

TREASURY

SECRET

(Circulate under cover and notify REGISTRY of movement)

FILE BEGINS 1/5/87

ENDS

29-5-87

FOR DISPOSAL ADVICE SEE INSIDE COVER

DATE

22/10/93

SIGNATURE

*Cent*

DISPOSAL DIRECTIONS

DESTROY AFTER 25 YEARS

PRESERVE



PO -CH /NL/0002



PART B

VENICE ECONOMIC SUMMIT  
1987

PO -CH /NL/0002

PART B

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REFER TO

DATE

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DATE

PA(29/5/87) PAR 22/10/93

FOR RECORDS SECTION USE ONLY

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FROM: A W KUCZYS  
DATE: 1 MAY 1987

SIR G LITTLER - o/r

cc PS/Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Lavelle  
Mr H P Evans  
Mrs Lomax  
Mr Mountfield  
Mr Walsh  
Mr S Matthews  
Mr Ilett

## VENICE ECONOMIC SUMMIT

The Chancellor has read Sir Robert Armstrong's minute of 27 April, but not the Italians' thematic paper. He has one comment: in Sir Robert Armstrong's paragraph 5, the Chancellor would especially stress the objective of opening up the Japanese markets to goods and services from abroad. It is also very important to get them not to subsidise (directly or indirectly) exports.

A handwritten signature in dark ink, appearing to be 'AWK'.

A W KUCZYS

CONFIDENTIAL

1. Alex  
2. Debbie - to note  
flight no. etc  
(see over)  
3. Nigel - Venice  
b/gd pl

56530 - 1

OCMIAN 6530  
CONFIDENTIAL  
DD 271200Z ROMEE  
FM FCOLN TO ROMEE  
271200Z MAY  
GRS 373

CONFIDENTIAL  
FM FCO  
TO DESKBY 271530Z ROME  
TELNO 169  
OF 271200Z MAY 87

FROM CONFERENCE SECTION  
VENICE ECONOMIC SUMMIT

1. OUR TELNO 165 AND TELECONS REFER TRAVEL ARRANGEMENTS.
2. PLEASE INFORM THE ITALIANS THAT BECAUSE THE PRIME MINISTER HAS OTHER ENGAGEMENTS SHE WILL NOT BE ABLE TO ARRIVE IN VENICE UNTIL 1935 HOURS ON 8 JUNE SHE WILL PROCEED DIRECT FROM THE AIRCRAFT TO THE DINNER AND WILL FULLY UNDERSTAND IF PROTOCOL COURTESIES ARE NOT ACCORDED BECAUSE OF HER LATE ARRIVAL. THE PRIME MINISTER WILL NOT BE ABLE TO STAY FOR THE LUNCH ON 9 JUNE.
3. TIMINGS AND PASSENGER LISTS (NOT IN PROTOCOL ORDER) FOR ALL MINISTERIAL AIRCRAFT ARE AS FOLLOWS (DETAILS FOR THOSE MEMBERS OF THE PARTY WHO WILL TRAVEL IN ADVANCE BY COMMERCIAL MEANS WILL FOLLOW):

8 JUNE

RAF VC20 TASK NO ASCOT 1155. ETA 1615 HOURS.

SECRETARY OF STATE  
MR GALSWORTHY  
MR CULSHAW  
MISS WILLIAMS  
MRS MANSFIELD  
HE AMBASSADOR PRICE

1

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SIR ROBERT ARMSTRONG  
SIR GEOFFREY LITTLER  
SIR JOHN FRETWELL

MR BRAITHWAITE

MR SLATER

MR RICHARDSON

MR MEYER

MR PRICE

DET CONS STICKLAND

MR DUGDALE

MISS FRIER

DET SGT KINGSTON

MR GAIR

MR ARCHER

MR COYSH

S/SGT BUCKERFIELD

SGT WELLAND

CPL HILLMAN

L/CPL KING

L/CPL WATERWORTH

8 JUNE CONTINUED

RAF HS 125 TASK NO ASCOT 1558. ETA 1935 HOURS

PRIME MINISTER

MR POWELL

MR INGRAM

MISS BOWERS

MRS DIBBLIN

DET SUPT BUTLER

9 JUNE

RAF HS 125 TASK NO ASCOT 1572. ETA 1235 HOURS

CHANCELLOR

MR ALLAN

MR CULPIN

9 JUNE CONTINUED

RAF HS 125 TASK NO ASCOT 1558. ETD 1300 HOURS

PRIME MINISTER

2

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AND PASSENGERS AS OUTWARD SECTOR

9 JUNE CONTINUED

RAF HS 125 TASK NO ASCOT 1572. STANDBY 1930 HOURS

CHANCELLOR

AND PASSENGERS AS OUTWARD SECTOR

10 JUNE

RAF VC10 TASK NO ASCOT 1155. ETD 1755 HOURS

SECRETARY OF STATE

AND PASSENGERS AS OUTWARD SECTOR

MINUS DET SGT KINGSTON

AND MINUS POSSIBLY SIR JOHN FRETWELL AND MR PRICE

PLUS DET INSP CARTHEW

4. GRATEFUL IF YOU WOULD CHECK TO WHAT EXTENT SECRETARY OF STATE WILL BE INVOLVED IN COURTESIES ON ARRIVAL. IF POSSIBLE, WE WOULD LIKE TO BUILD A BI-LATERAL INTO HIS PROGRAMME BEFORE RECEPTION.

HOWE

OCMIAN 6530

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YYYY

MAIN

LIMITED

PROTOCOL

ERD

WED

NEWS DEPT

COD

SECURITY DEPT

PS

COPIES TO:

PS | SIR R. ARMSTRONG CABINET OFFICE

PS TO CHANCELLOR

HM TREASURY

RAF MOV OPS MOD

NO 10 DOWNING STREET

3

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Nigel:

Venice  
blgd (P)



*With the compliments of*

**WESTERN EUROPEAN DEPARTMENT**

*Rec'd Int'l 23  
~~W. E. D.~~*

**FOREIGN AND COMMONWEALTH OFFICE  
LONDON, SW1A 2AH**

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ZCZC

HPLNAN 3722 RFHPAN 0220  
CONFIDENTIAL

DD 190800Z FCOLN

FM ROMEE TO FCOLN

181602Z MAY

GRS 345

CONFIDENTIAL

FM ROME

TO DESKBY 190800Z FCO

TELNO 303

OF 181602Z MAY 87

FROM FITZHERBERT

MUNRO'S LETTER OF 14 MAY. VISIT OF FANFANI

SUMMARY

1. PRIME MINISTER'S LETTER DELIVERED TO FANFANI'S DIPLOMATIC ADVISER. RUGGIERO, THE ITALIAN SHERPA, ALSO PRESENT, BY CHANCE. FANFANI HAS NOW WRITTEN TO THE PRIME MINISTER ACCEPTING THAT SHE CANNOT SEE HIM AND SUGGESTING INSTEAD THAT SIR ROBERT ARMSTRONG SHOULD CALL ON HIM IN ROME ON THE AFTERNOON OF 2 JUNE FOLLOWING HIS BILATERAL TALKS WITH RUGGIERO ALREADY ARRANGED FOR THAT DAY.

DETAIL

2. IN AMBASSADOR'S ABSENCE FROM ROME (IN GENOA FOR OPENING OF THE BRITISH WEEK THERE) I THIS AFTERNOON DELIVERED THE PRIME MINISTER'S LETTER TO SOLARI BOZZI. HE WAS UNHAPPY AND WORRIED ABOUT THE WAY THE ITALIAN PRESS WOULD TREAT FANFANI ONCE THE NEWS OF CANCELLATION OF HIS VISIT TO LONDON CAME OUT. HE FLOATED THE ALTERNATIVE IDEA OF A CALL ON YOU. I SAID (TELECON WILLIAMS/PRIVATE OFFICE) THAT YOU DID NOT INTEND TO SET FOOT IN THE FCO BETWEEN NOW AND 11 JUNE AND THAT THIS WAS THEREFORE NOT PRACTICABLE. RUGGIERO THEN UNEXPECTEDLY WALKED

0727/19  
8

DD

PS/Pus  
Mr. Branthwaite

cc

WED  
ERJ  
ECON  
ECON  
Planning  
Research Dept  
news J.

1410  
Printed Secretary  
PS/Eggar  
PS/checked  
PS/Ldy Young  
no. Ratford  
no. Kent.

✓

PS/HO 10  
PS/Sir R. Armstrong.  
PS/Chancellor of the Exchequer

INTO THE ROOM. HE SUGGESTED A VISIT BY ANDREOTTI TO YOU:  
AGAIN I WAS DISCOURAGING. WE THEN TALKED ABOUT THE POSSIBILITY  
SUGGESTED IN THE PRIME MINISTER'S LETTER OF A VISIT TO ROME  
BY SIR R ARMSTRONG. RUGGIERO SAID THAT HE WAS ALREADY  
EXPECTING SIR R ARMSTRONG IN ROME FOR BILATERAL TALKS ON THE  
MORNING OF 2 JUNE. IT WAS LEFT THAT SOLARI BOZZI WOULD PRESS  
THIS ALTERNATIVE ON FANFANI.

3. HALF-AN-HOUR LATER SOLARI BOZZI RANG TO SAY THAT FANFANI  
HAD ALREADY WRITTEN TO THE PRIME MINISTER IN REPLY TO HER LETTER  
SAYING THAT HE ACCEPTED THAT SHE COULD NOT SEE HIM BEFORE  
VENICE AND PROPOSING THAT SIR R ARMSTRONG SHOULD CALL ON HIM IN  
ROME ON THE AFTERNOON OF 2 JUNE. FULL TEXT AWAITED.

4. IN MAKING PUBLIC THIS CHANGE OF PLAN THE ITALIANS WILL WANT  
TO EMPHASISE SIR R ARMSTRONG'S POSITION AS SECRETARY TO THE  
CABINET, AS WELL AS THE PRIME MINISTER'S PERSONAL REPRESENTATIVE  
AS THE BRITISH SHERPA. I ASSUME THAT NO PUBLIC STATEMENT WILL  
BE MADE UNTIL ITS TERMS HAVE BEEN AGREED WITH THE ITALIANS.

BRIDGES

YYYY

RFHPAN 0220

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GRS 64

CONFIDENTIAL  
FM ROME  
TO DESKBY 281630Z FCO  
TELNO 337  
OF 281430Z MAY 87

YOUR TELNO 169: VENICE ECONOMIC SUMMIT

I HAVE WRITTEN TO RUGGIERO TO INFORM HIM OF THE TRAVEL ARRANGEMENTS IN TUR. WE HAVE ALSO INFORMED PURI PURINI, THE SUMMIT COORDINATOR IN VENICE. THE ITALIANS WILL CONSIDER WHAT PROTOCOL ARRANGEMENTS ARE APPROPRIATE IN THESE CIRCUMSTANCES AND COME BACK TO US LATER.

BRIDGES

YYYY

RFHPAN 0401

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ERD  
WED  
NEWS D  
COD(T)  
SECURITY D  
PS ..

COPIES TO:

PS/SIR R. ARMSTRONG,  
CABINET OFFICE

PS/TO CHALELLOR TREASURY

RAF, MOV, OPS, MOD

NO 10 DOWNING STREET

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29/5

MS/CHANCELLOR OF THE EXCHEQUER  
TREASURY

1 Alex  
2  
D

RESTRICTED

57244 - 1

OCMIAN 7244  
RESTRICTED  
PP MONTE  
FM FCOLN TO MONTE  
291200Z MAY  
GRS 1472

RESTRICTED  
FM FCO  
TO PRIORITY MONTEVIDEO  
TELNO 119  
OF 291200Z MAY 87  
INFO ROUTINE WASHINGTON, ROME  
INFO SAVING UKREP BRUSSELS, PARIS, BONN, TOKYO, OTTAWA

YOUR TELNO 143 VENICE SUMMIT: LETTER FROM CARTAGENA GROUP  
1. ENGLISH TRANSLATION OF 24 MAY VERSION FOLLOWS. MINOR  
STYLISTIC AMENDMENTS REFERRED TO IN TUR NOT YET PASSED ON BY  
URUGUAYAN EMBASSY. BEGINS:

MONTEVIDEO, 24 MAY 1987

DEAR PRIME MINISTER,

I AM WRITING TO YOU ONCE AGAIN ON THE OCCASION OF A NEW SUMMIT OF  
THE SEVEN MAJOR INDUSTRIALISED COUNTRIES, IN OUR CAPACITY AS THE  
ACTING SECRETARIAT OF THE CARTAGENA CONSENSUS, ON BEHALF OF THE  
PRESIDENTS OF ARGENTINA, BRAZIL, COLOMBIA, CHILE, ECUADOR, THE  
DOMINICAN REPUBLIC, BOLIVIA, MEXICO, PERU AND VENEZUELA, TO  
INFORM YOU OF THE VIEWS OF OUR GOVERNMENTS ON RECENT EVENTS  
AFFECTING THE INTERNATIONAL ECONOMY, NOT ONLY BECAUSE SUCH EVENTS  
HAVE A PROFOUND EFFECT ON EACH AND ALL OF THE LATIN AMERICAN AND  
CARIBBEAN ECONOMIES, BUT ALSO BECAUSE WE ARE AWARE THAT IF THE  
ATTAINED THE LEVELS NEEDED TO SUSTAIN INVESTMENT AND A REASONABLE  
GROWTH RATE. ON THE CONTRARY, THE MASSIVE TRANSFER OF FINANCIAL

RESOURCES

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RESOURCES ABROAD HAS CONTINUED, WHICH, IN RESPECT OF INTEREST ALONE, SOMETIMES AMOUNTS TO MORE THAN 5 PER CENT OF THE GROSS NATIONAL PRODUCT. THIS PHENOMENON CANNOT BE SUSTAINED AND MUST BE REVERSED AS SOON AS POSSIBLE. IT HAS ALREADY COMPELLED SOME COUNTRIES TO ADOPT MEASURES INTENDED TO LIMIT AMOUNTS TRANSFERRED.

SECONDLY, WE MUST INSIST ON THE FACT THAT NOT ONLY THE CAUSES, BUT ALSO THE CONSEQUENCES OF THE EXTERNAL DEBT PROBLEM CONCERN US ALL. THE PARALYSED GROWTH AND, ABOVE ALL, THE STEEP FALL IN IMPORTS FORCED ON THE DEBTOR COUNTRIES ARE NOW A SIGNIFICANT OBSTACLE TO THE ECONOMIC EXPANSION OF THE WORLD AND, ESPECIALLY, OF THE INDUSTRIALISED COUNTRIES.

INNOVATIVE SOLUTIONS ARE THEREFORE REQUIRED WHICH PLACE AT THE CENTRE OF NEGOTIATIONS ON ALL CASES ACHIEVEMENT OF MINIMUM GROWTH RATES IN PER CAPITA INCOME AND ARE PROTECTED FROM THE CONSTANT MOVEMENTS IN INTEREST RATES AND SUDDEN FLUCTUATIONS IN THE TERMS OF TRADE. AS FAR AS SOLVING THE DEBT PROBLEM IS CONCERNED, ONLY A CLIMATE OF REASONABLE SECURITY AND LONG-TERM STABILITY WILL FURNISH THE CONDITIONS FOR CONTINUING OUR ADJUSTMENT PROGRAMMES, ENSURING GREATER INVESTMENT AND ACHIEVING ACCEPTABLE GROWTH TARGETS.

THE MAGNITUDE OF THE PROBLEM IS SUCH THAT EVEN INCREASED FINANCIAL FUNDING WILL BE INSUFFICIENT TO SOLVE THE DEBT PROBLEM. PARALLEL AND COORDINATED ACTION IS NEEDED TO ENSURE OUR CAPACITY FOR REPAYMENT, WHICH MUST NECESSARILY INCLUDE ADJUSTING DEBT-SERVICING TO THE DEBTOR COUNTRY'S REAL CAPACITY FOR PAYMENT, EFFECTIVE REDUCTIONS IN NOMINAL INTEREST RATES TO ALIGN THEM WITH REAL HISTORICAL LEVELS, SEPARATION OF CURRENT AND FUTURE DEBT, ELIMINATION OR STILL FURTHER LIMITATION OF BANKING INTERMEDIATION MARGINS, A FRESH INFLUX OF CAPITAL TO REVERSE THE TRANSFER OF RESOURCES, LONG-TERM RESCHEDULING OF DEBT PERIODS AND A RESOLUTE UNDERTAKING TO LIBERALISE AND EXPAND TRADE.

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IN THIS CONNECTION, A MULTILATERAL NEGOTIATION PROCESS WITHIN GATT WAS BEGUN IN 1986, IN URUGUAY, TO HALT AND REVERSE GROWING PROTECTIONIST TRENDS AND CREATE, FOR THE CONTINUED EXPANSION OF WORLD TRADE, A MORE TRANSPARENT SYSTEM OF INTERNATIONAL TRADE THAN THE PRESENT ONE, ONE WHICH IS PREDICTABLE, FAVOURABLE TO GROWTH AND OFFERS DEVELOPING COUNTRIES OPPORTUNITIES TO IMPROVE THEIR PARTICIPATION IN SUCH TRADE. HOWEVER, THE ATMOSPHERE THAT PREVAILED AT THE PUNTA DEL ESTE MEETING DOES NOT SEEM TO HAVE PREVENTED THE RESURGENCE OF MEASURES WHICH ARE HAMPERING TRADE, AND THE URUGUAY ROUND WILL HAVE TO BEGIN UNDER CONDITIONS WHICH ARE NOT AT ALL PROMISING, WITHOUT THERE EVEN HAVING BEEN AGREED ANY EFFECTIVE SYSTEM FOR PRESERVING THE STATUS QUO AND DISMANTLING TRADE BARRIERS.

ALL THESE EVENTS ARE EXTREMELY WORRYING, AS THEY ARE CHALLENGING AND OPENLY JEOPARDISING THE SUCCESS OF THE REFINANCING AGREEMENTS WHICH HAVE BEEN NEGOTIATED AND ARE POSING A THREAT TO OUR EFFORTS TO ADJUST AND DEVELOP.

THE DEBT PROBLEM, THOUGH CERTAINLY A FUNDAMENTAL ONE, IS ONLY ONE OF THE CHALLENGES FACING OUR COUNTRIES IF WE ARE TO DEVELOP AND MODERNISE. WE ARE FULLY AWARE OF THESE CHALLENGES AND WE ARE IN NO WAY SHIRKING OUR OWN RESPONSIBILITIES. HOWEVER, THE PROBLEM IS NOT ONLY OUR RESPONSIBILITY, NOR CAN IT BE REDUCED TO ITS FINANCIAL ASPECT. IT ALSO FUNDAMENTALLY INFLUENCES OUR ACTIVE RELATIONSHIP TO WORLD ECONOMIC GROWTH TO WHICH WE WISH TO CONTRIBUTE FOR THE BENEFIT OF ALL. AND IT IS ALSO AN INESCAPABLE EXAMPLE OF THE IMBALANCES THAT ARE CHARACTERISTIC OF THE WORLD RECESSIONARY TRENDS WHICH HAVE AFFECTED MOST OF OUR COUNTRIES IN THE PRESENT DECADE ARE NOT REVERSED, THEY WILL BECOME A STUMBLING-BLOCK FOR THE ORGANISED AND STABLE EXPANSION OF THE WORLD ECONOMY.

WE HAVE BEEN DEEPLY CONCERNED, LATELY, THAT MANY OF THE EXTERNAL FACTORS WHICH HAVE HINDERED THE SUSTAINED GROWTH OF THE REGION IN PAST YEARS STILL EXIST AND, IN SOME CASES, ARE GETTING WORSE.

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FIRSTLY, CONTRARY TO INITIAL PREDICTIONS, THE GROWTH RATE PREDICTED FOR MOST OF THE OECD COUNTRIES WAS NOT CONFIRMED. SECONDLY, AFTER A PROMISING FALL, INTEREST RATES ARE NOW SHOWING A WORRYING TENDENCY TO INCREASE, AFTER HAVING REMAINED, IN REAL TERMS, WAY ABOVE HISTORICAL LEVELS. IN THE CASE OF THE DEVELOPING COUNTRIES, THIS SITUATION HAS BEEN WORSENERED BY A FALL UNPRECEDENTED IN THE POST-WAR PERIOD IN PRICES OF BASIC PRODUCTS, WHICH ARE STILL THEIR PRINCIPAL SOURCE OF FOREIGN CURRENCY, BECAUSE OF THE RESURGENCE OF PROTECTIONIST MEASURES IN THE INDUSTRIALISED COUNTRIES AND THE SCARCITY OF FRESH EXTERNAL FINANCING WHICH, ACCORDING TO SOME INDICATORS, WILL BECOME EVEN SCARCER IN THE NEAR FUTURE.

MOREOVER, SOME COUNTRIES HAVE BEEN FACED WITH ADDITIONAL PROBLEMS AS A RESULT OF THE DAMAGE CAUSED BY NATURAL DISASTERS, WHICH HAVE MADE THEIR ECONOMIC SITUATION EVEN WORSE AND REDUCED THEIR ABILITY TO PAY.

DESPITE THESE ADVERSE EXTERNAL AND DOMESTIC SITUATIONS, WE HAVE GONE TO GREAT LENGTHS TO ADAPT OUR RESPECTIVE ECONOMIES TO PREVAILING AND FORESEEABLE CIRCUMSTANCES. WE HAVE MADE MONUMENTAL EFFORTS IN RECENT YEARS IN TERMS OF CONTRACTION OF LIVING STANDARDS AND ALTERATION OF MANUFACTURING STRUCTURES TO PREVENT THE INTERNATIONAL FINANCIAL SYSTEM FROM BREAKING DOWN, WHICH WOULD HAVE BEEN DETRIMENTAL TO EVERYBODY. UNFORTUNATELY, THESE PROFOUND ADJUSTMENTS WERE INSUFFICIENT TO COMBAT THE ADVERSE PRESSURES EXERTED BY THE INTERNATIONAL SITUATION ON OUR ECONOMIES. THE SOCIAL COST OF THOSE ADJUSTMENTS HAS BEEN SO GREAT THAT IT IS EVEN THREATENING TO REVERSE THE RECENT TREND TOWARDS PLURALISTIC AND DEMOCRATIC SOCIETIES.

IT SHOULD BE REMEMBERED THAT IN 1986 OVER HALF THE COUNTRIES HAD NEGATIVE PER CAPITA GROWTH RATES AGAIN - FOR THE FIFTH CONSECUTIVE YEAR, IN SOME CASES - AND THAT IN MOST OF THE OTHERS THE RECOVERY WAS SLOW AND, ABOVE ALL, FRAGILE. IN THESE CIRCUMSTANCES, IT CANNOT BE MAINTAINED THAT THE FAVOURABLE

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/PERFORMANCE

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PERFORMANCE OF SOME COUNTRIES CONSTITUTES OR GUARANTEES A SUSTAINED REVERSAL OF THE RECESSIONARY TRENDS OF PREVIOUS YEARS. IT IS HIGHLY PROBABLE THAT LATIN AMERICA WILL ENTER THE NEXT DECADE WITH LIVING STANDARDS SIMILAR TO OR LOWER THAN THOSE THAT IT HAD IN THE 80'S.

ONE OF THE MAIN OBSTACLES TO THE IMPROVED ECONOMIC PERFORMANCE OF LATIN AMERICAN COUNTRIES IS, WE MUST AGAIN INSIST, THE DEBT PROBLEM. AS RECENT EVENTS SHOW, NOT ONLY IS THIS PROBLEM NOT BEING SOLVED, IT IS TENDING TO GET WORSE, IN SPITE OF THE CONSIDERABLE PROGRESS MADE IN RECOGNISING JOINT RESPONSIBILITY FOR CREATING AND SOLVING THE DEBT PROBLEM AND THE NEED TO TACKLE IT WITH POLICIES OF GROWTH AND POSITIVE, NOT RECESSIONARY, ADJUSTMENT. SEEN FROM OUR POINT OF VIEW, THE PREVAILING CONDITIONS IN THE WORLD ECONOMY ALREADY MENTIONED HAVE MEANT ONE THING: FOR THE VAST MAJORITY OF LATIN AMERICAN COUNTRIES IT IS SIMPLY IMPOSSIBLE TO HAVE GROWTH, INVEST AND SERVICE THEIR HUGE EXTERNAL DEBT AT THE SAME TIME.

RECENT INITIATIVES TO PROMOTE A GREATER FLOW OF PUBLIC AND PRIVATE FUNDS HAVE NOT BEEN CONVERTED INTO REALITY OR HAVE NOT ECONOMY AND WHICH PREVENT RESUMPTION OF SUSTAINED GROWTH AT A MORE SATISFACTORY RATE FOR EVERYBODY, FOR BOTH INDUSTRIALISED AND DEVELOPING COUNTRIES.

IF ANY LESSON CAN BE DRAWN FROM THE EVENTS OF RECENT YEARS, IT IS THE DECISIVE ROLE PLAYED BY COORDINATION OF POLICIES SUCH AS THOSE PURSUED BY YOUR COUNTRIES IN REDUCING ECONOMIC IMBALANCES BETWEEN NATIONS. THIS EXPERIENCE URGENTLY NEEDS TO BE EXTENDED TO OTHER SUBJECTS AND NEW SPEAKERS.

IT IS IN THIS SPIRIT, TAKING AN OVERALL VIEW OF THE DEBT PROBLEM AND THE SURROUNDING INTERNATIONAL ECONOMIC ENVIRONMENT, THAT WE CONSIDER THAT AN IN-DEPTH DEBATE IS REQUIRED, BOTH IN THE MULTILATERAL FORUMS IN WHICH WE PARTICIPATE AND IN DIRECT RELATIONS WITH FRIENDLY COUNTRIES SUCH AS YOURS, IN ORDER TO

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COMPREHENSIVELY STUDY MEASURES AFFECTING US ALL AND SEEK NEW  
INITIATIVES TO HELP SOLVE THE PROBLEMS STATED.

JULIO MARIA SANGUINETTI  
PRESIDENT OF THE ORIENTAL  
REPUBLIC OF URUGUAY

ENDS

HOWE

OCCIAN 7244

ECONOMIC SUMMIT  
STANDARD(PALACE)  
ERD  
ECONOMIC ADVISERS  
FED  
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MAED  
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NCAU  
SAM D

MR MAUD  
MR McLAREN  
SIR D MIERS

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ECONOMIC SUMMIT

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GRS 309

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PS/CHANCELLOR.

TREASURY.

CONFIDENTIAL

FM BELGRADE

TO DESKBY 191000Z FCO

TELNO 094

OF 190855Z MAY 87

AND TO DESKBY 191000Z PARIS

*Nigel*  
*Venice bfgd rd*  
*T.*

PARIS FOR MOUNTFIELD

YOUR TELNO 269 TO PARIS: YUGOSLAVIA: PARIS CLUB

1. IN OUR VIEW, THERE IS LITTLE SCOPE FOR REQUIRING A FURTHER LETTER FROM THE YUGOSLAVS. RIKANOVIC WAS RELUCTANT TO WRITE A LETTER AT ALL (BELGRADE TELNO 90) AND DID SO WITH EVIDENT ILL GRACE. THE TONE OF HIS TELEX OF 16 MAY TO TRICHET IS BAD TEMPERED AND SELF JUSTIFICATORY. IN VIEW OF THIS, AND OF THE LINE TAKEN BY TRAJKOVIC HERE AND LONCAR IN LONDON (BELGRADE TELNOS 88 AND 92) IT SEEMS UNLIKELY THAT THE YUGOSLAVS WOULD AGREE TO WRITE A LETTER OFFERING MORE SPECIFIC COMMITMENTS, HOWEVER HARD THEY ARE PRESSED ON 20 MAY.

2. IN THESE CIRCUMSTANCES IT SEEMS PREFERABLE TO AGREE TO PROCEED ON THE BASIS OF WHAT THE YUGOSLAVS HAVE ALREADY PROVIDED IN ORDER TO PREVENT THE AGREEMENT REACHED WITH GREAT DIFFICULTY ON 30/31 MARCH FROM FALLING APART: AND AT THE SAME TIME TO DELIVER A FIRM MESSAGE ABOUT FUTURE PERFORMANCE. THIS MESSAGE COULD BE IN TWO STAGES. AT THE MEETING ON 20 MAY WE AND OTHER MAJOR CREDITORS COULD MAKE IT CLEAR THAT WE REMAINED DEEPLY CONCERNED ABOUT YUGOSLAV ECONOMIC PERFORMANCE IN 1986, THAT WE WERE NOT CONVINCED THAT ANY APPARENT IMPROVEMENT THIS YEAR WAS SUSTAINABLE AND THAT WE HAD RESERVATIONS ABOUT THE WAY IN WHICH THE YUGOSLAVS APPROACHED IMPLEMENTATION OF THE SECOND PHASE OF THE MYRA. THE CREDITORS COULD THEN, IN THE REPLY FROM TRICHET TO RIKANOVIC, SPECIFY THE ADDITIONAL MEASURES WE REQUIRED THE YUGOSLAVS TO TAKE, AND INDICATE THAT FAILURE TO MEET THESE WOULD MEAN THAT THE CREDITORS WOULD NOT PROCEED WITH PHASE 3 OF THE MYRA. AS SUGGESTED IN MOUNTFIELD'S MINUTE OF 1 MAY, THE MEASURES COULD BE DRAWN FROM THE IMF MANAGING DIRECTOR'S SUMMING UP ON 20 APRIL.

3. THE TOUGHNESS WITH WHICH THIS MESSAGE CAN BE PUT ACROSS DEPENDS ON THE POSITION TAKEN BY OTHER CREDITORS.

WOOD

BHHPAN 0135.

MONETARY.

EED

ADDITIONAL DISTRIBUTION

EAST EUROPEAN ECONOMIC.

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ERS 201.  
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FM ROME  
TO IMMEDIATE FCO  
TELNO 308  
OF 190800Z MAY 87

MY TELNO 303: VISIT OF FANFANI

1. TEXT OF FANFANI'S LETTER TO THE PRIME MINISTER, DATED  
18 MAY, IS AS FOLLOWS:

BEGINS: DEAR MADAM PRIME MINISTER AND DEAR FRIEND,  
I WELL UNDERSTAND THE COMMITMENTS FOLLOWING THE  
BEGINNING OF THE ELECTION CAMPAIGN IN BRITAIN WHICH HAVE FORCED  
YOU TO PUT OFF THE MEETING WE WERE TO HAVE HAD IN LONDON TO  
THAT WHICH WE SHALL HAVE DURING THE AFTERNOON OF 8 JUNE  
IN VENICE, A FEW HOURS BEFORE THE BEGINNING OF OUR WORK AT  
THE SUMMIT.  
FOR THAT REASON I WELCOME YOUR KIND OFFER TO SEND SIR ROBERT  
ARMSTRONG TO ROME IN ORDER TO INFORM ME OF YOUR VIEWS ON THE  
PROBLEMS WHICH WILL BE DISCUSSED AT THE SUMMIT.  
BECAUSE OF COMMITMENTS WHICH I ALREADY NOW HAVE IN BONN ,  
PARIS, BRUSSELS, WASHINGTON AND OTTAWA I WOULD BE ABLE TO  
SEE SIR ROBERT ARMSTRONG DURING THE AFTERNOON OF 2 JUNE.  
AT THAT MEETING THERE WOULD ALSO BE PRESENT MY PERSONAL  
REPRESENTATIVE TO THE VENICE SUMMIT, AMBASSADOR RENATO RUGGIERO.  
WITH RENEWED BEST WISHES FOR THE ELECTIONS, TO THE HAPPY  
OUTCOME OF WHICH YOU ARE DEVOTING SUCH EFFORTS. I SEND YOU MY  
WARMEST WISHES.

(SIGNED) AMINTORE FANFANI

ENDS.

2. ORIGINAL FOLLOWS BY BAG.

BRIDGES

RFHPAN 0228.

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ECD(E)  
ECD(I)  
ERD.

PLANNING STAFF.

NEWS.D.  
INFO.D.

RESEARCH.D.

PS

PS/LADY YOUNG

PS/MR. EGGAR.

PS/MRS. CHALKER.

PS/PUS.

MR. BRAITHWAITE.

MR. RATFORD.

MR. KERR.

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PS/NO 10 DOWNING STREET.

PS/SIR R. ARMSTRONG, CABINET  
OFFICE.

PS/CHANCELLOR OF THE EXCHEQUER.

CONFIDENTIAL



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day) we found common ground in believing that there ought not to be a special reason for meeting: if a currency crisis, we would need the central bankers too; the report we are preparing is not such as to require Ministers to meet on it, we hope; there will be no new round of projections worthy of a surveillance meeting.

5. It seemed that Gorla is the one who might want to insist - purely for personal and domestic political gain. Sarcinelli's temporary replacement, Paolo Ranuzzi, urged us all to consult our Ministers between now and our next meeting in just over two weeks (following the OECD Ministerial). He was clearly hoping for some support for a meeting from Ministers. I shall remind you later that it might be worth consolidating views with colleagues at the OECD Ministerial.

6. Incidentally, the Chancellor might be interested to know the position of Sarcinelli. The new Fanfani non-Government has a number of Ministerial places occupied by 'civil servants' in place of members of parties not joined in the coalition. It is assumed that these will disappear when a valid government is formed after the election (although this may take until August). Sarcinelli has been assured that he can return to the Treasury and meanwhile two juniors (Ranuzzi and Pasque) are temporarily standing in for different parts of his work.

7. Finally, on the agenda for Venice, the economic side is frankly in some disarray - there are obvious uncertainties about what will be the market situation (and even more about what could

**CONFIDENTIAL**

be done at the Summit to help); there are strong feelings of pessimism about world economic prospects, US interest rates, debt, etc (again with no positive agreement in sight); and there are no prospects of U.S., or probably Japan, delivering new action, as distinct from restatement of intentions.

XI 8. For the U.K., with what is generally recognised as the most healthy of individual national positions, I do not at present see clearly what we shall want on the macro-economic front. Elsewhere it is easier, with a good line building up on agriculture, with wide support for pressing Japan on more open markets, and with our Sub-Saharan debt initiative a theme which I think we can promote above less satisfactory rivals.

9. On present prospects, although this is obviously subject to last-minute events, there are no likely non-economic excitements on the Summit agenda.



(Geoffrey Littler)

\*

*Reagan/Nakasone was a human disaster -  
not Reagan's fault - but the US are in a position  
of they have given support to the £. They are  
clear on the brink of giving interest rate cuts  
on both sides of Japan  
(not to mention the UK), & have given for  
an interest rate hike  
Themselves. → precipitate the collapse*

SECRET

From: Sir G. Littler  
Date: 4 May 1987

MR ALEX ALLAN

c.c. Sir P. Middleton  
Mr Cassell  
Mr Peretz  
Mr Kelly

EXCHANGE MARKETS

I am in Brussels for the Monetary Committee on 5 May. I thought it might be helpful for me to record one or two points which came up in the margins of last week's Summit preparation meeting.

2. **Mulford was very pessimistic indeed about holding the dollar.** He was **bitter about Japan and Germany** (although pleased with reports of the Reagan-Nakasone meeting which had evidently gone as he had hoped). He said that the **U.S. had used all but \$600 million of what they had committed in the Washington G7;** this could easily be exhausted in a couple of days; unless there was some fresh and constructive development elsewhere he **did not see how the U.S. could go on giving support.**

3. **Tietmeyer separately told me** (I think he must have told Mulford and Gyohden also) that the **Bundesbank last week considered action to reduce short-term interest rates slightly.** The proposal was **moved by Poehl, resisted by Schlesinger** (whom Tietmeyer angrily described as pursuing a policy of benign neglect), and **rejected eventually by a small majority.** He **thinks/hopes that the idea will be reconsidered,** and that perhaps an early Japanese move - even a further British move - might help.

4. **Some Baker/Stoltenberg telephoning is expected early this week** - I will see what more I can get from Tietmeyer in Brussels.

*For comments  
to US.  
I need to  
write  
phone/walk  
& Baker  
myself*

*of the course of an deal because of some  
arbitrary labors of individuals be exhausted in  
be grossly irresponsible: it would be bad for the US as  
well as for the world, & mean cutting for the credit of  
of international co-operation (with @ present us still @ least  
half-solved).*

(Geoffrey Littler)



FROM: A C S ALLAN

DATE: 5 May 1987

SIR G LITTLER

cc Sir P Middleton  
Mr Cassell  
Mr Peretz  
Mr Kelly**EXCHANGE MARKETS**

The Chancellor was grateful for your minute of 4 May. He felt the Reagan-Nakasone talks in the event proved to be disastrous - not Reagan's fault - but the US are very foolish if they cease giving support to the dollar. They are clearly on the brink of getting interest rate cuts in both Germany and Japan (not to mention the UK), and have scope for an interest rate hike of  $\frac{1}{2}$  per cent themselves. To precipitate the collapse of the Louvre accord because of some arbitrary ration of intervention being exhausted would be grossly irresponsible: it would be bad for the US as well as everyone else, and would deal a death-blow to the credibility of international co-operation (which at present is still at least half believed).

2. He would be grateful if you could communicate these views to Mulford. If need be, the Chancellor will phone or write to Baker himself (we are already fixing up a bilateral at the OECD meeting in Paris).

A handwritten signature in dark ink, appearing to read 'ACSA' with a flourish underneath.

A C S ALLAN

*pmj*

FROM: A C S ALLAN  
DATE: 5 May 1987

SIR G LITTLER

cc Sir P Middleton  
Mr H P Evans

**VENICE SUMMIT**

The Chancellor was grateful for your minute of 4 May. On action by the UK, (your paragraph 8), he feels we may need to knock heads together, and be seen to be doing so.

2. On the G7, he feels that in the circumstances we want to avoid a meeting if we possibly can. Quite apart from anything else, it is clear that it would achieve nothing, which would be very bad in market terms. Goria's keenness for one, given his behaviour after the last one, needs to be firmly dismissed.

*ACSA*

A C S ALLAN

"LOUVRE ACCORD"

*pm*

SECRET

From: Sir G.Littler  
Date: 7 May 1987

MR ALEX ALLAN

c.c. Sir P.Middleton  
Mr Cassell  
Mr Peretz  
Mr Huw Evans  
Mr Kelly

VENICE SUMMIT G7, etc

This is a response to your two minutes of 5 May, on the Venice Summit and on Exchange Markets.

*What about intervention?*

2. I had a short talk with Mulford late yesterday. I put the Chancellor's views on interest rates among Germany, Japan and US, urged that we keep up the battle, and mentioned the possibility of a bilateral Chancellor/Baker talk in Paris next Tuesday. (I also mentioned as another possible subject for that our proposals for debt for the poorest). Mulford took note: he did not reject the idea of a small upward move in the US, but thought that moves by Germany and Japan 'in a concerted way' would be a condition.

3. Mulford also raised with me the question of a G7 meeting immediately before the Summit. He said that, in the light of his report of what I and Tietmeyer had said among deputies last week, Baker was now against a G7 meeting, unless it later emerged that there was good reason for holding one (and I added - and Mulford agreed - confident expectation by us of a helpful public outcome). We agreed that we would both give this message firmly to the Italians. I spoke accordingly to Ranuzzi this afternoon: he said Goria might try to talk with the Chancellor and others in Paris.

(Geoffrey Littler)



L' Ambasciatore

Ambasciata d'Italia.

4. Grosvenor Square.

London, W.1.

H.8

3978

Very Urgent - Confidential

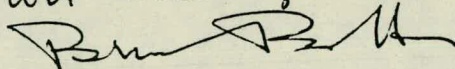
cc - Sir G. Little  
Mr. Braithwaite

8th May, 1987

CABINET OFFICE	
A	4901
8 MAY 1987	
FILING INSTRUCTIONS	
FILE No. ....	

Dear Sir Robert,

I take pleasure in sending you, herewith enclosed, the text of a message, addressed to you, from Ambassador Renato Ruggiero containing the revised thematic paper due to be discussed during the Stra-Venezia fourth preparatory meeting of the Venice Economic Summit.

Yours sincerely  


Bruno Bottai

encl.

Sir Robert Armstrong, GCB, CVO  
Secretary of the Cabinet  
Cabinet Office  
L O N D O N SW1

From: Ambassador Renato Ruggiero  
To: Sir Robert Armstrong, GCB, CVO  
Rome, 7th May, 1987

TEXT OF THE MESSAGE

' DEAR COLLEAGUE,  
PLEASE FIND HERE ATTACHED COPY OF THE REVISED TEXT  
OF THE THEMATIC PAPER. THIS COPY REPLACES THE ONE  
WHICH WAS DISTRIBUTED ON THE 2ND OF MAY, BEFORE THE  
OPENING OF THE LAST MEETING IN PORTO CERVO.

I. INTRODUCTION

1. SINCE THE TOKYO SUMMIT, ECONOMIC PERFORMANCE IN  
THE SEVEN COUNTRIES HAS SHOWN SOME IMPROVEMENTS  
NOTWITHSTANDING THE PERSISTENCE OF LARGE DOMESTIC  
AND EXTERNAL IMBALANCES.

AVERAGE INFLATION RATES AND INFLATION DIFFERENTIALS  
HAVE COME DOWN. GROWTH IS CONTINUING INTO ITS  
FIFTH CONSECUTIVE YEAR, ALBEIT AT SLIGHTLY LOWER  
RATES. INTEREST RATES HAVE GENERALLY DECLINED.  
EXCHANGE RATE CHANGES HAVE OCCURRED AMONG LEADING  
CURRENCIES WHICH OVER TIME WILL CONTRIBUTE TO A  
MORE SUSTAINABLE PATTERN OF CURRENT ACCOUNT  
POSITIONS AND HAVE BROUGHT CURRENCIES WITHIN  
RANGES BROADLY CONSISTENT WITH ECONOMIC FUNDAMENTALS.  
IN VOLUME TERMS THE ADJUSTMENT OF TRADE FLOWS  
IS UNDERWAY ALTHOUGH IN NOMINAL TERMS THE IMBALANCES  
REMAIN UNACCEPTABLY LARGE.

SOME PROGRESS CAN BE SEEN ALSO IN THE SITUATION  
OF THE DEVELOPING WORLD ALTHOUGH THE PICTURE IS  
MIXED BETWEEN NON-OIL LDCS, OIL-PRODUCING COUNTRIES  
AND THE POOREST COUNTRIES. IN MIDDLE-INCOME NON-  
OIL LDCS THERE HAS BEEN SUBSTANTIAL EXTERNAL  
ADJUSTMENT COUPLED WITH ACCELERATING GROWTH. DEBT

SERVICE RATIOS, WHICH WORSENEED IN 1986, ARE TENDING TO MOVE LOWER AND NEW FINANCING NEEDS HAVE BEEN REDUCED. SINCE TOKYO THERE IS A STRONGER CONSENSUS AMONG THE SUMMIT COUNTRIES ON THE NEED FOR CLOSE AND CONTINUING COORDINATION OF ECONOMIC POLICY WITH A VIEW TO ENSURING CONSISTENCY OF DOMESTIC POLICIES AND THEIR INTERNATIONAL COMPATIBILITY, AND ULTIMATELY ACHIEVING GREATER CONVERGENCE OF POSITIVE ECONOMIC PERFORMANCE. IN THE CONTEXT OF THE GROUP OF SEVEN MEETINGS AT 'LE LOUVRE' AND IN WASHINGTON THE COMMITMENT TO POLICY COORDINATION HAS BEEN INTENSIFIED. THERE IS A CONSENSUS THAT A MORE STABLE EXCHANGE RATE ENVIRONMENT, GIVEN THE POLICY COMMITMENTS MADE, IS HIGHLY IMPORTANT FOR THE PROMOTION OF GLOBAL GROWTH AND THE REDUCTION OF EXISTING IMBALANCES, IN RECOGNITION OF THE FACT THAT FURTHER SHIFTS IN EXCHANGE RELATIONSHIPS COULD PROVE COUNTER-PRODUCTIVE TO OUR EFFORTS TO INCREASE GROWTH AND FACILITATE ADJUSTMENT IN THE SUMMIT COUNTRIES AND IN THE WORLD ECONOMY. THE CREDIBILITY OF THIS STRATEGY REQUIRES SWIFT IMPLEMENTATION OF THE POLICY COMMITMENTS BY THE COUNTRIES CONCERNED.

2. THIS YEAR, ACCORDING TO RECENT FORECASTS BY INTERNATIONAL ORGANIZATIONS, DOMESTIC DEMAND IN THE SUMMIT COUNTRIES AS A WHOLE IS EXPECTED TO SLOW TO BELOW THREE PERCENT AND OUTPUT IS EXPECTED TO GROW NO FASTER THAN IN 1986. THIS OUTLOOK REFLECTS THE FACT THAT THE NECESSARY PROCESSES OF ADJUSTMENT TO CHANGES IN OIL PRICES AND EXCHANGE RATES WERE NOT FULLY OFFSET BY POLICY ACTIONS. THE EXPECTED SLOWDOWN OF DOMESTIC ACTIVITY IN THE INDUSTRIAL WORLD WILL, HOWEVER, LOWER THE PROSPECTS FOR DEVELOPING COUNTRIES TO GROW, FIND THE MARKETS THEY NEED AND SERVICE THEIR FOREIGN DEBT.

3. THE CURRENT SITUATION OF THE WORLD ECONOMY IS THUS CHARACTERIZED BY BOTH POSITIVE AND NEGATIVE FACTORS. THE LATTER INCLUDE:

- CONTINUING LARGE DISEQUILIBRIA IN CURRENT PAYMENTS AND ASSOCIATED NET FOREIGN POSITIONS BETWEEN THE MAJOR COUNTRIES WHICH REPRESENT A SERIOUS THREAT TO THE STABILITY OF THE INTERNATIONAL MONETARY SYSTEM)
- PERSISTENTLY HIGH UNEMPLOYMENT, PARTICULARLY IN EUROPE)
- LARGE PUBLIC SECTOR DEFICITS IN THE US, ITALY AND SOME OTHER COUNTRIES)
- HIGH REAL INTEREST RATES)
- TOO LITTLE DONE TO REDUCE TRADE RESTRICTIONS, AND INCREASING PROTECTIONISM)

- THE PERSISTENCE OF HIGH LEVELS OF DEBT FOR MANY DEVELOPING COUNTRIES)
- THE CONTINUING WEAKNESS OF MANY COMMODITY MARKETS WITH THE PROSPECT OF SLOW OR, IN SOME CASES, NO GROWTH IN EXPORT EARNINGS OF PRIMARY PRODUCING COUNTRIES.

## II. BASIC TASKS AND POLICY ACTIONS BY THE SUMMIT CONTRIES

### 4. POLICY COORDINATION FOR SUSTAINED GROWTH AND EXTERNAL ADJUSTMENT

*Signature*  
4.1 SUMMIT COUNTRIES SHOULD REAFFIRM THAT THE CORRECTION OF WORLD PAYMENTS IMBALANCES IS THE KEY MEDIUM-TERM PRIORITY AND THAT CONTINUING, BALANCED AND SUSTAINED NON-INFLATIONARY GROWTH WORLDWIDE IS ESSENTIAL IF THE PROCESS OF INTERNATIONAL ADJUSTMENT IS TO BE MORE EFFECTIVE. SUCH DEVELOPMENTS WOULD ALSO CONTRIBUTE IMPORTANTLY TO THE REDUCTION OF UNEMPLOYMENT IN OUR COUNTRIES, THE IMPROVEMENT OF THE LDCS' SITUATION AND THE ALLEVIATION OF WORLD TRADE TENSIONS. A

4.2 SUMMIT COUNTRIES SHOULD STRESS THEIR DETERMINATION TO PLAY A CENTRAL ROLE IN A COOPERATIVE EFFORT TO SUSTAIN ECONOMIC ACTIVITY WORLDWIDE. THE CORRECTION OF PAYMENTS IMBALANCES WILL BE A LONG AND DIFFICULT PROCESS. EXCHANGE RATE CHANGES ALONE WILL NOT SOLVE THE PROBLEM. SUMMIT COUNTRIES SHOULD COMMIT THEMSELVES TO FOLLOW POLICIES AIMED AT ACHIEVING THE NEEDED DIFFERENTIALS IN DOMESTIC DEMAND. SURPLUS COUNTRIES SHOULD DESIGN THE POLICY TO

STRENGTHEN DOMESTIC DEMAND AND OPEN THEIR MARKETS, WHILE DEFICIT COUNTRIES SHOULD FOCUS ON REDUCING THEIR FISCAL DEFICITS AND IMPROVING COMPETITIVENESS. IN RECOGNITION OF THE FACT THAT THE PURSUIT OF WORLDWIDE GROWTH MUST BE A COLLECTIVE ENDEAVOR, THE SUMMIT COUNTRIES SHOULD CALL ON OTHER INDUSTRIAL COUNTRIES TO PARTICIPATE IN THIS EFFORT. SUMMIT COUNTRIES SHOULD ALSO CALL ON NEWLY INDUSTRIALIZED COUNTRIES WITH 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 TO REFLECT MORE FULLY UNDERLYING FUNDAMENTALS.

*Too late*  
4.3 AMONG THE SUMMIT COUNTRIES, BUDGETARY DISCIPLINE REMAINS A VALID MEDIUM-TERM OBJECTIVE AND THE REDUCTION OF EXISTING PUBLIC SECTOR IMBALANCES A NECESSITY FOR A NUMBER OF THEM. TAX REFORM AND OTHER SUPPLY POLICIES CAN PROVIDE INCENTIVES TO STIMULATE GROWTH AND INVESTMENTS AND IMPROVE EFFICIENCY IN RESOURCE USE. IN ADDITION THOSE SUMMIT COUNTRIES WHICH HAVE MADE SIGNIFICANT PROGRESS IN FISCAL CONSOLIDATION AND HAVE LARGE EXTERNAL SURPLUSES SHOULD REAFFIRM THEIR COMMITMENT TO FOLLOW FISCAL AND MONETARY POLICIES

DESIGNED TO STRENGTHEN DOMESTIC DEMAND AND REDUCE EXTERNAL SURPLUSES, WITHIN A FRAMEWORK OF MEDIUM-TERM FISCAL OBJECTIVES.

SUMMIT COUNTRIES SHOULD ALSO IMPROVE THE COORDINATION OF THEIR MONETARY POLICIES TO SUPPORT NON-INFLATIONARY GROWTH AND FOSTER STABILITY OF EXCHANGE RATES.

4.4 SUMMIT COUNTRIES SHOULD AGREE ON THE NEED TO SUPPORT THEIR MACROECONOMIC STRATEGY WITH EFFECTIVE STRUCTURAL POLICIES TO SUSTAIN PROGRESS TOWARDS NON-INFLATIONARY GROWTH AND EMPLOYMENT CREATION WHICH HAS BEEN INSUFFICIENT, NOTABLY IN EUROPE, TO MATCH THE INCREASE IN THE SIZE OF THE LABOR FORCE. SUMMIT COUNTRIES SHOULD STRESS THE NEED TO:

- PROMOTE COMPETITION IN ORDER TO SPEED UP INDUSTRIAL ADJUSTMENT)
- REDUCE MAJOR IMBALANCES BETWEEN AGRICULTURAL SUPPLY AND DEMAND AND GRADUALLY ADAPT AGRICULTURE

TO MARKET CONDITIONS)

- PROMOTE JOB CREATING INVESTMENT.,
- IMPROVE THE FUNCTIONING OF LABOR MARKETS THROUGH GREATER MOBILITY AND ADAPTABILITY)
- PROMOTE THE FURTHER OPENING OF INTERNAL MARKETS)
- ENCOURAGE THE ELIMINATION OF CAPITAL MARKET IMPERFECTIONS AND RESTRICTIONS IN ORDER TO IMPROVE THE FUNCTIONING OF INTERNATIONAL FINANCIAL MARKETS.

4.5 THE COOPERATIVE MANAGEMENT OF ECONOMIC POLICIES BY THE SUMMIT COUNTRIES SHOULD BE SEEN IN THE CONTEXT OF THE TOKYO AGREEMENT ON POLICY COORDINATION AND MULTILATERAL SURVEILLANCE. SUMMIT COUNTRIES MIGHT WANT TO STRESS THAT THEY NOW CONSIDER IMPROVED POLICY COORDINATION AS AN ONGOING PROCESS AND THEY FULLY ACCEPT THE DISCIPLINE THAT IT INVOLVES. RECOGNIZING THAT DOMESTIC POLICIES HAVE IMPORTANT INTERNATIONAL REPERCUSSIONS WHICH IN TURN EXERT A FEED-BACK EFFECT ON DOMESTIC PERFORMANCE, SUMMIT COUNTRIES SHOULD REAFFIRM THAT THE FOCUS FOR COORDINATION SHOULD BE THE COMPATIBILITY OF POLICIES DESIGNED TO ATTAIN MORE BALANCED EXTERNAL POSITIONS AND STRONGER NON-INFLATIONARY GROWTH OVER THE MEDIUM TERM.

IN THE PRESENT SITUATION, SUMMIT COUNTRIES SHOULD REEMPHASIZE THEIR COMMITMENT TO STRENGTHEN THE PROCESS OF POLICY COORDINATION. IN THIS CONNECTION THEY SHOULD:

- WELCOME THE REPORT BY THE FINANCEMINISTERS ON THE PROGRESS MADE TO DATE IN IMPLEMENTING POLICY COORDINATION AND IN IMPROVING THE FUNCTIONING OF THE INTERNATIONAL MONETARY SYSTEM AND ENDORSE THE CONCLUSIONS THEY HAVE REACHED)
- INVITE FINANCE MINISTERS AND CENTRAL BANK GOVERNORS TO REFINE PROCEDURES FOR CARRYING OUT

MULTILATERAL SURVEILLANCE OF OBJECTIVES AND PROJECTIONS, USING THE AGREED INDICATORS AND THE TECHNICAL ASSISTENCE OF THE IMF MANAGING DIRECTOR, AND FOR THE ADOPTION OF REMEDIAL MEASURES, AS APPROPRIATE, WHEN THERE ARE SIGNIFICANT DEVIATIONS FROM THE INTENDED POLICY COURSE)

- WELCOME THE WORK DONE BY THE IMF TO ANALYZE AND REFINE THE INSTRUMENTS FOR EFFECTIVE SURVEILLANCE, FOCUSING ATTENTION ON INCONSISTENCIES IN NATIONAL POLICIES AMONG THE LARGER COUNTRIES.

## 5. STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM

5.1 SUMMIT COUNTRIES SHOULD NOTE WITH GRAVE CONCERN THE RISING PROTECTIONIST PRESSURES WHICH HAVE BECOME AN IMMEDIATE THREAT TO THE WORLD ECONOMY AND SHOULD REAFFIRM THEIR DETERMINATION TO HALT PROTECTIONISM AND DISMANTLE PROTECTIONIST MEASURES. FOR THIS PURPOSE, THEY SHOULD STRESS THE IMPORTANT ROLE THE URUGUAY ROUND CAN PLAY IN MAINTAINING AND STRENGTHENING THE MULTILATERAL TRADING SYSTEM. TO THIS END IT IS ESSENTIAL TO MAINTAIN THE INTEGRITY OF THE GATT SYSTEM BY FORGING NEW RULES AND DISCIPLINES TO GOVERN THE GREATLY EXPANDING AND INCREASINGLY COMPLEX WORLD TRADING SYSTEM, DEVELOPING MORE EFFECTIVE PRINCIPLES AND MECHANISM FOR ENFORCEMENT OF THESE RULES, AND ACHIEVING INCREASED LIBERALIZATION OF TRADE FOR THE BENEFIT OF ALL COUNTRIES.

5.2 RECOGNIZING THE INTERRELATIONSHIP BETWEEN GROWTH, TRADE AND DEVELOPMENT, SUMMIT COUNTRIES SHOULD UNDERLINE THE IMPORTANCE OF A SUPPORTIVE INTERNATIONAL ENVIRONMENT, NOTABLY OF AN IMPROVED FUNCTIONING OF THE INTERNATIONAL MONETARY SYSTEM, SUSTAINED GROWTH, CONTROL OF THE DEBT BURDEN AND THE REDUCTION OF EXTERNAL IMBALANCES. SUMMIT COUNTRIES SHOULD UNDERLINE THAT IN VOLUME TERMS THE ADJUSTMENT OF TRADE FLOWS IS UNDERWAY, ALTHOUGH IN NOMINAL TERMS THE IMBALANCES REMAIN LARGE. FRICTIONS ARISING OUT OF THESE IMBALANCES SHOULD BE REDUCED THROUGH THE EXPANSION OF TRADE WITH COOPERATIVE POLICY EFFORTS BOTH BY SURPLUS AND DEFICIT COUNTRIES, INCLUDING MEASURES TO OPEN MARKETS AND STIMULATE ECONOMIES, AS WELL AS TO INCREASE COMPETITIVENESS. PROTECTIONIST ACTIONS WILL EXACERBATE THESE IMBALANCES AND INCREASE THE RISK OF FURTHER EXCHANGE RATE VOLATILITY.

5.3 SUMMIT COUNTRIES SHOULD ALSO STRESS THAT THE OBJECTIVE OF FURTHER TRADE LIBERALIZATION REQUIRES A STRONG EFFORT BY INDUSTRIAL AND DEVELOPING COUNTRIES ALIKE TO PROMOTE EFFECTIVE STRUCTURAL ADJUSTMENT.

5.4 SUMMIT COUNTRIES SHOULD ENDORSE FULLY THE COMMITMENT TO ADOPT APPROPRIATE POLICIES AND CONCRETE MEASURES IN COMPLIANCE WITH THE PRINCIPLES OF STAND-STILL AND ROLLBACK WHICH HAVE BEEN REAFFIRMED IN THE MINISTERIAL DECLARATION ON THE URUGUAY ROUND. PROTECTIONIST PRESSURES MUST BE VIGOROUSLY RESISTED AND OVERCOME. SUMMIT COUNTRIES LOOK FORWARD FAVOURABLY TO THE INCLUSION OF TRADE IN SERVICES UNDER MULTILATERAL DISCIPLINE AND TO ITS EXPANSION TO NEW AREAS SUCH AS THOSE OF INVESTMENTS AND INTELLECTUAL PROPERTY. WITHIN THE FRAMEWORK OF A COMPREHENSIVE OUTCOME OF THE NEGOTIATIONS, THIS EXTENSION OF THE MULTILATERAL TRADING SYSTEM WILL ALSO BE BENEFICIAL TO LDCS IN FOSTERING GROWTH, ENHANCING CAPITAL FLOWS AND TECHNOLOGY TRANSFERS.

5.5 BASING THEMSELVES ON THE MINISTERIAL DECLARATION ON THE URUGUAY ROUND ADOPTED IN PUNTA DEL ESTE, THE SUMMIT COUNTRIES SHOULD CALL ON ALL CONTRACTING PARTIES OF THE GATT TO NEGOTIATE COMPREHENSIVELY, EXPEDITIOUSLY AND IN GOOD FAITH, WITH A VIEW TO ENSURING MUTUAL ADVANTAGES AND INCREASED BENEFITS TO ALL, IN ACCORDANCE WITH THE PRINCIPLES OF THE GATT. IN ORDER TO ADVANCE THE NEGOTIATING PROCESS ACROSS THE BOARD, CANADA, JAPAN, THE UNITED STATES AND THE EUROPEAN COMMUNITY SHOULD

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 SUMMIT COUNTRIES SHOULD BEAR IN MIND THAT MINISTERS STATED AT PUNTA DEL ESTE THAT THE LAUNCHING, THE CONDUCT AND THE IMPLEMENTATION OF THE NEGOTIATIONS SHOULD BE TREATED AS PARTS OF A SINGLE UNDERTAKING BUT THAT AGREEMENT REACHED AT AN EARLY STAGE MIGHT BE IMPLEMENTED ON A PROVISIONAL OR DEFINITIVE BASIS BY AGREEMENT PRIOR TO THE FORMAL CONCLUSION OF THE NEGOTIATIONS.

THE SUMMIT COUNTRIES SHOULD RECOGNIZE THAT A STRONG, CREDIBLE, WORKING GATT IS ESSENTIAL TO THE WELL-BEING OF ALL TRADING COUNTRIES. THEY 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.

5.6 - 5.12

THE FOLLOWING PARAGRAPHS WILL BE REVIEWED IN THE LIGHT OF THE OUTCOME OF THE OECD MINISTERIAL MEETING (MAY, 12 - 13).

6. DEVELOPING COUNTRIES AND INTERNATIONAL DEBT PROBLEMS (FRENCH PROPOSAL)

6.1 THE SITUATION OF HEAVILY INDEBTED COUNTRIES IS ONE OF THE MAIN OBSTACLES TO A BALANCED WORLD ECONOMIC AND SOCIAL DEVELOPMENT AND A THREAT TO POLITICAL STABILITY IN SOME COUNTRIES WHICH HAVE RECENTLY ESTABLISHED DEMOCRATIC REGIMES. SUMMIT COUNTRIES SHOULD SALUTE THE COURAGEOUS EFFORTS OF THESE COUNTRIES TO ACHIEVE ECONOMIC GROWTH AND STABILITY AND SHOULD REINFORCE THE ONGOING STRATEGY BASED UPON THE FOLLOWING PRINCIPLES:

- ENCOURAGING DEBTOR COUNTRIES TO CARRY OUT THEIR STRUCTURAL REFORMS IN THE FRAMEWORK OF DEMOCRACY)
- ENCOURAGING THE BANKS AND FINANCIAL MARKETS TO PLAY THEIR ROLE, SHARING THE BURDEN EQUITABLY.
- PROVIDING SUFFICIENT RESOURCES TO THE INTERNATIONAL FINANCIAL INSTITUTIONS)
- ALLEVIATING THE DEBT PROBLEM OF THE POOREST COUNTRIES BY AN INCREASE OF ODA , AN ENHANCED RESCHEDULING PROGRAM AND AN EFFORT TO STABILIZE THE EXPORT EARNINGS OF MONOPRODUCERS.

*the  
should  
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alleviate the  
costs of  
debt*

*deletes*

*deletes*

6.2 SUMMIT COUNTRIES SHOULD RECOGNIZE THE INCREASING DIVERSITY IN THE ECONOMIC SITUATIONS OF DEVELOPING COUNTRIES. FOR THE MAJOR MIDDLE-INCOME DEBTORS, SUMMIT COUNTRIES SHOULD REAFFIRM THAT THEY SUPPORT AND SEE NO ACCEPTABLE ALTERNATIVE TO THE PRESENT GROWTH-ORIENTED STRATEGY LAUNCHED FOLLOWING THE US INITIATIVE OF OCTOBER 1985. THAT STRATEGY CALLS FOR A COOPERATIVE APPROACH BY ALL PARTIES CONCERNED IN AN EFFORT TO STRENGTHEN DEBTORS' GROWTH PROSPECTS AS ESSENTIAL TO RESOLVING THEIR DEBT PROBLEMS. THREE ELEMENTS ARE NEEDED TO THIS END: THE ADOPTION OF COMPREHENSIVE MACROECONOMIC AND STRUCTURAL REFORMS BY DEBTOR NATIONS) THE ENHANCEMENT OF LENDING BY INTERNATIONAL FINANCIAL INSTITUTIONS) AND ~~INCREASED COMMERCIAL BANK LENDING IN SUPPORT OF DEBTOR REFORMS.~~ SUMMIT COUNTRIES SHOULD REAFFIRM THEIR COMMITMENT TO FOSTER THE SUPPORTIVE WORLD ECONOMIC ENVIRONMENT OF SUSTAINED GROWTH AND EXPANDING TRADE, WHICH IS AN ESSENTIAL REQUIREMENT OF THE STRATEGY.

*A RESPONSIBLE  
ROLES APPROACH  
BY THE  
COMMERCIAL  
BANKS.*

6.3 THE DEBT STRATEGY HAS PROVED TO BE A FLEXIBLE AND EFFECTIVE FRAMEWORK FOR A NUMBER OF AGREEMENTS WHICH THROUGH A COMBINATION OF ADJUSTMENTS MEASURES, DEBT RESCHEDULINGS AND PROVISION OF NEW MONEY HAVE ALLOWED SOME RESUMPTION OF GROWTH AND CORRECTION OF IMBALANCES, DESPITE UNFAVORABLE DEVELOPMENTS IN EXPORT EARNINGS.



6.4 SUMMIT COUNTRIES SHOULD STRESS THAT PROGRESS IN RESTORING CREDIT WORTHINESS HAS ALREADY BEEN SIGNIFICANT AND POLITICALLY COURAGEOUS IN SOME COUNTRIES BUT THERE IS STILL, IN SOME IMPORTANT CASES, A LACK OF ADEQUATE POLICIES OF STRUCTURE ADJUSTMENTS AND GROWTH DESIGNED TO ENCOURAGE THE EFFICIENT USE OF DOMESTIC SAVINGS AND THE REPATRIATION OF FLIGHT CAPITAL.

~~6.5 THERE IS A NEED TO RESTORE A MORE TIMELY AND EFFECTIVE MOBILIZATION OF LENDING BY COMMERCIAL BANKS, WHICH CONTINUES TO BE INSUFFICIENT. IN THIS CONTEXT,~~ SUMMIT COUNTRIES SHOULD SUPPORT EFFORTS BY COMMERCIAL BANKS AND DEBTOR COUNTRIES TO DEVELOP A MENU OF ALTERNATIVE NEGOTIATING PROCEDURES AND FINANCING TECHNIQUES FROM WHICH BANKS WITH DEBT EXPOSURES CAN CHOOSE IN PROVIDING CONTINUING SUPPORT TO DEBTOR COUNTRIES. / 8

6.6 SUMMIT COUNTRIES SHOULD STRONGLY SUPPORT THE ACTIVITIES OF INTERNATIONAL FINANCIAL INSTITUTIONS, INCLUDING REGIONAL DEVELOPMENT BANKS. SUPPORT SHOULD BE MADE AVAILABLE ON A SELECTIVE BASIS AND IN CONNECTION WITH PROGRAMS OF STRUCTURAL ADJUSTMENT AND ECONOMIC POLICY REFORM BY BORROWERS. IN PARTICULAR, SUMMIT COUNTRIES SHOULD:

- SUPPORT THE CENTRAL ROLE OF THE IMF THROUGH ITS ADVICE AND FINANCING AND ENCOURAGE CLOSER COOPERATION BETWEEN THE IMF AND THE IBRD, ESPECIALLY IN THEIR STRUCTURAL ADJUSTMENT LOANS AND FACILITY)
- SUPPORT THE EXPANDED ROLE OF THE IBRD IN THE DEBT STRATEGY.
- NOTE WITH SATISFACTION THE CONTRIBUTION MADE BY THE REPLENISHMENT OF IDA VIII)
- SUPPORT A GENERAL CAPITAL INCREASE OF THE IBRD WHEN JUSTIFIED BY INCREASED DEMAND FOR QUALITY LENDING.

6.7 SUMMIT COUNTRIES SHOULD ENCOURAGE MEASURES AIMED AT PROMOTING NON-DEBT-CREATING CAPITAL FLOWS, ESPECIALLY DIRECT INVESTMENT. THEY SHOULD RECOGNIZE THE IMPORTANCE OF THE NECESSARY FLEXIBILITY ON THE PART OF EXPERT CREDIT AGENCIES IN PROMPTLY RESUMING OR INCREASING COVER FOR COUNTRIES THAT ARE IMPLEMENTING COMPREHENSIVE ADJUSTMENT PROGRAMS.

6.8 SUMMIT COUNTRIES SHOULD RECOGNIZE THAT THE PROBLEMS OF SOME OF THE POOREST COUNTRIES, ESPECIALLY ~~MONOPRODUCERS,~~ PRIMARILY IN SUB-SAHARAN AFRICA, ARE OF A DIFFERENT CHARACTER AND NEED SPECIAL TREATMENT. THESE COUNTRIES ARE CHARACTERIZED BY SUCH FEATURES AS ACUTE POVERTY, VERY LIMITED RESOURCES, UNMANAGEABLE DEBT BURDENS, AND HEAVY RELIANCE ON SINGLE COMMODITIES. FURTHER, THE DEBT OF THESE

And

8

COUNTRIES IS OWED FOR THE MOST PART TO GOVERNMENTS OF INDUSTRIALIZED COUNTRIES THEMSELVES OR TO INTERNATIONAL FINANCIAL INSTITUTIONS.

NOTING THE VARIOUS PROPOSALS MADE IN DIFFERENT FORA SUCH AS THE IMF, THE IBRD AND THE PARIS CLUB TO DEAL WITH THE PROBLEMS OF SUCH COUNTRIES, SUMMIT COUNTRIES SHOULD URGE A SPEEDY CONCLUSION OF AGREEMENTS ON APPROPRIATE MEASURES. IN THIS CONNECTION, THEY WELCOME THE AGREEMENT RECENTLY REACHED IN THE PARIS CLUB ON LONGER REPAYMENT AND GRACE PERIODS FOR SOME OF THOSE COUNTRIES THAT ARE UNDERTAKING ADJUSTMENT EFFORTS.

### III. OTHER ISSUES

1. TERRORISM (PROPOSED TEXT BY THE GROUP OF EXPERTS)  
SUMMIT COUNTRIES SHOULD REAFFIRM THEIR CONDEMNATION OF INTERNATIONAL TERRORISM, IN ALL ITS FORMS, OF ITS ACCOMPLICES AND OF THOSE, INCLUDING GOVERNMENTS, WHO SPONSOR OR SUPPORT IT: THEY ARE RESOLVED TO FURTHER INTENSIFY THEIR JOINT EFFORTS TO COMBAT INTERNATIONAL TERRORISM (FURTHER APPROPRIATE OPENING TO TAKE INTO CONSIDERATION THE POLITICAL CIRCUMSTANCES OF THE MOMENT).

THEY SHOULD RECALL THAT IN THE 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, THEY SHOULD BE JOINTLY RESOLVED THAT THEIR GOVERNMENTS SHALL TAKE IMMEDIATE ACTION TO CEASE ALL FLIGHTS TO THAT COUNTRY.

AT THE SAME TIME, THEIR GOVERNMENTS SHOULD INITIATE ACTION TO HALT ALL INCOMING FLIGHTS FROM THAT COUNTRY OR FROM ANY COUNTRY BY THE AIRLINES OF THE COUNTRY CONCERNED.

THEY SHOULD 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.

THEY SHOULD URGE OTHER GOVERNMENTS TO JOIN IN THIS COMMITMENT.

### 2. ENVIRONMENT

FURTHER TO THEIR PREVIOUS COMMITMENT TO PRESERVE A HEALTHY ENVIRONMENT AND TO PASS IT ON TO FUTURE GENERATIONS, SUMMIT COUNTRIES SHOULD WELCOME THE REPORT BY THE ENVIRONMENT EXPERTS ON THE IMPROVEMENT AND HARMONIZATION OF TECHNIQUES AND PRACTICES OF ENVIRONMENTAL MEASUREMENT. ACCORDINGLY, THEY SHOULD ENCOURAGE THE UNITED NATIONS ENVIRONMENT PROGRAM (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 INTERNATIONAL ORGANIZATIONS AND INTERESTED COUNTRIES, SO THAT CONTINUING PROGRESS IN THIS IMPORTANT FIELD CAN BE INSURED.

THE PRIORITY ENVIRONMENTAL PROBLEMS IDENTIFIED BY THE ENVIRONMENT EXPERTS IN THEIR REPORT SHOULD RECEIVE FULL ATTENTION.

IN THE LIGHT OF THE REPORT OF THE WORLD COMMISSION FOR ENVIRONMENTAL DEVELOPMENT (WCED), SUMMIT COUNTRIES SHOULD CONTINUE THEIR ONGOING INTERNATIONAL EFFORTS ON GLOBAL ISSUES, SUCH AS STRATOSPHERIC OZONE DEPLETION, CLIMATE CHANGE, ENDANGERED SPECIES, HAZARDOUS SUBSTANCES, AIR AND WATER POLLUTION. THEY SHOULD TAKE INTO ACCOUNT SPARING USE OF RESOURCES IN LAND UTILIZATION, PARTICULARLY FOR AGRICULTURAL AND FORESTRY PURPOSES TO COMBAT SOIL EROSION AND DEGRADATION, DESTRUCTION OF TROPICAL RAIN FOREST, DESERTIFICATION, NEW FOREST DAMAGES. SUMMIT COUNTRIES SHOULD ALSO EXAMINE FURTHER POSSIBLE 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-POLLUTING PRODUCTS, LOW-POLLUTING INDUSTRIAL PLANTS AND OTHER ENVIRONMENTAL PROTECTION TECHNOLOGIES.

### 3. EDUCATION (TEXT BASED ON THE JAPANESE PROPOSAL)

SUMMIT COUNTRIES SHOULD 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.

#### 4. AIDS

ON THE BASIS OF THE CONCERN THEY HAVE ALREADY SHOWN IN THE PAST FOR HEALTH PROBLEMS (LONDON CHAIRMAN'S ORAL STATEMENT ON CANCER AND BONN CHAIRMAN'S ORAL STATEMENT ON DRUGS), SUMMIT COUNTRIES SHOULD REAFFIRM THAT AIDS IS AN INTERNATIONAL PROBLEM AND AT THE MOMENT ONE OF THE BIGGEST POTENTIAL HEALTH PROBLEMS IN THE WORLD.

(UK PROPOSAL) NATIONAL EFFORTS MAY NEED TO BE INTENSIFIED AND MADE MORE EFFECTIVE BY INTERNATIONAL COOPERATION AND CONCERTED CAMPAIGNS BASED ON SHARED PRINCIPLES TO PREVENT AIDS FROM SPREADING FURTHER.

IN THIS CONNECTION SUMMIT COUNTRIES SHOULD 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 ADMINISTRATIVE RESOURCES. THE WORLD HEALTH ORGANIZATION (W.H.O.) IS THE BEST FORUM FOR COORDINATING INTERNATIONAL EFFORTS TO COMBAT AIDS AND ALL COUNTRIES SHOULD BE ENCOURAGED TO COOPERATE TO THE FULL WITH THE W.H.O. 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 RESIST 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 OTHER DOMESTIC POLICY ISSUES.
- THEY WILL PROMOTE FURTHER COOPERATION FOR BASIC AND CLINICAL STUDIES ON PREVENTION, TREATMENT AND THE EXCHANGE OF INFORMATION. THEY WELCOME AND SUPPORT JOINT ACTION BY RESEARCHERS IN THE SUMMIT COUNTRIES (AS IN THE CASE OF THE FRENCH-AMERICAN PROGRAM, WHICH HAS TO BE FURTHER ENLARGED) 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.

#### 5. BIOETHICS

SUMMIT COUNTRIES SHOULD CONTINUE TO TAKE INTO ACCOUNT IN THE FUTURE THE EXAMINATION OF THE ETHICAL IMPLICATIONS CONNECTED TO BIOTECHNOLOGIES. FOLLOWING THE CONFERENCES HELD IN JAPAN (1984), FRANCE (1985), FRG (1986) AND CANADA (1987), SUMMIT COUNTRIES TAKE NOTE THAT THE ITALIAN GOVERNMENT WILL HOST IN ITALY THE NEXT BIOETHICS CONFERENCE IN APRIL, 1988.

BEST REGARDS, RENATO



cc

cc CO  
PC

10 DOWNING STREET  
LONDON SW1A 2AA

CH/EXCHEQUER	
REC.	2-JUN 1987
ACTION	Sir C Niddler
COPIES TO	Sir P Middleton
	Mn H Evans
	Mn Culpin

*From the Private Secretary*

11 May 1987

I enclose a letter from the Prime Minister to Signor Fanfani, explaining that it will not after all be possible for her to see him in London on 22 May. I should be grateful if you would telegraph the text to Rome for delivery tomorrow 12 May.

As you will see, the letter says that the Prime Minister will send her views on the Venice Economic Summit in a message. I should be grateful if Sir Robert Armstrong, to whom I am copying this letter and enclosure, would submit a draft cleared with other department in due course.

(Charles Powell)

A.C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth Office.

PERSONAL



10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

11 May 1987

*Dear Prime Minister,*

I was very much looking forward to seeing you here in London on Friday 22 May to discuss the Summit and other issues. However, as you will have heard, we are now to have a General Election here on 11 June. I am afraid that the very limited time which this leaves available for the election campaign means that I shall have to do a great deal of travelling outside London. I shall not, therefore, be able to maintain our proposed meeting. Nor do I see any likely prospect of being able to find another day convenient to both of us. I do apologise most profoundly for the inconvenience which this may cause you. I hope that I can count on your understanding as an old colleague and friend.

I shall be letting you have my views about the Summit and other issues in a message, in good time before the meeting takes place. I would, of course, still hope to be there for part of the time. I shall ask our Ambassador to let you have precise details of my plans in due course.

With best wishes,

*Yours sincerely*

*Rayant Shah*

His Excellency Signor Amintore Fanfani

PERSONAL



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

28

Secretary of State for Trade and Industry

PS/

11 May 1987

Charles Powell Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
LONDON  
SW1

CH/EXCHEQUER	
REC.	11 MAY 1987
ACTION	MR ILETT
"	CST FST EST MST
"	SIR P MIDDLETON
"	SIR G LITTLER
"	MR LAVELLE
"	MR CASSELL
"	MRS LOMAX
"	MR H P EVANS
"	MR MOUNTFIELD
"	MR PERETZ
"	MR CROPPER

11/5

Dear Charles,

Thank you for your letter of 30 April, enclosing a copy of one which the Prime Minister had received from Mr Nakasone.

You asked whether a reply is appropriate. It would be courteous to acknowledge the information which Mr Nakasone has provided about Japan's proposed "comprehensive economic measures". Moreover in the light of recent comments in the House about Mr Nakasone's failure to reply promptly to the Prime Minister's letter on Cable & Wireless, it would be inadvisable to leave this letter unanswered.

We are already familiar with the substance of the enclosure to Mr Nakasone's letter and a summary of it was included in the briefing which we provided for the Prime Minister's meeting with Mr Tamura last week.

The key elements of the proposal, which represents a further commitment to implementing the Maekawa reforms, are the large scale supplementary budget of around \$35 billion to stimulate domestic demand; the increase in overseas aid and recycling of developing countries' debt; and the creation of a special fund of around \$1 billion for Government procurement from overseas sources.

DW4CEK



The Prime Minister can give the proposals a cautious welcome, with the proviso that we reserve our judgement until we see them in operation. The letter also gives an opportunity to mention that further market opening is important, in addition to the longer term structural reforms. The attached draft therefore refers in passing to Cable & Wireless, financial services and whisky.

I am copying this, like yours, to Alex Allan (HM Treasury), Tony Galsworthy (FCO) and Trevor Woolley (Cabinet Office).

*Yours*

*Paul Steeples*

PAUL STEEPLES  
Private Secretary

DW4CEK



DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO:

His Excellency Mr Yasuhiro Nakasone  
Prime Minister of Japan

Thank you for your recent letter, which I received on 30 April, about the measures which Japan proposes to take to ease the current international trade problems.

As I was able to tell Mr Tamura when I saw him last week, I very much welcome the LDP proposals for emergency economic measures and the further commitment to implementation of the Maekawa proposals for structural reforms. I believe that such long term reform is the real solution to the current trade imbalances. I therefore look forward to early implementation of these proposals by the Japanese Government, so that we can begin to see results, in terms of increased imports, as soon as possible.

I know that you are personally committed to increased internationalisation of the Japanese economy and to removing the sources of trade friction with your trading partners and I have been following reports of your visit to the US with interest. My Government shares your concern at the prospect of growing protectionism both in the US and elsewhere. But I believe that such pressures could be considerably reduced if we were to see significant and early measures to open up the Japanese market. You are well aware of our concerns in this regard on telecommunications, financial services and whisky, as well as a number of other issues.

I look forward to discussing these issues further with you when we meet in Venice next month.

DW4CEP

Ch  
need to get Geoff is right about  
letter (next page), <sup>Para</sup> must wait  
6-9 Also must wait until  
indicates stuff closed  
for communique  
AA

(see also Robert  
Armstrong's minute  
below)

CONFIDENTIAL

MR ALEX ALLAN

From: Sir G. Littler  
Date: 11 May 1987

NAT @

c.c. Mr Huw Evans  
Mr Mountfield

**VENICE SUMMIT: DRAFT THEMATIC PAPER**

The Chancellor might like to look through the attached latest draft of the 'Thematic Paper' being prepared as the basic paper for the Venice Summit. It will be reconsidered at the final preparatory meeting which I am attending on Saturday, 16 May (I shall be leaving the office for this at noon on Friday).

2. I do not expect huge changes to be made now, but there is scope for improvement. Reflecting UK interests, perhaps I could draw attention particularly to four points:

- it has been pretty well decided that we should not have passages in the communique on individual countries; and so there is no material for them in this paper (this was the Prime Minister's strong preference);
- but the macro-economic section does contain references, especially para 4.2, to the need for surplus countries "to strengthen domestic demand and open their markets" - quite clearly addressed to Japan;
- the missing passage, paras 5.6 - 5.12, covers more trade and particularly agriculture; it will be built on what comes out of the OECD meeting this week (on which I shall report later);

CONFIDENTIAL

X | - the passage on developing countries and debt needs some improvement, to get the Chancellor's initiative endorsed and to remove the French pressure for commodity price stabilisation - we have allies, and I think will get a better text: Mr Mountfield and Mr Evans are working on the draft.

Y | + para 6.5 could be unhelpful (assuming it got into communiqué) in committee as to put pressure on commercial banks to lend more.



(Geoffrey Littler)

I v. much agree with X.  
I have done a 1/2 hr. session on the latter draft some changes  
I wd like to see (esp. front N  
pr @ 7.0).



FROM: A C S ALLAN

DATE: 13 May 1987

SIR G LITTLER

cc Mr H P Evans  
Mr Mountfield**VENICE SUMMIT: DRAFT THEMATIC PAPER**

The Chancellor was grateful for your minute of 11 May. He very much agrees with your comment that the passage on developing countries and debt needs some improvement.

2. He had the following specific comments:

- (i) in paragraph 4.1, he felt that "the key" in the second line should be "a key";
- (ii) in paragraph 4.3, he felt that to say that "budgetary discipline remains a valid medium-term objective" was much too weak;
- (iii) in paragraph 6.1. he felt that we should delete the indent on "encouraging the banks and financial markets to play their role, sharing the burden equitably". The recommendations should be confined to what governments must do. He also agreed with your amendment to delete the end of the last sentence on "monoproducers";
- (iv) in paragraph 6.2, he felt that "increased commercial ~~bank~~ lending (sic) in support of debtor reforms" should be replaced by "a responsible approach by the commercial banks";
- (v) in paragraph 6.5, he felt that the first three lines should be deleted;
- (vi) in paragraph 6.8, he agreed with your amendment to delete "especially monoproducers". He also felt that "heavy reliance on single commodities" should be deleted.

A handwritten signature in dark ink, appearing to read "ACSA".

A C S ALLAN



10 DOWNING STREET  
LONDON SW1A 2AA

CH/EXCHEQUER	
REC.	12 MAY 1987 ✓ 12/5
ACTION	MR ILETT
COPIES TO	CST FST EST MST SIR P MIDDLETON SIR G LITTLE MR LAVELLE MR CASSELL MRS LOMAX MR H P EVANS MR MOUNTFIELD

THE PRIME MINISTER

12 May 1987

MR PERETZ  
MR CROPPER  
MR ROSS (GOOSEY)

*Dear Prime Minister,*

*Nigel* ~~1/6 3/6~~  
(Summit b/gd)

Thank you for your recent letter, which I received on 30 April, about the measures which Japan proposes to take to ease the current international trade problems.

As I was able to tell Mr. Tamura when I saw him last week, I welcome the LDP proposals for emergency economic measures and the further commitment to implementation of the Maekawa proposals for structural reforms. I believe that such long term reform is the real solution to the current trade imbalances. I therefore look forward to early implementation of these proposals by the Japanese Government, so that we can begin to see results, in terms of increased imports, as soon as possible.

I know that you are personally committed to increased internationalisation of the Japanese economy and to removing the sources of trade friction with your trading partners and I have been following reports of your visit to the US with interest. I share your concern at the prospect of growing protectionism both in the US and elsewhere. But I believe that such pressures could be considerably reduced if we were to see significant and early measures to open up the Japanese market. You are well aware of our concerns in this regard on telecommunications, financial services and whisky, as well as a number of other issues.

I look forward to discussing these issues further with you when we meet in Venice next month.

Yours sincerely  
Margaret Thatcher

---

His Excellency Mr. Yasuhiro Nakasone

PPS Chancellor  
12/2



ABC ci

U.S. OFFICIAL PLAYS DOWN NEW SUMMIT ECONOMIC FACTS NRJZ

MILAN, MAY 18 - THE GROUP OF SEVEN MAJOR INDUSTRIAL NATIONS IS NOT LIKEY TO REACH SWEEPING NEW INTERNATIONAL ECONOMIC ACCORDS AT THE VENICE SUMMIT NEXT MONTH, STEPHEN DANZANSKY, SENIOR DIRECTOR, INTERNATIONAL ECONOMIC AFFAIRS FOR THE U.S. NATIONAL SECURITY COUNCIL, TOLD REUTERS.

IN AN INTERVIEW FOLLOWING A SPEECH IN MILAN, DANZANSKY SAID, "I DON'T THINK WE'LL SEE MANY SURPRISES. IT WILL BE A YEAR OF COMPLETING OUR PAST COMMITMENTS IN AREAS SUCH AS ECONOMIC COORDINATION AND AGRICULTURE."

DANZANSKY PARTICIPATED IN LAST WEEKEND'S PREPARATORY MEETING NEAR VENICE FOR THE JUNE 8-10 SUMMIT.

18-MAY-1323 MON622 MONB

CONTINUED ON - NRKA

P

REUTER MONITOR 1621

U.S. OFFICIAL =2 MILAN NRKA

DANZANSKY'S COMMENTS ECHOED THOSE MADE IN PARIS LAST WEEK BY U.S. TREASURY SECRETARY JAMES BAKER, WHO PLAYED DOWN EXPECTATIONS OF NEW INTERNATIONAL ECONOMIC ACCORDS AT THE VENICE SUMMIT.

"ON THE (THIRD WORLD) DEBT ISSUE, MOST ARE IN AGREEMENT, THERE'S NO GREAT DEAL OF DISCORD," THE OFFICIAL SAID. HE DID NOT ELABORATE.

AS REPORTED, DIPLOMATIC SOURCES SAID THIS WEEKEND'S SUMMIT PREPARATORY SESSION MADE SOME PROGRESS IN RECONCILING DIVERGENT VIEWPOINTS ON DISARMAMENT, EAST-WEST RELATIONS AND SOME ECONOMIC ISSUES.

18-MAY-1323 MON623 MONB

REUTER

CONTINUED FROM - NRJZ

P

REUTER MONITOR 1621

ABCCI

ITALY'S GORIA SAYS NEW CURRENCY PACT WILL BE HARD NRIW  
MILAN, MAY 18 - TREASURY MINISTER GIOVANNI GORIA SAID IT  
WILL BE DIFFICULT TO REACH A MAJOR CURRENCY COORDINATION ACCORD  
AT NEXT MONTH'S VENICE ECONOMIC SUMMIT SIMILAR TO AGREEMENTS  
REACHED EARLIER THIS YEAR IN WASHINGTON AND PARIS.

GORIA, SPEAKING TO REPORTERS COVERING A BANKERS' CONFERENCE  
SPONSORED BY THE FINANCIAL TIMES NEWSPAPER, SAID: "I FEAR IT  
WILL BE DIFFICULT TO MAKE GREAT STRIDES ... LIKE IN PARIS AND  
WASHINGTON. WE HAVE TO DO THINGS WHICH ARE CREDIBLE."

FINANCE MINISTERS OF THE SEVEN INDUSTRIAL NATIONS REAFFIRMED  
A COMMITMENT TO COOPERATE CLOSELY TO STABILISE CURRENCIES IN  
WASHINGTON LAST MONTH.

18-MAY-1249 MON572 MONA

CONTINUED ON - NRIX

P

REUTER MONITOR 1621

ITALY'S GORIA SAYS =2 MILAN NRIX  
GORIA SAID THERE SEEMS TO BE AGREEMENT AMONG MAJOR  
INDUSTRIAL COUNTRIES THAT "A FURTHER FALL OF THE DOLLAR WON'T  
HELP ANYONE," AND THAT THE CURRENT LEVEL OF CURRENCY  
COORDINATION BETWEEN MEMBERS OF THE EUROPEAN MONETARY SYSTEM WAS  
INSUFFICIENT.

"ONE HYPOTHESIS WOULD SEE FORMS OF COOPERATION THROUGH  
INTEREST RATE INTERVENTION," HE ADDED.

ASKED ABOUT THE FUTURE DIRECTION OF ITALIAN INTEREST RATES,  
GORIA SAID, "INTEREST RATES WILL BE MORE ELASTIC, ESPECIALLY DUE  
TO LIBERALISATION OF CAPITAL MOVEMENTS IN THE EC."

18-MAY-1250 MON573 MONA

CONTINUED FROM - NRIW

CONTINUED ON - NRIY

P

REUTER MONITOR 1621

ITALY'S GORIA SAYS =3 MILAN NRIY  
"INTEREST RATES ARE HIGH, IN REAL TERMS, BETWEEN SEVEN AND  
EIGHT PCT. THE COST OF BORROWING IS HIGH. IF ECONOMIC CONDITIONS  
PERMIT IT, INTEREST RATES WILL FALL," GORIA ADDED.



Ref. A087/1397

MR POWELL

CH/EXCHEQUER	
REC.	19 MAY 1987 ✓ 19/5
<del>ACTION</del>	SIR G LITTLER
COPIES TO	SIR P MIDDLETON
	MR H P EVANS

Venice Economic Summit

*perf*

At their meeting last weekend Personal Representatives were notified of two changes in the administrative and protocol arrangements for the Summit meeting:

1. As several of the participants will be arriving in Venice before the afternoon of Monday 8 June, the formal arrival welcoming ceremonies that afternoon will take place at the Palazzo Dogale in Venice, not at the airport.
2. As some Heads of State or Government (notably President Mitterrand) and Ministers could not stay for a dinner on Wednesday 10 June, the President of the Republic will entertain Heads of State or Government and Ministers at lunch on that day, before the final Press Conference. The lunch will be in the Cini Foundation on the Isola San Giorgio, so that this will not mean a lot of movement by boat.
2. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

*RA*

ROBERT ARMSTRONG

18 May 1987

18/5

*Papers prepared on thematic paper*

Ref. A087/1394

MR POWELL

CH/EXCHEQUER	
REC.	19 MAY 1987
ACTION	SIR G LITTLE
COPIES TO	CST EST MST
	SIR P MIDDLETON
	SIR T BURNS
	MR FER BUTLER
	MR LAVELLE
	MR ANSON
	MR MONCK
	MR CASSELL

19/5

Venice Economic Summit

- MR H P EVANS
- MR BURNER
- MR MOUNTFIELD
- MR ROBSON
- MR S MATTHEWS
- MR A EDWARDS
- MR MOORE
- MRS LOMAX
- MR WALSH
- MR BONNEY

At their meeting over the weekend, the Personal Representatives agreed a final version of a thematic paper for the Venice Summit.

2. I do not think that the thematic paper contains any great surprises, or indeed any major changes of substance from earlier versions.

3. The United States Personal Representative accepted a specific reference to the fiscal deficit of the United States (in the first sentence of paragraph 2.3); indeed, he welcomed it, since he said that it could be of assistance to the Administration domestically. Attempts to refer specifically to Japan in the context of balance of payments surpluses and the need to open domestic markets to foreign goods and services were, however, resisted by the Japanese Personal Representative, and were not in the end sustained from the Chair, though there are references which clearly carry a Japanese label in paragraphs 2.2, 2.3 and 3.2.

4. On trade, a Canadian attempt to seek a meeting of the GATT Trade Negotiating Committee at Ministerial level in 1988 was fended off, and the thematic paper does no more than refer to the possibility of a "mid-term" Ministerial meeting being useful (paragraph 3.5).

5. On agriculture, the thematic paper does no more than refer to and welcome the useful language in the OECD Ministerial communique agreed two days before (paragraph 3.6). New language will have to be found in due course for the Summit economic declaration.

6. In the discussion on developing countries and debt strategy, French attempts to include references to commodity price stabilisation schemes were readily fended off: they were resisted by the Germans and ourselves, as well as by the Americans. The thematic paper includes, in paragraph 4.10, a passage on the debt problems of the Sub-Saharan African countries which accepts the need for special treatment, and accommodates the Chancellor of the Exchequer's proposals. We tried to include in the paragraph a reference to the need for reduced interest rates on the debt of these countries, but this was resisted by the United States and German Representatives who, while not excluding the possibility, did not want to commit themselves to it publicly and thought it wise vis-a-vis other developing countries not to refer to it specifically.

7. A reference to the forthcoming UNCTAD Seven meeting, which is in fact cribbed straight from the OECD Ministerial communique, was included (paragraph 4.11), subject to a reservation by the United States, who implied that the reference in the OECD communiqué had got by when the United States Treasury Representative was missing.

8. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.



ROBERT ARMSTRONG

18 May 1987

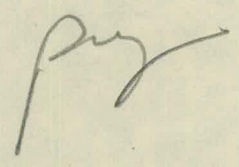
THEMATIC  
PAPER

cc

ms

Mr FER Butler  
Mr H P Evans  
Mr Culpin

Final May 17, 1987  
2.00 p.m.



THEMATIC PAPER FOR VENICE SUMMIT

1. INTRODUCTION

1.1 Since the Tokyo Summit, economic performance in the Seven countries has shown some improvement notwithstanding the persistence of large domestic and external imbalances.

Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates and inflation differentials have come down. During this period interest rates have generally declined. Exchange rate changes have occurred among leading currencies which over time will contribute to a more sustainable pattern of current account positions and have brought currencies 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 unacceptably large.

Some progress can be seen also in the situation of the developing world, although the picture is mixed. In

middle-income non-oil developing countries there has been substantial external adjustment coupled with accelerating growth. Debt service ratios, which worsened in 1986, are expected to move lower.

Since Tokyo there is a stronger consensus among the Summit countries on the need for close and continuing coordination of economic policy with a view to ensuring consistency of domestic policies and their international compatibility, and achieving greater convergence of positive economic performance.

In the context of the meetings at Le Louvre and in Washington the commitment of the Group of seven Finance Ministers to policy coordination has been intensified. There is a consensus that a more stable exchange rate environment is highly important for the promotion of global growth and thus the reduction of existing imbalances. Given the policy commitments made, further substantial shifts in exchange relationships could prove counterproductive to efforts to increase growth and facilitate adjustment in the Summit countries and in the world economy.

The credibility of this strategy requires swift and full implementation of the policy commitments by the countries concerned.

1.2 On the other hand, this year, according to recent forecasts by international organizations, domestic demand in the Summit countries as a whole is expected to slow to below three percent and output is expected to grow no faster than in 1986.

This is partly because of rapid exchange rate movements and the unfavourable balance of adjustment so far to those movements and to changes in oil prices.

Negative factors include:

- continuing large disequilibria in current payments and associated net foreign positions of the major countries, which represent a serious threat to the stability of the international economic and monetary system;
- market uncertainty with respect to exchange rates and protectionist pressures, which affects confidence and investment decisions;
- persistently high unemployment, particularly in Europe;
- large public sector deficits in the US, Italy, Canada and some other countries;
- high real interest rates in most countries;
- continuing trade restrictions and increased protectionism;

- the ongoing problems of many developing countries in managing their external debt;
- the persistent weakness of many commodity markets with the prospect of slow growth or, in some cases, a reduction in export earnings of primary producing countries;
- reduced prospects for developing countries to grow, find the markets they need and service their foreign debt, partly because of the slowdown of domestic activity in the industrial world.

## 2. POLICY COORDINATION FOR SUSTAINED GROWTH AND ADJUSTMENT

2.1 Summit countries should reaffirm that their key medium-term priority is to sustain non-inflationary growth while correcting external imbalances. This would contribute importantly to the reduction of unemployment in their countries, the improvement of the developing countries' situation and the alleviation of tensions in world trade.

2.2 Summit countries should stress their determination to play a central role in a cooperative effort to sustain economic activity worldwide. The correction of payments imbalances will be a long and difficult

process. Exchange rate changes alone will not solve the problem of correcting the imbalances while sustaining growth. In present circumstances further significant changes in exchange rates could indeed be counterproductive. Surplus countries should design their policies to strengthen domestic demand and reduce their external surpluses while maintaining price stability. Deficit countries, while following policies designed to encourage steady low-inflation growth, should focus on reducing their domestic imbalances and external deficits. In recognition of the fact that the pursuit of worldwide growth must be a collective endeavour, the Summit countries should call on other industrial countries to participate in this effort. Summit countries should also call on newly industrialized countries with 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 to reflect more fully underlying fundamentals.

2.3 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, and especially for the

✓ was  
"valid"



United States. Tax reform and other supply policies can provide incentives to stimulate growth and investment, and improve efficiency in resource use. In addition those Summit countries which have made significant progress in fiscal consolidation and have large external surpluses should reaffirm their commitment to follow fiscal and monetary policies designed to strengthen domestic demand and reduce external surpluses, within a framework of medium-term fiscal objectives.

Summit countries should also improve the coordination of their monetary policies to support non-inflationary growth and foster stability of exchange rates. In view of the outlook for low inflation in many countries, a further decline of interest rates in these countries - in particular a market-led decline of long-term rates - would be helpful.

2.4 Summit countries should agree on the need to support their macroeconomic strategy with effective structural policies. The purpose of these policies should be to sustain progress towards non-inflationary growth, reduced external imbalances and employment creation which has been insufficient, notably in Europe, to match the increase in the size of the

labour force. Summit countries should stress the need to :

- 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 through greater mobility and adaptability;
- promote the further opening of internal markets;
- encourage the elimination of capital market imperfections and restrictions and improve the functioning of international financial markets.

2.5 The cooperative management of economic policies by the Summit countries should be seen in the context of the Tokyo agreement on policy coordination and multilateral surveillance. Summit countries should stress that they now consider improved policy coordination to be an ongoing process and they fully accept the discipline that it involves. Recognizing that domestic policies have important international repercussions which in turn exert a feed-back effect on domestic performance, Summit countries should reaffirm that the focus for coordination should be the compatibility of policies designed to attain over the

medium term stronger non-inflationary growth, more balanced external positions and a more stable pattern of exchange rates.

In the present situation, in which there is a need to avoid a further slowdown in economic activity, Summit countries should re-emphasize their commitment to strengthen the process of policy coordination. In this connection they should:

- welcome the progress made by the Finance Ministers in implementing policy coordination and in improving the functioning of the international monetary system;
- invite Finance Ministers to refine procedures for carrying out multilateral surveillance of objectives and projections, using the agreed indicators, including exchange rates, and with the assistance of the Managing Director of the International Monetary Fund (IMF), and for reaching understandings on the remedial measures to be adopted when there are significant deviations from the intended policy course;
- welcome the work done by the IMF to analyze and refine the instruments for effective surveillance, focusing attention on inconsistencies in national policies and on incompatibility and interactions among the policies of the larger countries.

### 3. STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM

3.1 Summit countries should note with grave concern the rising protectionist pressures which have become an immediate threat to the world economy and should reaffirm their determination to halt and dismantle protectionist measures and avoid tendencies towards bilateralism. For this purpose, they should stress the important role the Uruguay Round can play in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. To this end 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.

3.2 Recognizing the interrelationship between growth, trade and development, Summit countries should underline the importance of a supportive international environment, notably an improved functioning of the international monetary system, sustained growth, control of the debt burden and the reduction of external imbalances. Frictions arising out of these imbalances should be reduced through the expansion of

trade with cooperative policy efforts both by surplus and deficit countries, including measures to open markets and stimulate economies, as well as to increase competitiveness. Protectionist actions would be counterproductive and would increase the risk of further exchange rate instability.

3.3 Summit countries should also stress that further trade liberalization and effective structural adjustment are mutually supportive and should be pursued with determination by both industrial and developing countries for the benefit of their own economies and of the world economy at large.

3.4 Summit countries should endorse fully the commitment to adopt appropriate policies and concrete measures in compliance with the principles of stand-still and rollback which have been reaffirmed in the Ministerial Declaration on the Uruguay Round.

Summit countries should reaffirm the importance of establishing in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights, with a view to the further liberalization and expansion of world trade. Within the framework of a comprehensive outcome of the negotiations, this

extension of the multilateral trading system will also be beneficial to developing countries in fostering growth, enhancing trade, investment and technology transfers.

- 3.5 Basing themselves on the Ministerial Declaration on the Uruguay Round adopted in Punta del Este and on the principles of the GATT, the Summit countries should 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. In order to advance the negotiating process across the board, Canada, Japan, the United States and the European Community should table a wide range of substantive proposals in Geneva during the coming months. Progress in the Uruguay Round will be kept under close political review. In this context, the Summit countries should bear in mind that 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. Early agreement should

be taken into account in assessing the overall balance of the negotiations.

A strong, credible and effective GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. Summit countries should recognize the importance of improving the functioning of the GATT through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; promoting effective surveillance of trade policy and structural adjustment; and ensuring better coordination between the GATT and the IMF and the World Bank (IBRD). They 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.

3.6 At the Tokyo Summit the Heads of State or Government and the representatives of the European Community recognised the serious nature of the agricultural problem and expressed their determination to give full support to the work of the OECD in this field.

Summit countries should welcome the agreement on agriculture expressed in the May 14, 1987 OECD Ministerial Communiqué, and particularly: the statement of the problem and the assessment of its

implications; acknowledgement of shared responsibility for the problem as well as for its resolution; principles of reform and action required.

- 3.7 Summit countries should underscore their commitment to pursue their work, at home and in the international fora, to achieve the necessary adjustments of agricultural policies. This will be of decisive importance in the Uruguay Round, and the Uruguay Round will be of decisive importance for these adjustments. They agree to review at the 1988 Summit the progress achieved.

#### 4. DEVELOPING COUNTRIES AND INTERNATIONAL DEBT PROBLEMS

- 4.1 The objectives of growth and prosperity of the world economy should include stable economic progress in developing countries, with all their present 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. Summit countries should salute the courageous efforts, in a framework of democracy, of many of these countries to achieve economic growth and stability.



4.2 For the major middle-income debtors, Summit countries should reaffirm that they support, and see no feasible alternative to, the present growth-oriented case-by-case strategy. This calls for a cooperative approach by all concerned parties in an effort to strengthen the growth prospects of debtor countries as essential to resolving their debt problems.

Three elements are needed to this end: the adoption of comprehensive macroeconomic and structural reforms by debtor nations; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor country reforms. In addition, Summit countries should reaffirm their commitment to foster a supportive world economic environment of sustained growth and expanding trade, which is an essential requirement of the strategy.

*instead of "increased" (but not your preferred words) of "a responsible approach by the commercial banks"*

4.3 The debt strategy has proved to be a flexible and effective framework for a number of agreements which, through a combination of adjustment measures, debt reschedulings and provision of new money, have allowed some resumption of growth and correction of imbalances, despite unfavourable developments in export earnings for some countries.

4.4 Summit countries should stress that progress in restoring creditworthiness has already been significant in some countries. There is still, however, in some important cases, a lack of adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings as well as the repatriation of flight capital and increased flows of foreign direct investment. In particular, reforms of their financial markets have an especially important part to play.

*still in, but "continued" is insufficient "is out"*

4.5 There is a need to restore an adequate, timely and effective mobilization of lending by commercial banks. In this context, Summit countries should support efforts by commercial banks and debtor countries to develop a menu of alternative negotiating procedures and financing techniques for providing continuing support to debtor countries.

4.6 Summit countries should underline the importance of official development assistance and welcome the increased efforts of some of them in this respect.

4.7 Summit countries should strongly support the activities of international financial institutions, including those regional development banks which

foster economic policy reforms by borrowers and finance their programmes of structural adjustment.

In particular, Summit countries should:

- support the central role of the IMF through its advice and financing and encourage closer cooperation between the IMF and the IBRD, especially in their structural adjustment lending;
- support the expanded role of the IBRD in the debt strategy;
- note with satisfaction the contribution made by the Eighth Replenishment of the International Development Association (IDA);
- support a general capital increase of the IBRD when justified by increased demand for quality lending;
- welcome the initiative of the Japanese Government in increasing its provision of resources to the IBRD and to the IMF, and encourage further development along similar lines.

4.8 Measures should be taken, particularly by debtor countries, to facilitate non debt-creating capital flows, especially direct investment. In this connection, it is to be hoped that the MIGA will begin to serve its objectives as soon as possible. Summit countries should recognize the importance of the necessary flexibility on the part of export credit

agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programmes.

*v odd concept!*

4.9 Summit countries recognize the problems of developing countries whose economies are solely or predominantly dependent on exports of commodities whose prices are persistently depressed. They should emphasize the importance of improving the functioning of commodity markets - for example, through better information and greater transparency. They should, also, encourage further diversification of the economies of such countries with the help of the international financial institutions, through policies to support their efforts for improved processing of their products; to expand opportunities for such countries through market access liberalization; and to strengthen the international environment for structural change.

4.10 Summit countries should recognize that the problems of some of the poorest countries, primarily in Sub-Saharan Africa, are uniquely difficult and need special treatment. These countries are characterized by such features as acute poverty, very limited resources to invest in their own development, unmanageable debt burdens, heavy reliance on one or

*(instead of "single" !)*

two commodities, and the fact that their debt is owed for the most part to governments of industrialized countries themselves or to international financial institutions.

Noting the various proposals made in different fora such as the IMF, the IBRD and the Paris Club to deal with the problems of such countries, Summit countries should urge a speedy conclusion of discussions on appropriate measures in this area. In particular, they urge that agreement be reached in the Paris Club on measures - for instance, longer repayment and grace periods - to ease the debt service burden of those countries that are undertaking adjustment efforts. They should also call on the IMF and the IBRD to arrange further discussions on aspects of the problem within their responsibilities.

4.11 [This paragraph is subject to reconsideration]

Summit countries should 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.

5. ENVIRONMENT

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

The priority environmental problems identified by the environment experts in their report should receive full attention.

Summit countries should underline their responsibility to encourage efforts to tackle effectively environmental problems of worldwide impact such as stratospheric ozone depletion, climate change, acid rain, endangered species, hazardous substances, air and water pollution, and destruction of tropical forests.

Summit countries should also examine further possible 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.

Summit countries should welcome the important progress achieved since they last met in Tokyo a year ago in enhancing effective international cooperation, particularly in the International Atomic Energy Agency, with regard to safety and security in the management of nuclear energy.

#### 6. HUMAN FRONTIER

Summit countries 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. They are grateful for the informal opportunities their scientists have had to take part in some of the discussions of the Japanese Feasibility Committee. They note that the Committee will continue its work and they would be pleased to be kept informed about its deliberations.

**7. EDUCATION**

Summit countries should 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.

**8. BIOETHICS**

Summit countries should continue to take into account in the future the examination of 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 FRG in 1986 and by Canada in 1987 - they take note that the Italian government will host in Italy the next bioethics Conference in April, 1988.

\* \* \* \* \*

**AIDS**

(Separate statement to be textually agreed  
but released by the Chairman)



On the basis of the concern they have already shown in the past for health problems (London Chairman's oral statement on cancer and Bonn Chairman's oral statement on drugs), Summit countries should affirm that AIDS is one of the biggest potential health problems in the world.

National efforts need to be intensified and made more effective by international cooperation and concerted campaigns to prevent AIDS from spreading further, and will have to ensure that the measures taken are in accordance with the principles of human rights.

In this connection Summit Countries should 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 (W.H.O.) 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 W.H.O. and support its special programme of AIDS-related activities;
- in the absence of a vaccine or cure, the best hope for the combat and prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or

spreading it. Appropriate opportunities should be used for exchanging information about national education campaigns and domestic policies. The Summit countries should welcome the proposal by the United Kingdom Government to co-sponsor, with the W.H.O., an international conference at Ministerial level on public education about AIDS;

- they will promote further cooperation for basic and clinical studies on prevention, treatment and the exchange of information (as in the case of the E.C. programme). They welcome and support joint action by researchers in the Summit countries (as in the case of the joint programme of French and American researchers, which is being enlarged, and similar programmes) and all over the world for the cure of the disease, clinical testing on components of the virus, and the development of a successful vaccine.

\* \* \* \* \*

## DRUGS

(Oral statement by the Chairman)

The Summit countries 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. The governments of the Summit countries

emphasize the importance of undertaking a strategy in support of national, regional and multilateral campaigns in order to overcome this problem. Our goals are to prevent illegal production and commercialization of drugs and to create all necessary conditions for more effective international cooperation. We should 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 Nation is convening next week in Vienna.

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MR ALEX ALLAN

*Think this is  
A. S. in  
1 v. much better  
Stance Y.  
@X.*

From: Sir G. Littler

Date: 19 May 1987

c.c. Sir P. Middleton  
Sir T. Burns  
Mr F E R Butler  
Mr Huw Evans  
Mr Culpin

VENICE ECONOMIC SUMMIT: THEMATIC PAPER

*- below*

Sir Robert Armstrong's minute of 18 May to Mr Powell at No 10 gave a few comments on and enclosed a copy of the final version of the "Thematic Paper" for the Summit. The Chancellor may like to have a few additional comments.

2. The material on general economic policies (Section 2) is pretty repetitive of earlier OECD and G7 language. There is nothing really new. It will not make for an exciting communique, but that is because we cannot (in preparations or - probably - even at the Summit itself) get the US, Japan, Germany to offer any significant new action, or more convincing language. I am working on briefing for the Prime Minister (which I shall show to you for the Chancellor's comments very soon), I think we might invite her to take the line:

- this communique verbiage is all very well as far as it goes, but will cut no ice with public and markets;
- the real problem is lack of confidence by the world at large in:

- the ability of the US to tackle its domestic deficit problem (given *difficulties with* limits on expenditure *a package* reductions, some tax increase is the only move that could be convincing);

*Rather wished Treasury may now make it difficult for PM to press Reagan as effectively.*

*X*

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- the reality of Japanese intentions on expansion of domestic demand (successive packages in the past have not been found effective) and on opening markets (when examples of impediments abound);
- the robustness of the German economy (given the now widespread disappointing private forecasts).

As time passes, and there is still no convincing action taken, the climate of confidence threatens to get worse.

3. On trade and agriculture we are making some (albeit slow) progress, but in both cases can expect no more than to lend the weight of the Summit to what has been gained in OECD, etc. There is of course still a strong UK interest in and credit for the changing climate on agriculture.

4. On debt, Sir Robert Armstrong's note covers most of the interesting points. On commercial banks, we have one reference to "adequate" lending in paragraph 4.2 and a passage on encouraging banks and debtors to work out between themselves better procedures and techniques in 4.5 - I think this is fine, but we had to stop the US producing language giving governments a responsible role.

5. Para 4.10 on Sub-Sahara much more nearly reflects the UK than the French scheme. It is just possible that the Chancellor or the Prime Minister could get agreement to a more explicit statement on "lower interest rates" at the meetings.



(Geoffrey Littler)

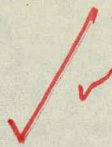
Will also  
want to  
see what  
develops  
next -  
Catherine

Y

ABC Gij

PPS Chancellor  
12/2

MS



G-7 DECLARATION TO CALL FOR POLICY COORDINATION

NRAU

TOKYO, MAY 20 - LEADERS OF THE GROUP OF SEVEN NATIONS MEETING IN VENICE NEXT MONTH WILL STRESS THE NEED FOR FURTHER POLICY COORDINATION TO ACHIEVE SUSTAINED GLOBAL ECONOMIC GROWTH, A JAPANESE NEWS AGENCY SAID, QUOTING UNNAMED GOVERNMENT SOURCES.

THE PROPOSAL WILL BE INCLUDED IN AN ECONOMIC DECLARATION THE GROUP ARE EXPECTED TO ISSUE AT THE END OF THE JUNE 8 TO 10 SUMMIT, KYODO NEWS AGENCY SAID.

THE SEVEN INDUSTRIALISED COUNTRIES WILL ALSO REAFFIRM THAT THE CORRECTION OF CURRENT ACCOUNT IMBALANCES BETWEEN THEM IS THE MOST URGENT TASK THEY FACE, IT ADDED.

20-MAY-1134 MON100 MONC

CONTINUED ON - NRAU

REUTER MONITOR 0017

G-7 DECLARATION #2 TOKYO

NRAU

THE DECLARATION WILL CALL ON JAPAN AND WEST GERMANY TO EXPAND DOMESTIC DEMAND, WHILE URGING THE U.S. TO REDUCE ITS BUDGET DEFICIT.

THE LEADERS WILL AFFIRM THAT THEY WILL WORK TOWARDS GRADUAL WITHDRAWAL OF PROTECTIVE AGRICULTURAL POLICIES AND PROMOTE MULILATERAL TRADE NEGOTIATIONS UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE, THE AGENCY SAID.

THE OUTLINE OF THE ECONOMIC DECLARATION WAS MAPPED OUT AT A THREE-DAY PREPARATORY MEETING IN ITALY LAST WEEK, IT ADDED.

OFFICIALS AT JAPAN'S FOREIGN MINISTRY DECLINED TO COMMENT ON THE REPORT.

20-MAY-1135 MON101 MONC

CONTINUED FROM - NRAU

REUTER

REUTER MONITOR 0017



1. Deblaire  
2. b/f 4/6  
Nigel  
Venice b/gd  
T.

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

20 May 1987

Ms S Richards  
Movops RAF  
Room 5178  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1

Dear Sylvia

I am writing to confirm the arrangements we discussed today for the Chancellor's attendance at the Economic Summit in Venice on 9 June. The party will be as follows:

- Chancellor (Rt. Hon. Nigel Lawson)
- PPS/Chancellor (Alex Allen)
- Press Secretary (Robert Culpin)

You are providing a ~~seven~~<sup>five</sup> seater HS 125, departing Northholt at 09.00, arriving Venice Airport at 12.35 local time. Breakfast will be available on the outward flight.

2. The plane will be standing by to return to Heathrow from 19.30 local time. Drinks and snacks will be available.

Yours ever,

Tony

A W KUCZYS  
Private Secretary

*par*

FROM: A C S ALLAN

DATE: 21 May 1987

SIR G LITTLER

cc Sir P Middleton  
Sir T Burns  
Mr F E R Butler  
Mr H P Evans  
Mr Culpin**VENICE ECONOMIC SUMMIT: THEMATIC PAPER**

The Chancellor was grateful for your minute of 19 May. He felt the way to phrase the point about getting the US to tackle its deficit was to say "Given difficulties with expenditure reductions, a package including some tax increase is the only move that could be convincing". He very much hopes that it will be possible to secure agreement to a more explicit statement on "lower interest rates" for Sub-Saharan debt at the Summit.

*ACSA*

A C S ALLAN



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10 DOWNING STREET  
LONDON SW1A 2AA

CH/EXCHEQUER	
REC.	21 MAY 1987 ✓ 21/5
ACTION	SIR G LITTLE
COPIES TO	SIR P MIDDLETON
	SIR T BURNS
	MR FER BULLER
	MR H P EVANS
	MR WILPIN

*From the Private Secretary*

SIR ROBERT ARMSTRONG

*rup*

VENICE ECONOMIC SUMMIT

The Prime Minister has noted your minute of 18 May covering the final version of the thematic paper for the Venice Summit. The next step is for a draft message to be prepared from her to Signor Fanfani, setting out her thoughts about the Summit. This would presumably also serve as your speaking note.

I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

CHARLES POWELL

21 May 1987



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

21 May 1987

VENICE ECONOMIC SUMMIT

The Prime Minister has seen Sir Robert Armstrong's minute of 18 May covering the final version of the thematic paper for the Venice Summit.

Bearing in mind that the main points of the Summit economic declaration will be carried on radio and television in the United Kingdom on the eve of polling day and in the press on polling day itself, the Prime Minister would like the Foreign Secretary and the Chancellor to give particular attention to points favourable to the Government which we should work to have included in the text. She is particularly concerned that the declaration should not attract pessimistic headlines about future economic prospects. There are passages in the thematic paper, e.g. paragraphs 1.2 and 2.5 which could, if reflected in the declaration, lead to that. She would be grateful if draft language could be prepared for tabling at the appropriate time, which would ensure a reasonably confident tone.

It would also be helpful to work up language on a number of other points for the declaration, which we could point to either as supportive of the Government's policies or as distinctive British achievements from the Summit. Possible candidates are:

- (B) - a specific and approving reference to our economic performance (this would need to be proposed by someone else);
- a stronger reference in the Economic Declaration than any yet achieved to Japan's resolve to reduce its external surplus;
- endorsement of the Chancellor's debt initiative;
- commitment to action to deal with agricultural surpluses;
- (F) - a robust statement on terrorism. We already have a good text.

A

B

C

D

- (9) - an explicit endorsement by the Summit Seven that nuclear weapons will continue to have a vital role in the West's defence (in the East/West declaration if there is one).

This letter is, as its privacy marking makes clear, for the Foreign Secretary and the Chancellor only. It will be up to them to issue appropriate instructions to officials. The Prime Minister would like to be kept informed of the work being done.

I am copying this letter to Alex Allan (H.M. Treasury).

CHARLES POWELL

A. C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth office.



I trust Geoff will lobby hard & successfully. But in these times but indeed is positively harmful.

Ch

Geoff says Baker is likely to write to Goria, saying no need for G7 & could be positively harmful. But Italians still pressing, now for 5 PM Monday 8 June. Geoff still lobbying Ottes to keep fending it off.

PS. Altho' I am not staying in Venice, I trust there is a hotel room for me where I can check in. (see)



FROM: A C S ALLAN

DATE: 22 May 1987

CHANCELLOR

VENICE ECONOMIC SUMMIT

... See No.10 letter attached. The Prime Minister is keen to get some positive and supportive bits into the communique. This is clearly sensible. But:

- (i) It will be difficult to run an "all's well" line on the world economy too strongly: that would weaken our negotiating position for getting Germany, Japan and the US to do more; and would seem incredible to the financial markets. But we must clearly avoid "all's bad".
- (ii) We had earlier been pressing not to have individual country passages; the Prime Minister herself had been keen to avoid this, (see Geoff's note flagged). I can't see the communique saying something nice about the UK without having something on other countries as well (and that is the way to get in something about Japan, as the Prime Minister wants). So we may need to change tack and go for a few short sentences about each country.

2. Do you want me to bring Geoff in, with a remit to draw up some language we might table which steers the balance between being too gloomy and too sanguine? And perhaps to consider how we might re-introduce some short individual country points? (I imagine this would need some consultation with other G7 Deputies).

A C S ALLAN

AA

*On the 10 letter below:*

*(A) The only hope, as you suggest, is to have a hard facilitator. So far as the short sentence we are concerned, we should have a sentence about each country. (I imagine this would need some consultation with other G7 Deputies).*

*(B) This is a bit of a problem. We should have a sentence about each country. (I imagine this would need some consultation with other G7 Deputies).*

*(C) ditto, with emphasis.*

*(D) ditto.*

*So far as the short sentence we are concerned, we should have a sentence about each country. (I imagine this would need some consultation with other G7 Deputies).*

*AA*

*1.2 < 2.5*

*Robt*

*Cigni*

*look @ the report*

*with a view*

*to a joint*

2070  
Culham

*Agreement & the line in the letter to you with the other bits in the letter*

*Geoff's note*

*not bad*

*it's a bit of a problem*

*we are aware*

*we have to be aware*

*of the*

25/5/87 pup

## ECONOMIC SUMMIT, VENICE

## AMENDMENT TO ADMINISTRATIVE ARRANGEMENTS

Travel

Para 3(c) refers: return of Prime Minister on 9 June

The HS 125, Task No 1558, will return to Gatwick (not RAF Northolt)

ETD Venice Marco Polo (Tessera) 1300

ETA Gatwick 1440

Flying time: 2 hours 40 minutes

TXW 026/311/1

ADMINISTRATIVE ARRANGEMENTS FOR THE UNITED KINGDOM DELEGATION  
TO THE ECONOMIC SUMMIT, VENICE: 8-10 JUNE 1987

1. The Prime Minister, Secretary of State for Foreign and Commonwealth Affairs and the Chancellor of the Exchequer and those listed at Appendix I, will attend the Economic Summit which is to take place at the Cini Foundation on San Giorgio Island, Venice, from 8-10 June. The Ministers will attend on varying dates (also see Appendix I).

## PROGRAMME

2. An outline summary programme for the whole of the Summit detailing the meetings and social programme is shown at Appendix II. Bi-lateral Ministerial engagements will be in separate circulation. See Appendix VI for plan of Venice venues.

## TRAVEL

3. (See Appendix III for passenger lists, etc)

UK on BST, ie: GMT + 1 hour (All times local)  
Venice : GMT + 2 hours

(a) Outward on 8 June

The Prime Minister and her immediate party from No 10 Downing Street will travel in an RAF HS 125, Task No. Ascot 1558, as follows:

ETD RAF Northolt : 1600 hours  
ETA Venice Marco Polo (Tessera): 1935 hours

Flying time : 2 hours 35 minutes

Also outward on 8 June

The Secretary of State for Foreign and Commonwealth Affairs and party will travel in an RAF VC10, Task No. Ascot 1155, as follows:

ETD LHR Southside : 1330 hours  
ETA Venice Marco Polo (Tessera): 1645 hours

Flying time : 2 hours 15 minutes

(b) Outward and Return on 9 June

The Chancellor of the Exchequer and his party will travel to and from Venice by RAF HS 125, Task No. Ascot 1572.

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ETD RAF Northolt : 0900 hours  
ETA Venice Marco Polo (Tessera): 1235 hours

Flying time : 2 hours 35 minutes

Standby Venice Marco Polo : 1930 hours  
Possible ETA LHR : 2105 hours  
(Spelthorne Suite)

Flying time : 2 hours 35 minutes

(c) Return on 9 June

The Prime Minister and her party will return to the UK in the  
RAF HS 125, Task No 1558 :

ETD Venice Marco Polo (Tessera): 1300 hours  
ETA RAF Northolt : 1435 hours

Flying time : 2 hours 35 minutes

Return on 10 June

The Secretary of State and party will return in the RAF VC10,  
Task No 1155:

ETD Venice Marco Polo : 1755 hours  
ETA Gatwick (North Suite) : 1915 hours

Flying time : 2 hours 20 minutes

(d) Full travel particulars including commercial details are  
given at Appendix III.

(e) Transport arrangements to London Heathrow (Southside) on 8  
June for those travelling on the RAF VC10 will be issued later.  
No 10 will arrange transport for the RAF HS 125 party to  
Northolt on 8 June. Conference Section will arrange a  
security van for the No 10 party. The Treasury will arrange  
transport for the Chancellor's party.

TRAVEL DOCUMENTS AND HEALTH REQUIREMENTS

4. (a) All members of the party should carry a valid passport.  
Visas are not required for Italy.

(b) Welfare Section advise that members of the party should  
know their blood groups before going overseas. Those wishing to  
find out their blood group should go to the Civil Service  
Occupational Health Service at Tilbury House, Petty France, for  
this test. For appointments please telephone 213-4111. A Blood  
Group card can be obtained from the Medical Adviser's Office, 3  
Matthew Parker Street one week after the test. Members of the  
party should carry this card with them when travelling overseas.

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(c) Inoculations are not compulsory.

PERSONAL BAGGAGE AND BAGGAGE LABELS

5. (a) Those travelling on the RAF HS 125 aircraft are advised to take only a medium sized suitcase where required (all luggage is cabin-loaded). It is of course possible for HS 125 luggage/boxes to travel on the Secretary of State's VC10. Luggage/boxes appropriately labelled should be delivered to Room 1, Downing Street West (Security Officer) by 1030 hours on 8 June. Luggage should be unlocked.

(b) Those travelling on the RAF VC10 may take with them up to 66lbs (30 kilos) of personal baggage.

(c) Those travelling in Club Class on commercial aircraft may take 66 lbs (30 kilos) of personal baggage.

(d) Baggage labels, colour coded as follows, are enclosed for those travelling on the RAF HS 125 and VC10 as follows:

i)	Gritti Palace Hotel	BLUE
ii)	Bauer Gruenwald & Grand Hotel	RED
iii)	Splendid Suisse Hotel	GREEN
iv)	Official items	WHITE

In addition, items to be cabin-loaded in the VC10 must bear a YELLOW label.

The Italians have also provided the enclosed Economic Summit labels to provide ease in customs access. In addition to RAF passengers, those travelling commercially may use these labels.

Unused labels must be kept under safe cover. Old labels should not be left in hotels.

INSURANCE

6. A note on baggage and insurance regulations for those travelling on the RAF VC10, HS 125 and commercially is attached at Appendix IV.

CLIMATE AND DRESS

7. (a) Temperatures could be in 70°F's.

(b) The dress for all social occasions at the Summit is informal.

LIVING ACCOMMODATION

8. Hotel allocations are shown at Appendix I.

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WORKING ACCOMMODATION

9. Gritti Palace Hotel

(a) The No 10 Private Office will be on the third floor, room nos. 312/314.

(b) An FCO Private Office and General Office will also be on the third floor, room no. 340.

(c) Mr Ingham's suite in the Gritti Palace will be room nos. 438/439.

Splendid Suisse

(d) Mr Dugdale's rooms in the Splendid Suisse are rooms 302/303. This hotel has been allocated by the Italians to UK journalists.

Cini Foundation

(e) There is an office (consisting of three rooms) for the UK Delegation in the Manica Lunga in the Cini Foundation. These are set up:

- i) Communications room (ie. contact between Personal Reps and Delegation)
- ii) General office (typing etc: joint No 10/FCO + Duty Clerk)
- iii) Committee room for officials

(f) The Heads of Delegation each have a rest room on the second floor. This could be used for bi-lateral meetings.

(g) There are areas on the meeting perimeter where Foreign/Finance Ministers may meet colleagues.

(See also under press heading below).

COMMUNICATIONS

10. (a) Telegrams

i) The Communications Centre in HM Consulate operate on a 24 hour basis during the visit.

ii) Telegrams should be prefixed "Following for ... from ...". Telegrams addressed "Following for Private Secretary, Prime Minister/Secretary of State/Chancellor" will be distributed to their offices only. Telegrams addressed to other individuals should not be given any distribution without the prior consent of the addressee. Telegrams addressed "Following for United Kingdom

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Delegation" will be distributed to all senior members of the party.

(b) Telephones

- i) HM Consulate will be contactable on a 24 hour basis during the visit.
- ii) Additional telephone arrangements are as follows:

UK Delegation Office in Cini

2 direct dial lines  
Private speech wire (hot line)  
from 10 Downing Street - extension  
from Room 312 in Gritti

UK Press Spokesman's Office in Cini

2 direct dial lines  
1 telephone circuit (COI)

Gritti

(a) In No 10 Duty Clerk's Office, hot line switchboard with extensions in Mr Powell's bedroom, FCO Private Office, Duty Clerk's bedroom (and Cini UK office).

(b) Direct dial lines in No 10 Duty Clerk's Office, No 10 Personal Assistants, Bedroom of PS to S/S, bedroom of Secretary of the Cabinet, and FCO Private Office.

UK Consulate

1 direct dial line

(All telephone numbers to be circulated as soon as known)

(c) Radio Network

Hand held radios will be carried by members of the support staff and the detectives. The support team and detectives are on different networks.

**SECURITY**

- 11. (a) A security brief is enclosed for members of the Delegation only. It should not be taken abroad.
- (b) London Office security passes should not be taken overseas.
- (c) The No 10 Office in the Gritti Palace Hotel will be under 24 hour guard by the Royal Military Police.

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(d) All confidential papers will be removed at night from the Cini and FCO offices to the No 10 office in the hotel under RMP guard.

(e) Security Department have authorised the use of Tempest proof electronic typewriters to be supplied by the Italians.

(f) Suites of safehand boxes will be provided for the No 10, FCO and Chancellor's offices. The Royal Military Police will carry out a regular safehand service between the Consulate Communications Centre, the UK office in Cini and the offices in the Gritti Palace Hotel as appropriate.

(g) Miss Bowers and Miss Williams have been designated as Special Couriers for classified materials on their aircraft. All boxes and briefcases containing classified material must be entered on the courier's waybills. Those concerned are asked to contact COD (Tel: 270-2781).

(h) Members of the party travelling commercially who need to carry classified documents up to and including secret are asked to apply for a letter of authority from their Head of Department or Departmental Security Officer (see Home Circular 'B' 32/85 of 26 April 1985). If documents with a high classification are carried, the official will have to be documented as a Special Courier (also contact COD tel. no. 270-2791).

PASSES

12. San Giorgio

The island is divided into three zones:

- A "RED" : Meeting places, Delegation Offices, rooms for social events;
- B "BLUE" : Delegation Offices, delegation restaurant;
- C "YELLOW" : Press

Allocation of passes is as follows:

(AREA)

- I. Red Special (5) Entry to all areas of island

Prime Minister  
Secretary of State  
Chancellor of the Exchequer  
Sir Robert Armstrong  
Mr Powell (Liaison Officer 8 am/9 June)  
Mr Galsworthy (Liaison Officer 9 pm/10 June).

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[NB. In addition, whenever a Minister needs an official in the red zone, two officials per delegation may enter the red zone by exchanging their own pass for a special pass which will be handed out by the Pass Office in the Delegation Office area].

II. Blue nominative (10) Entry to B and C above  
[Non-transferable]

Mr Ingham  
Sir Geoffrey Littler  
Mr Allan  
Mr Galsworthy (8/9 am June)  
Mr Culshaw  
Sir John Fretwell  
Mr Braithwaite  
Mr Slater  
Mr Meyer  
Mr Richardson

III. Blue non-nominative (15) Entry to B and C above  
[Transferable]

Mr Dugdale  
Mr Culpin  
Miss Bowers  
Mrs Dibblin  
Miss Williams  
Miss Noble  
Miss Gibson  
Miss Trimm  
Miss Elmes (Rome)  
Miss Lawley (Rome)  
2 RM Police (who will be on shift duty)

= 12

Plus

(3 passes available on demand as required)

HM Ambassador

Mr Pirie )

Miss Coombs )

Mr Price )

Miss Frier )

Communications Officers (Technical)

(See also under Press Official below)

IV. Brown (S) Security Pass (5) Special Arrangements

5 Detectives

V. Brown (I) Pass All zones

Interpreter (if required)

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VI. Green Messenger Pass (4)                      Between Consulate/Offices in  
4 RMP (To be used by RMP                      hotel and to quay of San Giorgio  
on shift duties)                      Island (to be met there by RMP  
on duty with blue pass)

VII. Yellow Pass (Press Official)                      'C' area above

Mr Price  
Miss Frier  
Mr Pirie  
Miss Coombs  
Mr Gair

Delegation Hotels

VIII. Violet Basic Delegation Pass

UK party not in permanent  
Possession of passes

As set out above (and also including  
HM Consul, Consulate staff where  
necessary, Communications team, all  
RM Police, Security Van personnel).

Hotels occupied by  
Ministers

(Special arrangements have to be made  
to allow journalists to enter Gritti  
Hotel (Mr Ingham's suite). Passes will  
have to be obtained from UK Liaison  
Officer).

**INTERPRETATION**

13. At all meetings there will be simultaneous translations into  
English, French, German and Italian. At social events the floor  
language will be English.

**ENTERTAINMENT**

14. The Italians are arranging social events (see programme) for  
Ministers and Senior Advisers. Private Secretaries will accompany  
their Ministers to functions and be given separate dining  
arrangements.

**TRANSPORT**

15. The Italian Government will provide 3 launches (each carrying  
12 people). These boats are the only vessels authorised to land at  
the ceremonial landing stage in front of the Basilica and may be  
moored on San Giorgio. These boats are for Ministers and their  
immediate parties.

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In addition the UK is hiring 3 launches (each for 12 people). These launches may land at the landing stage adjacent to that of the ceremonial one above, but may not moor at San Giorgio. These launches will return to the mooring base at Consulate after unloading passengers. The three hired launches will be allocated as follows:

- (a) Advisers and support staff
- (b) Ministerial Press Officers
- (c) Safeguard (RM Police)

The Italian Government will in addition operate a ferry service for officials from hotels to the adjacent landing stage on San Giorgio as above. There will also be a ferry service for the press which will use a separate landing area near the Press Centre on San Giorgio.

NEWSPAPERS AND COI BULLETINS: 9 & 10 JUNE

- 16. (a) Sets of UK daily newspapers will be sent out by air for the Ministers and senior members of the party as required.
- (b) The COI press summaries for the above dates will be sent to the Consulate each morning and distributed as above.

PRESS ARRANGEMENTS

- 17. (a) As stated above, Mr Ingham will have a suite in the Gritti Palace Hotel.
- (b) Mr Dugdale will have two adjoining rooms in the Splendid Suisse Hotel.
- (c) In the Press Centre on San Giorgio Island the British team will have a main briefing/press conference room with seating for 200 and 10 telephone lines; a journalists' working room equipped to accommodate up to 30 at a time; and a spokesman's room equipped with two direct dial telephones, FAX machine, photocopier, typewriter, etc.
- (d) Miss Frier will work from the UK Press Centre or Mr Dugdale's base at the Splendid Suisse.

DUTY FREE

- 18. Duty free as ordered in advance will be placed on the RAF VC10 for those returning by that means. Duty free for those travelling by other aircraft will be distributed in Venice.

Duty free drinks for entertainment purposes will be placed in Ministerial and press suites. Mixes for drinks will be ordered from hotels.

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## ELECTRICITY

19. 220V AC; 50 hz.

## FINANCE

20. (a) Costs will be borne by parent departments (except as in (f) below) and common service costs (ie. transport, official entertainment, telephone installation, telephone calls, hire of office machinery and equipment, newspapers, etc) by the Management and Personnel Office. The FCO Vote is A1(1)(U)(1). The Rome party will be covered from the Embassy subhead.

(b) Subsistence rates for Venice are:

Class A = L 190,000 (Approx. L 2085 = £1)  
Class B = L 142,000

(c) Members of the party who are guests of Government, ie. those on the official Delegation list, see Appendix 1(a) will be given a cash payment of one-tenth the Class A subsistence rate. The Italian Government will pay the cost of hotel suites/rooms and standard breakfast. Other meals, ie. lunch and dinner will be provided for the senior members as part of the social programme. Those not invited to social functions will be able to take their meals free of charge on San Giorgio Island where the conference is to take place. If any member of the official guest party requires for any reason to take lunch or dinner in the hotel, the Italians would pay for this, but it is hoped that this will be the exception rather than the rule as the main catering will be on the island.

(d) Those who are not guests of Government staying at hotels will be on Class A conference terms, ie. the cost of room, standard breakfast, service and taxes will be paid direct to hotels by the Consulate and the individual concerned will receive one-half the Class A rate to cover other meals and expenses.

(e) The detectives will provide their own cash subsistence but their hotel bills for room will be paid by the Consulate and charged to the Metropolitan Police.

(f) The Conference Section element plus the Royal Military Police team will be initially charged to the Management and Personnel Office.

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ADMINISTRATION

21. The party will be administered by Miss Noble and Miss Gibson of Overseas Conference Section with the back-up of HM Consulate, Venice and the British Embassy, Rome. Enquiries at the London end from 1 June may be addressed to Miss Goldsmith (tel. no. 210 6377).

*Patricia Noble*

P A Noble (Miss)  
Protocol Department  
210 6376

25 May 1987

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## APPENDIX I

UK DELEGATION TO THE ECONOMIC SUMMIT, VENICE  
(not in protocol order)

Serial No	Name	Designation	Accommodation (nights)
1	The Rt Hon Margaret Thatcher FRS MP	Prime Minister	Gritti Palace 8 June
<u>No 10 Downing Street</u>			
2	Mr C D Powell	Private Secretary	"
3	Mr B Ingham	Chief Press Secretary	"
4	Mr S Dugdale	Assistant Press Secretary	Splendid Suisse 8/9 June
5	Miss J Bowers	Duty Clerk	Gritti Palace 8 June
6	Miss B Frier	Personal Assistant (Press)	Splendid Suisse 8/9 June
7	Mrs J Dibblin	Personal Assistant	Gritti Palace 8 June
8	Det Supt T Butler	Detective	Gritti Palace 8 June
9	Det Chief Insp M Dwyer	Detective	Gritti Palace 6,7 & 8 June
10	Det Sgt R Kingston	Detective	Gritti Palace 8 June
<u>Cabinet Office</u>			
11	Sir Robert Armstrong GCB CVO	Secretary of the Cabinet	Gritti Palace 8/9 June
<u>Foreign and Commonwealth Office</u>			
12	The Rt Hon Sir Geoffrey Howe QC MP	Secretary of State for Foreign and Common- wealth Affairs	Gritti Palace 8/9 June
13	Mr A C Galsworthy CMG	Principal Private Secretary	"
14	Mr R N Culshaw MVO	Private Secretary	"
15	Miss C P Williams	Personal Assistant	"
16	Mrs G D Mansfield	Personal Assistant	"

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17	Det Insp K Carthew	Detective	Gritti Palace 5,6,7,8&9 June
18	Det Cons C Stickland	Detective	Gritti Palace 8/9 June
19	Sir John Fretwell KCMG	Deputy to the Perm. Under-Secretary of State and Political Director	"
20	Mr R Q Braithwaite CMG	Deputy Under-Secretary	"
21	Mr D Slater CMG	Asst Under-Secretary	"
22	Mr T L Richardson	Head of Economic Relations Dept	"
23	Mr C J R Meyer	Head of News Department	"
24	Mr M Price	News Department	Splendid Suisse 8/9 June

HM Treasury

25	The Rt Hon Nigel Lawson MP	Chancellor of the Exchequer	
26	Mr A Allan	Principal Private Secretary	
27	Sir Geoffrey Littler KCB	Second Permanent Secretary	Gritti Palace 8/9 June
28	Mr R Culpin	Press Officer to the Chancellor	

Central Office of Information

29	Mr R Gair	Radio Division	Splendid Suisse 7-9 June
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Support Staff

30	Miss P A Noble MBE	Conference Officer	Bauer Gruenwald 31 May-6 June Gritti: 7-11 June
31	Miss C Gibson	Conference Officer	"
32	Miss S Trimm	Personal Assistant	"

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33	Mr J Belton	Communications Officer (Technical)	Bauer 5-11 June
34	Mr R Russell	Communications Officer (Technical)	Bauer 5-11 June
35	Mr P James	Communications Officer	Bauer 7-10 June
36	Mr T Cullen	Communications Officer	Bauer 7-10 June
37	Mr J Archer	Communications Officer	Bauer 8/9 June
38	Mr P Coysh	Communications Officer	Bauer 8/9 June
39	Cpt Selina Hatherell	Royal Military Police	Bauer 5-6 June & Gritti 7-11 June
40	S/Sgt F J Buckerfield	Royal Military Police	Bauer 8/9 June
41	Sgt Charmaine R Becker	Royal Military Police	Bauer 5-11 June
42	Cpl D A Rock	Royal Military Police	Bauer 8/9 June
43	Cpl J A Deans	Royal Military Police	"
44	Cpl M D Hillman	Royal Military Police	"
45	L/Cpl N King	Royal Military Police	Bauer 5-11 June
46	L/Cpl H Waterworth	Royal Military Police	Bauer 8-9 June
47	Mr V J Ebbs	Driver	Bauer 5-11 June
48	Mr K Stretton	Escort	Bauer 5-11 June
<u>HM Embassy, Rome</u>			
49	The Lord Bridges KCMG	HM Ambassador	Gritti Palace 8-10 June

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50	Miss C T Elmes	First Secretary	Bauer: 3-6 June Gritti: 7-11 June
51	Mr G Pirie	First Secretary (Inf)	Splendid Suisse 5-10 June
52	Miss K Coombs	First Secretary (Inf)	Splendid Suisse 5-10 June
53	Miss C Lawley	Personal Assistant	Gritti 7-10 June

[NB Mr Ken Davies Telecommunications Secretariat Cabinet Office may be in Venice. If so he would travel on RAF VC10 and stay in Gritti Hotel].

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## OFFICIAL DELEGATION (15) IN PROTOCOL ORDER

<u>Name</u>	<u>Designation</u>
1. The Rt Hon Margaret Thatcher FRS MP	Prime Minister
2. The Rt Hon Sir Geoffrey Howe QC MP	Secretary of State for Foreign and Commonwealth Affairs
3. The Rt Hon Nigel Lawson MP	Chancellor of the Exchequer
4. Sir Robert Armstrong GCB CVO	Secretary of the Cabinet
5. Sir Geoffrey Littler KCB	Second Permanent Secretary
6. Sir John Fretwell KCMG	Deputy to the Permanent Under- Secretary of State and Political Director
7. Mr R Q Braithwaite CMG	Deputy Under-Secretary
8. Mr C D Powell	Private Secretary to the Prime Minister
9. Mr B Ingham	Chief Press Secretary
10. Mr D Slater CMG	Assistant Under-Secretary
11. Mr A C Galsworthy CMG	Principal Private Secretary to Secretary of State
12. Mr A Allan	Principal Private Secretary to Chancellor
13. Mr T L Richardson	Head, ERD
14. Mr C J R Meyer	Head, News Department
15. Mr R Culpin	Press Officer to the Chancellor

PROGRAMME OF THE VENICE ECONOMIC SUMMIT  
(8-10 June 1987)

Monday, June 8 1987

14.30 hrs

Beginning of arrivals in reverse protocol order at "Marco Polo" Airport

The Heads of Delegation are welcomed by the President of the Council of Ministers

Brief encounter with the President of the Council of Ministers

Transfer of Delegation to residential accommodation by motorboat

18.30 hrs - 19.30 hrs

Reception for Heads of State or Govt, Foreign Ministers, Finance Ministers and other members of the official Delegation hosted by the President of the Council of Ministers at Palazzo Ducale (Sala del Maggior Consiglio)

20.15 hrs

Separate working dinners:  
Heads of States or Government (Ca' Corner)

20.25 hrs

Foreign Ministers (Palazzo Volpi)

20.35 hrs

Finance Ministers (Palazzo Volpi)

Personal Representatives  
(Ca' Corner)

22.15 hrs

End of working dinners

22.25 hrs

End of working dinners

22.35 hrs

End of working dinners

Tuesday, June 9 1987

09.00 hrs

Transfer to the Island of San Giorgio in reverse protocol order. The Heads of Delegation are welcomed by the President of the Council of Ministers

09.30 hrs

Group photographs in the Palladian Cloister of the Cini Foundation

09.45 hrs

Working Session for Heads of State or Government at the Cini Foundation (Biblioteca Longhena)  
Working Session for the Foreign Ministers (Sala Barbantini)  
Working Session for the Finance Ministers (Sala del Consiglio)

12.45 hrs End of working session

13.00 hrs Working lunches at Cini Foundation:  
Heads of States or Government  
("Foresteria")  
Foreign Ministers  
("Sala del Chiostro dei Cipressi")  
Finance Ministers  
("Sala del Capitolo")  
  
Personal Representatives  
("Sala del Soffitto")

15.00 hrs Plenary session for Heads of State or  
Government, Foreign Ministers and  
Finance Ministers

18.00 hrs End of working session  
  
The Heads of State or Government,  
Foreign Ministers, Finance Ministers  
leave the Island of San Giorgio in  
protocol order

20.30 hrs Working dinners:  
Heads of State or Government and  
Foreign Ministers (Palazzo Grassi)  
Finance Ministers (Palazzo Volpi)  
  
Personal Representatives (Palazzo  
Grassi)

22.30 hrs End of working dinners

Wednesday, June 10 1987

09.00 hrs Transfer to the Island of San Giorgio  
in reverse protocol order

09.30 hrs Plenary session

12.30 hrs End of Plenary session

13.00 hrs - 14.30 hrs Lunch for Heads of State or Government,  
Ministers and Personal Representatives  
hosted by the President of the  
Republic of Italy. Cini Foundation.

15.40 hrs Heads of State or Government are  
escorted to their seats in the "Sala  
degli Arazzi"

15.45 hrs The President of the Council of  
Ministers of Italy presents the Joint  
Declaration (Sala degli Arazzi)



TRAVEL ARRANGEMENTS  
(all times local)

London on BST (GMT + 1 hr)

Venice on GMT + 2 hours

Outward

Sunday 31 May

Miss Noble	AZ 295	ETD LHR	1200
Miss Gibson		ETA Venice	1505
Miss Trimm			

Wednesday 3 June

Miss Elmes                      Own arrangements

Friday 5 June

Mr Ebbs                      Security van  
Mr Stretton

Det Insp K Carthew	AZ 295	ETD LHR	1200
Mr Belton		ETA Venice	1505
Mr Russell			
Cpt Hatherell			
Sgt Charmaine Becker			
L/Cpl King			

Mr Pirie                      Own arrangements  
Miss Coombes

Saturday 6 June

Det Chief Insp Dwyer	BA 522	ETD Gatwick	0910
		ETA Venice	1215

Sunday 7 June

Mr James	AZ 295	ETD LHR	1200
Mr Cullen		ETA Venice	1505
Mr Gair			

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Monday 8 June

Secretary of State	RAF VC10 Task No	ETD LHR	1330
Mr Galsworthy	1155	(Southside)	
Mr Culshaw		ETA Venice Marco	1645
Miss Williams		Polo (Tessera)	
Mrs Mansfield			
Sir John Fretwell	Flying time 2 hours 15 minutes		
Mr Braithwaite	Lunch		
Mr Slater			
Mr Richardson			
Mr Meyer			
Mr Price			
Det Cons C Stickland			
Mr Archer			
Mr Coysh			
S/Sgt Buckerfield			
Cpl Rock			
Cpl Hillman			
Cpl Deans			
L/Cpl Waterworth			
Sir Robert Armstrong			
Sir Geoffrey Littler			

No 10

Mr Dugdale  
Miss Frier  
Det Sgt Kingston

= 24

The Lord Bridges                      Own arrangements

Monday 8 June

Prime Minister	RAF HS 125	ETD RAF Northolt	1600
Mr Powell	Task No 1558	ETA Venice Marco	1935
Mr Ingham		Polo	
Miss Bowers			
Mrs Dibblin	Flying time 2 hours 35 minutes		
Det Supt Butler	Afternoon tea		

Tuesday 9 June

Chancellor of the Exchequer	RAF HS 125	ETD RAF Northolt	0900
Mr Allan	Task No 1572	ETA Venice Marco	1235
Mr Culpin		Polo	
	Flying time 2 hours 35 minutes		
	Coffee, etc		

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Return

Tuesday 9 June

Prime Minister	RAF HS 125	ETD Venice Marco	1300
Mr Powell	Task No 1558	Polo	
Mr Ingham		ETA RAF Northolt	1435
Miss Bowers			
Mrs Dibblin	Flying time 2 hours 35 minutes		
Det Supt Butler	Lunch		
Det Insp Dwyer	AZ 171	ETD Venice	1555
Det Sgt Kingston		ETA Milan	1640
	BR 719	ETD Milan	1755
		ETA Gatwick	1840
Chancellor of the Exchequer	RAF HS 125	Standby Venice	1930
Mr Allan	Task No. 1572	Marco Polo	
Mr Culpin		Poss. ETA LHR	2105
		Spelthorne Suite	
	Flying time 2 hours 35 minutes		
	Refreshments		

Wednesday 10 June

Sir John Fretwell	AZ 294	ETD Venice	0955
	(Provisional)	ETA LHR	1105
Mr Price	F1 451	ETD LHR	1315
	(Provisional)	ETA Keflavik	1510
Secretary of State	RAF VC10	ETD Venice Marco	1755
As outward flight minus	Task No 1155	Polo	
Det Sgt Kingston plus		ETA Gatwick	1915
Det Insp Carthew		(North Suite)	
Mr Gair	Flying time 2 hours 20 minutes		
	Dinner		

Thursday 11 June

Mr James	BA 523	ETD Venice	1315
Mr Cullen		ETA Gatwick	1420

CONFIDENTIAL

Friday 12 June

Miss Noble	BA 523	ETD Venice	1315
Miss Gibson		ETA Gatwick	1420
Miss Trimm			
Cpt Hatherell			
Sgt Becker			
L/Cpl King			
Mr Belton			
Mr Russell			

Mr Ebbs	Security van
Mr Stretton	

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TRAVEL ON SPECIAL FLIGHTS  
BAGGAGE AND INSURANCE REGULATIONS

1. BAGGAGE

- (a) Those travelling by RAF aircraft are reminded that baggage should be left unlocked for the customary check. Butane gas lighter refills and matches, other than safety ones, may not be taken on the aircraft; certain aerosol sprays are now accepted on flights, provided they are not used on the aircraft. Any electrical items must be disconnected from their batteries.
- (b) Those travelling in the VC10 may take up to 66 lbs of personal baggage.

2. INSURANCE

- (a) No refund of insurance premium is payable from public funds for officers on short-term visits overseas.
- (b) Those travelling by RAF aircraft are subject to the same statutory limits of compensation as apply to carriage by commercial airlines but international journeys to or from the UK with an agreed stopping place in the United States are governed by the provisions of the IATA/Montreal Agreement which include a compensation limit higher than the statutory one. Prospective travellers in RAF aircraft are advised to check whether their personal insurance policies provide cover for travelling by non-commercial flights and to consult their insurers if they are in any doubt about their position.
- (c) When the personal property (other than money or luxury articles) of an officer sent overseas on a short-term visit is lost or damaged during transit to or from the UK or while he is in receipt of subsistence allowance (but not local allowances and DSA) during his stay overseas and the loss or damage is not covered by an existing insurance policy, and the officer himself has not been negligent, compensation may be paid at the discretion of PSD. The amount of compensation would be based on the current cost of replacing the articles less an amount for depreciation or, if less, the full cost of repair.

FOREIGN AND COMMONWEALTH OFFICE

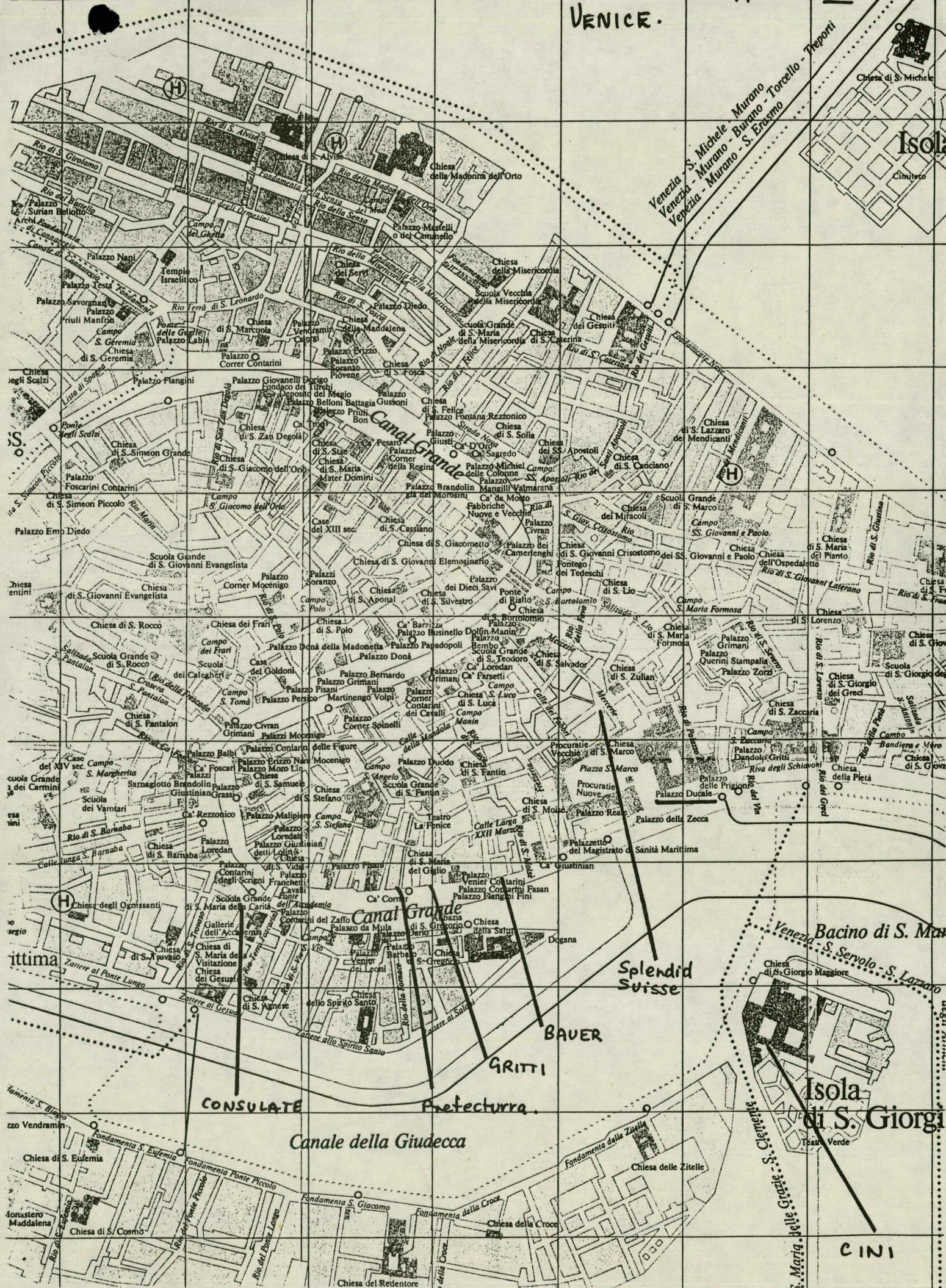
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<u>Hotel Gritti Palace</u>	:	794611
<u>Hotel Bauer Grunwald</u> Campo San Moise	:	707022
<u>Hotel Splendid Suisse</u> Mercerie San Marco	:	700755

Other numbers to be issued later.

VENICE.



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Canal Grande

Canale della Giudecca

Bacino di S. Marco

Isola di S. Giorgio

Splendid Suisse

BAUER

GRITTI

Prefettura

CONSULATE

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Chiesa di S. Cosmo

Chiesa del Redentore

Fondamenta S. Eufemia

Fondamenta Ponte Piccolo

Fondamenta S. Giacomo

Fondamenta Ponte Piccolo

Fondamenta S. Giacomo

Fondamenta della Croce

Fondamenta S. Giacomo

Fondamenta della Croce

Chiesa della Croce

Fondamenta della Zucche

Chiesa delle Zitelle

Chiesa della Croce

Fondamenta della Zucche

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*b/f with  
translation  
ppp*

CH/EXCHEQUER	
REC.	27 MAY 1987 ✓ 27/5
<del>ACTION</del>	MRS CASE
From the Private Secretary	
TO	EST
	SIR G LITTLER
	MR MOUNTFIELD
	MR H P EVANS

10 DOWNING STREET  
LONDON SW1A 2AA

25 May 1987

VENICE ECONOMIC SUMMIT: MESSAGE FROM THE  
CARTAGENA GROUP

I enclose a copy of a message to the Prime Minister from the President of Uruguay, writing on behalf of the Cartagena Group countries, about the forthcoming Economic Summit. I should be grateful if you would arrange for a translation to be made and circulated to departments concerned. I imagine that it will be for the Italian Government, as host country for the Summit, to reply substantively.

I am copying this letter to Alex Allan (H.M. Treasury).

CHARLES POWELL

Lyn Parker, Esq.,  
Foreign and Commonwealth office.

RESTRICTED

MONTEVIDEO, 24 DE MAYO DE 1987=

SRA PRIMER MINISTRO DEL REINO UNIDO DE GRAN BRETAGNA E IRLANDA DEL NORTE  
SRA MARGARET THATCHER

SRA. PRIMER MINISTRO

UNA VEZ MAS, EN OCASION DE CELEBRARSE UNA NUEVA CUMBRE DE LOS SIETE MAYORES PAISES INDUSTRIALIZADO, ME DIRIJO A UD., EN NUESTRO CARACTER DE SECRETARIA PRO-TEMPORE DEL CONSENSO DE CARTAGENA Y EN NOMBRE DE LOS SEÑORES PRESIDENTES DE ARGENTINA, BRASIL, COLOMBIA, CHILE, ECUADOR, REPUBLICA DOMINICANA, BOLIVIA, MEXICO, PERU Y VENEZUELA. LO HAGO PARA TRASMITIRLE EL PUNTO DE VISTA DE NUESTROS GOBIERNOS SOBRE ACONTECIMIENTOS RECIENTES QUE ATANEN A LA ECONOMIA INTERNACIONAL. NO SOLO PORQUE TALES ACONTECIMIENTOS TIENEN HONDA REPERCUSION EN LA EVOLUCION DE TODAS Y CADA UNA DE LAS ECONOMIAS DE AMERICA LATINA Y EL CARIBE, SINO TAMBIEN PORQUE TENEMOS CONCIENCIA DE QUE, SI NO SE REVIERTEN LAS TENDENCIAS RECESIVAS QUE HAN CARACTERIZADO LA VASTA MAYORIA DE NUESTROS PAISES EN LA PRESENTE DECADA, ESTAS SE CONVERTIRAN EN UN OBSTACULO DE PASO PARA LA EXPANSION ORDENADA Y ESTABLE DE LA ECONOMIA MUNDIAL.

-----

NUEVAMENTE, COMPROBAMOS CON PROFUNDA PRECUPACION QUE PERDURAN Y, EN ALGUNOS CASOS INCLUSO SE AGRAVAN, MUCHOS DE LOS FACTORES EXTERNOS QUE HAN OBSTACULIZADO LA RECUPERACION SOSTENIDA DE LA REGION EN ANOS PASADOS. POR UN LADO Y CONTRARIAMENTE A LAS PREVISONES INICIALES, EL RITMO DE CRECIMIENTO PREVISTO PARA LA MAYORIA DE LOS PAISES DE LA OECD NO SE HA CONFIRMADO. POR OTRO, LUEGO DE UN PROMISORIO DESCENSO, LAS TASAS DE INTERES DEMUESTRAN ACTUALMENTE UNA PREOCUPANTE TENDENCIA AL ALZA HABIENDO PERMANECIDO DE TODAS MANERAS, EN TERMINOS REALES, MUY POR ENCIMA DE SUS NIVELES HISTORICOS. ESTO SE VE AGRAVADO PARA LOS PAISES EN DESARROLLO POR LA CAIDA, SIN PRECEDENTES DESDE EL PERIODO DE LA POST-GUERRA, DE LOS PRECIOS DE LOS PRODUCTOS BASICOS-- QUE SIGUEN CONSTITUYENDO SU PRINCIPAL FUENTE DE DIVISAS--, POR EL RECRUDECIMIENTO DE MEDIDAS PROTECCIONISTAS EN LOS PAISES INDUSTRIALIZADOS Y POR LA ESCASA DISPONIBILIDAD DE FINANCIAMIENTO EXTERNO FRESCO, QUE ALGUNOS INDICADORES SENALAN COMO RETROCEDIENDO AUN MAS EN EL FUTURO PROXIMO.

ASIMISMO ALGUNOS PAISES HAN DEBIDO ENFRENTAR PROBLEMAS ADICIONALES A CONSECUENCIA DE LOS DANOS PRODUCIDOS POR DESASTRES NATURALES QUE HAN AGRAVADO AUN MAS SU SITUACION ECONOMICA Y SU CAPACIDAD DE PAGO.

A PESAR DE ESTAS NEGATIVAS SITUACIONES EXTERNAS E INTERNAS, NO HEMOS ESCATIMADO ESFUERZOS PARA ACOMODAR NUESTRAS RESPECTIVAS ECONOMIAS A LAS CIRCUNSTANCIAS IMPERANTES Y A LAS PREVISIBLES. ESOS ESFUERZOS HAN SIDO MAYUSCULOS EN ANOS PASADOS, MEDIDOS EN TERMINOS DE CONTRACCION DE LOS NIVELES DE VIDA Y DE TRANSFORMACION DE LAS ESTRUCTURAS PRODUCTIVAS, TODO LO CUAL SIRVIO PARA EVITAR RUPTURAS EN EL SISTEMA FINANCIERO INTERNACIONAL, QUE HUBIERAN PERJUDICADO A TODOS.

DESAFORTUNADAMENTE, ESTOS PROFUNDOS AJUSTES FUERON INSUFICIENTES ANTE LAS PRESIONES NEGATIVAS DEL ENTORNO INTERNACIONAL SOBRE NUESTRAS ECONOMIAS. EL COSTO SOCIAL QUE HAN SIGNIFICADO HA SIDO DE TAL MAGNITUD QUE INCLUSO AMENAZA CON PONER A PRUEBA LA RECIENTE TENDENCIA HACIA SOCIEDADES PLURALES Y DEMOCRATICAS.

CABE RECORDAR QUE EN 1986, MAS DE LA MITAD DE LOS PAISES NUEVAMENTE TUVIERON TASAS DE CRECIMIENTO POR HABITANTE NEGATIVAS -- EN ALGUNOS POR QUINTO ANO CONSECUTIVO -- Y QUE EN LA MAYORIA DE LOS RESTANTES LA RECUPERACION FUE LENTA Y SOBRE TODO FRAGIL. EN ESTAS CIRCUNSTANCIAS NO SE PUEDE ENTENDER QUE EL DESEMPEÑO FAVORABLE QUE TUVIERON ALGUNOS PAISES CONTITUYE O ASEGURE UNA REVERSION SOSTENIDA DE LAS TENDENCIAS RECESIVAS DE LOS ANOS ANTERIORES. ES MUY PROBABLE QUE AMERICA LATINA ENTRE EN LA PROXIMA DECADA CON NIVELES DE VIDA SIMILARES O INFERIORES, A LOS QUE TENIA CUANDO ENTRO EN LA DECADA DEL 80.

ENTRE LOS PRINCIPALES OBSTACULOS QUE IMPIDEN UN MEJOR DESEMPEÑO LAS ECONOMIAS DE LA REGION SE ENCUENTRA Y DEBEMOS NUEVAMENTE INSISTIR EN ELLO - EL PROBLEMA DE LA DEUDA. COMO LO DEMUESTRAN ACONTECIMIENTOS RECIENTES, ESTE PROBLEMA NO SOLO NO SE RESUELVE, SINO QUE TIENDE A AGRAVARSE, A PESAR DE QUE HA HABIDO UN AVANCE CONSIDERABLE EN CUANTO A RECONOCER LA CORRESPONSABILIDAD EN LA GESTACION Y SOLUCION DEL PROBLEMA DE LA DEUDA ASI COMO LA NECESIDAD DE ABORDARLO EN EL CONTEXTO DE POLITICAS DE CRECIMIENTO Y DE AJUSTE POSITIVO Y NO RECESIVO. VISTAS DESDE NUESTRA OPTICA, LAS CONDICIONES IMPERANTES EN LA ECONOMIA MUNDIAL YA MENCIONADAS SE HAN TRADUCIDO EN UN HECHO: PARA LA VASTA MAYORIA DE LOS PAISES DE LA REGION ES SIMPLEMENTE IMPOSIBLE CRECER, INVERTIR Y CUMPLIR CON EL SERVICIO DE SU ABULTADA DEUDA EXTERNA EN FORMA SIMULTANEA.

LAS INICIATIVAS CONCEBIDAS EN LOS ULTIMOS TIEMPOS PARA PROMOVER UN MAYOR FLUJO DE RECURSOS PUBLICOS Y PRIVADOS NO SE HAN PRODUCIDO EN LOS HECHOS O NO HAN ALCANZADO LOS NIVELES NECESARIOS PARA SOSTENER UN VOLUMEN DE INVERSIONES Y UNA TASA RAZONABLE DE CRECIMIENTO. AL CONTRARIO, HA CONTINUADO LA TRANSFERENCIA MASIVA DE RECURSOS FINANCIEROS HACIA EL EXTERIOR QUE, SOLO EN CONCEPTO DE INTERESES, A VECES IMPLICA MAGNITUDES EQUIVALENTES A MAS DEL 5 POR CIENTO DEL PRODUCTO NACIONAL BRUTO. ESTE ES UN FENOMENO INSOSTENIBLE QUE DEBE REVERTIRSE CUANTO ANTES. EL MISMO YA HA OBLIGADO A ALGUNOS PAISES A ADOPTAR MEDIDAS DESTINADAS A LIMITARLAS.

POR OTRO LADO, CONSIDERAMOS IMPRESCINDIBLE INSISTIR EN QUE EL PROBLEMA DEL ENDEUDAMIENTO EXTERNO NO SOLO POR SUS CAUSAS SINO POR SUS CONSECUENCIAS NOS ATANE A TODOS. LA PARALISIS DEL CRECIMIENTO Y SOBRE TODO LA VERTICAL CAIDA DE LAS IMPORTACIONES A LA QUE SE HA VISTO FORZADOS LOS PAISES ENDEUDADOS, CONSTITUYE HOY EN DIA UN ELEMENTO SIGNIFICATIVO ENTRE LOS OBSTACULOS A LA EXPANSION ECONOMICA MUNDIAL Y, EN PARTICULAR, DE LOS PAISES INDUSTRIALIZADOS.

SE REQUIEREN POR TANTO SOLUCIONES NOVEDOSAS QUE PONGAN, EN EL CENTRO DE LAS NEGOCIACIONES DE CADA CASO, LA OBTENCION DE TASAS MINIMAS DE CRECIMIENTO DEL INGRESO POR CAPITA Y QUE ESTEN AL ABRIGO DE LOS PERSISTENTES MOVIMIENTOS DE LAS TASAS DE INTERES Y DE LAS BRUSCAS FLUCTUACIONES DE LOS TERMINOS DEL INTERCAMBIO. SOLO EN UN CLIMA DE RAZONABLE SEGURIDAD Y ESTABILIDAD A LARGO PLAZO EN LA SOLUCION DEL PROBLEMA DE LA DEUDA ES QUE SE DARAN LAS CONDICIONES PARA CONTINUAR CON NUESTROS PROGRAMAS DE AJUSTE, ASEGURAR UNA MAYOR INVERSION Y LOGRAR METAS DE CRECIMIENTO ACEPTABLES.

LA MAGNITUD DEL PROBLEMA DETERMINA QUE EL AUMENTO DE LAS CORRIENTES FINANCIERAS, AUNQUE SE DIERA, TAMPOCO SERA SUFICIENTE PARA RESOLVER EL PROBLEMA DE LA DEUDA. SE NECESITA UNA ACCION PARALELA Y COORDINADA, QUE DEBERA PASAR NECESARIAMENTE POR UNA ADECUACION DEL SERVICIO DE LA DEUDA A LA CAPACIDAD REAL DE PAGO DEL PAIS DEUDOR, POR REDUCCIONES EFECTIVAS DE LAS TASAS DE INTERES NOMINALES PARA ACERCARLAS A LOS NIVELES REALES HISTORICOS, POR UNA SEPARACION DE LA DEUDA ACTUAL Y FUTURA, POR LA ELIMINACION O LIMITACION AUN MAS FUERTE DE LOS MARGENES DE INTERMEDIACION BANCARIA, POR INFLUJOS DE CAPITAL FRESCO PARA REVERTIR LAS TRANSFERENCIAS DE RECURSOS, POR LA REPROGRAMACION A LARGO PLAZO DE LOS VENCIMIENTOS Y POR UN DECIDIDO COMPROMISO CON LOS OBJETIVOS DE LIBERALIZACION Y EXPANSION DEL COMERCIO QUE NOS ASEGURE LA CAPACIDAD DE REPAGO.

EN ESTE ULTIMO CAMPO, SE INICIO EN 1986, EN URUGUAY, UN PROCESO DE NEGOCIACION MULTILATERAL EN EL MARCO DEL GATT, DESTINADO A DETENER Y REVERTIR LAS CRECIENTES TENDENCIAS PROTECCIONISTAS Y A CREAR, EN BENEFICIO DE UNA CONTINUA EXPANSION DEL INTERCAMBIO COMERCIAL A NIVEL MUNDIAL, UN ORDENAMIENTO DEL COMERCIO INTERNACIONAL MAS TRANSPARENTE QUE EL CTUAL, PREDECIBLE Y FAVORABLE AL CRECIMIENTO Y QUE OFREZCA OPORTUNIDADES A LOS PAISES EN DESARROLLO PARA MEJORAR SU PARTICIPACION EN DICHO INTERCAMBIO. SIN EMBARGO, EL AMBIENTE QUE PREVALECIO EN LA REUNION DE PUNTA DEL ESTE AL PARECER NO LOGRO EVITAR EL REGRUDECIMIENTO DE MEDIDAS QUE DE UNA U OTRA MANERA LO ENTORPECEN, Y LA RONDA URUGUAY HABRA DE INICIARSE EN CONDICIONES NO DEL TODO PROMISORIAS, SIN QUE SE HAYA LOGRADO AUN INSTRUMENTAR UN SISTEMA EFICAZ DE STATU-QUO Y DE PROGRESIVO DEMANTELANAMIENTO DE LAS TRABAS COMERCIALES.

TODOS ESTOS FENOMENOS RESULTAN SUMAMENTE INQUIETANTES, POR CUANTO DESAFIAN Y COMPROMETEN ABIERTAMENTE EL EXITO DE LOS ACUERDOS DE REFINANCIACION NEGOCIADOS Y AMENAZAN NUESTROS ESFUERZOS DE AJUSTE Y DESARROLLO.

SRA. PRIMER MINISTRO:

EL PROBLEMA DE LA DEUDA ES SOLO UN ELEMENTO - AUNQUE FUNDAMENTAL  
POR CIERTO - DEL GRAN DESAFIO QUE ENFRENTAN NUESTROS PAISES PARA  
DESARROLLARSE Y MODERNIZARSE, DE LOS QUE SOMOS PLENAMENTE  
CONSCIENTES Y EN LOS QUE NO REHUIAMOS EN NINGUN CASO NUESTRAS PROPIAS  
RESPONSABILIDADES. PERO NO ES SOLO UN PROBLEMA DE NUESTRA  
INCUMBENCIA, Y NO PUEDE TAMPOCO REDUCIRSE A SU DIMENSION FINANCIERA.  
ES ADEMAS UN CONDICIONANTE FUNDAMENTAL DE NUESTRA VINCULACION  
DINAMICA CON EL CRECIMIENTO DE LA ECONOMIA MUNDIAL AL QUE DESEAMOS  
SUMARNOS EN BENEFICIO DE TODOS. Y ES TAMBIEN UN ASPECTO INELUDIBLE  
DEL CONJUNTO DE DESEQUILIBRIOS QUE CARACTERIZAN A LA ECONOMIA  
MUNDIAL E IMPIDEN LA REANUDACION DE UN CRECIMIENTO SOSTENIDO Y A  
RITMO MAS SATISFACTORIOS PARA TODOS, PAISES INDUSTRIALIZADOS Y  
PAISES EN DESARROLLO.

SI ALGUNA LECCION PUEDE DERIVARSE DE LO ACONTECIDO EN LOS ULTIMOS  
ANOS ES EL PAPEL DECISIVO DE LA COORDINACION DE POLITICAS EN LA  
ATENUACION DE LOS DESEQUILIBRIOS ECONOMICOS INTERNACIONALES COMO LAS  
QUE REALIZAN VUESTROS PAISES. URGE EXTENDER ESA EXPERIENCIA A OTROS  
TEMAS Y NUEVOS INTERLOCUTORES.

ES CON ESE MISMO ESPIRITU Y EN UNA VISION DE CONJUNTO DEL  
PROBLEMA DE LA DEUDA Y EL ENTORNO INTERNACIONAL ECONOMICO QUE LO  
RODEA QUE SE REQUIERE A NUESTRO JUICIO, UN DEBATE EN PROFUNDIDAD,  
TANTO EN LOS FOROS MULTILATERALES DE LOS QUE FORMAMOS PARTE COMO EN  
RELACION DIRECTA CON PAISES AMIGOS COMO LOS VUESTROS, PARA EL EXAMEN  
CONJUNTO DE MEDIDAS QUE NOS AFECTAN A TODOS Y LA BUSQUEDA DE NUEVAS  
INICIATIVAS QUE PUEDEN AYUDAR A RESOLVER LOS PROBLEMAS PLANTEADOS.

APROVECHO LA OPORTUNIDAD QUE ME BRINDA AL HACERLE LLEGAR ESTAS  
REFLEXIONES EN NOMBRE DE LOS SEÑORES JEFES DE ESTADO Y EN EL MIO  
PROPIO PARA REITERARLE LAS EXPRESIONES DE MI PERSONAL ESTIMA Y  
CONSIDERACION.

JULIO MARIA SANGUINETTI  
PRESIDENTE DE LA REPUBLICA  
ORIENTAL DEL URUGUAY

27582 CABOFF G  
DIPCIA UY 22074

26 May.

cc PPS ✓  
Sir G Little  
TW HP Evans  
TW Matthews

Ref. A087/1481

## NOTE FOR RECORD

cc PS/Sir Patrick Wright  
PS/Sir Peter Middleton  
Mr Powell, No 101. Alex ✓  
2. Nigel - Venice  
b/gd plCall by the Italian Ambassador

The Italian Ambassador, Signor Bottai called on Sir Robert Armstrong at 10.00 am today. He said that he was pleased that it had been agreed that Sir Robert Armstrong should see Signor Fanfani in Rome to discuss the forthcoming Economic Summit in view of the Election having prevented the Prime Minister from receiving Signor Fanfani in London. He asked Sir Robert Armstrong whether there was anything he could usefully report to Rome in advance.

2. Sir Robert Armstrong said that at his meeting with Signor Fanfani he would hope to outline to the Italian Prime Minister what Mrs Thatcher believed the Summit could achieve and the dangers which it should avoid. It would be a difficult Summit on the economic side because of the current volatility of exchange rates and the pressure on the dollar. While it was recognised that no agreement could be reached by the Summit on exchange rates the aim should nevertheless be to achieve a common understanding of the problem with the objective of promoting greater currency stability. The Prime Minister would wish to continue to put pressure on Japan to increase domestic demand and open up its markets; and to impress upon the United States the importance to the World Economy of action on its fiscal and trade deficits - but action which would avoid placing at risk global economic growth. The Prime Minister would also wish the Summit to support the United States Administration in resisting protectionist pressures from Congress. Continuing,

1/2615

Sir Robert Armstrong said that on the question of international debt, the Prime Minister was likely to support a case by case approach while recognising the special problems of the Sub-Saharan African countries on which it might be possible to reach agreement on rescheduling and lower interest rates.

3. Turning to political matters, Sir Robert Armstrong said that the recent Sherpa meeting had agreed a common text on East/West relations which could be issued if the Heads of Government thought it necessary. The Prime Minister, however, was not convinced of such a need in view of the fact that the process of arms control was being undertaken in other fora, although clearly it was a matter which the Summit would wish to discuss. Some thought it might be hard to avoid a declaration on this issue but it would be difficult to make such a declaration while there was no agreed European position on arms control. On terrorism a text had been agreed at the recent Sherpa meeting. Subsequently, some confusion had arisen over the convention of a further meeting of Interior Ministers from the seven Summit countries to consider this specific question: the French Government, which had taken the initiative, had appeared to act independently of the Presidency, which would have been unlikely to have favoured such a move.

4. Finally, Sir Robert Armstrong said that although plans remained to be finalised, he envisaged the Prime Minister being present at the Summit from Monday afternoon to about midday on Tuesday; the Chancellor of the Exchequer for Tuesday; and the Foreign and Commonwealth Secretary for the duration. He himself would also be there for the full three days.

5. The meeting closed at 10.30 am.

*T A Woolley*

T A WOOLLEY

26 May 1987



Foreign and Commonwealth Office

London SW1A 2AH

CH/EXCHEQUER	
REC.	27 MAY 1987 ✓ 27/5
ACTION	
COPIES TO	

27 May 1987

*purp.*

*Don Charles,*

Venice Economic Summit

Thank you for your letter of 21 May to Tony Galsworthy.

The Foreign Secretary agrees with the Prime Minister that we should have ready at Venice suitable language for the various declarations, to ensure that the end result is not negative in tone or capable of pessimistic interpretation by the press or other commentators. He has therefore set work in hand by FCO officials on the various topics which you mentioned (and we may have others to suggest). The Foreign Secretary will look at all this material next weekend, and we shall write again early next week.

I am copying this letter to Alex Allan.

*Yours ever*

(R N Culshaw)  
Private Secretary

C D Powell Esq  
PS/10 Downing Street





FROM: A C S ALLAN

DATE: 27 May 1986

SIR G LITTLER

cc Mr Culpin

## VENICE ECONOMIC SUMMIT

I understand that the Prime Minister is concerned about some aspects of the likely communique from the Venice Summit.

2. Her main concern is that the communique should not attract pessimistic headlines about future economic prospects (she was worried for example about paragraphs 1.2 and 2.5) in the thematic paper. The Chancellor thought the present tone of the paper was realistic and acceptable. But we clearly do not want alarmist headlines to emerge. So he would be grateful if you and Mr Culpin could look at the draft communique (as it emerges) with a view to amendments which would ensure that we avoided this.

3. The Prime Minister is also keen to see a specific and approving reference to our economic performance (proposed by someone else). The Chancellor's view is that this would be very hard to achieve. The only hope would be if we changed tack and included a few short sentences on each country. So far as the UK is concerned, this should presumably urge us to continue along existing lines, whereas other countries would be urged to take steps which they have not yet (sufficiently) taken. This approach would fit in with another concern of the Prime Minister, that a strong reference is needed to Japan's resolve to reduce its external surplus. The Chancellor would be grateful if you could use your ingenuity to see how we might achieve something on these lines.



4. The Prime Minister's other concerns were to get an endorsement of the Chancellor's debt initiative, something the Chancellor also attaches great importance to; and a commitment to action to deal with agricultural surpluses, which the Chancellor feels is important and achievable.

5. The Prime Minister's concerns were expressed to the Foreign Secretary as well as to the Chancellor. I understand that Mr Braithwaite has been given a remit along similar lines: perhaps you would liase with him on how to take all this forward.

6. You had separately mentioned to me that the Italians were still pressing for a G7 meeting at 5 pm on Monday 8 June. The Chancellor is most keen for you to continue to lobby strenuously against this. He feels a G7 meeting in the circumstances would indeed be positively harmful.

ACSA

A C S ALLAN

CONFIDENTIAL

From: Sir G. Littler  
Date: 28 May 1987

MR ALEX ALLAN

c.c. Mr Culpin

VENICE ECONOMIC SUMMIT - G7

✓ Good news! My Italian colleague telephoned this afternoon to say that Goria has decided that there will be no G7 meeting around the Summit. This apparently follows an exchange of private letters with Secretary Baker, who argued robustly against any special meeting, however exiguous, quoting the Chancellor and Stoltenberg as being of the same mind.

*Ch*  
*Good indeed.*  
*Geoff also says Taps are planning to announce some (unknown) package tomorrow - all too likely to be another incomprehensible increase in public spending*  
*Mr. [unclear] I shall be [unclear] of the [unclear] & an [unclear] of it!*

(Geoffrey Littler)

*AT*

CH/EXCHEQUER	
REC.	1 - JUN 1987 ✓ 16 pyp
ACTION	SIR G. LITTLE
COPIES TO	SIR P. MIDDLETON
	MR H EVANS
	MR WILPIN.

Ref. A087/1509

MR POWELL

Your letter of 11 May to Mr Galsworthy asked me to submit a draft, cleared with other departments, for the Prime Minister to send her views on the Venice Economic Summit to Signor Fanfani.

--- 2. I attach a draft herewith. I leave for Rome at lunchtime on Monday, 1 June; and I suggest that, if possible, I should be given the Prime Minister's letter to Signor Fanfani with instructions to hand it over to him when I see him on Tuesday, 2 June at 5.00 pm.

3. I am sending copies of this minute and the draft message to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

RA

ROBERT ARMSTRONG

29 May 1987

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DRAFT MESSAGE FROM THE PRIME MINISTER TO  
SENATORE AMINTORE FANFANI

Thank you very much for your message of 18 May. I am very grateful for your understanding over your proposed visit to London; and for your agreement to receive Sir Robert Armstrong in Rome on 2 June. I look forward to receiving his report. Meanwhile, it might be helpful if I set out my views on some of the main subjects which we will discuss at Venice.

This Summit comes at a delicate time, against the background of mixed signals on the world economy. Inflation in the Summit countries is generally low. The United Kingdom and Italian economies have demonstrated impressive growth in recent years. But there is real concern over the imbalances in the three major economies - the United States, Japan, and Germany. I know you share my view that these are the most important obstacle to the sustained non-inflationary growth which we all want. The financial markets will be quick to detect any language which looks unduly complacent, but we should seek to reassure them of the commitment of the Summit countries at the

CONFIDENTIAL

SMTABO

highest political level to take effective action on the imbalances without putting at risk the maintenance of the momentum of growth which we have now collectively sustained for five successive years.

At Venice, therefore, I hope that we shall seek to persuade the President, Chancellor Kohl and Prime Minister Nakasone of the need for action. I should welcome specific commitments by the American Government to make renewed and early efforts to cut the Federal budget deficit, and by the German Government to bring forward the measures they have announced for 1988 to stimulate domestic demand. And I regard it as particularly important that Prime Minister Nakasone should take the opportunity provided by the Summit to explain his recent proposals for a supplementary budget; and for structural reform. A firm and convincing political commitment in the Summit declaration to increase domestic demand and make the Japanese market much more open to imports of goods and services would reinforce the impact of the programme of "emergency economic measures" which the Japanese Government has just announced, and would thus, I believe, be in the interests of the Japanese Government itself,

as well as of the world economy as a whole.

We shall be asking our colleagues to take difficult political decisions, and I believe they are entitled to ask for our fullest support. Experience in the United Kingdom has shown that, if these challenges are faced, it becomes possible to lay solid foundations for growth and increasing prosperity.

On agriculture, we have made real progress since we met in Tokyo last year. It is now generally agreed that present policies are unsustainable, and that early reform is required. The OECD Ministerial meeting agreed on the main principles which should guide the negotiations on agriculture in the GATT. I believe that the Venice Summit should endorse and build on this very encouraging outcome, and give a further political impetus to the negotiations due to start in the autumn, not least because this will assist the President in his difficult but vital task of continuing to resist protectionist pressures in the United States.

I agree with your government that the Summit

should also consider the problems of the developing countries. Although we should reaffirm the case by case approach to debt, I am convinced that the poorest debtor countries in sub-Saharan Africa need special treatment. I therefore hope that our colleagues will support the initiative launched by the Chancellor of the Exchequer at the IMF and World Bank meetings this April.

It is right that we should concentrate on the important economic issues which I have described, but we shall no doubt want to find some time to exchange views on political subjects. I look forward to discussing East/West relations over dinner on 8 June, though I remain to be convinced that a declaration on this subject would be useful. I do, however, hope that we can build on the work which we initiated at Tokyo by making a firm statement on terrorism and by agreeing on further co-operation between us.





*mpj*

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

29 May, 1987.

*Dec Robert, the NA essential reading, but must be smelted or sub Sahara Africa must be the notes to read here AH*

I enclose a copy of a letter to the Prime Minister from the Secretary General of the United Nations about the forthcoming Venice Economic Summit. It will no doubt be appropriate for the Prime Minister to reply after the Summit has taken place.

I am sending copies of this letter and its enclosure to Alex Allan (HM Treasury), Martin Dinham (Overseas Development Administration), and to Sir Robert Armstrong.

*Yours sincerely,  
Chris Jones*

(C.D. Powell)

R.N. Culshaw, Esq., MVO,  
Foreign and Commonwealth Office.

CH/EXCHEQUE ✓	
REC.	12 JUN 1987 1/6
ACTION	SIR G. LITTLE
COPIES TO	SIR P. MIDDLETON
	MR H EVANS
	MR CULPIN.

010 ..

cc/c

THE SECRETARY-GENERAL

27 May 1987

Dear Prime Minister,

As you prepare for the summit meeting in Venice, may I wish you well in your forthcoming deliberations. The decisions you reach will not only be of great consequence to your countries, they will also have a direct impact on the well-being of the entire community of nations.

When I sent a message to the Tokyo summit last year, there were grounds for optimism regarding the international economic situation. There had been several reaffirmations at a high political level of the need for co-operative approaches towards harmonising policies and reducing the existing imbalances. Similarly, specific actions were to be taken regarding the difficulties confronting developing countries.

Since the Tokyo summit, progress has indeed been made in harmonising policies and reducing imbalances. Nevertheless, major problems persist, generating uncertainties. These are reflected in the international financial markets, and growth forecasts have recently had to be revised downwards.

In these circumstances, I feel I must join the appeals already made to you to take additional steps to co-ordinate fiscal and monetary policies, and to remove trade barriers.

Such action would help to extricate large parts of the developing world from their continuing difficulties especially those related to debt. In an increasingly interdependent world, action in favour of less developed countries needs, in my view, to be regarded as an integral part of the overall strategy. Thus, at a time when some industrial countries have very large financial surpluses, I would suggest that part of these surpluses be directed to the developing countries, particularly through multilateral institutions.

Her Excellency  
The Right Honourable  
Margaret Thatcher, M.P.  
Prime Minister of the United Kingdom  
of Great Britain and Northern Ireland  
London

A large number of the poorer developing countries are currently experiencing serious consequences of prolonged adjustment in an unfavourable external environment. Data show that the hardships inflicted by cuts in public spending on vulnerable groups like women and children, even in middle-income developing countries, are particularly poignant. This was recognised at the recent meetings of the Bretton Woods institutions.

Given this situation, it would appear to me that specific action on finance and commodities would be of particular importance. In the present context, I am encouraged by indications that you may be seeking agreement on steps to ease the financial situation in African countries, for which a Programme of Action was adopted in the United Nations last year. Many of these countries are clearly incapable of recovering from their present impasse without additional long-term concessional finance, including reduction of their debt burden. Effective implementation of the agreement reached on the resources of International Development Association (IDA) will also be essential in this context.

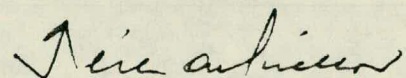
The current depression in commodity prices is the core of the problem in many of the poorer countries, where low commodity earnings are critically damaging their brave efforts to adjust and grow. I recognise that the difficulties are due to low demand in industrial countries as well as technological changes among other factors. In the long run, developing countries have to diversify their economies and process their raw materials. But the prolonged unfavourable situation requires international action to improve commodity markets through commodity agreements and the Common Fund. The international community also has at its disposal the IMF compensatory financing facility to stabilise earnings. If made available at appropriate terms, it could greatly help at the present juncture, as it did in the past.

A specific concern of many developing countries relates to the impact on their domestic agriculture, and on their exports, of agricultural support policies in industrial countries. I welcome the agreement reached in the OECD to address this problem by cutting subsidies and removing trade barriers. If your deliberations confirm the agreement, early action will be greatly facilitated. This is an area of great mutual benefit to both the North and the South.

Many of the issues before you are also on the agenda of the seventh session of the United Nations Conference on Trade and Development (UNCTAD) in July, where the main theme will be the revitalisation of growth and development. The Conference offers an opportunity to all countries to agree upon an appropriate strategy of action, involving international and national dimensions, and the interaction between them.

I would hope your meeting in Venice will provide political support for the Conference, and that your government will participate actively in it at a high level.

May I conclude with the assurances of my highest considerations and warm personal regards.

  
Javier Pérez de Cuéllar



FROM: A C S ALLAN

DATE: 29 May 1987

SIR G LITTLER

cc Mr Culpin

## VENICE ECONOMIC SUMMIT - G7

The Chancellor was delighted to hear that there will be no G7 meeting around the Summit, and congratulates you on your successful lobbying.

2. He would be interested to see an evaluation of the new Japanese package, when the details emerge.

*ACSA*  
A C S ALLAN



I sd ● we in about 10 mths.

What points do you particularly want me to make to Ch<sup>r</sup>?

What papers sd I give him?

1) I think we have got rid of excessive gloom.

2) Explicit praise for UK from Michael Wilson

3) Japs - nothing new : J&L had an go at them on open markets, but not explicitly followed by others

4) Some focus (Ballador, Baker, Dellery) on reducing German interest rates.

5) Tendency to emphasize good progress rather than point to new actions.

U.S. about to present awful  
draft on cooperation, indicators  
and need for growth. (Show)

JGL will counter with modest  
improvement of para 9 of the  
Shepsa draft (Show)

May 29, 1987

The Heads of State or Government 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. They remain convinced that the close and continuous coordination of economic policies among our countries is essential in today's integrated global economic and financial system.

The new process of coordination, based on the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies and performances by our countries. This is critical to attain the goal of stronger global economic growth, reduced external imbalances, and greater stability of exchange rates.

The Heads of State or Government reaffirmed the economic policy commitments and undertakings that were adopted in the Louvre Agreement, at the Washington meeting of the Group of Seven and at the OECD Ministerial. They agreed that the Summit countries with large external surpluses should follow policies designed to strengthen domestic demand and to reduce their external surpluses while maintaining price stability. The deficit



countries should follow policies to encourage steady, low-inflation growth while reducing domestic imbalances. They recognized that important policy steps have been taken and commitments made for additional actions towards this end. They agreed, however, that if world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they called 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.

The coordination of economic policies and performance is an ongoing process which will evolve and become more effective over time. The Heads of State or Government endorse the understandings which have been reached by the Group of Seven Finance Ministers to strengthen multilateral surveillance of their economies within the framework of the Tokyo Declaration, including:

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

- agreement that exchange rates are one of the key variables in the international adjustment process and that a common understanding on the role of exchange rates is essential in reaching judgments concerning the extent to which imbalances are expected to be reduced through exchange rates or by other adjustment measures.

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

- intensify their economic policy coordination efforts with a view to achieving the 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 to reach understandings at an early date on additional policy actions as necessary to help ensure that the agreed objectives and projections are achieved; and
- consider further improvements as appropriate to make the coordination process more effective.

9. Following our agreement in Tokyo last year, improved policy coordination and multilateral surveillance are an ongoing process and we fully accept the discipline that they involve. Recognizing that domestic policies have important international repercussions which in turn exert a feed-back effect on domestic performance, we reaffirm that the focus for coordination should be the compatibility of policies designed to attain over the medium term stronger non-inflationary growth, more balanced external positions and a more stable pattern of exchange rates.

~~In the present situation, in which there is a need to avoid further slowdown in economic activity,~~ We reaffirm our undertaking to strengthen the process of policy coordination. In this connection, we :

- welcome the progress made by the Finance Ministers in implementing policy coordination and in improving the functioning of the international monetary system;

- invite the Finance Ministers to refine procedures for carrying out multilateral surveillance of objectives and projections using the agreed indicators, including exchange rates, and drawing on the assistance of the Managing Director of the International Monetary Fund (IMF); and for reaching understandings on the remedial measures to be adopted when there are significant deviations from the intended policy course;

- welcome the work done by the IMF to analyze and refine the instruments for effective surveillance.

continue developing their agreed

consulting, and if necessary

appropriate remedial action

~~Get in square brackets  
(because sharper and prefer  
to put passages elsewhere)~~

May 29, 1987

The Heads of State or Government 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. They remain convinced that the close and continuous coordination of economic policies among <sup>their</sup> ~~our~~ countries is essential in today's integrated global economic and financial system.

The new process of coordination, <sup>involving</sup> ~~based on~~ the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies and performances by <sup>their</sup> ~~our~~ countries.

~~DELETE~~ [This is critical to attain the goal of stronger global economic growth, <sup>to promote the structural adjustment process, to reduce</sup> ~~reduced~~ external imbalances, and <sup>to foster</sup> greater stability of exchange rates.]

The Heads of State or Government reaffirmed the economic policy commitments and undertakings that were adopted in the Louvre Agreement, at the Washington meeting of the Group of Seven <sup>and</sup> ~~and~~ at the OECD Ministerial. ~~They~~ They agreed that the Summit countries with large external surpluses should follow policies designed to strengthen domestic demand and to reduce their external surpluses while maintaining price stability. The deficit

~~DELETE~~

Question whether to add this phrase  
somewhere - Ballado - Stolt in favour.  
Baker? Diagram against.

countries should follow policies to encourage steady, low-inflation growth while reducing domestic imbalances. ] They recognized that important policy steps have been taken and commitments made for additional actions towards this end. They agreed, however, that if world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they called 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, ~~that~~ around their current levels.

DELETE

RIAZAWA and TEL tried to get deleted, but majority against. (It will read very oddly after paras 7-8 of the Communiqué!)

The coordination of economic policies and performance is an ongoing process which will evolve and become more effective over time. The Heads of State or Government endorse the understandings which have been reached by the Group of Seven Finance Ministers to strengthen multilateral surveillance of their economies within the framework of the Tokyo Declaration, including:

with the assistance of the IMF and using a set of economic indicators, including exchange rates.

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

Ballado - (asked if for inclusion of page 3)

EXPLANATION: Add ref to joint action to foster exchange rate stability around current levels.

[STOLT opposed, because seems to call in question Louvre Agreement.]

Stewart/Bamberger - delete  
Ballados - keep, but integrate  
earlier in draft.  
Garcia/Wilson - put in new  
first indent on page 2.

-- agreement that exchange rates are one of the key variables in the international adjustment process and that a common understanding on the role of exchange rates is essential in reaching judgments concerning the extent to which imbalances are expected to be reduced through exchange rates or by other adjustment measures.

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

-- intensify their economic policy coordination efforts with a view to achieving the 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 to reach understandings at an early date on additional policy actions as necessary to help ensure that the agreed objectives and projections are achieved; and

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

DELETE

9. Following our agreement in Tokyo last year, improved policy coordination and multilateral surveillance are an ongoing process and we fully accept the discipline that they involve. Recognizing that domestic policies have important international repercussions which in turn exert a feed-back effect on domestic performance, we reaffirm that the focus for coordination should be to the compatibility of policies designed to attain over the medium term stronger non-inflationary growth, more balanced external positions and a more stable pattern of exchange rates.

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continue developing their agreed

consulting, and if necessary

appropriate remedial action

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- invite the Finance Ministers to refine procedures for carrying out multilateral surveillance of objectives and projections using the agreed indicators, including exchange rates, and drawing on the assistance of the Managing Director of the International Monetary Fund (IMF); and for reaching understandings on the remedial measures to be adopted when there are significant deviations from the intended policy course;
- welcome the work done by the IMF to analyze and refine the instruments for effective surveillance.