We would like to see moves to strengthen the coordination, and to accelerate the effective delivery, of all UN relief for major disasters. Such initiatives, as part of an overall effort to make the UN more effective could include:

- a) the designation of a high level official, answerable only to the United Nations Secretary-General, who would be responsible for directing a prompt and well-integrated international response to emergencies, and for coordinating the relevant UN appeals; and
- b) improvement in the arrangements whereby resources from within the UN system and support from donor countries and NGOs can be mobilised to meet urgent humanitarian needs in time of crisis.

LONDON, JULY 15/17, 1991

The United Nations would then be able to take the early action that has sometimes been missing in the past. The United Nations should also make full use of its early warning capacity to alert the international community to coming crises and to work on the preparation of contingency plans, to include the question of prior earmarking of resources and material that would be available to meet these contingencies.

6. Since we last met the world has witnessed the invasion, occupation and subsequent liberation of Kuwait. The overwhelming response of the international community in reversing the forcible annexation of one small nation was evidence of the widespread preference for

- taking collective measures against threats to the peace and to suppress aggression;
- settling disputes peacefully;
- upholding the rule of law; and
- protecting human rights.

These principles are essential to the civilised conduct of relations between states.

7. We express our support for what the countries of the Gulf and their neighbours are doing to ensure their security in future. We intend to maintain sanctions against Iraq until all the relevant resolutions of the Security Council have been implemented in full and the people of Iraq, as well as their neighbours, can live without fear of intimidation, repression or attack. As for the Iraqi people, they deserve the opportunity to choose their leadership openly and democratically. We look forward to the forthcoming elections in Kuwait and to an improvement of the human rights situation there and in the region.

8. We attach overriding importance to the launching of a process designed to bring comprehensive, just and lasting peace between Israel and her Arab neighbours, including the Palestinians. Such a peace should be based on UN SCRs 242 and 338 and the principle of territory for peace. We support the concept of a peace conference starting parallel and direct negotiations between Israel and representative Palestinians on the one hand and Israel and the Arab states on the other. We confirm our continuing support for the current American initiative to advance the peace process, which we believe offers the best hope of progress towards a settlement. We urge all the parties to the dispute to adopt reciprocal and balanced confidence-building measures and to show the flexibility necessary to allow a peace conference to be convened on the basis set out in this initiative. In that connection we believe that the Arab boycott should be suspended as should the Israeli policy of building settlements in the occupied territories.

9. We take note with satisfaction of the prospects opened by the restoration of security in Lebanon. We continue to support efforts by the Lebanese authorities to achieve the implementation of the Taif process, which will lead to the departure of all foreign forces and the holding of free elections.

10. We express our willingness to support the development of economic cooperation among the countries of the Middle East on the basis of liberal policies designed to encourage the repatriation of capital, an increase in investment and a decrease in obstacles to trade. Such policies should be accompanied by comprehensive long-term efforts to bring about more stability for the Middle East and the Mediterranean.

11. We welcome the further substantial progress in reform, both political and economic, achieved in the countries of Central and Eastern Europe during the last year and recognise that these gains will need to be maintained through a difficult period of economic transition, including through regional initiatives. We have a strong interest in the success of market reforms and democracy in Central and Eastern Europe and we commit ourselves to full support for these reforms. We also take note of the progress of Albania towards joining the democratic community of nations.

12. Our support for the process of fundamental reform in the Soviet Union remains as strong as ever. We believe that new thinking in Soviet foreign policy, which has done so

much to reduce East/West tension and strengthen the multilateral peace and security system, should be applied on a global basis. We hope that this new spirit of international co-operation will be as fully reflected in Asia as in Europe. We welcome efforts to create a new union, based on consent not coercion, which genuinely responds to the wishes of the peoples of the Soviet Union. The scale of this undertaking is enormous: an open and democratic Soviet Union able to play its full part in building stability and trust in the world. We reiterate our commitment to working with the Soviet Union to support their efforts to create an open society, a pluralistic democracy and a market economy. We hope the negotiations between the USSR and the elected governments of the Baltic countries will resolve their future democratically and in accordance with the legitimate aspirations of the people.

13. It is for the peoples of Yugoslavia themselves to decide upon their future. However the situation in Yugoslavia continues to cause great concern. Military force and bloodshed cannot lead to a lasting settlement and will only put at risk wider stability. We call for a halt to violence, the deactivation and return of military forces to barracks and a permanent ceasefire. We urge all parties to comply with the provisions of the Brioni agreement as it stands. We welcome the efforts of the European Community and its member states in assisting in the resolution of the Yugoslav crisis. We therefore support the dispatch of EC monitors to Yugoslavia, within the framework of the CSCE emergency mechanism. We will do whatever we can, with others in the international community, to encourage and support the process of dialogue and negotiation in accordance with the principles enshrined in the Helsinki Final Act and the Paris Charter for a new Europe, in particular respect for human rights, including rights of minorities and the right of peoples to self-determination in conformity with the Charter of the United Nations and with the relevant norms of international law, including those relating to territorial integrity of states. The normalisation of the present situation will allow us to contribute to the indispensable economic recovery of the country.

14. We welcome the positive developments in South Africa, where the legislative pillars of apartheid have at last been dismantled. We hope that these important steps will be followed by the de facto elimination of apartheid and improvement in the situation of the most impoverished among the population of South Africa. We hope that negotiations on a new Constitution leading to non-racial democracy will begin shortly and will not be disrupted by the tragic upsurge of violence. All parties must do all that is in their power to resolve the problem of violence. We are concerned that the foundation for a new non-racial South Africa will be undermined by mounting social problems and declining economic prospects for the majority of the population, which have contributed to the violence. There is an urgent need to restore growth to the economy to help reduce inequalities of wealth and opportunity. South Africa needs to pursue new economic, investment and other policies that permit normal access to all sources of foreign borrowing. In addition to its own domestic efforts, South Africa also needs the help of the international community, especially in those areas where the majority have long suffered deprivation: education, health, housing and social welfare. We will direct our aid for these purposes.

15. Finally, we look for further strengthening of the international order by continued vigorous efforts to deter terrorism and hostage taking. We call for the immediate and unconditional release of all hostages wherever they may be held and for an accounting of all persons taken hostage who may have died while being held. We welcome the undertakings given by governments with an influence over hostage holders to work for the release of hostages and urge them to intensify their efforts to this end. We extend our sympathy to the friends and relations of those held. We reaffirm our condemnation of all forms of terrorism. We will work together to deter and combat terrorism by all possible means within the framework of international law and national legislation, particularly in the fields of international civil aviation security and the marking of plastic explosives for the purpose of detection.



LONDON, JULY 15/17, 1991

16. This forum continues to provide an invaluable opportunity for representatives from Europe, Japan and North America to discuss the critical challenges of the coming years. But we cannot succeed alone. We call on the leaders of the other nations to join us in our efforts to make a practical and sustained contribution to the cause of peace, security, freedom and the rule of law, which are the preconditions for trying to bring about greater justice and prosperity throughout the world.

## Economic Declaration

### BUILDING WORLD PARTNERSHIP

1. We, the Heads of State and Government of the seven major industrial democracies and the representatives of the European Community, met in London for our seventeenth annual Summit.

2. The spread of freedom and democracy which we celebrated at Houston has gathered pace over the last year. Together the international community has overcome a major threat to world peace in the Gulf. But new challenges and new opportunities confront us.

3. We seek to build world partnership, based on common values, and to strengthen the international order. Our aim is to underpin democracy, human rights, the rule of law and sound economic management, which together provide the key to prosperity. To achieve this aim, we will promote a truly multilateral system, which is secure and adaptable and in which responsibility is shared widely and equitably. Central to our aim is the need for a stronger, more effective UN system, and for greater attention to the proliferation and transfer of weapons.

### ECONOMIC POLICY

4. Over the last year, some of our economies have maintained good growth, while most have slowed down and some gone into recession. But a global recession has been avoided. The uncertainty created by the Gulf crisis is behind us. We welcome the fact that there are now increasing signs of economic recovery. Progress has been made too in reducing the largest trade and current account imbalances.

5. Our shared objectives are a sustained recovery and price stability. To this end, we are determined to maintain, including through our economic policy coordination process, the medium-term strategy endorsed by earlier Summits. This strategy has contained inflationary expectations and created the conditions for sustainable growth and new jobs.

6. We therefore commit ourselves to implement fiscal and monetary policies, which, while reflecting the different situations in our countries, provide the basis for lower real interest rates. In this connection, continued progress in reducing budget deficits is essential. This, together with the efforts being made to reduce impediments to private saving, will help generate the increase in global savings needed to meet demands for investment. We also welcome the close cooperation on exchange markets and the work to improve the functioning of the international monetary system.

7. We will also, with the help of the Organisation for Economic Co-operation and Development (OECD) and other institutions, pursue reforms to improve economic efficiency and thus the potential for growth. These include:

- a) greater competition in our economies, including regulatory reform. This can enhance consumer choice, reduce prices and ease burdens on business.
- b) greater transparency, elimination or enhanced discipline in subsidies that have distorting effects, since such subsidies lead to inefficient allocation of resources and inflate public expenditure.
- c) improved education and training, to enhance the skills and improve the opportunities of those both in and out of employment, as well as policies contributing to greater flexibility in the employment system.
- d) a more efficient public sector, for example through higher standards of management and including possibilities for privatisation and contracting out.
- e) the wide and rapid diffusion of advances in science and technology.
- f) essential investment, both private and public, in infrastructure.

8. We will encourage work nationally and internationally to develop cost-effective economic instruments for protecting the environment, such as taxes, charges and tradeable permits.

#### INTERNATIONAL TRADE

9. No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round. It will stimulate non-inflationary growth by bolstering confidence, reversing protectionism and increasing trade flows. It will be essential to encourage the integration of developing countries and Central and East European nations into the multilateral trading system. All these benefits will be lost if we cannot conclude the Round.

10. We therefore commit ourselves to an ambitious, global and balanced package of results from the Round, with the widest possible participation by both developed and developing countries. The aim of all contracting parties should be to complete the Round before the end of 1991. We shall each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level.

11. To achieve our objectives, sustained progress will be needed in the negotiations at Geneva in all areas over the rest of this year. The principal requirement is to move forward urgently in the following areas taken together:-

- a) market access, where it is necessary, in particular, to cut tariff peaks for some products while moving to zero tariffs for others, as part of a substantial reduction of tariffs and parallel action against non-tariff barriers.
- b) agriculture, where a framework must be decided upon to provide for specific binding commitments in domestic support, market access and export competition, so that substantial progressive reductions of support and protection may be agreed in each area, taking into account non-trade concerns.
- c) services, where accord on a general agreement on trade in services should be reinforced by substantial and binding initial commitments to reduce or remove existing restrictions on services trade and not to impose new ones.
- d) intellectual property, where clear and enforceable rules and obligations to protect all property rights are necessary to encourage investment and the spread of technology.

12. Progress on these issues will encourage final agreement in areas already close to conclusion, such as textiles, tropical products, safeguards and dispute settlement. Agreement to an improved dispute settlement mechanism should lead to a commitment to operate only under the multilateral rules. Taken all together, these and the other elements of the negotiations, including GATT rule-making, should amount to the substantial, wide-ranging package which we seek.

LONDON, JULY 15/17, 1991

13. We will seek to ensure that regional integration is compatible with the multilateral trading system.

14. As we noted at Houston, a successful outcome of the Uruguay Round will also call for the institutional reinforcement of the multilateral trading system. The concept of an international trade organisation should be addressed in this context.

15. Open markets help to create the resources needed to protect the environment. We therefore commend the OECD's pioneering work in ensuring that trade and environment policies are mutually supporting. We look to the General Agreement on Tariffs and Trade (GATT) to define how trade measures can properly be used for environmental purposes.

16. We are convinced that OECD members must overcome in the near future and, in any case, by the end of the year, remaining obstacles to an agreement on reducing the distortions that result from the use of subsidised export credits and of tied aid credits. We welcome the initiative of the OECD in studying export credit premium systems and structures and look forward to an early report.

#### ENERGY

17. As the Gulf crisis showed, the supply and price of oil remain vulnerable to political shocks, which disturb the world economy. But these shocks have been contained by the effective operation of the market, by the welcome increase in supplies by certain oil-exporting countries and by the actions co-ordinated by the International Energy Agency (IEA), particularly the use of stocks. We are committed to strengthen the IEA's emergency preparedness and its supporting measures. Since the crisis has led to improved relations between producers and consumers, contacts among all market participants could be further developed to promote communication, transparency and the efficient working of market forces.

18. We will work to secure stable worldwide energy supplies, to remove barriers to energy trade and investment, to encourage high environmental and safety standards and to promote international cooperation on research and development in all these areas. We will also seek to improve energy efficiency and to price energy from all sources so as to reflect costs fully, including environmental costs.

19. In this context, nuclear power generation contributes to diversifying energy sources and reducing greenhouse gas emissions. In developing nuclear power as an economic energy source, it is essential to achieve and maintain the highest available standards of safety, including in waste management, and to encourage co-operation to this end throughout the world. The safety situation in Central and Eastern Europe and the Soviet Union deserves particular attention. This is an urgent problem and we call upon the international community to develop an effective means of coordinating its response.

20. The commercial development of renewable energy sources and their integration with general energy systems should also be encouraged, because of the advantages these sources offer for environmental protection and energy security.

21. We all intend to take a full part in the initiative of the European Community for the establishment of a European Energy Charter on the basis of equal rights and obligations of signatory countries. The aim is to promote free and undistorted energy trade, to enhance security of supply, to protect the environment and to assist economic reform in Central and East European countries and the Soviet Union, especially by creating an open, non-discriminatory regime for commercial energy investment.

## CENTRAL AND EASTERN EUROPE

22. We salute the courage and determination of the countries of Central and Eastern Europe in building democracy and moving to market economies, despite formidable obstacles. We welcome the spread of political and economic reform throughout the region. These changes are of great historical importance. Bulgaria and Romania are now following the pioneering advances of Poland, Hungary and Czechoslovakia. Albania is emerging from its long isolation.

23. Recognising that successful reform depends principally on the continuing efforts of the countries concerned, we renew our own firm commitment to support their reform efforts, to forge closer ties with them and to encourage their integration into the international economic system. Regional initiatives reinforce our ability to co-operate.

24. All the Central and East European countries except Albania are now members of the International Monetary Fund (IMF) and the World Bank. We welcome the steps being taken by those countries that are implementing IMF-supported programmes of macro-economic stabilisation. It is crucial that these programmes are complemented by structural reforms, such as privatising and restructuring state-owned enterprises, increasing competition and strengthening property rights. We welcome the establishment of the European Bank for Reconstruction and Development (EBRD), which has a mandate to foster the transition to open, market-oriented economies and to promote private initiative in Central and East European countries committed to democracy.

25. A favourable environment for private investment, both foreign and domestic, is crucial for sustained growth and for avoiding dependence on external assistance from governments. In this respect, technical assistance from our private sectors and governments, the European Community and international institutions should concentrate on helping this essential market-based transformation. In this context, we emphasise the importance of integrating environmental considerations into the economic restructuring process in Central and Eastern Europe.

26. Expanding markets for their exports are vital for the Central and East European countries. We welcome the substantial increases already made in exports to market economies and we undertake to improve further their access to our markets for their products and services, including in areas such as steel, textiles and agricultural produce. In this context, we welcome the progress made in negotiating Association Agreements between the European Community and Poland, Hungary and Czechoslovakia, as well as the Presidential Trade Enhancement Initiative announced by the United States, all of which will be in accordance with GATT principles. We will support the work of the OECD to identify restrictions to East/West trade and to facilitate their removal.

27. The Group of Twenty-four (G24) process, inaugurated by the Arch Summit and chaired by the European Commission, has mobilised \$31 billion in bilateral support for these countries, including balance of payments finance to underpin IMF-supported programmes. Such programmes are in place for Poland, Hungary and Czechoslovakia. We welcome the contributions already made for Bulgaria and Romania. We are intensifying the G24 coordination process and we reaffirm our shared willingness to play our fair part in the global assistance effort.

## THE SOVIET UNION

28. We support the moves towards political and economic transformation in the Soviet Union and are ready to assist the integration of the Soviet Union into the world economy.

LONDON, JULY 15/17, 1991

29. Reform to develop the market economy is essential to create incentives for change and enable the Soviet people to mobilise their own substantial natural and human resources. A clear and agreed framework within which the centre and the republics exercise their respective responsibilities is fundamental for the success of political and economic reform.

30. We have invited President Gorbachev to meet us for a discussion of reform policies and their implementation, as well as ways in which we can encourage this process.

31. We commend the IMF, World Bank, OECD and EBRD for their study of the Soviet economy produced, in close consultation with the European Commission, in response to the request we made at Houston. This study sets out many of the elements necessary for successful economic reform, which include fiscal and monetary discipline and creating the framework of a market economy.

32. We are sensitive to the overall political context in which reforms are being conducted, including the «New Thinking» in Soviet foreign policy around the world. We are sensitive also to the importance of shifting resources from military to civilian use.

33. We are concerned about the deterioration of the Soviet economy, which creates severe hardship not only within the Soviet Union but also for the countries of Central and Eastern Europe.

#### THE MIDDLE EAST

34. Many countries have suffered economically as a result of the Gulf crisis. We welcome the success of the Gulf Crisis Financial Co-ordination Group in mobilising nearly \$16 billion of assistance for those countries suffering the most direct economic impact of the Gulf crisis and urge all donors to complete disbursements rapidly. Extensive assistance is being provided by Summit participants for the Mediterranean and the Middle East, as well as by the IMF and World Bank.

35. We believe that enhanced economic co-operation in this area, on the basis of the principles of non-discrimination and open trade, could help repair the damage and reinforce political stability. We welcome the plans of major oil exporting countries for providing financial assistance to others in the region and their decision to establish a Gulf Development Fund. We support closer links between the international financial institutions and Arab and other donors. We believe this would encourage necessary economic reforms, promote efficient use of financial flows, foster private sector investment, stimulate trade liberalisation and facilitate joint projects e.g. in water management, which would draw on our technical skills and expertise.

#### DEVELOPING COUNTRIES AND DEBT

36. Developing countries are playing an increasingly constructive role in the international economic system, including the Uruguay Round. Many have introduced radical policy reforms and are adopting the following principles:

- a) respect for human rights and for the law, which encourages individuals to contribute to development;
- b) democratic pluralism and open systems of administration, accountable to the public;
- c) sound, market-based economic policies to sustain development and bring people out of poverty;

We commend these countries and urge others to follow their example. Good governance not only promotes development at home, but helps to attract external finance and investment from all sources.

37. Our steadfast commitment to helping developing countries, in conjunction with a durable non-inflationary recovery of our economies and the opening of our markets, will be the most effective way we have of enhancing prosperity in the developing world.

38. Many of these countries, especially the poorest, need our financial and technical assistance to buttress their own development endeavours. Additional aid efforts are required, to enhance both the quantity and the quality of our support for priority development issues. These include alleviating poverty, improving health, education and training and enhancing the environmental quality of our aid. We endorse the increasing attention being given to population issues in devising strategies for sustainable progress.

39. Africa deserves our special attention. Progress by African governments towards sound economic policies, democracy and accountability is improving their prospects for growth. This is being helped by our continued support, focused on stimulating development of the private sector, encouraging regional integration, providing concessional flows and reducing debt burdens. The Special Programme of Assistance for Africa, co-ordinated by the World Bank and providing support for economic reform in over 20 African countries, is proving its worth. We will provide humanitarian assistance to those parts of Africa facing severe famine and encourage the reform of United Nations structures in order to make this assistance more effective. We will also work to help the countries concerned remove the underlying causes of famine and other emergencies, whether these are natural or provoked by civil strife.

40. In the Asia-Pacific region, many economies, including members of the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Co-operation (APEC), continue to achieve dynamic growth. We welcome the efforts by those economies of the region which are assuming new international responsibilities. Other Asian countries, which are strengthening their reform efforts, continue to need external assistance.

41. In Latin America we are encouraged by the progress being made in carrying out genuine economic reforms and by developments in regional integration. We welcome the continuing discussions on the Multilateral Investment Fund, under the Enterprise for the Americas Initiative which, together with other efforts, is helping to create the right climate for direct investment, freer trade and a reversal of capital flight.

42. We recognise with satisfaction the progress being made under the strengthened debt strategy. Some countries have already benefited from the combination of strong adjustment with commercial bank debt reduction or equivalent measures. We encourage other countries with heavy debts to banks to negotiate similar packages.

43. We note:

- a) the agreement reached by the Paris Club on debt reduction or equivalent measures for Poland and Egypt, which should be treated as exceptional cases;
- b) the Paris Club's continued examination of the special situation of some lower middle-income countries on a case by case basis.

44. The poorest, most indebted countries need very special terms. We agree on the need for additional debt relief measures, on a case by case basis, for these countries, going well beyond the relief already granted under Toronto terms. We therefore call on the Paris Club to continue its discussions on how these measures can best be implemented promptly.

45. We recognise the need for appropriate new financial flows to developing countries. We believe the appropriate way to avoid unsustainable levels of debt is for developing countries to adopt strengthened policies to attract direct investment and the return of flight capital:

46. We note the key role of the IMF, whose resources should be strengthened by the early implementation of the quota increase under the Ninth General Review and the associated Third Amendment to the Articles of Agreement.

LONDON, JULY 15/17, 1991

ENVIRONMENT

47. The international community will face formidable environmental challenges in the coming decade. Managing the environment continues to be a priority issue for us. Our economic policies should ensure that the use of this planet's resources is sustainable and safeguards the interests of both present and future generations. Growing market economies can best mobilise the means for protecting the environment, while democratic systems ensure proper accountability.

48. Environmental considerations should be integrated into the full range of government policies, in a way which reflects their economic costs. We support the valuable work in this field being undertaken by the OECD. This includes the systematic review of member countries' environmental performance and the development of environmental indicators for use in decision-making.

49. Internationally, we must develop a co-operative approach for tackling environmental issues. Industrial countries should set an example and thus encourage developing countries and Central and East European nations to play their part. Co-operation is also required on regional problems. In this context, we welcome the consensus reached on the Environmental Protocol of the Antarctic Treaty, aimed at reinforcing the environmental preservation of this continent. We note the good progress of the Sahara and Sahel Observatory as well as the Budapest Environmental Centre.

50. The UN Conference on Environment and Development (UNCED) in June 1992 will be a landmark event. It will mark the climax of many international environmental negotiations. We commit ourselves to work for a successful Conference and to give the necessary political impetus to its preparation.

51. We aim to achieve the following by the time of UNCED:

- a) an effective framework convention on climate change, containing appropriate commitments and addressing all sources and sinks for greenhouse gases. We will seek to expedite work on implementing protocols to reinforce the convention. All participants should be committed to design and implement concrete strategies to limit net emissions of greenhouse gases, with measures to facilitate adaptation. Significant actions by industrial countries will encourage the participation of developing and East European countries, which is essential to the negotiations;
- b) agreement on principles for the management, conservation and sustainable development of all types of forest, leading to a framework convention. This should be in a form both acceptable to the developing countries where tropical forests grow and consistent with the objective of a global forest convention or agreement which we set at Houston.

52. We will seek to promote, in the context of UNCED:

- a) mobilisation of financial resources to help developing countries tackle environmental problems. We support the use of existing mechanisms for this purpose, in particular the Global Environment Facility (GEF). The GEF could become the comprehensive funding mechanism to help developing countries meet their obligations under the new environmental conventions.
- b) encouragement of an improved flow of beneficial technology to developing countries, making use of commercial mechanisms.
- c) a comprehensive approach to the oceans, including regional seas. The environmental and economic importance of oceans and seas means that they must be protected and sustainably managed.
- d) further development of international law of the environment, drawing inter alia on the results of the Siena Forum.

- e) the reinforcement of international institutions concerned with the environment, including the United Nations Environment Programme (UNEP), for the decade ahead.

53. We support the negotiation, under the auspices of UNEP, of an acceptable framework convention on biodiversity, if possible to be concluded next year. It should concentrate on protecting ecosystems, particularly in species-rich areas, without impeding positive developments in biotechnology.

54. We remain concerned about the destruction of tropical forests. We welcome the progress made in developing the pilot programme for the conservation of the Brazilian tropical forest, which has been prepared by the Government of Brazil in consultation with the World Bank and the European Commission, in response to the offer of co-operation extended following the Houston Summit. We call for further urgent work under the auspices of the World Bank, in co-operation with the European Commission, in the framework of appropriate policies and with careful attention to economic, technical and social issues. We will financially support the implementation of the preliminary stage of the pilot programme: utilising all potential sources, including the private sector, non-governmental organisations, the multilateral development banks, and the Global Environmental Facility. When details of the programme have been resolved, we will consider supplementing these resources with bilateral assistance, so that progress can be made on the ground. We believe that good progress with this project will have a beneficial impact on the treatment of forests at UNCED. We also welcome the spread of debt for nature exchanges, with an emphasis on forests.

55. The burning oil wells and polluted seas in the Gulf have shown that we need greater international capacity to prevent and respond to environmental disasters. All international and regional agreements for this purpose, including those of the International Maritime Organisation (IMO), should be fully implemented. We welcome the decision by UNEP to establish an experimental centre for urgent environmental assistance. In the light of the recent storm damage in Bangladesh, we encourage the work on flood alleviation under the auspices of the World Bank, which we called for at the Arch Summit.

56. Living marine resources threatened by over-fishing and other harmful practices should be protected by the implementation of measures in accordance with international law. We urge control of marine pollution and compliance with the regimes established by regional fisheries organisations through effective monitoring and enforcement measures.

57. We call for greater efforts in co-operation in environmental science and technology, in particular:

- a) scientific research into the global climate, including satellite monitoring and ocean observation. All countries, including developing countries, should be involved in this research effort. We welcome the development of information services for users of earth observation data since the Houston Summit;
- b) the development and diffusion of energy and environment technologies, including proposals for innovative technology programmes.

#### DRUGS

58. We note with satisfaction progress made in this field since our Houston meeting, notably the entry into force of 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychiatric Substances. We welcome the formation of the United Nations International Drugs Control Programme (UNDCP).

59. We will increase our efforts to reduce the demand for drugs as a part of overall anti-drug action programmes. We maintain our efforts to combat the scourge of cocaine and will



LONDON, JULY 15/17, 1991

match these by increased attention to heroin, still the principal hard drug in Europe and Asia. Enhanced co-operation is needed both to reduce production of heroin in Asia and to check its flow into Europe. Political changes in Central and Eastern Europe and the opening of frontiers there have increased the threat of drug misuse and facilitated illicit trafficking, but have also given greater scope for concerted Europe-wide action against drugs.

60. We applaud the efforts of the «Dublin Group» of European, North American and Asian governments to focus attention and resources on the problems of narcotics production and trafficking.

61. We commend the achievements of the task-forces initiated by previous Summits and supported by an increasing number of countries:

- a) We urge all countries to take part in the international fight against money laundering and to cooperate with the activities of the Financial Action Task Force (FATF). We strongly support the agreement on a mutual evaluation process of each participating country's progress in implementing the FATF recommendations on money laundering. We endorse the recommendation of the FATF that it should operate on a continuing basis with a secretariat supplied by the OECD.
- b) We welcome the report of the Chemical Action Task Force (CATF) and endorse the measures it recommends for countering chemical diversion, building on the 1988 UN Convention against drug trafficking. We look forward to the special meeting in Asia, concentrating on heroin, and the CATF meeting due in March 1992, which should consider the institutional future of this work.

62. We are concerned to improve the capacity of law enforcement agencies to target illicit drug movements without hindering the legitimate circulation of persons and goods. We invite the Customs Cooperation Council to strengthen its cooperation with associations of international traders and carriers for this purpose and to produce a report before our next Summit.

#### MIGRATION

63. Migration has made and can make a valuable contribution to economic and social development, under appropriate conditions, although there is a growing concern about worldwide migratory pressures, which are due to a variety of political, social and economic factors. We welcome the increased attention being given these issues by the OECD and may wish to return to them at a future Summit.

#### NEXT MEETING

64. We have accepted an invitation from Chancellor Kohl to hold our next Summit in Munich, Germany in July 1992.

# MUNICH

JULY 5/8, 1992

## LIST OF PARTICIPANTS

MUNICH, JULY 5/8, 1992

CANADA	Brian Mulroney <i>Prime Minister</i> Barbara McDougall <i>Minister of External Affairs</i> Don Mazankowsky <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Roland Dumas <i>Minister for Foreign Affairs</i> Michel Sapin <i>Minister for the Economy, Finance and the Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Klaus Kinkel <i>Federal Minister of Foreign Affairs</i> Theo Waigel <i>Federal Minister for Economic Affairs</i>
ITALY	Giuliano Amato <i>President of the Council of Ministers</i> Vincenzo Scotti <i>Minister of External Affairs</i> Piero Barucci <i>Minister of the Treasury</i>
JAPAN	Kiichi Miyazawa <i>Prime Minister</i> Michio Watanabe <i>Minister of Foreign Affairs</i> Tsutomu Hata <i>Minister of Finance</i>
UNITED KINGDOM	John Major <i>Prime Minister</i> Douglas Hurd <i>Secretary of State for Foreign and Commonwealth Affairs</i> Norman Lamont <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	George Bush <i>President</i> James A. Baker <i>Secretary of State</i> Nicholas J. Brady <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Hennig Christophersen <i>Commissioner</i> Frans Andriessen <i>Commissioner</i>

# Political Declaration

## SHAPING THE NEW PARTNERSHIP

### I.

1. We, the leaders of our seven countries and the representatives of the European Community, support the democratic revolution which has ended the East-West confrontation and has fundamentally changed the global political landscape. Since we last met, further dramatic changes have accelerated progress towards democracy, market-based economies, and social justice. The way has been opened for a new partnership of shared responsibilities, not only in Europe which at long last is reunited, but also in the Asia-Pacific region and elsewhere in the world. We are entering an era where confrontation has given way to cooperation.

2. This new partnership will take many forms. The former adversaries of East and West will cooperate extensively on economic, political and security issues. We look for the worldwide development of similar patterns of cooperation within regions and between regions. As developed countries, we offer continuing support and assistance to developing countries. We believe that transnational problems, in particular the proliferation of weapons of mass destruction, can be solved only through international cooperation. Partnership will flourish as common values take root, based on the principles of political and economic freedom, human rights, democracy, justice and the rule of law. We believe that political and economic freedom are closely linked and mutually reinforcing and that, to that end, good governance and respect for human rights are important criteria in providing economic assistance.

3. The countries of Central and Eastern Europe and the new states of the former Soviet Union can now seize unprecedented opportunities - but they also face enormous challenges. We will support them as they move toward the achievement of democratic societies and political and economic freedom. We encourage them to create a stable constitutional and legal framework for their reform programmes and commend their efforts to cut substantially the proportion of public spending devoted to the military sector.

4. The Treaty signed at Maastricht by the twelve members of the European Community is a historic step on the way to European Union. Its implementation will enhance political stability on the European continent and open up new opportunities for cooperation.

5. Since we last met, the creation of the North Atlantic Cooperation Council has enhanced the cooperative relationship of the North Atlantic Alliance with countries in Central and Eastern Europe and with the states of the former Soviet Union. WEU, too, is strengthening its relationship with countries in Central and Eastern Europe.

6. The need for international cooperation has also been underlined by new instabilities and conflicts due to resurgent nationalism and interethnic tensions. Communal and territorial disputes are being settled by force, causing death, destruction, and widespread dislocation of innocent people throughout the former Yugoslavia, in parts of the former Soviet Union, and elsewhere in the world.

7. The full and immediate implementation of all CSCE commitments is essential in building security and stability in Europe. All CSCE states must solve their disputes by peace-

MUNICH, JULY 5/8, 1992

ful means and guarantee the equal treatment of all minorities. We call upon the Helsinki CSCE Summit to take decisions to strengthen the CSCE's capabilities for conflict prevention, crisis management and peaceful resolution of disputes. We also look forward to the establishment of a security cooperation forum at the Helsinki Summit. In this regard, we welcome the recent decisions by NATO foreign ministers and WEU ministers on support for peacekeeping operations carried out under the responsibility of the CSCE. We support the development of a regular and productive dialogue between Japan and the CSCE on matters of common concern.

8. In the Asia-Pacific region, existing regional frameworks, such as the ASEAN Post-Ministerial Conferences and the Asia-Pacific Economic Cooperation, have an important part to play in promoting peace and stability. We are seriously concerned at the present situation in Cambodia and urge all parties concerned to support UNTAC and uphold the still fragile peace process to bring it to a successful conclusion.

9. We welcome Russia's commitment to a foreign policy based on the principle of law and justice. We believe that this represents a basis for full normalization of the Russian-Japanese relationship through resolving the territorial issue.

## II.

1. The end of the East-West confrontation provides a historic opportunity, but also underlines the urgent need to curb the proliferation of nuclear weapons, other weapons of mass destruction and missiles capable of delivering them. We are firmly of the view that the indefinite extension of the nuclear Non-Proliferation Treaty at the 1995 Review Conference will be a key step in this process and that the process of nuclear arms control and reduction must be continued. The motivation for nuclear proliferation will also be reduced through efforts to advance regional security.

2. We urge countries not yet parties to the NPT to join. We look forward to the early adherence to the NPT as non-nuclear weapons states of Ukraine, Kazakhstan and Belarus as well as the other non-Russian states of the former Soviet Union. We shall continue through bilateral contacts and the International Science and Technology Centres in Moscow and Kiev our efforts to inhibit the spread of expertise on weapons of mass destruction. We attach the highest importance to the establishment in the former Soviet Union of effective export controls on nuclear materials, weapons and other sensitive goods and technologies and will offer training and practical assistance to help achieve this.

3. The world needs the most effective possible action to safeguard nuclear materials and to detect and prevent the transfer or the illicit or clandestine production of nuclear weapons. Nuclear cooperation will in future be conditional on adherence to the NPT or an existing equivalent internationally binding agreement as well as on the adoption of full-scope International Atomic Energy Agency safeguards, as recently laid down by the Nuclear Suppliers Group. The IAEA must receive the resources necessary to strengthen the existing safeguards regime and to conduct effective special inspections of undeclared but suspect nuclear sites as one means of achieving this. We will support reference by the IAEA of unresolved cases of proliferation to the UN Security Council.

4. We reaffirm our willingness to share the benefits of peaceful nuclear technology with all other states, in accordance with our non-proliferation commitments.

5. We will continue to encourage all countries to adopt the guidelines of the Missile Technology Control Regime and welcome the recent decision by the plenary session of the MTCR to extend the scope of the guidelines to cover missiles capable of delivering all kinds of weapons of mass destruction. Each of us will continue our efforts to improve transpa-

rency and consultation in the transfer of conventional weapons and to encourage restraint in such transfers. Provision of full and timely information to the UN Arms Register is an important element in these efforts.

6. We will continue to intensify our cooperation in the area of export controls of sensitive items in the appropriate fora to reduce threats to international security. A major element of this effort is the informal exchange of information to improve and harmonize these export controls.

7. Arms control agreements which have been signed by the former Soviet Union, in particular the START and CFE treaties, must enter into force. The full implementation of the CFE Treaty will create the foundation for the new cooperative security framework in Europe. We welcome the far-reaching follow-on agreement on strategic nuclear weapons concluded by the US and Russia in June as another major step towards a safer, more stable world. Further measures, in particular the unilaterally announced elimination of ground-launched short-range nuclear weapons by the United States and the former Soviet Union, should be carried out as soon as possible. We support Russia in its efforts to secure the peaceful use of nuclear materials resulting from the elimination of nuclear weapons. The Geneva negotiations for a convention on the effective global ban on chemical weapons must be successfully concluded this year. We call on all nations to become original signatories to this convention.

### III.

1. The new challenges underline the need for strengthening the UN, taking account of changing international circumstances. Since our last meeting in London the tasks and responsibilities of the UN have further increased in a dramatic way, especially in the area of crisis prevention, conflict management and the protection of minorities. The UN has played a central role in the international response to developments in the Gulf, in Cambodia, in the former Yugoslavia and in other regions of the world.

2. We support the UN's role in maintaining international peace and security. The accession to the UN of new states has reinforced the importance of this role. We call upon all these new member states to abide by their solemn undertakings to uphold the purposes and principles of the UN Charter.

3. We reaffirm our commitment to cooperate on existing refugee problems. We deplore action by any state or group against minorities that creates new flows of refugees and displaced persons.

4. We support moves undertaken so far by the Secretary-General to reform the Organization, including the appointment of a high-ranking emergency relief coordinator. The Secretary General's report «An Agenda for Peace» is a valuable contribution to the work of the United Nations on preventive diplomacy, peace-making and peace-keeping. We assure him of our readiness to provide the political support and resources needed to maintain international peace and security.

5. We strongly support improved cooperation between the UN and regional arrangements and agencies as envisaged in Chapter VIII of the UN Charter, which have an increasing role in solving conflicts.

6. In closing this Declaration, we reaffirm that recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world. Human rights are not at the disposal of individual states or their governments. They cannot be subordinate to the rules of any political, ideological or religious system. The protection and the promotion of human rights remain one of the principal tasks of the community of nations.

MUNICH, JULY 5/8, 1992

DECLARATION ON FORMER YUGOSLAVIA

We, the leaders of our seven countries and the representatives of the European Community, are deeply concerned about the ongoing Yugoslav crisis. We strongly condemn the use of violence in the former Yugoslavia and deplore the suffering inflicted upon its population. We particularly deplore those actions directed against civilian populations as well as the forced expulsion of ethnic groups. Although all parties have contributed to this state of affairs the Serbian leadership and the Yugoslav Army controlled by it bear the greatest share of the responsibility.

We support the EC Conference on Yugoslavia chaired by Lord Carrington as a key forum for ensuring a durable and equitable political solution to the outstanding problems of the former Yugoslavia, including constitutional arrangements for Bosnia and Hercegovina. We call on all parties to resume negotiations in that Conference in good faith and without preconditions. We also welcome close consultations between the Conference chaired by Lord Carrington, the EC, the UN and the other parties concerned with the Yugoslav crisis. These consultations could lead to the holding of a broader international conference to address unresolved questions, including issues related to minorities. We stress the absolute need for the parties in former Yugoslavia to show the will for peace, which is indispensable to success and without which the peoples of former Yugoslavia will continue to suffer.

The tragic humanitarian situation especially in Bosnia and Hercegovina is unacceptable. We fully endorse the efforts of the international community to provide relief. We welcome the efforts made in achieving the opening of the airport of Sarajevo and we support actions taken by UNPROFOR to secure the airport. The blockade of Sarajevo must be lifted and the shelling of the town stopped in order to sustain a comprehensive relief operation.

We express our gratitude to all participants in the airlift to Sarajevo and the supply of its population. We appeal to all parties in Bosnia and Hercegovina not to imperil the humanitarian effort. We firmly warn the parties concerned, including irregular forces, not to take any action that would endanger the lives of those engaged in the relief operation. Should these efforts fail due to an unwillingness of those concerned to fully cooperate with the United Nations we believe the Security Council will have to consider other measures, not excluding military means, to achieve its humanitarian objectives.

The airlift to Sarajevo can only be the beginning of a larger humanitarian effort. Safe access by road to Sarajevo as well as to other parts of Bosnia and Herzegovina in need must be guaranteed.

The needs of the hundreds of thousands of refugees and displaced persons require further significant financial support. We are willing to contribute and ask others also to make fair contributions.

We underline the need for Serbia and Croatia to respect the territorial integrity of Bosnia and Hercegovina and for all military forces not subject to the authority of the Government of Bosnia and Hercegovina to either be withdrawn or disbanded and disarmed with their weapons placed under effective international monitoring.

We call on all parties to prevent the conflict from spreading to other parts of the former Yugoslavia.

We urge the Serbian leadership to respect minority rights in full, to refrain from further repression in Kosovo and to engage in serious dialogue with representatives of Kosovo with a view to defining a status of autonomy according to the draft convention of the EC Conference on Yugoslavia.

Sanctions decided by the UN Security Council in resolution 757 as well as all other provisions of relevant UN resolutions must be fully implemented.

We support the efforts of the UN peace keeping forces in implementing the UN peace plan for Croatia in all its elements. We demand that Serbs and Croats extend their full co-

operation to the UN peace plan and make every effort to bring the bloodshed in Croatia to an end.

We do not accept Serbia and Montenegro as the sole successor state of the former Yugoslavia. We call for the suspension of the delegation of Yugoslavia in the proceedings of the CSCE and other relevant international fora and organizations.

## Economic Declaration

1. We, the Heads of State and Government of seven major industrial nations and the President of the Commission of the European Community, have met in Munich for our eighteenth annual Summit.

2. The international community is at the threshold of a new era, freed from the burden of the East-West conflict. Rarely have conditions been so favourable for shaping a permanent peace, guaranteeing respect for human rights, carrying through the principles of democracy, ensuring free markets, overcoming poverty and safeguarding the environment.

3. We are resolved, by taking action in a spirit of partnership, to seize the unique opportunities now available. While fundamental change entails risk, we place our trust in the creativity, effort and dedication of people as the true sources of economic and social progress. The global dimension of the challenges and the mutual dependencies call for world-wide cooperation. The close coordination of our policies as part of this cooperation is now more important than ever.

### WORLD ECONOMY

4. Strong world economic growth is the prerequisite for solving a variety of challenges we face in the post-Cold War world. Increasingly, there are signs of global economic recovery. But we will not take it for granted and will act together to assure the recovery gathers strength and growth picks up.

5. Too many people are out of work. The potential strength of people, factories and resources is not being fully employed. We are particularly concerned about the hardship unemployment creates.

6. Each of us faces somewhat different economic situations. But we all would gain greatly from stronger, sustainable non-inflationary growth.

7. Higher growth will help other countries, too. Growth generates trade will give a boost to developing nations and to the new democracies seeking to transform command economies into productive participants within the global marketplace. Their economic success is in our common interest.

8. A successful Uruguay Round will be a significant contribution to the future of the world economy. An early conclusion of the negotiations will reinforce our economies, promote the process of reform in Eastern Europe and give new opportunities for the well-being of other nations, including in particular the developing countries.

We regret the slow pace of the negotiations since we met in London last year. But there has been progress in recent months. Therefore we are convinced that a balanced agreement is within reach.

We welcome the reform of the European Community's Common Agricultural Policy which has just been adopted and which should facilitate the settlement of outstanding issues.



MUNICH, JULY 5/8, 1992

Progress has been made on the issue of internal support in a way which is consistent with the reform of the Common Agricultural Policy, on dealing with the volume of subsidised exports and on avoiding future disputes. These topics require further work. In addition, parties still have concerns in the areas of market access and trade in cereal substitutes that they seek to address.

We reaffirm that the negotiations should lead to a globally balanced result. An accord must create more open markets for goods and services and will require comparable efforts from all negotiating partners.

On this basis we expect that an agreement can be reached before the end of 1992.

9. We are committed, through coordinated and individual actions, to build confidence for investors, savers, and consumers: confidence that hard work will lead to a better quality of life; confidence that investments will be profitable; confidence that savings will be rewarded and that price stability will not be put at risk.

10. We pledge to adopt policies aimed at creating jobs and growth. We will seek to take the appropriate steps recognising our individual circumstances, to establish sound macroeconomic policies to spur stronger sustainable growth. With this in mind we have agreed on the following guidelines:

- to continue to pursue sound monetary and financial policies to support the upturn without rekindling inflation;
- to create the scope for lower interest rates through the reduction of excessive public deficits and the promotion of savings;
- to curb excessive public deficits above all by limiting public spending. Taxpayers' money should be used more economically and more effectively.
- to integrate more closely our environmental and growth objectives, by encouraging market incentives and technological innovation to promote environmentally sound consumption and production.

As the risk of inflation recedes as a result of our policies, it will be increasingly possible for interest rates to come down. This will help promote new investment and therefore stronger growth and more jobs.

11. But good macroeconomic policies are not enough. All our economies are burdened by structural rigidities that constrain our potential growth rates. We need to encourage competition. We need to create a more hospitable environment for private initiative. We need to cut back excess regulation, which suppresses innovation, enterprise and creativity. We will strengthen employment opportunities through better training, education, and enhanced mobility. We will strengthen the basis for long-term growth through improvements in infrastructure and greater attention to research and development. We are urging these kinds of reforms for new democracies in the transition to market economies. We cannot demand less of ourselves.

12. The coordination of economic and financial policies is a central element in our common strategy for sustained, non-inflationary growth. We request our Finance Ministers to strengthen their cooperation on the basis of our agreed guidelines and to intensify their work to reduce obstacles to growth and therefore foster employment. We ask them to report to our meeting in Japan in 1993.

#### UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT [UNCED]

13. The Earth Summit has been a landmark in heightening the consciousness of the global environmental challenges, and in giving new impetus to the process of creating a worldwide partnership on development and the environment. Rapid and concrete action is

required to follow through on our commitments on climate change, to protect forests and oceans, to preserve marine resources, and to maintain biodiversity. We therefore urge all countries, developed and developing, to direct their policies and resources towards sustainable development which safeguards the interests of both present and future generations.

14. To carry forward the momentum of the Rio Conference, we urge other countries to join us:

- in seeking to ratify the Climate Change Convention by the end of 1993,
- in drawing up and publishing national action plans, as foreseen at UNCED, by the end of 1993,
- in working to protect species and the habitats on which they depend,
- in giving additional financial and technical support to developing countries for sustainable development through official development assistance (ODA), in particular by replenishment of IDA, and for actions of global benefit through the Global Environment Facility (GEF) with a view to its being established as a permanent funding mechanism,
- in establishing at the 1992 UN General Assembly the Sustainable Development Commission which will have a vital role to play in monitoring the implementation of Agenda 21,
- in establishing an international review process for the forest principles, in an early dialogue, on the basis of the implementation of these principles, on possible appropriate internationally agreed arrangements, and in increased international assistance,
- in further improving monitoring of the global environment, including through better utilisation of data from satellite and other earth observation programmes,
- in the promotion of the development and diffusion of energy and environment technologies, including proposals for innovative technology programmes,
- by ensuring the international conference on straddling fish stocks and highly migratory fish stocks in the oceans is convened as soon as possible.

#### DEVELOPING COUNTRIES

15. We welcome the economic and political progress which many developing countries have made, particularly in East and South-East Asia, but also in Latin America and in some parts of Africa. However, many countries throughout the world are still struggling against poverty. Sub-Saharan Africa, above all, gives cause for concern.

16. We are committed to dialogue and partnership founded on shared responsibility and a growing consensus on fundamental political and economic principles. Global challenges such as population growth and the environment can only be met through cooperative efforts by all countries. Reforming the economic and social sector of the UN system will be an important step to this end.

17. We welcome the growing acceptance of the principles of good governance. Economic and social progress can only be assured if countries mobilise their own potential, all segments of the population are involved and human rights are respected. Regional cooperation among developing countries enhances development and can contribute to stability, peaceful relations and reduced arms spending.

18. The industrial countries bear a special responsibility for a sound global economy. We shall pay regard to the effects of our policies on the developing countries. We will continue our best efforts to increase the quantity and quality of official development assistance in accordance with our commitments. We shall direct official development assistance more towards the poorest countries. Poverty, population policy, education, health, the role of women and the well-being of children merit special attention. We shall support in particular those countries that undertake credible efforts to help them-

MUNICH, JULY 5/8, 1992

selves. The more prosperous developing countries are invited to contribute to international assistance.

19. We underline the importance for developing countries of trade, foreign direct investment and an active private sector. Poor developing countries should be offered technical assistance to establish a more diversified export base especially in manufactured goods.

20. Negotiations on a substantial replenishment of IDA funds should be concluded before the end of 1992. The IMF should continue to provide concessional financing to support the reform programmes for the poorest countries. We call for an early decision by the IMF on the extension for one year of the Enhanced Structural Adjustment Facility and for the full examination of options for the subsequent period, including a renewal of the facility.

21. We are deeply concerned about the unprecedented drought in southern Africa. Two thirds of the Drought Appeal target has been met. But much remains to be done. We call on all countries to assist.

22. We welcome the progress achieved by many developing countries in overcoming the debt problems and regaining their creditworthiness. Initiatives of previous Summits have contributed to this. Nevertheless, many developing countries are still in a difficult situation.

23. We confirm the validity of the international debt strategy. We welcome the enhanced debt relief extended to the poorest countries by the Paris Club. We note that the Paris Club has agreed to consider the stock of debt approach, under certain conditions, after a period of three or four years, for the poorest countries that are prepared to adjust, and we encourage it to recognise the special situation of some highly indebted lower-middle-income countries on a case by case basis. We attach great importance to the enhanced use of voluntary debt conversions, including debt conversions for environmental protection.

#### CENTRAL AND EASTERN EUROPE

24. We welcome the progress of the democracies in central and eastern Europe including the Baltic states (CEECs) towards political and economic reform and integration into the world economy. The reform must be pursued vigorously. Great efforts and even sacrifices are still required from their people. They have our continuing support.

29. We welcome the substantial multilateral and bilateral assistance in support of reform in the CEECs. Financing provided by the EBRD is playing a useful role. Since 1989, total assistance and commitments, in the form of grants, loans and credit guarantees by the Group of 24 and the international financial institutions, amounts to \$ 52 billion. We call upon the Group of 24 to continue its coordination activity and to adapt it to the requirements of each reforming country. We reaffirm our readiness to make fair contributions.

26. We support the idea of working with Poland to reallocate, on the basis of existing arrangements, funds from the currency stabilisation fund, upon agreement on an IMF programme, towards new uses in support of Poland's market reform effort, in particular by strengthening the competitiveness of Poland's business enterprises.

27. The industrial countries have granted substantial trade concessions to the CEECs in order to ensure that their reform efforts will succeed. But all countries should open their markets further. The agreements of the EC and EFTA countries aiming at the establishment of free trade areas with these countries are a significant contribution. We shall continue to offer the CEECs technical assistance in enhancing their export capacity.

28. We urge all CEECs to develop their economic relations with each other, with the new independent States of the former Soviet Union as well as more widely on a market-oriented basis and consistent with GATT principles. As a step in this direction we welcome

the special cooperation among the CSFR, Poland and Hungary, and hope that free trade among them will soon be possible.

29. Investment from abroad should be welcomed. It is important for the development of the full economic potential of the CEECs. We urge the CEECs to focus their policies on the creation of attractive and reliable investment conditions for private capital. We are providing our bilateral credit insurance and guarantee instruments to promote foreign investment when these conditions, including servicing of debt, are met. We call upon enterprises in the industrial countries to avail themselves of investment opportunities in the CEECs.

#### NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

30. The far-reaching changes in the former Soviet Union offer an historic opportunity to make the world a better place: more secure, more democratic and more prosperous. Under President Yeltsin's leadership the Russian government has embarked on a difficult reform process. We look forward to our meeting with him to discuss our cooperation in support of these reforms. We are prepared to work with the leaders of all new States pursuing reforms. The success is in the interest of the international community.

31. We are aware that the transition will involve painful adjustments. We offer the new States our help for their selfhelp. Our cooperation will be comprehensive and will be tailored to their reform progress and internationally responsible behaviour, including further reductions in military spending and fulfilment of obligations already undertaken.

32. We encourage the new States to adopt sound economic policies, above all by bringing down budget deficits and inflation. Working with the IMF can bring experience to this task and lend credibility to the efforts being made. Macroeconomic stabilisation should not be delayed. It will only succeed if at the same time the building blocks of a market economy are also put into place, through privatisation, land reform, measures to promote investment and competition and appropriate social safeguards for the population.

33. Creditworthiness and the establishment of a dependable legal framework are essential if private investors are to be attracted. The creditworthiness of the new States will in particular be assessed by the way in which they discharge their financial obligations.

34. Private capital and entrepreneurial commitment must play a decisive and increasing part in economic reconstruction. We urge the new States to develop an efficient private business sector, in particular the body of small and medium-sized private companies which is indispensable for a market economy.

35. Rapid progress is particularly urgent and attainable in two sectors: agriculture and energy. These sectors are of decisive importance in improving the supply situation and increasing foreign exchange revenue. Trade and industry in our countries are prepared to cooperate. Valuable time has already been lost because barriers to investment remain in place. For energy, we note the importance of the European Energy Charter for encouraging production and ensuring the security of supply. We urge rapid conclusion of the preparatory work.

36. All Summit participants have shown solidarity in a critical situation by providing extensive food aid, credits and medical assistance. They also have committed technical assistance. A broad inflow of know-how and experience to the new States is needed to help them realise their own potential. Both private and public sectors can contribute to this. What is needed most of all is concrete advice on the spot and practical assistance. The emphasis should be on projects selected for their value as a model or their strategic importance for the reform process. Partnerships and management assistance at corporate level can be particularly effective.

MUNICH, JULY 5/8, 1992

37. We stress the need for the further opening of international markets to products from the new States. Most-favoured-nation treatment should be applied to trade with the new States and consideration given to further preferential access. The new States should not impede reconstruction by setting up barriers to trade between themselves. It is in their own interest to cooperate on economic and monetary policy.

38. We want to help the new States to preserve their highly-developed scientific and technological skills and to make use of them in building up their economies. We call upon industry and science in the industrial countries to promote cooperation and exchange with the new States. By establishing International Science and Technology Centres we are helping to redirect the expertise of scientists and engineers who have sensitive knowledge in the manufacture of weapons of mass destruction towards peaceful purposes. We will continue our efforts to enable highly-qualified civil scientists to remain in the new States and to promote research cooperation with western industrial countries.

39. We welcome the membership of the new States in the international financial institutions. This will allow them to work out economic reform programmes in collaboration with these institutions and on this basis to make use of their substantial financial resources. Disbursements of these funds should be linked to progress in implementing reforms.

40. We support the phased strategy of cooperation between the Russian Government and the IMF. This will allow the IMF to disburse a first credit tranche in support of the most urgent stabilisation measures within the next few weeks while continuing to negotiate a comprehensive reform programme with Russia. This will pave the way for the full utilisation of the \$ 24 bn support package announced in April. Out of this, \$ 6 bn earmarked for a rouble stabilisation fund will be released when the necessary macroeconomic conditions are in place.

41. We suggest that country consultative groups should be set up for the new States, when appropriate, in order to foster close cooperation among the States concerned, international institutions and partners. The task of these groups would be to encourage structural reforms and to coordinate technical assistance.

#### SAFETY OF NUCLEAR POWER PLANTS IN THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION AND IN CENTRAL AND EASTERN EUROPE

42. While we recognise the important role nuclear power plays in global energy supplies, the safety of Soviet-design nuclear power plants gives cause for great concern. Each State, through its safety authorities and plant operators, is itself responsible for the safety of its nuclear power plants. The new States concerned of the former Soviet Union and the countries of central and eastern Europe must give high priority to eliminating this danger. These efforts should be part of a market-oriented reform of energy policies encouraging commercial financing for the development of the energy sector.

43. A special effort should be made to improve the safety of these plants. We offer the States concerned our support within the framework of a multilateral programme of action. We look to them to cooperate fully. We call upon other interested States to contribute as well.

44. The programme of action should comprise immediate measures in the following areas:

- operational safety improvements;
- near-term technical improvements to plants based on safety assessments;
- enhancing regulatory regimes.

Such measures can achieve early and significant safety gains.

45. In addition, the programme of action is to create the basis for longer-term safety improvements by the examination of

- the scope for replacing less safe plants by the development of alternative energy sources and the more efficient use of energy,
- the potential for upgrading plants of more recent design.

Complementary to this, we will pursue the early completion of a convention on nuclear safety.

46. The programme of action should develop clear priorities, provide coherence to the measures and ensure their earliest implementation. To implement the immediate measures, the existing G 24 coordination mandate on nuclear safety should be extended to the new States concerned of the former Soviet Union and at the same time made more effective. We all are prepared to strengthen our bilateral assistance.

In addition, we support the setting up of a supplementary multilateral mechanism, as appropriate, to address immediate operational safety and technical safety improvement measures not covered by bilateral programmes. We invite the international community to contribute to the funding. The fund would take account of bilateral funding, be administered by a steering body of donors on the basis of consensus, and be coordinated with and assisted by the G 24 and the EBRD.

47. Decisions on upgrading nuclear power plants of more recent design will require prior clarification of issues concerning plant safety, energy policy, alternative energy sources and financing. To establish a suitable basis on which such decisions can be made, we consider the following measures necessary:

- The necessary safety studies should be presented without delay.
- Together with the competent international organisations, in particular the IEA, the World Bank should prepare the required energy studies including replacement sources of energy and the cost implications. Based on these studies the World Bank and the EBRD should report as expeditiously as possible on potential financing requirements.

48. We shall review the progress made in this action programme at our meeting in 1993.

49. We take note of the representations that we received from various Heads of State or Government and organisations, and we will study them with interest.

#### NEXT MEETING

50. We welcome and have accepted Prime Minister Miyazawa's invitation to Tokyo in July 1993.

# TOKYO

JULY 7/9, 1993

## LIST OF PARTICIPANTS

TOKYO, JULY 7/9, 1993

CANADA	Kim Campbell <i>Prime Minister</i> Barbara McDougall <i>Minister of External Affairs</i> Don Mazankowsky <i>Minister of Finance</i>
FRANCE	François Mitterrand <i>President</i> Edouard Balladur <i>Minister for Foreign Affairs</i> Alain Juppé <i>Minister for the Economy, Finance and the Budget</i>
GERMANY	Helmut Kohl <i>Federal Chancellor</i> Klaus Kinkel <i>Federal Minister of Foreign Affairs</i> Theo Waigel <i>Federal Minister for Economic Affairs</i>
ITALY	Carlo Azeglio Ciampi <i>President of the Council of Ministers</i> Beniamino Andreatta <i>Minister of External Affairs</i> Piero Barucci <i>Minister of the Treasury</i>
JAPAN	Kiichi Miyazawa <i>Prime Minister</i> Kabun Muto <i>Minister of Foreign Affairs</i> Yoshiro Hayashi <i>Minister of Finance</i>
UNITED KINGDOM	John Major <i>Prime Minister</i> Douglas Hurd <i>Secretary of State for Foreign and Commonwealth Affairs</i> Kenneth Clarke <i>Chancellor of the Exchequer</i>
UNITED STATES OF AMERICA	Bill Clinton <i>President</i> Warren Christopher <i>Secretary of State</i> Lloyd Bentsen <i>Secretary of the Treasury</i>
EUROPEAN COMMUNITIES	Jacques Delors <i>President of the Commission</i> Jean-Luc Dehaene <i>President for Belgium</i> Henning Christophersen <i>Commissioner</i>



# Political Declaration

## STRIVING FOR A MORE SECURE AND HUMANE WORLD

1. We, the leaders of our seven countries and the representatives of the European Community, reaffirm our commitment to the universal principles of freedom, democracy, human rights and the rule of law. Since we last met in Munich, the process of democratization and economic reform has further advanced. Nevertheless, instabilities and conflicts, many with their roots in the past, still arise. We are determined to work together to create a more secure and humane world by enhancing international cooperation with broader partnership and scope.

2. The international community is actively engaged in improving the instruments for prevention and resolution of conflicts. The UN, which is vital to maintaining international peace and security, must be further strengthened, adapting itself to the changing international circumstances. We, therefore, support the ongoing efforts in the UN to improve its efficiency, and in particular to develop more effective institutional capacity for preventive diplomacy, peace-making, peace-keeping, and post-conflict peace-building in the context of the Secretary-General's «Agenda for Peace».

3. We strongly support regional cooperation in promoting peace, democracy and stability. We welcome the more active role played by the countries of the Asia-Pacific region in the promotion of regional security dialogues. Regional organizations in Europe, Africa, and the Americas are making significant contributions.

4. The protection of human rights is the obligation of all nations, as affirmed at the World Conference on Human Rights in Vienna. The increased number of refugees and displaced persons as well as the problems of uncontrolled migration and difficulties confronted by national minorities require urgent attention by the international community, and should be tackled taking account of their root causes. Terrorism, particularly when sponsored by states, poses a grave danger which we will oppose energetically.

5. In promoting our partnership of cooperation, reforms in the former centralized economies should be further encouraged. We look forward to democratic, stable and economically strong societies in those countries. We firmly support the determined reform efforts by Russia under President Yeltsin and his government. We also look to Russia to promote its diplomacy based on the principle of law and justice and to continue to play constructive and responsible roles in the international community. We also support the reform process in Ukraine and hope that the recent meeting between Presidents Yeltsin and Kravchuk will provide a basis for further improvement of relations between the two countries.

6. Enhanced cooperation is necessary in combatting the danger of proliferation of weapons of mass destruction and missiles. In particular, we:

- Urge North Korea to retract immediately its decision to withdraw from the NPT, and to fully comply with its non-proliferation obligations, including the implementation of IAEA safeguards agreement and the Joint Declaration on Denuclearization of the Korean Peninsula;

- Encourage the countries concerned of the former Soviet Union to ensure rapid, safe and secure elimination of nuclear weapons in accordance with current agreements, providing effective assistance to this end;

TOKYO, JULY 7/9, 1993

– Urge Ukraine to ratify the START Treaty, and Ukraine and Kazakhstan to accede to the NPT as non-nuclear weapon states.

We also continue our efforts to strengthen the non-proliferation regimes, including the Missile Technology Control Regime, and to establish effective export controls. We reiterate the objectives of universal adherence to the NPT as well as the Treaty's indefinite extension in 1995 and nuclear arms reduction. We also call on those countries that have not done so to sign the Chemical Weapons Convention and to accede to the Biological Weapons Convention.

In the field of conventional arms, we will work to ensure the effectiveness of the UN Register of Conventional Arms as an important step toward improving transparency and restraint in their transfers.

7. Faced with the rapidly deteriorating situation in former Yugoslavia, we reaffirm our commitment to the territorial integrity of Bosnia-Herzegovina and to a negotiated settlement based on the principles of the London Conference. We cannot agree to a solution dictated by the Serbs and the Croats at the expense of the Bosnian Muslims. We will not accept any territorial solution unless it has the agreement of the three parties. If the Serbs and Croats persist in dismembering Bosnia through changes of border by force or ethnic cleansing, they will place themselves beyond the pale of the international community and cannot expect any economic or commercial assistance, especially reconstruction aid. The UN Security Council Resolutions on safe areas must be implemented fully and immediately to protect the civilian population. We commit ourselves to assist the Secretary-General of the United Nations to implement UN Security Council Resolution 836 by sending troops, by air protection of the UNPROFOR, by financial and logistical contributions or by appropriate diplomatic action. Sanctions should be upheld until the conditions in the relevant Security Council Resolutions are met. Stronger measures are not excluded. The flow of humanitarian aid to Bosnia must be increased.

Deeply concerned about the situation in Kosovo, we call on the Serbian government to reverse its decision to expel the CSCE monitors from Kosovo and elsewhere in Serbia and to agree to a significant increase in their numbers.

8. We welcome the successfully held election and the announcement of a Provisional National Government in Cambodia to be followed by the establishment of a government on the basis of a new constitution to be enacted in accordance with the Paris Agreements. We continue our support for its reconstruction and lasting peace based on national reconciliation.

9. We fully support the efforts to achieve a comprehensive, lasting peace settlement in the Middle East, and call on Israel and the Arab states to take further steps for confidence-building. We reiterate that the Arab boycott should end. We call on Israel to respect its obligations with regard to the occupied territories.

We support the efforts of reconstruction in Lebanon. We support the restoration of the legitimate authorities in Haiti and commend the UN and OAS for their efforts in this regard.

We are determined to keep up the pressure on Iraq and Libya to implement all relevant UN Security Council Resolutions in full. Concerned about aspects of Iran's behavior, we call upon its government to participate constructively in international efforts for peace and stability and to cease actions contrary to these objectives.

We welcome the recent progress toward non-racial democracy in South Africa, paving the way for its full reintegration into the international political and economic community.

10. In an interdependent world, partnership is the key to building global peace and prosperity. We commit ourselves to a new effort to help shape a more secure and humane world, and urge others to join us.

# Economic Declaration

## A STRENGTHENED COMMITMENT TO JOBS AND GROWTH

1. We, the Heads of State and Government of seven major industrial democracies and the representatives of the European Community, met in Tokyo for our nineteenth annual Summit. Progress around the world towards democracy and open market economies surpasses our most optimistic expectations of only some years ago. To reap the full benefits of recent historic transformations our societies must respond to a number of challenges: achieving economic recovery and job creation, successfully concluding the Uruguay Round this year, integrating countries in transition into the world economy, supporting the developing countries, and reconciling global growth and environmental objectives. We are determined to address these challenges on the basis of our shared values. We renew our commitment to extend international cooperation, in particular by strengthening multilateral institutions.

## WORLD ECONOMY

2. We are concerned about insufficient growth and inadequate job creation in our economies. Recovery is continuing in North America, but remains modest. Europe is still in a marked recession, although there are some signs of recovery. Japan's economy is over the worst, and some recovery is now in sight. Many Asian and Latin American economies are growing, some rapidly, and playing more important roles in the world economy.

3. We are particularly concerned with the level of unemployment. More than 23 million people are unemployed in our countries: that is unacceptable. Much of the recent increase is attributable to the present economic slowdown, but a significant part of the current level of unemployment is structural in nature. Reducing unemployment, therefore, requires a double strategy: prudent macroeconomic policies to promote non-inflationary sustainable growth, and structural reforms to improve the efficiency of markets, especially labor markets.

4. We are taking and will take appropriate measures to implement this agreed global growth strategy to promote a sustainable expansion designed to create substantial increases in employment. We will consult closely so that our national policies can be mutually reinforcing and compatible with our shared goal of a strengthened and recovering world economy. We welcome the improved cooperation of Finance Ministers towards this end. Europe is carrying out vigorously the Growth Initiative agreed in Edinburgh and strengthened in Copenhagen.

Europe is committed as a matter of overriding importance to implementing the firm budgetary and other measures needed in order to ensure that the conditions for rapid reductions in interest rates are created.

In North-America, strong actions, which have been long overdue in the U.S. and which we welcome, are being taken to ensure substantial and steady reductions in fiscal deficits over the medium-term, higher level of domestic savings and investment, and lower long-term interest rates. Japan has taken a series of stimulative policies including the most recent comprehensive package.

Japan will implement fiscal and monetary measures as necessary, to ensure sustained non-inflationary growth led by strong domestic demand, keeping in mind the need for long-term fiscal prudence. This will contribute to the important goal of significantly reducing external imbalances.

TOKYO, JULY 7/9, 1993

Successful and rapid conclusion of the Uruguay Round will also boost the confidence of investors and consumers, and thus will be an important contribution to recovery and growth.

5. To enhance opportunities for employment and growth, it is essential to address structural issues which constitute obstacles to strong economic recovery and to longer-term growth potential. In this context, we endorse the report of our Finance Ministers focusing on a broad range of structural reforms, inter alia:

- greater labor market efficiency,
- improvement in education and training,
- enhancement of savings and investment,
- maintaining and improving the multilateral trading system,
- reduction of subsidies,
- addressing the economic impact of aging populations,
- controlling overall outlays on health care,
- enhancing efficiency in financial markets while ensuring their stability,
- developing international cooperation on the environment.

We commit ourselves to addressing these issues, together with issues of innovation and of improving the «quality» of budgets and of increasing the efficiency of the public sector, and we will review progress at the next Summit.

We welcome the OECD's interim report on employment and unemployment. We request the OECD to intensify its work, including that on the impact of structural changes, and to put forward its policy recommendations before our next Summit. We emphasize opportunities for job creation offered by environmental policies.

6. As a follow-up to our discussions, we agree to send our high-level representatives to a meeting in the United States in the autumn to explore the causes of excessive unemployment and to search for possible answers to this critical problem which saps the strength of our societies.

#### TRADE

7. Maintaining and expanding the multilateral trading system is essential for world growth. We are determined to curb protectionism in all its manifestations and agree that no recourse should be made to initiatives and arrangements that threaten to undermine the multilateral open trading system. We also confirm that any regional integration should be complementary to and supportive of the system.

Our highest priority is a successful conclusion to the Uruguay Round. We welcome the recent significant progress made towards a large market access package in goods and services as a major step to the immediate resumption of multilateral negotiations in Geneva. This progress must be matched by comparable market opening measures by other participants. We urge all our trading partners to negotiate constructively on all subjects, recognizing that nothing is agreed until everything is agreed. There remain important issues to be resolved. We renew our determination to resolve them and to achieve with all our partners a global and balanced agreement before the end of the year.

#### ENVIRONMENT

8. Environmental issues remain a high priority on our policy agenda despite difficult economic times. We welcome the successful first meeting of the Commission on Sustained

ble Development and the progress made towards implementation and ratification of the Framework Convention on Climate Change and the Convention on Biological Diversity by the end of 1993, and on negotiation of a convention on desertification. We renew our determination to secure environmentally sustainable development through an effective follow-up of the fruitsof the UNCED, including the commitment to publish national action plans by the end of this year. We will work to ensure that the Global Environmental Facility, with necessary improvements, functions as the financial mechanism to provide funding for the incremental costs of implementing the global environment conventions signed at Rio. We encourage the multilateral development banks to focus more intensively on sustainable development, to incorporate environmental appraisals into project preparation and to make them publicly available.

We look forward to a successful outcome of the UN Conference on straddling and highly migratory fish stocks. We shall continue to seek appropriate internationally agreed arrangements on the management, conservation and sustainable development of forests. We welcome the analysis being done by OECD/IEA on the contribution of environment and energy technologies in meeting global environmental concerns.

#### RUSSIA AND THE OTHER COUNTRIES IN TRANSITION

9. We reaffirm our support for the reform efforts in the countries in transition including the Central and Eastern European Countries, the Baltic States, the New Independent States and Mongolia, based on the principles of help for self-help and partnership. The success of their reform and their full integration into the world economy are essential to world peace and stability. We look for continuing constructive and responsible cooperations with these countries in international affairs. Encouraging first signs of economic recovery are visible in those countries in Central and Eastern Europe where reform is most advanced. We welcome the development of economic cooperation and trade with us and urge stronger cooperation among the countries in transition themselves.

10. We welcome the further progress made by Russia since Munich in its courageous reform efforts under the leadership of President Yeltsin and supported by the Russian people in the recent referendum. We urge Russia to intensify its efforts to reduce inflation and the budget deficit, and to take all the necessary legal and administrative measures to build on the strong start in privatization and to promote further structural adjustment. The G-7 Joint Ministerial Meeting held in Tokyo in April set out a framework of support for the Russian people's self-help efforts. We welcome the progress made in each area. Official creditors have provided tangible support for the reform process through generous debt rescheduling. We expect the Russian Government, banks and uninsured suppliers to negotiate comparable solutions. We welcome the creation of the IMF Systemic Transformation Facility and its \$1.5 billion first tranche disbursement to Russia. We urge Russia and the IMF to begin immediately negotiations toward a stand-by arrangement. We also welcome the recent approval of the World Bank's \$610 million oil sector rehabilitation loan associated with the EBRD's \$250 million cofinance. We have made commitments to provide funds to establish a \$300 million Small-and Medium-sized Enterprise Fund in close cooperation with the EBRD. We recognize the importance of improved market access for economic progress in Russia. We will work with Russia as it proceeds towards accession to the GATT. In this connection, we will intensify efforts to adapt export controls to the post-Cold War era. Recognizing that privatization and enterprise reform are at the heart of Russia's transformation into a market economy, we agree to create a Special Privatization and Restructuring Program, in cooperation with international financial institutions, consisting of

TOKYO, JULY 7/9, 1993

enterprise restructuring support, technical assistance and oblast support, focusing on an initial period to the end of 1994. In total, this program is expected to mobilize \$3 billion. In addition, we are ready to encourage our private sectors to assist in this process, sharing with their Russian counterparts methods and techniques to increase productivity. We agree to establish a Support Implementation Group in Moscow to facilitate implementation of our support to Russia. In turn, we urge the strengthening of Russian implementation efforts.

11. We welcome the progress made in the nuclear safety programme agreed at the Munich Summit, including the establishment of the multilateral fund, in which we encourage broader participation. Urgent safety measures, coordinated through the G24, need to be implemented rapidly to secure real improvements at the plants still causing great concern. The states concerned bear the primary responsibility for respecting the fundamental principles of nuclear safety. Independent regulatory authorities should be strengthened and nuclear safety must be given higher priority in all the countries concerned, including the early closure of high risk reactors such as Chernobyl. We invite the World Bank, together with the IEA, to continue the dialogue with each of the countries concerned, and working with other lending institutions including the EBRD and the EIB, to support them in developing longer term energy strategies. Our aim is to agree as quickly as possible on a framework for coordinated action by all those involved following a country-by-country approach. We will review the progress made in 1994.

In the light of existing international obligations, we emphasize our concern over the ocean dumping of radioactive wastes by Russia.

#### DEVELOPING COUNTRIES

12. While encouraging changes in policy reforms and performance are taking place in many developing countries, many are still confronted with major economic and social difficulties, particularly in Africa. We recognize that their sustainable development and their integration into the world economy as well as their cooperation in addressing the global challenges to mankind are essential for peace and prosperity of the world. We will continue to strengthen our support for their self-help efforts based on the principles of good governance. We will also encourage them to follow sound and open economic policies to create a solid base for sustainable economic growth.

13. To this end, we will pursue a comprehensive approach, covering not only aid but also trade, investment and debt strategy, and a differentiated approach, tailored to the needs and performances of each country at its particular stage of development and taking environmental aspects into account. Under such an approach, we will make all efforts to enhance development assistance in order to respond to ongoing needs as well as new requirements. The poorest countries deserve special attention. Accordingly, we support the succession to or the renewal of the IMF's Enhanced Structural Adjustment Facility. We also look forward to a successful outcome of the International Conference on African Development in October this year. We confirm the validity of the international debt strategy and invite the Paris Club to continue reviewing the question of debt relief for the poorest highly-indebted countries, especially with regard to earlier reductions in the stock of debt on a case by case basis. We welcome the U.S. administration's decision to join us in debt reduction for these countries.

14. We welcome the initiatives taken by developing countries to establish a more constructive partnership and dialogue on issues of our mutual interest. We will work for the success of the International Conference on Population and Development in Cairo next

## G-7 SUMMITS DECLARATIONS

year which is important in addressing the linkages between rapid population growth and the goals of sustainable development.

### INTERNATIONAL COOPERATION AND FUTURE SUMMITS

15. In order to meet the challenges we face, we are determined to strengthen international cooperation in the existing fora and seek better coordination and efficiency. We recognize and applaud the efforts of the Secretary-General to reform and improve the operations of the UN. We will support him in the pursuit of these objectives.

16. We have reflected on how Summits could best focus our attention on the most significant issues of the time. We value Summits for the opportunity they provide to exchange views, build consensus and deepen understanding among us. But we believe Summits should be less ceremonial, with fewer people, documents and declarations, and with more time devoted to informal discussion among us, so that together we may better respond to major issues of common concern. We intend to conduct future Summits in this spirit. We have accepted the invitation of the President of the Council of Ministers of Italy to meet in Naples, Italy, in July, 1994.

PRINTED AND BOUND IN ITALY BY  
STILGRAF, VIA VIGNA JACOBINI, 67/C  
ROME - JUNE 1994

*GRAPHIC DESIGN BY*  
PIERGIORGIO MAOLONI

*PAGINATION BY*  
ALDO TIPALDI

*EDITORIAL CO-ORDINATOR*  
COSTANZA CRIBARI

*EDITORIAL ADVISER*  
SEVERINO CESARI







Finsiel