

VENEZIA SUMMIT CONFERENCE

Venezia Economic Declaration

Introduction

1. We, the Heads of State or Government of the seven major industrialized countries and the representatives of the European Community, have met in Venice from 8 to 10 June 1987, to review the progress that our countries have made, individually and collectively, in carrying out the policies to which we committed ourselves at earlier Summits. We remain determined to pursue these policies for growth, stability, employment, and prosperity for our own countries and for the world economy.
2. We can look back on a number of positive developments since we met a year ago. Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates have come down. Interest rates have generally declined. Changes have occurred in relationships among leading currencies which over time will contribute to a more sustainable pattern of current account positions and have brought exchange rates 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 too large.

Macroeconomic policies and exchange rates

3. Since Tokyo, the Summit countries have intensified their economic policy coordination with a view to ensuring internal consistency of domestic policies and their international compatibility. This is essential to achieving stronger and sustained global growth, reduced external imbalances and more stable exchange rate relationships. Given the policy agreements reached at the Louvre and in Washington, further substantial shifts in exchange rates could prove counterproductive to efforts to increase growth and facilitate adjustment. We reaffirm our commitment to the swift and full implementation of those agreements.
4. We now need to overcome the problems that nevertheless remain in some of our countries: external imbalances that are still large; persistently high unemployment; large public sector deficits; and high levels of real interest rates. There are also continuing trade restrictions and increased protectionist pressures, persistent weakness of many primary commodity markets, and reduced prospects for developing countries to grow, find the markets they need and service their foreign debt.
5. The correction of external imbalances will be a long and difficult process. Exchange rate changes alone will not solve the problem of correcting these imbalances while sustaining growth. Surplus countries will design their policies to strengthen domestic demand and reduce external surpluses while maintaining price stability. Deficit countries, while following policies designed to encourage steady low-inflation growth, will reduce their fiscal and external imbalances.
6. We call on other industrial countries to participate in the effort to sustain economic activity worldwide. We also call on newly industrialized economies with rapid growth and 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 more fully to reflect underlying fundamentals.
7. 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. Those Summit countries which have made significant progress in fiscal consolidation and have large external surpluses remain committed to following fiscal and monetary policies designed to strengthen domestic growth, within a framework of medium-term fiscal objectives. Monetary policy should also support non-inflationary growth and foster stability of exchange rates. In view of the outlook for low inflation in many countries, a further market-led decline of interest rates would be helpful.

Structural policies

8. We also agree on the need for effective structural policies especially for creating jobs. To this end we shall:

- 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;
- promote the further opening of internal markets;
- encourage the elimination of capital market imperfections and restrictions and the improvement of the functioning of international financial markets.

Multilateral surveillance and policy coordination

9. We warmly welcome the progress achieved by the Group of Seven Finance Ministers in developing and implementing strengthened arrangements for multilateral surveillance and economic coordination as called for in Tokyo last year. The new process of coordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by our countries.

10. The Heads of State or Government reaffirm the important policy commitments and undertakings adopted at the Louvre and Washington meetings of the Group of Seven, including those relating to exchange rates. They agree that, if in the future world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they call on their Finance Ministers to develop, if necessary, additional appropriate policy measures for this purpose and to continue to cooperate closely to foster stability of exchange rates.

11. The coordination of economic policies is an ongoing process which will evolve and become more effective over time. The Heads of State or Government endorse the understandings reached by the Group of Seven Finance Ministers to strengthen, with the assistance of the International Monetary Fund (IMF), the surveillance of their economies using economic indicators including exchange rates, in particular by:

- the commitment by each country to develop medium-term objectives and projections for its economy, and for the group to develop objectives and projections, that are mutually consistent both individually and collectively; and
- the use of performance indicators to review and assess current economic trends and to determine whether there are significant deviations from an intended course that require consideration of remedial actions.

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

- intensify their coordination efforts with a view to achieving prompt and effective implementation of the agreed policy undertakings and commitments;
- monitor economic developments closely in cooperation with the Managing Director of the IMF; and
- consider further improvements as appropriate to make the coordination process more effective.

Trade

13. We note rising protectionist pressures with grave concern. The Uruguay Round can play an important role in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. Recognizing the interrelationship among growth, trade and development, 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. Protectionist actions would be counterproductive, would increase the risk of further exchange rate instability and would exacerbate the problems of development and indebtedness.

14. We endorse fully the commitment to adopt appropriate measures in compliance with the principles of stand-still and rollback which have been reaffirmed in the Ministerial Declaration on the Uruguay Round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.

15. Basing ourselves on the Ministerial Declaration on the Uruguay Round and on the principles of the GATT, we 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. Canada, Japan, the United States and the European Community will table a wide range of substantive proposals in Geneva over the coming months. Progress in the Uruguay Round will be kept under close political review. In this context the 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, and should be taken into account in

assessing the overall balance of the negotiations.

16. A strong, credible, working GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. The functioning of the GATT should be improved through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; and through ensuring better coordination between the GATT and the IMF and the World Bank. We 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.

Agriculture

17. At Tokyo we recognized the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognized the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued the approach outlined at Tokyo, and we take satisfaction from the agreement in the Ministerial Declaration adopted in Punta del Este on the objectives for the negotiations on agriculture in the Uruguay Round.

18. We reaffirm our commitment to the important agreement on agriculture set out in the OECD Ministerial communique of May 13, 1987; in particular, the statement of the scope and urgency of the problem which require that a concerted reform of agricultural policies be implemented in a balanced and flexible manner; the assessment of the grave implications, for developed and developing countries alike, of the growing imbalances in supply of and demand for the main agricultural products; the acknowledgment of shared responsibility for the problems as well as for their equitable, effective and durable resolution; the principles of reform and the action required. The long-term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.

19. We underscore our commitment to work in concert to achieve the necessary adjustments of agricultural policies, both at home and through comprehensive negotiations in the Uruguay Round. In this as in other fields, we will table comprehensive proposals for negotiations in the coming months to be conducted in accordance with the mandate in the Ministerial Declaration, and we intend to review at our next meeting the progress achieved and the tasks that remain.

20. In the meantime, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay Round as a whole and as a step towards

the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more generally, damage trade relations.

Developing countries and debt

21. We attach particular importance to fostering stable economic progress in developing countries, with all their 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. We salute the courageous efforts of many of these countries to achieve economic growth and stability.

22. We underline the continuing importance of official development assistance and welcome the increased efforts of some of our countries in this respect. We recall the target already established by international organizations (0,7%) for the future level of official development assistance and we take note that overall financial flows are important to development. We strongly support the activities of international financial institutions, including those regional development banks which foster policy reforms by borrowers and finance their programmes of structural adjustment. In particular:

- we support the central role of the IMF through its advice and financing and encourage closer cooperation between the IMF and the World Bank, especially in their structural adjustment lending;

- we note with satisfaction the contribution made by the Eighth replenishment of the International Development Association (IDA);

- we support a general capital increase of the World Bank when justified by increased demand for quality lending, by its expanded role in the debt strategy and by the necessity to maintain the financial stability of the institution;

- in the light of the different contributions of our countries to official development assistance, we welcome the recent initiative of the Japanese government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries.

23. For the major middle-income debtors, we continue to support the present growth-oriented case-by-case strategy. Three elements are needed to strengthen the growth prospects of debtor countries: the adoption of comprehensive macroeconomic and structural reforms by debtor countries themselves; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor country reforms. We shall play our part by helping to sustain growth and expand trade. A number of debt agreements have allowed some resumption of growth,

correction of imbalances, and significant progress in restoring the creditworthiness of some countries. But some still lack adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings, the repatriation of flight capital, increased flows of foreign direct investment, and in particular reforms of financial markets.

24. There is equally a need for timely and effective mobilization of lending by commercial banks. In this context, we 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.

25. Measures should be taken, particularly by debtor countries, to facilitate non-debt-creating capital flows, especially direct investment. In this connection, the Multilateral Investment Guarantee Agency (MIGA) should begin to serve its objectives as soon as possible. It is important to maintain flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programmes.

26. We recognize the problems of developing countries whose economies are solely or predominantly dependent on exports of primary commodities the prices of which are persistently depressed. It is important that the functioning of commodity markets should be improved, for example through better information and greater transparency. Further diversification of these economies should be encouraged, with the help of the international financial institutions, through policies to support their efforts for improved processing of their products, to expand opportunities through market access liberalization, and to strengthen the international environment for structural change.

27. We 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, 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. For those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached, especially in the Paris Club, on longer repayment and grace periods to ease the debt service burden. We welcome the various proposals made in this area by some of us and also the proposal by the Managing Director of the IMF for a significant increase in the resources of the Structural Adjustment Facility over the three years from January 1, 1988. We urge a conclusion on discussions on these proposals within this year.

28. We 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.

Environment

29. Further to our previous commitment to preserve a healthy environment and to pass it on to future generations, we welcome the report by the environment experts on the improvement and harmonization of techniques and practices of environmental measurement. Accordingly, we 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.

30. We underline our own responsibility to encourage efforts to tackle effectively environmental problems of worldwide impact such as stratospheric ozone depletion, climate change, acid rains, endangered species, hazardous substances, air and water pollution, and destruction of tropical forests. We also intend to examine further 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.

31. We welcome the important progress achieved since Tokyo, particularly in the International Atomic Energy Agency, in enhancing effective international cooperation, with regard to safety in the management of nuclear energy.

Other issues

32. We 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. We are grateful for the informal opportunities our scientists have had to take part in some of the discussions of the feasibility study undertaken by Japan. We note that this study will be continued and we would be pleased to be kept informed about its progress.

33. We 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.

34. We shall continue to review 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 Federal Republic of Germany in 1986 and by Canada in 1987 - we welcome the Italian government's offer to host the next bioethics Conference in Italy in April, 1988.

Next Economic Summit

35. We have agreed to meet again next year and have accepted the invitation of the Canadian Prime Minister to meet in Canada.

* * * * *

date 9/6/87

hour 12:23

VERSION NUMBER 1

STATEMENT ON EAST-WEST RELATIONS

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. We reaffirm our shared principles and objectives, and our common dedication to preserving and strengthening peace.

2. We recognize 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. Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no-one, 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. Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.

5. 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.

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. While reaffirming the continuing importance of nuclear deterrence in preserving peace, 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 emphasize our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical 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. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.

7. We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

- We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since.
- We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of

Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future.

- 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.

8. Thus, we each seek to stabilize military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; 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 stable and constructive relationships between the countries of East and West.

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;

- reaffirm our commitment to the statements on terrorism made at previous Summits, in Bonn, Venice, Ottawa, London and Tokyo;
- 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, and in particular the initiative taken by France and Germany to convene in May in Paris a meeting of Ministers of nine countries, who are responsible for counter-terrorism;
- 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 which raise security problems. 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. Each of us pledges increased cooperation in the relevant fora and within the framework of domestic and international law on 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 flights to that country as stated in the Bonn Declaration.

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

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.

PERSONAL CONTRIBUTION OF THE PERSONAL REPRESENTATIVES FOR A DRAFT
ON IRAQ-IRAN WAR AND FREEDOM OF NAVIGATION IN THE GULF

We agree that new and concerted international efforts are urgently required to help bring the Iraq-Iran war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end of the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of just and effective measures by the UN Security Council. With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded.

We pledge to continue to consult on ways to pursue these important goals effectively.

date 9/6/87

hour 04:30

VERSION NUMBER 0

STATEMENT ON EAST-WEST RELATIONS

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. We reaffirm our shared principles and objectives, and our common dedication to preserving and strengthening peace.
2. We recognize 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. Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no-one, 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. Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.

5. 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.

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. While reaffirming the continuing importance of nuclear deterrents in preserving peace, 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 emphasize our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical 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. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.

7. We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

- We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since.
- We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of

Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future.

- 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.

8. Thus, we each seek to stabilize military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; 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 stable and constructive relationships between the countries of East and West.

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;

- reaffirm our commitment to the statements on terrorism made at previous Summits, in Bonn, Venice, Ottawa, London and Tokyo;
- 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 principles 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 in our own jurisdictions;
- welcome the progress made in international cooperation against terrorism since we last met in Tokyo in May 1986, and in particular the initiative taken by France and Germany to convene in May in Paris a meeting of Ministers of nine countries, who are responsible for counter-terrorism;
- 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 which raise security problems. 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;

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

PERSONAL CONTRIBUTION OF THE PERSONAL REPRESENTATIVES FOR A DRAFT
ON IRAQ-IRAN WAR AND FREEDOM OF NAVIGATION IN THE GULF

We agree that new and concerted international efforts are urgently required to help bring the Iraq-Iran war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end of the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of ^{just and} effective measures by the UN Security Council. With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded.

We pledge to continue to consult on ways to pursue these important goals effectively.

*just, and effective and
enforceable measures.*

*Retention - usurping
role of Security Council.*

*Jarfan - effective means
enforceable*

Venezia June 9, 1987

time 02.55 am

STATEMENT ON EAST-WEST RELATIONS

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~~ ^{We} reaffirmed our shared principles and objectives, and our common dedication to preserving and strengthening peace. *etc*
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. 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. Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.
5. 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.
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. While reaffirming the continuing importance of nuclear deterrence in preserving peace, 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 emphasise our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical 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. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.

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 - We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future.
 - 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.

8. Thus, we each seek to stabilise military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; and to build contacts, confidence and trust between governments and peoples in a more humane world. Progress across the board ^{is necessary to} would establish a durable foundation for stable and constructive relationships between the countries of East and West.

*genuine
democracy
and*

Personal contribution of Residency

2 draft

We agree^d that new and concerted international efforts are urgently required to help bring the ^{Iraq-Iran} ~~Iraq-Iran~~ war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end to the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of effective ~~and enforceable~~ measures by the U.N. Security Council. With these objectives in mind, we reaffirm that ~~the principle of~~ ^{the principle of} freedom of navigation in the ~~Persian~~ ^{Persian} Gulf ~~has~~ ^{is considered} ~~vital~~ ^{of paramount importance} importance for us and for others and must be upheld. The free flow of oil ^{and other traffic} through the Strait of Hormuz must continue unimpeded.

We pledge to continue to consult ^{ways} on ~~how~~ to pursue these important goals effectively.

SUBJECT
cc master

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File

DASAAY



celc

10 DOWNING STREET
LONDON SW1A 2AA

9 June 1987

From the Private Secretary

VENICE: ECONOMIC SUMMIT
RELATIONS WITH JAPAN

The Prime Minister had a very brief talk with Mr Nakasone before the opening session of the Economic Summit this morning. The Prime Minister said that she hoped that a satisfactory solution could soon be found on Cable and Wireless. Mr Nakasone said that both consortia would be allowed to bid. The Prime Minister asked Mr Nakasone to confirm that this meant that attempts to bring about a merger between the two consortia would not be pursued. Mr Nakasone said that this was indeed the case.

I am copying this letter to Alex Allan (HM Treasury), Timothy Walker (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

C D POWELL

GA

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

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 June 1987

VENICE ECONOMIC SUMMIT
PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN

The Prime Minister had a 45 minute meeting with President Reagan this morning, before the first formal session of the Economic Summit. Secretary Schultz, Secretary Baker, Mr Howard Baker, Mr Frank Carlucci and Mr Bob Linhard were present for part of the time.

Iran/Iraq and the Gulf

The Prime Minister said that the text on Iran/Iraq and the Gulf which had been drafted overnight seemed generally acceptable. The United Kingdom was already making a substantial contribution to freedom of navigation in the Gulf through the Armilla Patrol. This had escorted 100 British ships already this year. She also was pleased that the major countries were now co-operating more effectively at the United Nations to work for a resolution of the Iran/Iraq conflict. President Reagan said that he shared the Prime Minister's satisfaction with the text. He would prefer to see the word "enforceable" added to describe action by the United Nations, and the Japanese were keen to have "just". The Prime Minister said that we could accept both.

Arms Control

The Prime Minister recalled the discussion which had taken place between the Heads of Government at dinner the previous evening. It had been evident that Chancellor Kohl was unhappy with the way in which the second zero option for missiles in the 500-1000 km range had emerged. She was sorry about that, because he was a strong and loyal ally. But she was not prepared to agree to follow-on negotiations on missiles under 500 kms in range, at least until certain conditions had been fulfilled. She could not leave British forces in Germany without the protection of shorter range nuclear weapons. They were also vital to the strategy of flexible response. There could be no question of a third zero option or de-nuclearisation of Europe. There should be no commitment to negotiations on shorter range missiles until chemical weapons had been eliminated and imbalances in

SECRET

conventional forces redressed. This would leave open the possibility of such negotiations, but only when the conditions had been fulfilled.

President Reagan said that he shared this view. He thought that NATO should only agree to negotiations on shorter range missiles once the Prime Minister's conditions had been met. On the other hand, Chancellor Kohl clearly had a major political problem, and needed to be able to point to the fact that these shorter range missiles could one day be the subject of negotiation. The Prime Minister wondered whether it was necessary to try to agree a form of words in Venice. Secretary Shultz said that the Americans had tried to draft a text which set out priorities in the arms control field, with negotiations on shorter range missiles at the end of the list. The purpose would be to let the Germans say that shorter range missiles were a negotiable subject, but in effect suspend any likely negotiations until agreement had been reached in other areas. In practice, the negotiations on shorter range missiles would not be operative for years. But we had to find a way to help the Germans through. Language would be needed for the NATO Foreign Ministers' meeting in Reykjavik. He agreed with the Prime Minister that there was no need for any statement to issue from the Economic Summit. President Reagan said that he had tried to convince Chancellor Kohl by pointing out that, if negotiations on chemical weapons and conventional forces were left until last, there would be no incentive for the Russians to negotiate on shorter range missiles. They would be the "biggest boy on the block" in this category of weapons.

Terrorism

The Prime Minister said that the draft text on terrorism which had emerged overnight was broadly satisfactory, although we would be ready to see it strengthened further by holding out the possibility of limited sanctions in the case of countries who harboured and failed to prosecute terrorists and hijackers. President Reagan said that great progress had been made in co-operation against terrorism in the past 12 months, thanks in large part to the Prime Minister's heroic efforts in getting a firm declaration from the Tokyo Economic Summit. He was perfectly happy to see the current text further strengthened, but understood that some other delegations might have problems.

World Economy

The Prime Minister said that she knew that the President was determined to deal with the United States Federal deficit and would prefer to do so by reducing expenditure. She understood that it might be helpful for him to be able to demonstrate that the United States was under pressure from its friends at the Summit on this issue. A strong reaffirmation of the United States' intention to reduce the deficit by appropriate means would be a useful signal, and would also make it easier to put pressure on Japan and Germany to take action to stimulate economic growth. President Reagan said

that progress was indeed being made in reducing the deficit. It would be cut this year by \$40 billion more than last year.

Secretary Baker said he was more optimistic about Japanese intentions. They were very concerned about the stability of their exchange rate. The recently announced package of measures was likely to be more effective than those announced in the past. He thought the Japanese really meant it this time when they said the measures would be implemented. The Prime Minister said that she was more sceptical. She had seen similar Japanese statements in the past which had not led to anything much in practice. It would be important to try to secure a very firm commitment from the Japanese to implementing action in the Economic Declaration from the Summit.

Secretary Schultz said that the United States trade deficit was declining, and the Administration were determined to make a big push to reduce the fiscal deficit. There were signs that this was working. Monetary policy would probably have to become tighter. This meant that the drive for expansion of world trade and for economic growth would not come from the United States. It was up to Germany and Japan to take the lead. President Reagan said that he agreed. There was scope for both countries to expand domestic demand. The Prime Minister said that her impression was that Chancellor Kohl would resist very strongly any pressure to bring forward tax reductions. Secretary Baker said that the Germans had promised that they would have another look later this Summer at the need for further measures to stimulate their economy if the expected growth did not materialise. They should be held to that commitment. The Prime Minister said that, once again, it would be helpful to try to secure some reference to this in the Economic Declaration.

Syria

President Reagan said that there was evidence that Syria was finally taking action to expel Abu Nidal. President Assad was rather like a social climber. He was keen to be brought back into the club of respectable nations. The President said that he had it in mind to write to Assad expressing appreciation for what had been done, but asking him to make further efforts to secure the release of hostages held by the Hizbollah in Lebanon.

We also wanted to see evidence that those in the Syrian Intelligence hierarchy who had been responsible for the Hindawi affair had been removed from their posts. She recalled that the President's earlier message to her had spoken of the need for Syria to take positive action to show that it was no longer involved in supporting state terrorism. She thought it would be a mistake for the United States to make any significant overture to Syria until these conditions had been demonstrably met. Mr Carlucci said that one had to bear in mind Syria's role in the peace process.

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

The Prime Minister said that Syria's role was unlikely to be positive. She reiterated her hope that the President would take no action until it had been clearly shown that Syria had stopped its support for terrorism.

Arab/Israel

The Prime Minister said that Mr Peres was obviously in some political difficulty over the position he had taken on an international conference. It was important that Britain and the United States should support him, while avoiding the appearance of interference in Israel's internal politics. Mr Peres and King Hussein were the two people who might really be able to achieve a breakthrough in the peace process. Her own firm view was that an international conference should be just a framework for negotiations and have no substantive role. President Reagan said that Mr Peres was optimistic that he could find a way to dissolve the Coalition Government on this issue, and win support for his approach to an international conference. The President confirmed that his own view of the role of an international conference matched that of the Prime Minister.

Possible Visit to Washington

The Prime Minister said that she would like if possible to pay a brief working visit to Washington towards the end of July. President Reagan said that he would very much welcome this. It was left that I would be in touch with Mr Baker to discuss dates.

I should be grateful if this account could be given a very limited circulation. Could I also ask you to arrange for the Chancellor of the Exchequer to be shown the paragraphs on the world economy.

C D POWELL

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

FILE - 1

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091020Z JUN
GRS 722

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UK COMMS ONLY
FM ROME
TO DESKBY 091200Z FCO
TELNO 362
OF 091020Z JUNE 87
AND TO DESKBY 091200Z CABINET OFFICE (FOR ASSESSMENTS STAFF)
INFO DESKBY 091200Z VENICE (FOR DELEGATION TO ECONOMIC SUMMIT)
INFO DESKBY 091200Z MODUK

CD
9/6

Mr Hall 9/6
Sir P. Craddock 9/6
we have nothing
to add.

flightht
9.6.

OUR TELNO 360: EXPLOSION AT BRITISH EMBASSY
FROM FITZHERBERT

SUMMARY

1. MORE INFORMATION IS NOW BECOMING AVAILABLE ABOUT THE EXPLOSIONS THIS MORNING AT THE BRITISH AND AMERICAN EMBASSIES. STILL NO IDENTIFICATION OF RESPONSIBILITY.

DETAIL

2. THE ITALIAN AUTHORITIES HAVE NOW DISCOVERED A PRIMITIVE MORTAR-TYPE LAUNCHING DEVICE HIDDEN BEHIND A TEMPORARY FENCE JUST OPPOSITE THIS EMBASSY, FROM WHICH IT APPEARS THE EXPLOSIVE WAS LAUNCHED. THERE WAS A CHEMICAL TIME FUSE WHICH ALLOWED THE PERPETRATORS TO GET AWAY BEFORE THE DEVICE ACTUALLY FIRED. THERE ARE STILL NO REPORTS OF ANYBODY HAVING BEEN SEEN ON THE SPOT DESPITE THE 24 HOUR POLICE GUARD AT THE EMBASSY'S MAIN GATE, WHICH IS DIRECTLY OPPOSITE THE POINT FROM WHICH THE DEVICE WAS FIRED.

3. FURTHER DETAILS ARE NOW AVAILABLE OF THE ATTACK AGAINST THE AMERICAN EMBASSY. THE AMERICANS HAVE TOLD US THAT THERE WERE TWO SEPARATE EXPLOSIONS, BOTH AT ABOUT 0740 (LOCAL). ONE WAS A CAR BOMB IN VIA BONCOMPAGNI ON THE NORTHERN SIDE OF THE EMBASSY COMPOUND AND NEXT TO THE EXCELSIOR HOTEL. THIS WAS A BIG EXPLOSION, AND PARTS OF THE CAR ENDED UP IN THE EMBASSY CAR PARK. SOME WINDOWS WERE BROKEN AND ONE OR MORE ITALIAN PASSERS BY WERE INJURED, NONE SERIOUSLY. THE EXPLOSION ALSO CAUSED A NEIGHBOURING CAR TO EXPLODE. AT ABOUT THE SAME TIME AT LEAST TWO EXPLOSIVE DEVICES WERE LAUNCHED AT THE FRONT OF THE EMBASSY IN VIA VENETO, FROM A LAUNCHING DEVICE ON A FOURTH FLOOR BALCONY OF THE HOTEL AMBASCIATORE OPPOSITE THE MAIN EMBASSY ENTRANCE. MINOR DAMAGE WAS CAUSED. NO ONE WAS HURT. INITIAL INVESTIGATIONS SUGGEST THAT BOTH THE LAUNCHER AND THE DEVICES WERE CRUDE AND HOME MADE.

4. ACCORDING TO THE ITALIAN RADIO NEWS, THE CAR BOMB WAS IN A FORD SIERRA, AND PARTS OF IT WERE BLOWN INTO A ROOM ON THE FIFTH STOREY OF THE HOTEL EXCELSIOR OPPOSITE THE US EMBASSY. THE RADIO ALSO CLAIMS THAT A SOUTH KOREAN NATIONAL HAD BEEN RENTING THE ROOM IN THE AMBASCIATORE HOTEL FROM THE BALCONY OF WHICH THE DEVICES WERE LAUNCHED AGAINST THE EMBASSY. THE NEWS CLAIMS THAT THE INVESTIGATORS BELIEVE THAT THE ATTACKS WERE CARRIED OUT BY MIDDLE EASTERN TERRORISTS, DESPITE THE APPARENT INVOLVEMENT OF A SOUTH KOREAN.

5. THE AMERICANS HAVE CONFIRMED TO US THE GENERAL LINES OF THESE REPORTS, BUT DIFFER IN DETAIL. ACCORDING TO THEM THE CAR WAS A RENAULT, HIRED FROM A CAR RENTAL COMPANY IN GENOA. THE ROOM IN THE AMBASCIATORE HOTEL WAS HIRED BY A MAN WITH A CHINESE NAME AND A CANADIAN PASSPORT, NOT A SOUTH KOREAN. THE AMERICANS HAVE ALSO POINTED TO THE POSSIBLE SIMILARITY WITH INCIDENTS AT THE TOKYO SUMMIT, WHEN THE JAPANESE RED ARMY APPARENTLY FIRED SOME INCENDIARY DEVICES. THE AMERICANS REGARD THIS SIMILARITY AS HEIGHTENED BY THE APPARENT ORIENTAL ORIGIN OF AN INDIVIDUAL INVOLVED IN THE ATTACK FROM THE AMBASCIATORE HOTEL.

6. NO OTHER SUMMIT 7 EMBASSIES HAVE BEEN ATTACKED. THE POLICE HAVE TOLD US THAT A CAR BOMB HAS BEEN DISCOVERED THIS MORNING AT FIUMICINO AIRPORT, AND SAFELY DEFUSED.

7. TODAY'S NEWSPAPERS CARRY A REPORT OF A TELEPHONE CALL IN BEIRUT BY ISLAMIC JIHAD THREATENING TO STRIKE AGAINST ITALIAN INTERESTS WHEREVER THEY MAY BE FOUND. THE COMMUNIQUE LINKS THIS THREAT WITH THE VISIT OF RONALD REAGAN TO VENICE WHICH SHOWS THE CLOSE COOPERATION BETWEEN THE CIA AND ITALIAN SECURITY SERVICES FOR THE PURPOSES OF STRIKING OUR PALESTINE BROTHERS, ACCORDING TO THE COMMUNIQUE. THE LOCAL POLICE DO NOT ATTACH PARTICULAR SIGNIFICANCE TO THIS THREAT, WHICH IS LITTLE DIFFERENT FROM OTHERS WHICH HAVE BEEN MADE FREQUENTLY IN THE PAST.

8. IT IS STILL TOO EARLY TO SAY WHO WAS BEHIND THE ATTACKS WHICH SEEM CLEARLY TO BE LINKED. NO CLAIMS OF RESPONSIBILITY HAVE YET BEEN RECEIVED. HOWEVER THE FACT THAT THE EXPLOSIVE DEVICES LAUNCHED AGAINST THE AMERICAN EMBASSY ORIGINATED FROM A HOTEL SHOULD GIVE THE LOCAL SECURITY AUTHORITIES PLENTY OF LEADS. WE ARE CONTINUING TO REMAIN IN CLOSE CONTACT WITH THEM AND WILL REPORT DEVELOPMENTS.

9. THE MAYOR OF ROME AND THE CHIEF OF POLICE IN ROME HAVE CALLED AT THE EMBASSY TO EXPRESS THEIR REGRETS AND SYMPATHY. WE HAVE ALSO RECEIVED AN EXPRESSION OF REGRET FROM THE MFA.

10. FCO PLEASE PASS VENICE. CABINET OFFICE PLEASE PASS SNUFFBOX.

BRIDGES

YYYY

ZCZC

TELEX FLASH TO VENICE
INFO IMMEDIATE MILAN - FLORENCE - NAPLES - GENOA
FROM BRITISH EMBASSY ROME -

EXPLOSION AT BRITISH EMBASSY, ROME

1. (FOR VENICE) PLEASE PASS THE FOLLOWING TEXT OF OUR PRESS LINE TO
HMA URGENTLY.

LINE TO TAKE

2. AT ABOUT 0700 (LOCAL) THERE WAS A SMALL EXPLOSION IN THE
ARTIFICIAL LAKE IN FRONT OF THE MAIN EMBASSY BUILDING. NO DAMAGE WAS
CAUSED, AND THERE WERE NO CASUALTIES. WE ARE IN CLOSE TOUCH WITH THE
POLICE AUTHORITIES, WHO ARE INVESTIGATING.

IN RESPONSE TO ENQUIRIES:

3. ANY CLAIMS?

NO.

4. WHO MAY BE BEHIND IT?

DON'T KNOW.

5. CONNECTION WITH EXPLOSION AT US EMBASSY?

TOO EARLY TO SAY.

END
NORTHERN

DIST:

UKDEL VENICE
PLUS HMA ROME.

This was
outside our
Embassy in
Rome.

S-J to review ✓

SP2AFJ

VENICE ECONOMIC SUMMIT

OPENING SESSION

SPEAKING NOTE

Sorry not to be able to be present for the
whole meeting .

Sure you will understand that I cannot be
out of the United Kingdom for long in the
last two days of an Election campaign.

First point to make is that we can be pleased
with the success of economic strategy
followed by the Summit countries over the
past few years.

We have stood for prudent financial management,
free markets and a climate of incentives
and self-reliance.

The results have been

- success in reducing inflation
- sustained growth for at least five years
- and progress in bringing the main
exchange rates into a much more