

Ref. A087/1572

PRIME MINISTER

Venice Economic Summit

I called upon Signor Fanfani at the Palazzo Chigi in Rome on Tuesday 2 June at 5.00 pm. I was accompanied by the British Ambassador; the Prime Minister had with him Signor Ruggiero.

2. I opened by reiterating your regret that it had not been possible, because of your Election commitments, for you to receive Signor Fanfani in London. He made it clear that he entirely understood and did not appear in the least resentful: indeed, he asked me, with obvious sincerity, to convey to you his best wishes.

3. I handed over your letter to him, and then, at his request, spoke to it. It was clear that he was looking for a successful Summit, as little clouded as possible by disagreement among the participants. He agreed that, on the economic side, the main objectives for the Summit would be:

- a commitment to maintain the momentum of growth in the industrialised countries;
- recognition of the need to correct major imbalances, so as to assure growth for the future;
- a commitment to resisting protectionism and to trade liberalisation: renewed political impetus for the Uruguay round;



- a renewed and strong commitment to resolving the world problem of agriculture surpluses by means of agreed and mutually supportive domestic and international measures;
- reaffirmation of the case-by-case approach to debt strategy, but with special action endorsed for the poorest sub-Saharan African countries.

4. On the question of imbalances, I said that I thought that you would want to invite Mr Nakasone to describe to his colleagues in some detail the background to and likely effects of the recently announced Japanese package of emergency economic measures. I thought that we should all want to be convinced that they would have a significant effect on domestic demand in Japan, and we should want words in the Economic Declaration which demonstrated a firm commitment by the Japanese Government to the pursuit of substantial measures to stimulate demand, increase imports, and open markets to goods and services from abroad.

5. On the question of special action for the poorest sub-Saharan African countries, I said that I thought that we should be looking for endorsement at the Summit of the initiative which had been taken by the Chancellor of the Exchequer.

6. On political issues, I said that you were looking forward to discussing with your colleagues East-West relations and arms control issues. You were not convinced that it would be necessary or helpful to have a declaration on these subjects, given that NATO Foreign Ministers would be meeting just afterwards at Reykjavik. But you could go along (subject to one or two amendments) with the text that had been agreed. I did not discuss with Signor Fanfani the alternative United States text, since when I saw Signor Fanfani I did not know that we had received it.

7. I said that you would be looking for a revised declaration on terrorism at the Summit. No doubt there would also need to be some discussion of the Gulf, though so far as I knew no proposals had been received from the United States Administration. Signor Fanfani recognised that there was likely to be some discussion, but I did not get the impression that he was looking forward to it with enthusiasm.

8. Signor Fanfani thought that the Summit would need to follow up the discussion at Tokyo (immediately after Chernobyl) on nuclear safety. I said that I understood that suitable wording on that was available, for inclusion perhaps in the section of the Economic Declaration dealing with environmental questions, so as to avoid a separate section in the Declaration on energy.

9. I said that, though you had not referred to South Africa in your letter, I knew that you would be prepared to discuss the subject with your colleagues, though you took the view that there should be no statement or initiative from the Summit. Signor Fanfani indicated that he was of the same mind as you on that, though he thought that Canada might well be seeking agreement to a declaration and initiative. He said that he had discussed this matter with President Reagan during his recent visit to Washington, and President Reagan had said that he did not wish to see a declaration on South Africa from the Summit.

10. Finally, I said that we were very grateful to Signor Fanfani for the excellence of the chairmanship of the Personal Representatives provided by Signor Ruggiero and for the hospitality extended to Personal Representatives and their colleagues by the Italian Government.



11. Signor Fanfani concluded by reiterating his best wishes to you, and asking me to tell you that he was much looking forward to seeing you in Venice.

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

RTA

ROBERT ARMSTRONG

3 June 1987