

PREM 19/189



PART 4.

237

Confidential filing

Venice Economic Summit, June 1980. Policy.

ECONOMIC  
POLICY

Pl May 1979

Pl June 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>27.6.80</del>							
6.7.80							
1.8.80							
PREM 19/189							

file

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28 August 1980

As you asked, I attach a copy of the record of the two economic sessions of the Venice Economic Summit. As I said to you this morning, I should be glad if you could treat these on a personal basis.

N J SANDERS

John Meadway, Esq.,  
Department of Trade.

TR



Econ P57

Foreign and Commonwealth Office

London SW1A 2AH

1 July 1980

Dear Michael,

La. Hunt - 47

Message to the Prime Minister from the Acting Japanese Prime Minister

1sr /  
enc.

Your Duty Clerk sent us the enclosed message to the Prime Minister from Mr Ito, delivered by hand to the British Delegation during the Venice Summit meeting.

There are no substantive points we would wish to get across in reply to this message, the content of which has been subsumed in the proceedings of the Summit. The Prime Minister has sent two personal messages to Mr Ito since the death of Mr Ohira and three Japanese Ministers were present at Venice; since Venice she has received a message from Mr Ito (your letter of today's date) inter alia thanking her for her kind attitude to Japan's representatives at the Summit.

We therefore see no need for the Prime Minister to send a formal reply. The department have however informed the Japanese Embassy of the message and have asked them to pass on Mrs Thatcher's appreciation.

yours ever  
Rodric Lyne

(R M J Lyne)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
London SW1





2 - JUL 1980

Ear Pd



10 DOWNING STREET

~~Michael~~

OK

The PIO will be

advising that no

reply to Ho's (T130B/80)

20.6.80

message is required.

(letter at flap)

content?

Tenzg

1-7-80

CONFIDENTIAL



JS  
cc HMT  
DIT  
BO

10 DOWNING STREET

*From the Private Secretary*

27 June 1980

VENICE ECONOMIC SUMMIT

I forwarded to you yesterday the record of the political discussion in Venice. I now enclose the records of the two discussions of economic issues. I also enclose a record of the discussion between Energy and Finance Ministers on 22 June.

I am sending copies of this letter, and its enclosures, to John Wiggins (HM Treasury), Julian West (Department of Energy), Stuart Hampson (Department of Trade) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,  
Foreign and Commonwealth Office.



10 DOWNING STREET

*From the Private Secretary*

26 June, 1980.

Venice Summit

It now looks as if the complete records of the Venice Summit will not be ready until, at the earliest, tomorrow. You may therefore like to have the enclosed copy of the record of the political discussion. I will let you have a complete set of records as soon as possible.

M. O. D. B. ALEXANDER

G.G.H. Walden, Esq.,  
Foreign and Commonwealth Office.

## Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference:

CC(80) 25<sup>th</sup> Conclusions, Minute 2 (extract)

Date:

26 June 1980

Signed

W Wayland

Date

18 February 2010

**PREM Records Team**

Subject: Alelons

Canada: Visit to

London of Mr. Trudeau: APR 1980

**CONFIDENTIAL**

EXTRACT FROM MEETING NOTE  
PM/ MR. TRUDEAU - 25.6.80

far apart, why the Canadians did not feel able to continue. ECON POL.  
It was agreed that, in principle, both sides would look for ways to re-open the talks as soon as possible.

Venice Summit

The Prime Minister asked Mr. Trudeau for his impressions. Mr. Trudeau said he was pleased and a bit surprised by the leaders' willingness to discuss political issues. Economic talks were important and had in the past helped to limit disarray among the participants in tackling economic problems. Perhaps the political talks would have the same result. Although each country had different answers to questions such as the Olympics, at least airing the difficulties avoided the differences becoming unmanageable. No-one had considered the break-up of the alliance. Discussion of the post-Afghanistan situation made it less likely that divergent solutions to the problem would be adopted. His general impression was good. Was the Prime Minister more pessimistic?

The Prime Minister said that she and Herr Schmidt had been keen to have the political discussion. For the first time since the Forties a totally independent country had been invaded by Russia. Western strategy post-Afghanistan had been strengthened at Venice. The pressure needed to be kept up on the non-aligned countries. This had been agreed.

But the Heads of Government had not got down to as much detail as she would have liked. What could be done if, for example, Pakistan or Turkey or Saudi Arabia fell apart? The world was full of trouble spots. There were two world ideologies and the free world should be putting its case much more strongly. It was clear that the detailed planning and discussion of how to manage world crises could not be carried out in the atmosphere of a Venice Summit, when the leaders were hounded all the time by journalists etc. She was disappointed that they had not been able to get to grips with details, but perhaps in the circumstances not much more could have been done. There was always the danger of leaks and misinformation.

/Mr. Trudeau

**CONFIDENTIAL**

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Mr. Trudeau said he fully agreed and suggested that in future the seven Heads of Government might be better served if there were no Communique but only a statement from the Chair endorsed by the other participants. The Prime Minister said that next time she would prefer not to have a Communique previously prepared by Personal Representatives. She and the other Heads of Government had been imprisoned by the draft Communique. On her return to this country she had been pilloried on an issue (the doubling of coal production by 1990) which, although in the Communique, had never been mentioned by the Heads of Government.

Mr. Trudeau said he agreed with all the Prime Minister's views. In the event that he chaired the next meeting he would be seeking to change the approach adopted at the summit and to find different ways of preparing the ground. He thought that more bilaterals were needed. Perhaps he or his Personal Representative could meet with each of the other participants in advance. The aim would be to establish what economic and political subjects seemed ripe for discussion. If a limited number of topics - say four or five - could be identified; a consensus achieved on what sort of outcome could be expected e.g. whether action was envisaged or not; and a timetable established in advance, then a fruitful discussion should be possible. Everyone in Venice had seemed willing to envisage improved procedures. The Prime Minister expressed some scepticism about what would be achieved but agreed that the effort should be made. The best discussions were those which were limited to the seven Heads of Government. Public cover for presentation would be needed to ensure that details of the real talks did not leak. Mr. Trudeau said that next year might be easier as by that time the various impending national elections would have been got out of the way.

The Prime Minister said that it was important for people to realise crises had been solved during the past six months. Cautious optimism, as Mr. Trudeau had said in Venice, was the right note to strike. The problems of the Communist World were far worse than was generally recognised. Mr. Trudeau commented on the close partnership between Chancellor Schmidt and President Giscard that had been in evidence in Venice. For obvious historical reasons this was in general to be welcomed. But it was important that it should not become too

/strong,

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strong, e.g. after the forthcoming elections. The other participants would not welcome being sidelined. Agreeing, the Prime Minister commented on the helpful stance being adopted at present by the Japanese Government. She wondered whether the time was approaching when the question of an increase in Japanese defence spending might be broached.

As the meeting was ending Mr. Trudeau remarked that he had been very glad to note in Venice the importance which the Prime Minister obviously attached to the question of relations with the developing countries.

The discussion ended at 12.50.

*Ph.D.*

25 June 1980

CONFIDENTIAL

W 12  
ECONOMIC SUMMIT - VENICE 22/23 JUNE 1980

List of Gifts

Four large coloured glass plates -  
Signor Francesco Cossiga

One book - Société Européenne de  
Culture, "Comprendre", Revue de  
Politique de la Culture.

*Thanked by CS*

*25 June 1980*

[7-65]

ADVANCE

ECONOMIC SUMMIT + 32.

ADVANCE COPIES

PS  
 PS/LPS  
 PS/MR HURD  
 PS/MR RIDLEY  
 PS/MR MARTEN  
 PS/PUS  
 LORD BRIDGES  
 MR HANNAY  
 MR EVANS  
 MISS BROWN  
 MR HAYES  
 HD/FRD (2)  
 HD/ECD (2)  
 HD/ES & SD (2)  
 HD/NAD  
 HD/WED  
 HD/FED  
 HD/NEWS D

PS/NO 10 DOWNING STREET ✓  
 PS/CHANCELLOR OF }  
 THE EXCHEQUER }  
 SIR K E COUZENS } TREASURY  
 MR TURNBULL }  
 SIR R ARMSTRONG  
 CABINET OFFICE  
 MR W M KNIGHTON } DOT  
 MR E BESTON }  
 MR MACMAHON BANK OF ENGLAND  
 MR BUIST ODA  
 MR LUCAS }  
 MR CARTER } DEPT OF ENERGY

UNCLASSIFIED

FM ROME 151145Z JUN

TO PRIORITY FCO

TELEGRAM NUMBER 406 OF 25 JUNE 1980

INFO SAVING OTHER EC POSTS, WASHINGTON, OTTAWA AND TOKYO

*ms*

VENICE ECONOMIC SUMMIT: ITALIAN PRESS COMMENT

1. COMMENT IN THE ITALIAN MEDIA HAS SO FAR FOCUSED MAINLY ON THE POLITICAL ASPECTS. THE MAIN THEME IS THAT WESTERN COHESION HAS EMERGED STRENGTHENED. PROMINENCE IS GIVEN TO COSSIGA'S REMARK IN HIS FINAL PRESS CONFERENCE THAT THE MESSAGE FROM THE SUMMIT WAS ONE OF "UNITY, SOLIDARITY AND COLLABORATION". THE LEFT-WING PRESS, HOWEVER, PLAYS UP PURPORTED DISAGREEMENTS BETWEEN CARTER AND THE EUROPEAN LEADERS, E.G. OVER THE RESPONSE TO THE SOVIET TROOP WITHDRAWALS FROM AFGHANISTAN.

2. THE CORRIERE DELLA SERA (CENTRE) REFLECTS THE GENERAL TONE IN SAYING THAT THE EAST/WEST DIALOGUE APPEARS TO HAVE BEEN RELAUNCHED. CARTER ACHIEVED HIS MAIN OBJECTIVE OF RESTORING WESTERN UNITY. HIS MEETING WITH SCHMIDT CLEARED UP DOUBTS ABOUT THE FORTHCOMING SCHMIDT VISIT TO MOSCOW. THE SOVIET ANNOUNCEMENT OF LIMITED TROOP WITHDRAWALS HAD THE EFFECT, CONTRARY TO SOVIET EXPECTATIONS, OF CAUSING WESTERN LEADERS TO PUT THEIR DISAGREEMENTS TO ONE SIDE (THE CORRIERE'S PARIS CORRESPONDENT COMMENTS THAT GISCARD TOOK A MORE POSITIVE VIEW OF THE ANNOUNCEMENT THAN THE OTHERS).

OTHERS).

3. OTHER PAPERS, EG LA STAMPA (FIAT-OWNED) AND IL TEMPO (CENTRE RIGHT), ARE MORE CAUTIOUS ABOUT WHETHER INCREASED WESTERN COHESION WILL LAST BEYOND SCHMIDT'S VISIT TO MOSCOW. LA STAMPA COMMENTS THAT THERE WERE REALLY ONLY THREE PROTAGONISTS AT THE MEETING - CARTER, SCHMIDT AND GISCARD. A FOURTH, "SILENT AND OMNIPRESENT LIKE THE STATUE IN DON GIOVANNI", WAS BREZHNEV, WITH HIS ASTUTELY TIMED OFFER OF TROOP WITHDRAWALS. DESPITE THE DECLARATION ON AFGHANISTAN, THE SUMMIT DID NOT REALLY SUCCEED, ACCORDING TO LA STAMPA, IN RESOLVING THE QUESTION OF DIFFERENT ATTITUDES TOWARDS DETENTE AMONG WESTERN LEADERS.

4. THE LEFT-WING PRESS ALSO CONCENTRATES ON THE POLITICAL ASPECTS OF THE SUMMIT: L'UNITA (PCI) EXPLICITLY SAYS THAT ECONOMIC PROBLEMS TOOK SECOND PLACE. THE FINAL OUTCOME ON AFGHANISTAN IS SEEN AS A MASK FOR REAL DISAGREEMENT BETWEEN CARTER AND THE EUROPEANS. THE LACK OF ANY REFERENCE TO THE MIDDLE EAST IS INTERPRETED AS AN ADMISSION THAT THE SEVEN LEADERS COULD NOT HAVE AGREED ON A FORMULA. THERE IS A RATHER HALF-HEARTED ATTEMPT TO DEMONSTRATE A ROW BETWEEN CARTER AND SCHMIDT ON MISSILES.

5. THE ECONOMIC DECISIONS ARE REPORTED WITH RELATIVELY LITTLE COMMENT. THERE IS SOME CRITICISM OF THE AMERICANS FOR SEEKING TO IMPOSE A NEW ENERGY PLAN WHICH IGNORES THE PRESENT IMBALANCE IN ENERGY CONSUMPTION BETWEEN THE INDUSTRIALISED COUNTRIES THEMSELVES. THE NEED FOR FISCAL AND MONETARY RESTRICTIONS TO COMBAT INFLATION IS EMPHASISED: CORRIERE DELLA SERA QUOTES MRS THATCHER AS SAYING THAT THEY "HAVE NOT BEEN APPLIED LONG OR VIGOROUSLY ENOUGH TO YIELD THE DESIRED RESULTS". THERE IS A QUIBBLE IN L'UNITA OF 25 JUNE ABOUT THE EXTRAVAGANT COST OF THE SUMMIT, GIVEN THAT IT IS SUPPOSED TO HERALD A PERIOD OF AUSTERITY.

ON LIMITING OIL CONSUMPTION, ACCEPTANCE OF THE OVERALL STRATEGY IS BALANCED BY AN AWARENESS OF THE PARTICULAR PROBLEMS FACING ITALY. SOME PAPERS SPEAK OF BRITISH AND AMERICAN RELUCTANCE TO INVOLVE THE USSR IN DEVISING AN ECONOMIC STRATEGY FOR THE THIRD WORLD: REPUBBLICA (LEFT-OF-CENTRE) QUOTES MRS THATCHER AS SAYING THAT THIS COULD BRING A REDISTRIBUTION OF POLITICAL AS WELL AS ECONOMIC POWER.

FCO PLEASE PASS SAVING ADDRESSEES.

ARCULUS

GRS 470

UNCLASSIFIED

FM BONN 241550Z JUN 80

TO ROUTINE FCO

TELEGRAM NUMBER 506 OF 24 JUNE

INFO WASHINGTON, PARIS, ROME, OTTAWA, TOKYO, MOSCOW

INFO SAVING OTHER EC POSTS, BMG BERLIN

*3 ltr: to glance*

*mt*

VENICE ECONOMIC SUMMIT: GERMAN PRESS REACTIONS

1. GERMAN PRESS COVERAGE HAS BEEN PROMINENT AND EXTENSIVE. THE MAIN THEME ON 22 JUNE WAS THE RECONCILIATION BETWEEN CARTER AND SCHMIDT. THIS WAS SEEN AS NO LESS WELCOME FOR BEING PREDICTABLE BUT DOUBTS WERE EXPRESSED ABOUT ITS DURABILITY. THE FRANKFURTER ALLGEMEINE ZEITUNG, FOR EXAMPLE, COMMENTED THAT ONLY VERY YOUNG CHILDREN WOULD BELIEVE BORN'S ASSERTIONS THAT ALL WAS NOW WELL IN US/GERMAN RELATIONS.

2. THE GERMAN PRESS TODAY, REFLECTING OFFICIAL BRIEFING, SEES THE SUMMIT AS A WHOLE AS A SUCCESS FOR CHANCELLOR SCHMIDT. ACCORDING TO THE GOVERNMENT SPOKESMAN THE SUMMIT PROVIDED HIM WITH QUOTE FULL BACKING UNQUOTE FOR HIS TRIP TO MOSCOW. SOME PAPERS POINT OUT THAT SCHMIDT NEITHER SOUGHT NOR OBTAINED AN EXPRESS MANDATE FOR THE TRIP, AND THAT THE AMERICANS REMAIN SCEPTICAL ABOUT ITS TIMING AND POSSIBLE RESULTS. THE SUEDEDEUTSCHER ZEITUNG BELIEVES THAT THE AMERICANS HAVE REDUCED SCHMIDT'S LATITUDE IN MOSCOW AND REMAIN SUSPICIOUS OF HIS DETENTE POLICY. BUT CARTER'S ACCEPTANCE OF SCHMIDT'S ASSURANCE THAT HE REMAINS BOUND BY THE TINF DECISION IS WIDELY NOTED, AS IS THE QUOTE UNDERSTANDING UNQUOTE CARTER IS SAID TO HAVE SHOWN FOR THE EUROPEAN COMMUNITY DECLARATION ON THE MIDDLE EAST. THE PRESS ARGUES THAT THIS, COUPLED WITH THE BROAD AGREEMENT AT THE SUMMIT ON AFGHANISTAN ITSELF, MEANS THAT SCHMIDT CAN NOW SPEAK WITH MORE ASSURANCE IN MOSCOW. WELT COMMENTS THAT THE WEST HAS SHOWN ITSELF MORE UNIFIED THAN MOSCOW THOUGHT, AND QUOTES ONE OF SCHMIDT'S ADVISERS AS SAYING THAT THE MOSCOW TRIP IS NOW QUOTE OUT OF THE DANGER ZONE UNQUOTE.

3. ECONOMIC THEMES GET LESS ATTENTION, THOUGH THE ECONOMIC CONCLUSIONS OF THE SUMMIT ARE ALL SEEN AS SENSIBLE. FRANKFURTER RUNDSCHAU, FOR EXAMPLE, SEES GERMAN HAND-WRITING IN THE ENERGY SECTION OF THE DECLARATION. GERMAN COMMENTATORS HAVE NOT YET FOCUSSED ON THE TASK FOR THE FRG TOO IN MEETING ENERGY TARGETS.

4. UNDERLYING THIS BROADLY POSITIVE ASSESSMENT IS A CLEAR NOTE OF SCEPTICISM, PARTLY ABOUT THE DEGREE TO WHICH US DOUBTS ABOUT GERMAN INTENTIONS HAVE BEEN REMOVED AND PARTLY ABOUT THE WILL OR ABILITY OF OTHER PARTICIPANTS (ESPECIALLY THE US) TO LIVE UP TO THEIR UNDERTAKINGS. THIS IS EXEMPLIFIED BY BELL, GENERAL ANZEIGER'S AUTHORITATIVE COMMENTATOR, WHO ARGUES THAT THE VENICE DECLARATION WILL NOT BE ENOUGH TO SATISFY THE AMERICAN PUBLIC, WHICH BASICALLY CRAVES EVIDENCE OF US STRENGTH AND SUPERIORITY: ONLY THE US HAS

/THE

THE MEANS TO MAKE GOOD THE DEFICIENCIES OF THE LAST DECADE: BONN  
EXPECTS A SEVERE CRISIS IN THE ALLIANCE IF THE US SENATE DOES NOT  
RATIFY SALT II, THE LYNCH PIN OF THE WEST'S ARMS CONTROL POLICY.  
THIS WOULD CALL INTO QUESTION NOT THE ALLIES' LOYALTY BUT THEIR  
CONFIDENCE IN US ABILITY TO LEAD. A NEW ARMS RACE IS THE MOST  
SERIOUS DANGER TO WORLD PEACE, WHICH IS WHY A QUOTE BALANCED UN-  
QUOTE REACTION TO AFGHANISTAN WAS NECESSARY.

FCO PASS SAVING TO DUBLIN, LUXEMBOURG, COPENHAGEN, THE HAGUE,  
UKREP BRUSSELS AND BRUSSELS

WRIGHT

REPEATED AS REQUESTED

THIS TELEGRAM  
WAS NOT  
ADVANCED

FILES

PRD	NEWS D	MR BULLARD
ECON D	PS	MR HANNAY
WED	PS/LPS	MR EVANS
FED	PS/MR HURD	LORD N G LENNOX
NAD	PS/MR RIDLEY	MR DONALD
ECD	PS/MR MARTEN	MR HAYES
PLANNING STAFF	PS/PUS	MISS BROWN
TRED	SIR D MAITLAND	
ES & SD	LORD BRIDGES	

ADDITIONAL DIST  
ECONOMIC SUMMIT



GRS 4pp

RESTRICTED

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FM PARIS 241710Z JUN 80

TO PRIORITY FCO

TELEGRAM NUMBER 581 OF 24 JUNE 1980

INFO ROUTINE BONN BRUSSELS COPENHAGEN DUBLIN ROME LUXEMBOURG  
THE HAGUE UKREP BRUSSELS WASHINGTON OTTAWA AND TOKYO

VENICE ECONOMIC SUMMIT: FRENCH MEDIA REACTIONS

1. FRENCH PRESS COMMENT ON THE VENICE ECONOMIC SUMMIT HAS BEEN DOMINATED BY THREE THEMES: BREZHNEV'S MESSAGE TO PRESIDENT GISCARD ABOUT SOVIET TROOP WITHDRAWALS FROM AFGHANISTAN, AND THE FRANCO/SOVIET RELATIONSHIP; THE EMPHASIS IN THE ECONOMIC PART OF THE SUMMIT ON REDUCING DEPENDENCE ON OIL; AND THE ROLE PLAYED BY THE GISCARD/SCHMIDT TANDEM.

2. ON AFGHANISTAN AND THE BREZHNEV MESSAGE, YESTERDAY'S PRESS WAS CAUTIOUS ABOUT THE IMPLICATIONS FOR WESTERN COHESION OF THE SINGLING OUT OF FRANCE FOR SPECIAL TREATMENT BY THE SOVIET GOVERNMENT. TODAY'S PAPERS PLAY DOWN THE "MESSENGER BOY" ASPECT OF THE AFFAIR AND EMPHASISE GISCARD'S SKILL IN GETTING THE BEST OF BOTH WORLDS BY MAINTAINING THE POSSIBILITY OF CONTINUING CONTACT WITH THE EAST, WHILE DEMONSTRATING SOLIDARITY WITH WESTERN PARTNERS. GISCARD'S STATUS AS "PRIVILEGED INTERLOCUTOR" IS BACKED UP BY THE QUOTATION OF HIS OWN REMARK: "MY TALKS WITH BREZHNEV OPENED THE PATH TO THIS FIRST WITHDRAWAL". THE TELEVISION, VERY OPEN TO GOVERNMENT BRIEFING IN FRANCE, WAS EVEN MORE OBVIOUS. IT LINKED POSSIBLE SOVIET CONCESSIONS OVER AFGHANISTAN DIRECTLY TO GISCARDIAN DIPLOMACY. VIRTUALLY ALL NEWSPAPERS, THE RADIO AND TELEVISION CONCLUDE THAT GISCARD HAS SCORED A SUCCESS BY THE SKILL WITH WHICH HE HAS CAPTURED THE LIMELIGHT.

3. ATTENTION ON THE ECONOMIC CONTENT OF THE SUMMIT FOCUSES ON THE RESOLVE TO REDUCE DEPENDENCE ON OIL. PAPERS STRESS WESTERN FIRMNESS ON THIS ISSUE, AND LE MATIN (SOCIALIST) CLAIMS THAT THE SEVEN HAVE "NEVER SHOWN SUCH ANXIETY OVER THE ENERGY CRISIS". THE "FRENCH IDEA" OF A NORTH/SOUTH CONFERENCE RECEIVES BRIEF TREATMENT IN MOST PAPERS.

RESTRICTED

/4. MOST



RESTRICTED

4. MOST PAPERS BRING OUT THE IMPORTANCE OF BILATERAL CONTACTS DURING THE SUMMIT, AND THE ROLE PLAYED BY SCHMIDT AND GISCARD, ESPECIALLY IN THEIR MEETINGS WITH PRESIDENT CARTER. IF THE SUMMIT "CONCEALS NUMEROUS DIVERGENCES" (LE MATIN) IT WAS IN CARTER'S BILATERALS WITH GISCARD AND SCHMIDT THAT THESE WERE MOST EVIDENT.

5. THE GENERAL JUDGEMENT IS (IN THE WORDS OF LE FIGARO, CONSERVATIVE) THAT THE SUMMIT WAS "A MODEST ACHIEVEMENT" BUT WILL "HAVE MORE CHANCE OF SUCCEEDING" THAN TOKYO.  
HIBBERT

FILES

FRD	NEWS D	MR BULLARD
ECON D	PS	MR HANNAY
WED	PS/LPS	MR EVANS
FED	PS/MR HURD	LORD N G LENNOX
NAD	PS/MR RIDLEY	MR DONALD
ECD	PS/MR MARTEN	MR HAYES
PLANNING STAFF	PS/FUS	MISS BROWN
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ADDITIONAL DIST  
ECONOMIC SUMMIT

## Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard,

24 June 1980, columns 231 - 253

"Venice Summit Meeting"

Signed Wayland Date 18 February 2010

**PREM Records Team**

## STATEMENT

With permission, Mr Speaker, I will make a statement about the Economic Summit meeting in Venice on 22 and 23 June at which I was accompanied by my Noble Friend, the Foreign Secretary and my rt hon. Friends, the Chancellor of the Exchequer, and the Secretary of State for Energy.

This was the first Summit meeting since the Soviet occupation of Afghanistan and the first to have a detailed and formal discussion of international political problems. The unanimity and sense of common purpose that informed this discussion is reflected in our public statements. We confirmed that the Soviet occupation of an independent Sovereign nation is and will remain unacceptable. We called for the complete withdrawal of Soviet troops and for the Afghan people to be left free to decide their own future. We were not deflected by the Soviet Government's carefully timed announcement of the withdrawal of certain units from Afghanistan. We made clear that the withdrawal, if confirmed, must be irreversible and must continue until no Soviet forces remain in Afghanistan. We reaffirmed our opposition to the attendance of our athletes at the Olympic Games.

In addition to this declaration on Afghanistan, we also agreed statements about refugees, the taking of diplomatic hostages and hijacking.

The main purpose of these Summit meetings, however, is still to review the world economic situation. Here, our discussions were dominated by the problem of oil prices. These have virtually doubled since our last meeting in Tokyo a year ago. The increases in the price of oil have had and will continue to have profoundly damaging effects upon the world economy. They have led to even higher inflation, to the imminent threat of severe recession and to increased unemployment in the industrialised countries.

/We

We agreed at Venice that our top economic priority must remain the reduction of inflation and that determined fiscal and monetary restraint is therefore required. We agreed that if we were to improve productivity and to provide new job opportunities, resources must be shifted from Government spending to the private sector and from consumption to investment. We agreed that measures of this kind might be economically and politically difficult in the short term but that they were essential to sustained non-inflationary growth and to increased employment which are our major goals. These conclusions are entirely in line with the policies which the Government are pursuing in this country.

We accepted the need to break, over the next ten years, the link which has been apparent in some countries between economic growth and oil consumption. With this aim in mind, we agreed upon a series of measures to reduce consumption of oil, to use it more efficiently and to develop alternative sources of energy.

The worst sufferers from the sharply increased price of oil have been the developing countries. Both their oil bill and their current account deficit have doubled in the last two years. The increase in their spending on oil over this period is higher than the total amount of aid they have received <sup>last year</sup> from all official sources. At the same time the ability of the developed countries to help them has itself been diminished by the oil price rises; all seven countries represented in Venice are now in current account deficit.

It follows that the democratic industrialised countries cannot alone carry the responsibility of providing aid to the developing countries. We must look to the main oil exporting countries to use their vastly increased resources to give help. We believe that it is as much in their interests as ours to contribute in this way to the stability of the world economy and to the development of the poorer nations. The fact is that the industrialised countries of the free world, the oil exporting countries and the non-oil developing countries depend upon each other and need to work more closely together.

Against this background we welcomed the report of the Brandt Commission.

We also agreed to review our aid policies and procedures. We shall consider the results of this review at the next Summit.

In addition to our formal business, we had a number of less formal exchanges. In particular, I had a useful bilateral meeting with President Carter.

Mr. Speaker, on the economic side this was a meeting at which we were largely concerned to carry forward the work begun last year. At the same time, we broke new ground by discussing the major international political issue of the day - the invasion and continued occupation of Afghanistan by the Soviet Union. The meeting offered a timely opportunity for the Seven Heads of State and Government to reaffirm their unity of purpose on the political and economic difficulties we face. That opportunity was taken.

STATEMENT ON AFGHANISTAN AND RELATED ISSUES

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

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

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

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

/Afghanistan

Afghanistan should be enabled to regain the sovereignty, territorial integrity, political independence and non-aligned character it once enjoyed. We therefore call for the complete withdrawal of Soviet troops and for the Afghan people to be left free again to determine their own future. Only thus will it be possible to re-establish a situation compatible with peace and the rule of law and thereby with the interests of all nations.

We have taken note of today's announcement of the withdrawal of some Soviet troops from Afghanistan. In order to make a useful contribution to the Afghan crisis, this withdrawal, if confirmed, will have to be permanent and continue until the complete withdrawal of the Soviet troops.

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

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



STATEMENT ON REFUGEES

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

The Heads of State and Government note with great regret that the refugee population continues to grow and that, despite major international relief efforts, their suffering continues. They pay tribute to the generosity and forbearance with which countries in the regions affected have received refugees. For their part, the countries represented at this Summit have already responded substantially to appeals for assistance to and resettlement of refugees. They will continue to do so, but their resources are not unlimited. They appeal to others to join with them in helping to relieve this suffering.

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

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

STATEMENT ON THE TAKING OF DIPLOMATIC HOSTAGES

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

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

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

STATEMENT ON HIJACKING

The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international conventions dealing with unlawful interference with civil aviation. The increasing adherence to these conventions and the responsible attitude taken by states with respect to air-hijacking, reflect the fact that these principles are being accepted by the international community as a whole.

The Heads of State and Government emphasise that hijacking remains a threat to international civil aviation and that there can be no relaxation of efforts to combat this threat. To this end, they look forward to continuing co-operation with all other Governments.



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

*From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO*

MRS. HARRIS  
Confidential Filing

I attach a copy of the draft declaration of the Venice Summit which has been signed by the Personal Representatives of the participating Heads of Government, which Sir Robert Armstrong considers should be kept with your papers.

*Stephen Shind*

24th June 1980

To The Prime Minister

Navajo To Diggins

Venice 4 June 23rd 80

Klaus G. ...

Shlapp  
Casper ...

Robert Armstrong

DRAFT DECLARATION OF THE VENICE SUMMIT

22nd and 23rd of June

How ...

Henry ...

I. INTRODUCTION

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

2. Successive large increases in the price of oil, bearing no relation to market conditions and culminating in the recent decisions by the Organisation of Petroleum Exporting Countries (OPEC) at Algiers, have produced the reality of even higher inflation and the imminent threat of severe recession and unemployment in the industrialised countries. At the same time they have undermined and in some cases virtually destroyed the prospects for growth in the developing countries. We believe that these consequences are increasingly coming to be appreciated by some of the oil exporting countries. The fact is that the industrialised countries of the free world, the oil

producing countries, and the non-oil developing countries depend upon each other for the realisation of their potential for economic development and prosperity. Each can overcome the obstacles to that development, but only if all work together, and with the interests of all in mind.

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

## II. INFLATION

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

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

6. In shaping economic policy, we need a better understanding of the long-term effects of global population growth, industrial expansion and economic development generally. A study of trends in these areas is in hand, and our representatives will keep these matters under review.



III. E N E R G Y

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

8. We welcome the recent decisions of the European Community (EC), the International Energy Agency (IEA) and the Organisation for Economic Cooperation and Development (OECD) regarding the need for long term structural changes to reduce oil consumption, continuing procedures to monitor progress, the possible use of oil ceilings to deal with tight market conditions, and coordination of stock policies to mitigate the effect of market disruption. We note that the member countries of the IEA have agreed that their energy policies should result in their collective 1985 net

oil imports being substantially less than their existing 1985 group objective, and that they will quantify the reduction as part of their continuing monitoring efforts. The potential for reduction has been estimated by the IEA Secretariat, given existing uncertainties, at around 4 million barrels a day (MBD).

9. To conserve oil in our countries:

- We are agreed that new base-load, oil-fired generating capacity should be constructed, save in exceptional circumstances, and that the conversion of oil-fired capacity to other fuels should be accelerated.

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

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

- In transportation, our objective is the introduction of increasingly fuel efficient vehicles. The demand of consumers and competition among manufacturers

are already leading in this direction. We will accelerate this progress, where appropriate, by arrangements or standards for improved automobile fuel efficiency, by gasoline pricing and taxation decisions, by research and development, and by making public transport more attractive.

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

11. We shall encourage the exploration and development of our indigenous hydrocarbon resources in order to secure

maximum production on a long term basis.

12. Together we intend to double coal production and use by early 1990. We will encourage long term commitments by coal producers and consumers. It will be necessary to improve infrastructures in both exporting and importing countries, as far as is economically justified, to ensure the required supply and use of coal. We look forward to the recommendations of the International Coal Industry Advisory Board. They will be considered promptly. We are conscious of the environmental risks associated with increased coal production and combustion. We will do everything in our power to ensure that increased use of fossil fuels, especially coal, does not damage the environment.

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

waste. We reaffirm the importance of ensuring the reliable supply of nuclear fuel and minimising the risk of nuclear proliferation.

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

15. We will actively support the recommendations of the International Energy Technology Group, proposed at the Tokyo Summit last year, for bringing new energy technologies into commercial use at the earliest feasible time. As far as national programmes are concerned, we will by mid-1981 adopt a two-phased approach; first, listing the numbers and types of commercial scale plants to be constructed in each

of our countries by the mid-1980s, and, second, indicating quantitative projections for expanding production by 1990, 1995 and 2000, as a basis for future actions. As far as international programmes are concerned, we will join others in creating an international team to promote collaboration among interested nations on specific projects.

16. [ A high level group of our representatives will review progress made in these fields by each of us ].

[ We have charged our Personal Representatives to make arrangements for reviewing progress made in these fields by each of us ].

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

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

#### IV. RELATIONS WITH DEVELOPING COUNTRIES

19. We are deeply concerned about the impact of oil price increases on developing countries that have to import oil. The increase in oil prices in the last two years has more than doubled the oil bill of these countries, which now amounts to over \$ 50 billion. This will drive them into ever increasing indebtedness, and put at risk the whole basis of their economic growth and social progress, unless something can be done to help them. The industrialised countries cannot carry this responsibility on their own: it must be shared with the oil-exporting countries and the Communist countries and all countries which have the means to share it, especially the oil-exporting countries and.

20. We approach in a positive spirit the prospect of global negotiations in the framework of the United Nations



and the formulation of a new International Development Strategy. In particular, our object is to cooperate with the developing countries in energy conservation and development, expansion of exports, improve access to our markets, enhancement of human skills, and the tackling of underlying food and population problems.

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

22. We are deeply conscious that extreme poverty and chronic malnutrition afflict hundreds of millions of people of developing countries. The first requirement in these

countries is to improve their ability to feed themselves and reduce their dependence on food imports. We are ready to join with them and the International Agencies concerned in their comprehensive long term strategies to increase food production, and to help improve national as well as international research services. We will support and, where appropriate, supplement initiatives of the World Bank and of the Food and Agricultural Organisation (FAO) and to improve grain storage and food handling facilities. We underline the importance of wider membership of the new Food Aid Convention so as to secure at least 10 million tons of food aid annually and of an equitable replenishment of the International Fund for agricultural development.

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

24. We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would welcome an increase in the rate of lending of these institutions

within the limits of their present replenishments, as needed to fulfill the programmes described above. It is essential that all members, especially the major donors, provide their full contributions on the agreed schedule.

25. We welcome the report of the Brandt Commission. We shall carefully consider its recommendations.   We believe a Summit, attended by Heads of State and Government of developed and developing countries, as suggested in that report, could be useful under appropriate circumstances and at a suitable time  .

#### V. MONETARY PROBLEMS

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

Bank for International Settlements designed to improve the supervision and security of the international banking system. The private banks could usefully supplement these efforts.

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

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

VI. T R A D E

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

30. We endorse the positive conclusion of the multilateral trade negotiations, and commit ourselves to early and effective implementation. We welcome the participation of some of our developing partners in the new non-tariff codes and call upon other to participate. We also call for the full participation of as many countries as possible in strengthening the system of the General Agreement

on Tariffs and Trade (GATT). We urge the more advanced of our developing partners gradually to open their markets over the coming decade.

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

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

VII. CONCLUSIONS

33. The economic message from this Venice Summit is clear. The key to success in resolving the major economic challenges which the world faces is to achieve and maintain a balance between energy supply and demand at reasonable levels and at tolerable prices. Those among us whose countries are members of the European Community intend to make their efforts within its framework. The stability of the world economy, on which the prosperity of every individual country relies, depends upon all of the countries concerned - the industrialised countries, the oil exporting countries and the non-oil developing countries - recognising their mutual needs and accepting their mutual responsibilities. In this spirit we, who represent seven large industrialised countries of the free world, are ready to tackle our own problems with determination and to work with others to meet the challenges of the coming decade, to our own advantage and to the benefit of the whole world.



## DECLARATION OF THE VENICE SUMMIT

(22nd and 23rd of June 1980)

### I. Introduction

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

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

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

## 11. Inflation

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

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

6. In shaping economic policy, we need a better understanding of the long-term effects of global population growth, industrial expansion and economic development generally. A study of trends in these areas is in hand, and our representatives will keep these matters under review.

### III. E n e r g y

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

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

9. To conserve oil in our countries:

- We are agreed that no new base-load, oil-fired generating capacity should be constructed, save in exceptional circumstances, and that the conversion of oil-fired capacity to other fuels should be accelerated.
- We will increase efforts, including fiscal incentives where necessary, to accelerate the substitution of oil in industry.
- We will encourage oil saving investments in residential and commercial buildings, where necessary by financial incentives and by establishing insulation standards. We look to the public sector to set an example.

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

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

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

12. Together we intend to double coal production and use by early 1990. We will encourage long term commitments by coal producers and consumers. It will be necessary to improve infrastructures in both exporting and importing countries, as far as is economically justified, to ensure the required supply and use of coal. We look forward to the recommendations of International Coal Industry Advisory Board. They will be considered promptly. We are conscious of the environmental risks associated with increased coal production and combustion. We will do everything in our power to ensure that increased use of fossil fuels, especially coal, does not damage the environment.

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

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

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

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

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

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

#### IV. Relations with developing countries

19. We are deeply concerned about the impact of the oil price increases on the developing countries that have to import oil. The increase in oil prices in the last two years has more than doubled the oil bill of these countries, which now amounts to over \$ 50 billion. This will drive them into ever increasing indebtedness, and put at risk the whole basis of their economic growth and social progress, unless something can be done to help them.

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

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



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

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

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

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

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

## V. Monetary problems

27. The situation created by large oil-generated payments imbalances, in particular those of oil-importing developing countries, requires a combination of determined actions by all countries to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in rechanneling the substantial oil surplus funds on the basis of sound lending standards. We support the work in progress by our monetary authorities and the Bank for International Settlements designed to improve the supervision and security of the international banking system. The private banks could usefully supplement these efforts.

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

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

## VI. T r a d e

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

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

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

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

## VII. Conclusions

34. The economic message from this Venice Summit is clear. The key to success in resolving the major economic challenges which the world faces is to achieve and maintain a balance between energy supply and demand at reasonable levels and at tolerable prices. The stability of the world economy, on which the prosperity of every individual country relies, depends upon all of the countries concerned, recognising their mutual needs and accepting their mutual responsibilities. Those among us whose countries are members of the European Community intend to make their efforts within this framework. We, who represent seven large industrialised countries of the free world, are ready to tackle our own problems with determination and to work with others to meet the challenges of the coming decade, to our own advantage and to the benefit of the whole world.

PRIME MINISTER'S STATEMENT 23.6.1980

I believe we have to be rigorous in our approach to the great problems which face us. The more formidable the problems, the more rigorously realistic our analysis must be.

This kind of analysis of the energy problem leads to the conclusion that it is going to be solved by massive investments in new energy sources outside OPEC and in means of living with less energy. The heart of the problem is not just to use less energy or to import less oil, though both these come into it. It is to cease to be critically dependent for our energy on OPEC sources. So we want to see greater use of coal and of nuclear power, and the development of non-OPEC oil and gas is very important.

If massive investments are needed we have to be clear that in free economies of the Western market system, the price mechanism has to play a major role. You cannot work through investments made by fiat or by the use of public funds with the price mechanism working against you. Letting prices work calls forth the investment. Government action may supplement realistic prices. It cannot substitute for them. This is not a new message but it is a critically important one.

Then recycling. What are the elements of the recycling question? Recycling is a jargon name for the flows of money caused and made necessary by the oil price increase and by oil dependence. One aspect of this is the financing of new energy investment. Another is the financing of the deficits of the developed countries. As we meet, all seven Summit countries are in current account deficit.

/But the aspect

But the aspect which has caused us all most concern is the financing of the increased deficits of the non-oil developing countries. The oil price increase has been a savage blow to them. Again, we have to analyse the situation and we find that it is not one problem but at least two. There are important countries which have been able to draw large sums from the international capital markets. There are others which are poorer and dependent on aid or borrowing from the World Bank or the development banks; or from the IMF.

We have been deeply concerned about both groups. I believe the capital markets and the banking system will make a major contribution as they did after the 1974 price increase; and that the right kind of prudential supervision which the monetary authorities are developing will help and not hinder this. We all believe the international lending institutions will have to do more, especially for the poorer developing countries.

One change registered in our discussions is that it is out of date to talk about the division of the world into North and South. The industrial countries have responsibilities towards the developing countries, especially the poorer ones. But so do the oil producing countries of OPEC. The increased oil bill to the developing countries which have to import oil is very large in relation to what the developed countries can do by way of aid, especially when many developed countries are themselves in balance of payments deficit.

We have all agreed that one of the best ways to help developing countries which have to import oil is to assist them to increase their own energy production. This not only helps them like any other investment. It gives

/them more

them more protection against any future increase in the price of oil. This is an area where the oil exporting countries could particularly help, either directly or perhaps through international bodies.

We have agreed too that the reduction of inflation must remain our immediate top priority, and that that calls for determined fiscal and monetary restraint. In the face of the oil price increases this makes heavy demands on leadership in our free economies. But it is essential if all our other efforts, and our free economies themselves, are not to be undermined.

The theme which concludes our joint declaration is one which has run through all our discussions. It is the theme of common interest, mutual need and mutual responsibilities. The seven countries here are entirely conscious of this interdependence and of these responsibilities and are well used to working in a multitude of international fora with other nations which are at every stage of development. We believe that it is in the interests of oil exporters and of every other group to accept their share of this responsibility and to benefit from the improvement in the world economy which that will make possible.



PRIME MINISTER'S STATEMENT: POLITICAL DISCUSSION

This was the first time the seven Heads of Government have met since the Soviet invasion of Afghanistan. It was also, and not coincidentally, the first time we have discussed political matters at these meetings. The unity of approach revealed both in our formal discussion and on less formal occasions was reassuring. It augurs well for the future. It shows the value of reviewing international, political and economic problems in the same forum: they interact.

Our statement on Afghanistan needs little comment. The Soviet occupation of that country is not going to be accepted by us. We have taken note of the Soviet Government's announced intention to withdraw some of its troops. We will want to see whether any withdrawal is permanent and whether it leads to future withdrawals before assessing its true significance. I would perhaps have been more confident had the news not been released by TASS at the very moment we were assembling here.

Like the Committee of Three set up by the Islamic Conference, we want to see a complete and unconditional withdrawal of Soviet troops from Afghanistan. Until that happens the arguments which led a number of us to favour a boycott of the Olympic Games remains valid. I was glad to see this morning that another leading British athlete has announced that he will not go to Moscow.

In all essential respects, we here share a common approach to the major international issues of the day. Our talks yesterday and the four statements we issued give expression to that unity. The task now is to build on that unity in developing and implementing common policies. The challenge posed by Soviet ambitions extends far beyond Afghanistan. The development of our response is complicated by the increasing diffusion of

political power, outside the traditional East/West framework.  
There will be much for us to talk about at our next meeting.  
I look forward to it.

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Relations

SECRET AND PERSONAL  
BURNING BUSH

NOTE of a Meeting at the Hotel Cipriani, Venice  
on Monday 23 June 1980 at 7.30 am

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PRESENT

Sir Robert Armstrong (United Kingdom)  
Dr Zbigniew Brzezinski (United States)  
Herr Bernd von Staden (Federal Republic of Germany)  
Monsieur Jacques Wahl (France)

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Dr Brzezinski started the discussion by telling us how he had been invited to go and hear Mass in the Pope's private chapel in the Vatican three days before. After the Pope had said Mass, he had invited Dr Brzezinski to stay for breakfast. He then invited Dr Brzezinski to return later in the day. When Dr Brzezinski said he could not do so, the Pope invited him to continue their talk there and then. Dr Brzezinski said that he had an appointment to see the Sistine Chapel. The Pope told Dr Brzezinski not to mind about that, and in the end Dr Brzezinski talked with the Pope through the morning, had lunch with him, and was then given by the Pope a personally conducted visit to the Sistine Chapel. The proceedings were conducted entirely in Polish, and Dr Brzezinski was clearly extremely impressed by the Pope's qualities, as well as flattered by the attention which he had received.

Afghanistan

Dr Brzezinski then asked us for our views about Soviet intentions on withdrawal from Afghanistan. Monsieur Wahl embarked on a long and defensively worded account of dealings with the Russians over President Giscard's meeting with Mr. Brezhnev in Warsaw, in which he was concerned to emphasise that the President had made it clear that nothing less than total and permanent withdrawal of Soviet troops and a change of regime would be acceptable. He said that the Russians, including Mr. Brezhnev, had talked about the

BURNING BUSH

possibility of withdrawal based upon a political solution, but it was clear that the political solution they envisaged included the continuance of the Babrak Karmal regime and negotiations between it and the Governments of Iran and Pakistan. President Giscard had made it clear that not only was the Babrak Karmal regime unacceptable but any political solution would have to be more widely based than that.

Monsieur Wahl said that French intelligence suggested that recent Soviet troop arrivals in Afghanistan consisted of sections of divisions rather than complete divisions. This suggested that the Russians were creating nuclei in Afghanistan, on which they could base a rapid build up if the situation demanded it.

Herr von Staden said that the Germans were extremely sceptical about anything that was said by the Russians about withdrawal from Afghanistan this side of the Olympics. They were still keeping up pressure on the West German Government and West German athletes to change their minds about going to the Olympics. He was not personally optimistic about the prospects for Soviet withdrawal.

Sir Robert Armstrong said that the British Government knew of no reason for thinking that the Russians had any intention of early withdrawal from Afghanistan.

Dr Brzezinski did not suggest that the United States assessment was any different, and he threw out a number of ideas for keeping up the pressure on the Russians in Afghanistan.

- (a) It would be important to keep up the strength of feeling on Afghanistan in the Islamic countries in the Third World.

*BURNING BUSH*

- (b) The more that Western Press and television teams could go into Afghanistan and report what was going on there, the better.
- (c) The more that Western Governments talked about the Afghanistan opposition to the Russians as "forces of national liberation", the better.
- (d) Western Governments should have no truck with the Babrak Karmal regime, but he did not view with displeasure the attempts by the mission set up by the Islamic Conference to talk both to the regime and to representatives of the rebels, since that tended to put the two sides on the same plane and to legitimise the "freedom fighters" in the eyes of the rest of the world.
- (e) It was important to get results on the COCOM front.

Somalia

Dr Brzezinski said that the Americans were negotiating with the Government of Somalia for facilities at Berbera. President Barre was at present demanding conditions which the United States had no intention of fulfilling, but he would in the end come to an agreement without those conditions, if the United States wanted to have one. The question was whether it was right to persist. The United States wanted facilities at Berbera to complement those in Oman and Mombasa, but they feared that the presence of United States facilities in Berbera would encourage the Somalis to a more aggressive policy against the Ethiopians in the Ogaden. Fighting in the Ogaden could draw in not only Ethiopian but Cuban troops; and, if the Somalis got the worst of the fighting, the Somalis might call on the Americans for support, and the Cubans might be tempted to invade Somalia and advance on Berbera. There was thus a real danger of the Americans being drawn in to active confrontation with the Ethiopian and Cuban forces, if not with their Soviet allies, in that part of the world, if they went ahead with facilities in Berbera.

In the discussion that followed there was general agreement that the stationing of United States facilities in Berbera would carry risks of destabilisation in the region - and in this context Sir Robert Armstrong reminded those present that there was a long standing border dispute between Somalia and Kenya, though that was quiet for the moment. On the other hand there was a possibility of considerable benefit: not only would United States facilities in Berbera be valuable for handling situations that might arise in the Gulf or elsewhere in South West Asia; it also seemed unlikely that the Cubans would risk a confrontation which might draw in United States forces in Somalia, and, if it became clear in the region that they were not prepared to risk such a confrontation, or if there was an exchange of fighting in which they came off worse, the West would gain considerably in terms of prestige and influence in that region of Africa, and the Soviets would correspondingly lose it. To sum up the conclusion of the discussion, the stationing of United States facilities in Berbera could produce some immediate destabilisation in the region, but held out the prospect of longer term stability, provided that the United States held firm.

#### South East Asia

Dr. Brzezinski asked what interpretation the rest of us put on events in South East Asia; was this another area where the Russians were trying to bring pressure to bear upon the West? In discussion it was agreed that Russian support of Vietnamese activities in the area was consistent both with a policy of keeping up pressure on the West along "the arc of crisis" and with keeping up pressure on China.

#### Libya

Herr von Staden said that German intelligence suggested that the recent Soviet arms sales to Libya amounted to something like \$7.5 billion, twice the amount of their sales to India and significantly more than their sales to Syria. He



SECRET AND PERSONAL  
BURNING BUSH

asked how the Americans interpreted this: did they see a measure of "pre-positioning"?

Dr Brzezinski was unfamiliar with the figures. He said that one would need to know where the arms were placed and how they were stored and positioned, before one could interpret the purpose for which they might be intended. He agreed that they might be connected with President Qadhafi's antagonism against Egypt, or even with domestic political uncertainties in Libya, from which President Qadhafi might be wishing to divert attention by some form of external adventure. But he thought that it was also necessary to allow for the possibility that President Qadhafi's actions and decision allowed of no rational explanation: President Sadat, who knew him well, had said that he was an irrational man.

Middle East

Dr. Brzezinski said that it would be the intention of the United States Administration to play the Camp David process slow and low key through the United States election. He personally had welcomed the European Community initiative. If it had gone further, it would have been difficult for the United States not to condemn it; as it was, they had been able to avoid doing so, and he personally had thought it useful. If the European Community's emissary decided to go to Washington, he would be received for discussions. Dr Brzezinski asked who the Community's emissary was likely to be, and suggested that he should be somebody who was not regarded as pro-Arab. The rest of us said that it should be assumed that the emissary would be the President of the Council of Ministers for the time being. This would, from 1st July, be the Foreign Minister of Luxembourg, Mr Gaston Thorn. It was regrettable that during this period the Foreign Minister of the smallest country in the Community



SECRET AND PERSONAL  
*BURNING BUSH*

would be in the chair, and he might need to be supported by one or two other political colleagues from other countries in the Community.

Dr Brzezinski said that King Hussein was not now objecting to talks with Palestinian leaders, though it would be difficult for the United States to talk to the PLO as such, unless it recognised the right of Israel to exist within secure boundaries.

Dr Brzezinski said that he thought that the political situation in Israel was beginning to change, and to move more in favour of a more accommodating attitude in relation to the Arab world generally and the Palestinians in particular. He had interpreted the killing of the Arab mayors as a sign that the hard men thought that they were losing influence and control and needed to proceed to desperate measures to restore their prestige and try and prop up their position. Dr Brzezinski did not, however, see any prospect of an early fall of the Begin Government, and said that the United States Government were not working to bring that about: though they had many contacts with the opposition in Israel, it was on the whole his view that Begin would be more trouble in opposition than in power. So far as the Americans were concerned, he had not outlived his usefulness.

Dr Brzezinski said American support for Israel was less strong than it had been. But the Jewish community remained an important force to be reckoned with in American politics, and presented a major problem for the Administration in this election year: both Governor Reagan and Senator Kennedy were making statements which sought to detach Jewish supporters from President Carter.

*BURNING BUSH*Future meetings

There was general agreement that it was desirable to continue quadripartite discussion and co-ordination at all levels. The meetings of political directors and the meetings of ambassadors in Washington were both useful, and should be continued. Meetings between the four "Personal Representatives" of the kind now in progress were no substitute for that process. Nonetheless they had proved useful. The Heads of State and Government could not themselves meet without publicity and the creation of expectations; and, though Foreign Ministers met, and should continue to meet when they could, some of the same problems arose. The meetings of the four "Personal Representatives" provided a means of contact between people close to the Heads of State and Government concerned and had proved to be useful. It was agreed that the four should meet regularly - say, twice or three times a year - usually in Europe - and could be prepared to meet at short notice, if a particular situation suggested that the opportunity might be useful. Sir Robert Armstrong said that he would welcome his colleagues in London after the summer break, in the latter part of September or early October.

Cabinet Office

24 June 1980

June 6, 1980

28.6.1980

REVISED DRAFT DECLARATION OF THE

VENICE SUMMIT

22nd and 23rd of June

- I - INTRODUCTION

1. A turbulent decade has ended, leaving us a difficult legacy. Sudden, large increases in the price of oil have from time to time intensified worldwide inflation, created new risks of a global recession, and undermined the ability of developing and industrialised countries alike to achieve more balanced growth.

① 2 Redistributive Measures  
Inc → Oil. Redistrib of Power to oil  
Poort →

~~② Inc → Oil. Redistrib of Power.~~

② Legacy → Convergence  
Towards S.R.

③

2. In this, the first Summit of the 1980's, we reaffirm our confidence in the ability of democratic societies, based on individual freedom and social solidarity, to meet these challenges.

3. We are determined to establish a sound basis for economic progress in the 1980's. We will have to make major improvements in the structure of our economies to bring this about. There are no quick or easy solutions; sustained efforts are needed to achieve a better future.

4. The centerpiece of our discussion has been energy. It is only one of many problems facing the world, but without a solution to it, we cannot deal satisfactorily with other problems; inflation, unemployment, protectionism, monetary instability and the threat of stagnation in the developing world. We have discussed all these issues, and they are all interrelated; but reducing our collective demand for oil is necessary to the success in the other areas and in particular to controlling inflation.

5. The reduction of inflation is our immediate top priority. Inflation retards growth and harms all sectors of our societies. Determined fiscal and monetary restraint is required to break inflationary expectations. Continuing dialogue among the social partners is needed for the same purpose. We must retain effective international coordination to carry out this policy of restraint, but also to avoid a worldwide recession. A reduction of inflation will benefit all nations, whether industrialised or developing, oil-producing or oil-importing.

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



7. In shaping economic policy, we need a better understanding of the long-term environmental and other effects of population growth, industrial expansion and economic development generally. A study of global trends in these areas is in hand and our representatives will keep these matters under review.

- III - E N E R G Y

8. We cannot achieve our economic objectives, either nationally or in relation to world development, unless greater progress is achieved in dealing with energy problems. The heart of the matter is that economic policy is now constrained by the energy imbalance. We need to weaken the link between economic growth and consumption of energy and, in particular, conserve oil. To do this, we must work together to use energy more efficiently, conserve oil, improve market conditions, increase the supply of coal, expand the use of nuclear power, and hasten the development of synthetic fuels and renewable sources of energy. We ask all countries to join in this effort.

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

10. In order to encourage energy investment and the confidence that flows from sustained economic activity, market forces should be supplemented, where appropriate, by effective fiscal incentives and administrative measures. Domestic prices for oil should be as far as possible reflect representative world prices. Energy investment will contribute substantially to economic growth and employment.

11. To conserve oil in our countries:

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

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

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

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

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12. Our potential to increase the supply and use of energy sources other than oil over the next ten years is estimated at the equivalent of 15-20 MBD of oil. We intend to make a coordinated, vigorous, effort to realise this potential. To this end, we will seek a large increase in the use of coal and enhanced use of nuclear power in the medium-term and a substantial increase in production of synthetic fuels and in sources of renewable energy over the longer term.

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

14. Together, we intend to double coal production and use by early 1990. We will encourage long-term commitments by coal producers and consumers. It will be necessary for both exporting and importing countries to improve their infrastructures, as far as is economically justified, to ensure the required supply and use of coal.



15. We are conscious of the environmental risks associated with increased coal production and combustion. We reaffirm our pledge to ensure that, as far as possible, increased use of fossil fuels, especially coal, does not damage the environment.

16. We look forward to the recommendations of the International Coal Industry Advisory Board. They will be considered promptly.

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

18. We reaffirm the importance of ensuring the reliable supply of nuclear fuel and minimizing the risk of nuclear proliferation.

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

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

21. We are convinced that our comprehensive energy strategy can curb the demand for energy, particularly oil, without hampering growth. We expect that, with this strategy, the ratio between increases in collective energy consumption and economic growth of our countries will, over the coming decade, be reduced to about 0.6, that the share of oil in our total energy demand will be reduced from 53 per cent now to about 40 per cent by 1990, and that our collective consumption of oil in 1990 will be sufficiently below present levels to permit a balance between supply and demand at tolerable prices. (Progress will be closely monitored against these guidelines, while taking into account developments in the supply of oil, and our policies will be adjusted accordingly.)

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

Kuwait.  
Saudi  
Nigeria.

India  
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Zelp - Retho/ria  
Turkey  
France - Ely



RELATIONS WITH DEVELOPING COUNTRIES

23. The present and foreseeable difficulties which threaten the world, both politically and economically, make more important than ever the relations between developed and developing countries. These relations must be based on the recognition of fundamental interdependence and mutuality of interests and on the need to further world peace. A mutually advantageous relationship is an essential element of our strategy for dealing with the problems of the coming decade.

24. We approach in a positive and constructive spirit the prospect of global negotiations in the framework of the United Nations and the formulation of a new International Development Strategy. In particular, our object is to cooperate with the developing countries in energy conservation and development, expansion of exports, enhancement of human skills, and the tackling of underlying food and population problems, in order to promote their continuing growth. It is a common responsibility of the industrialised nations, including the Communist countries, as well as of the oil-producing countries, to make sure that the developing countries do not lack the means of economic growth and of social progress.

25. Higher oil prices and energy shortages critically threaten the well-being of oil-importing developing nations. A major international effort to help these countries increase their energy production is required.

26. In particular, we ask the World Bank to consider means, including the possibility of establishing a new affiliate, by which it might improve and increase its lending programmes for exploration, development and production of conventional and renewable energy sources in these countries. This initiative should be explored with both oil-exporting and industrial countries.

We strongly support the United Nations Conference on New and Renewable Sources of Energy.

27. We are deeply conscious that extreme poverty and chronic malnutrition afflict hundreds of millions of people. We are ready to join with developing countries and international agencies in their comprehensive long-term strategies to increase food production, to improve both national and international research services, and to expand food security systems. We will support and, where appropriate, supplement initiatives of the World Bank and of the Food and Agricultural Organization (FAO) to improve grain storage and food handling facilities. We underline the importance of wider membership of the new Food Aid Convention so as to secure at least 10 million tons of food aid annually and of an equitable replenishment of the International Fund for Agricultural Development.

[ We also encourage all donors to meet the collective target of 500,000 tons for the International Food Reserve Programme. We stress the desirability of an improved grains agreement and measures to reduce fluctuations in agricultural markets . ]

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

29. We urge donor nations, including oil-exporting countries, to make every effort to maximise the flow of aid. We note the inadequate contribution of Communist countries to world development. We recognise the major role of private resource flows and the importance of a suitable climate in encouraging direct investment.

30. We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would welcome an increase in the rate of lending of these institutions, within the limits of their present replenishments, as needed to fulfill the programmes described above.

These replenishments are vital to the economic well-being of developing countries. It is therefore essential that all members, particularly the major donors, provide their full contributions on the agreed schedule.



31. We welcome the report of the Brandt Commission. We shall carefully consider its recommendations. We believe a North-South Summit, as suggested in that report, could be useful under appropriate circumstances and at a suitable time.

32. The situation created by large oil-generated payments imbalances, in particular those of oil-importing developing countries, requires a combination of determined actions by all countries to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in ~~re~~channeling these substantial oil surplus funds on the basis of sound lending standards. Private lending will need to be supplemented by an expanded role for international institutions, especially the International Monetary Fund (IMF). We are committed to the implementation of the agreed increase in IMF quotas, and support appropriate borrowing by the Fund if needed to meet financing requirements of its members. We welcome the IMF's readiness to play a growing part in the financing of payments imbalances. We encourage the IMF to seek ways in which it could, within its guidelines on conditionality, make it more attractive for countries with financing problems to use its resources. In particular, we support the IMF's examination of possible ways to reduce charges on credits to low income developing countries.

The IMF should work closely with the World Bank in responding to these problems. We welcome the Bank's innovative lending scheme for structural adjustment.

We urge oil-exporting countries to help the recycling process by increasing their direct lending to countries with financing problems and thus reducing the strain on other recycling mechanisms.

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

34. In the 1980's we are resolved further to strengthen the open world trading system which has contributed so much to prosperity, employment, and productivity in the last thirty years. To that end we will resist pressures for protectionist actions, which can only be self-defeating and aggravate inflation.

35. We welcome the positive conclusion of the multilateral trade negotiations, and commit ourselves to early and effective implementation. In particular, we welcome the new non-tariff codes. We welcome the participation of some of our developing partners in the new codes and call upon others to participate. We also call for the full participation of as many countries as possible in strengthening the system of the General Agreement on Tariffs and Trade (GATT) as a framework for trading relationships in the 1980's. We will seek to make the GATT an increasingly effective international trade instrument. We urge the more advanced of our developing partners gradually to open their markets over the coming decade, in a manner commensurate with their growing economic strength and with their desire to ensure fuller integration into the world trading system.

36. We also welcome the OECD Ministerial Council's new trade declaration, including its commitments to resist protectionism, and seek further improvements in the world trading system.

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

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



- VIII - CONCLUSIONS

39. At this Summit we have been conscious of the seriousness of the problems facing the world in the coming decade. Inflation, unemployment, energy and development all pose major challenges. The key to an effective response is the greater effort to conserve and produce more energy on which we have agreed. That effort is essential if we are to succeed in overcoming inflation and unemployment, and it will also reinforce the cooperation we seek with developing countries on such global problems as energy, food and population. In pursuing this strategy we shall be able to draw on the remarkable potential of our democratic societies and meet the challenges of the coming decade to our own advantage and the benefit of the whole world.

PRESS STATEMENT ON HIJACKING

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[ At the request of the Heads of State and Government who participated in the Summit, I, in my capacity of chairman of the meeting, am pleased to make the following statement which concerns the declaration on air-hijacking issued in Bonn in July 1978.]

The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international Conventions dealing with unlawful interference with civil aviation. The increasing adherence to these Conventions and the responsible attitude taken by States with respect to air-hijacking reflect the fact that these principles are being accepted by the international community as a whole.

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

DRAFT DECLARATION ON THE TAKING OF  
DIPLOMATIC HOSTAGES

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

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

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

DRAFT STATEMENT ON REFUGEES

We are acutely conscious of the human suffering caused by the flow of refugees. We pledge ourselves to join with others in supporting refugees and in assisting their resettlement.

We call on those countries that are responsible for the problem to eliminate the causes of this human tragedy.

ADVANCES: BOAT PEOPLE

X - 14

IMMEDIATE

PS  
PS/LPS  
PS/MR BLAKER  
PS/EUS  
SIR D MAITLAND  
MR MURRAY  
LORD N G LENNOX  
HD/UND  
HD/HK & GD  
HD/NEWS D  
HD/SEAD  
*Head of Planning Staff*  
~~RESTRICTED OFFER~~

PS/NO 10 DOWNING STREET

MR WADE  
PS/HOME SECRETARY  
RM 754 Q.A.G.

*Div. Cab. Office*

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TELEGRAM NUMBER 31 OF 23 JUNE

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UNDEL NATO, UKREP BRUSSELS

NY TELNO 27.

STATEMENT ON REFUGEES.

THE HEADS OF STATE AND GOVERNMENT ARE DEEPLY CONCERNED AT THE PLIGHT OF THE EVER-INCREASING NUMBER OF REFUGEES THROUGHOUT THE WORLD. HUNDREDS OF THOUSANDS HAVE ALREADY LEFT THE INDOCHINESE PENINSULA AND CUBA, MANY OF THEM TAKING THE RISK OF FLEEING ACROSS THE OPEN SEAS. PAKISTAN HAS RECEIVED ALMOST ONE MILLION REFUGEES FROM AFGHANISTAN. IN AFRICA REFUGEES NUMBER SEVERAL MILLIONS.

THE HEADS OF STATE AND GOVERNMENT NOTE WITH GREAT REGRET THAT THE REFUGEE POPULATION CONTINUES TO GROW AND THAT, DESPITE MAJOR INTERNATIONAL RELIEF EFFORTS, THEIR SUFFERING CONTINUES. THEY PAY TRIBUTE TO THE GENEROSITY AND FOREBEARANCE WITH WHICH COUNTRIES IN THE REGIONS AFFECTED HAVE RECEIVED REFUGEES. FOR THEIR PART, THE COUNTRIES REPRESENTED AT THIS SUMMIT HAVE ALREADY RESPONDED SUBSTANTIALLY TO APPEALS FOR ASSISTANCE TO AND RESETTLEMENT OF REFUGEES. THEY WILL CONTINUE TO DO SO, BUT THEIR RESOURCES ARE NOT UNLIMITED. THEY APPEAL TO OTHERS TO JOIN WITH THEM IN HELPING TO RELIEVE THIS SUFFERING.

RELIEVE THIS SUFFERING.

BUT, HOWEVER GREAT THE EFFORT OF THE INTERNATIONAL COMMUNITY, IT WILL BE DIFFICULT TO SUSTAIN IT INDEFINITELY. THE PROBLEM OF REFUGEES HAS TO BE ATTACKED AT ITS ROOT.

THE HEADS OF STATE AND GOVERNMENT THEREFORE MAKE A VIGOROUS APPEAL TO THE GOVERNMENTS RESPONSIBLE FOR IT TO REMOVE THE CAUSES OF THIS WIDESPREAD HUMAN TRAGEDY AND NOT TO PURSUE POLICIES WHICH DRIVE LARGE NUMBERS OF THEIR PEOPLE FROM THEIR OWN COUNTRIES.

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IMMEDIATE

PS

PS/SIR I GILMOUR

PS/MR HURD

PS/MR RIDLEY

PS/MR BLAKER

PS/MR LUCE

PS/PUS

SIR A DUVE *Marland*

MR P H NOBERLY

CHIEF CLERK

DEPUTY CHIEF CLERK

DUS (GEOG) .....

AUS (GEOG) .....

HEAD (GEOG) *Planning Staff*

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HEAD AND DEPUTY HEAD/PUSD (3)

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LEGAL ADVISER (MR FREEMAN RM K200A)

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TO IMMEDIATE FOO

TELEGRAM NUMBER 30 OF 23 JUNE

INFO PRIORITY BONN, PARIS, OTTAWA, TOKYO, WASHINGTON,

UKDEL NATO, UKREP BRUSSELS

MY TELNO 27.

## STATEMENT ON THE TAKING OF DIPLOMATIC HOSTAGES

GRAVELY CONCERNED BY RECENT INCIDENTS OF TERRORISM INVOLVING THE TAKING OF HOSTAGES AND ATTACKS ON DIPLOMATIC AND CONSULAR PREMISES AND PERSONNEL, THE HEADS OF STATE AND GOVERNMENT REAFFIRM THEIR DETERMINATION TO DETER AND COMBAT SUCH ACTS. THEY NOTE THE COMPLETION OF WORK ON THE INTERNATIONAL CONVENTION AGAINST THE TAKING OF HOSTAGES AND CALL ON ALL STATES TO CONSIDER BECOMING PARTIES TO IT AS WELL AS TO THE CONVENTION ON THE PREVENTION AND PUNISHMENT OF CRIMES AGAINST INTERNATIONALLY PROTECTED PERSONS OF 1973.

THE HEADS OF STATE AND GOVERNMENT VIGOROUSLY CONDEMN THE TAKING OF HOSTAGES AND THE SEIZURE OF DIPLOMATIC AND CONSULAR PREMISES AND PERSONNEL IN CONTRAVENTION OF THE BASIC NORMS OF INTERNATIONAL LAW AND PRACTICE. THE HEADS OF STATE AND GOVERNMENT FEEL IT NECESSARY THAT ALL GOVERNMENTS SHOULD ADOPT POLICIES WHICH WILL CONTRIBUTE TO THE ATTAINMENT OF THIS GOAL AND TO TAKE APPROPRIATE MEASURES TO DENY TERRORISTS ANY BENEFITS FROM SUCH CRIMINAL ACTS. THEY ALSO RESOLVE TO PROVIDE TO ONE ANOTHER'S DIPLOMATIC AND CONSULAR MISSIONS SUPPORT AND

PS NO 10 DOWNING STREET

PS HOME SECRETARY

~~PS J HUNT CABINET OFFICE~~~~PS D WASS TREASURY~~~~PS I BANCROFT CIVIL SERVICE DEPT~~~~PS J D CULVERWELL CIVIL SERVICE DEPT~~~~PS M G PETER CRE DOT~~

Dio

PROVIDE TO ONE ANOTHER'S DIPLOMATIC AND CONSULAR MISSIONS SUPPORT AND ASSISTANCE IN SITUATIONS INVOLVING THE SEIZURE OF DIPLOMATIC AND CONSULAR ESTABLISHMENTS OR PERSONNEL.

THE HEADS OF STATE AND GOVERNMENT RECALL THAT EVERY STATE HAS THE DUTY UNDER INTERNATIONAL LAW TO REFRAIN FROM ORGANIZING, INSTIGATING, ASSISTING OR PARTICIPATING IN TERRORIST ACTS IN ANOTHER STATE OR ACQUIESCING IN ORGANISED ACTIVITIES WITHIN ITS TERRITORY DIRECTED TOWARDS THE COMMISSION OF SUCH ACTS, AND DEPLORE IN THE STRONGEST TERMS ANY BREACH OF THIS DUTY.

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ADVANCE COPIES: HI-JACKING

FS

FS/SIR I. GILMOUR

FS/MR HURD

FS/MR LUCE

FS/FJS

SIR A DUFF *Sir D. Maitland*

LORD BRIDGES

MISS BROWN

MR P.H. MOBERLY

UNDER SEC/GEOS ... ..

HD/MAED  
FUSD (2)

HD/GEOS  
*Head of Planning Staff* ... ..

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NEWS D  
RESIDENT CLERK

SEC OF STATE FOR TRADE 1 VIC ST  
MR N PEARCE DOT 1 VIC ST  
MR J R GILBEA DOT 1 VIC ST  
MR H J BLANCO DOT 1 VIC. ST

MR LANGLEY 1 VIC. ST

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DIO CABINET OFFICE

SIR J HUNT CABINET OFFICE

SIR C ROSE CABINET OFFICE

(DUTY OFFICER DOT AT WEEKENDS  
AND OUT OF OFFICE HOURS)

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TO IMMEDIATE FCO

TELEGRAM NUMBER 29 OF 23 JUNE

INFO PRIORITY BONN, PARIS, OTTAWA, TOKYO, WASHINGTON, UKDEL NATO,  
UKREP BRUSSELS

MY TELNO 27.

STATEMENT ON HIJACKING.

THE HEADS OF STATE AND GOVERNMENT EXPRESSED THEIR SATISFACTION AT THE BROAD SUPPORT OF THE INTERNATIONAL COMMUNITY FOR THE PRINCIPLES SET OUT IN THE BONN DECLARATION OF JULY 1978 AS WELL AS IN THE INTERNATIONAL CONVENTIONS DEALING WITH UNLAWFUL INTERFERENCE WITH CIVIL AVIATION. THE INCREASING ADHERENCE TO THESE CONVENTIONS AND THE RESPONSIBLE ATTITUDE TAKEN BY STATES WITH RESPECT TO AIR-HIJACKING REFLECT THE FACT THAT THESE PRINCIPLES ARE BEING ACCEPTED BY THE INTERNATIONAL COMMUNITY AS A WHOLE.

THE HEADS OF STATE AND GOVERNMENT EMPHASIZE THAT HIJACKING REMAINS A THREAT TO INTERNATIONAL CIVIL AVIATION AND THAT THERE CAN BE NO RELAXATION OF EFFORTS TO COMBAT THIS THREAT. TO THIS END THEY LOOK FORWARD TO CONTINUING CO-OPERATION WITH ALL OTHER GOVERNMENTS.

CONFIDENTIAL

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cc Master let

THIRD SESSION OF ECONOMIC SUMMIT ON 23 JUNE, 1980 AT  
1000 HOURS.

At the Session on 23 June 1980 at 1000 the Summit considered a revised draft declaration on economic matters, prepared by Personal Representatives in the light of discussion at the meeting the previous morning. A copy of the revised draft is attached to these minutes.

Signor Cossiga (Chairman) invited the meeting to start by looking at the draft declaration, so that the meeting could conclude and define the texts. There should not be a great deal to discuss; but Personal Representatives had indicated in square brackets a number of places where decisions remained to be taken by Heads of State and Government.

The meeting first considered the passage square bracketed in paragraph 7, which read:-

"To this end, maximum reliance should be placed on the price mechanism, and domestic prices for oil should reflect representative world prices."

Mr. Trudeau (Canada) said that this passage would create considerable political and constitutional difficulties for him in Canada, where there were problems as between one oil-rich Province and the Federation as a whole; it also seemed to him illogical, if the Summit meeting was arguing that OPEC prices were unjustified, to lay down that domestic prices for oil should be closely tied to world prices. He could live with any one of three possible reformulations of the sentence:

- (a) "To this end, maximum reliance should be placed on market forces".
- (b) "To this end, maximum reliance should be placed on the price mechanism, and representative world prices should be an important factor in determining domestic prices for oil".
- (c) The text as drafted, with "take into account" substituted for "reflect".

In discussion it was argued, by President Giscard in particular, that any of these reformulations would look like a step backward

/ from

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from the Tokyo declaration. After discussion, however, it was agreed to accept Mr. Trudeau's third reformulation.

President Carter (United States) then noted that five of the seven countries represented had reduced their oil imports in line with the goals set at Tokyo. It would be interesting and helpful to know what plans Japan and Canada had for coming within those goals.

President Giscard (France) stressed the importance of renewed efforts to fulfil import ceiling commitments.

Mr. Okita (Japan) said that Japan had achieved its goals for 1979. She had made a 5 per cent savings in oil consumption in 1979 and expected to achieve a further 2 per cent in 1980. Total oil consumption in Japan was roughly at the level of 1973 despite a 30 per cent growth in national gross domestic product. The Japanese Government was following a strict conservation policy, and Japan expected to achieve her target.

Mr. Trudeau said that Canada had achieved its target for 1979. Her target for 1980 was net imports of 150,000 tonnes a day, representing the net difference between imports of 600,000 tonnes and exports to the United States of 450,000 tonnes. The economic slow down in the United States meant that Canada would be exporting less than 150,000 tonnes to the United States, and the International Energy Authority (IEA) had therefore estimated that net Canadian imports would be 162,000 tonnes. The Canadian Government were, however, confident that Canada would reach its target, because the economic slow down would reduce Canadian demand, and Canada was increasing the substitution of domestic gas for imported oil.

The meeting turned to paragraph 16 of the draft communique.

Chancellor Schmidt (Federal Republic of Germany) said that he was not happy with either of the proposals between which the meeting was asked to choose. There were plenty of specialists discussing

/energy

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energy all over the place. All that either proposal would do was to create a new international bureaucracy, adding to the consumption of paper and the costs of international meetings. In his view existing methods of monitoring progress in energy were totally satisfactory.

Mrs. Thatcher (United Kingdom) suggested that the whole paragraph should be deleted. As she understood it, under the existing arrangements Personal Representatives were already able to review these matters and did so. If her colleagues wished to say anything, she preferred the second alternative.

President Carter said that, since energy matters were highly technical, he did not think that the Personal Representatives could be expected to handle it; he therefore preferred the proposal for a high level group of representatives.

Mr. Trudeau was prepared to accept either text.

President Giscard suggested that the meeting should follow the precedent set in Tokyo, though the monitoring group should not on this occasion be asked to work within the OECD.

The meeting agreed that paragraph 16 should read:

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

President Giscard asked whether Ministers of Energy had been able to discuss the attitude to be taken to purchases of consignments of oil for which exceptional prices were demanded on dubious grounds. He recalled that Iran had tried to sell oil at excessive prices and had generally succeeded in finding purchasers.

President Carter said that natural gas purchasers faced almost equal problems, because producer countries were seeking to base their f.o.b. prices on equivalent oil prices. That basis ignored much

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higher transport costs for natural gas and would therefore drive prices to exorbitant levels.

Count Lambsdorff (Germany) agreed that it would be very dangerous if f.o.b. prices for gas were related to oil prices. The Norwegians were showing signs of seeking to establish such a link. As to exorbitant crude oil prices, a definitive solution had not been found; but the matter had been discussed in the IEA and in the European Community, and the co-ordinated response to exorbitant demands by Iran had been relatively successful. This depended on close and personal contacts among energy Ministers.

Mr. Okita said that Japan had refused to buy a consignment of oil for which the Iranian Government had sought to raise the price from \$32.50 to \$35 a barrel. The result had been a total cut off of supplies of Iranian oil to Japan and the loss to Japan of 530,000 million barrels a day. So far the Japanese had been able to continue to hold the line, in consultation with the United States and British Governments and others. They would like to continue the practice of close consultation to avoid exorbitant price increases.

Chancellor Schmidt said he would not be against a cartel of oil consumers or gas importers. Indeed he had proposed such a cartel six years ago, but nobody would listen. The consumers needed to find the power to deal with a producers' cartel. OECD had not been able to establish unity on this, because some members were not net importers of oil. Looking into the future, he foresaw a time when gas exporters would succeed in getting their prices to the same levels as those demanded for oil by the oil exporters. It was only a question of time until technology made possible production of gas and liquid fuels from coal. At that point coal exporters would go the same way as the gas exporters and oil exporters. No doubt exporters of nuclear fuel would in due course go the same way. The consumers were picked off because they did not have the will or the skill to pool their energy demands and organise themselves. So the only way to force industry, domestic consumers, and car manufacturers and users to accept the implications was to make sure that increases in oil

/ prices



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prices were carried through to the final products. He would be interested in exploring the subject of a consumers' cartel, but he feared that it was too late.

M. Giraud (France) said that he thought that it would be wrong to equate oil, gas and coal. If we did that, there would be a danger that we should be erecting our defences in the wrong places. Gas and oil did not compete directly, and gas prices would not necessarily follow in the wake of oil prices. Economic realities meant that there would be a distinction between crude oils with a high petrol content and those with a low content, and the real competition would be between heavy oil, coal and nuclear power. Moreover, owing to the nature of the supply system, it was difficult for a gas seller to change his customers; it should therefore be easier to achieve solidarity among gas consumers. As to coal, that was labour intensive, and producers would not be able to stop producing, since they would need to continue to produce income for their labour force.

Mr. Howell (United Kingdom) agreed with much of what had been said by Count Lambsdorff. There had been some cooperation between energy Ministers on oil prices, and that had to some extent worked in favour of stabilising prices. It was desirable to build on that cooperation. But there was a limit to the extent to which individual companies could take the burden of refusing supplies at exorbitant prices. The difficulty was that, once a company had established a firm relationship with a producer, it was reluctant in the present state of the market to do anything which interfered with that relationship. There remained matters in which it would be desirable to consider how consumers could organise themselves against producers: for instance, OPEC had now fixed \$37.00 a barrel as a maximum ceiling, and it might be possible to concert the reaction to producers who sought to charge a premium on top of that.

Signor Cossiga (Italy) said that Italy had resisted Algerian efforts to push up gas prices to roughly that of oil prices. Gas

/ purchasers

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purchasers needed to be in close consultation together so as to stop gas producers from raising their gas prices to the level of oil prices. It might be easier to organise against gas producers than against oil producers: oil consumers had been divided among themselves, and a cartel of consumers might have undesirable effects on the more moderate producers.

The meeting turned to the square brackets in paragraph 19, where Heads of State and Government were asked to choose between a sentence which said that the industrialised countries must share the responsibility of aiding the development countries with the "oil exporting countries and the communist countries" or with "countries which have the means to share it especially oil exporting countries".

Mrs. Thatcher said that, for reasons which she had made clear in discussion the previous day, she preferred the second alternative, but would accept an additional sentence which would read:

"We note the inadequate contribution of the communist countries to the developing world."

Chancellor Schmidt said that he could live with what Mrs. Thatcher had proposed. Perhaps it did not matter very much what was said, since there was no danger whatever of the Russians coming into the business of helping the developing countries. But the meeting had to have regard to the forthcoming debate in the United Nations. He would like to note the inadequate contribution of the communist countries "with disgust" or some such words. He would also like to make it clear to the developing countries that they could not expect to get aid from the industrialised countries and then turn to the Russians for arms: they could not face both ways, and should at least be non-aligned. Finally, the Chancellor thought that development aid should be concentrated on helping countries to build up their agriculture.

/ President Giscard

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President Giscard said that there were two different ideas to be got across; the first was that the aid burden should be fairly shared between industrialised countries of the West, oil exporting countries and the industrialised communist countries; and the second was to see how Western aid donors could step up their efforts to the developing democracies. He proposed that Personal Representatives should be charged with the duty of seeing how an operational edge could be given to the views which had been expressed in the course of discussion about the need to share the burden of aiding the developing countries.

Mr. Trudeau agreed with President Giscard. It would be valuable to seize a psychological advantage in the United Nations in proposing a sharing of the burden. That should extend to the communist countries, even if they would not in practice take it on. Admittedly they would try to use aid as a vehicle for increasing political influence, but we should have to accept that, if we wanted them to carry any considerable part of the burden.

Mrs. Thatcher said that she disagreed fundamentally with Mr. Trudeau. The West would be building up large political problems for itself if it encouraged communist countries to give aid which would be tied with political strings.

Chancellor Schmidt was inclined to agree with President Giscard. He went on to say that the disagreement that had emerged in the discussion of this point underlined the fact that the industrialised countries could not go on for much longer without a thorough analysis of what was at stake in the developing world. He suggested that this issue should be a specific topic at the next Summit meeting, under the chairmanship of Mr. Trudeau. A fundamental study should be put in hand to serve as a basis for that discussion and to provide a coherent policy as a replacement for the pragmatic policies hitherto followed. The industrialised countries needed to find a concept of development aid which made sense to the people who are asking for a New International Economic Order. These people had no idea what they meant by that; but we had no concept to suggest in its place.

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After discussion the meeting agreed to delete the existing last sentence of paragraph 19 and to insert a new paragraph, after the existing paragraph 25, to read:

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

The meeting turned to paragraph 25 of the draft declaration, and to the square bracketed sentence indicating a belief that a Summit attended by Heads of State and Government of developed and developing countries as suggested in the Brandt Report could be useful under appropriate circumstances and at a suitable time.

President Carter said that he did not favour a Summit of the kind proposed unless there was some prospect of it being successful; he would prefer to delete the sentence.

President Giscard agreed with President Carter. It was not necessary for the Seven countries represented to take a position, and it might create problems.

Chancellor Schmidt, Mr. Trudeau, Mr. Okita and Mrs. Thatcher all agreed to the deletion of the paragraph, while registering that, if such a Summit was convened and they were invited, they would attend.

The meeting agreed that the sentence should be deleted.

The meeting turned to paragraph 32 of the draft declaration on elicit payments to foreign government officials in international business transactions.

/ President Carter

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President Carter said that the United States Administration were much concerned about bribery in the buying and selling of arms and other equipment. The United States was not free of guilt in this respect, though recent Congressional legislation had improved the situation to some degree. The United Nations had been discussing the matter for more than two years; American demands to bring the discussion to a conclusion had not so far been successful. They would therefore like to set a deadline for United Nations discussions, and to see a joint approach by the major trading nations if the United Nations' discussions were unsuccessful.

Mr. Okita and M. Monory (France) feared that any threat of a deadline would damage the prospects for reaching a conclusion in the United Nations, which must be the first objective. They would therefore prefer to delete ~~both the sets of words in square brackets~~.

President Carter suggested that the words "for one more year" should be deleted, thus removing the deadline; but that the declaration should state that, if the effort in the United Nations failed, the Seven countries represented at this meeting would seek to conclude their agreement.

President Carter's proposal was accepted and the meeting accordingly agreed to the deletion of the words "for one more year" in the first sentence of paragraph 32, and confirmed that the second sentence should be included in the final text.

The Meeting agreed that the third sentence of paragraph 33 of the draft declaration should be moved so as to follow, rather than precede, the sentence which now came after it; and that the last sentence of the paragraph should be taken out into a new paragraph, with the deletion of the opening words "In this spirit".

Signor Cossiga said that, with the amendments agreed in discussion, the draft declaration was approved by the meeting. The concluding Press Conference would be held at 3.30 p.m.

President Giscard asked that the Press Conference should not be held until a French text was available. Signor Cossiga

/ said

# CONFIDENTIAL

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said that it was the custom of Summit meetings to work on the English text as basic, leaving translations into other languages to be agreed between national delegations and the Presidency.

Chancellor Schmidt said that he would not wish any impression to be created that English was in any sense the official language of these Summit meetings. It was simply that the participants conferred in English as a matter of convenience. Signor Cossiga said that his words had not been intended to consecrate English as the official language of the Summit but merely to follow past practice.

Signor Cossiga closed the meeting at about 1.00 p.m.

26 June, 1980.

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 MR FERGUSSON  
 MR MURRAY  
 MR BULLAND

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ASSESSMENT STAFF  
 CABINET OFFICE

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MR P H MOBERLY

MR AUST (LEGAL ADVISER)

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FM VENICE 222335Z JUN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 23 OF 22 JUNE

INFO PRIORITY BOMX PARIS, OTTAWA, TOKYO, WASHINGTON, UKDEL NATO,  
 UKREP BRUSSELS

MIPT : AFGHANISTAN AND RELATED ISSUES.

IN SEEKING HERE IN VENICE TO DEFINE A GLOBAL ECONOMIC STRATEGY AND TO SHOW OUR UNITED DETERMINATION TO MAKE IT A REALITY, WE ARE CONSCIOUSLY ACCEPTING THE RESPONSIBILITY THAT FALLS TO THE THREE GREAT INDUSTRIALISED AREAS OF THE WORLD - NORTH AMERICA, WESTERN EUROPE AND JAPAN - TO HELP CREATE THE CONDITIONS FOR HARMONIOUS AND SUSTAINED ECONOMIC GROWTH. BUT WE CANNOT DO THIS ALONE: OTHERS TOO HAVE A PART TO PLAY.

HOWEVER, PRESENT CIRCUMSTANCES OBLIGE US TO EMPHASISE THAT OUR EFFORTS WILL ONLY BEAR FRUIT IF WE CAN AT THE SAME TIME PRESERVE A WORLD IN WHICH THE RULE OF LAW IS UNIVERSALLY OBEYED, NATIONAL INDEPENDENCE IS RESPECTED AND WORLD PEACE IS KEPT. WE CALL ON ALL COUNTRIES TO JOIN US IN WORKING FOR SUCH A WORLD AND WE WELCOME THE READINESS OF NON-ALIGNED COUNTRIES AND REGIONAL GROUPS TO ACCEPT THE RESPONSIBILITIES WHICH THIS INVOLVES.

THE RESPONSIBILITIES WHICH THIS INVOLVES.

WE THEREFORE REAFFIRM HEREBY THAT THE SOVIET MILITARY OCCUPATION OF AFGHANISTAN IS UNACCEPTABLE NOW AND THAT WE ARE DETERMINED NOT TO ACCEPT IT IN THE FUTURE. IT IS INCOMPATIBLE WITH THE WILL OF THE AFGHAN PEOPLE FOR NATIONAL INDEPENDENCE AS DEMONSTRATED IN ITS COURAGEOUS RESISTANCE AND WITH THE SECURITY OF THE STATES OF THE REGION. IT IS ALSO INCOMPATIBLE WITH THE PRINCIPLES OF THE UNITED NATIONS CHARTER AND WITH EFFORTS TO MAINTAIN GENUINE DETENTE. IT UNDERMINES THE VERY FOUNDATIONS OF PEACE, BOTH IN THE REGION AND IN THE WORLD AT LARGE.

WE FULLY ENDORSE IN THIS RESPECT THE VIEWS ALREADY EXPRESSED BY THE OVERWHELMING MAJORITY OF THE INTERNATIONAL COMMUNITY, AS SET OUT BY THE UNITED NATIONS GENERAL ASSEMBLY IN RESOLUTION NO ES-6/2 OF 14 JANUARY 1980 AND BY THE ISLAMIC CONFERENCE AT BOTH ITS RECENT SESSIONS.

AFGHANISTAN SHOULD BE ENABLED TO REGAIN THE SOVEREIGNTY, TERRITORIAL INTEGRITY, POLITICAL INDEPENDENCE AND NON-ALIGNED CHARACTER IT ONCE ENJOYED. WE THEREFORE CALL FOR THE COMPLETE WITHDRAWAL OF SOVIET TROOPS AND FOR THE AFGHAN PEOPLE TO BE LEFT FREE AGAIN TO DETERMINE THEIR OWN FUTURE. ONLY THUS WILL IT BE POSSIBLE TO RE-ESTABLISH A SITUATION COMPATIBLE WITH PEACE AND THE RULE OF LAW AND THEREBY WITH THE INTERESTS OF ALL NATIONS.

WE HAVE TAKEN NOTE OF TODAY'S ANNOUNCEMENT OF THE WITHDRAWAL OF SOME SOVIET TROOPS FROM AFGHANISTAN. IN ORDER TO MAKE A USEFUL CONTRIBUTION TO THE AFGHAN CRISIS, THIS WITHDRAWAL, IF CONFIRMED, WILL HAVE TO BE PERMANENT AND CONTINUE UNTIL THE COMPLETE WITHDRAWAL OF THE SOVIET TROOPS.

WE ARE RESOLVED TO DO EVERYTHING IN OUR POWER TO ACHIEVE THIS. WE ARE ALSO READY TO SUPPORT ANY INITIATIVES TO THIS END, SUCH AS THAT OF THE ISLAMIC CONFERENCE. AND WE SHALL SUPPORT EVERY EFFORT DESIGNED TO CONTRIBUTE TO THE POLITICAL INDEPENDENCE AND TO THE SECURITY OF THE STATES OF THE REGION.

THOSE GOVERNMENTS REPRESENTED AT THIS MEETING WHICH HAVE TAKEN POSITION AGAINST ATTENDANCE AT THE OLYMPIC GAMES VIGOROUSLY REAFFIRM THEIR POSITIONS.

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DISCUSSION BETWEEN ENERGY AND FINANCE MINISTERS AT 3.00 PM ON  
SUNDAY 22 JUNE

cc Master  
Set

Part I:

ENERGY

Pandolfi (Italy in the chair) said that at their meeting in the morning the Heads of State and Government had (a) emphasised the need to break the link between economic growth and the use of oil, (b) made the point that it was necessary to define the attitude of the Summit countries towards the OPEC countries with equilibrium and wisdom, (c) noted a French suggestion that a high-level group be set up to monitor progress on energy measures and (d) agreed that specific problems between the energy field and the general economic field notably recycling needed examination.

Bisaglia (Italy) said that it was necessary to consider how coal production and use could be increased, a big effort made in the nuclear field and talks with the oil producing countries developed bearing in mind that there were differences of view between producing countries and that it was important to avoid confrontation. Italy was willing to play her part in examination of these problems: but her economy depended heavily on oil and her ability to reduce oil imports depended on her scope for reducing oil consumption. There was scope for action on the conversion of oil fired plant to coal and the development of nuclear power. The present coalition Government would be able to take concrete steps forward.

Lambsdorff (FRG) said that the Seven countries were agreed in their analysis of conditions on the energy market. A draft communique had been largely agreed between officials but on the basis of political decisions. Public opinion would expect the decisions of the Venice Summit to show continuity with the discussions at Tokyo, in the IEA and the European Community. Any approach to the oil producing countries should cover those like Mexico who were not members of OPEC. After the Tokyo Summit work had been carried forward in the European Community and the IEA. As for the suggestion of a high-level group, to monitor progress the Summit might instruct Personal Representatives to submit material regularly to future Summits.

/Giraud(France)



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Giraud (France) said that the communique needed to bring out more sharply the points which mattered. The Summit should be very critical of repeated successive and excessive rises in oil prices but should distinguish between the moderate and the hard line OPEC countries. The communique should say that the objective must be to break the link between the rate of growth and the level of oil imports and should then contain a succinct statement of how to obtain results. A high-level group should be set up to monitor progress. The French delegation had prepared a non-paper as an illustration of what they had in mind.

Duncan (USA) thought it essential to retain the full draft communique prepared by officials. The French suggestion of a high-level monitoring group was worthy of consideration. Such a group might engage in discussion of an energy strategy (including relations with the OPEC countries) for the Summit countries.

Sasaki (Japan) supported Count Lambsdorff's views on the communique and the monitoring group. It was necessary to watch the oil price situation including premia after 1 July to see what the Algiers decision meant. He hoped it would prove a first step towards a unified price structure.

Howell (UK) underlined the extreme seriousness of the situation in world oil and energy markets. Real oil prices had increased by 47% since Tokyo. No economy could absorb a continuation of that rate of increase in such a basic commodity. Constructive work had been done in the IEA and the European Community on medium and long-term policies. (But there was a serious medium-term worry about the switch of the Soviet bloc from net exporter to net importer). The adjustment process would take time. It was essential to adhere to certain vital principles notably price realism; and to consider whether OPEC was a cohesive force. The communique set out the elements of a coherent strategy but was too long. It might make more impression if the detail were put into an annex and a short statement of the main points included in the communique itself. He agreed with Count Lambsdorff's suggestion that Personal Representatives should submit regular reports to future Summits in the energy sector.

/Lalonde (Canada)

Lalonde (Canada) thought the French non-text much sharper and better than the draft communique although the point about environmental considerations in paragraph 15 of the long draft should be added. To raise the question of domestic prices at this Summit was inconsistent with the view that recent OPEC price increases were unjustified.

Jenkins (EC Commission) said that it would be procedurally very difficult to abandon the draft communique at this stage. The references in it to the Algiers decision and the need to break the link between economic growth and the consumption of oil should be strengthened. He tended to agree with Count Lambsdorff about the monitoring group. Its establishment could cause difficulties with those members of the Community and the IEA who were not at the Summit.

In further discussion Giraud urged that a tabulated statement should be prepared showing the extent to which the French non-paper covered the points in the longer draft communique. The majority view was however clearly against this. It was eventually agreed with the French not dissenting that Personal Representatives should be asked to examine the French non-text to see if there were any points in it which could usefully be incorporated into the draft communique and to consider whether that draft could be strengthened in the other ways suggested in the discussion.

24 June 1980



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MEETING OF FINANCE AND ENERGY MINISTERS AT 3 PM ON SUNDAY,  
~~22 MAY~~ 1980

PART 2: NORTH/SOUTH DIALOGUE AND MONETARY PROBLEMS

The second half of the meeting was devoted to a tour de table covering the North/South dialogue and monetary problems.

Pandolfi (in the Chair) mentioned four topics which emerged from the mid-morning's meeting of Heads of State and Government:

- i. although the countries represented at the Summit were the only ones making a serious effort to achieve recycling, while OPEC and COMECON were doing nothing to help, nevertheless criticism by the developing countries was focussed on those same Summit countries. Some firm language would be needed in the Communique about this;
- ii. there was a question how far recycling could be achieved by the existing international organisations, and what scope there was for a new IBRD affiliate;
- iii. a distinction should be drawn between the general approach to the North/South dialogue, for example in the UN, and the guidelines for the specific activity of the IMF, IBRD, etc.;
- iv. it might be useful to define further the treatment of the specific rules of the different institutions.

Lambsdorff (Germany) emphasised the need to help ldc's to develop their own energy sources, and to develop markets for their industrial goods in the industrialised countries. This point was mentioned in the trade section of the Communique, but merited inclusion also in the section about relations with developing countries. (At this point Lambsdorff left the meeting.)

/ Miller (USA)

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Miller (USA) in a wide-ranging intervention, in which he listed an agenda which ranged well beyond the present Summit, saw a triangular problem involving industrial countries, ldecs and OFEC - and perhaps even COMECON as well - all of whom would need to be involved in recycling an effective international economic co-operation. Efforts should be made to achieve recycling as far as possible with existing resources, and at the same time we should look for ways of increasing the resources available in future for this purpose. The IMF would need to adapt if it was to cope with the extent and time-scale of the adjustment that would be needed. Miller pointed to the need for further reschedulings of outstanding debt, and suggested that the surplus countries should make additional grants to alleviate the load of debt. He saw risks in the suggestion of a two-tier oil price system for the benefit of ldecs, but favoured loans to ldecs from OFEC on concessionary terms.

On the international banking system, Miller suggested efforts to improve the maturity match between OPEC deposits and the loans made by the banks (many of them to developing countries). He agreed that more consideration should be given, as Chancellor Schmidt had suggested, to the supervision and control of the Euro markets; but it would not be appropriate to put anything into the Communique about a possible safety net for banks engaged in international lending. He acknowledged that the world was moving towards a multi-currency reserve system and wondered whether this process should be left to the markets or whether Governments should attempt to impose some structure on it.

Monory (France) thought the Communique correctly reflected the economic priorities - particularly the struggle against inflation - agreed by the Heads of State and Government. He suggested that the language in paragraph 23 about the problem of the poorest countries should be strengthened; despite the progress made towards the aid target of 0.7% of industrialised countries' GDP, most of the poorest countries had become steadily poorer during the 1970s. The international lending institutions were not welfare institutions, and we were not approaching any sort of solution to the poorest countries' problems. Monory also wanted a further sentence added to

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paragraph 26 to the effect that the machinery for helping ldc's could no longer cope with the situation. It was not enough just to set up a new agency to lend money on commercial terms. He accepted however that the IMF had shown itself becoming much more flexible in the case of Turkey; and agreed that nothing should be said in the Communique about guarantees for commercial banks' international lending.

The Chancellor of the Exchequer emphasised the importance of securing the effective and balanced operation of the oil market; the price mechanism had a fundamental part to play both in reducing demand and increasing supply of alternative forms of energy. It was no good seeking to protect domestic consumers by pretending that prices had not increased, since this would frustrate the essential adjustment. He agreed on the need to draw OPEC into the discussion about recycling, but was generally sceptical about describing the problems in aggregate or global terms; we should instead try to look at each problem and each country separately - some ldc's were oil-producers, while some industrial countries were themselves primary producers and/or oil-producers. Each situation needed to be treated differently - so the whole concept of a North/South dialogue was a gross oversimplification.

The Chancellor, pursuing this general line of thought, questioned the "bloc thinking" in paragraphs 24 and 31; there was no advantage in mentioning COMECON - Western countries would not be pleased if the Communist world actually began to give ldc's substantial quantities of aid. However, OPEC should do more to take part directly in international lending operations. The Chancellor was anxious that supervision of international banking should not be such as to make it more difficult for the banks to take part in recycling. In general, he suggested action to promote the effective use of existing financial institutions rather than setting up new ones; a new IBRD affiliate would take time to set up, and there would be many obstacles in the way: would it not be better to study the possibility of a new facility or facilities managed by the existing institutions?

/ MacEachen

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MacEachen (Canada) doubted whether the Communique section about relations with developing countries fully reflected the dissatisfaction and frustration expressed by Heads of State and Government about the present situation. Not enough imaginative ideas had been produced - there was a need for better relations with OPEC whereby the latter would be brought to help with recycling and the development of energy in non-oil ldc's; and what would OPEC do to help industrial countries on prices and supply?

Matthoefer (Germany) made two specific suggestions:

- i. A mention in paragraph 25 of the increasing over-indebtedness of some ldc's - in such cases further commercial credits would not be appropriate (the example of Turkey showed countries in this situation could find themselves unable to make use of their existing industrial capacity because of the problems about raising finance for essential imports);
- ii. A mention in paragraph 33 of the need for greater transparency in the operation of the Euro markets.

Matthoefer agreed, however, that nothing should be said about lenders of last resort to the Euro markets or about guarantees for international lending by commercial banks. Lahnstein, noted that it was important to avoid any possibility of adverse reactions in financial markets to the Communique, although he suggested that a mention of the recent BIS announcement about monitoring the Euro markets could be helpful. The IMF Interim Committee Communique in Hamburg had given some useful pointers to further work on international financial problems; the IMF Executive Board would be considering further before the September Washington meeting how the Fund could support policies directed at improving the supply side of borrowers' economies. OPEC could be a source for financing further IMF activity, and could also help to provide funds for energy developments in ldc's. Lahnstein agreed that it was too specific to talk about a new "affiliate" in paragraph 24; he echoed the Chancellor's suggestion of a new "facility".

/ Takeshita

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Takeshita (Japan) in a very brief intervention registered his general support for the Communique. The IMF and its Interim Committee represented the best way of tackling international financial problems.

Pandolfi, summing up the discussion recorded that suggestions for amendments to the Communique had been made by France (paragraphs 23 and 26), the United Kingdom (paragraphs 24 and 31), and Germany (paragraphs 24, 25 and 33). The personal representatives would need to take these suggestions into account in their further work on the Communique.

22 June 1980

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SECOND SESSION OF ECONOMIC SUMMIT ON 22 JUNE, 1980 AT  
1515 HOURS: DISCUSSION OF POLITICAL MATTERS

The meeting began by considering a number of statements which had previously been prepared by officials and discussed by Foreign Ministers at lunch immediately before the meeting of Heads of Government. The statement on refugees was agreed as submitted with the addition of a reference to Iran inserted at the suggestion of President Carter in the third sentence. The statement on hijacking was agreed as submitted. The statement on diplomatic hostages was agreed as submitted.

At the opening of the discussion on the fourth statement, that on Afghanistan, President Carter gave his colleagues a summary of the intelligence available to him about the announced Soviet withdrawals from Afghanistan. He said that the Soviet Union had scheduled the redeployment of a number of units for the period 22-24 June. The units were:-

Three FROG Rocket Units  
An Artillery Brigade  
A Tank Regiment  
A Fighter Bomber Squadron  
A Surface to Air Missile Unit

The total number of troops involved would be somewhat less than a division. The units had not been observed in combat recently and might be superfluous to Soviet operations at present. It was possible that they were being removed to permit improvements in Soviet logistic arrangements. Nonetheless, the move was significant. The Prime Minister asked why, if the troops were superfluous to Soviet requirements, the move was significant. President Carter said that it depended on what one meant by the word "significant". It was true that the units had not been used recently. Nonetheless, it was the American assessment that if the Soviet Union was to subjugate Afghanistan completely, the Soviet military presence would have to be greatly increased. It was therefore symbolically important that Soviet troops were, on the contrary, being withdrawn.

/ President Giscard

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President Giscard said that he agreed with President Carter. It was important that events in South West Asia should not invariably be presented as defeats for the West. If it were the case that the Soviet invasion of Afghanistan had been a reverse, it could hardly also be argued that the withdrawal of some Soviet troops was a setback. Of course the West's reaction should be cautious and the situation should be analysed with care. But for months the West had been arguing for a Soviet withdrawal. The withdrawal which had now occurred would be regarded by the world as evidence of the difficult situation in which the Soviet forces found themselves. They had been compelled to reduce their commitment. Chancellor Schmidt said that he agreed with President Giscard's reasoning. The withdrawal should not be presented as detrimental to the interests of the West. On the other hand, it should not be welcomed too warmly. In the few hours since the news had broken, the debate on German participation in the Olympic Games had been renewed. He did not want the arguments of the opponents of the boycott to be strengthened unnecessarily. There were three aspects to the Soviet move:-

- (a) The Soviet Government faced a choice between doubling their forces in Afghanistan, in order to crush the opposition, and retreating. It was not yet clear which option they would decide upon;
- (b) They were hoping to influence the Heads of Government in Venice; and
- (c) They were hoping, above all, to influence potential participants in the Olympic Games. He expected that the announcement of the withdrawal would be followed by an intensification of the propaganda campaign against the boycott.

It followed that the West in reacting to the withdrawal should lay a great deal of stress on the follow-up to the withdrawal. The West should indicate that it intended to wait and see whether or not the withdrawal would be permanent and whether it would lead to further withdrawals.

/ The Heads

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The Heads of Government then discussed the text of the statement on Afghanistan in detail and various minor amendments were agreed.

Mr. Trudeau said that he would welcome a discussion of the scope for economic action intended to bring home to the Soviet Union the West's condemnation of the invasion of Afghanistan. Canada had faithfully implemented the grain embargo. But his Government were wondering how long they could continue the embargo in the absence of action by their partners against other forms of trade. The grain embargo was hurting Canada. He was bound to ask what the other Heads of Government in the room were doing to show their disapproval of Soviet policy. Mr. Okita said that Mr. Trudeau had raised a major issue. A basic question about economic sanctions had yet to be resolved. A choice had to be made between the hard approach to the Soviet Union and the soft approach. The hard approach meant the isolation of the Soviet Union and assumed an effort to impede the development of the Soviet economy. It seemed likely to lead to a military build-up in the Soviet Union and to damage the economies of Western countries. The soft approach envisaged an effort to involve the Soviet Union more with Western economies and to encourage the Soviet Government to pursue peaceful policies. The choice between these two approaches faced Western Governments with a serious dilemma. Unless there was agreement on the policy to be pursued, the actions of Western governments would diverge and problems would arise.

The Prime Minister said that Mr. Trudeau was fully entitled to ask what his partners were doing. The United Kingdom had terminated a credit agreement - extremely advantageous to the Soviet Union - which had been entered into by a previous British Government. Credit would now only be extended on consensus terms. HMG were limiting the export of high technology. They were not applying for exceptions to COCOM's rules. They were arguing within the European Community for an end to the export of subsidised butter; so far they had been unable to get their partners to agree. They had argued strongly in favour of the

/ Olympic

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Olympic boycott. President Carter said that the boycott of the Olympics had not been part of his Government's original plan of reaction to the Soviet invasion but having taken up the idea they had argued for it strongly and had had to cope with major domestic problems in doing so. They had prohibited Soviet fishing in US waters. They had cancelled 17 million tons of contracted grain deliveries. They had tightened up the guidelines for the export of advanced technology. They regarded this as in the long run the most effective means of penalising the Soviet Government. The ending of exceptions to the COCOM rules was important. The reaction of the Islamic world and the vote in the United Nations was of considerable significance. The cumulative effect of these various developments was what mattered. The US Government looked forward to the normalisation of relations with the Soviet Union, to the ratification of SALT II, to the resumption of trade and detente after Soviet troops had been withdrawn. Pending that withdrawal, it was important that there should not be "business as usual". He hoped and prayed that Western leaders would hold firm on this.

Chancellor Schmidt said that this seemed to him to be the moment to broaden the discussion. He wanted to review the question of Soviet expansionism from a global view point and to explain his Government's stand. He saw great danger in the possibility that three sources of conflict which were at present separate might be forced into a single East/West crisis: Afghanistan, Iran and the West Bank. It was important that Western Governments should not adopt policies which pushed matters in that direction. Simultaneously there was a danger of a new round of escalation in the arms race. SALT II had not been ratified, SALT III had not started and the MBFR talks were going nowhere. Since 1960 the Soviet Union had made little progress in Europe but had expanded its political and military influence outside Europe very considerably. They had, it was true, lost ground in Somalia and Egypt. But elsewhere e.g., Cuba, Ethiopia, South Yemen, Syria, Afghanistan, Indo-China and Angola they had made significant gains. The question now was whether the West had the means to contain the spread of Soviet influence, and if possible to get them out of some of the places where they were now established, without a world war.

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As regards the policy of the Federal Republic, Chancellor Schmidt said that he had to remind his colleagues that of the total German population of some 80 million souls, 60 million were in West Germany, 16 million in East Germany, 2 million in Berlin and 2 million scattered through Eastern Europe and the Soviet Union. Short of reuniting the nation, which was not possible "for the time being", the Federal Government had two aims:-

- (a) To make it possible for as many Germans as possible to come to West Germany; and
- (b) To build as good a human relationship as possible between East and West.

The Federal Government, without any publicity, were succeeding in getting 30 to 40 thousand Germans out of Poland each year. The price, paid within the Helsinki framework and the framework of various bilateral agreements, was to have economic exchanges with Eastern European countries. These exchanges were, therefore, far more than a mere matter of trade. They made it possible for the German Government to get "their own people" out. They intended to pursue those exchanges. Given the history of the recent past (i.e., Hitler's war) the German Government considered it a moral and historical necessity to reach a better understanding with the East, and especially Poland, as well as with their partners in the West.

The Federal Government was therefore in an absolutely different position from that of their partners. Nonetheless they had always observed their agreements with those partners to the letter. They had not, incidentally, ever given a penny of Government credit to the Soviet Union or subsidised trade with that country in any way. In so far as they provided financial guarantees for exports, it was on a business basis. The German Government had consistently made a profit from the financial guarantees they had offered. The German Government therefore considered that in the present position contacts between East and West should not be interrupted. They did so for the national reasons he had already described. They also believed that there were international reasons for maintaining contacts. Hot lines and other channels of communication were for discussing problems not for Christmas greetings.

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/ Chancellor Schmidt

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Chancellor Schmidt said that in April the Soviet Government had asked him to pay a return visit to Moscow. He had made them wait six weeks for an answer, but in the end had agreed to go. There were five issues on which he intended to deliver a clear message to the Soviet Government. In doing so he would not primarily be addressing President Brezhnev and Mr. Kosygin, who were on their way out, but their successors. He intended to make it plain that:-

- (a) the Federal Government would offer the Soviet Government no opportunity for wedge-driving between either the Federal Republic and the other members of the European Community or between the Federal Republic and her North American partners;
- (b) the Soviet Government would have to reconcile itself to the certainty that the Federal Government would abide by a philosophy of military balance in Europe; would continue to contribute to the military strength of the Alliance through their manpower (based on a conscript army), through improved equipment and through the provision of territory and accommodation for the armed forces of their allies; and would continue to increase their military effort in line with the growth of their economic resources;
- (c) the same consistency would apply to the Federal Government's view of Euro-strategic issues. There would be no weakening in the Federal Republic's support of the 1979 decisions on LRTNF for which Chancellor Schmidt had fought for ten years;
- (d) the West would never acquiesce in the occupation of sovereign and independent nations;
- (e) in so far as the West adhered unconditionally to its Treaty obligations e.g., the Non-Proliferation Treaty and the Helsinki Agreement, so we expected the Soviet Government to stick to its obligations especially Helsinki and the Quadripartite Agreement on Berlin. The Federal Government remained extremely worried about Berlin.

/ Chancellor Schmidt

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Chancellor Schmidt said that he believed the Russians would understand these five points. He did not expect to reach any agreements with them. He believed that the discussions would end by recording that each side had made their views plain to the other. He was grateful to President Giscard whose visit to Warsaw had made it easier for him to go through with his visit to Moscow.

Chancellor Schmidt said that it was because he was responsible for a divided nation that he had decided to go to Moscow. He would not speak for anyone else in the room but for his country and his own national interest. Although he had consulted his allies over a period of two months about the visit, he had sought no mandate and would accept none. On the other hand he would put forward no thought on which he had not asked for the views of his colleagues. He would not sever economic exchanges but would accept and obey the COCOM rules and the OECD consensus. Herr Genscher would inform his colleagues about the results of the visit as soon as he returned to Germany.

It was not easy for the German electorate to understand the complexity of the Federal Government's policy. Most of them had disagreed with the Government about the Olympic boycott and a great effort had been needed to secure agreement on the boycott. He hoped that the decision would stick. It had not been easy for the German electorate to accept an additional 400 nuclear warheads on top of the 6,000 already on German soil. The German Government had a difficult task in managing a divided nation and persuading the German people not to rebel against that division. The difficulties of the situation were not understood by some of Germany's neighbours and by some of her friends outside Europe.

Signor Cossiga said that Western solidarity, the sense of a global strategy, and the interests of the peoples of the West as a whole, were all important issues. Balanced solutions to internal problems should be sought. The strength of the West as a whole depended on its unity and the fair solution of the problems of individual nations. The Italians themselves were inspired by these principles. As President Carter had recognised in bilateral discussions, the Italian Government had made certain sacrifices in this field.

CONFIDENTIAL / Everyone

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Everyone had been interested in Chancellor Schmidt's exposition. It would be important to consult in advance on future steps, particularly on the Madrid Review Conference and on any action in the UN General Assembly on Afghanistan.

Mr. Okita raised Japan's relations with China. Japan did not like talk about 'playing the China card'. This was a serious matter for them. They had told the Chinese that there was no question of giving them military assistance, and they were not seeking a military alliance with China. If they did, the Russians would take the threat to their interests very seriously. Japan did not want to be involved in any form of Sino/Soviet conflict.

(There followed some discussion of the Political Communique.)

The discussion ended at 1810 hours.

*And*  
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25 June, 1980.

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RECORD OF THE FIRST SESSION OF THE VENICE ECONOMIC SUMMIT  
SUNDAY 22 JUNE

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Signor Cossiga (Italy) welcomed his colleagues to Venice, a renowned centre of cosmopolitan trade and culture. He expressed the condolences of all those represented at the death of Mr. Ohira, the Prime Minister of Japan, and recalled his contribution to the consolidation of relations among the industrialised countries.

Mr. Okita (Japan) expressed the Japanese Government's gratitude for Signor Cossiga's message of condolence and tribute. He said that Mr. Ohira had attached high value to co-operation among the industrialised countries and to Summit meetings, and had been very much looking forward to being present.

Signor Cossiga suggested that the Heads of State and Government should begin with a general economic discussion. As a result of their discussion earlier at breakfast, he thought that there was broad agreement on the draft communique which had been prepared by Personal Representatives, subject to certain comments on matters of form and length, and subject also to agreement among Heads of State and Government on a few points which had been indicated by square brackets in the draft.

This, the sixth of the Economic Summits, came at the end of one of the hardest periods which the industrialised countries had encountered, and at the beginning of a new decade which promised no less difficulty. The draft communique set out the message which it was proposed should come out from this meeting on such questions

as inflation, the problems of developing countries, monetary instability and trade. All these were related, but the central theme was that of energy. Energy was of crucial importance to a country such as Italy, which had no indigenous sources, and was dependent as to 68 per cent of its total requirement on oil. Italy had a strong interest in a broad energy policy which comprised the reduction of oil consumption and the development of alternative sources of energy. Italy supported proposals for specificity and quantification in this field; but a political commitment came before detailed strategy. It was important that the Summit should contain a clear commitment to the development of nuclear power, coupled with clear assurances on the need to ensure safety.

In all discussions of energy the limiting factor was the attitude of the OPEC countries on the price and supply of oil. The recent decisions of OPEC on the price of oil had grave implications for the developing countries. The Summit conference should note the gravity of the situation, but should also express a readiness to engage in dialogue with the OPEC countries, at least some of whom realised the problems which were being created.

Italy did not see the need for new formulae or the creation of new institutions; the existing channels would suffice.

On recycling, measures of intermediation between the surplus and deficit countries could not substitute for the appropriate macro-economic policies and structural adjustment, but such measures would be necessary in the short term. The private banking system had still a major part to play, but international financial institutions would need and were ready to play a greater role.

/Signor

Signor Cossiga hoped that the conference would indicate how the Summit countries were prepared to increase international mediation.

The most immediate threat to the industrialised countries, and particularly to Italy, was inflation. The effects of inflation were devastating, both domestically and internationally. It depressed investment; and it led to the indexing of incomes, in a way which built rigidities into the economic system. There was a new realisation that Governments needed to create the basis for balanced growth, and that that involved clear and firm fiscal and monetary policies to reduce inflation.

Signor Cossiga said that in Italy GNP had grown by 5 per cent in 1979, and was expected to grow by 3-4 per cent this year. While that was reassuring, the consequence of the oil price increases had been a serious effect on the balance of payments. The social partners, mindful of the problems of 1975, were acutely conscious of the risks of recession. He could not remain insensitive to the appeal which he had received from the representatives of the trade unions. Mass unemployment would challenge the survival of democratic societies. It would therefore be right for the industrialised countries to commit themselves to a strategy which sought to counter price inflation but which did not increase unemployment. Policy on demand should have as its object the reduction of inflation; but there should be a complementary policy on the supply side, which should concentrate on the provision of new jobs in high technology and in energy supply. On this would depend the co-operation of the social partners.

/The



The summit countries would need also to have regard to the plight of the Third World, and this not just for economic but also for political reasons. They should clarify their position in the preparations for the global negotiations and the new International Development Strategy.

They should not ignore the Brandt Report. The Italian Government supported the idea of a North/South Summit, subject to appropriate caveats. The wording in the draft Communique was positive, and should produce a positive response.

Italy supported the idea of a new affiliate of the World Bank, as part of a major international effort to assist the developing countries with their energy production. This initiative could well provide a basis for a dialogue between oil producers and consumers.

Signor Cossiga saw the need for a greater commitment by all three groups of the countries concerned - the industrialised countries, the communist countries and the oil exporting countries - in development policy. The communist countries and the oil exporting countries had contributed less than they should. As for Italy, she had doubled her official development aid, and expected to reach the OECD average in two years.

President Carter (United States) said that <sup>the</sup> economic summits were valuable to him, as the leader of the United States. The 1970s had been a turbulent decade; the 1980s would be more so, unless the countries of the industrialised West co-operated. We  
/could

could well see a decrease of 10 per cent or more in oil supply over the next decade, though we were committed to sustaining economic growth. The United States was looking forward to the next 10-15 years. Congress had been reasonably forthcoming in taking action to reduce United States oil imports, to reduce consumption and waste of oil, and to develop indigenous alternatives to oil. He foresaw expenditures of \$80 or \$90 billion ahead in this regard.

In the economic field, each of the countries represented faced difficult decisions for itself; these decisions were made easier if the leaders of the countries met and agreed together. He agreed upon the need for tight monetary measures and tight and prudent fiscal measures. In the United States the Administration had taken strong action to reduce prices. Interest rates were now falling, but there was a threat of recession and an increase in unemployment. The Administration was resisting demands for higher Government expenditure.

In the energy field, the aim was to consume less energy in 1990 than now, while still accommodating economic growth. The people of the United States were inclined to accept this objective. The United States was blessed with coal and shale oil, as well as oil and natural gas. Hitherto they had been profligate in the use of their energy resources, but the national attitude was now changing. The goals set at the Tokyo Summit in 1979 had been constructive for the United States. Oil imports were down by 10-12 per cent in the first five months of 1980, compared with the corresponding period for 1979, and the United States was looking further ahead as well.

/The

The control of inflation remained, however, the top economic priority for his Administration. It would not be easy in political terms, but he would stick to that.

Turning to the developing countries, President Carter said that the action of OPEC in grossly increasing oil prices had been irresponsible, and ought to be strongly condemned by this meeting. The industrialised countries could survive; some of the developing countries could be devastated. The countries represented at the meeting should not only admonish the OPEC countries about the rapid increase in prices but should also encourage them to share with the industrialised countries the responsibility for dealing with the consequences of the oil price increases. There was now intense sentiment against foreign aid in the United States, though it was easier to find support for food aid and technology than for other things. The energy problem remained paramount: there were no signs of a fall in oil prices despite the present supply glut, no doubt because OPEC were now more sophisticated in managing prices and production. The industrialised countries had to decide how to deal more effectively with the developing countries, and to involve OPEC in helping. The problem was large: on average the developing countries were spending 25 per cent of their export earnings on imports of fuel, and for many of them the cost of imported oil and debt service absorbed the whole of their foreign exchange earnings.

The President said that the draft communique prepared by Personal Representatives was in his view very good, and he would wish to suggest only minor drafting changes.

/President Giscard

President Giscard d'Estaing (France) said that, despite the interest in political matters on this occasion, he wished this to be considered to be primarily an economic summit. As one of the initiators of economic summits, he recalled the emphasis that had always been placed on economic and monetary matters.

This was the first summit of the 1980s. The situation had become very difficult over the last four years. The hope and confidence of the 1960s had given way to different feelings about the prospects of inflation, rising unemployment, and rising oil prices. The mood was now one of scepticism and anxiety. It was the responsibility of this meeting to answer that scepticism in terms that were credible. Though he was in general in agreement with the proposed draft Communique, the situation which he had described might call for measures going beyond those reflected in the Communique.

President Giscard highlighted a number of objectives -

(a) The summit should condemn the repeated and unjustified oil price increases. There had been a case for increasing the prices when they were very low, but recent increases had gone far beyond anything which could be justified by economic interest. The Summit should say so: not in defensive terms but in terms to which moderate OPEC opinion could respond.

/(b)

(b) The central idea of the Summit's energy strategy should be to explain to public opinion that the industrialised countries were going to break the link between oil imports and growth. If there had been pessimism in the countries represented, it was because people believed that the existing links between growth and oil imports were unbreakable. Summit leaders must say that their countries were capable of breaking this link by a number of measures. In Tokyo they had decided to restrict oil imports, and five of the seven countries represented had not only achieved but exceeded their objectives. This year it would be a mistake merely to reiterate existing commitments; it would be important to say more strongly than before that it was possible and necessary to loosen the link between growth and energy.

(c) The draft Communique referred to the potential for increasing the supply and use of energy sources other than oil over the next 10 years by the equivalent of 15-20 million barrels a day. The Summit meeting should go for the highest figure in this range; and, in order to ensure that the commitment was seen to be realistic, should consider how it could be achieved. Since the Summit leaders were to meet every year, it would be useful to create a monitoring group as a demonstration to achieve their objectives.

(d) The Summit had to deal with the problems of inflation. He might wish to revert to this subject later.

/(e)

(e) The text of the draft Communique on relations with the developing countries did not touch upon the need to develop the political and institutional context for aid to the developing countries. The development aid concepts worked out in the 1960s were not suitable for the 1980s. In particular, the industrialised countries were caught in a paradox of their own making. They were virtually the only countries that provided development aid. 90 per cent of aid to the developing countries came from them. At the same time they were the only countries criticised by the developing world for their failures. This was the result of bad political organisation in the system. Aid to the developing countries should be the responsibility of three groups of countries: the industrialised countries of the free world, the oil exporting countries and the socialist countries. These last had stayed on the sidelines for too long. If the industrialised countries of the free world did not develop a more imaginative system they would never escape from the paradox. In preparing the draft Communique the Personal Representatives had remained within the traditional framework of concepts. The Summit meeting should entrust Personal Representatives with the task of thinking through proposals for far-reaching changes in the structure and distribution of development aid.

Chancellor Schmidt (Germany) said that he was in general agreement with President Carter and President Giscard.

The world would be able to absorb the most recent oil price increases with far greater difficulty than it had absorbed the

/first

first. Oil prices were now between 15 and 20 times higher than they were in 1970. There was no escaping from the figures: the oil exporting countries now had an aggregate surplus of \$120 billion, while the industrialised countries had an aggregate deficit of \$70 billion and the developing countries had an aggregate deficit of \$50 billion. How could those with a deficit of \$70 billion assist those with a deficit of \$50 billion? So far as the industrialised countries were concerned, the increase in oil prices would create profound recessionary pressures in 1980-81, to which the effects of the recession in the United States would be added. These pressures would lead to increased demands for protectionism.

In Germany the forces for growth were still strong: the Chancellor expected a growth rate of about 3 per cent in 1980. Consumer prices were expected to rise by about 6 per cent, unemployment was at 3 per cent. The Federal Government would continue to follow a resolute monetary and fiscal policy. It would be wrong to stimulate and create demand. Too much money was being printed, and it would not create new jobs. The Government would however move on structural adjustment, and particularly on measures to save energy and substitute for oil. Some people were concerned about the move of the German balance of payments into deficit; but Germany had large reserves, and could carry a deficit for a period of time, and the Government would be seeking to adjust the deficit over the next few years, not to enforce adjustment in the short term. The Chancellor reminded the meeting that the move into deficit was partly the result of Germany fulfilling the obligations he undertook at the Bonn Summit Conference in 1978.

/The Chancellor



The Chancellor said that the OPEC surpluses produced by the latest round of oil increases would not be reduced so quickly as the surpluses which followed the 1973-74 round of increases. Some of the non-oil developing countries had been hit very hard indeed, and had reached the limit of their potential indebtedness. Attempts to deal with their problems by recycling with loans of petrodollars would be self-defeating, and the concept of recycling needed further study.

The Chancellor was deeply worried by the explosive growth of the xeno markets. This presented three unsolved questions:

1. How to prevent the activities of international currency markets from undermining national policies.
2. How to ensure that Euro-banking was subject to proper prudential considerations.
3. Who should fulfil the role of lender of last resort.

If answers were not found to these questions, and particularly to the last, there could be a "black Friday" of global dimensions. Several countries were now very high risk borrowers. Some of them were raising loans simply to finance maturing debt; two-thirds of all Euro-dollar loans were now required to finance maturing debt. There was no sense in this, and nobody was controlling it. In addition the maturities of loans had got longer and longer, while the deposits on which they were based still remained at short term. Provision should be made against the possibility of events that could create world-wide damage. The Summit should appeal to Finance Ministers and central bank governors to sit together and do something. The Group of Ten had done something, but not enough, and they should do more. A welcome should be given and further analysis should be made of Dr. Gut's proposal at New Orleans for private banks to create an international safety net.

/The



The Chancellor said that he had voiced his worries about these matters for four years. No disaster had yet happened; but that did not mean that nothing would happen. He was deeply worried.

The Chancellor said that, as regards energy, German oil imports in 1980 were less than in 1973, despite the growth of Germany's gross domestic product.

As regards the developing world, the Chancellor said that the latest round of oil price increases had been even more devastating in its effect than the first. The oil bills of the developing countries amounted to about \$50 billion, and accounted for the whole of their aggregate balance of payments deficit, and twice the amount of official aid provided by OECD countries. These magnitudes were not understood by those who preached the need for more aid. It was impossible for the industrialised countries to make up for the misery and starvation being imposed on the developing world by OPEC.

/Some

Some of the more advanced developing countries like Brazil, South Korea and Taiwan, could to some degree manage their oil deficits for themselves. These countries accounted for about 40% of the total deficit of the non-oil developing countries. But countries that accounted for 60% of the total deficit were not able to help themselves in that way, and countries like Tanzania, Somalia and Turkey were in a deep mess.

The Summit Meeting should make it clear that responsibility for solving this problem belonged with OPEC and not with the industrialised countries. He agreed with President Giscard that the Communist countries should also be included; he had said something like this at Puerto Rico. At present the Soviets provided only military help. They should be called upon to give economic aid.

OPEC could help either by recycling oil surpluses in the form of grants to the most seriously affected countries or by reducing their prices, at any rate, to those countries. He had said as much to many of the OPEC leaders. They said they were already providing a lot of aid - a total of \$4½ billion - but it was only to Islamic countries.

The Chancellor would be hesitant to create new financial institutions, though there would need to be a series of debt rescheduling conferences over the years. He spoke out even

/ more

more strongly against any changes in IMF conditionality.

The IMF was a banking institution, not an aid or charity organisation, and it should be the one international financial institution motivated by considerations of sense and prudence. agreed  
The/additions to the resources of the international financial institutions should proceed, but the creation of new financial gimmicks would not help. The members of OPEC should be pressed to assume a role commensurate with their strength. How could the industrialised countries with a deficit of \$70 billion give more help to the developing countries with a deficit totalling \$50 billion? These were the facts and figures, and the United Nations and the bishops either did not understand them or pushed them on one side if they did.

The Chancellor referred to the suggestion of the Brandt Report for a private North/South summit. He recalled that he and Mr. Trudeau and others had attended a meeting in Jamaica two or three years ago with a small group of leaders of developing countries. He had come away with a number of new insights. He saw something to be gained by holding such a meeting, though he understood all the difficulties of choosing who should attend. He had made it clear to the Secretary General of the United Nations that he would not take the initiative for such a conference or host it, but he would attend if he was invited. At such a conference three things should be made clear:

/(i)

(i) The industrialised countries of the West had increased their aid by 40% over 24 months. The additional finance that would be required in the 1980s would have to come from OPEC and not from them.

(ii) The developing countries would have to do something to contain the growth in their population. This was something which had to be understood not only by the leaders of the developing countries but by the Roman Catholic Church and by the Pope in Rome. When the Chancellor was at school the population of the world was 2,000 million; it was expected to be 6,500 million by the end of the century. It was impossible for the world to feed, educate and find employment for this sort of growth of population.

(iii) Luxurious aircraft and national airlines were not a first priority for developing countries; they should concentrate above all upon the improvement of their agriculture.

Mr. Okita (Japan) said that summits of the seven had proved useful, and this at the beginning of the 1980s was specially significant. The world stood at an important junction on energy. Structural changes in energy supply and demand would be required in the 1980s. If oil would be in short supply, coal and nuclear fuel were not; the problem there was

lack of technological innovation and investment. As we looked towards the 1990s the free democratic nations were travelling in the same gondola and they should realise it. It was to be hoped that the gondola carrying the developing countries was travelling in the same direction. So far as Japan was concerned the rate of growth in 1979 was 6% and a rate of about 5% was forecast for 1980. Growth in 1979 had been led by increases in domestic consumption and investment, in accordance with the commitments entered into at the Bonn Summit. Consumer prices were up by 7-8% as compared with a year ago, despite increases in commodity prices of about 40%. Japan had been fairly successful in containing her prices, offsetting the increases in commodity prices by improved productivity and anti-inflationary measures. That would continue to be the basis of Japanese policy.

Some of the other industrialised countries were experiencing double-digit inflation. The increase in oil prices was not the only cause of this; there were domestic inflationary elements including wage-price spirals which must be recognised and dealt with. In the longer term the Western nations must strengthen their economic structures and institutions. The Soviet countries were curbing consumption and pouring resources into defence. The Western countries should curb consumption and aid in order to increase investment/to developing nations.

/As to

As to energy, there should be a distinction between oil shortage and energy shortage. The world would look increasingly to coal and nuclear power as alternative sources of energy in the 1980s. Coal deposits in the world exceeded oil reserves by seven times or more. Japan had made a ten year plan for the development of primary energy resources which would reduce the oil content of her energy use from 73 to 50% by 1990. Mr. Okita hoped that the communiqué from the Summit would be specific on these matters, so as to give a stimulus to policies of this kind throughout the industrialised world. Japan had shown that it was possible to reduce oil consumption while increasing growth by 33%.

Turning to the developing nations, Mr. Okita said that their economic difficulties were grave, and a major responsibility rested on OPEC. It was to be hoped that OPEC would keep in mind their plight and much increase aid to them. At the same time industrial countries must re-double their efforts to increase their aid. At the Bonn Summit the Japanese Prime Minister had committed Japan to double her official development aid in five years. Japan was on course to achieve that target. She had greatly increased her aid to Turkey, Pakistan, and Thailand. One objective was to strengthen the resistance of these countries to internal conflict. Grants to the developing countries would continue to be in line with that policy.

The needs of the newly industrialised countries were rather different: they required markets rather than aid, and

could be a dynamic element contributing to the development of the world economy. The industrialised countries needed to proceed with structural adjustment of their economies so as to absorb more exports from the newly industrialised countries.

The Japanese Government welcomed the Brandt Report as valuable and significant. It would help to improve recognition of the plight of the poor nations. Some of its recommendations were ideological but it had the right philosophy for the people of the world.

On the proposal for a North/South summit, Japan thought that such a meeting could be useful and welcome at the appropriate time and in appropriate circumstances. It would carry some risks but would also present opportunities.

Mr. Okita referred to the Common Fund. He said that the Summit Meeting at Bonn in 1978 had given its support to the rapid creation of the Common Fund. Two years had passed, and it was still not set up. The countries concerned should re-double their efforts to realise the Common Fund at the earliest possible moment. This was politically very important for the G77 countries.

Mr. Okita stressed that for the poorest developing countries it was not a matter of increased trade or more lending; what they would need would be increased grants.

/On the

On the monetary side, the immediate problem was to absorb the balance of payments deficits of the non-oil developing countries. To this end co-operative efforts between the industrialised and developing countries should be increased. Recycling was important, but in the longer run might not be adequate; for lasting stabilisation it would be necessary to concentrate attention on the fundamental cause of disequilibrium, and to find solutions by international co-operation. Mr. Okita suggested that the concept of a substitution account might still have a part to play.

Mr. Okita said it would be important to guard against protectionism: if the industrialised countries failed to do so, there would be a serious threat to trade and employment. It might be necessary to continue some safeguards, but it remained very important to avoid any general trend towards protectionism.

In conclusion, Mr. Okita said that the industrialised West faced a strong challenge from the East, not only politically and militarily but economically. In all these respects the West must retain its superiority over the East.

Mrs. Margaret Thatcher (United Kingdom) said that she agreed with a great deal of what had been said. Over the next ten years the world had to grapple with two main problems.

/The



The first was oil prices and inflation. These were related but distinct problems. Many countries had been suffering from inflation before the oil price increases. Political leaders had generated expectations of rising standards and had printed money to keep their economies going. Only too late had we learned that, if one accelerates inflation, one also accelerates unemployment. It was essential to continue to follow prudent monetary and fiscal policies.

The industrialised countries had been beginning to grapple with the problems of home-grown inflation when the oil price increases had come on top of that. At the time of the Summit Meeting at Tokyo oil prices reached \$20 a barrel. Now they were over \$30 a barrel. Average inflation in the OECD was up from 8% to 14% in two years. The oil price increase and the need to deal with it was creating the threat of recession in the industrialised countries. They should all be putting massive investment into the development of alternative energy sources, despite the difficulties of embarking on such a programme at the beginning of a period of recession. She did not underestimate the political difficulties of keeping up the fight against inflation; but the reduction of inflation must remain the first economic priority.

The second problem was that the increase in oil prices was bringing about not only a redistribution of income but also a redistribution of power in favour of the OPEC countries.

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Our thinking needed to take account of this fundamental shift in the structure of power. We had been accustomed to think in terms of West and East, and of North and South. Beside West and East, it was now necessary to include OPEC; and, where North and South had been taken to mean the industrialised countries of the free world and the developing countries, the concept now had to be enlarged to include a third partner which was the oil exporting countries.

The industrialised countries had the strength to carry the increased oil deficits through the international financial system. The newly industrialised countries could probably do it through the banks and the international financial institutions, though she agreed with Chancellor Schmidt that the IMF should not relax its conditionality. The poorest countries could not increase their indebtedness: they must be helped with grants, and the grants must come from OPEC. It was necessary to convince the OPEC countries that it was in their interests not to undermine the economies of the industrialised countries or to drive the developing countries into even deeper poverty. OPEC was not monolithic. It included some countries who were good friends to the Western world, and were reluctant to increase oil prices; if those prices had increased, it was as much because of the fears of the West as the greed of the OPEC countries. There were some countries in a central group in OPEC which would go along with those who were more friendly to the West; but there was a third group of countries who were hawks who would always seek to put prices up.

On the question of trade, the Prime Minister said that there were two debates which to some extent conflicted. There was the argument that the industrialised countries could help the developing countries by opening their markets to increased exports, but there was also the argument that increased imports from developing countries could undermine domestic industries.

The Prime Minister said that President Giscard had remarked that the industrialised countries who gave most of the official development aid were those who were most criticized for their performance. She was inclined to agree with him that we were not always able to give as much as we could in bilateral rather than multi-lateral aid. President Giscard had also suggested that we should try to draw in the Communist countries. The Prime Minister questioned that. The performance of the Communist countries had shown that they only gave aid when it was tied to increased political influence: Afghanistan and Cuba were examples of that. If the Communists were to be invited to give more development aid, it must be without political involvement if it was to be acceptable.

Finally, the Prime Minister re-emphasised her main theme, the need to tackle inflation as the top priority and the need to involve the oil exporting countries in the business of the developing countries.

Mr. Trudeau (Canada) said that he could not improve on the economic survey provided by his colleagues. He would make

three points by way of comment.

First, he would like to strike a note of moderate optimism. Since the summit meetings began, the industrialised democracies had met more or less satisfactorily the challenge imposed by the opposing ideology of the Soviet block. At each meeting there had been a sense of impending doom, whether the problem was recycling, the trade war, the revolt of the young, or inflation. The Western countries had responded to each of these challenges, and in a sense the political leaders had shown themselves reasonably in control. The West had responded to the oil threat without disastrous disruption, and by 1990 could look forward to having solved the energy crisis by conservation of energy and the development of alternative sources to oil. Thus the West had shown the Third World that it had managed and could continue to manage its crises. It had not managed the North/South crisis so well, though some progress had been made even here; witness the Lomé agreement and the Jamaica mini-Summit to which Chancellor Schmidt had referred. On the political side, however, the West had not shown the same degree of control, and had given more impression of disarray.

Secondly, Mr. Trudeau approved the language of the draft communiqué and its emphasis on inflation. But it should be realised that much would depend on the depth of the impending recession, particularly in the United States. Before the next summit it might be necessary to consider measures to reduce unemployment as well as the problems of inflation. Perhaps

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the monitoring group on energy proposed by President Giscard, which he would welcome, could also keep an eye on the depth of the recession and the measures taken to counter it. In Canada it might be necessary by the autumn to stimulate employment. We should see how we went before we committed ourselves to fighting against inflation as top priority for a full year.

Thirdly, President Giscard and Chancellor Schmidt had suggested that the Summit should use strong words in condemnation of the oil price increases. Mr. Trudeau suggested that this should be done "somewhat in fear and trembling", and not in such a way that our friends and allies might be hurt or weakened. It was important not to lose sight of the fact that oil exporting countries did not need to increase their prices in order to increase their revenues; there could be a time when they might wish to reduce their exports in the interests of internal stability, and to increase prices to compensate for a reduction in production.

Commenting on the plight of the developing countries, Mr. Trudeau suggested that it should be indicated to OPEC - perhaps at a North/South Summit on the lines suggested by the Brandt Report - that it would be preferable that there should be no further increase in oil prices but that, if there was to be an increase, it should be totally redistributed to the developing countries. If there was to be such a summit, it

/should

should be arranged in a way and at a time when it could be prevented from being a confrontation of power blocks and could be used to increase understanding of the problems. It might be desirable to involve Communist countries in such a summit, subject always to Mrs. Thatcher's point that any increase in aid from those countries should not be tied to political influence. He was not starry-eyed about this idea; but it could expose the Communist countries to our scrutiny about their principles and objectives.

Mr. Jenkins (Commission of the European Community) said that all were agreed about the need for major structural change to reduce dependence on oil. The European Community was not lagging behind in this. Its dependence on oil had fallen from 61 to 55% of total energy requirement, and would be down to 40% by 1990. The Community's oil consumption was down by 9% in 1980 compared with 1979, and its imports down from 472 million tonnes to 450 million tonnes this year. Only half of that was due to increased North Sea output, the rest was attributable to oil saving and the growth of nuclear power. The Community would be looking at investment on oil saving and on alternative sources. The communiqué from this Summit should state simply and dramatically the need to break the link between energy and growth, and should emphasise that the massive investment required would be a valuable stimulus to demand. A common approach in the communiqué would be a valuable contribution to public understanding of the problems.

/Mr. Jenkins

Mr. Jenkins was inclined to share Mr. Trudeau's views about the need to strike a balance between the risks of inflation and recession. Inflation might be peaking but recession was not. This called for no drastic switch of policies at this stage, but for constant vigilance and a readiness to show flexibility in order to avoid an economic nose-dive.

The position of the poorest countries added to the problems of recession in the industrialised countries. The recent agreement at Algiers was estimated to have reduced growth prospects by 2% and to have increased inflation by 2% in the industrialised countries, but it could prove to be critical for the poorest countries. It would be more difficult to solve the problems resulting from the price increase on this occasion, because this time oil prices were more likely to rise further than to fall in real terms, and it would be more difficult to absorb the greater indebtedness of the developing countries. Much responsibility lay with OPEC, as had been pointed out, but the industrialised countries could not divest themselves of concern: their public opinion would not allow it, and they would be affected both by the effects upon the world banking system and by effects on world trade and particularly on their exports to the Third World. At present the OPEC countries invested their surpluses in safe havens, and left the industrialised countries and the international banking system to take the risks. It was important to get OPEC directly into the Third World. He agreed that the

/conditionality



conditionality of the IMF should not be weakened, but it could be made more available to countries in a different state of development. The increase in the capital of the World Bank was important.

On trade, Mr. Jenkins said that the completion of the Tokyo round was a beginning and not an end. The industrialised countries should maintain an open position in relation to the Third World; they should enable the developing countries at least to earn what they could. Otherwise, the long term interests of all would be damaged.

Signor Cossiga (Chairman) said that he would not attempt to summarise what had been said in this "tour de table" on general topics. He would only underline a few points:

1. This was the first summit of a decade which would be particularly difficult, and the response of those represented must be credible.
2. There was a general agreement that constant increases in oil prices could not be justified. They created not only the threat of recession in industrialised countries but also the most serious consequences for the developing countries which all wished to help. It was necessary to generate in the oil producing countries a sense of responsibility for assisting the developing countries.



3. There was general agreement on the need not just to reduce oil consumption but to loosen the link between energy and growth. President Giscard had suggested a monitoring group on energy.

4. At present the industrialised countries who contributed virtually the whole of official development aid were blamed for its inadequacy. It was necessary to get it across to public opinion that delay in the development of the developing countries was now the responsibility of OPEC. The burden should be shared with the OPEC countries and with the Socialist countries if they were prepared not to use it to increase their political influence. The consequences of oil price increases for the developing countries were stark.

5. Though the international banking system would be able to cope with a considerable part of the recycling problem, it could not cope with it all. The international bodies would have to take part of the load. The possibility of new bodies had been raised. The growth of international currency markets called for the development of prudential controls.

/Signor Cossiga

Signor Cossiga concluded by saying that the discussion of economic matters would be continued by the Economic and Energy Ministers in the afternoon, while Heads of State and Foreign Ministers turned to political issues. Personal representatives should begin their review of the text of the draft communique in the light of the morning's discussion, so that Heads of State and Government could have a new text available the following morning.

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FM VENICE 222245Z JUN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 27 OF 22 JUNE

INFO PRIORITY BONN, PARIS, OTTAWA, TOKYO, WASHINGTON,  
UKDEL NATO, UKREP BRUSSELS

VENICE SEVEN POWER SUMMIT.

1. THE OPENING SESSION, THIS MORNING, WAS DEVOTED TO ECONOMIC SUBJECTS. THE DISCUSSION MOVED SMOOTHLY OVER GROUND WHICH HAD BEEN EXTENSIVELY PREPARED. THERE WERE NO SURPRISE INITIATIVES.
2. ONE FEATURE OF THE DISCUSSION WAS THE INSISTENCE OF GISCARD AND SCHMIDT THAT MUCH THIRD WORLD CRITICISM OF THE INDUSTRIALIZED DEMOCRACIES WAS UNJUST. THE LATTER PROVIDED 90 PERCENT OF OFFICIAL DEVELOPMENT ASSISTANCE, WHILE THE OPEC COUNTRIES WERE DAMAGING THE THIRD WORLD BY RAISING THE OIL PRICE. THE PRIME MINISTER POINTED TO THE NEED FOR SECURING THE CO-OPERATION OF OPEC, BECAUSE POWER AS WELL AS MONEY WAS BEING REDISTRIBUTED. THE PRESIDENT OF THE EC COMMISSION ALSO EMPHASISED THE NEED FOR OPEC TO RECOGNIZE ITS RESPONSIBILITIES.
3. THE NEWS OF THE WITHDRAWAL OF SOME SOVIET TROOPS FROM AFGHANISTAN AND OF BREZHNEV'S MESSAGE TO GISCARD BROKE OVERNIGHT. WHEN DISCUSSION TURNED TO POLITICAL SUBJECTS AT LUNCH, GISCARD QUICKLY MADE IT CLEAR THAT THE FRENCH HAD NOT BEEN DEFLECTED, BY THESE PLOYS, FROM THE LINE OF STRONG CONDEMNATION OF THE SOVIET INVASION THAT THEY HAD TAKEN DURING PREPARATION OF THE SUMMIT.
4. IN THEIR AFTERNOON SESSION THE HEADS OF GOVERNMENT APPROVED, AFTER LIMITED AMENDMENT, THE STRONGLY-WORDED TEXT ON AFGHANISTAN AND RELATED ISSUES. A BROAD-RANGING PRESENTATION ON EAST/WEST RELATIONS BY SCHMIDT PROVED UNPROVOCATIVE. THE SESSION ALSO APPROVED STATEMENTS ON HIJACKING, TERRORISM AND REFUGEES. TEXTS OF THE DECLARATION ON AFGHANISTAN ETC., AND THESE THREE TEXTS (WORDING SUBJECT TO CONFIRMATION TOMORROW) FOLLOW IN MY FOUR IFTS.

FCO PLEASE PASS

EILBECK

FCO/WHITENALL D  
PLANNING STAFF

[REPEATED AS  
REQUESTED]

RESTRICTED

SECRETARY OF STATE (~~Henry~~)

FCS

COCOM

After Afghanistan, the Americans proposed sticking rigidly to the "no exceptions" procedure to the COCOM rules about exports of high technology to the Soviet Union. There has been tacit acquiescence amongst all COCOM partners to this, though no formal agreement.

In addition, COCOM is discussing the widening of the scope of the existing rules. The Americans want to catch key technology for projects over \$100 m - simply on the grounds that smaller projects are less likely to be of major economic importance. The main opposition to the Americans comes from the Germans (who do a lot of big projects) and the French (who have built up computer exports).

\$ 32 million

This figure represents the total of exemptions applied for by the UK and agreed by COCOM last year. Since this year we are foregoing use of the exemptions procedure, we calculate that we are likely to lose roughly the same amount of business in that area this year.

J. J. H. W.

22 June 1980 WALDEN~~James~~

cc: M Alexander Esq

Text of Communiqué Issued  
Agreed by Foreign Ministers

POLITICAL TOPICS

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

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

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

We fully endorse in this respect the views already expressed by the overwhelming majority of the international community, as set out

N.B.: The references in square brackets to the resistance of the Afghan people, which occur in two separate paragraphs, are alternative possibilities.

Book - on way out.

1 No wedge between Germany - West-Germans  
in N.A.T.O.

2 Germany will withdraw to  
balance of Military power

3 Obedience to N.A.T.O.'s decision.

4 Polish - no requirements.

5 Non-military, I,  
West I.

Article I, II, III

Quadrilateral agreement - Dublin







## STATEMENT ON REFUGEES

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

The Heads of State and Government note with great regret that the refugee population continues to grow and that, despite major international relief efforts, their suffering continues. They pay tribute to the generosity and forbearance with which countries in the regions affected have received refugees. For their part, the countries represented at this Summit have already responded substantially to appeals for assistance to and resettlement of refugees. They will continue to do so, but their resources are not unlimited. They appeal to others to join with them in helping to relieve this suffering.

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

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

STATEMENT ON HIJACKING

The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international Conventions dealing with unlawful interference with civil aviation. The increasing adherence to these Conventions and the responsible attitude taken by States with respect to air-hijacking reflect the fact that these principles are being accepted by the international community as a whole.

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

STATEMENT ON THE TAKING OF  
DIPLOMATIC HOSTAGES

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

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

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

Feel it necessary that all Governments should adopt policies

VENICE ECONOMIC SUMMIT

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List of Participants

CANADA

- The Rt. Hon. Pierre Elliot Trudeau  
Prime Minister
- The Hon. Allan J. MacEachen  
Deputy Prime Minister and Minister of Finance
- The Hon. Marc Lalonde  
Minister of Energy, Mines and Resources
- The Hon. Mark MacGuigan  
Secretary of State for External Affairs

FRANCE

- H.E. Mr. Valéry Giscard d'Estaing  
President of the French Republic
- H.E. Mr. Jean François-Poncet  
Minister for Foreign Affairs
- H.E. Mr. René Monory  
Minister for Economic Affairs
- H.E. Mr. André Giraud  
Minister of Industry

GERMANY

- H.E. Mr. Helmut Schmidt  
Federal Chancellor
- H.E. Mr. Hans-Dietrich Genscher  
Federal Minister for Foreign Affairs
- H.E. Mr. Hans Matthoefer  
Federal Minister of Finance
- H.E. Dr. Otto Graf Lambsdorff  
Federal Minister for Economic Affairs

JAPAN

- H.E. Mr. Saburo Okita  
Minister for Foreign Affairs
- H.E. Mr. Noboru Takeshita  
Minister of Finance
- H.E. Mr. Yoshitake Sasaki  
Minister for International Trade and Industry

UNITED KINGDOM

The Rt. Hon. Margaret Thatcher  
Prime Minister

The Rt. Hon. Lord Carrington  
Secretary of State for Foreign and Commonwealth Affairs

The Rt. Hon. Sir Geoffrey Howe  
Chancellor of the Exchequer

The Rt. Hon. David Howell  
Secretary of State for Energy

UNITED STATES OF AMERICA

H.E. Mr. Jimmy Carter,  
President of the United States of America

The Hon. Edmund Muskie  
Secretary of State

The Hon. G. William Miller  
Secretary of the Treasury

The Hon. Charles Duncan, Jr.  
Secretary of Energy

E.C. COMMISSION

The Rt. Hon. Roy Jenkins  
President of the Commission of the European Communities

ITALY

H.E. Mr. Francesco Cossiga  
President of the Council of Ministers

The Hon. Emilio Colombo  
Minister for Foreign Affairs

The Hon. Filippo Maria Pandolfi  
Minister of the Treasury

The Hon. Bisaglia

OFFICE OF THE PRIME MINISTER  
TOKYO

SUBJECT

*submit with draft reply*

(Translation)

*Amul*

**PRIME MINISTER'S**  
June 20, 1980  
**PERSONAL MESSAGE**  
**SERIAL NO. J1306/80**

Dear Prime Minister,

It is my single honour to entrust this message to Foreign Minister Okita and convey to you the thoughts of the late Prime Minister Ohira on the Summit Meetings.

The late Prime Minister Ohira attached a particularly high value to the role the Summit Meetings should play under the present world situation and was exceptionally eager to attend the Venice Summit.

World economy today is threatened by both inflation and unemployment under the severe constraints of energy and natural resources. Prime Minister Ohira had firmly believed that mutual trust and cooperative efforts of the major industrialized countries fostered through the Summit talks would be the only way to meet the challenges and bring about stability to world economy.

At the Venice Summit, Prime Minister Ohira had also earnestly hoped to hold serious and candid discussions on not only the questions on economic management but also on the concrete ways for maintaining and reinforcing the basic order of the international society and strengthening the bond and solidarity of the free world in their efforts towards the common objectives.

However,

The Rt. Hon. Margaret Thatcher, MP.  
Prime Minister  
No. 10 Downing Street,  
London, SW1, United Kingdom

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22 6-80.  
By hand.

However, in late May, only some three weeks before his departure for Venice and when preparations for the Summit Meeting were already well under way, he was suddenly taken ill at the incipient stage of an election campaign and had to be admitted into a hospital. Even then the Prime Minister's eagerness to attend the Venice Summit not at all faltered. The sooner his conditions showed some signs of improvement, he made the decision to attend the Summit Meeting despite his ill health, and on 11th June instructed us to make the necessary preparations including request to his doctors to accompany him to Venice. However, in the gray of the morning of the next day, 12th June, his conditions suddenly deteriorated and despite all the possible medical care, he passed away.

It is truly most regrettable.

In pursuance of Prime Minister Ohira's will, we vow to fulfill our responsibilities in order to contribute to the peace of the world and for the democracy to prosper. I am also convinced that through your efforts, this Summit Meeting will produce a result that fully lives up to the expectations of the peoples of the world.

May I send you all my best wishes for the success of the Meeting,

Sincerely,

Masayoshi Ito  
Prime Minister of Japan  
ad interim



