

It is a ridiculous  
Commission and I propose  
to say to Heads of Govt. that  
Ref: A02297 & then to push the go  
into the mind of  
James in para 2.

Prime Minister. (1)

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This is a terrible mass of verbiage.  
Whatever your views on the  
substance, I am sure you will agree that  
as much as possible should be put in an  
Annex or Annexes.

MR. ALEXANDER

These cases  
need clarifying  
not putting into  
an annex.

Venice Economic Summit - 22nd and 23rd June

Annex 9/6

for  
Annex 12/6

I attended a further meeting of Personal Representatives in Paris from 4th to 6th June. Sir Michael Palliser and Mr. Hancock (Treasury) were with me part of the time. We reached agreement on a text of a draft Declaration to be submitted to Heads of State and Government for consideration at the Summit in Venice. I attach the text of the draft Declaration herewith.

2. It seemed to us all that the main economic issues on which Heads of State and Government were likely to concentrate in Venice were energy; inflation and recession, and the need for medium-term structural adjustment in our economies; and in relations with developing countries (North/South). Inevitably energy runs like a thread through the whole theme: it is a critical issue both in the management of the economies of the industrialised countries and in relation to developing countries. It seemed to me, however, that what we especially needed for this country was a strong and unambiguous commitment to the reduction in inflation, and that is reflected in the opening paragraphs of the draft.

3. The draft is too long, despite my own efforts and those of our Italian Chairman (Signor Ruggiero) to keep it shorter. The main reason for its length is the insistence of the United States Personal Representative on what he calls "specificity", particularly in the sections on energy and on relations with developing countries. He has argued strongly throughout that the Declaration would commend itself to American public opinion, and therefore to the President, in so far as it contained figures for targets or yardsticks on energy and commitments to specific action, particularly in the energy field. I have given notice that I shall seek the Prime Minister's authority to propose to the other Personal Representatives before Venice that we should take out the detailed stuff on energy-paragraphs 11-20 of the present draft - into an annex, in such a way as to make it clear that that does not diminish the degree of commitment to the measures and policies described in those paragraphs. If that were done, the remaining text would be of reasonable length and balance.

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4. The text has been worked over in detail, and officials are generally content that we can accept the policies and commitments described in it. In particular, the energy section has been closely considered by energy experts.

5. I should draw attention to the following points of detail:

- (1) In paragraph 10 there is a sentence in square brackets which reads as follows: "Domestic prices for oil should as far as possible reflect representative world prices". All the Personal Representatives except the Canadian would like to see this sentence included in the Declaration without the words "as far as possible". The Canadian Representative was unable to accept a sentence which said that domestic prices for oil should reflect representative world prices. He reminded us that Mr. Clark had lost an election on this issue, which was therefore of great sensitivity in Canada; it is an issue with constitutional as well as economic implications, because of the desire of the oil-rich provinces in Canada, and particularly Alberta, to go their own way on energy without federal interference. The Canadian Representative was prepared to accept, ad referendum to his Prime Minister, the sentence which said that domestic prices for oil should as far as possible reflect representative world prices. This is clearly an issue which will have to be discussed by Heads of Government in Venice.
- (2) In paragraph 31 there is a sentence in square brackets which reads: "We believe a North/South summit, as suggested in the Brandt Report, could be useful under appropriate circumstances and at a suitable time". This is clearly one of the points which Heads of State and Government will need to discuss in Venice. Personal Representatives thought that pressure for such a summit was likely to grow and to be difficult to resist, and that this was about the smallest distance one could go as a cool and cautious response at this stage.
- (3) Paragraph 38 refers to the work at present going on in the United Nations towards an agreement to prohibit illicit payments to foreign Government officials in international business transactions. There is a sentence in square brackets in the paragraph which commits the Heads of State and Government of the Seven Economic Summit countries to seek to conclude

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an agreement among themselves, if the United Nations does not reach agreement during the next year. This sentence is inserted upon the insistence of the United States Personal Representative. I argued that its inclusion was not a good idea, for two reasons:

- (a) It would reduce pressures on the United Nations to conclude a satisfactory agreement.
- (b) A partial agreement would be worse than useless, because those who signed it would simply be strapping their hands behind their backs against the competition. Most of the European Representatives were inclined to agree with this, but the Americans insisted on including this sentence, so that we agreed that it should remain in square brackets, for discussion in Venice.

6. Annexed to the draft Declaration are statements on refugees, on hijacking, and on the taking of diplomatic hostages. The texts of these statements are agreed. The Americans are very keen to see them come out of Venice in some form or another. They do not fit into the framework of the economic Declaration, and it will be for discussion at Venice whether, particularly if there is a political section in the Communique, these statements should be included as part of the whole, or whether they should be made as statements at the Press conference by the Chairman of the meeting, Signor Cossiga.

7. Subject to the Prime Minister's views, I will now let my Personal Representative colleagues know that we shall definitely be proposing at Venice that paragraphs 11-20 of the economic Declaration should be taken out into an annex, in such a way as to make it clear that that represents no weakening in the commitment to them on the part of Heads of State and Government.

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



ROBERT ARMSTRONG

*(Approved by Sir R. Armstrong  
and signed on his behalf.)*

9th June, 1980

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## REVISED DRAFT DECLARATION OF THE VENICE SUMMIT

22nd and 23rd June 1980

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

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

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

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

### II - INFLATION

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

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

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

## III - ENERGY

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

9. We welcome recent decisions of the European Community (EC), the International Energy Agency (IEA) and the Organisation for Economic Co-operation and Development (OECD) regarding the need for long-term structural change to reduce oil consumption, continuing procedures to monitor progress, the possible use of oil ceilings to deal with tight market conditions, and co-ordination of stock policies to mitigate the effects of market disruption.

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We note that the member countries of the IEA have agreed that their energy policies should result in their collective 1985 net oil imports being substantially less than their existing 1985 group objective, and that they will quantify the reduction as part of their continuing monitoring efforts. The potential for reduction has been estimated by the IEA Secretariat, given existing uncertainties at around 4 million barrels a day (MBD).

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

The next ten paragraphs might be taken into an annex.

11. To conserve oil in our countries:-

- (a) we are agreed that no new base-load oil-fired generating capacity should be constructed, save in exceptional circumstances and that the conversion of oil-fired capacity to other fuels should be accelerated;
- (b) we will increase efforts, including fiscal incentives where necessary, to accelerate the substitution of oil in industry;
- (c) we will encourage oil saving investments in residential and commercial buildings, where necessary by financial incentives and by establishing insulation standards. We look to the public sector to set an example.
- (d) In transportation, our objective is the introduction of increasingly fuel efficient vehicles. The demand of consumers and competition among manufacturers are already leading in this direction. We will accelerate this progress, where appropriate, by arrangements or standards for improved automobile fuel efficiency, by gasoline pricing and taxation decisions, by research and development, and by making public transport more attractive.

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

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

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

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

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

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

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

19. The studies made by the International Nuclear Fuel Cycle Evaluation Group, launched at the London Summit in 1977, are a significant contribution to the use of nuclear energy. We welcome their findings with respect to: increasing predictable supplies, the most effective utilisation of uranium sources,

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including the development of advanced technologies and the minimisation of proliferation risks, including support of IAEA safeguards. We urge all countries to take these findings into account when developing policies and programmes for the peaceful use of nuclear energy.

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

The annex would end here

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

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



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## IV - RELATIONS WITH DEVELOPING COUNTRIES

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

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

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

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

27. We are deeply conscious that extreme poverty and chronic malnutrition afflict hundreds of millions of people. We are ready to join with developing countries and international agencies in their comprehensive long-term strategies to increase food production, to improve both national and international research services, and to expand food security systems. We will support and

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where appropriate supplement World Bank and Food and Agriculture Organisation initiatives to improve grain storage and food handling facilities. We underline the importance of wider membership of the new Food Aid Convention so as to ensure at least 10 million tons of food aid annually and of an equitable replenishment of the International Fund for Agricultural Development.

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

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

30. We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would welcome an increase in the rate of lending of these institutions, within the limits of their present replenishments, as needed to fulfil the programmes described above. These replenishments are vital to the economic well-being of developing countries. It is therefore essential that all members, particularly the major donors, provide their full contributions on the agreed schedule.

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

## V - MONETARY PROBLEMS

32. The situation created by large oil-generated payments imbalances, in particular those of oil-importing developing countries, requires a combination of determined actions by all countries to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in re-channeling

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

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

## VI - TRADE

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

35. We welcome the positive conclusion of the multilateral trade negotiations, and commit ourselves to early and effective implementation. In particular, we welcome the new non-tariff<sup>barrier</sup>/codes. We welcome the participation of some of our developing partners in the new codes and call upon others to participate. We also call for the full participation of as many countries as possible in strengthening the GATT system as a framework for trading relationships in the

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1980s. We will seek to make the GATT an increasingly effective international trade instrument. We urge the more advanced of our developing partners gradually to open their markets over the coming decade, in a manner commensurate with their growing economic strength and with their desire to ensure fuller integration into the world trading system.

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

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

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

## VII - CONCLUSIONS

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



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## STATEMENT ON REFUGEES

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

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



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## STATEMENT ON HIJACKING

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

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

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



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## STATEMENT ON THE TAKING OF DIPLOMATIC HOSTAGES

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

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

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



- 9 JUN 1980



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[The body of the document contains several paragraphs of text that are extremely faint and illegible due to the quality of the scan. The text appears to be a formal report or letter.]