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PREM 19/2089

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PART 22

SECRET

CONFIDENTIAL FILING

Italian Economic Summit 1987
(Venice)

ECONOMIC POLICY

PT 1: May 1979

PT 22: September 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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~~13.10.86~~		PART					
~~14.10.86~~		ENDS					
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PART 22 ends:-

Japanese Ambassador to PM 29.5.87

PART 23 begins:-

PM to PM Fanfani (T 107/87) 1.6.87

(2) CR.

Prime Minister

CDP 29/5

EMBASSY OF JAPAN
LONDON

29th May 1987

Dear Prime Minister,

I have been asked by Mr. Yasuhiro Nakasone, Prime Minister of Japan, to forward a message to you.

I have pleasure in enclosing herewith the text of this message.

Yours sincerely,

Toshio Yamazaki

Ambassador

The Right Honourable Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
LONDON, S.W.1.

SUBJECT
cc ops
master

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 106/87

29th May 1987

Dear Mrs Thatcher,

With the Venice Summit coming up, I am writing this letter to pursue further policy coordination with your country as well as to explain the measures to be taken by Japan. I deem it essential for smooth operation of the world economy that Japan implement positive measures, thus fulfilling its international responsibility. From this standpoint, we have done our utmost to put into effect a series of measures. It is a great pleasure for me to be able to give you the following report.

Today the Japanese Government determined the Emergency Economic Measures at the ministerial meeting. The drastic measures to expand domestic demand constitute the mainstay of the Emergency Economic Measures. The Government decided to implement domestic demand expansion measures amounting to 5 trillion yen in the form of public works and other expenditures, and furthermore to secure the total of no less than 1 trillion yen as income tax reductions for the current fiscal year as part of and preceding the rest of the tax reform.

These domestic demand expansion measures, worth no less than 6 trillion yen in total, account for 1.8 percent of Japan's GNP, with fiscal measures in the current fiscal year amounting to 5.61 trillion yen of which 3.56 trilllion yen is carried out by the national government. The Government is to formulate a supplementary budget required to implement the measures expeditiously, the magnitude of which far exceeds the precedents. I intend to convene an extraordinary session of the Diet in early July to propose the supplementary budget, and to make every effort to acquire an early Diet approval. We also intend to deal with the Tax Reform Bill in the extraordinary session.

In addition, we decided to take special and extraordinary fiscal measures in the supplementary budget to purchase foreign manufactured goods as government procurement i n the order of one billion dollars in total, to further strengthen import expansion efforts of both the public and private sectors. Furthermore, in order to increase contribution to the international community, we decided on the advanced implementation of the target of doubling Japan's ODA and to recycle public and private financial flow of more than 20 billion dollars either through international development finance organizations or bilaterally over the next three years on a completely

untied basis, and to materialize non-project grant aid of 500 million dollars to the least developed countries in Africa and other areas also over the next three years.

At the upcoming summit, I am determined to play an active role to realize further policy coordination among the summit countries, while on our part, securing implementation of concrete measures. Needless to say, there is a limit to what Japan alone can do. All the industrialized countries must tackle the problems in the world economy in concert and coordination. From this viewpoint, I am convinced that you will afford me your cooperation.

Lastly, I would like to touch upon the pending matters between our two countries. Being well aware of the U.K concern about whisky, I am pleased to learn that the import of whisky from the U.K has been continually increasing since last year. As regards the telecommunications, I can assure you that the Government of Japan will maintain the basic position that any company, domestic or foreign, be given a fair and non-discriminatory treatment under the domestic law. On the expansion of the Tokyo Stock Exchange membership, the consultation between our financial authorities is scheduled for tomorrow. In any case I am paying my personal attention to these matters.

I look forward to seeing you in Venice.

Sincerely,

YASUHIRO NAKASONE

SECRET AND PERSONAL

Jill JO3 AYP

2 bc P.C.

10 DOWNING STREET

LONDON SW1A 2AA

29 May, 1987.

From the Private Secretary

Dear Tony,

VENICE SUMMIT

My meeting with Herr Teltschik and M. Attali today dealt briefly with one or two Venice Summit issues.

While there was no enthusiasm for a statement on East/West relations, it was clear that none of us would oppose it in the last resort. I said that the Prime Minister would want to add a reference to the continuing importance of nuclear weapons to the defence of the West. Both Teltschik and Attali agreed this was desirable.

Attali said that the draft text on terrorism agreed by the Sherpas went to the limit so far as the French were concerned. He understood that the Americans and the United Kingdom had proposed amendments at the recent meeting of Interior Ministers in Paris which would have the effect of institutionalising meetings in the Summit Seven framework. His President would not accept this. I said that I was not aware of any United Kingdom amendments in this sense, though I knew that we had proposed some changes to sharpen up the language. These should not cause any difficulty.

Attali continued that he had heard that the Americans would be proposing a very strong text on freedom of navigation in the Gulf. This could cause problems. Under no circumstances would France agree to coordination of naval forces in the Gulf. Teltschik observed that the FRG was under bilateral pressure to contribute naval forces in the Gulf. He had not heard that the United States intended a Summit declaration.

Finally Attali told us that the IMF Managing Director was pressing for the Summit to endorse the tripling of the funds of the IMF's Structural Adjustment Facility. This would "solve Africa's adjustment problem for a decade". The Japanese would be the main contributors. The Americans were not prepared to contribute, but would not stand in the way of

a Summit declaration. The French and British were both prepared to make small contributions. Germany was the only obstacle. A reference to the tripling of funds in the Venice declaration would be an important political signal. Teltschik said that he would investigate the German position.

yours sincerely,

Charles Powell

C.D. Powell

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

PRIME MINISTER

cc. Sir Percy Cradock

VENICE SUMMIT

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"solve Africa's adjustment problem for a decade". The Japanese would be the main contributors. The Americans were not prepared to contribute, but would not stand in the way of a Summit declaration. The French and British were both prepared to make small contributions. Germany was the only obstacle. A reference to the tripling of funds in the Venice declaration would be an important political signal. Teltschik said that he would investigate the German position.

What is our position?

C.D.?

CDP

29 May, 1987.

JD3AYM

cc PS

Ref. A087/1509

MR POWELL

21/5 to RTA? ok-Hap

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

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

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

RA

ROBERT ARMSTRONG

29 May 1987

A4a

DRAFT MESSAGE FROM THE PRIME MINISTER TO SENATORE AMINTORE FANFANI

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

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

SMTABO

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

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

as well as of the world economy as a whole.

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

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

I agree with your government that the Summit

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

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

It seems clear that President Reagan will want to discuss the situation in the Gulf.

Ref. A087/1528

MR POWELL

Venice Economic Summit

I had a call from Signor Ruggiero this evening, reporting on certain points which had emerged from Signor Fanfani's and his discussions in Washington.

East/West Relations

2. The Americans want a declaration on East/West relations and arms control, and they would like a stronger text than the existing agreed draft. Ruggiero felt that his position as Chairman precluded him from circulating an American draft. The Americans said that they might ask the British to circulate a draft. I said to Ruggiero that, since the Prime Minister's position was that she was not convinced of the need for any East/West declaration, I should have to say (if approached by the Americans) that I did not think that the British could convincingly circulate a revised draft. The Americans may decide to circulate the draft on their own account. The draft is apparently likely to seek to commit the Summit partners to "support" the American position in the arms control negotiations, though the Americans realised that the French have always refused to appear to take sides in relation to negotiations to which they are not party.

Terrorism

3. Here too, the Americans want a stronger text than the one recently agreed. They would like to revert to the draft

SMTABQ

originally agreed among Political Directors earlier in the month, but may be content simply to propose amendments to the existing draft.

Agriculture

4. Here again, the Americans will be pressing for a stronger text than is likely to be acceptable to some of the other Summit partners. I was in fact sent a copy of this text earlier this week. I agreed with Ruggiero that we should work on the basis of this text when considering drafting on 2 June; I shall have by me the drafting amendments which we would be looking for to make it fully acceptable to us (it is from our point of view not too difficult).

Debt Strategy

5. The Americans will accept the need for special treatment for the problems of the poorest Sub-Saharan African countries. The Italians are thinking that a remit might be given to G7 Finance Ministers to pursue this. There may also be problems in relation to the middle income countries, where the banks are showing signs of unwillingness to support. Here too, the Italians are thinking in terms of the possibility of a remit to G7 Finance Ministers.

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

RCA

ROBERT ARMSTRONG

29 May 1987

SMTABQ

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 May, 1987.

Dear Robert,

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

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

Yours ever,

(C.D. Powell)

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

Confidential

GRS 600
CONFIDENTIAL
FM WASHINGTON
TO DESKBY 281600Z FCO
TELNO 1152
OF 281540Z MAY 87

FOLLOWING PERSONAL FOR RATFORD FROM JENKINS
MIPT : ECONOMIC SUMMIT : POSSIBLE EAST/WEST DECLARATION
1. FOLLOWING IS TEXT OF US PROPOSAL:
BEGINS: SINCE WE LAST MET, NEW OPPORTUNITIES HAVE OPENED FOR PROGRESS IN EAST-WEST RELATIONS. IN SOME IMPORTANT AREAS, THE SOVIET UNION AND ITS ALLIES ARE MOVING TO TAKE UP WESTERN IDEAS. WE ARE ENCOURAGED BY THESE DEVELOPMENTS. THEY CONFIRM THE SOUNDNESS OF THE PROPOSALS WE HAVE ADVANCED TO ACHIEVE A FREER, SAFER WORLD.
WE DISCUSSED RECENT DEVELOPMENTS IN SOVIET DOMESTIC AND FOREIGN POLICIES. STEPS HAVE BEEN TAKEN WHICH WE CAN WELCOME, YET THEIR SIGNIFICANCE MUST BE JUDGED AGAINST THE PROFOUND DIFFERENCES THAT REMAIN BETWEEN EAST AND WEST, AND BETWEEN SOVIET COMMITMENTS AND SOVIET PERFORMANCE. THE CENTRAL QUESTION ENDURES: IS THE SOVIET UNION PREPARED TO LIVE IN PEACE WITH THE WEST?
ONLY A SUSTAINED PATTERN OF SOVIET DEEDS WILL ANSWER THAT QUESTION. THUS, WE AGREED ON THE CONTINUED NEED FOR STRENGTH, REALISM AND VIGILANCE AS WE SEEK TO OVERCOME EAST-WEST DIFFERENCES THROUGH NEGOTIATION.
WE SUPPORT U.S. EFFORTS TO NEGOTIATE BALANCE, SUBSTANTIAL AND VERIFIABLE REDUCTIONS IN THE LEVEL OF OFFENSIVE NUCLEAR WEAPONS SO AS TO STRENGTHEN STABILITY AND REDUCE THE RISK OF WAR. WE URGE THE SOVIET UNION TO NEGOTIATE CONSTRUCTIVELY. WE ALSO EMPHASISE OUR DETERMINATION TO ACHIEVE ENHANCED CONVENTIONAL STABILITY AT A LOWER LEVEL OF FORCES AND THE TOTAL ELIMINATION OF CHEMICAL WEAPONS.
WE CALL FOR SIGNIFICANT, LASTING PROGRESS ON HUMAN RIGHTS IN THE SOVIET UNION AND EASTERN EUROPE, WHICH IS ESSENTIAL TO BUILDING TRUST BETWEEN OUR SOCIETIES. MUCH STILL REMAINS TO BE DONE TO MEET THE INTERNATIONAL STANDARDS AGREED AT HELSINKI AND CONFIRMED SINCE.
WE LOOK FOR A RAPID, COMPLETE AND IRREVOCABLE WITHDRAWAL OF SOVIET FORCES FROM AFGHANISTAN SO THAT THE PEOPLE OF AFGHANISTAN MAY FREELY DETERMINE THEIR OWN FUTURE. CROSS BORDER ATTACKS AGAINST PAKISTAN MUST CEASE.
WE ENCOURAGE GREATER CONTACTS, FREER INTERCHANGE OF IDEAS AND MORE EXTENSIVE DIALOGUE BETWEEN OUR PEOPLE AND THE PEOPLE OF THE SOVIET UNION AND EASTERN EUROPE.
THAT IS OUR PROGRAM: TO STABILISE MILITARY COMPETITION /BETWEEN

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BETWEEN EAST AND WEST AT LOWER LEVELS OF ARMS SEMI COLON TO ASSIST THE PARTIES TO REGIONAL CONFLICTS TO FIND STABLE POLITICAL SOLUTIONS IN THEIR INTERESTS SEMI COLON AND TO BUILD CONTACTS, CONFIDENCE AND TRUST BETWEEN GOVERNMENTS AND PEOPLES IN A MORE HUMANE WORLD. PROGRESS ACROSS THE BOARD IS NECESSARY TO ESTABLISH A DURABLE FOUNDATION FOR IMPROVED RELATIONS. WE WILL BE PLEASED IF THE SOVIET UNION JOINS US IN NEGOTIATING MEANINGFUL STEPS FORWARD SEMI COLON WE ARE PLEASED AT STEPS IT HAS TAKEN IN THAT DIRECTION. WE ARE DETERMINED TO PROCEED.

ACLAND

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ORWBAN 1910

LIMITED
HD/SOVIET D
HD/PLANNING STAFF
HD/ERD
PS
PS/PUS
MR BRAITHWAITE
MR RATFORD

Confidential

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 May 1987

VENICE ECONOMIC SUMMIT: AGRICULTURE

The Prime Minister has signed the reply to President Reagan's message about the discussion of agriculture at the Economic Summit. I enclose her letter and should be grateful if you could telegraph the text to Washington for delivery as soon as possible.

I am copying this letter and enclosure to Alex Allan (HM Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and Trevor Woolley (Cabinet Office).

C D POWELL

R. N. Culshaw, Esq., M.V.O.
Foreign and Commonwealth Office

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Circulated to WSCWell

CDP

29/5

THE SECRETARY-GENERAL

27 May 1987

Dear Prime Minister,

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

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

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

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

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

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

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

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

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

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

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

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

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

Javier Pérez de Cuéllar

PERSONAL AND CONFIDENTIAL : CMO

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

27 May 1987

CDP
27/5.

Dear Charles,

Venice Economic Summit

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

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

I am copying this letter to Alex Allan.

Yours ever

Adam Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

PERSONAL AND CONFIDENTIAL : CMO

ECON POL: Venice Summit: Pt 22

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 May 1987

VENICE ECONOMIC SUMMIT: TERRORISM

Thank you for your letter of 26 May proposing a number of improvements to the draft Summit declaration on terrorism. I am sure that the Prime Minister would be content with these if they could be secured.

I am copying this letter to Philip Mawer (Home Office) and Trevor Woolley (Cabinet Office).

C D POWELL

R. N. Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office

CONFIDENTIAL

Mr Powell

Advise and draft
to follow

Gulshan 27/5

PS

Could you pl pass this copy to No 10 for information? A reply will be submitted from ODA.

JHenry
SAD
1/6.

KCPC

010

SF

British High Commission
Abu Bakr House
Plot 7 Road 84 Gulshan Dhaka
Postal Address: PO Box 6079 Gulshan Dhaka 12
Telephone 600133-7

A Burns Esq
Head of SAD
FCO

Your reference

Our reference

Date 27 May 1987

Dear Andrew,

25.5.87

I enclose a letter from President Ershad to the Prime Minister which was passed on to us by the Foreign Ministry this afternoon. Similar letters have apparently been sent to all the other Heads of Government attending the Venice Summit.

Yours ever

John

J H Culver

cc Planning Staff
ERD
Mr McLaren
Mr Graham-Harrison
ERD ODA for
draft reply

NSL

CEPC

Foreign and Commonwealth Office

London SW1A 2AH

26 May 1987

Dear Charles

Venice Economic Summit: Agriculture

In my letter of 8 May, I said that we proposed to delay sending you a draft reply to President Reagan's message to the Prime Minister on agriculture until we knew the outcome of the OECD Ministerial meeting. I enclose the relevant extracts from the OECD communique.

I now enclose a draft, which has been agreed by officials in the MAFF, DTI and Treasury. If the Prime Minister is content with it, we shall ask the Embassy in Washington to deliver it, and to take soundings about US intentions on agriculture at the Summit when they do so.

I am copying this letter to Alex Allan, Richard Mottram and Shirley Stagg.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

OECD Communiqué
13 May 1987

carrying out the standstill and rollback commitments they have entered into and by opposing domestic protectionist pressures. In keeping with the Punta del Este Declaration, Ministers reaffirmed that the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

17. Ministers noted the welcome progress on trade in services in the Organisation. This is of particular importance in the light of the inclusion of services in the Uruguay Round. Further related work will be needed to refine the concepts for liberalisation of trade in services as well as continuing efforts to strengthen the OECD Codes of Liberalisation of Invisible Operations and of Capital Movements. This will be pursued actively.

18. Ministers welcome the agreement recently reached by the Participants in the Arrangement on Guidelines for Officially Supported Export Credits in response to directives from the 1984 and 1985 meetings of the Council of the OECD at Ministerial level. The agreement will strengthen substantially the Arrangement and reduce the risk of trade and aid distortions. Ministers also welcomed the recent agreement on the related DAC guiding principles. These are a tangible sign of co-operation in a difficult period.

X Agriculture

19. The joint report of the Trade and Agriculture Committees * was approved. This important work clearly highlights the serious imbalances that prevail in the markets for the main agricultural products. Boosted by policies which have prevented an adequate transmission of market signals to farmers, supply substantially exceeds effective demand. The cost of agricultural policies is considerable, for government budgets, for consumers and for the economy as a whole. Moreover, excessive support policies entail an increasing distortion of competition on world markets; run counter to the principle of comparative advantage which is at the root of international trade; and severely damage the situation of many developing countries. This steady deterioration, compounded by technological change and other factors such as slow economic growth or wide exchange rate changes, creates serious difficulties in international trade, which risk going beyond the bounds of agricultural trade alone.

20. All countries bear some responsibilities in the present situation. The deterioration must be halted and reversed. Some countries, or groups of countries, have begun to work in this direction. But, given the scope of the problems and their urgency, a concerted reform of agricultural policies will be implemented in a balanced manner.

---

* "National Policies and Agricultural Trade".

21. Reform will be based on the following principles:

a. The long-term objective is to allow market signals to influence by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, the orientation of agricultural production; this will bring about a better allocation of resources which will benefit consumers and the economy in general.

b. In pursuing the long-term objective of agricultural reform, consideration may be given to social and other concerns, such as food security, environment protection or overall employment, which are not purely economic. The progressive correction of policies to achieve the long-term objective will require time; it is all the more necessary that this correction be started without delay.

c. The most pressing need is to avoid further deterioration of present market imbalances. It is necessary:

- on the demand side, to improve prospects as much as possible inside as well as outside the OECD area;

- on the supply side, to implement measures which, by reducing guaranteed prices and other types of production incentives, by imposing quantitative production restrictions, or by other means, will prevent an increase in excess supply.

d. When production restrictions are imposed or productive farming resources withdrawn by administrative decision, these steps should be taken in such a way as to minimise possible economic distortions and should be conceived and implemented in such a way as to permit better functioning of market mechanisms.

e. Rather than being provided through price guarantees or other measures linked to production or to factors of production, farm income support should, as appropriate, be sought through direct income support. This approach would be particularly well suited to meeting the needs of, amongst others, low-income farmers, those in particularly disadvantaged regions, or those affected by structural adjustment in agriculture.

f. The adjustment of the agricultural sector will be facilitated if it is supported by comprehensive policies for the development of various activities in rural areas. Farmers and their families will thus be helped to find supplementary or alternative income.

g. In implementing the above principles Governments retain flexibility in the choice of the means necessary for the fulfilment of their commitments.

22. The Uruguay Round is of decisive importance. The Ministerial Declaration of Punta del Este and its objectives provide for the improvement of market access and the reduction of trade barriers in agriculture and will furnish a framework for most of the measures necessary to give effect to the principles for agricultural reform agreed upon by OECD Ministers, including a progressive reduction of assistance to and protection of agriculture on a multi-country and multi-commodity basis. As agreed in paragraph 16, the Uruguay Round negotiations will be vigorously pursued and comprehensive negotiating proposals tabled over the coming months, in this as in other fields. In the Uruguay Round appropriate account should be taken of actions made unilaterally.

23. In order to permit a de-escalation of present tensions and thereby enhance prospects for the earliest possible progress in the Uruguay Round as a whole, OECD governments will carry out expeditiously their standstill and rollback commitments and, more generally, refrain from actions which would worsen the negotiating climate: they will, inter alia, avoid initiating actions which would result in stimulating production in surplus agricultural commodities and in isolating the domestic market further from international markets; additionally, they will act responsibly in disposing of surplus stocks and refrain from confrontational and destabilising trade practices.

24. Agricultural reform is not solely in the interests of Member countries. Developing countries which are agricultural exporters will benefit from a recovery on world markets. Developing countries which are importers of agricultural produce will be encouraged to base their economic development on more solid ground, by strengthening their own farm sector.

25. Agricultural reform poses vast and difficult problems for Member countries. Strengthened international co-operation is needed to overcome these problems. The OECD will continue to contribute to their solution by deepening further its work; by updating and improving the analytical tools it has begun to develop and which will prove particularly valuable in many respects; by monitoring the implementation of the various actions and principles listed above. The Secretary-General is asked to submit a progress report to the Council at Ministerial level in 1988.

Financial Markets

26. The process of liberalisation in financial markets and financial institutions must continue. In order to secure the clear benefits deriving from this process and to ensure the viability and stability of these markets, efforts will be intensified in the appropriate fora with a view to increasing compatibility and convergence of policies regarding prudential supervision of these markets.

Tax Reform

27. Most OECD countries have undertaken or are considering major tax reforms. Well-constructed tax reform can considerably enhance

CONFIDENTIAL

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM: Prime Minister

DEPARTMENT: TEL. NO:

BUILDING: ROOM NO:

Reference

Your Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

Enclosures flag(s) .....

TO: President Reagan

Copies to:

DRAFT

Please type for PM's signature

SUBJECT:

1. Thank you for your message of 20 April about reform of world agricultural policies.

I & very much

2. ~~We entirely~~ share your view that urgent action is required to bring agricultural policies worldwide into line with market realities. ~~We~~ I agree that the costs of these policies are far too high, and that the new GATT round offers the framework for comprehensive negotiations on real reductions in all forms of government support for agriculture. This is why we have been at the forefront, at the Tokyo Summit and elsewhere, of those pressing to put agricultural reform at the top of the international economic agenda.

I

3. ~~As you know,~~ the focus of international discussions on agriculture in recent months has been the OECD, where the Secretariat have done some very valuable work on the nature of the problem and possible ways of tackling it. For this reason, I have delayed replying to your message until we knew the outcome of the

Ministerial meeting there on 12-13 May. I was ~~delighted~~ pleased that the communique passage on agriculture marked a real step forward in developing an international consensus, in remarkably precise language, on the need for action; ~~and pleased~~ also that our Ministers and officials worked closely together to achieve this outcome. We could never have achieved it a year ago.

4. I agree with you that the Venice Summit should give high priority to agriculture, and should ~~mark~~ tie down the progress we have made on this issue since Tokyo. I do not underestimate the difficulty of the task that faces us in the months ahead. ~~we are all subject to the pressures of legislators and public opinion~~. But ~~we in the~~ the European Community ~~have~~ has begun taking the difficult decisions that are necessary. ~~and I am glad to say that some important progress was made during the most recent UK Presidency~~. I wish you every success with your own proposals to reduce support, and hope that Congress will accept them.

5. I look forward ~~very much~~ to discussing this and other matters with you when we meet in Venice.

Warm regards,

ECON. POL: Venice Summit : Pt22

Foreign and Commonwealth Office

London SW1A 2AH

26 May 1987

Dear Charles

Venice Economic Summit: Terrorism

The Foreign Secretary has seen Sir Robert Armstrong's letter of 20 May to Philip Mawer, which mentions that the Prime Minister is well content with the draft statement on terrorism agreed at the meeting of Personal Representatives on 16/17 May.

The Foreign Secretary agrees that the draft contains the main points which we would wish to see included in a Summit declaration on terrorism. The text agreed by the Personal Representatives was based on an original British draft, and it is a vast improvement on the draft circulated by the Italian Presidency. Nevertheless Sir Geoffrey Howe believes that the text could be further improved at the following points (highlighted in the attached text):-

(a) Second page. The phrase "through international co-operation amongst ourselves and with others, when appropriate, and therefore renew their appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora ..." seems clumsy. It might perhaps be redrafted on the following lines: "through international cooperation amongst Summit Seven partners and with all other like-minded countries".

(b) Page 3. The French have placed a reserve on the phrase "Each of us will continue to monitor the activities of airlines clearly implicated in supporting terrorism" because they claim not to understand its full legal implications. We believe that this idea should be incorporated in the Summit declaration, but the present drafting is unsatisfactory. Monitoring should be carried out in the case of airlines which belong to countries whose Governments sponsor terrorism. When an airline is clearly implicated in supporting terrorism, it should not be simply monitored; its services should be terminated, as we did last summer with Libyan Arab Airlines. Thus the phrase should be redrafted to read: "Our Governments will continue to monitor closely the activities of airlines operated by states sponsoring terrorism".

/(c)

(c) Page 3. The phrase "We will work with each other and other countries as and when appropriate and in the relevant fora within the framework of domestic and international law ..." seems convoluted. It might be redrafted to read: "We pledge increased co-operation on the investigation, apprehension and prosecution of terrorists". Alternatively, the phrase might be omitted altogether.

All of the phrases referred to above were introduced by the French at the meeting of Personal Representatives in order to safeguard their own position. It may therefore not be easy to change them. Nevertheless the Foreign Secretary believes that our suggested amendments would improve the text and produce a crisper, more convincing document. If the Prime Minister agrees we shall work for these amendments.

As you know, there is now a French proposal for a meeting of Interior Ministers in Paris to prepare for the Summit. We understand that the Home Secretary proposes to attend. It is not yet entirely clear what the agenda for this meeting will be; but if the draft declaration is discussed then the Home Secretary may wish to work for amendments along the lines suggested in this letter.

I am sending copies of this letter to Sir Robert Armstrong and to Philip Mawer.

Yours ever

Robert Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

Rev. 2 15 May 1987. 11.45 p.m.

Draft statement on terrorism

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

- resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;

- confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;

- remain resolved to apply, in respect of any state clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;

- welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986;

- reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora;

- will continue our efforts to improve the safety of travellers. We welcome improvements in airport and

maritime security, and encourage the work of ICAO and IMO in this regard. Each of us will continue to monitor closely the activities of airlines clearly implicated in supporting terrorism. (*)

The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;

- commit ourselves to support the rule of law in bringing terrorists to justice. We will work with each other and with other countries as and when appropriate and in the relevant fora, within the framework of domestic and international law, on

(*) Sentence to be checked.

the investigation, apprehension and prosecution of terrorists. In particular we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.

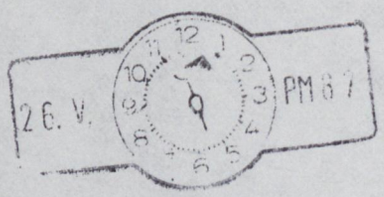
ANNEX

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

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

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

The Heads of State or Government urge other Governments to join them in this commitment.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بسم الله الرحمن الرحيم

রাষ্ট্রপতি

PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA

25 May, 1987

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 1044/87

Excellency,

The world will be following with keen interest the deliberations and outcome of the Venice Summit of the major industrial countries early in June, 1987. The decisions taken at the Summit will have significant impact on developing countries also through their impact on international trade and resource flows.

2. The economic outlook for the coming year looks anything but optimistic. The growth rate of the industrialized countries was below 3% in 1986 and projection for 1987 in the last meeting of the Interim Committee was less than 2·5%. The low growth rates in the industrial market economies in 1986 put a serious brake on economic growth of the developing countries and the situation is unlikely to change this year. It is well-known that the level of living in many developing countries has hardly shown any improvement for several years now, and many of these countries, particularly the low-income and least developed ones, have reached the limits of austerity. These difficulties have been compounded by external shocks—such as continued depressed primary commodity prices, rising protectionism, deteriorating terms of trade and rising debt service obligations. In the case of Bangladesh, prices of jute, jute goods and tea, our principal and traditional exports, had had several successive price declines, cumulating to about 50 percent in the course of the last two years, which created severe pressure on our balance of payments.

3. On this occasion, Excellency, I wish to inform you briefly about the economic situation in Bangladesh. Since 1983, we have embarked on a package of adjustment and stabilization measures which include, inter alia, increased mobilization of domestic resources, expanded role of private sector, privatisation of public sector industrial and financial undertakings, incentives for export expansion and diversification, containment of monetary expansion and inflation, reduction of inequitous subsidies, fiscal discipline, land reforms, and decentralization of development administration. Increasing agricultural production and reducing population growth rate have been two major anchor sheets of our development effort. Our efforts have achieved some success, but growth rates have suffered due to reduced export earnings and reduced flow of concessional assistance. We launched our Third Five Year Plan

(1985—90), from July 1985, with the prime objective of alleviation of poverty—particularly rural poverty—through higher growth, employment generation, skill development, and technological upgradation. Unfortunately progress has been modest indeed as the average GDP growth rate during the first two years of the Plan (FY 85-86 and 86-87) will be barely above 4% per annum—mainly due to reduced export earnings resulting from external constraints, stagnant levels of resource inflows, and domestic natural calamities.

4. Availability of resources for alleviation of poverty through increased development efforts remains one of the most important problems for the least developed countries. ODA as percentage of GNP has remained much below the level agreed under the Substantial New Programme of Action in 1981, and the terms, conditions and composition of aid have not changed at all to the advantage of the developing countries. Excellency, deeply concerned, as you are, about the development prospects and problems of the LDCs, I would request you to discuss in your meetings the measures relating to aid volume, aid modalities and trade policies in order to help the developing countries to help themselves.

5. Erosion in the resource base of multilateral financial and technical assistance agencies has diminished their capacity to respond to the needs of the low income and the least developed countries. Replenishment of ADB and IFAD have been at disappointingly lower levels. In this connection, however, we welcome the agreement on a $12·4 million IDA-8 replenishment to support adjustment, growth and poverty alleviation in low income countries. We understand that 45% to 50% of IDA-8 resources are to be allocated to Sub-Shaharan African countries—who richly deserve to be supported. At the same time, the share of the IDA also of countries of Asia, particularly least developed countries like Bangladesh, need to be protected and expanded in support of the adjustment measures and self-help policies which we are adopting. May I mention in this context that in view of the less than satisfactory GDP growth rates in the initial years of our Third Five Year Plan we undertook a comprehensive review of our economic situation—and have developed a Policy Framework Paper in consultation with the IMF and the IDA—on the basis of which the IMF granted to Bangladesh a loan under the new Structural Adjustment Facility. But the resources available under this facility is meagre indeed (of the order of SDR 150 over a period of 3 years !). While applying for the SAF we had expected that additional resources, particulariy quick-disbursing assistance, would be forthcoming in support of our medium term adjustment programme which has a significant cost. Unless additional quick-disbursing resources are ensured parallel to the SAF, it will be impossible

to carry through the adjustment measures, and the ultimate economic & social costs may even be higher. Under the circumstances I would request you to please advise your concerned Ministry/Agency to give serious consideration to this matter and to help us to carry through our structural adjustment programme as planned. Increased food aid which the major OECD countries are in a position to allocate at this time, will be particularly crucial in this context, as a satisfactory level of supplies and stock is essential to maintain price stability, a sine qua non for undertaking adjustment and economic reforms.

6. Excellency, I would like to share with you our views on the right perspective on Bangladesh's needs, endeavours and performance. I think it is fair to say that over the years, two distinct sets of donor concerns have been noticeable in the context of aid support to Bangladesh, as in the international community at large-one mainly centred on macro-economic adjustment and the other on social concerns. The Government of Bangladesh has fully understood both sets of concerns, as these mirror the duality of our own domestic concerns and struggles. With the passage of time, the two streams have tended to converge, though their blending has all along remained an object of constant effort, both globally and in the particular case of Bangladesh.

We believe, and note with satisfaction, that the current year seems to mark some notable progress in this process of convergence. The World Bank's latest economic report on Bangladesh has very effectively captured and particularized the central thrust of the current concerns on "Protecting the Poor During Periods of Structural Adjustment" a subject discussed in the last meeting of Development Committee meeting recently concluded in Washington. A significant passage in the well-considered background paper on this subject, dealing with the need for ensuring the adequacy of external resources for low income African countries cogently notes the deep-seated problems they are facing in generating external surpluses and the increasing savings rates. It goes on to add that against the background of the extreme poverty of their people and their unfavourable growth prospects in the medium term, the "need to protect the poor during adjustment in these countries is all the more important". The simultaneous conduct of domestic policy reform and institutional reform, the creation of supporting infrastructure, ensuring the minimum growth in per capita consumption needed to sustain the hard adjustment effort, and the protection of the poor through appropriate social programme, thus call for a steady and increased flow of concessional aid as has been highlighted there. Though these analyses and recommendations in the World Bank's background paper appear in the immediate context of the predicament of low income African countries, they also accurately sum up the right perspective on the successes and short-comings of my country's endeavours in all areas of economic management.

I am inviting your attention to the close parallelism between low income Africa and Bangladesh because the accident of geographical location can often mask important and relevant facts. In lists ranking low income countries of the world under most of the economic and social indicators relevant to development issues, Bangladesh would be flanked by clusters of low income African countries, and can thus be legitimately considered an economic, though not a geographical, neighbour of these countries. Our problems and needs, therefore, deserve to be considered in this context.

7. May I take this opportunity to mention, Your Excellency, that the bilateral cooperation between our two countries is progressing satisfactorily, and there is a joint effort to channel the bilateral assistance funds to areas of priority as mutually agreed. However, additional support for our current needs as mentioned here will be crucial to the success of our efforts.

8. Excellency, you may be aware that Parliamentary and Presidential election have been successfully completed in Bangladesh last year, and the democratic process is taking roots. We believe that economic progress must go hand in hand with political development. Your great country can play a very useful role in helping Bangladesh pursue its own goals of economic and political development through bilateral support and support through international financial institutions.

9. Allow me, Excellency, to extend to you my sincere wishes for your personal health, happiness and long life for the peace, progress and prosperity of the friendly people of your country.

10. Please accept, Excellency, the assurances of my highest consideration.

(Hussain Muhammad Ershad)

Rt. Hon. Margaret Thatcher
Prime Minister for Her Majesty's
Government of the United Kingdom
LONDON.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 May 1987

VENICE ECONOMIC SUMMIT: MESSAGE FROM THE CARTAGENA GROUP

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

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

CHARLES POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth office.

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MONTEVIDEO, 24 DE MAYO DE 1987=

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SRA. PRIMER MINISTRO:

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

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

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

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

JULIO MARIA SANGUINETTI
PRESIDENTE DE LA REPUBLICA
ORIENTAL DEL URUGUAY

27582 CABOFF G
DIPCIA UY 22074

CONFIDENTIAL

KLE OA CEPC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 May 1987

Dear Philip,

VENICE ECONOMIC SUMMIT: TERRORISM

I have seen Sir Robert Armstrong's letter to you of 20 May about the proposal by the French Ministry of the Interior that there should be a meeting of Ministers of the Interior of the Summit seven countries before the Venice Econmic Summit next month to discuss terrorism. I have also seen a number of telegrams on the subject.

The Prime Minister takes the view that we should certainly express readiness to attend such a meeting if it is held. While she is content with the present draft declaration on terrorism for the Summit, she thinks that we should take every opportunity on offer to strengthen cooperation on this issue among the leading western countries.

I am sending copies of this letter to Tony Galsworthy (Foreign and Commonwealth Office) and to Sir Robert Armstrong.

Yours sincerely,

Charles Powell

(Charles Powell)

Philip Mawer, Esq.,
Home Office.

OA

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CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 May 1987

VENICE ECONOMIC SUMMIT: BRIEFING

I have seen a copy of Jeffrey Harrod's letter of 20 May to Trevor Woolley about briefing for the Venice Economic Summit. I am content with what is proposed.

I am copying this letter to Trevor Woolley (Cabinet Office).

(Charles Powell)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT

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

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

CHARLES POWELL

21 May 1987

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

21 May 1987

CDP
21/5.

Dear Charles,

VENICE ECONOMIC SUMMIT: TERRORISM

ATTACHED

Thank you for your letter of today's date setting out the Prime Minister's view on the Franco-German initiative for a meeting of Ministers of the Interior of the Summit 7 countries, before the Venice Economic Summit next month, to discuss terrorism.

The Home Secretary discussed the initiative this morning with Sir Robert Armstrong. They agreed that if the meeting was to be held, the Home Secretary should attend. I subsequently spoke to the Diplomatic Councillor at the French Ministry of the Interior, Monsieur Guillet, who confirmed that the meeting will take place in Paris on Thursday 28 May. I assured him that the Home Secretary would be present.

Officials here are in touch with their opposite numbers in the FCO about the arrangements for the meeting and for preparation of briefing for the Home Secretary.

I am sending copies of this letter to Tony Galsworthy (FCO), and to Sir Robert Armstrong.

Yours sincerely

Philip Mawer

P J C MAWER

Charles Powell, Esq

CONFIDENTIAL

CABINET OFFICE
70 Whitehall London SW1A 2AS
01-270 0101

EDP
21/5

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A087/1462

21 May 1987

Dear Tony,

Venice Economic Summit: Terrorism

The Japanese Ambassador rang this afternoon to inquire whether we had heard of the proposal by the French and German Ministers of the Interior for a meeting of Interior Ministers of the Summit Seven countries before the Venice Economic Summit. He said that the suggestion had come as a surprise to the Japanese Government, since terrorism had been discussed at the meeting of Personal Representatives in Venice the previous week-end, and the text of a draft declaration had been agreed.

I said that the suggestion had come as no less of a surprise to us. We saw no need for a meeting of Interior Ministers, as the preparations for the Economic Summit on this issue were going well: in particular, a text had been agreed at the meeting of Personal Representatives (accompanied by their terrorism "experts") in Venice last weekend. If, nonetheless, it were decided to call a meeting, we would do our best to be represented, though I was not able to say by whom, in view of the election commitments of Ministers.

I asked what the attitude of the Japanese Government was. The Ambassador did not know; but he opined that any such suggestion would have to be seriously considered by the Japanese Government, in view of the common interest in countering terrorism. He said that he would let me know if and when he learnt the decision of his Government.

I have spoken this afternoon to Ambassador Ruggiero in Rome. He also said that the suggestion for a meeting of Ministers of the Interior of the Seven came as a complete surprise to the German Government and to the Italian Government - as well as to the Elysee, who were first alerted to it when I spoke to M. Attali. His understanding was that a process of urgent reconsideration was going on, and that proposals were being considered to change the format of the meeting (if it were

/to go ahead)

A C Galsworthy Esq CMG

to go ahead), so that it was no longer a meeting of the Summit Seven Ministers of the Interior.

I am sending copies of this letter to Philip Mawer at the Home Office and to Charles Powell at 10 Downing Street.

Yours ever

Robert Armstrong

PERSONAL AND CONFIDENTIAL : CMO

file X16
LOGAFE
a&pc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 May 1987

VENICE ECONOMIC SUMMIT

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

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

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

- a specific and approving reference to our economic performance (this would need to be proposed by someone else);

- a stronger reference in the Economic Declaration than any yet achieved to Japan's resolve to reduce its external surplus;

- endorsement of the Chancellor's debt initiative;

- commitment to action to deal with agricultural surpluses;

- a robust statement on terrorism. We already have a good text.

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

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

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

CHARLES POWELL

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

Mr Powell

CONFIDENTIAL

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

CDP 21/5

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/1459

21 May 1987

Dear Sherard,

Venice Economic Summit: 8-10 June 1987

This letter sets out the briefing arrangements for the Venice Economic Summit on 8-10 June 1987.

The list of briefs to be prepared, with an indication of departmental responsibility, is at Annex A. Detailed guidance on the format and layout of briefs is at Annexes B and C.

The key brief is the Steering Brief, which should cover the main economic and political issues likely to arise at the plenary sessions including, this year, the thematic paper. The brief should highlight issues and objectives. It should follow the format agreed for briefs for the Prime Minister: ie objectives (ours and others'), arguments, counter-arguments, our replies, followed (only where necessary) by very brief background.

The speaking note on economic issues should provide material for a 7-8 minute introductory statement by the Prime Minister at the first plenary session, and should cover the main economic issues likely to arise at the Summit.

The background briefs should be concise, and where possible no more than two sides long. They should supplement not duplicate material in the Steering Brief. In principle, the Prime Minister should not need to read any of the background briefs, although they will be available for consultation if required.

Bilaterals. Briefs have already been commissioned for the formal bilateral meeting the Prime Minister will have with President Reagan. However the Foreign and Commonwealth Office

/should prepare

S L Cowper-Coles Esq
Foreign and Commonwealth Office

CONFIDENTIAL

should prepare a list of points for the Prime Minister to make with other Summit leaders during informal bilaterals which may take place in the margins of the Summit. The briefs should be in the form laid down for "short bilateral meetings" in Sir Robert Armstrong's letter of 12 February 1985 to Sir Antony Acland, as amended by Mr Stark's letter of 19 February 1986 to you.

Deadline. 70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. They should in any case reach the Cabinet Office by 1.00 pm on Wednesday 3 June at the very latest. They should be addressed to Committee Section. Dave Evans (270 0315) will be able to advise on any technical points that may arise. Annex B, paragraphs f and g, provide guidance about any updating that may be needed after the briefs have been submitted.

The Foreign and Commonwealth Office should submit the briefs for the Prime Minister's bilateral meetings direct to No 10 by 4.00 pm on Wednesday 3 June.

I am sending copies of this letter to Dick Saunders (Treasury), Malcolm McKinnon (DTI), Frank Strang (MAFF), Anne Curran (ODA), Edmund Quilty (DEn), Alison Nisbet (DES), Alison Rutherford (DOE), Barry Slater (DHSS), John Pitt-Brooke (MOD), John Fairclough (Cabinet Office) and Charles Powell (No 10).

Yours ever,

Christopher Cloke

(C G Cloke)
Assistant Private Secretary

ANNEX A

VENICE ECONOMIC SUMMIT: 8-10 JUNE 1987

LIST OF BRIEFS

	Lead Department	In consultation with
Key Briefs		
1. Steering Brief	FCO	As appropriate
2. Speaking notes on economic issues	HMT	FCO
3. Speaking notes on political issues	FCO	
4. Thematic Paper	FCO	As appropriate
Subject Briefs		
A. Economic Subjects		
5. World economy	HMT	FCO
6. Trade	DTI	FCO, HMT
7. Agriculture	MAFF	FCO, DTI, HMT
8. Developing country issues (including debt and UNCTAD VII)	FCO	ODA, HMT
B. Political Subjects	(FCO all subjects)	(as appropriate)
9. East/West		
a. Relations with Soviet Union and Eastern Europe (SovD, EED)		
b. Arms control (ACDD, DefD)		
c. Afghanistan, Cambodia (SAD, SEAD)		
d. Soviet policy in Asia/Pacific (SovD, SAD, SEAD, FED, SPD)		
10. Terrorism (SCD)		
11. South Africa (SAfD, ERD)		
12. Middle East (NENAD, MED)		
13. Iran/Iraq (MED)		
14. Central America (MCAD)		
15. Latin America (SAmD, ERD)		

16. China, Korea and the Philippines (FED, SEAD)
17. United Nations (UND)
18. International Narcotics Control (NCAU, ERD)

C. Other Subjects

19.	Energy	DEn	FCO
20.	Education	DES	FCO
21.	Environment	DOE	FCO and Cabinet Office
22.	Human frontier science proposals	DES	Cabinet Office
23.	Bioethics	Cabinet Office	FCO
24.	AIDS	DHSS	FCO

ANNEX B

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Layout

(a) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.

b) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg PMVL(87) 10) with the date of circulation below: a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.

(c) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

(d) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.

(e) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

(f) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (b) above, with the brief number amended to show that it is a revise (eg PMVL(87) 10 (Revise). Subsequent revises should be numbered (eg PMVL(87) 10 (Revise 2), etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum may be prepared, in the form described at (b) above with the brief number (eg PMVL(87) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when a revise or an addendum is in preparation and also about corrigenda to briefs.

(g) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.

ANNEX C

[CLASSIFICATION]

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVL(87) [Serial No as specified in Annex A] COPY NO [in red]

[Date]

VENICE ECONOMIC SUMMIT: 8-10 JUNE 1987

[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department, eg Foreign and Commonwealth Office]

[At foot of last page on left-hand side:-]

[Originating Government Department, eg Foreign and Commonwealth Office or Department of Energy, not a subordinate section or division]

[Date of origin]

[CLASSIFICATION]

Foreign and Commonwealth Office

London SW1A 2AH

Sir Patrick Wright KCMG
Permanent Under-Secretary of State

CONFIDENTIAL

20 May 1987

T A Woolley Esq
Cabinet Office

c - Mr Powell (No 10)
Any comments asap.
20/5

CABINET OFFICE
A 5343
20 MAY 1987
FILING INSTRUCTIONS
FILE No. .....

Dear Trevor,

VENICE ECONOMIC SUMMIT: BRIEFING

1. I understand that you have discussed with Economic Relations Department the form of briefing required for the Venice Economic Summit (8-10 June).

2. Following the custom of previous years, I enclose a draft list of briefs, which is based on the outcome of last weekend's meetings of Personal Representatives and Political Directors to prepare the Summit. Of the speaking notes, those on economic issues (brief number 2) would be intended for the Prime Minister's use during the plenary session in Venice on the morning of 9 June; those on political issues (brief number 3) for her use over dinner the previous evening.

3. You will, I understand, now incorporate the draft list into a call for briefs (with deadlines) from Whitehall Departments. It would, of course, be helpful if this could issue tomorrow (21 May): to allow time for drafting next week.

Yours ever,

Jeffrey Harrod

Jeffrey Harrod
Assistant Private Secretary

CONFIDENTIAL

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VENICE ECONOMIC SUMMIT: 8-10 JUNE 1987

DRAFT LIST OF BRIEFS

	Lead Department	In consultation with
Key Briefs		
1. Steering Brief	FCO	As appropriate
2. Speaking notes on economic issues	HMT	FCO
3. Speaking notes on political issues	FCO	
4. Thematic Paper	FCO	As appropriate
Subject Briefs		
A. Economic Subjects		
5. World economy	HMT	FCO
6. Trade	DTI	FCO, HMT
7. Agriculture	MAFF	FCO, DTI, HMT
8. Developing country issues (including debt and UNCTAD VII)	FCO	ODA, HMT
B. Political Subjects	(FCO all subjects)	(as appropriate)

9. East/West
   a. Relations with Soviet Union and Eastern Europe (SovD, EED)
   b. Arms control (ACDD, DefD)
   c. Afghanistan, Cambodia (SAD, SEAD)
   d. Soviet policy in Asia/Pacific (SovD, SAD, SEAD, FED, SPD)
10. Terrorism (SCD)
11. South Africa (SAfD, ERD)
12. Middle East (NENAD, MED)
13. Iran/Iraq (MED)
14. Central America (MCAD)
15. Latin America (SAmD, ERD)

16. China, Korea and the Philippines (FED, SEAD)
17. United Nations (UND)
18. International Narcotics Control (NCAU, ERD)

C. Other Subjects

19.	Energy	DEn	FCO
20.	Education	DES	FCO
21.	Environment	DOE	FCO
22.	Human frontier science proposals	DES	Cabinet Office
23.	Bioethics	DES	FCO
24.	AIDS	DHSS	FCO

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Mr Powell

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/1426

20 May 1987

Dear Philip,

Venice Economic Summit: Terrorism

We have discussed the proposal by the French Ministry of the Interior that there should be a meeting of Ministers of the Interior of the Summit seven countries before the Venice Economic Summit next month to discuss terrorism.

As you know, I found this proposal strange. At the last meeting of Personal Representatives the French Personal Representative was absolutely adamant that his President would not be prepared to accept any wording which remotely suggested any further institutionalisation of discussions of terrorism in the Summit context: indeed, this led to considerable argument with the Americans. It looks as if co-ordination between the President's Office and the Ministry of the Interior in Paris leaves something to be desired.

I attach a copy of the draft statement on terrorism, in the form in which it was agreed at the meeting of Personal Representatives at the weekend. The Prime Minister has said that she is well content with this draft.

The Prime Minister has also, in the past, been reluctant to extend the role of the Summit grouping beyond that of preparing Summit meetings.

/In the

Philip Mawer Esq
Home Office

CONFIDENTIAL

In the circumstances I should have thought that it would be right for the Home Secretary to be pretty cool about the proposal for a meeting of the Ministers of the Interior. He could perhaps say that we saw no such need for a meeting, given that a satisfactory text had been agreed at the last meeting of Personal Representatives, at which "experts" on terrorism were also present: but that, if it were decided to call such a meeting, he would wish to consider where and how to be represented.

I am sending copies of this letter to Charles Powell and Tony Galsworthy.

Yours ever

Trevor Woolley

(Private Secretary)

Agreed by the Cabinet Secretary and signed in his absence.

Rev. 2 15 May 1987. 11.45 p.m.

Draft statement on terrorism

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

- resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;
- confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;

- remain resolved to apply, in respect of any state clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;

- welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986;

- reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora;

- will continue our efforts to improve the safety of travellers. We welcome improvements in airport and

maritime security, and encourage the work of ICAO and IMO in this regard. Each of us will continue to monitor closely the activities of airlines clearly implicated in supporting terrorism. (*)

The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;

- commit ourselves to support the rule of law in bringing terrorists to justice. We will work with each other and with other countries as and when appropriate and in the relevant fora, within the framework of domestic and international law on

(*) Sentence to be checked.

the investigation, apprehension and prosecution of terrorists. In particular we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.

ANNEX

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

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

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

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

CONFIDENTIAL

DS2AKQ

cc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT: POLITICAL ISSUES

Your minute of 18 May dealt with the handling of political issues at the Venice Economic Summit.

The Prime Minister remains decidedly unenthusiastic about the proposed declaration on East/West relations. She does not think a declaration necessary. She finds the contingency draft discussed by the Sherpas pallid. She comments that it does not sound as though the Seven are a real alliance. In a technical sense of course they are not. But the only purpose of a declaration would be to portray them as absolutely united on key issues. The Prime Minister also attaches importance to including a sentence in the declaration (if there is to be one) on the continuing role of nuclear weapons in our defence. This might be done by adding, at an appropriate point in paragraph 6: "At the same time, we recognise that nuclear weapons will continue to have an important role in preserving peace".

The Prime Minister is, on the other hand, well content with the draft text on terrorism.

I am sending a copy of this minute to the Private Secretary to the Foreign Secretary.

Charles Powell
20 May 1987

CONFIDENTIAL

Cable and Wireless

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Telegrams: Cablewire London WC1X 8RX London Telex: 23181 CANDW G

Mr Brian Griffiths

with compliments

Mr J H Solomon
Director, Corporate Strategy

4/79A

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Ref: JHS/JLB/0652S

May 19th 1987

Ms Catherine Bradley
D T I
Ashdown House
123, Victoria Street
London
SW1E 6RB

Dear Catherine,

Sir Eric Sharp had asked me to prepare a brief for the Summit on the 2nd KDD issue and to send it to Professor Griffiths. I understand the Prime Minister needs it for her weekend box. In Robert Priddle's absence, I am writing to you and enclosing a draft brief and line to take.

The background material is for the large part the same as something already submitted to Senator Murkowski who has brought the matter to the attention of the White House. Senator Murkowski who knows the Japanese well asked about British sanctions. He himself will be tabling an amendment to the Trade Bill to enable U.S. sanctions. I have not mentioned anything about UK sanctions but the Americans may ask you about this.

There can be no doubt that the most telling thing would be a joint demarche with President Reagan at Venice.

There is talk of another round of "merger talks" on 29th May to assist Nakasone repeat the line he took in Washington recently - namely, that he is waiting for the outcome of " private sector talks " - a charade which Robert himself punctured when in Tokyo in March.

We have come through many obstacles and there is no doubt that there is now a groundswell in Japan for 2 licences - something we have been going for since September last year. However, the Ministry is still clinging to the "unification" concept in order to protect its "FACE".

The Japanese do not like appearing to have made a mistake - so we are in a delicate situation in Tokyo of having to go through a ritualistic end game to save the face of the MPT and its LDP faction. Meanwhile, the clock is ticking away and we are in danger of missing the RFS date for PPAC - a strategic interest of the USA.

Ms. C. Bradley
D.T.I.

A further face to face shove - more in sorrow than anger from the Prime Minister in conjunction with the President if possible - might just do the trick. In light of the potential meeting of 29th May, which may lead to a formal and mutually agreed break in merger talks, you may need to put in a last minute update nearer the time.

I am copying this to Brian Griffiths (No. 10) and Paul Diamond (F.C.O)

Best wishes,

J H Solomon
Director, Corporate Strategy

w/attachements: Venice Summit
2nd KDD issue.

VENICE SUMMIT
2ND KDD ISSUE

Brief

1. The Prime Minister will remember raising Cable and Wireless' interest in the 2nd KDD at the Tokyo summit in May 1986. Mr Nakasone promised that the matter would be resolved in a forward looking manner.

2. Since last May both Cable and Wireless and the Consortium in which it is a member - International Digital Communications (IDC) - have made considerable progress, despite the consistent efforts of the MPT to block such progress.

   The MPT has tried almost every device to frustrate both IDC and Cable and Wireless but severely underestimated the scale of external concern.

3. Following severe UK and US pressure the MPT has been forced to remove all its objections to Cable and Wireless and the PPAC cable linking the United States and Japan directly. It is, however, still clinging to the figleaf of "merger talks" to maintain its honour.

4. Both sides to the "merger talks" - IDC with UK and US participation and International Telecommunications of Japan (ITJ) the all Japanese Consortium - are against merger but the Ministry is still resisting separate licence applications from each side. It is an open question whether it can be persuaded to be more accomodating in time for the Summit. This may be decided after 29th May.

5. It is important for IDC to be able to apply for its licence by July if IDC is to be able to meet the timetable set in the FCC licence for introducing the PPAC cable - of strategic interest to the United States.

Line to Take

6. Remind Mr Nakasone of his promise at the Tokyo Summit to resolve this issue in a "forward-looking way ".

7. The Ministry of Posts and Telecommunications behaviour has been backward looking. Its passive aggression has spoiled what could have been a great Japanese initiative to undertake structural change in harmony with the world - a stated objective of the Government of Japan and Mr Nakasone himself.

8. The merger talks instigated by the Invisible Hand of the MPT are a charade and are unacceptable as a non-tariff barrier.

9. It is more in sorrow than in anger that the issue has to be raised yet again at the Summit.

10. The Japanese Government has stated that it favours fair competition, and structural change, foreign participation, and a boost to internal demand. IDC manifestly meets all these objectives.

11. The charade of merger talks should be ended. IDC should be allowed to file its licence application before July so that it can meet the timetable for the transpacific cable already approved by the Federal Communications Commission of the United States.

2ND KDD ISSUE
Background Brief

Introduction:

1. Some key dates

May, 1985	C&W writes to MPT suggesting participating in 2nd KDD.
Sept, 1985	C&W invited by representative of Government of Japan to submit proposal for competition to KDD.
Nov, 1985	C&W submits proposal and recommends U.S. participation.
Nov, 1985/Feb, 1986	C&W canvasses all interested Japanese parties for possible consortium.
Feb,/ April, 1986	C. Itoh, NTTI and C&W establish core group.
April,1986	MPT in panic, instigates ITJ to block C Itoh, NTTI and C&W.
June, 1986	C&W, MTTI, C. Itoh complete pre-feasibility study.
July,1986	ITJ establishes formal F/S company.
Nov, 1986	IDC establishes formal F/S company.
Nov, 1986	ITJ completes its feasibility study.
Jan, 1987	IDC completes its feasibility study, which includes PPAC as central element.
Jan/Feb 1987	Ministry insists on merger, refuses to accept separate licence applications.
Feb/May 1987	Merger talks drag on.
1st May 1987	Both ITJ and IDC note gap between 2 sides.
13th May 1987	ITJ hold internal meeting. Majority against merger on IDC terms but wish to show goodwill to MPT by requesting new round of merger talks to facilitate easy Summit for Japan.
29th May 1987	New "merger talks" scheduled.

Some Key Facts

2. MPT very close to KDD - MPT funds around 44% of KDD and MPT officials invariably go to KDD for post MPT jobs.

3. As a licensing authority, MPT is courted and cosetted by leading companies such as Mitsubishi, Mitsui, Sumitomo, Toyota. MPT often uses these companies and others such as Nomura and Tokyo Marine to carry out its wishes within various projects. C.Itoh because of its international affiliations is suspect to MPT.

4. MPT together with KDD and with background support form ATT, BT and the European PTTs has resisted the IDC project from the very beginning, precisely because IDC is a highly professional organisation, is independent of KDD, and has good international connections via U.S. and U.K. participation.

5. The MPT has used the merger tactic on three occasions to block or dilute the foreign interest. It tried to do so in the satellite case but was fought off by Presidential intervention on behalf of Hughes. It used it successfully to erode Motorola's position in cellular radio. It has been applying the same tactic to the 2nd KDD issue so far.

6. The merger tactic enables MPT to use parties such as Mitsubishi or Toyota to cower other Japanese into subervience and by multiplying Japanese participation reduces or eliminates the foreigner.

7. C.Itoh and C&W have had to fight very hard to keep MPT's agent for merger, Toyota, under control within the IDC.

Latest situation

8. Following the breakdown of talks on 1st May, everyone is reassessing their position.

9. Within ITJ, Mitsui and Sumitomo have made clear to Prime Minister Nakasone their rejection of merger and their wish for 2 licences.

   Within IDC, C. Itoh, NTTI, C&W, Fujitsu, DKB bank have also made their wish for 2 licences known to Prime Minister Nakasone.

10. MITI supports 2 licences and MOFA is neutral. Within MPT, there has been a growing recognition of the need for a new approach but the top officials, particularly Mr Sawada, the head of MPT, remain adamantly opposed to 2 licences and to IDC.

Political Position

1. The U.S. Government has made its views on the 2nd KDD issue known to the Japanese Government in no uncertain terms. Messrs Yeuter, Baldridge, Smart, and Sikes have pressed the case for the PPAC cable, for 33% foreign participation and for no undue MPT interference in the market.

12. President Reagan, Secretaries Weinberger and Schultz have also made the same points.

13. The Japanese Government have accepted that a further cable is required for U.S. strategic interests - as made clear by the FCC in their licence to Pacific Telecom and Cable and Wireless on 22nd April.

14. The Ready for Service date for the Cable is before the end of 1989.

15. The Japanese Government know that 2 licences are the only common sense alternative but do not wish to be seen to be bowing to foreign pressure. Prime Minister Nakasone has a particular problem because to do the decent thing he would have to override a powerful MPT faction within the LDP itself as well as MPT top officials who have gone out in public against the cable and against Cable and Wireless.

16. Senator Murkowski from Alaska who has led the Senate on this issue may move an amendment to the Trade Bill in early June to enable the FCC to take sanctions against Japan should Japan discriminate against PPAC.

17. The Senator will also be asking President Reagan to act with the Prime Minister at the Summit on this issue.

UK Position

18. The Secretary of State for Foreign Affairs initiated HMG support for Cable and Wireless and the IDC project in February 1986.

19. The Prime Minister, herself, raised the matter with Mr Nakasone at the 1986 May Summit in Tokyo.

20. Mr Channon, Mr Howard, H.M. Ambassador, and officials from the DTI have all pressed the issue since November 1986 culminating with the Prime Minister's letter of 4th March which asked for a fair and objective assessment of IDC's feasibility study.

Japanese Government's latest position

21. Prime Minister Nakasone notified President Reagan on his May visit that the Government of Japan accepted:

    (i) The principle of a new cable
    (ii) Foreign participation up to 33%.

but that (iii) negotiations were proceeding between the private group for a merger.

22. This last point is a mere ploy to keep the foreigners at bay and is basically MPT's way of interfering without appearing to interfere - the perfect non-tariff barrier.

23. The question now is whether the Japanese brief for the Summit will be the same as in Washington or whether it will be more reassuring on this last point.

Recommendation

29. The Summit provides a new opportunity to demonstrate in a firm if polite way that this issue will not be taken off the Anglo-Japanese agenda until resolved in a way which is fair and objective and seen to be fair and objective by all the world.

J H SOLOMON
Director, Corporate Strategy

SRWAWN

PERSONAL AND CONFIDENTIAL

cc Mr. Ingham

PRIME MINISTER

VENICE ECONOMIC SUMMIT

I attach the final version of the thematic paper for the Venice Economic Summit, together with Sir Robert Armstrong's covering note. It seems generally satisfactory, although once again the Japanese have escaped being singled out by name.

The Summit's eventual Economic Declaration will be carried by television here on the eve of the polling day and in the press on polling day itself. We shall want to ensure that it provides the strongest possible endorsement of the sort of economic policies pursued by the Government; and a reasonably optimistic and upbeat account of future prospects. On the basis of the thematic paper, there should be no problem about the former. But I see a risk that if the economic declaration reflects the thematic paper on the prospects, the overall impression will be pessimistic and even mildly alarming (e.g. para 1.2. "... domestic demand in Summit countries as a whole is expected to slow to below three per cent.."; the list of negative factors in the same paragraph; the reference in paragraph 2.5 to the need "to avoid a further slow-down in economic activity"). There seems quite a risk of getting the wrong headlines at the wrong time. You might ask the Chancellor to work up some language to counter this, which we would work to get included in the Economic Declaration?

We also need to set ourselves some targets which we can subsequently point to as distinctive British achievements at the Summit. These might include:

- a specific and approving reference to our economic performance (this would need to be proposed by someone else);

- a stronger reference in the Economic Declaration than any yet achieved to Japan's resolve to reduce its external surplus;

PERSONAL AND CONFIDENTIAL

- endorsement of the Chancellor's debt initiative;

- commitment to action to deal with agricultural surpluses;

- a robust statement on terrorism. We already have a good text, but you should be identified closely with it;

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

Agree to instruct the Foreign Secretary, Chancellor and Sir Robert Armstrong to work for these as clear British goals from the Summit?

Yes - it really is a ridiculously long statement now

C.D.P.

(C. D. POWELL)
20 May 1987

CONFIDENTIAL

File SH

CSPC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 May 1987

Dear Tony,

VENICE ECONOMIC SUMMIT: BILATERAL WITH PRESIDENT REAGAN

We have agreed with the Americans that the Prime Minister and President Reagan will have a bilateral on the morning of Tuesday 9 June at President Reagan's hotel, and then travel on together to the opening session of the Economic Summit. We have not yet fixed a precise start time, but it is likely to be about 0830. We have also told the Americans that the Prime Minister would like it to be a very restricted meeting. She will be accompanied only by a Private Secretary. No further action is required on this for the time being, although we shall need in due course to tell the Italians so that they can make the necessary arrangements for transport and security.

We shall also need to tell the Italians in due course of the Prime Minister's arrival and departure plans, but I would prefer to leave this for a few days yet.

The main subjects which the Prime Minister will want to pursue with the President are:

- the US economy and the deficit;
- the INF negotiations;
- Syria and terrorism;
- Arab/Israel; and
- any issues likely to arise on the Economic Summit final declaration

I should be grateful if briefing could be put in hand on these points.

Yours sincerely,

C. D. POWELL

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

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SRW

(1)

Prime Minister

This note covers the draft declarations on East/West relations and terrorism.

Your strong view – supported by the Germans – that an East/West declaration is not necessary is on record. The contingency text is inoffensive. But there is an important omission from para. 6 of the text, which we ought to remedy. Agree proposed addition?

CDP 13/5

Ref. A087/1393

MR POWELL

Venice Economic Summit: Political Issues

At the final meeting of Personal Representatives over the weekend, it was again agreed that there should be no general political declaration from the Venice Summit, of the kind that had been made from the last three Summits.

East/West Relations

2. I made it clear that it remained the Prime Minister's view that the Venice Summit did not need to, and should not, issue a declaration on East/West relations. I was supported by the German Personal Representative, who said that the Federal Chancellor took the same view. The United States Political Director, Mrs Ridgeway, clearly remained of the view that it would be very odd for the Seven-power Summit leaders not to make some kind of statement on the subject; and I think that that remains the view of the Italian Presidency. The Japanese Government would also like to see such a declaration issued from one of the international gatherings at which they are represented.

Yes – very much so

3. We continued to discuss a draft text, on the basis that it would be useful to have one available if, at the Summit itself, Heads of State or Government decided that they wanted to issue one. I attach as Annex A a draft offered as "a personal contribution of the Personal Representatives in case a decision to issue a text is taken". This draft was agreed at a meeting attended by Personal Representatives and Political Directors.

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Terrorism

4. The meeting of Personal Representatives and Political Directors also discussed a draft statement on terrorism, and a text was agreed for submission to Heads of State or Government (copy attached as Annex B). The discussion of the draft became acrimonious in its later stages, mainly because of the refusal of the French Personal Representative to include any words which even remotely suggested that there might be further activity on terrorism within the framework of the Summit countries: he kept saying that, while his President certainly did not exclude the possibility of continuing discussions on terrorism among the Summit countries, he remained totally opposed to any institutionalisation of such discussions. This was presented as a position of principle: we were told that the French President was not prepared to accept that the Summit should be institutionalised for any purpose other than for holding and preparing the annual Economic Summit meetings. This attitude infuriated the United States Personal Representative, who clearly felt that it was another case where the European countries were tending to thicken their own relationship to the exclusion of the United States, in a context in which the United States would like to be, and had good reason to be, closely involved in the discussions.

AIDS and Drugs

5. Personal Representatives agreed statements on AIDS and drugs, the texts of which are appended to the thematic paper, which I am submitting separately. These statements would not be included in the economic declaration and would not be issued as a declaration; they would simply be released to the press by the chairman of the meeting (the Italian Prime Minister), probably as oral statements but with copies made available, some time on Tuesday 9 June.

Other Political Issues

6. It was agreed that there should be no other statements or declarations on political issues unless the situation at the time made such statements necessary. The majority of Personal Representatives once again agreed that there should be no statement on South Africa, but the Canadian Personal Representative, while noting the view of the majority, reserved her Prime Minister's right to propose a draft to his colleagues at Venice.

7. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

RA

ROBERT ARMSTRONG

18 May 1987

Draft statement on East-West relations

(Personal contribution of the Personal Representatives in case a decision to issue a text is taken)

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

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

5. In this connection we will be paying close attention to Soviet actions on issues of common concern to us, and in particular :

- on respect for human rights and genuine democracy, and on freer movement of people and ideas;
- on early and peaceful resolution of regional conflicts. We look for immediate and total withdrawal of Soviet forces from Afghanistan so that the people of Afghanistan may be free to determine their own future.

6. We reaffirm our commitment to peace and increased security at lower levels of arms. We seek a comprehensive effort to lower tensions and to achieve verifiable arms reductions. We note with satisfaction that dialogue on arms control has intensified and that more favourable prospects have emerged for the reduction of nuclear forces. We appreciate US efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons. We believe that these goals should be actively pursued and translated into concrete agreements. We urge the Soviet Union to negotiate in a positive and constructive manner. In this context, we emphasize our determination to achieve conventional stability at a lower level of forces and the total elimination of chemical weapons.

At the same time, we recognize that nuclear weapons will continue to have an important role in preserving peace.

An effective resolution of these issues is an essential requirement for real and enduring stability in our world.

7. While determined to preserve peace and protect our security, we look for closer economic and cultural relations of mutual benefit, and for greater contact and more active interchange of ideas between our people and the people of the Soviet Union and of the countries of Eastern Europe. This will contribute to the greater trust and confidence which are needed as a foundation for a stable and constructive relationship between the countries of East and West.

Draft statement on terrorism

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

- resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;
- confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;

- remain resolved to apply, in respect of any state clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;
- welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986;
- reaffirm our determination to combat terrorism both through national measures and through international cooperation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international cooperation in all appropriate fora;
- will continue our efforts to improve the safety of travellers. We welcome improvements in airport and

maritime security, and encourage the work of ICAO and IMO in this regard. Each of us will continue to monitor closely the activities of airlines clearly implicated in supporting terrorism. (*) The Heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;

- commit ourselves to support the rule of law in bringing terrorists to justice. We will work with each other and with other countries as and when appropriate and in the relevant fora, within the framework of domestic and international law on

(*) Sentence to be checked.

the investigation, apprehension and prosecution of terrorists. In particular we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.

ANNEX

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

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

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

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

Ref. A087/1394

MR POWELL

Venice Economic Summit

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

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

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

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

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

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

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

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

RA

ROBERT ARMSTRONG

18 May 1987

SMTABK

Final May 17, 1987
2.00 p.m.

THEMATIC PAPER FOR VENICE SUMMIT

1. INTRODUCTION

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

Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates and inflation differentials have come down. During this period interest rates have generally declined. Exchange rate changes have occurred among leading currencies which over time will contribute to a more sustainable pattern of current account positions and have brought currencies within ranges broadly consistent with economic fundamentals. In volume terms the adjustment of trade flows is under way, although in nominal terms imbalances so far remain unacceptably large.

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

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

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

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

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

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

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

Negative factors include:

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

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

2. POLICY COORDINATION FOR SUSTAINED GROWTH AND ADJUSTMENT

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

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

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

2.3 Among the Summit countries, budgetary discipline remains an important medium-term objective and the reduction of existing public sector imbalances a necessity for a number of them, and especially for the

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

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

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

labour force. Summit countries should stress the need to :

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

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

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

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

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

3. STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM

3.1 Summit countries should note with grave concern the rising protectionist pressures which have become an immediate threat to the world economy and should reaffirm their determination to halt and dismantle protectionist measures and avoid tendencies towards bilateralism. For this purpose, they should stress the important role the Uruguay Round can play in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. To this end it is essential to improve the multilateral system based on the principles and rules of the General Agreement on Tariffs and Trade (GATT) and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral discipline.

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

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

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

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

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

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

3.5 Basing themselves on the Ministerial Declaration on the Uruguay Round adopted in Punta del Este and on the principles of the GATT, the Summit countries should call on all Contracting Parties to negotiate comprehensively, in good faith and with all due despatch, with a view to ensuring mutual advantage and increased benefits to all participants. In order to advance the negotiating process across the board, Canada, Japan, the United States and the European Community should table a wide range of substantive proposals in Geneva during the coming months. Progress in the Uruguay Round will be kept under close political review. In this context, the Summit countries should bear in mind that the launching, the conduct and the implementation of the outcome of the negotiations should be treated as parts of a single undertaking; however, agreements reached at an early stage might be implemented on a provisional or definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreement should

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

A strong, credible and effective GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. Summit countries should recognize the importance of improving the functioning of the GATT through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; promoting effective surveillance of trade policy and structural adjustment; and ensuring better coordination between the GATT and the IMF and the World Bank (IBRD). They consider that it would be useful to have, as appropriate, in the course of the negotiations, a meeting of the Trade Negotiating Committee at the ministerial level.

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

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

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

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

4. DEVELOPING COUNTRIES AND INTERNATIONAL DEBT PROBLEMS

4.1 The objectives of growth and prosperity of the world economy should include stable economic progress in developing countries, with all their present diverse situations and needs. The problems of many heavily indebted developing countries are a cause of economic and political concern and can be a threat to political stability in countries with democratic regimes.
Summit countries should salute the courageous efforts, in a framework of democracy, of many of these countries to achieve economic growth and stability.

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

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

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

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

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

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

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

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

In particular, Summit countries should:

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

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

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

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

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

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

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

4.11 [This paragraph is subject to reconsideration]

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

5. ENVIRONMENT

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

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

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

Summit countries should also examine further possible environmental issues such as stringent environmental

standards as an incentive for innovation and for the development of clean, cost-effective and low-resource technology as well as promotion of international trade in low-pollution products, low-polluting industrial plants and other environmental protection technologies.

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

6. HUMAN FRONTIER

Summit countries welcome the initiative of the Human Frontier Science Programme presented by Japan, which is aimed at promoting, through international cooperation, basic research on biological functions. They are grateful for the informal opportunities their scientists have had to take part in some of the discussions of the Japanese Feasibility Committee. They note that the Committee will continue its work and they would be pleased to be kept informed about its deliberations.

7. EDUCATION

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

8. BIOETHICS

Summit countries should continue to take into account in the future the examination of the ethical implications of developments in the life sciences.

Following the Conferences sponsored by Summit Governments - by Japan in 1984, by France in 1985, by the FRG in 1986 and by Canada in 1987 - they take note that the Italian government will host in Italy the next bioethics Conference in April, 1988.

* * * * *

AIDS

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

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

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

In this connection Summit Countries should agree that:

- international cooperation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organizations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organization (W.H.O.) is the best forum for drawing together international efforts on a worldwide level to combat AIDS, and all countries should be encouraged fully to cooperate with the W.H.O. and support its special programme of AIDS-related activities;
- in the absence of a vaccine or cure, the best hope for the combat and prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or

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

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

* * * * *

DRUGS

(Oral statement by the Chairman)

The Summit countries have examined the drug abuse problem, which causes a tragic loss of human life and now affects people all over the world, especially the young and their families. The governments of the Summit countries

emphasize the importance of undertaking a strategy in support of national, regional and multilateral campaigns in order to overcome this problem. Our goals are to prevent illegal production and commercialization of drugs and to create all necessary conditions for more effective international cooperation. We should also work for the eradication of illegal cultivation of natural drugs and for its replacement with other types of production which will further the aims of social and economic development.

The leaders welcome the agreements already reached on bilateral and multilateral bases, and look forward with confidence to a successful International Conference on Drug Abuse and Illicit Trafficking, which the United Nation is convening next week in Vienna.

Mr Powell

CDP
19/5.

CONFIDENTIAL

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A087/1395

18 May 1987

Dear Geoffrey,

During the meeting of Personal Representatives over the weekend, the Personal Representative of the President of the European Commission was very busy inviting comments from his European colleagues on a "non-paper" about European Community participation in meetings of the Group of Seven Finance Ministers.

--- I attach a copy of this "non-paper" in its final form. Pascal Lamy told me that he had given copies of it to the non-European Personal Representatives.

I fear that this may be a harbinger of trouble from Monsieur Delors at the Venice Economic Summit itself.

I am sending a copy of this letter and of the "non-paper" to Rodric Braithwaite at the Foreign and Commonwealth Office and to Charles Powell at 10 Downing Street.

Yours ever
Robert

Sir Geoffrey Littler KCB

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15.05.1987

MEMORANDUM
on the participation of representatives of the European Communities in the Group of the G-7 Finance Ministers created at the occasion of the Tokyo Summit

1. The Presidents of both the Council of the European Communities and the Commission of the European Communities were first invited to participate in the Summits of industrialized countries at the London Summit, in 1977. The invitation was made at the request of the European Council. This decision to enlarge the group of participants was an acknowledgment of the fact that matters of Community competence or interest, in particular trade and economic issues on which no individual Member State can speak on behalf of the Community, are dealt with at the Summits. The Community representation takes account of the Commission's role as the executive organ of the Communities, and its responsibility for ensuring that the provisions of the EEC Treaty are respected (Art. 155).

2. However, considering objections from the United States of America, the Tokyo Summit decided to create a group including all participants in Summit except the Representatives of the European Community.

3. The non-participation of the European Community in the new G-7 Finance Ministers has two implications: the Community is excluded from this process of coordination and surveillance of economic policies; it is also excluded from discussions in this group on the improvement of the international monetary system and on the management of international monetary cooperation. This situation is anomalous for the following reasons:

- <u>first as regards the coordination of economic policies</u>: the Community has adopted a procedure for surveillance and coordination. The Commission has primary responsibility (cf art. 103 of the Treaty and Council Decision of 1974 "on the attainment of a high degree of convergence of the economic policies of the Member States") for the implementation and management of this procedure;

- secondly, as regards monetary cooperation and the improvement of the international monetary system: The Community has a ligitimate interest in participating in the work of the G-7 on the agreed objectives in this field. The adoption, in 1971, of the "Resolution of the Council and of the Representatives of the Governments of the Member States on the attainment by stages of economic and monetary union in the Community" established the basis for the Commission's participation, as a permanent observer, in the meetings of the G-10. The Commission has since been an active member of this group. Furthermore, in 1982-83, representatives of the Community participated actively and without opposition in the preparation of the report of the G-7 Working Group on exchange market intervention.
Moreover, the Member States have incurred Community obligations in the area of monetary cooperation both under the EEC Treaty (in particular art. 107) and in the context of the European Monetary System, the legal basis of which is constituted both by Community acts and by decisions of the Central Banks of the Member States. Finally, the 1978 Resolution of the European Council on the establishment of the EMS underlines the necessity of coordinating exchange-rate policies vis-à-vis third countries.

4. Since the Tokyo Summit, the arguments for Community participation in the G-7 have been reinforced:

- the text of the Louvre Agreement builds on declarations on economic policy of previous Summits at which the Community participate actively. These Summits, on the basis of an appreciation of the world economy, deal with international trade, relations with LDCs, etc. Such issues have been recognized to be of Community competence and interest by the Heads of State and of Governments. They should also clearly be the case at the level of Finance Ministers.

- the implementation of a new procedure of multilateral surveillance based on macroeconomic indicators could lead Member States participating in the G-7 to enter into individual commitments concerning their economic or exchange rate policies which relate to their obligations within the Community framework.

- finally, a revision of the EEC Treaty, "the European Single Act", which is expected to come into force in

the coming weeks, explicity recognizes a monetary capacity for the Community. The extent of this capacity can be differently interpreted but its very existence cannot be disputed.

5. The participation of representatives of the European Community in the G-7 would enlarge and the scope of its commitments and their credibility at a time when trade matters are of an overriding importance and are tightly linked with monetary and financial questions. The success of international adjustment depends upon the orientations decided at the Summit having as wide an influence as possible on the global economy and being supported by other industrial countries. The linkage with the Community framework would increase their potential effectiveness.

PERSONAL

Ref. A087/1396

MR POWELL

Now overtaken. Fanfani has conceded.
CDP 19/5.

Summit Preparations

Ambassador Ruggiero asked me at the weekend whether, in reply to Signor Fanfani's plea, the Prime Minister would relent and agree to see him before the Summit.

2. I said that I feared she would not; and I showed him a copy of the Prime Minister's letter to Signor Fanfani of 15 May.

3. Ambassador Ruggiero was very sad about it. He said that, apart from the value of their having a conversation before the Summit, all the greater because of the key role which the Prime Minister would be expected to play, it was a matter of personal prestige for Signor Fanfani: it had become personally (and I dare say politically: they have an election too, though as Signor Fanfani is a Senator for life he does not have to stand for election himself) important to him to be able to say that he had seen Mrs Thatcher as well as the other Heads of State or Government. It was clear that a visit by me to Rome to talk to Ambassador Ruggiero would in no way be regarded by Signor Fanfani as an adequate substitute. Ambassador Ruggiero was sure that Signor Fanfani would come at any time of day, and would not expect to be entertained to a meal, or to take up very much of the Prime Minister's time.

4. I said that the Prime Minister's schedule during the campaign was horrendous, and I was sure that she had considered very carefully before saying that it was impossible. But I promised to report my conversation with Ambassador Ruggiero, and to see once again whether there was any possibility of fitting in an hour, or even half an hour (Ruggiero's thought, but not I think a very realistic one) some time before Signor Fanfani goes to North America in a week's time.

RCA

18 May 1987

ROBERT ARMSTRONG

PERSONAL

cc: Mr. Ingham

PRIME MINISTER

VENICE ECONOMIC SUMMIT: BILATERAL WITH PRESIDENT REAGAN

President Reagan has now suggested that you have a bilateral from 0850 - 0910 hours on the Tuesday morning at his hotel and subsequently travel together to the opening session of the Summit.

This is probably the only practicable way to fit in a bilateral. My worry is that the time allocated will enable the Opposition to make play with your having 'only 20 minutes' with the President, the same charge as was made so damagingly against Mr. Kinnock. It will of course not be true: you will be spending time with the President at the dinner, at the Heads of Government session and on the journey to it. Nonetheless, it could stick, particularly since a good part of that 20 minutes is likely to be taken up with photocalls.

If you agree, therefore, I intend to go back to the Americans, and press hard for an earlier start (say 0830 hours) to give time for a proper discussion.

Agree? Yes MT

CDP

C.D. POWELL
18 May 1987

BM2BEX

P.S. Charlie Price has subsequently explained me about the meeting. I have put to him the idea of an earlier start, to allow sufficient time to cover all the outstanding items. CDP 18/5.

CONFIDENTIAL

DA 40
CCPC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. WOOLLEY
Cabinet Office

I have spoken to Mr. Ito in the Japanese Embassy about Mr. Nakasone's request for a bilateral meeting with the Prime Minister during the Venice Summit. I explained that the Prime Minister was likely to be present for only a very limited time and I could see no realistic prospect of her being able to fit in a formal bilateral. She would be disappointed, because she always had such bilaterals with Mr. Nakasone at Economic Summits and found them very useful. But I was sure that Mr. Nakasone would understand the special circumstances this time. No doubt the two Prime Ministers would have a chance to talk to each other during the Heads of Government dinner on the first evening or in the margins of the meeting the following morning.

DTS.

CHARLES POWELL

14 May 1987

CONFIDENTIAL

cc PC
Duty Clerk

Ref. A087/1347

MR POWELL

I have been approached by Mr Ito, Counsellor (Economic) at the Japanese Embassy, about the Venice Economic Summit. His purpose was to pass a message that Mr Nakasone would very much welcome the opportunity for a bilateral meeting with the Prime Minister during the course of the Summit, and suggested that, on the assumption that the Prime Minister would be present at this time, an opportunity might arise between the Reception hosted by the President of the Council of Ministers and dinner on the evening of Monday 8 June - ie at 7.30 pm.

2. I undertook to seek your guidance and come back to him. Alternatively, you may prefer to contact Mr Ito, or the Ambassador, direct.

Trevor Woolley

T A WOOLLEY

13 May 1987

CONFIDENTIAL

file MJ2 BAA

SUBJECT cc MASTER

bc PC

10 DOWNING STREET

LONDON SW1A 2AA

13 May 1987

From the Private Secretary

Dear Tony,

VENICE ECONOMIC SUMMIT

The Prime Minister and the Foreign Secretary had some discussion this afternoon of the Venice Economic Summit. They agreed that the economic conclusions were, in general, emerging in a satisfactory form. It would be important to get robust paragraphs on protectionism and on the need for reforms in agricultural policies, as well as the most specific references possible to the anxieties caused by the United States' fiscal deficit and to the need for the Federal Republic and Japan to pursue policies aimed at faster economic growth. It would also be important to cast the conclusions in such a way as to exert maximum pressure on Japan to speed up its market opening and to encourage imports. We should aim to secure endorsement of the Chancellor of the Exchequer's recent initiative on debt. Proposals on the same subject made by the French Government raised a number of problems and we should try to avoid their acceptance by the Summit.

It was noted that the United States was keen to have a statement on terrorism from the Summit. In many ways it would be preferable to rest on the declaration issued at Tokyo. But it was probably impossible to avoid a further statement. This should at the least reaffirm the commitments undertaken at the Tokyo and London Summits and if possible express them more strongly (while avoiding language which was obviously incompatible with the United States' performance over the hostages in Lebanon).

The Prime Minister expressed a strong preference for avoiding any declaration from the Summit on East/West relations. Such a text would make it harder to resist declarations on other political issues. It would also risk invidious comparisons with the communiqué of the NATO ministerial meeting which would follow immediately after the Summit. The Foreign Secretary recalled that the United States appeared to believe that a text was inevitable and the Japanese had already circulated a draft. While we should certainly not press for a text to be issued, we

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should be ready with language to ensure that, if others insisted on having one, it was cast in terms acceptable to us.

The Prime Minister would wish Sir Robert Armstrong to make clear at the next meeting of Sherpas that she is opposed to the idea of an East/West declaration and to try to rally support against it, leaving a decision to the Summit itself. If language is discussed, our representative should make clear that we would prefer to avoid a text and that he is participating in any drafting exercise without commitment.

I am copying this letter to Alex Allan (HM Treasury) and to Sir Robert Armstrong.

Yours sincerely

Charles Powell

A.C. Galsworthy, Esq., CMG.,
Foreign and Commonwealth Office.

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Ref. A087/1324

MR POWELL

Prime Minister
You will want to discuss with the Foreign Secretary. I remain opposed to a declaration on East/West. The FCO draft is platitudinous & will cut no ice.
CDD 12/5

Venice Economic Summit

This coming weekend there is to be a final meeting of Personal Representatives (with accompanying 'experts') in preparation for the Venice Economic Summit.

2. On the economic side, the main purpose of the meeting will be to finalise the thematic paper, which has been re-drafted in the light of the discussion at the meeting of Personal Representatives ten days ago. I do not think that I need ask the Prime Minister for fresh instructions in that respect. We will work to the same instructions as those to which we were working at the last meeting. The coming meeting will in effect be laying the foundations for the communique drafting sessions which will take place during the Summit itself.

3. The meeting of Personal Representatives will be immediately preceded by a meeting of Political Directors, who will seek to agree upon an agenda of political issues for discussion by Foreign Ministers, and will undertake preliminary drafting preparations for any political declarations which may be thought to be required. In that context, the acting Political Director and I need fresh instructions about the possibility of a declaration on East/West relations and arms control.

NO

4. At the last meeting of Personal Representatives, in accordance with the Prime Minister's instructions, I agreed that East/West relations and arms control would probably be the main issue to be discussed by Heads of State or Government at their

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RTAAEH

first working dinner on Monday 8 June. I said, however, and persuaded others to agree, that the question whether there should be any kind of declaration from the Summit on East/West relations and arms control should be left open. Unless the European Allies had reached a measure of agreement, there would be a high risk that any attempt to agree such a declaration at the Summit would be difficult and patently divisive. Given that there was to be a meeting of NATO Foreign Ministers in Reykjavik the day after the Summit, it might well be better to say no more at the Venice Summit than that Heads of State or Government had discussed the issues, and not to try to think in terms of a declaration.

5. I am still apprehensive about this risk, the more so since any divisions at the Summit will become apparent only two days before the General Election here (and five days before the General Election in Italy). For these reasons, it may well be better to be modest from the outset, and suggest that there should be no Summit declaration on these issues.

6. But it became clear at the last meeting of Personal Representatives that the Italian Presidency feared that it might be impossible not to produce a declaration from the Summit: the absence of a declaration might be thought to be hardly less embarrassing, as evidence of divisions in Europe, than a difficult and divisive attempt to agree one. The United States Political Director also believes that in practice a statement will prove inevitable, if only to satisfy the curiosity of the press.

7. At the last meeting of Personal Representatives the Japanese Personal Representative produced a draft declaration on East/West relations (copy attached as Annex A), which was full of high-flown generalities but was in fact a respectable draft as a starting point, if there had to be a declaration.

8. The Foreign and Commonwealth Office have therefore proposed that our acting Political Director and I should have language available to us at the forthcoming meetings, so that, if it is felt that there will have to be a public statement of some kind, or that preparations should be made in case one is needed, we can ensure that it will at least be on the right lines and, in particular that, in order not to cut across the meeting of the North Atlantic Council just after the Summit, it should keep clear of specifics on arms control.

--- 9. I attach, as Annex B, a Foreign and Commonwealth Office draft intended for such a purpose. I understand that the Foreign and Commonwealth Secretary has seen it, and is in general content with it.

10. The Foreign and Commonwealth Secretary will wish to discuss this with the Prime Minister when he comes to see her tomorrow.

11. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

RtA

ROBERT ARMSTRONG

12 May 1987

ANNEX A

STRICTLY CONFIDENTIAL

Draft Declaration on East-West Relations

April 23, 1987

1. We, the Heads of State or Government of seven major industrial nations and the representatives of the European Community, have discussed East-West relations, which are vital to world peace and stability, and are agreed that we share the following common understanding.

2. Recognizing with pride that our shared values of freedom, democracy and respect for human rights are the source of the dynamism and prosperity of our societies, we reaffirm our determination to build a more stable and constructive East-West relationship through the close cooperation that exists among Japan, North America and Europe with a view to preserving and strengthening peace. To that end, while striving to maintain a credible deterrent and always bearing in mind that the security of our countries is indivisible and must be approached on a global basis, we stand ready to promote East-West dialogue.

3. We are following, with cautious but keen interest, current Soviet policies, domestic as well as external. Recognizing that East-West relations should not be seen as a set of separate relationships affecting specific areas and allowing of selective treatment, but are a relationship comprising various elements inextricably

linked with one another and, therefore, must be considered as a totality, we will pay close attention to how the Soviet Union responds with concrete action to existing issues of common concern to us, in particular, with regard to the following:

First, there must be extensive action giving substantial progress in such areas as human rights and the free movement of people and information;

Second, balanced, substantial and verifiable reductions in the level of arms must be pursued so as to strengthen strategic stability;

Third, there must be an immediate and total withdrawal of Soviet troops from Afghanistan. Action must be taken to expedite solutions to the other regional conflicts and issues in which there is a Soviet involvement.

We firmly believe that positive action by the Soviet Union on these issues will not only contribute to establishing an East-West relationship based on mutual trust, but will also lead to a more peaceful and stable world.

4. We hope that fruitful dialogue between the leaders of East and West will be continued. We look forward to meaningful progress on the major issues in East-West relations, in particular, through dialogue at the highest level between the United States and the Soviet Union.

VENICE ECONOMIC SUMMIT : EAST-WEST RELATIONS :
ELEMENTS FOR A DRAFT STATEMENT

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

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

3. In the conviction that the security of our countries is indivisible, and must be seen in its global context, we shall continue to consult closely on all matters affecting our common interests. Within existing alliances each of us is resolved to maintain a strong and credible defence that can protect freedom and deter aggression while not threatening the security of others.

4. We are following with close interest recent developments in the internal and external policies of the Soviet Union. It is our hope that the policies of greater openness, restructuring and democratisation point the way to the greater trust and confidence needed for progress on arms reductions and the peaceful resolution of problems between East and West.

5. We are convinced of the value of continued high level dialogue between the countries of East and West and are determined to work for a more stable and constructive relationship between them.

6. In this connection we will be paying close attention to Soviet actions on issues of common concern to us, and in particular:

First, in the negotiation of balanced, substantial and verifiable arms control measures. Effective verification is essential. Real progress can only be made if a stable overall balance, taking account of nuclear, chemical and conventional forces, is assured at all times.

Second, in the respect for human rights and the freer movement of people and ideas.

Third, in the early and peaceful resolution of regional conflicts. We look for the immediate and total withdrawal of Soviet forces from Afghanistan and of Vietnamese forces from Cambodia, so that the peoples of Afghanistan and

Cambodia may be free to determine their own future.

7. We firmly believe that positive action by the Soviet Union on these issues will create greater confidence and trust between East and West, and lead to a more peaceful and stable world.

Foreign and Commonwealth Office

London SW1A 2AH

12 May 1987

Prime Minister

For discussion with Foreign Secretary tomorrow

CDP 12/5

Dear Charles

Your minute of 29 April to Sir Robert Armstrong noted that the Prime Minister would like to see any statement at Venice on terrorism strengthened and extended to cover more than civil aviation aspects. Since the Personal Representatives meeting from 30 April to 2 May, the Italians have now prepared the text of a draft statement on terrorism to be made at Venice * (attached).

The Foreign Secretary is clear that the draft statement needs to be made much more robust (as well as the English being improved). We have therefore done additional work on the Italian draft, in preparation for the meeting of Summit Seven Political Directors from 14-17 May and the final meeting of Personal Representatives immediately thereafter. I attach our redraft, which the Foreign Secretary himself has not yet seen. He will wish to discuss this text, and our tactics at Venice over terrorism, with the Prime Minister tomorrow morning.

It has been agreed that Terrorism Experts should also be in Venice on 14 May to work on the text on international terrorism. Duncan Slater, the AUSS responsible for counter-terrorism within the Office, will represent the UK. We shall therefore need to give him clear instructions by the end of 13 May.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

* to follow first thing tomorrow morning

UK DRAFT OF SUMMIT SEVEN STATEMENT ON INTERNATIONAL TERRORISM

1. The Heads of State and Government reaffirm their condemnation of international terrorism in all its forms and of all those, including governments, who sponsor or support it.

2. They agree that the following principles must govern their common fight against terrorism:-

✓ No cause can justify terrorist acts.

✓ No concessions under duress should be made to terrorists or their sponsors.

✓ No state which supports terrorism can expect normal relations with the Summit Seven countries.

3. Effective measures have already been agreed amongst the Seven to combat terrorism. Heads of State and Government resolve to apply further measures if new evidence of state involvement in terrorism emerges.

PO6ACW

4. The Heads of State and Government note the progress made over the last year in bringing terrorists to trial and punishing them for their crimes. Nevertheless, terrorism continues to pose a threat. They are determined to intensify their combined efforts to combat that threat. There should be solidarity amongst the Seven in their efforts to prevent terrorist crimes and to bring the guilty to justice.

5. The Heads of State and Government regard every act of hostage taking and abduction as abhorrent. All those being held should immediately be released, without conditions.

6. The Heads of State and Government reaffirm the right of their citizens to work and travel freely without the fear of terrorist outrage. They will therefore step up their efforts to improve the safety of air travel.

7. The Heads of State and Government recall that in their Tokyo Statement on International terrorism last year they agreed to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. They are now jointly resolved that their Governments shall take immediate action to cease all flights to any country which refuses extradition or prosecution of those who have committed offences described in the Montreal Convention for the suppression of unlawful acts against the safety of civil aviation, or which does not return the aircraft involved.

At the same time, their governments will initiate action to halt all incoming flights from that country or by the airlines of that country. [They intend also to extend the Bonn Declaration in due course to cover any future relevant amendment to the above convention or any other aviation conventions relating to the extradition or prosecution of the offenders.] The Heads of State and Government urge other Governments to join them in this commitment.

(112)

His Excellency the Italian Ambassador

Italian Embassy
6 Grosvenor Square
London W1

9th May 1987

Dear Derek,

Please find enclosed a message from Ambassador Biancheri containing the preliminary draft statement on terrorism prepared by the Italian Presidency, which may be a working document for our meeting on May 14th and 15th.

yours sincerely

Bruno Bottai

Mr. Derek Thomas
Political Director
Foreign & Commonwealth Office
Downing Street West
London SW1A 2AL

I ENCLOSE HEREWITH THE PRELIMINARY DRAFT STATEMENT ON TERRORISM PREPARED BY THE ITALIAN PRESIDENCY, WHICH MAY BE A WORKING DOCUMENT FOR OUR MEETING ON MAY 14-15.
(S) PER ITALDIPL BONN, LONDRA, OTTAWA, PARIGI, TOKIO, WASHINGTON) PLEASE TAKE NOTE THAT THE FIRST SENTENCE OF PARAGRAPH 1 AND THE WHOLE PARAGRAPH 5 ARE IN FACT THE TEXT PREPARED BY THE GROUP OF EXPERTS AND ALREADY AGREED UPON., THE PRELIMINARY DRAFT ITSELF HAS BEEN INSERTED IN BETWEEN.
LET ME KNOW IF YOUR EXPERT ON TERRORISM WILL BE PRESENT AT THE MEETING: IN ANY CASE MR. FERRARIN WILL BE WITH ME AT STRA. THE EXPERTS WILL MEET FOR DINNER AT THE DANIELI HOTEL AT 8.30 P.M. ON MAY 14TH. ACCORDING TO THE DECISIONS TAKEN IN PORTO CERVO BY THE PERSONAL REPRESENTATIVES, THIS WILL BE AN INFORMAL OCCASION AND NOT A MEETING OF THE GROUP OF EXPERTS ON TERRORISM AS SUCH.
(PER TUTTI) YOURS SINCERELY
PRELIMINARY DRAFT
STATEMENT ON INTERNATIONAL TERRORISM
1. THE HEADS OF STATE OR GOVERNMENT, REAFFIRMING THEIR CONDEMNATION OF INTERNATIONAL TERRORISM IN ALL ITS FORMS, OF ITS ACCOMPLICES AND OF THOSE, INCLUDIN GOVERNMENTS, WHO SPONSOR OR SUPPORT IT, ARE RESOLVED TO FURTHER INTENSIFY THEIR JOINT EFFORTS
TO COMBAT INTERNATIONAL TERRORISM.
THEY ONCE AGAIN DECLARE THAT TERRORIST ACTS ARE NEVER JUSTIFIED AND DO NOT SERVE ANY POLITICAL CAUSE AND THAT NO STATE WHICH SUPPORTS TERRORISM CAN EXPECT NORAL RELATIONS WITH THE SUMMIT SEVEN COUNTRIES.
THEY ALSO REAFFIRM THEIR DETERMINATION TO APPLY, IN RESPECT OF ANY STATE CLEARLY INVOLVED IN SPONSORIN OR SUPPORTING INTERNATIONAL TERRORISM, EFFECTIVE MEASURES WITHIN THE FRAMEWORK OF INTERNATIONAL LAW.
2. THEREFORE, THE HEADS OF STATE OR GOVERNMENT AGREE:
A) THAT THERE SHALL BE NO CONCESSIONS UNDER DURESS TO TERRORISTS OR THEIR SPONSORS.,
B) THAT EVERY JOINT EFFORT MUST BE DONE IN ORDER TO COMBAT THE TAKING OF HOSTAGES AND TO PREVENT THE SPREADING OF SUCH AN UNJUSTIFIABLE AND HATEFUL PRACTICE.,
C) THAT THERE MUST BE IMPROVED POLICE AND INTELLIGENCE COOPERATION AND EXCHANGES OF INFORMATION TO PREVENT TERRORISM AND TO BRING THE GUILTY TO JUSTICE.,
D) THAT THEY WILL CONTINUE THEIR EFFORTS TO IMPROVE THE SAFETY OF AIR TRAVEL AND PARTICULARLY TO SCRUTINIZE MORE CLOSELY THE ACTIVITIES OF AIRLINES OPERATED BY STATES SPONSORING TERRORISM.
3. THE HEADS OF STATE OR GOVERNMENT NOTED THE IMPRESSIVE PROGRESS MADE OVER THE LAST YEAR IN BRINGING THE FORCE OF THE RULE OF LAW TO BEAR ON TERRORISM. THESE ACTIONS PROVIDE IMPORTANT EVIDENCE THAT OUR DEMOCRACIES HAVE THE INNER STRENGTH TO COMBAT TERRORISM WHILE MAINTAINING DEMOCRATIC LEGAL GUARANTEES FOR THEIR PEOPLES AND THOSE WHO ARE SUBMITTED TO THEIR JURISDICTION.
THEY ALSO NOTED WITH SATISFACTION THE PROGRESS MADE IN STRENGTHENING INTERNATIONAL OBLIGATIONS FOR COMBATTING TERRORISM, PARTICULARLY IN FIELDS OF AIRPORT AND MARITIME SECURITY.
4. FURTHERMORE, IN VIEW OF MAKING THEIR COMMITMENT IN FIGHTING TERRORISM EVEN MORE EFFECTIVE, THE HEADS OF STATE OR GOVERNMENT PLEDGE THAT EACH OF THEIR STATES WILL:
A) FIGHT TERRORISM THROUGH ITS LEGAL SYSTEM AND WILL NOT ALLOW TERRORISM TO SUBVERT DEMOCRATIC LEGAL GUARANTEES AND PROCEDURES.,
B) PURSUE EFFORTS TO COOPERATE ON THE INVESTIGATION, APPREHENSION AND PROSECUTION OF TERRORISTS.,

C) RING TERRORISTS TO JUSTICE WITHOUT REGARD TO THE ALLE-
GED POLITICAL MOTIVATIONS FOR THE CRIMES THEY COMMIT., IN
THAT REGARD, EACH STATE RENEWS ITS COMMITMENT TO PROSECUTE
OR EXTRADITE ACCORDING TO NATIONAL LAWS AND RELEVANT INTER-
NATIONAL CONVENTIONS THOSE PERSONS APPREHENDED FOR ACTS OF
TERRORISM.,
D) PROVIDE EACH OTHER THE GREATEST MEASURE OF ASSISTANCE
WITH CRIMINAL PROCEEDING AGAINST TERRORISTS, INCLUDING
SUPPLYING EVIDENCE AT THEIR DISPOSAL NECESSARY TO ENSURE
SUCCESSFUL PROSECUTION AND CONSISTENT WITH NATIONAL LAWS.,
E) INTENSIFY EFFORTS TO IMPEDE THE MOVEMENT OF TERRORISTS
THROUGH INCREASED COOPERATION.
5. THE HEADS OF STATE OR GOVERNMENT RECALL THMT IN THEIR
TOKYO STATEMENT ON INTERNATIONAL TERRORISM THEY AGREED
TO MAKE THE 1978 BONN DECLARATION MORE EFFECTIVE IN DEA-
LING WITH ALL FORMS OF TERRORISM AFFECTING CIVIL AVIATION.
TO THIS END, IN CASES WHERE A COUNTRY REFUSES EXTRADITION
OR PROSECUTION OF THOSE WHO HAVE COMMITTED OFFENCES DESCRI-
BED IN THE MONTREAL CONVENTION FOR THE SUPPRESSIOM OF
UNLAWFUL ACTS AGAINST THE SAFETY OF CIVIL AVIATION AND/OR
DOES NOT RETURN THE AIRCRAFT INVOLVED, THE HEADS OF STATE
OR GOVERNMENT ARE JOINTLY RESOLVED THAT THEIR GOVERNMENTS
SHALL TAKE IMMEDIATE ACTION TO CEASE ALL FLIGHTS TO THAT
COUNTRY. AT THE SAME TIME, THEIR GOVERNMENTS WILL INITIA-
TE ACTION TO HALT ALL INCOMING FLIGHTS FROM THAT COUNTRY
OR FROM ANY COUNTRY BY THE AIRLINES OF THE COUNTRY CONCERNED
THEY INTEND ALSO TO EXTEND THE BONN DECLARATION IN DUE
TIME TO COVER ANY FUTURE RELEVANT AMENDMENT TO THE
ABOVE CONVENTION OR ANY OTHER AVIATION CONVENTIONS
RELATING TO THE EXTRADITION OR PROSECUTION OF THE OF-
FENDERS.
THE HEADS OF STATE OR GOVERNMENT URGE OTHER GOVERNMENTS
TO JOIN THEM IN THIS COMMITMENT.'

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CSPC

Foreign and Commonwealth Office

London SW1A 2AH

8 May 1987

CDP
9/5

Dear Charles

Venice Economic Summit : Agriculture

Thank you for your letter of 24 April, with which you enclosed a copy of a message to the Prime Minister from President Reagan about reform of agriculture in the context of the Venice Economic Summit.

As you know, the focus of international discussions on agriculture is now the OECD, where we are working to ensure that useful communique language results from the Ministerial meeting on 12 - 13 May. We are in close touch with the Americans in the preparations for the meeting. In agreement with Treasury and MAFF officials we recommend, therefore, that the Prime Minister reply after the OECD meeting and possibly suggest ways in which the OECD Communique might be exploited at the Summit. Meanwhile we have sent a holding reply to our Embassy in Washington.

I am sending copies of this letter to Private Secretaries of the Lord Chancellor, Mr Jopling and Sir Robert Armstrong.

Yours ever

Robert Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

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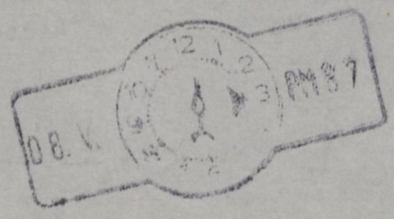
PM TOURS : Venice oct 86



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Prime Minister
Fairly satisfactory except on Japan and debt (where the French have ambitions). No statement on South Africa. I attach the drafts on agriculture and on Terrorism.
CDP 5/5

Ref. A087/1223

MR POWELL

Venice Economic Summit 1987

This note reports on the outcome of the meeting of Personal Representatives from 30 April to 2 May.

Administrative Arrangements

2. I attach the latest version of the programme for the Venice Summit (Annex A). (removed)

Thematic Paper

3. We spent much of the time working through the draft thematic paper, a copy of which was attached to my minute of 27 April.

4. Discussion of the section on the world economic situation and policies was dominated by fears that the dollar might fall still further; but the implications of this were not followed up in any depth in the main sessions.

5. The United States representatives reiterated the President's determination to reduce the US budget deficit and resist protectionist pressures, and were able to point to a recent reaffirmation by the President of these points in the joint statement by President Reagan and Mr Nakasone at the end of Mr Nakasone's visit.

6. The Japanese representatives referred to the plans for stimulating domestic growth in Japan, and in particular to the Liberal Democratic Party's plan for a Y5,000 billion package of

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SMTABI

stimulus to domestic demand. They were put under pressure to be more specific about the make-up of this package and the timing of its implementation. Their answers were not very satisfactory. It was clear that a great part of the package consisted of what we should call increased public expenditure, including bringing forward expenditure on public works contracts, though the package also included an unspecified amount of tax reform and tax reductions. The package also included proposals for the reduction of working hours and for increased official development assistance to developing countries. We were told that the proposals would be enacted in a supplementary budget, the normal time for which would be in the autumn. It was suggested that Mr Nakasone might call for its enactment in a special session of the Diet in the summer, but I did not have the impression that that was to be counted upon. The Japanese representatives did not seem able to answer questions about how much of the proposed package was truly additional and how much was unspent from a previous Y3,600 billion package. I attach copies of the notes circulated by the Japanese on these matters (Annexes B and C).

[already sent]

7. The text of the thematic paper does not identify individual countries (apart from a reference to large public sector deficits in the United States and Italy), and there was no suggestion that it should; but there was agreement on a sentence which invited countries in balance of payments surplus to design their policies to strengthen domestic demand and the opening of their markets, and deficit countries to focus on reducing their fiscal deficits and strengthening their competitiveness.

Trade

8. There were no fundamental disagreements on the need to resist protectionism and support the Uruguay Round. The Canadian representative wanted a harder commitment than other countries were prepared to concede, to a mid-round Ministerial

meeting of the Trade Negotiating Committee and to the objectives to be sought from such a meeting. A satisfactory text on this subject appeared to have been agreed, but at the last moment the French President's Personal Representative reserved his position on it until next time.

Agriculture

9. There was little discussion of this subject, but general agreement that draft paragraphs for the communiqué of the forthcoming OECD Ministerial Meeting (Annex D) were very much on the right lines and would provide a good basis for Summit drafting on the subject. The United States representatives also circulated draft paragraphs on agriculture for the thematic paper (Annex E), but these were not discussed.

Debt

10. Despite a good deal of detailed redrafting, the only area in which it seemed as if major disagreements might arise were in relation to the poorest countries, particularly in sub-Saharan Africa. There was general agreement that special treatment was called for; but a range of ideas about what that special treatment should consist of. The French representatives and the Canadian representatives each put forward sets of proposals which went further than others thought appropriate. We argued for the Chancellor of the Exchequer's proposals. The French proposals (Annex F) as usual included proposals for commodity agreements including price intervention measures to stabilise commodity prices and improve the export earnings of the producer countries concerned. They were reminded that commodity producers were not coterminous with the poorest sub-Saharan African countries.

Energy

11. There was some discussion about what might be said about energy, and in particular about nuclear safety and fusion, until the British Personal Representative suggested that energy was not a major problem at this time, and need not be discussed by Heads of State or Government or mentioned in the economic declaration. This suggestion was agreed by the majority of the countries represented.

Environment

12. It was agreed that the economic declaration should include a paragraph commending the work done on harmonisation of techniques and standards of environmental measurements, and renewing the commitment of the Summit countries to the protection of the environment from global threats (acid rain, damage to the ozone layer and so on).

Political Issues

13. The following political issues were identified for discussion at the Summit, the first two by Heads of State or Government, the others by Foreign Ministers:

East-West Relations, including
- internal and foreign policy developments in the Soviet Union
- Arms Control
-Afghanistan and Cambodia

South Africa

Middle East

Iran-Iraq

Latin America

Korea and Philippines

14. It was generally agreed that there should be no general political declaration, and no declarations on regional issues unless some particular development between now and the Summit itself suggested a need for one.

15. On arms control, it was agreed that it was too soon, and events were moving too fast, for it to be possible to say whether there should or could usefully be a statement from the Summit on arms control. In the meantime nothing should be said to increase expectations that there might be such a statement: there was a general wish to avoid the sort of situation that developed at Williamsburg. But I had an impression that the Italian Presidency thought that some statement might be inescapable: failure to produce a statement might be seen as a sign of division and disagreement. The French Personal Representative made his usual noises about France's inability to go along with any statement that took sides in relation to a negotiation to which France was not a party.

16. On South Africa, the Canadian Personal Representative presented her Prime Minister's case for a statement from the Summit. All the European countries and the Community representatives were against any statement or initiative from the Summit on South Africa (and a fortiori against the idea that the Summit should set up a High Level Group which could mediate between the South African Government and the representatives of the black and other communities in South Africa and the Front Line States). The French and the German Personal Representatives were particularly supportive. The United States representatives said that they had been considering possible texts of a statement, but would not be pressing for a statement against the wishes of a majority of those represented. The

Japanese were neutral. So the Canadians were in effect isolated: a satisfactory outcome.

17. On terrorism, it was agreed to consider the possibility of a statement from the Summit going wider than terrorism relating to civil aviation, and I circulated a United Kingdom draft (Annex G) for consideration and discussion at the next meeting. One Personal Representative was nervous about including anything about hostage-taking, for fear of putting at greater risk hostages at present in captivity; I said that failure to take a robust position on hostage-taking could increase the risk for potential future hostages.

18. On AIDS, the general view was that this was a subject of such importance and concern that the Summit should be seen to have discussed it. Any statement might be part of the President's oral report at the end of the first day, rather than a separate declaration.

19. The topic of drugs could be similarly handled: it would be largely a matter of taking note of the completion of work commissioned at previous Summits.

20. The United States Personal Representative made it clear to me that the President would not be looking for any statement from the Summit on the manned space station this year.

Future Arrangements

21. Political Directors will meet on 15 May to finalise the list of political subjects for discussion and consider any drafts (for instance on terrorism) that need to be considered. They will be able to review the need and scope for a statement on arms control. They will report to a final meeting of Personal Representatives from 15 to 17 May, which will also agree upon a final version of the thematic paper and finalise the arrangements for the Summit.

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

RA

ROBERT ARMSTRONG

5 May 1987

Agriculture

21. Reform will be based on the following principles:

a. The long-term objective is to allow market signals to determine, more directly and more freely, by way of progressive reduction of agricultural support, the orientation of agricultural production; this will bring about a better allocation of resources which will benefit consumers and the economy in general.

b. Agricultural policies take into consideration social and other concerns, such as food security or environment protection, which are not purely economic. The progressive correction of policies to achieve the long-term objective will thus require time; it is all the more necessary that this correction be started without delay.

c. The most pressing need is to avoid further deterioration of present market imbalances. It is necessary:

- on the demand side, to improve prospects as much as possible inside as well as outside the OECD area;

- on the supply side, to implement measures which, by reducing guaranteed prices and other types of production incentives, by imposing quantitative restrictions, or by any other means, will prevent an increase in excess supply. When support linked to production is granted to farmers, it should be set within specific limits.

d. When quotas are imposed or productive farming resources withdrawn by administrative decision, these steps should be taken in such a way as to minimise possible economic distortions and should be conceived and implemented in such a way as to permit better functioning of market mechanisms.

e. Rather than being provided exclusively through price guarantees or other measures linked to production or to factors of production, farm income support should increasingly be sought through direct income support designed to meet the needs of low-income farmers or those in particularly disadvantaged regions.

f. The adjustment of the agricultural sector will be facilitated if it is supported by comprehensive policies for the development of various activities in rural areas. Farmers and their families will thus be helped to find supplementary or alternative income.

g. In implementing the above principles Governments should have some flexibility in the choice of the means necessary for the fulfilment of their commitments.

22. The Uruguay Round is of decisive importance for agricultural reform. It will provide the framework for most of the necessary measures, especially with regard to a progressive reduction of assistance to and protection of agriculture on a multi-country and multi-commodity basis. Expeditious and comprehensive implementation of these negotiations based on the Ministerial Declaration of Punta del Este will be pursued vigorously and comprehensive negotiating proposals will be tabled by OECD Governments over the coming months.

23. In order to permit a de-escalation of present tensions and thereby enhance prospects for the earliest possible progress in the Uruguay Round as a whole, OECD governments will carry out expeditiously their standstill and rollback commitments and, more generally, refrain from actions which would worsen the negotiating climate. They will, inter alia, avoid actions which would result in stimulating production in surplus agricultural commodities, in isolating the domestic market further from international markets, in pursuing aggressive trade practices, or in disruptive disposal of surplus stocks.

24. Agricultural reform is not solely in the interests of member countries. Developing countries which are agricultural exporters will benefit from a recovery on world markets. Developing countries which are importers of agricultural produce will be encouraged to base their economic development on more solid ground, by strengthening their own farm sector.

25. Agricultural reform poses vast and difficult problems for Member countries. Strengthened international co-operation is needed to overcome these problems. The OECD will continue to contribute to their solution by deepening further its work, by improving the analytical tools it has begun to develop and which will prove particularly valuable in many respects; by monitoring the implementation of the various actions and principles listed above. The Secretary-General is asked to submit a progress report to the Council at Ministerial level in 1988.

ANNEX G

UK Rep
1 May 87

ELEMENTS FOR A SUMMIT SEVEN STATEMENT ON TERRORISM, JUNE 1987

We, the Heads of State or Government of seven major democracies and the representatives of the European Community assembled here in Venice

- Recognise both the right of our citizens to enjoy and the obligations of our Governments to ensure protection from terrorism;

- Reiterate our belief that terrorism whatever its motives has no justification.

- In view of developments since we last met in Tokyo in May 1986 renew our determination to consolidate and extend international cooperation to deal with terrorism both amongst Summit Seven partners and with all other like minded countries concerned to eradicate the bane of terrorism.

- Affirm our commitment to the principle of making no substantive concessions under duress to terrorists or their sponsors.

- Remain determined to take all possible measures to counter the sponsorship of terrorism by states. We are prepared to examine the case for additional specific measures against such countries in the event of their involvement being proven

- Commit ourselves to maintain and support the rule of law in bringing terrorists to justice. In particular we reaffirm the principle of trying or extraditing those involved in these criminal acts.

ECON POL: Venice Economic mit: Pt 22

ANNEX A

Porto Cervo, Thursday, April 30 1987

PROGRAMME OF THE VENICE ECONOMIC SUMMIT

(8-9-10 June 1987)

Monday, June 8 1987

14.30 hrs	Beginning of arrivals in reverse protocol order at "Marco Polo" Airport.
	The Heads of Delegation are welcomed by the President of the Council of Ministers.
	Brief encounter with the President of the Council of Ministers.
	Transfer of Delegation to residential accomodation by motorboat.
18.30 hrs - 19.30 hrs	Reception for Heads of Delegation, Foreign Ministers, Finance Ministers and other members of the official Delegation hosted by the President of the Council of Ministers at Palazzo Ducale (Sala del Maggior Consiglio).
20.15 hrs	Separate working dinners: Heads of Delegation (Ca' Corner)
20.25 hrs	Foreign Ministers (Palazzo Volpi)
20.35 hrs	Finance Ministers (Palazzo Volpi)
	Personal Representatives (Ca' Corner)
22.15 hrs	End of working dinners
22.25 hrs	End of working dinners
22.35 hrs	End of working dinners

./..

Tuesday, June 9 1987

09.00 hrs	Transfer to the Island of San Giorgio in reverse protocol order. The Heads of Delegation are welcomed by the President of the Council of Ministers.
09.30 hrs	Group photographs in the Palladian Cloister of the Cini Foundation.
09.45 hrs	Working Session for Heads of Delegation at the Cini Foundation (Biblioteca Longhena) Working Session for the Foreign Ministers (Sala Barbantini) Working Session for the Finance Ministers (Sala del Consiglio)
12.45 hrs	End of working session
13.00 hrs	Working lunches at the Cini Foundation: Heads of Delegation ("Foresteria") Foreign Ministers ("Sala del Chiostro dei Cipressi") Finance Ministers ("Sala del Capitolo") Personal Representatives ("Sala del Soffitto")
15.00 hrs	Plenary session for Heads of Delegation, Foreign Ministers and Finance Ministers
18.00 hrs	End of working session The Heads of Delegation, Foreign Ministers, Finance Ministers leave the Island of San Giorgio in protocol order.
20.30 hrs	Working dinners: Heads of Delegation and Foreing Ministers (Palazzo Grassi) Finance Ministers (Palazzo Volpi) Personal Representatives (Palazzo Grassi)
22.30 hrs	End of working dinners

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Wednesday, June 10 1987

09.00 hrs	Transfer to the Island of San Giorgio in reverse protocol order.
09.30 hrs	Plenary session
12.30 hrs	End of Plenary session
13.00-14.30 hrs	Plenary working lunch ("Sala del Cenacolo Palladiano") at the Cini Foundation.
15.40 hrs	Heads of Delegation are escorted to their seats in the "Sala degli Arazzi".
15.45 hrs	The President of the Council of Ministers of Italy presents the Joint Declaration (Sala degli Arazzi).
20.00 hrs	Dinner for Heads of Delegation and their spouses, Ministers and Personal Representatives (without spouses), hosted by the President of the Republic of Italy.

Thursday, June 11 1987

Departure of Heads of Delegation and Ministers.

ANNEX B

Outline of the Comprehensive Economic Measures (Provisional Translation)

April 24, 1987
Liberal Democratic Party

I. Economic Measures for the Expansion of Domestic Demand

There is an urgent need for Japan to do its best to rectify its external imbalances.

At the same time, forceful measures are also urgently needed to stimulate the economy in the face of economic stagnation, deteriorating employment, and other difficulties stemming from the yen's sharp appreciation.

Such economic policy actions will promote economic growth led by domestic demand while contributing to further progress in structural adjustment.

Accordingly, the party proposes, based on Basic Policy Guidelines for the Expansion of Domestic Demand decided earlier, that immediate steps be instituted for the expansion of domestic demand, accompanied by fiscal measures amounting to more than ¥5 trillion and with particular emphasis on the following items.

1. Public works implementation will be front-loaded as never before. (The contract rate in the first half of this fiscal year should be at least 80%.) In the course

of the budgetary allocations, all due attention should be paid to the situation in depressed industries and areas.

2. A large-scale supplementary budget will be formulated, public works will be added through the acceleration of the long-term plan for public works and public investments will also be increased for the improvement of facilities used for such purposes as research and development and education. The priority will be given to those projects with lower land acquisition costs, quicker impact, and wider ripple effects.

3. Budget request guidelines for investment expenditures will be reviewed.

4. Tax reform will be achieved and income tax reductions implemented. Tax reductions to stimulate domestic demand-oriented capital investments such as research and development in the private sector will also be implemented.

5. Measures to promote housing-related investments including housing enlargement and rebuilding and the installation of housing-related equipment will be improved and reinforced.

6. Deregulation will continue to be promoted and drastic measures will be taken with a fixed time limit to promote the utilization of private-sector vitality and projects conducive to the revitalization of local economies.

7. Adjustment policies for small and medium-sized enterprises will be expanded through such measures as the lowering of interest rates of Government-related financial institutions and the designation of additional specified areas.

8. The reduction of working hours, such as the promotion of the five-day work week, will be pursued. Employment policies will be strengthened through such measures as the promotion of the Employment Development Programme for 300 Thousand People.

9. Passing along the benefits of yen appreciation will be vigorously continued.

10. Monetary policy will be implemented in an appropriate and timely manner through the reduction of the Trust Fund Bureau depository rate and other means.

II. External Economic Measures

The international economic situation as it affects Japan, including Japan-U.S. bilateral relations, is extremely difficult, and there is an urgent need to make the utmost efforts to rectify external imbalances, to formulate harmonious external economic relations, and thus to contribute positively to the vitalization of world economy.

Accordingly, the Liberal Democratic Party proposes that the necessary measures be promptly taken with particular emphasis on the following items.

1. Import Expansion

(1) The necessary measures will be taken, including earmarking a special emergency fund, to promote the government procurement of foreign manufactured goods.

(2) Institutional improvements will be made in the field of government procurement. (These include enlarging the scope of coverage, and those concerning transparency and academic discounts in the procurement procedures for super-computers.)

(3) Further efforts will be made to encourage the private sector to increase its imports of manufactured goods.

(4) Import credit facilities for manufactures will be expanded.

(5) Implementation of the Action Program will be further promoted.

2. Contributing to the International Society

(1) Implementation of the third Medium-Term Target for ODA will be moved up (at least two years' advance implementation of the target to double the ODA amount in seven years).

(2) A Financial Recycling Promotion Scheme will be set up for the developing countries (especially the debtor countries) with the combined financial resources of

the Export-Import Bank of Japan, the Overseas Economic Cooperation Fund, and the private sector.

(3) Technical cooperation, including the dispatch of experts, and international research and development cooperation will be expanded.

(4) The necessary measures will be taken to positively support Sub-Sahara African and other least developed countries.

ANNEX C

Major Progress in Economic Structural Adjustment -- Follow Up of the Maekawa Report

April 27, 1987

1. Introduction

(1) The recommendations of the Maekawa Report (1986. 4. 7) have become basic policy guidelines for the Government as the Ministerial Conference on Economic Measures decided upon the Outline of Procedures for the Promotion of Economic Structural Adjustment in line with the report (1986. 5. 1). In particular, the Government set as "a national policy goal" to steadily reduce the nation's current account imbalance to one consistent with international harmony.

(2) Accordingly, the Government has implemented various concrete measures as described below.

Some of the Maekawa report recommendations can be implemented by the Government on its own discretion, but in major policy changes the Government is statutorily required to seek the views of the relevant councils which are composed of knowledgeable and experienced members. The Government may also need to ask the Diet for the amendment of the related laws, if it is required. These necessary steps are steadily being taken.

(3) Moreover, the report has had a significant educative effect on the Japanese people to impress on them the necessity of transformation of the Japanese economy to a domestic-demand oriented one.

(4) In addition, recent sharp appreciation of yen (by IMF formular, more than 70% appreciation since the Plaza announcement) seriously affected industries in various fields, urging them to make a drastic adjustment. Recent trade statisties clearly reflect the changes in the economic environment. Japan's export in 1986 decreased by 15.9% from the previous year in the yen terms (1.3% decrease in volume terms), and import increased by 12.5% in volume terms. In particular, manufactured imports increased drastically by 31.4% in dollar terms and by 24.4% in volume terms. The ratio of manufactured imports showed an unprecedented ratio of 41.8% (31% in 1985).

2. Economic growth led by domestic demand

(1) Since the Maekawa report was made public, the Government implemented a series of Comprehensive Economic Measures in April 1986 (front-loading of public works and passing along of the benefits of yen appreciation) and in September 1986 (total scale of projects amounted to ¥3.6 trillion, equivalent to 1.1% of GNP)

On April 24 this year, the Liberal Democratic Party decided upon the Outline of Comprehensive Economic Measures which include:

- o Domestic demand expansion measures accompanied by fiscal measures amounting more than ¥5 trillion.
- o Unprecedented front-end loading of public works implementation
- o Income tax reductions
- o Promotion of government procurement of foreign manufactures
- o Accelerated implementation of the third Medium-Term Target for ODA
- o A Financial Recycling Promotion Schme for developing countries

(2) The official discount rate was reduced five times from 5.0% in January 1986 to 2.5% in January 1987, the lowest rate in history.

(3) As a result, Japan's real GNP growth rate in 1986 was 2.5% in which the growth of domestic demand (3.9%) compensated for the drop in net export (-1.4%). The Government economic outlook shows that the economic trend of domestic demand-led economic growth will continue also in 1987: 3.5% real GNP growth with 4.0% contribution of domestic demand and -0.5% net export.

(4) Improvement in Housing and Social Infrastructure

Five-year plans have been formulated and steadily implemented in such areas as housing, sewers systems, and

urban parks. In the housing field, for example, the Government has taken such measures as improving the tax treatment of housing acquisition and the relaxing the restrictions on construction and land use.

(5) Three public corporations have ben denationalized and other regulations have been eased.

The former public corporations are: NTT, Japan Tobacco Inc. (both founded as joint stock companies on April 1, 1985), and the group of six Japan Railways companies and the Japan Freight Railway Company (privatized on April 1, 1987).

(6) Promoting new projects by mobilizing private sector vitality

The Tokyo Bay Bridge and Tunnel Project

The Akashi Straits Bridge

The Kansai International Airport

3. Tax reform proposal

The first comprehensive tax reform proposal since the Shaup Recommendation of 1949.

4. Reduction of domestic coal supply

Based on the report submitted by the Coal Mining Council, the Government is now taking concrete steps to reduce domestic coal supply from 18 million tons (the present level) to 10 million tons in FY 1991.

5. Agricultural policy reform

(1) Based on the report submitted by the Agricultural Policy Council entitled "Basic Direction of Agricultural Policies towards the 21st Century", the Government is now formulating new agricultural policies by adopting price policies more based upon the principles of market mechanism, and expanding the size of a farm as a production unit.

(2) Rice is the staple of the Japanese diet and a key product in Japanese agriculture. Nevertheless measures are being taken to reduce the area planted with rice; in fiscal 1987, stronger measures will be taken to reduce rice paddy hectarage by 770,000 ha, a figure corresponding to 27.1% of total paddy area. (The fiscal 1986 figure was 600,000 ha.)

6. Improving market access

The majority of points addressed in the three-year Action Program for Improved Market Access, adopted July 30, 1985, have now been implemented, some in advance of their implementation schedule.

(1) Customs tariffs affecting 1,853 items have been lowered or abolished; the average tariff rate has been reduced from 5.0% to 3.9%).

(2) 74 out of 91 changes in standards and certifications and import procedures scheduled to be implemented over three years between July 1985 and July 1988 have already been carried out.

7. Expanding direct investment

Direct overseas investment is undergoing rapid expansion.

Direct overseas investment trends

	Fiscal 1985	April 1986-February 1987
Value (billion dollars)	12.2	19.5
Percent growth with respect to same period of previous year	20.3%	84.6%

Note: Based on direct overseas investments reported to the Ministry of Finance.

8. Reduction of working hours

Employees of banks and other financial institutions and civil servants now have longer holidays. In addition, an amendment to the Labor Standards Law was put before the Diet on March 9, 1987, that sets the 40-hour week as an official target and seeks to shorten legal working hours in stages.

9. Liberalization of financial and capital markets

(1) The Tokyo Offshore Market was created on December 1, 1986.

(2) To promote financial deregulation, the minimum denomination of large denomination time deposit and MMC (Money Market Certificate) has been lowered and the ceiling on each bank's issue of CD (Certificate of Deposits) and MMC has been increased.

(3) 9 foreign banks are now in the trust banking activities and 36 foreign securities companies are now operating in Japan.

10. Official development aid (ODA) and recycling of funds to the developing countries

(1) ODA has been steadily increased in line with the existing mid-term ODA target of doubling before 1992 the level reached in 1985. In the fiscal 1987 budget, ¥658 billion were allocated to ODA in the ordinary account, an increase of 5.8% over the previous fiscal year's figure (US$4.3 billion or a 9.4% increase over the previous fiscal year in dollar terms).

(2) Japan lent the IMF 3 billion SDRs through a loan contract signed December 24, 1986.

A special World Bank fund has been established and additional public and private funds totaling ¥330 billion over three years beginning in fiscal 1987 will be recycled to the developing countries (Basic Agreement on Establishment of a Special World Bank Fund, December 26, 1986).

11. The Report of the Economic Council's Special Committee on Economic Restructuring

This report, published on April 23, goes beyond Maekawa report in presenting future policy guidelines and has made concrete proposals for the policies which require concentrated work in the coming few years. The Government and the Liberal Democratic Party will study the proposals in the report.

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Agriculture

ANNEX D

19. The joint report of the Trade and Agriculture Committees [C/MIN(87)4 Final] was approved. This important work clearly highlights the serious imbalances that prevail in the markets for the main agricultural products. Boosted by policies which have prevented an adequate transmission of market signals to farmers, supply substantially exceeds effective demand. The cost of agricultural policies is considerable, for government budgets, for consumers and for the economy as a whole. Moreover, excessive support policies entail an increasing distortion of competition on world markets; run counter to the principle of comparative advantage which is at the root of international trade; and severely damage the situation of many developing countries. This steady deterioration, compounded by technological change and other factors such as slow economic growth or wide exchange rate changes, creates serious difficulties in international trade, which risk going beyond the bounds of agricultural trade alone.

20. This deterioration must be halted. Some countries, or groups of countries, have begun to work in this direction. But, given the scope of the problems and their urgency, and given the shared responsibilities of all countries in the present situation, a concerted reform of agricultural policies will be implemented.

Proposed U.S. Thematic Paper on Agriculture
for the Venice Summit

2.6 Concerning agriculture, Summit countries acknowledge that the structural imbalance between supply and demand is reflected in depressed world market prices and rising tensions among producing and exporting countries. They found that the primary cause of this situation is farm support policies tied to production. These policies overcommit resources to agriculture, shelter producers from market realities and prevent the necessary structural adjustments to stagnating demand and rapidly-increasing productivity. They have led to large inefficiences, over production, high consumer prices and record government expenditures. The costs of these policies are estimated at over $140 billion annually to the economies of the industrialized countries, and have become unsustainable and untenable. These policies also have inhibited the expansion of trade by developing countries and, consequently their economic growth and their ability to service their external obligations.

2.7 Summit countries should recognize that the agricultural support and trade policies of each country have contributed fundamentally to the present difficulties in agricultural markets and their collective responsibility for developing equitable solutions. They should agree that a durable improvement of the situation in international agricultural markets requires concerted adjustments of domestic agricultural policies worldwide to reduce incentives to production. Adjustments should aim at exposing increasingly producers more directly to market signals, with the international objective being the achievement of a market-oriented trading environment. These adjustments should consist primarily of a gradual, multilateral reduction in all forms of direct and indirect support, including import barriers, within a fixed timeframe. Other means, such as production control by quotas or set-aside programs, may serve as interim measures for controlling surpluses. Each country or group of countries should be able to retain flexibility with regard to the measures to be adopted.

2.10 Summit countries should appreciate the work on agriculture carried out by the OECD in the framework of the 1982 Ministerial Mandate. They believe it should be considered as an important basis for the Uruguay Round negotiations.

2.11 Summit countries should urge the GATT to update and further develop the OECD work as necessary and to expand it to cover other countries. Summit countries should underscore their commitment to work in concert to achieve the necessary adjustments of agricultural policies through comprehensive negotiations in the Uruguay Round of trade negotiations. They should urge Ministers responsible for the Uruguay Round to develop expeditiously the elements of a comprehensive approach to achieve the objectives set forth above. They agree to review at the 1988 Summit the progress achieved in developing that approach and to consider what further action should best be taken.

In the spirit of the Uruguay declaration and underlining the importance of the fact that some countries have already begun to implement adjustments to their agricultural policies, Summit countries should agree that credit should be given to recent and future unilateral adjustment efforts which are consistent with the objectives set forth above.

2.12 Recognizing the crisis situation marked by market imbalances and tension between countries, there is a need to achieve early agreement on the approach to be taken in adjusting domestic policies. Agreement on the approach will enable countries to identify additional steps that could be taken to reduce the market imbalances and international tensions.

ANNEX F

FRANCE

PROPOSALS IN FAVOUR

OF THE POOREST COUNTRIES

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I - PROPOSALS IN CONNECTION WITH DEBT STRATEGY

The principles of the international debt strategy, based on cooperation and on a case by case approach should also be upheld as regards the poorest countries. In particular, the link between debt restructuration, or new financing on the one hand, and economic reforms of debtor countries, in the framework of IMF arrangments on the other hand, should be maintained.

Nevertheless, the current practice could be improved by three new provisions in favour of the poorest countries.

1/ Proposal applicable to the Paris Club : lengthening of the repayment period up to 15 or 20 years, including a proportional lengthening of the grace period, instead of a maximum of 10 years currently applied.

This should be envisaged only on a case by case approach and limited to those, among the poorest and most indebted countries, confronted with debt servicing exceeding their financial possibilities, which would have given clear indications of their will to reform their economies. Other debtor countries would remain in the classical framework (10 years maximum).

2/ Setting up of a special facility for development and debt reduction

The aim would be to refinance at higly concessional terms a significant part of the payments due under previous consolidation agreements, thereby leading to an actual reduction of the debt outstanding.

All IDA financed countries with protracted and serious balance of payments difficulties would be eligible to this facility, if they implement an IMF program (in the framework of a stand-by arrangement) and are commited to a continued and close relationship with this institution and with the World Bank.

Such an exceptional facility would have the advantage not to jeopardize the usual mechanisms of the Paris Club ; and above all, it would be tantamount to a partial write-off of debt, without entailing the substantial disadvantages pertaining to a real write-off.

The resources could be provided by volontary bilateral contributions from creditor countries and made completed by contributions of multilateral institutions, including the World Bank, through a modest part of its benefits.

3/ Softening the terms of the compensatory financing facility in favour of the poorest countries

The CFF has proved to be an effective response to the problems created by the fluctuations of raw material prices. Its main features, with regard to eligibility, conditionality, and simplicity, should not be altered. However, a specific difficulty has arisen as regards the poorest countries, which cannot afford to pay the charges pertaining to the CFF, sometimes even more expensive than market conditions.

In order to restore the availability of the CFF for the poorest countries, it would be necessary to soften its financial terms for them, when they are commited to a medium-term program approved by the IMF within the framework of a SAF.

To achieve such a result, one of the simplest means would be, for the Fund, to gather concessional ressources by adequate borrowing from voluntary member-States.

France would be prepared to take a share of this effort.

The Fund could be asked to submit to the Board a report along these lines, in view of a debate at the next interim committee.

II - PROPOSALS IN ORDER TO STABILIZE COMMODITY PRICES

Primary commodity prices reached their lowest level in 1986 since the second World War. Many developing countries, in particular the poorest ones, have seriously suffered from such a drop in their export earnings.

The international community should take new initiatives to reverse a situation threatening the economic outlook of developing countries as well as their payment capacity towards their creditors.

Two means should be regarded :

1/ To secure a better running of commodity markets

International cooperation should endeavour to take into account the long term outlook of demand and supply. To this end, the setting-up of working groups on specific commodities would permit more transparency.

A case by case approach should also be sought in concluding commodity agreements which include price intervention measures.

The three agreements on cocoa, coffee and natural rubber, which contain sound economic provisions, can be regarded as a good basis of negotiations for other further commodity agreements.

2/ To strenghten aid mechanisms

As regards monoproducer countries (or nearly monoproducer countries), their specific situation should be better taken into account by the structural programs of both the IMF and the World Bank.

The World Bank, in particular, should devote a higher share of its ressources to diversify and streamline the output of those countries. To this aim, the World Bank should work in close cooperation with the regional development banks.

As far as the agricultural sector is concerned, a specific bilateral effort could be made in order to encourage rural development.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT

The Prime Minister has considered your minute of 27 April about the main issues which will arise at the Venice Economic Summit. She has not, however, had time to read the Italian Presidency's draft of the "Thematic Paper".

The Prime Minister is, I think, generally content with the way presentation of the main economic issues at the Summit is shaping. She believes that the thematic paper should be very firmly worded on the question of Japan's external surplus. But she does not want to revert to the procedure employed at the Bonn Economic Summit of devoting separate sections of the final declaration to the individual economic situation of each of the Summit countries. She thinks this was a bad precedent. She would like you to work for the strongest possible joint text on Japan, even if this means isolating the Japanese in the discussions before the Summit itself.

The Prime Minister agrees with the points in your minute about the handling of the report by Finance Ministers, about the new GATT round, about the treatment of agriculture and the importance of securing endorsement of the Chancellor's initiative on debt. She sees no case for a statement on energy and no need for a general political declaration. She is dubious about a statement on AIDS. She would wish to see the statement on terrorism strengthened and extended to cover more than the civil aviation aspects. She would wish us to oppose very strongly indeed any notion of a statement on South Africa and the establishment of a High Level Summit Group. It would be very much better if the Canadians could be headed off this in advance of the Summit itself. She would like the Foreign Secretary to consider how we can best work with other Summit countries to convince the Canadian Prime Minister that it will be fruitless to pursue this idea in Venice.

The Prime Minister remains strongly opposed to participation in the G7 by the Commission of the European Communities.

I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

(C. D. POWELL)
29 April 1987

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PRIME MINISTER

VENICE ECONOMIC SUMMIT: SHERPAS' MEETING

There is a further Sherpas' meeting on Thursday, to prepare for the Venice Summit. I attach:

- a note by Sir Robert Armstrong about the Sherpas' meeting

- the present draft by the Italian President of the Thematic Paper.

The language of the Italian draft is a bit opaque. Sir Robert Armstrong's minute runs it close! And the text could be sharpened up and made more specific on some points. But generally it covers the ground pretty well.

The points on which you need to decide are:

	Yes	No
Content with the general treatment of macro-economic policies, the need for Germany and Japan "to moderate the pace of budgetary constraint" and reduction of the US deficit?	☑	☐
Is the paper as firm as practicable on Japan's external surplus?	☐	☑
Do you agree that, if necessary, we should revert to the pattern of the Bonn Summit Communique, and include a separate piece on each country's economy? (To allow us to clobber Japan but not be too hard on US)	☐	☑

I think this is a bad rule

	Yes	No
Agree that Heads of Government should simply welcome the report of Finance Ministers on policy co-ordination and multilateral surveillance?	☑	☐
Agree Summit should welcome new GATT round and agree to a mid-point Ministerial review meeting, if it looks likely to be helpful?	☑	☐
Agree proposed treatment of agriculture? (even though it is still largely procedural)	☑	☐
Agree we should seek to get the Chancellor's initiative on debt reflected in the conclusions?	☑	☐
Agree no need for a statement on energy? ✓	☑	☐
Agree no general political declaration? ✓	☑	☐
Agree to oppose very strongly a statement on South Africa and setting up of a Summit High-Level Group? And to enlist French and German help in opposing this? ✓ ✓	☑	☐
Agree to a statement on AIDS? - at an economic summit?	☐	☐
Agree that conclusions on terrorism should go beyond civil aviation and deal also with hostage-taking?	☑	☐

My only general comment is its a pity that once again, by the time the papers reach you, it is just a question of reacting to a paper which is already well advanced rather than planning some objectives of our own. We ought to do it better next time, and have a collective discusison between Ministers much earlier in the process. Agree? ☑ ☐

That said, if the outcome of the Summit is close to the Thematic paper it will be generally strongly supportive of the government's policies, at what could be a crucial moment.

C.D.P.

Charles Powell

28 April 1987

Ref. A087/1178

PRIME MINISTER

Venice Economic Summit

There is to be a meeting of Personal Representatives plus experts in Italy, beginning on 30 April, to take forward the process of preparing the Summit meeting, scheduled for 8 to 10 June 1987. I shall be accompanied to this meeting by Sir Geoffrey Littler (Treasury) and Mr R Q Braithwaite (Foreign and Commonwealth Office).

2. The main purpose of the meeting will be to consider the usual "thematic paper", a first draft of which has now been circulated by the Italian Presidency. I attach a copy of the draft herewith.

3. The draft is being studied in detail, and there will be points of analysis and prescription on which we want to suggest modifications. But the Italian Presidency has on the whole made a good job of it; the paper is generally acceptable in its thrust, should be a useful basis of discussion, and of itself is unlikely to present us with major problems.

World Economic Situation and Policies

4. The paper identifies the main requirements of macro-economic policies for the developed countries as being:

- the continuance of sustained and sustainable non-inflationary growth, and

- the correction of world imbalances.

SMTABH

The paper notes that growth is likely to continue at slightly lower rates in the industrialised countries this year, without a resurgence of inflation, and there is a suggestion that "Summit countries should commit themselves to moderating the pace of budgetary constraint if needed in the light of the evolution of domestic activity, especially in those countries where greatest progress has been made in fiscal consolidation and control of inflation". That will no doubt be seen as directed primarily at Germany and Japan. The paper refers specifically to the problem of "large public sector deficits in the United States, Italy and some other countries", but otherwise particular countries are not identified. The paper suggests that countries in balance of payments surplus "should design their macro-policies to support domestic expenditure, while deficit countries should focus on reducing their fiscal and external imbalances". Some of the language is too evidently translated from the Italian and could be improved; but we can support the broad thrust of it.

5. The outstandingly important imbalances for the world economy at this time are the United States fiscal and external deficits, and the Japanese external surplus. We shall want to use the Summit meeting itself to keep up the pressures on the Japanese to increase domestic demand and open up their markets to goods and services from abroad. We shall not, however, want to use the Summit as an occasion for the other countries to mount an exercise of concerted criticism of and pressure on the United States; but there is need of changes in the United States, and we should be ready to welcome whatever the President and the Secretary to the Treasury are prepared to say by way of intentions, and even targets, for reducing their fiscal and external deficits.

6. In the eventual Summit communiqué, striking a balance between exhorting the Japanese and not exhorting the United States will be a delicate operation. It may be that on this occasion there would be a case for reverting to the pattern

adopted in the Bonn Summit communiqué of 1985, and more recently in the Louvre Agreement this February, and including a section which includes a short piece about the situations and policies of each of the main countries or groups. This could enable the United States to make a controlled statement, in words of its own choosing, about its policy intentions; and oblige the Japanese to do likewise. A bland statement that mentioned no country by name might surprise and unsettle the markets, especially as the G7 communiqué of 8 April twice referred to Japanese policy commitments.

7. One of these was the standard foreshadowing of a policy statement before the Summit promising measures to expand domestic demand and facilitate access to Japanese markets. This time it is a package prepared by the Liberal Democratic Party but not yet adopted by the Government which it is claimed would provide a Y5,000 billion (about $35 billion) stimulus to domestic demand over an unspecified period. At the same time, they are (if a recent call by the Japanese Ambassador is any guide) mounting a diplomatic offensive to emphasise that they are moving as fast as they can and should not be pressurised to move faster. There are of course various pressures already being mounted; these were discussed at your meeting on 23 April. One means by which the Summit might sustain the pressure upon the Japanese Government could be to invite its representatives to describe the progress made in implementing the first Maekawa Report (which had only just been received and welcomed at the time of the last Summit) and to indicate the significance of the second Maekawa Report (recently submitted) and the intentions of the Japanese Government in that regard.

8. Finance Ministers will report to the Summit on the development of policy co-ordination and multilateral surveillance; the Heads of State or Government should be able to welcome the report, note the conclusions and outcomes of the G7 meetings in the Louvre and at Washington as contributions to

reducing exchange rate instability, and invite Finance Ministers to maintain and consolidate their arrangements for policy co-ordination and multilateral surveillance. The tone of voice and perhaps even the substance of what can be said will of course depend on what happens to exchange rates, and in particular to the dollar, in the meantime.

9. It looks as if agreement has been reached on terms satisfactory to the Italians and all others which will dispose of the G5/G7 controversy; but the President of the European Commission may not be so happy, and may seek to revive the question of Community representationin G7. No

Trade

10. The Summit will want to welcome the opening of the Uruguay Round and sustain its momentum with an impetus of political will. Apart from the general argument for doing so, a declaration on those lines may be of some help to the United States Administration in withstanding protectionist pressures from the Congress. There is provision in the Punta del Este Declaration for a mid-term review of the Round; the Canadian Government is likely to urge the Summit to press for a Ministerial meeting of the GATT, and perhaps to suggest specific issues with which such a meeting might deal. In discussion we should not oppose the idea of a Ministerial meeting of the GATT to review the progress of the round, but we should stress that such a meeting should be held only when the time is right and a positive and useful purpose and outcome foreseen.

Agriculture

11. We shall also want the Summit to follow up the initiatives which we took last year for international discussion and action on the problems of agricultural surpluses. We should aim to achieve a further expression of political will by the Summit

countries, emphasising that this is not just an international problem but a series of national problems, and that the solution requires collective international and concerted national policy responses. But the Summit should aim to give renewed momentum to the work in progress in GATT and in the Organisation for Economic Co-operation and Development (OECD), rather than to institute any separate work in a Summit framework. The Summit will want to recognise the need to have regard to the problems of adjustment for farming communities. The Italians have produced particularly helpful language on this.

Debt

12. In Summit discussions of the international debt "strategy", our objectives should be:

- to maintain the commitment to the case-by-case approach;

- to support the International Monetary Fund and the international development banking agencies;

- to emphasise once again the importance of the pursuit of prudent and sensible economic policies in debtor countries.

13. A particular objective should be to enlist support for the Chancellor of the Exchequer's proposals for a special approach to the debt problems of the poorest sub-Saharan African countries, with provision for extended rescheduling and "easy payment" arrangements. It is a specific condition of this approach that all the creditor countries should commit themselves to it. We hope to have made progress in discussions with other countries by the time of the Summit.

Energy

14. We see no need for any statement from this Summit on energy. There may be pressure for something to be said on nuclear safety, following last year's statement on Chernobyl; we could go along with this, so long as it is in a form which creates no embarrassment for us either in relation to Sizewell or in relation to the disposal of nuclear waste. It has been suggested that the United States may argue for a commitment to hold increased stocks of oil, for price and market stabilisation reasons; if there is any such pressure, we shall seek to resist it.

Environment

15. The Summit will be able to welcome a report by experts (commissioned at previous Summits) on the improvement of standards and techniques of environmental measurement. It is agreed that further work on this should be carried forward in existing agencies; there is no proposal for further work in a Summit framework.

16. The economic declaration will no doubt need to contain a renewed commitment to respect the needs of the environment in encouraging industrial and technological development. We shall keep a watchful eye on the drafting of any such statement, and may need to be ready to contribute a text of our own, so that the statement that emerges is one which we can accept.

Political Issues

17. The Italian Presidency do not envisage any general political declaration from the Venice Summit. It would be difficult to find anything to say that was not a repetition of the sentiments expressed in the Bonn and Tokyo declarations, and

we should be content to accept the Presidency's view. But there will no doubt be declarations or statements on particular issues.

18. The Summit will be an occasion at which Heads of State or Government can exchange views on East/West relations and arms control; your colleagues will be looking forward to a first-hand account of your meetings with Mr Gorbachev. It may by then seem desirable that the Summit should welcome the developments in arms control negotiations and look forward to a Reagan-Gorbachev summit, but it is as yet too early to foresee that. If a statement were felt to be useful, we should hope to have less difficulty than in previous years in finding a text acceptable to the French. But any statement would need to take account of the fact that NATO Foreign Ministers will be issuing a communiqué covering the same subjects two days later in Reykjavik.

19. As you know the United States Government have been working on a possible draft statement of principles for bringing about change in South Africa. The Foreign and Commonwealth Secretary has told Mr Shultz of our reservations about this, and we understand that the President may also have reservations. The Canadians have given notice that their Prime Minister would put first priority on the question of apartheid in South Africa, with a statement which would condemn apartheid, set out steps to hasten the process of change, and encourage the South African Government to discuss the country's future with black leaders. His proposals may include a Summit High Level Group which could keep up pressure on the South African Government and establish lines of communication with all parties in South Africa. I suppose that some other Heads of State or Government at the Summit may for their own reasons want to give some degree of support for ideas of this kind. I have already told the Canadian Deputy High Commissioner here that the British Government could not support and would be bound to seek to

This is an economic Summit

oppose proposals for a Summit statement on South Africa , on these or any lines, and still less the institution of a Summit High Level Group. I have said that, while you would be prepared to include Southern Africa among the subjects to be covered in the private discussions of Heads of State or Govenment and of Foreign Ministers at the Summit, we see no role for the Summit as such to adopt a public position or to undertake any kind of institutional initiative on the matter, and we believe that any statement on the lines envisaged could only be inopportune and could well be counter-productive. I propose, if you agree, to continue to follow this line. The Foreign and Commonwealth Office have in the meantime instructed relevant posts to Lobby against the idea of issuing a statement.

Yes emphatically

20. On terrorism, a statement on terrorism affecting civil aviation has been prepared. There should also be something on hostage-taking; we have a text which will enable us to contribute constructively to discussions of the need for such a statement and ensure that our requirements are met. At the Summit the discussion of terrorism will presumably fall, as in previous years, to Foreign Ministers.

21. I propose, if you agree, to indicate that you will wish Foreign Ministers to discuss the Middle East and Lebanon and other regional issues, and report to Heads of State or Government. This would not be with a view to any public declaration or statement (unless by then there seems to be a specific need for such a statement from the Summit). But the press will no doubt be told what issues have been discussed.

Why?

22. There is general agreement that the Summit will need to issue a statement recognising the significance of AIDS: such a statement could pledge the Summit countries to support for international co-operation, based on the World Health Organisation, in the exchange of information on the spread of AIDS and on the measures being or to be adopted to check it, and

in research into possible vaccines and cures. The statement could endorse the importance of public education campaigns, where the United Kingdom is probably more advanced than any other country. It will be important to avoid any commitment to screening of international travellers, or particular categories of travellers.

23. The Italian Presidency will propose an oral statement on drugs, following up the discussion at last year's Summit. The text proposed (at the end of the thematic paper) is innocuous, and commits the Summit to no new initiatives.

24. The United States may once again seek a paragraph in the economic declaration on co-operation in the manned space station programme. If they do, the French will demand a counterbalancing paragraph on European space effort. We should be prepared to go along with this, provided that it implies no new commitments.

25. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

RA

ROBERT ARMSTRONG

27 April 1987

Italian Embassy,
14, Three Kings Yard,
London, W.1.

THEMATIC PAPER FOR VENICE SUMMIT

I. INTRODUCTION

1. Since the Tokyo summit, economic performance in the seven nations has shown improvements notwithstanding the persistence of large domestic and external imbalances. Average inflation rates and inflation differentials have come down. Growth is continuing into its fifth consecutive year. Interest rates have declined significantly. Exchange rate changes have occurred among leading currencies which will contribute to a more sustainable pattern of current account positions; in volume terms the adjustement of trade flows is underway.

Some progress can be seen also in the situation of the developing world where there has been substantial external adjustment coupled with accelerating growth in the non-oil LDCS. Debt service rations, which worsened in 1986, are tending to move lower and new financing needs have been reduced.

These developments have occurred in the context of a world economy characterized by greater complexity and stronger interactions between regions and countries as regards growth, trade and finance.

Since Tokyo there is a stronger consensus among the Summit Nations that such interactions call for "close and continuous coordination of economic policy" with a view to ensuring consistency across Countries and ultimately achieving greater convergence of economic performance. It is recognized, however, that no easy solutions are available, in a more interdependent world, for designing a configuration of compatible policies to achieve a plurality of interconnected objectives and obtaining quick results. The commitment to intensify policy coordination in order to promote global growth and reduce existing imbalances has been reaffirmed in the context of the group of seven meetings at the Louvre and in Washington. There is a consensus that a more stable exchange rate is an essential condition for the attainment of such goals in recognition of the fact that further major shifts in exchange relationship could damage growth and adjustment prospects in the Summit Countries and in the world economy. The credibility of the strategy which has emerged since Tokyo would require swift implementation of the undertakings by

the Countries concerned. This would certainly reduce the risk of recurrent turbulence in currency markets.

2. This year, according to the forecasts recently released by International Organizations involving a further downward revision, domestic demand in the Summit Countries should slow to rates below three percent and output should grow at roughly the same rate as in 1986, two and half percent.
The positive feature of the outlook is that growth, albeit at lower rates, will continue for a fifth year without a resurgence of inflation. The expected slowdown of domestic activity in the industrial world, however, will lower the prospects for developing Countries to grow, find the markets they need and service their foreign debt.

3. The current situation of the world economy is thus characterized, together with many positive factors also by the persistence of major imbalances which can be corrected only over the medium term. These, however, need to be tackled without delay and with determination in order to avoid the great risks they entail for growth and stability.
The imbalances include:

- continuing large disequilibria in current payments and associated net foreign positions between the major Countries which represent a permanent threat to the stability of the international monetary system;
- persisting high unemployment rates - particularly in Europe - especially among the young and those out of work for long;
- large public sector deficits in the US, Italy and some other Countries;
- high real interest rates, generally in excess of growth rates;
- continuing trade restrictions and growing dangers of an intensification of protectionism;
- the persistence of a large debt overhang for many developing Countries;
- the continuing weakness of commodity markets with the prospectus of further deterioration in the terms of trade of primary producing Countries.

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II. BASIC TASKS AND POLICY ACTIONS BY THE SUMMIT COUNTRIES

1. POLICY COORDINATION FOR SUSTAINED GROWTH AND EXTERNAL ADJUSTMENT.

1.1. Summit Countries should reaffirm that the correction of world payments imbalances is the key medium-term priority and that continuing and sustained non-inflationary growth worldwide is essential for the process of international adjustment to be more effective and its burden more evenly shared. Such developments would also contribute importantly to the reduction of unemployment, the improvement of the LDCS external debt situation and the alleviation of world trade tentions.

1.2. Summit Countries should stress their determination to play a central role in a cooperative effort to sustain economic activity worldwide. While recognizing that the correction of payments imbalances will be a difficult process, which cannot rest solely on exchange rate changes, summit countries should commit themselves to following policies aimed at achieving the needed differentials in domestic demand. Surplus countries should design their macro-policies to support domestic expenditure, while deficit countries should focus on reducing their fiscal and external imbalances.

In recognition of the fact that the pursuit of worldwide growth must be a collective endeavour, the Summit Nations should call on other industrial countries in Europe and the newly industrialized nations in Asia with large external surpluses, to participate in this effort, by pursuing policies supportive of the common objective of strengthening the prospects of a balanced growth of the world economy.

1.3. Among the Summit Nations, budgetary discipline remains a valid medium-term objective and the reduction of existing public sector imbalances a necessity for a number of them. There is, however, a risk that fiscal positions, which are exhibiting greater convergence than in the past, might lead to a globally contractionary effect this year. Tax reform and other supply policies can provide incentives for investment and help improve resource use. But in addition, Summit Countries should commit themselves to moderating the pace

of budgetary restraint if needed in the light of the evolution of domestic activity, especially in those countries where greatest progress has been made in fiscal consolidation and control of inflation. Summit Countries might review the role of fiscal policy in sustaining growth in this juncture since there seems to be limited scope for further monetary accommodations as monetary policy appears to be overburdened by the goals of supporting activity, managing exchange rates and, where needed, checking inflation.

1.4. Summit Countries should agree on the need to supplement their macroeconomic strategy with effective microeconomic and structural policies to sustain progress towards non-inflationary growth and employment creation which has been insufficient, notably in Europe, to match the increase in the size of the labour force. Summit Countries might stress the need to:

- promote competition and deregulation of business in order to speed up industrial adjustment;
- reduce major imbalances between agricultural supply and demand and gradually adapt agriculture to market conditions;
- promote job creating investment;
- improve the functioning of labour markets through greater mobility and adaptability of the work force, wider wage differentails and more flexible contractual arrangements;
- encourage the elimination of restrictions to capital flows in order to foster international financial integration.

1.5. The cooperative management of economic policies by the Summit Countries should be seen in the context of the Tokyo Agreement on policy coordination and multilateral surveillance. Summit countries might want to stress that they now consider policy coordination as a permanent ongoing process and they fully accept the principle of discipline that it involves. Recognizing that domestic policies have important international repercussions which in turn exert a feedback effect on domestic performance, Summit Countries should reaffirm that the focus for the exercise of coordination should be the compatibility of policies designed to attain sustainable external positions and non-inflationary growth over the medium term.

In the present situation in which there is a need to contain the extent and the impact of the slowdown in economic activity, Summit Countries might want to re-emphasize their commitment to strengthen the process of policy coordination to that end. In this connection they should:

- welcome the report by the finance Ministers on the progress made to date in the management of the International Monetary System and endorse the conclusions they have reached, in particular in the contest of the Group of Seven meetings at the Louvre and in Washington as well as the policy actions undertaken since then (subject to revision in the light of the content of the report);
- invite finance Ministers and Central Bank Governors to consolidate procedures for carrying out periodic collective reviews of policies in force and for the adoption of remedial measures whenever there are significant deviations from the intended policy course;
- agree that the process of policy coordination should be based on the regular use of indicators of economic policies and performance;
- welcome the work done by the IMF to analyze and refine the instruments for effective surveillance, focusing attention on inconsistencies in national policies among the larger countries.

2. STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM

2.1. Summit Countries should fully support the successful outcome of the new round of multilateral trade negotiations and reaffirm their political commitment to join efforts in order to achieve further liberalization and expansion of world trade to the benefit of all countries. To this end it will be essential to reverse the erosion of the GATT system through an effective stregthening of the multilateral trading system based on its principles and rules.

2.2. Regognizing the interrelationship between growth, trade and development, Summit Countries should inderline the importance of a supportive international environment, and notably of an improved functioning of the International Monetary System, sustained growth and the reduction of the debt burden and external imbalances.

Summit Countries should underline that in volume terms the adjustment of trade flows is underway. Frictions arising out of large bilateral imbalances should be reduced by the adoption

of measures to open markets and stimulate economies, not by import restraints or deflation.

2.3. Summit Countries should also stress that the objective of further trade liberalization demands a strong effort by industrial and developing countries alike to promote effective structural adjustment.

2.4. Summit Countries should endorse fully the commitment to adopt appropriate policies and concrete measures in compliance with the principles of standstill and rollback which have been reaffirmed in the ministerial declaration on the Uruguay round. Protectionist pressures must be met vigorously and overcome. They look forward favourably to the eventual inclusion of trade in services under the GATT discipline and to the expansion to new areas such as those of investments and intellectual property.

2.5. On the basis of the ministerial declaration on the Uruguay Round, Summit Countries should also consider favourably the possibility of a mid-term review of the progress which has been achieved at an early stage. To this end a meeting of the TNC at ministerial level might take place in the fall of 1988.
(following paragraphs from 2.6 to 2.12 to be reviewed in the light of the OECD ministerial session)

2.6. Concerning agriculture, Summit Countries acknowledge that the global structural imbalance between supply and demand reflected in depressed world market prices and tensions among producing and exporting countries, has its root not only in stagnating demand and rapidly increasing productivity, but also in domestic support policies sheltering producers from market realities and delaying the necessary structural adjustments.

They should also acknowledge the collective responsibility for this imbalance and for the search for equitable solutions. The improvement of the functioning of the International Monetary System will facilitate the prospects for the reduct ion of these imbalances.

2.7. Summit Countries should recognize that a durable improvement of the situation in international agricultural markets requires concerted adjustments of domestic agricultural policies worldwide. Such adjustments should aim at exposing increasingly producers more directly to market signals.

These adjustments should primarily consist in a gradual and balanced reduction of direct and indirect support without excluding other means such as production control by quotas or set-aside programs. Each country or group of countries should be able to retain flexibility with regard to the measures to be adopted.

2.8. Attention should also be paid to the measures aimed at strengthening the demand side and developing alternative or complementary activities in rural areas.

2.9. Adjustment of agricultural policies cannot ignore the contribution the farming population provides to society, to a balanced regional development and to the protection of the environment. Income support should be granted only to sustain revenues of low income farmers and of those living in less favoured regions.

2.10. Summit Countries should appreciate the work carried out by the OECD in the framework of the 1982 ministerial mandate, the report of the Secretary General following the invitation of the Tokyo Economic Summit, and should invite the OECD to further develop and regularly up-date this work.

2.11. Summit Countries should strongly reaffirm their belief that the above mentioned changes of domestic policies will give strong impulse to the successful negotiations of the Uruguay Round.

Underlining the importance of the fact that a number of countries and the European Community have already begun to implement adjustments of their agricultural policies, Summit Countries should agree that credit should be given to earlier and current unilateral adjustment efforts.

2.12. Recognizing that any agreement on gradual adjustment in domestic policies will not have immediate effects, Summit Countries, in order to improve the climate for negotiations in the Uruguay Round,

share the view that there is a need for an understanding among OECD countries on some immediate action including:

- a commitment to refrain from measures which aggravate the existing imbalance between supply and demand;
- a commitment to abstain from aggressive subsidization of experts ("ceasefire") and to improve stabilization of international prices and markets;
- an understanding on the need for a responsible management and disposal of surplus stocks.

3. THE DEBT STRATEGY

3.1. Summit Nations should reaffirm that they see no alternative to the present growth-oriented strategy launched following the US initiative of October 1985. Such strategy calls for a cooperative approach by all concerned parties in an effort to alleviate on a case-by-case basis the strains on debtor countries and to re-establish normal relations with financial markets and institutions.

Three elements are needed to this end: a supportive world economic environment; the pursuit of domestic structural reforme in debtor countries; the provision of adequate external finance.

All parties have a role to play in the strategy: first of all the debtor countries themselves, as they bear a primary responsibility for the restoration of their creditworthiness, but also the commercial banks and the international financial institutions, which will continue to be the main sources of financing for indebted countries.

3.2. In this context Summit Nations should reiterate their commitment to create a supportive environment through policies to promote sustained growth and the expansion of world trade, low interest rates, open markets, increased flows of finance.

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

/..

Progress in implementing the strategy, however, has been uneven and there is a need to adapt and strengthen its framework, taking account of new needs and instruments.

3.4. Summit Countries should stress that progress in restoring credit worthiness has been limited in some important cases, were there is still lack of adequate policies of structural adjustment and growth designed to encourage the efficient use of domestic savings and the repatriation of flight capital. On the other hand, there is a need to restore the conditions for a resumption of spontaneous lending by commercial banks which continues to be insufficient.

3.5. In this context, Summit Countries should encourage commercial banks to develop new and flexible financing techniques designed to alleviating the debt-servicing burden including lower spreads on new or rescheduled loans, exit bonds, debt-to-equity swaps.

Summit Countries should also review the adequacy of differing tax provisions as well as of regulatory and supervisory structures in the area of international bank lending.

3.6. Summit Countries should strongly support the activities of international financial institutions, including regional development banks. These may be called to play an expanded role in the light of lower-than-expected growth in the world economy and of LDCS' export markets, of worsening terms of trade for primary producers and of a shortfall in financing to LDCS from private sources.

Such additional support should be made available on a selective basis and in connection with programs of structural adjustment.

In particular, Summit Countries might:

- note with satisfaction the contribution made by the replanishment of IDA VIII;
- recognize the positive role played by the IBRD through its increased lending activity with special reference to its quick-disbursing loans;
- make progress towards an agreement on general capital increase of the IBRD;

- promote closer cooperation between the IBRD and the IMF in their structural adjustment loans and facility.

3.7. Summit Countries should encourage measures aimed at promoting non-debt-creating capital flows, expecially direct investment: the newly established MIGA can play significant role in this context.

3.8. Summit Countries should further support growth oriented strategies in developing countries by:
- increasing official development assistance, particularly to the poorest countries;
- recognizing the importance of necessary flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programs;
- supporting longer repayment and grace periods in official rescheduling agreements, possibly also granting exceptional financial relief to highly indebted low-income countries, particularly in sub-saharan Africa.

III. OTHER ISSUES

1. TERRORISM (PROPOSED TEXT BY THE GROUP OF EXPERTS)

Summit Countries should reaffirm their condemnation of international terrorism, in all its forms, of its accomplices and of those, including Governments, who sponsor or support it, and are resolved to further intensify their joint efforts to combat international terrorism (further appropriate opening to take into consideration the political circumstances of the moment).

They should recall that in the Tokyo statement on international terrorism they agreed to make the 1978 Bonn declaration more effective in dealing with all forms of terrorism affecting civil aviation. To this end, in cases where a country refused extradition or prosecution of those who have committed offences described in the Montreal Convention for the suppression of unlawful acts against the safety of civil aviation and/or does not return the aircraft involved,

they should be jointly resolved that their Governments shall take immediate action to cease all flights to that country.

At the same time, their governments should initiate action to halt all incoming flights from that country or from any country by the airlines of the country concerned.

They should intend also to extend the Bonn declaration in due time to cover any future relevant amendment to the above Convention or any other aviation conventions relating to the extradiction or prosecution of the offenders.

They should urge other governments to join in this commitment.

2. ENVIRONMENT (BASED ON THE GERMAN PROPOSAL)

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

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

(ITALIAN PROPOSAL)

Summit Countries, also taking into account the report of the World Commission for Environmental Development (WCED), affirm that the main objective of their action remains a common response to global changes and effective international cooperation in managing environmental development challenges as well as ecological and economic interdependence.

3. ENERGY (PROPOSED TEXT)

Summit Countries should promote the increase of international cooperation in the field of energy particularly in the competent fora.

They welcome the important progress made in the International Atomic Energy Agency (IAEA) and Organization for Economic Cooperation and Developement (OECD) in further improving nuclear safety. They urge prompt ratification of the IAEA conventions on early notification and mutual assistance in the case of nuclear accident.

They note with satisfaction that the United States, Soviet Union, Japan and the E.E.C. have started a collaboration in the field of nuclear fusion, under the auspices of IAEA, in order to jointly conduct a conceptual design and support research and development for an international thermonuclear experimental reactor.

4. EDUCATION (BASED ON THE TEXT PROPOSED BY THE JAPANESE PERSONAL REPRESENTATIVE)

Summit Countries should welcome the positive contribution made by the Conference of high level experts on education, held in Kyoto in January 1987, which provided them with an opportunity to deepen their understanding on the importance of education for social-economic development and to deliberate on the future role of education in our society.

5. AIDS (PROPOSED TEXT)

Summit Countries should reaffirm that AIDS is an international problem and at the moment the biggest potential health problem in the world. Control of AIDS will therefore be one of the prime tasks of all the countries concerned. National efforts may and have to be intensified and made more effective by international cooperation and concerted campaigns to prevent AIDS from spreading further. Such campaigns will have to be based on common principles and objectives and will have to ensure that the measures taken are in accordance with general principles and human rights.

In this connection Summit Countries should agree that:

- they will promote further cooperation for basic and clinical studies on prevention and treatment and exchange of information. They welcome and support joint action of researchers in the Summit Countries (as in the case of the French-American program, which has to be further enlarged) and all over the world for the cure of the disease, the clinical testing on components of the virus, the development of a successful vaccine;

- international cooperation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organizations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organization (WHO) is the best focus for it and all countries should be encouraged to cooperate to the full with the WHO and support its special program of AIDS related activities;
- in the absence of a vaccine or therapy, the best hope for prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or spreading it. Appropriate opportunities should be used for exchanging information about national education campaign and other domestic policy issues.

6. DRUGS (PROPOSED ORAL STATEMENT BY THE ITALIAN PRESIDENT AT THE PRESS CONFERENCE)

Summit Countries have finally examined a problem affecting people all over the world, particularly young people and their families: the drugs problem which has already caused a tragic loss of human lives. They are committed to fight, to eradicate it and to undertake a global strategy in support of national legislations, aiming to prevent illegal production and commercialization of drugs and to create all necessary conditions for a more effective international cooperation. In this context, they welcome the agreements already reached on bilateral and multilateral basis."

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 April 1987

VENICE ECONOMIC SUMMIT:
MESSAGE FROM PRESIDENT REAGAN

I enclose a copy of a message to the Prime Minister from President Reagan about discussion of domestic agricultural policies at the Venice Economic Summit. I should be grateful for advice in due course as to whether it would be appropriate for the Prime Minister to send a reply before the Summit or simply deal with the issues which the letter raises in the discussions there.

I am sending copies of this letter to Alex Allan (H.M. Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and Trevor Woolley (Cabinet Office).

(Charles Powell)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

010

CE/PC

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

April 24, 1987

CDP 24/4.

Dear Prime Minister:

I have been asked to deliver the attached message to you from President Reagan, which was received at the Embassy this morning.

Sincerely,

Raymond G. H. Seitz
Charge d'Affairs, a.i.

Enclosure:
As stated.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London SW1.

00 Already T'd cc/pc

CDP
13/5

THE WHITE HOUSE

WASHINGTON

April 20, 1987

Dear Margaret:

Your support and initiative at the Tokyo Summit helped achieve agreement that we must all address the problems created by our domestic agricultural policies.

The costs of these policies are staggering. This past year, the United States spent over $25 billion in agricultural price supports. Other countries are spending proportionate sums. Consumers around the world are paying too much to artificially maintain agricultural prices. These policies, by diverting scarce resources into agriculture, have reduced the competitiveness of manufacturing and reduced the demand for labor in non-farm sectors.

Our policies have also had a severe effect on less developed countries, many of which are dependent upon agricultural exports for foreign exchange earnings to repay debt and promote growth.

I have recently proposed to the Congress legislative changes that will reduce government payments to U.S. growers of wheat, feedgrains, cotton, rice and sugar. One of these changes will also reduce incentives for farmers to produce commodities in order to receive government payments.

My proposed legislation will be a major step in the direction of a more market-oriented policy. It is my earnest hope that the proposal will set an example for other governments.

The Congress will be considering legislative proposals in a difficult environment, at a time of low commodity prices, reduced U.S. exports, and continuing financial stress for many farmers.

The willingness of Congress to accept my proposals can be increased by a firm commitment from each of the Venice Summit participants, as well as Australia, to engage in truly comprehensive negotiations on agriculture in the Uruguay Round. For its part, the United States has repeatedly pledged that we will place on the table all of our direct and indirect subsidies that affect trade and all market access barriers. I am writing to you and the others to ask that you make an identical commitment.

I look forward to discussing this and other pressing issues with you in Venice.

Sincerely,

Ron

The Right Honorable
Margaret Thatcher, M.P.
Prime Minister
London

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

23 April 1987

CDP
23/4

Dear Charles,

Venice Economic Summit

Thank you for your letter of 22 April. I understand you have offered the Italians a meeting at 11am on Friday 22 May followed by an early lunch. We welcome this.

We suspect that when the Italians say that they want to discuss the 'general political content' of the Venice Economic Summit, they mean the whole range of political and economic issues, including Japanese and other macroeconomic policies, agriculture and debt as well as purely political subjects. The visit should thus enable us to influence Italian thinking on all the important issues in the immediate run-up to the Summit.

In addition, and barring any progress on the subject in the interim, such a visit might provide a good opportunity to make clear to the new Italian Prime Minister our views on arms sales to Argentina, over which the Italians have so far been somewhat evasive.

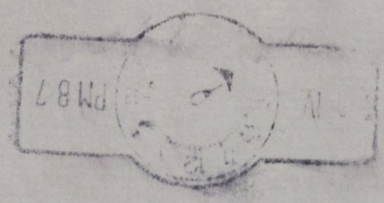
Yours ever,

(L Parker)
Private Secretary

C D Powell Esq
PS/10 Downing Street

CONFIDENTIAL

ECON POL: Italian Economic Summit PT22



RESTRICTED

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 April 1987

Dear Lyn,

VENICE ECONOMIC SUMMIT

The Italian Ambassador has been in touch to say that Senor Fanfani would like to pay a brief visit to London (and similar visits to Paris and Bonn) in the period 18-31 May as part of the preparations for the Venice Economic Summit. He would probably want to come for only a couple of hours and perhaps a working meal, with a very small delegation. He would not wish to discuss details but the general political content of the Summit. I said that I would put this proposal to the Prime Minister and let him have a reply as soon as possible. As he realised, the second half of May was likely to be a very busy time. I should be grateful to know urgently whether there are any points you would wish me to make in consulting the Prime Minister.

I am copying this letter to Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

yours sincerely.

C D POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office

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SUBJECT cc MASTER OPS

US Declassified

Prime Minister (2)

A message from M

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T71C/87

Washington, DC
April 20, 1987

President.

CDP 24/4.

Dear Margaret:

Your support and initiative at the Tokyo Summit helped achieve agreement that we must all address the problems created by our domestic agricultural policies.

The costs of these policies are staggering. This past year, the United States spent over $ 25 billion in agricultural price supports. Other countries are spending proportionate sums. Consumers around the world are paying too much to artificially maintain agricultural prices. These policies, by diverting scarce resources into agriculture, have reduced the competitiveness of manufacturing and reduced the demand for labor in non-farm sectors.

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My proposed legislation will be a major step in the direction of a more market-oriented policy. It is my earnest hope that the proposal will set an example for other governments.

The Congress will be considering legislative proposals in a difficult environment, at a time of low commodity prices, reduced U.S. exports, and continuing financial stress for many farmers.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, SW1.

The willingness of Congress to accept my proposals can be increased by a firm commitment from each of the Venice Summit participants, as well as Australia, to engage in truly comprehensive negotiations on agriculture in the Uruguay Round. For its part, the United States has repeatedly pledged that we will place on the table all of our direct and indirect subsidies that affect trade and all market access barriers. I am writing to you and the others to ask that you make an identical commitment.

I look forward to discussing this and other pressing issues with you in Venice.

Sincerely,

/S/

Ron

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FM OTTAWA
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OF 092220Z MARCH 87
INFO PRIORITY WASHINGTON, PARIS, BONN, ROME, TOKYO, PRETORIA

VENICE SUMMIT: POLITICAL TOPICS

1. MR CLARK ANNOUNCED IN PARLIAMENT TODAY THAT CANADA WOULD BE PROPOSING THE INCLUSION OF SOUTH AFRICA ON THE VENICE SUMMIT AGENDA.

2. IDEA OFFICIALS, WHOM WE ASKED ABOUT RECENT PRESS REPORTS THAT THIS WAS IN THE WIND, ARE SOMEWHAT EMBARRASSED THAT MINISTERS HAVE GONE PUBLIC BEFORE CONSULTING THEIR SUMMIT PARTNERS PRIVATELY. WE UNDERSTAND THAT THE PROPOSAL WILL BE MADE FORMALLY BY THE CANADIAN SHERPA WHEN SHE MEETS HER COLLEAGUES TOWARDS THE END OF APRIL.

WENBAN-SMITH

YYYY

ODWBAN 7983

MONETARY

ERD
WED
NAD
MR BRAITHWAITE
MR THOMAS
MR MAUD

THIS TELEGRAM WAS NOT ADVANCED

Restricted

cc PC (2)

Prime Minister
CDP
13/2.

Ref. A087/381

MR POWELL

Thank you for your minute of 11 February, replying to mine of 10 February about the recent meeting of Personal Representatives in preparation for the Economic Summit.

2. I fear that my account may have done less than justice to the value of the meeting. The discussion of the issues was detailed and substantial. But the Japanese representatives would have been left in no doubt about the views of other Governments (including the British Government) of what was expected of them. I do not think that a much more specific outcome was to be expected from a meeting at this stage, the main purpose of which was to enable the Italians to form some ideas of what themes other Governments would expect to see developed in the thematic paper which they had undertaken to prepare. We were given some useful insights into the views and attitudes of the United States administration. The first draft of the thematic paper will be discussed at the next meeting in April. I shall of course submit that to Ministers and seek their instructions before that meeting on the line which they wish the British representatives to take.

[Second thoughts!]

[Not wiser the first minute said!]

3. The Italians could probably have produced a draft thematic paper of sorts without this meeting, and I have argued (unsuccessfully) for fewer meetings of Personal Representatives before each of the last three Summits. But the Italians themselves (and others) believed that the meeting would be useful, in that they would have a clearer idea of the views of other Governments as to what was likely to be the main content of the Summit and that a meeting now could thus facilitate better progress in preparation and discussion of a thematic paper later on. The North American and Japanese Personal

SMTABE

Representaives were in Europe for other meetings, and this meeting could therefore be laid on with relatively little inconvenience and expense.

4. Given the Italian decision to hold the meeting, I do not think that it would have been right for the United Kingdom not to be represented. But the Prime Minister's comment will strengthen my hand (or that of my successor) in arguing for fewer meetings of Personal Representatives before the 1988 Summit.

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

RA

ROBERT ARMSTRONG

13 February 1987

Ref SRW
cc Sir PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister has noted your minute of 10 February about the recent meeting of Personal Representatives in preparation for the Venice Economic Summit. She has commented that it does not appear to have been a very productive meeting, dealing only in generalities and breaking no new ground. She finds the failure to exert pressure on the Japanese representative inexplicable (but presumes that we were not backward in this respect). She does not recall yet having been consulted about the issues which should be raised at the Summit. More generally, the Prime Minister wonders whether the nugatory results do not lead to the conclusion that we could manage with fewer meetings in this forum.

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

CDP

(C. D. POWELL)
11 February 1987

A16

Were heads of government not to be consulted fully in the meeting in multilateral issues?

Prime Minister

Very broad brush. But relevant to tomorrow's meeting with Signor Craxi. CDP 10/2.

Ref. A087/343

MR POWELL

The meeting of Personal Representatives for the preparation of the Venice Economic Summit was held in Florence last week. The meeting was called and hosted by the Italian Government and chaired very effectively by Signor Renato Ruggiero.

2. The purpose of the meeting was to identify and discuss the main issues likely to come under discussion at the Venice Economic Summit, with a view to the preparation of a "thematic paper".

3. On the economic side, the meeting identified three main issues as likely to be in the forefront of discussion at Venice:

i. How can we deal with the fundamental imbalances in the world economy (notably the United States' fiscal deficit and current balance of payments deficit, and the Japanese trade surplus) without putting at risk the prospects of continuing growth in the industrialised countries, and without a recrudescence of inflation.

ii. The maintenance of the open multilateral trading system in the face of protectionist pressures, particularly in the United States; and the need for urgency in tackling the fundamental problems of surplus capacity in agriculture.

iii. The management of international debt problems over the coming years, particularly in the light of the increasing reluctance of commercial banks to commit resources in this area.

Yes could

Brought telephone call could have told us this.

SMTABD

4. On the first of these points, there was some discussion of the prospects for exchange rates, and of the need to reduce the instability of exchange rates which had had a very unsettling effect on trade. Attention was drawn to the fact that the United States dollar had fallen in value by some 35 per cent over the last 18 months against the Japanese yen, and by a similar amount against the deutschmark. Signs were beginning to appear that the effects of this were working through to United States export and trade figures, but the effects were slow to come, partly because the Japanese appeared to have been able to absorb a very large part of the effects without increasing the prices of their exports in overseas markets, at any rate until relatively recently. There was not much pressure upon the Japanese Personal Representative (who has only just taken up his duties) to explain what progress the Japanese Government were making in seeking to reduce the Japanese savings ratio, increase consumption and open up the Japanese domestic market to foreign goods; but he will have been aware of the probability of further pressure to come on this score. As one of the European Personal Representatives said to me in the margins of the meeting, however, the Japanese are pastmasters at promising action which never seems to lead to results. The Personal Representative of the Federal Chancellor outlined the economic programme which he expected the new German Government to follow over the coming years; he expected that the result would be to reduce the German trade surplus to something like 0.5 per cent of the Gross National Product.

5. On trade, there was general agreement that the Summit would need to give renewed impetus to the Uraguay round, the new round of multi-lateral trade negotiations in the GATT: perceptible progress in these negotiations would be important for the United States Administration in its attempt to resist protectionist pressures in the United States. The Summit would also want to

SMTABD

put renewed momentum behind the discussions in the GATT and the OECD of the problems of agricultural surpluses; but should not seek to set up its own initiative in this area.

6. On the strategy for managing international debt, the general conclusion was that there was no alternative but to continue a "case by case" approach, though that might need to be accompanied by pressure upon the commercial banking system to maintain its share in carrying the problem. The United States representatives and others stressed the importance of the pursuit by debtor countries of sound economic policies and of policies which would welcome and encourage inhand investment. The role of the international financial institutions was also discussed; the United States representative made it clear that there was no prospect of the United States Administration finding its share of a general capital increase for the World Bank this year.

7. On the economic side the next step will be for the Italian Government, as this year's Chairman of the Economic Summit, to prepare a draft of a thematic paper for discussion at a further meeting of Personal Representatives at the end of April.

8. On the political side, Signor Ruggiero said that neither the present Italian Prime Minister nor his successor (Signor Andreotti) envisaged a general political declaration from the Venice Economic Summit. There would no doubt need to be some kind of declaration or statement on terrorism; Political Directors or their representatives would be discussing this separately. It did not seem likely that there would need to be another declaration on drugs. It was recognised, however, that Heads of State or Government would be likely to want to issue some kind of statement or declaration on AIDS, which might commend measures on public education taken in the United Kingdom

SMTABD

and some other countries, and perhaps propose arrangements to encourage greater international co-operation among the Summit countries in the field of research.

9. It was recognised that Heads of State or Government would want to discuss other major political issues in the margins of the Summit, including East/West relations, arms control, developments in the Soviet Union under Mr Gorbachev, the Middle East (including Lebanon) and Afghanistan. There was no mention of Southern Africa.

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

RTA

ROBERT ARMSTRONG

10 February 1987

SMTABD

CCPC

Foreign and Commonwealth Office

London SW1A 2AH

15 December 1986

mo

Prime Minister

You may like to be aware of this, which sounds a good idea. N.B. proposed involvement of Sir K. Stowe and Sir J. Ramsden.

CDP 15/12

Dear Charles

Foundation for the cohesion of the West: 21st Century Trust

Colin Budd's letter of 26 November promised a substantive reply to yours of 20 November after a briefing from Sir David Wills following a working dinner of the trustees of the 21st Century Trust on 8 December.

Sir David's account confirmed that given the letter of 23 October from Mr Jonathan Davidson, Washington Director of the James F Byrnes International Center of the University of South Carolina, to Bernard Ingham. The concept of a 'Foundation for the Cohesion of the West' arose from a Conference on the 'Future of the Western Community' held at the University of South Carolina in October 1985 which was attended by some very senior American and European figures, including Lord Carrington. It identified a problem of growing strains of cohesion in the West, particularly from generational change, at a time when the West - in the sense of broadly democratic societies adhering to common basic values - was expanding. Unfortunately private funds in the United States and elsewhere had cut back their help to international exchange and discussion organisations just when the field of opportunity was expanding and the needs were growing. The conclusion was that new funds and organisations were required.

/The

The concept adopted was one of new foundations, initially in the UK and USA, to be followed by others in the FRG, France, Japan and elsewhere. They would be funded by endowments from private sources and would work to foster mutual understanding and interest, eg by exchanges on a large scale between young people.

The UK foundation, the 21st Century Trust, is the most advanced at present. The working dinner on 8 December was attended by ten of a still expanding number of trustees. Members include Lords Home and Whitelaw, Mr Callaghan, Dr Owen, Mr Prior, Sir Michael Palliser, the Duke of Westminster, Sir Charles Troughton and Sir David Wills. They also include some Americans, eg Mr Eagleburger, Mr Vance, Senator Mathias, as the intended pattern is of inter-locking boards of trustees. The 21st Century Trust has recently been registered as a charity and has been given an initial £1 million from a private source as start-up money. Sir K Stowe and Sir J Thompson have agreed to take up salaried posts in the course of next year as respectively fund raiser and programme organiser. The aim is to raise a further £1 million for each of two successive years in order to establish a headquarters and begin some activities. Thereafter the aim is to raise £100 million as endowment capital.

The pattern of activity has not yet been worked out in any detail. Sir D Wills and others are much impressed by the Franco-German organisation of youth exchanges and see this as one possible model.

The US equivalent may be entitled 'The 21st Century Foundation'. It is less advanced - partly owing to the health problems of Mr Eagleburger - but has now received a considerable boost from the endorsement given by President Reagan at the Planning Group's first meeting, held in the White House on 25 September. It aims at an endowment of $500 million.

/No

No progress has yet been made with equivalent bodies in other countries, although Sir D Wills has had some preliminary discussions with eg Baron von Wechmar and Sir J Fretwell.

As regards the suggestion, in the letter to Bernard Ingham, that this concept might be raised by the Prime Minister or others at the Economic Summit next June our comment to Sir D Wills has so far been limited to a sympathetic reaction to the general ideas behind this enterprise and to the observation that much would depend on the extent to which those involved could demonstrate in the coming months before June that it had good prospects and potential for getting off the ground.

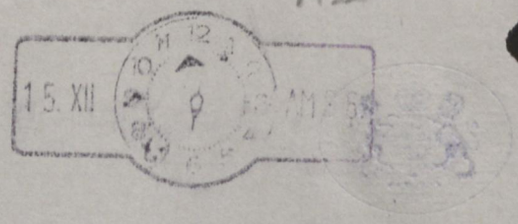
Sir D Wills or Sir Charles Troughton would be very willing to discuss it further as required. At no point have they suggested that there would be any approach to HMG for any official funding.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
No 10 Downing St

ECON POL Italian Econ. Summit
PT22



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1986

Dear Charles,

Foundation for the Cohesion of the West:
21st Century Trust

Thank you for your letter of 20 November. We find on enquiry that the UK '21st Century Trust' is still in the process of foundation but should take firmer form after a working dinner of the Trustees on 8 December. Sir David Wills will brief us the following day and we should then be in a position to tell you more.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

Jonathan DAVIDSON
4/12

8G2609

bc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 November 1986

FOUNDATION FOR THE COHESION OF THE WEST: 21st CENTURY TRUST

I enclose some correspondence which Bernard Ingham has received from Jonathan Davidson (ex-FCO), Washington Director of the James F. Byrnes International Center of the University of South Carolina, about the proposed formation of a Foundation for the Cohesion of the West. This would apparently be associated with the 21st Century Trust, already established in the United Kingdom. As you will see, there seems to be a possibility that President Reagan will raise the matter at the 1987 Economic Summit.

I should be grateful for any information you have about this enterprise, the form in which it might arise at the Economic Summit, and the links which it would be appropriate for HMG to have with it.

Charles Powell

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

DSG

CABINET OFFICE
A 11179
5 NOV 1986
FILING INSTRUCTIONS
FILE No. .....

1. SIR ROBERT ARMSTRONG not seen before circulated. BI

2. MR POWELL

FOUNDATION FOR THE COHESION OF THE WEST

You should be aware of the attached correspondence. The projected Foundation was drawn to my attention while I was at the University of South Carolina.

Sir Robert will be interested from the point of view of the Sherpas' meeting.

Mr Powell may wish to take this over and get in touch direct with Jonathan Davidson in order to ensure consideration of the idea is conducted through the appropriate channels.

BERNARD INGHAM
5 November 1986

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

JAMES F. BYRNES INTERNATIONAL CENTER

Please reply to:
1750 K St., N.W.
Suite 1200
Washington, D.C. 20006
(202) 785-0055

October 23, 1986

Mr. Bernard Ingham
Press Secretary
to the Prime Minister
10, Downing Street
London SW1

Dear Bernard:

Foundation for the Cohesion of the West

I promised to let you have details of the recent meeting with President Reagan at which a new private foundation for the cohesion of the West was discussed. I enclose a record of the meeting, together with the list of those present and others associated on the American side with this initiative.

You will see on page five of the record the reference to bringing this up at the next Economic Summit. In making this suggestion, Mr. Wick referred to the apparently successful reference in a Summit communique to the International Youth Exchange scheme, and suggested a similar reference to this initiative -- which is multinational in scope -- at the 1987 Summit. President Reagan responded enthusiastically to this suggestion. It remains for discussion who in fact should raise the issue and in what terms. One suggestion is that, since the first foundation to be established is in Britain, it might be most appropriate for it to be raised on the British side. Among trustees of the British foundation are Lord Home, Mr. Callaghan, Lord Whitelaw and Sir Michael Palliser. The key mover is Sir David Wills. As you can see, although the initiatives in both countries are in the private sector, senior government representatives are involved in both cases.

For your further information I have enclosed a brief description of the American foundation, to be provisionally called the United States 21st Century Foundation. There is considerably more documentation if you wish, but rather than burden you with this at this stage I feel that the two-page description may suffice. If you wish to have more details, however, I will be glad to send them.

When you have had a chance to review this and to consult whoever you may feel needs consulting, I will be glad to pursue the question with the American side including the White House and the USIA as well as those in the private sector involved over here. Any comments or reactions you may have will be welcome and of course I will be glad to supply any further details that you may wish.

Sincerely,

Jonathan Davidson

Enclosures

October 13, 1986

INTRODUCTION

The unity of the West is a first priority for the Atlantic nations, Japan, Australia, and New Zealand. The present network of alliances and partnerships was molded with great effort, but could come apart if fresh and continuing steps are not taken to maintain cohesion and cooperation. This is not just an urgent job for governments, but also for private initiative.

To an important extent, Western unity over four decades has been a product of nonprofit, independent undertakings by foundations, research institutes, study groups, exchanges organizations, cultural bodies, educational institutions, and friendship associations. Privately, such groups created, nourished, and communicated new ideas; they studied the public problems of the West and sponsored vast educational interchanges; they strengthened democracy; they contributed to the growth of "we-feelings" among peoples and leaders.

But this private work of community-building has declined in recent years, as the funds available from governments, foundations, generous individuals, and businesses shrank. A "generation gap" has also arisen; many younger leaders have little knowledge of or commitment to the tested principles on which the postwar system among free peoples was founded. Furthermore, the Western system is expanding towards the Pacific and new democratic stirrings in other parts of the world call for an enlargement of horizons. Relevant education, research, and interchange of peoples and ideas must be undertaken on a new, much larger scale. The

network of private voluntary organizations that study, analyze, promote, support, and feed the unity, values, and understanding of all modern peoples requires reinvigoration; new initiatives must also be developed. This task necessitates substantial new funds, urgently.

Recent experience shows that neither governments nor existing foundations and enterprises can be counted on to provide the large, sustained flow of money and encouragement that will be required.

Without delay, one or more new private foundations should be created to make grants in perpetuity in this vital sector. The first such foundation, the "2 1st Century Trust", is now in formation in the United Kingdom. We, the undersigned, have determined that such a philanthropic foundation should also be established in the United States. Substantial capital will be necessary; we intend that it should could from sources as yet untapped for such purposes.

It is our hope that private forces in other countries may wish to take parallel steps. Our broad aim is to establish a private, multinational, articulated group of grant-making foundations working towards a common goal: to enhance the cohesion, dynamism, mutual loyalties, and free way of life of the Western community of nations and peoples.

PLANNING GROUP FOR A FOUNDATION FOR THE COHESION OF THE WEST

Summary Record of First Meeting

The White House, Washington, D.C.

Thursday, September 25, 1986 at 12:00 Noon

Note:

The members of the Planning Group were originally invited jointly by President James B. Holderman of the University of South Carolina and Lawrence S. Eagleburger, Chairman of the University's International Advisory Board and President, Kissinger Associates, to join a working lunch at the International Club to consider the possibility of establishing a private foundation for the cohesion of the West. Upon the decision of President Reagan to meet with the group at 1:00 p.m., it was decided to move the meeting to the White House. In Mr. Eagleburger's absence owing to ill health, the Honorable William E. Brock, III co-chaired the meeting with Dr. Holderman.

Summary Record of Meeting

Dr. Holderman called the meeting to order at 12:00 noon. He welcomed the group to the meeting, and expressed the regrets of those members who wished to be associated with the initiative but were unable to be present on this occasion. The list of the members of the full Planning Group is attached to this record.

Dr. Holderman explained that the present initiative arose from one of the recommendations of a Conference on the Future of the Western Community* at the University of South Carolina in October 1985. The Conference called for the appointment of a special committee to consider steps necessary to deepen the commitment of resources for programs to support Western cohesion, including the creation of one or more large foundations. Following the Conference, one such foundation, the 21st Century Trust, was being established in the United Kingdom with a distinguished group of trustees including two former Prime Ministers. After consulting with a number of concerned individuals, Lawrence Eagleburger and he had concluded that it was now time to consider the establishment of a similar foundation in the United States. The purpose of the present meeting was to discuss such an initiative and decide whether or not to go ahead. Dr. Holderman suggested that the group try to reach some general understandings as to the merits of the proposal prior to the arrival of President Reagan, and that if it was decided to go ahead, some specific steps might be discussed after the President's departure. Dr. Holderman then invited Mr. Brock to assume the Chair.

Mr. Brock said that he had a long-standing interest and concern for this issue. Cohesion in the West was gradually being lost partly due to generational changes. The British had recognized the importance of the issues at stake in establishing the 21st Century Trust. The Western Community required new initiatives to prevent further drifting apart and there was no other large philanthropic organization, to his knowledge, specifically addressing this need. He felt the concept of a major new private foundation to be remarkably exciting. He called on Mr. James Huntley, Consultant to the University, to explain the proposal as described in the briefing book which had been circulated to the members of the Planning Group.

Mr. Huntley said that, important as the role of governments had been historically in the development of the Western Community, there had always been a crucial role for private initiative, especially in formulating the concepts of the Community, developing its institutions, private as well as public, and nurturing its leadership.

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* At the Conference, as in this document, the term "Western Community" is used to denote the democracies of the Atlantic and Pacific, bound together by common interests and shared values, i.e., in general terms the OECD grouping of nations.

There had been a dramatic decline in the commitment of funds by the private U.S. foundations to international work, from 21% of all grants in 1966 to 3 1/2% in 1980. Government support for private initiatives had dropped even more dramatically. There was an increasing tendency, moreover, for private funds to be directed towards specific projects, thus placing further pressure on the declining funding base for institutional support. Mr. Huntley gave examples of worthwhile organizations which had either suffered extinction or whose survival was threatened through lack of financial support. The proposed new foundation would need to be sufficiently well endowed to make a major long-term impact through judicious grant giving to non-governmental organizations dedicated to maintaining the fabric and common bonds of the West.

Sir David Wills was invited to describe the progress made so far in the United Kingdom. He said that the stated purpose of the 21st Century Trust was to strengthen the relationships which united the free societies and their friends, "bonds which must be continually repaired, fostered, and enriched in the decades to come if these nations are to be able to continue to live in peace and in freedom." Among the trustees were Lord Home, a former Conservative Prime Minister and Mr. James Callaghan, a former Labor Prime Minister, as well as the present leader of the Social Democratic Party, Dr. David Owen. Other trustees included distinguished figures from educational, cultural, business and philanthropic fields. In line with the international thrust of the initiative, there were several American trustees. It was envisaged that the various foundations to be set up in different Western countries under this initiative should have interlocking boards of trustees, although each foundation would need to have a national identity for legal purposes.

The 21st Century Trust hoped shortly to enlist the services of two distinguished public servants, Sir Kenneth Stowe and Sir John Thompson, as salaried executives. In parallel with efforts to raise the necessary substantial endowment, it was hoped to seek short-term funds of up to three million pounds for demonstration grants to enable the foundation to become operational, setting a pattern for the kinds of activities that it would be able to undertake in the long term.

The Chairman then opened the meeting for general discussion, which focused on three broad areas: 1) the underlying purposes of the proposed new foundation; 2) its distinguishing characteristics; and 3) the steps required to take the initiative forward.

Underlying Purposes

Members of the Planning Group felt that the threats of 30 - 40 years ago which had forged consensus in the Western Community were beginning to be forgotten and that new issues diverted attention from the purposes which had originally drawn the Community together. As new issues had emerged, so had a new generation of leadership which was increasingly diffuse and divergent as regards any sense of common values and shared purposes. With the 1940's era now

firmly in history, several members of the group observed that it was increasingly difficult, especially in the Western Pacific and in Western Europe, to argue the "Western cause." Opportunities for dialogue and meaningful exchange within the Community had sharply declined. Although discussion of common goals often took place at the upper reaches of the Community, there was a severe lack of means to disseminate their conclusions to the Community at large or even to the aspiring ranks of successor leadership. Two members of the Planning Group who had held prominent political leadership positions described the crucial role that extended overseas exchange schemes had played in their personal career development and regretted the much diminished opportunities presently available to newly emerging leaders.

Discussion also focused on the geographical range of the Community. When the current institutions of the Western Community had been established in the 1940's and 1950's, the emphasis had largely been on the Atlantic Alliance. The importance of the countries around the "Pacific Rim" was now widely recognized, and it was necessary to focus serious and purposeful attention on defining the Western Community in terms relevant to the future rather than the past, i.e. as a growing, dynamic grouping of nations and peoples. Less and less is geography the touchstone of what is "Western."

It was observed that although the proposed new foundation would have a single and closely-defined purpose, its concerns would be broad and its mandate large, no less than to seek to renew the strengths and sense of unity, and to reinforce the underlying purposes of the West.

Distinguishing Features of the Proposed Foundation

In further discussion, members of the Planning Group called for analysis of the activities of private sector organizations dedicated in one way or another to strengthening Western cohesion. It was pointed out that some studies had already been undertaken* and could usefully be reviewed. In the meantime it would be necessary in drawing up the charter of the proposed foundation to describe its purposes very specifically, to delineate its unique role in promoting Western cohesion, as distinct from the role of other private foundations. There was no room for duplication of effort. However, if, as the members of the Planning Group were inclined to feel, there was a serious gap in current efforts to promote Western cohesion, this, too, would need to be clearly described.

It was also observed that the proposed new foundation would be exclusively a grant giving, not an operational, organization. Its primary purpose would be to underwrite worthwhile organizations involved in promoting Western cohesion, to encourage and support those with prospects of contributing significantly to this cause.

Members of the Planning Group considered whether existing foundations could be encouraged to devote more resources to the cause of

* e.g., by the Battelle Memorial Institute, 1983.

Western cohesion. In discussion, it was felt that the major new foundation, once established, would in time, by example, tend to encourage other foundations to follow suit. However, there was felt to be little prospect of existing foundations changing their present course substantially, in the absence of a lead from a truly significant new philanthropy dedicated exclusively to this purpose.

Other distinguishing features of the new foundation, it was observed in discussion, were its interlocking international leadership feature, believed to be unique, and its dedication to the long-range future of the Western Community. Members of the group stressed the importance of such a philanthropy promoting imaginative new concepts and fresh approaches. The new foundation should not be stultified by conventional precepts and should be forward-looking and visionary in outlook.

Turning to implementation, the group felt that, provided a strong enough case could be established for such a foundation, the necessary resources were available to be tapped. Potential donors would clearly need to be approached in a way that would endear them to the purposes of the foundation. Much thought and care would need to be devoted to approaching prospective donors. Among tactics to be considered was the possibility of an umbrella foundation with several specified funds each identified with an individual donor. While discussion of specific tactics was for the future, in general it was felt that an approach to one or a small group of up to five or six very wealthy individuals who had not so far made their major philanthropic commitment would be preferable to a broad-based appeal for contributions, which would run the risk of competing for funds with the very organizations that the new foundation was designed to serve. In other words, the new foundation should tap new sources of wealth, not compete for funds within the existing "philanthropic pie".

Discussion with President Reagan

On the President's arrival, the Co-Chairmen outlined the purpose of the Planning Group and the progress it had made so far.

The President said that the Atlantic Alliance and the broader community with our friends in the Pacific formed the indispensable heart and core of any serious effort to protect and extend democracy and the free way of life. He commended the Planning Group's initiative in seeking to project the free Western vision into the 21st century as a "vital task." Although governments have an important role to play in promoting this vision, the capacity of the US Government to play its full role in this constructive work was in jeopardy, with the drastic reductions made by Congress in the foreign affairs budgets of the US. It was therefore more than ever necessary for non-governmental forces in the Western world to play the fullest possible role in building a strong community of the free. The President said that in his view the Planning Group's initiative was not only for a strategic and noble purpose, but that the means chosen was entirely appropriate. It was in the spirit of a great Western tradition for private citizens to serve important purposes of the

community on their own initiative. The President therefore commended both the goals and the suggested means of implementing the purposes of the group, and gave it his strong personal endorsement.

In response to a suggestion by Mr. Charles Wick, the President said that he would be glad to consider discussing the proposed initiative with his colleagues at the 1987 Economic Summit in Italy, with a view to an endorsement by the Summit leaders of this multinational private initiative.

In further informal discussion, the President referred to specific examples illustrating the importance of international exchange in promoting understanding and communication, and again wished the group well in its endeavors.

Next Steps

After the President's departure, it was agreed that efforts to establish the new foundation should be vigorously pursued. Referring to questions raised in the course of the earlier discussion, Co-Chairman Brock asked whether the sense of the meeting was that there should be a tentative endorsement of the proposal pending further study of the activities of existing organizations in the field of Western cohesion and more clarification of the purposes of the proposed new foundation before further steps were implemented. In response, several members of the Planning Group called for a stronger and more emphatic determination by the group in view of widening rifts of understanding within the Western Community which were felt especially keenly in the Western Pacific and in Europe. A consensus was therefore reached in favor of another meeting of the Planning Group early in the new year, by which time provisional articles and a charter for the new foundation should have been prepared.

The staff of the University of South Carolina was requested to prepare draft articles and a charter as well as suggested plans for implementing the proposed new foundation. The drafts should take account of observations raised during the meeting, and in particular should define clearly the purposes of the foundation in a way which would distinguish it from other organizations and establish unequivocally its unique characteristics.

Co-Chairman Holderman said that the University staff would be glad to follow up as requested and would be in touch with individual members of the Planning Group in preparation for the next plenary meeting, which they would try to organize as requested early in the new year. In the meantime the University would seek the necessary planning funds to implement the decisions of the Planning Group as quickly as possible.

Thanking Co-Chairman Brock for his assistance at short notice and the members of the group for their participation, there being no further business Dr. Holderman adjourned the meeting at 2:00 p.m.

MEMBERS OF THE PLANNING GROUP
FOR A
FOUNDATION FOR THE COHESION OF THE WEST

The Honorable Anne L. Armstrong, former Ambassador to the United Kingdom
* The Honorable William E. Brock, III. Secretary of Labor
Dr. Zbigniew Brzezinski, former Assistant to the President for National Security Affairs
* The Honorable Arthur Burns, former Ambassador to the Federal Republic of Germany
The Right Honorable James Callaghan, British Prime Minister, 1976-79
* The Honorable William Clark, former Secretary of the Interior, Assistant to the President, and Deputy Secretary of State
* Dr. Peter Corterier, MdB.; Secretary-General-designate, North Atlantic Assembly
The Honorable Lawrence S. Eagleburger, President, Kissinger Associates; Chairman, International Advisory Board, Byrnes Center, University of South Carolina
Senator Daniel J. Evans (R.Wash)
Representative Dante B. Fascell (D.Fla), Chairman, Foreign Affairs Committee, U.S. House of Representatives
The Honorable Gerald Ford, President of the United States, 1974-77
* The Right Honorable Malcolm Fraser, Prime Minister of Australia, 1975-83
Senator Mark O. Hatfield (R.Ore)
* Dr. James B. Holderman, President, University of South Carolina
The Honorable John N. Irwin, former Under Secretary of State
Mr. Walther Leisler Kiep, President, Atlantik Brucke
* Mr. Lane Kirkland, President, AFL-CIO
Senator Richard G. Lugar (R-Ind), Chairman, Foreign Relations Committee, U.S. Senate
* Senator Charles McC. Mathias (R.Md), Chairman, North Atlantic Assembly
The Honorable Walter F. Mondale, Vice President of the United States, 1977-81
Senator Sam Nunn (D-Ga)
* His Excellency Yoshio Okawara, former Ambassador of Japan to the United States
Sir Michael Palliser, Chairman, Institute of Strategic Studies
* The Right Honorable James Prior, M.P.; former Secretary of State for Northern Ireland; former Secretary of State for Employment, United Kingdom
* The Honorable Walter Raymond, Jr., Special Assistant to The President for National Security Affairs
* The Honorable John Richardson, Chairman, National Endowment for Democracy

* Attended September 25 meeting at White House

General Brent Scowcroft, former Assistant to the President for National Security Affairs
The Honorable Robert S. Strauss, former U.S. Trade Representative; former Chairman, Democratic National Committee
* Mr. William Timmons, President, Timmons and Associates
The Honorable Alexander Trowbridge, President, National Association of Manufacturers
The Honorable Cyrus Vance, former Secretary of State
* His Excellency Bernard Vernier-Palliez, former Ambassador of France to the United States
Senator Malcolm Wallop (R.Wyo)
* The Honorable John Whitehead, Deputy Secretary of State
* The Honorable Charles Z. Wick, Director, United States Information Agency
* Sir David Wills, Founding Trustee, 21st Century Trust; Founder, Ditchley Foundation
Mr. Frank Zarb, Lazard Freres & Co.

Advisor

* Mr. Richard Bradley, Associate Counsel, Rockefeller Family and Associates

University Staff and Counsel

* Mr. Jonathan Davidson, Washington Director, Byrnes International Center, University of South Carolina
* Mr. James R. Huntley, Consultant, University of South Carolina
* Mr. Robert J. Woody, Partner, Lane & Mittendorf
* Mr. Thomas B. McVey, Associate, Lane & Mittendorf

National Security Council Staff

* Mr. Michael Castine, Director, International Communications and Information

* Attended September 25 meeting at White House

cc C Powell

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT - MEDIA

Reference your minutes of October 13 to me (A086/2862) and to Mr Powell (A086 2871) on the above.

Ground rules for press briefing

I think we can live with the Italian proposals, even though they are potentially more restrictive than those for the London Summit.

Para 3 causes me some little concern since it is the practice of the Presidency to disclose the subjects for discussion at individual sessions. I assume the wording is intended to prohibit briefing on the substance of the discussion before the end of a particular session as distinct from background briefing on a country's approach to particular issues being discussed. I am not however over fussed by the paragraph because in my experience one of the leakiest vessels at a Summit is the Italian delegation.

Press Centre

I see no difficulty with the concept of a single press centre on the Island of San Giorgio. There is no practical alternative given the combination of an island and tight security. I am sure, however, that the restriction is also aimed at the Japanese who are inclined to be clannish and separatist.

I should say however that if the Italians hope to confine press briefing to the Island they will have to

improve on the 1980 facilities which were appalling. The British briefing room was of classroom size, hot and noisy, with roughly a third of the participants leaning in through the barrack's open windows.

The Italian Government would be better able to make its "island only" rule stick if it were positively and resolutely to ban all media from delegation hotels on security grounds, except for specially arranged photo pools for bilaterals.

None of this will of course prevent briefing arrangements being set up elsewhere - eg St Mark's Square at midnight.

However, the key to the success of the Italian's "island only" rule will be the facilities provided on the island itself, and not least the broadcasting facilities, especially studios.

There is much to be said for an early conference of Spokesmen's Officers, as with previous Summits, to sort out the arrangements and the facilities. Miss Wall would be my nomination.

B INGHAM
15 October 1986

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT

Your minute of 13 October asks for views on the alternative dates proposed by the Italians for the Venice Economic Summit. Our strong preference remains 7/9 June but I think the Prime Minister could manage 8/10 June if necessary. We have a fairly strong bias against 14/16 June.

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

Charles Powell
14 October 1986

Ref. A086/2861

MR POWELL

Venice Economic Summit

The dates for the Venice Economic Summit were discussed at the meeting of Personal Representatives last weekend.

2. I said that it was not possible for the Prime Minister to manage Thursday 11 June for the Economic Summit, and asked that the original dates (7-9 June) should be reinstated. The objections to 7 June were, however, sustained. In the end we were asked to consult Heads of State or Government about two possibilities:

in order of preference
- Sunday 14 to Tuesday 16 June
- Monday 8 to Wednesday 10 June.

3. The Italian Government is anxious to know as soon as possible whether either or both of these dates would be suitable, so that they can get ahead with booking of accommodation etc in Venice.

4. As the Foreign and Commonwealth Secretary pointed out, 10 June clashes with the first day of the meeting of the North Atlantic Council in Reykjavik; but I suppose that it might be possible for that date to be postponed by one day, so that Foreign Ministers at the Economic Summit could go from Venice to Reykjavik on the morning of 11 June.

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

RA

ROBERT ARMSTRONG

13 October 1986

SMTAAZ

ECON. POL: Italian summit: Part 22

Ref. A086/2871

MR POWELL

Venice Economic Summit

At last weekend's meeting of Personal Representatives the Italian Government circulated a paper about the arrangements for a press centre for the Venice Summit.

2. They are extremely anxious that there should be no separate national press centres, as there were in Tokyo and at earlier summits. That is aimed primarily, of course, at the Americans.

3. I am sending copies of this minute and of the Italian Government note to Mr Ingham and to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

RA

ROBERT ARMSTRONG

13 October 1986

Ministero degli Affari Esteri

Taormina, 11 October, 1986

time 8.00 p.m.

PRESS CENTER - VENICE ECONOMIC SUMMIT

The Italian Authorities intend to set up a Press Center on the Island of San Giorgio, which will include all national press centers and a common press center and meet the requirements of all the Press corps accredited to the Venice Summit.

Such an arrangement is necessary for security reasons and for functional and technical considerations. Therefore, in order to proceed with the necessary and complex preparations, the Italian Authorities are asking the cooperation of the national Representatives of the Press corps and their suggestions.

Ref. A086/2870

MR POWELL

Venice Economic Summit

At last weekend's meeting of Personal Representatives the Italian Presidency circulated a draft programme for the Summit meeting. I attach the draft herewith. You will see that the proposed programme follows closely that adopted at the Tokyo Summit last year.

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

RA

ROBERT ARMSTRONG

13 October 1986

Ministero degli Affari Esteri

Taormina, October 11, 1986

Time : 08.00 pm

VENICE SUMMIT - Draft Programme

(Main Proposal for dates)

Sunday, June 14, 1987

00.00	Arrival in reverse protocol order at "Marco Polo" Airport. The Heads of Delegation are welcomed by the President of the Council of Ministers with military honours. Transfer of Delegation to residential accomodation by motorboat.
18.30hrs - 19.30hrs	Reception for Heads of Delegation, Foreign Ministers, Finance Ministers and other members of the official Delegation.
20.15hrs	Separate working dinners : Heads of State/Government (*) Foreign Ministers Finance Ministers Personal Representatives

(*) The dinners of Heads of State/Government, Foreign Ministers and ~~Sherpa~~ Personal Representatives will take place in the same building.

Ministero degli Affari Esteri

Monday, June 15, 1987

09.20hrs	Transfer to the Island of San Giorgio
09.30hrs	Group photographs in the Palladian Cloister of the Cini Foundation
09.45hrs-12.45hrs	Working session for the Heads of State/Government at the Cini Foundation (Biblioteca Longhena)
	Working session for the Foreign Ministers (Sala Barberini)
	Working session for the Finance Ministers (Sala del Consiglio)
13.00hrs	Working lunches at Cini Foundation :
	Head of State/Government Foreign Ministers Finance Ministers
	Personal Representatives
15.00hrs - 18.00hrs	Plenary session for the Heads of State/Government, Foreign Ministers and Finance Ministers
20.30hrs	Working dinners
	Heads of State/Government and Foreign Ministers Finance Ministers
	Personal Representatives

Ministero degli Affari Esteri

Tuesday, June 16, 1987

09.30hrs - 12.30hrs	Plenary session
13.00hrs - 14.30hrs	Plenary working lunch (Cenacolo Palladiano) at Cini Foundation
15.00hrs	The President of the Council of Ministers presents the Joint Declaration.
00.00	Dinner for the Heads of State/Government and their spouses, Ministers and Personal Representatives (without spouses), hosted by the President of the Republic of Italy.

Should the abovementioned dates of the Main Proposal not be acceptable, a second proposal could have the following dates : 8-9-10 June, 1987 with arrival in the afternoon of Monday, June 8 and departure on the evening of Wednesday, June 10, after the dinner hosted by the President of the Republic of Italy (or on Thursday, June 11, 1987).

Ref. A086/2862

MR INGHAM

c Mr Powell

Venice Economic Summit

At the meeting of Personal Representatives last weekend we discussed briefly the rules for press briefings at the Venice Economic Summit next June.

2. The rules were provisionally agreed, subject to any correction of the dates: the draft was prepared when the Summit was expected to assemble on 8 June.

3. I should of course be very grateful for any comments that you may have on these draft rules. I think that in fact they are almost exactly the same as the rules which you introduced for the London Summit in 1983.

RA

ROBERT ARMSTRONG

13 October 1986

SMTABA

RULES FOR PRESS BRIEFING

For the press briefings the following rules have been agreed :

1. Before the Summit begins each Delegation will designate up to three spokesmen as on the record briefers during the Summit.

2. There will be no briefing on an individual session while it is in progress.

3. There will be no provision, in any form, of information to the press on the contents of each session by any concerned official including national spokesmen, while the session is in progress.

4. Before the conclusion of each Heads of State/Government or Ministerial session, participants will agree on how they will represent their discussion to the press.

5. The first Ministerial briefing after each session should be by the host Country, on the basis of agreed common guidance.

6. Subject to the above, participating Ministers may give briefings or media interviews at the end of each session,

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except at the end of the lunch following the first morning session on June 9, when, after the President of the Council of the Italian Government has spoken to the press, only national spokesmen, not Ministers, may do briefing.

7. Heads of State/Government will not give any media interviews (press, radio or television) from 6.00pm on June 8, until after the concluding press conference, at which the President of the Council of the Italian Government will read a joint statement. Thereafter Heads of State/Government will be free to give their own interviews and briefing. Exception would, of course, be made for emergencies: eg.: a national crisis at home, but not for briefing after any bilateral meetings during the Summit, which should be done by spokesmen.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

VENICE ECONOMIC SUMMIT

Your minute of 6 October conveyed the Italian Prime Minister's suggestion that the next Economic Summit should take place in Venice on 9, 10 and 11 June 1987.

These dates would involve missing two Question times and Cabinet and are therefore really not possible for the Prime Minister. I should be grateful if you could explain these difficulties to the Italian Prime Minister's personal representative and urge him to revert to the original dates of 7/9 June.

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

CHARLES POWELL

7 October 1986

010

From the Secretary of the Cabinet

Mr Powell

I understand that the dates now proposed are clear in the Chancellor's diary. The Foreign Sec. is scheduled to attend a NATO Council meeting in Iceland on 9 June – but presumably that meeting would be changed since most of the other Summit Foreign Ministers would have the same problem.

M Stark 7/x

cc PC

Ref. A086/2805

MR POWELL

Venice Economic Summit

You authorised me to let the Italian Prime Minister's Personal Representative know that 7 to 9 June 1987 were (as far as we could see) acceptable dates for the Venice Economic Summit.

2. It appears that one participant cannot manage 7 and 8 June. The Italian Prime Minister is now therefore suggesting that the Summit should take place in Venice on 9, 10 and 11 June 1987.

3. I should be very grateful if you could let me know whether those dates would be acceptable to the Prime Minister. I am afraid that they will mean missing Question Time on 9 and 11 June (instead of only on 9 June).

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

RA

ROBERT ARMSTRONG

6 October 1986

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bcPC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT 1987

Your minute of 18 September sought the Prime Minister's agreement to the dates 7 - 9 June 1987 for the next Economic Summit.

I can see no obstacle to these dates and we have entered them in the Prime Minister's diary.

(C.D. Powell)
18 September 1986

RESTRICTED

CC PC

RESTRICTED

Ref. A086/2597

PRIME MINISTER

Economic Summit 1987

The Italian Personal Representative has sent me a message to say that Signor Craxi wishes to propose that the next Economic Summit should take place in Venice on 7, 8 and 9 June 1987.

2. These dates coincide with those for the last Summit in London (7-9 June 1984). Dates in early June fit better than dates in early May (as in Bonn in 1985 and Tokyo last year) because they fit with the schedule of the annual IMF Interim and Development Committee spring meetings and OECD Ministerial meeting which are generally in May. The dates are acceptable to the Foreign and Commonwealth Secretary and to the Chancellor of the Exchequer.

3. May I tell the Italian Personal Representative that you are content with the proposed dates?

RCA

ROBERT ARMSTRONG

18 September 1986

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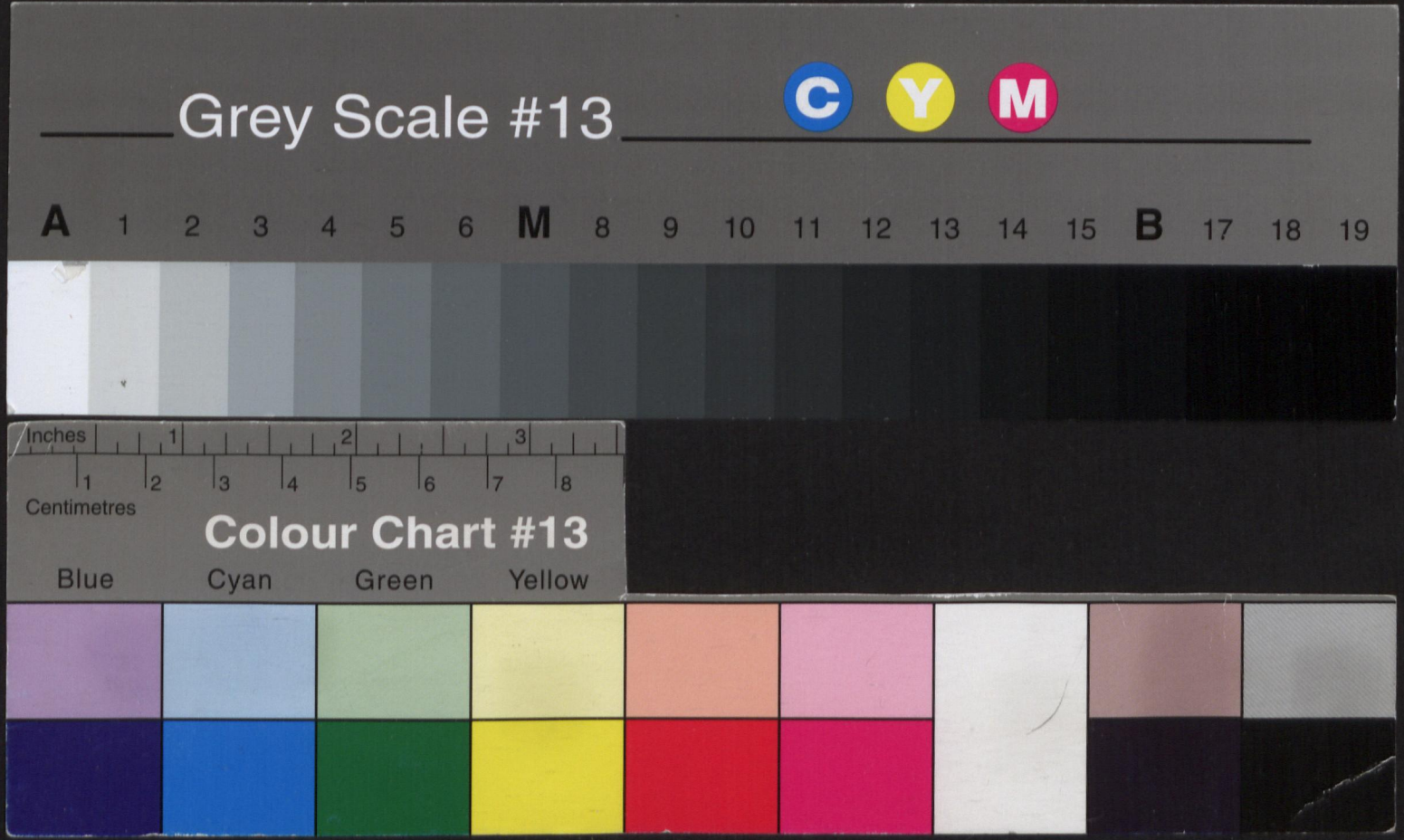
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