

June 19, 2030 hours

CONFIDENTIAL

POLITICAL DECLARATION [East/West]

1. We the leaders of our seven countries, and the representatives of the European Community, hold ^{up} common principles of freedom, respect for individual rights, and the desire of all men to live in peace under the rule of law. Our peoples stand in solidarity, ^{within the framework of our unity, alliances,} for the cause of freedom, to safeguard democracy and the prosperity which it has produced. In our discussions we considered how to ~~advance~~ ^{could be pursued} these goals and values in the fields of foreign affairs, particularly with regard to East-West relations. [We also examined ...]¹

2. We confirmed our belief in constructive and realistic dialogue and cooperation, including arms control, as the way to build stability between East and West and enhance security at lower levels of arms. We also reaffirmed that for the foreseeable future nuclear deterrence and adequate conventional strength are the guarantees of peace in freedom.

¹ U.S.A. wishes to add another sentence to the effect that leaders also examined the fight against terrorism, narcotics trafficking (and other topics as appropriate).

3. In several important respects changes have taken place in relations between Western countries and the Soviet Union since we last met. ^{for our part} This evolution has come about because ~~the~~ industrialized democracies have been strong and united, and ~~because the inherent limitations of the Soviet social and economic system have forced changes in Soviet policies.~~ ^{In the S U} ^{has} ^{alleged} Greater freedom and openness in the Soviet Union will offer opportunities to reduce mistrust and build confidence. Each of us will respond positively to any such developments.

4. We call upon the Soviet leadership to play a responsible role on issues of common concern. We welcome the beginning of the Soviet withdrawal of its occupation troops from Afghanistan. It must be total and apply to the entire country. The Afghan people must be able to choose their government freely. Each of us confirms our willingness to make our full contribution to the efforts of the international community to ensure the return of the refugees to their homeland, their resettlement, and the reconstruction of their country. We now look to the Soviet Union to make a constructive contribution to resolving other regional conflicts as well.

5. Since our last meeting, progress has been made between the United States and the Soviet Union in agreeing to reduce

2 France has a reserve insofar as this statement:

"touches on areas outside the competence of the Summit group"

nuclear weapons in a manner which accords fully with the security interests of each of our countries. The INF Treaty, the direct result of Western firmness and unity, is the first treaty ever actually to reduce nuclear arms. It sets vitally important precedents for future arms control agreements: asymmetrical reductions and intrusive verification arrangements. We now look for deep cuts in U.S. and Soviet strategic offensive arms. We congratulate President Reagan on what he has already accomplished, along with General Secretary Gorbachev, towards this goal.

6. Nonetheless, the massive presence of Soviet conventional forces in Eastern Europe, the ensuing conventional superiority of the Warsaw Pact, and its capacity to launch surprise attacks and large scale offensive operations, lie at the core of the security problem in Europe. The Soviet military buildup in the Far East is equally a major source of instability in Asia. These threats must be reduced. ~~X~~ Our goal is enhanced security and stability at lower levels of forces.⁴ We seek ~~{~~the early establishment of⁵ a comprehensive, effectively verifiable and truly global ban on chemical weapons.

~~3~~ French reserve on preceding section.

4 FRG would like to add the following sentence at this point:

"We noted the statement of Soviet Foreign Minister Shevardnadze in his address to the United Nations Special Assembly on Disarmament concerning conventional arms control in Europe which should be confirmed at the conference table."

5 Proposed by FRG and Italy. USA and French reserve.

7. Genuine peace cannot be established solely by arms control. It must be firmly based on respect for fundamental human rights. We urge the Soviet ^{the} Union to move forward in ensuring human dignity and freedoms and to implement fully and strengthen substantially its commitments under the Helsinki process. Recent progress must be institutionalized, the painful barriers that divide people must come down, and the obstacles to emigration must be removed.

8. We pay special attention to the countries in Eastern Europe. We encourage them to open up their economies and societies, and to improve respect for human rights. In this context we support the continuation and strengthening of the Helsinki process.

9. We take positive note of Eastern countries' growing interest in ending their economic isolation, for example in the establishment and development of relations with the European Community. East-West economic relations can be expanded and serve our common interests so long as the commercial basis is sound, they are conducted within the framework of the basic principles and the rules of the international trade and payments system, and are consistent with our ^{the} [respective] security interests. *of each of our countries.*

If leaders wish to have text on the Middle East, paragraphs 10 and 11 are agreed.

10. We express our deep concern at the increasing instability in the Near East. The current violence in the Occupied Territories is a clear sign that the status quo is not sustainable. An early negotiated settlement to the underlying Arab/Israeli dispute is essential. We declare our support for the convening of a properly structured international conference as the appropriate framework for the necessary negotiations between the parties directly concerned. In this perspective we salute current efforts aimed at achieving a settlement, including the initiative pursued by Mr. Shultz since ^{February} ~~March~~. We urge the parties to cooperate fully in the search for a solution.

11. We have pursued our consultations about the continuing war between Iran and Iraq, which remains a source of profound concern to us. We reaffirm our support for Security Council Resolution 598, which was adopted unanimously. We express our warm appreciation for the efforts of the Secretary General to work for a settlement on this basis and reiterate our determination to ensure implementation of this mandatory resolution by a follow-up resolution [if compliance cannot

otherwise be secured.⁶ We condemn the use of chemical weapons by either party, deplore proliferation of ballistic missiles in the region, and renew our commitment to uphold the principle of freedom of navigation in the Gulf.

* * * * *

If leaders wish to have text on terrorism, paragraphs 11-15 are agreed language.

12. We strongly reaffirm our condemnation of terrorism in all its forms, including the taking of hostages. We renew our commitment to policies and measures agreed at previous Summits, in particular those against state-sponsored terrorism.

13. We strongly condemn recent threats to air security, in particular the destruction of a Korean airliner and the hijacking of a Kuwaiti airliner. We recall the principle affirmed in previous declarations that terrorists must not go unpunished. We appeal to all countries who are not party to the international conventions on civil aviation security, in particular the Hague Convention, to accede to those conventions.

⁶ U.S. wishes to delete words "if compliance cannot otherwise be obtained"

14. We express support for work currently under way in the International Civil Aviation Organization aimed at strengthening international protection against hijackings. (This includes measures to investigate future hijackings, to help countries to deal with hijackings, to strengthen security guidelines and to endorse the principle that hijacked aircraft should not be allowed to take off once they have landed, apart from exceptional circumstances.)⁷

15. We welcome the adoption this year in Montreal and Rome of two international agreements on aviation and maritime security to enhance the safety of travellers.

16. We reaffirm our determination to continue the fight against terrorism through the application of rule of law, the policy of no concessions to terrorists and their sponsors, and international cooperation.⁸

⁷ FRG, France, Japan and Italy have reservations

⁸ U.S. wishes to include the language on narcotics agreed to at the final Sherpas' meeting and add to it the words "including [enforcement of multilateral cooperation], [steps to curb money laundering and stop the flow of precursor chemicals, and measures to deprive narcotics traffickers of their ill-gotten gains" after the words "additional international approaches"].

In all appropriate form

*We express support for
 (in particular we welcome the adoption of
 the Council resolution by the ICAO Council which
 endorses the principle that hijacked aircraft
 should not be allowed to take off once they have landed,
 except in certain specified cases)*

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CHAIRMAN SUMMARY'S: MIDDLE EAST

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We have pursued our consultations about the continuing war between Iran and Iraq, which remains a source of profound concern to us. We reaffirm our support for Security Council Resolution 598, which was adopted unanimously. We express our warm appreciation for the efforts of the Secretary General to work for a settlement on this basis and reiterate our firm determination to ensure implementation of this mandatory resolution by a follow-up resolution. We condemn the use of chemical weapons by either party, deplore proliferation of ballistic missiles in the region, and renew our commitment to uphold the principle of freedom of navigation in the Gulf.

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CHAIRMAN'S SUMMARY: CAMBODIA

As the recent message from Prince Sihanouk has reminded us, the continuing Cambodian conflict and the suffering of the Cambodian people is of deep concern. We condemn Viet Nam's illegal occupation of Cambodia and join the vast majority of the nations of the world in calling for the prompt withdrawal of all Vietnamese troops. We support a political settlement in Cambodia which will provide for Cambodian self-determination and lead to the re-emergence of a free and independent Cambodia.

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TO: MR. NIGEL WICKS

PERSONAL REPRESENTATIVE OF THE PRIME MINISTER

PARAGRAPHS 12, 15, 16, 18 and 19 IN THE ATTACHED
PAGES SEEK TO REFLECT THE DRAFTING SUGGESTIONS MADE AT
YESTERDAY'S MEETING. MANY CHANGES ARE STILL SUBJECT TO
RESERVATIONS.

THE ATTACHED DRAFT OF PARAGRAPH 21 HAS BEEN SUBMITTED
BY MR. MULFORD.

J. C. P. Mulford

DELEGATE OF CANADA

Structural Reforms

9. International cooperation involves more than coordination of macroeconomic policies. Structural reforms complement macroeconomic policies, enhance their effectiveness, and provide the basis for more robust growth.

10. We will continue to pursue structural reforms by removing barriers, controls and regulations; increasing exposure to market competition, while mitigating any possible adverse effects on social groups or regions; removing disincentives to work, save, and invest, such as through tax reform; and by improving human resource development through education and training. The specific priorities that each of us has identified are outlined in the attached Annex.

11. We welcome the further development of the OECD's surveillance of structural reforms. Such surveillance would be particularly useful in improving public understanding of the reforms by revealing their impact on government budgets, consumer prices, and international trade.

12. One of the major structural problems in both developed and developing countries is in the field of agricultural policies. Important steps to reduce the overproduction have already taken place. It is essential that policy reform efforts should be continued through further positive actions by all Summit participants. [The primary objective of agriculture in all our countries is to satisfy the demand for food in the most economical way possible.] [Other important objectives such as satisfactory levels of farm incomes, the preservation of rural communities and environmental protection [should] be achieved with less interference in markets.] We welcome the OECD's increased emphasis on structural adjustment and development in the rural economy.

13. Financial and technological innovations are rapidly integrating financial markets internationally, contributing to a better allocation of capital but also increasing the speed and extent to which disturbances in one country may be transmitted to other countries. We will continue to cooperate with other countries in the examination of the functioning of the global financial system, including securities markets.

MULTILATERAL TRADING SYSTEM/URUGUAY ROUND

14. A successful Uruguay Round will assure the integrity of an open, predictable multilateral trading system based on clear rules. At Punta del Este, Ministers committed themselves to further trade

liberalization across the wide range of goods and services, including such new areas as trade-related intellectual property and trade-related investment measures, and to strengthen the multilateral trading system. Countries must continue to resist protectionism and the temptation to adopt unilateral measures outside the framework of GATT rules.

15. We welcome the Free Trade Agreement between Canada and the USA. We also welcome the steady progress towards the target of the European Community to complete the internal market by 1992. It is our policy that these developments, together with other moves towards regional cooperation in which our countries are involved should support the open, multilateral trading system and the liberalizing impact of the Uruguay Round.

16. We attach major importance to strengthening the GATT itself, particularly the surveillance of trade policies and dispute settlement procedures. It is vital that the GATT become a more dynamic and [policy oriented] organization, with greater Ministerial involvement, and strengthened linkages with other international organizations. GATT disciplines must be tightened so that members accept their obligations, and ensure that disputes are resolved speedily, effectively and equitably.

17. Trade plays a key role in development. We encourage the developing countries, especially the newly industrializing economies, to undertake increased commitments and obligations and a greater role in the GATT, commensurate with their importance in international trade and in the international adjustment process, as well as with their respective stages of development. Equally, developed countries should continue to strive to ensure more open markets for the exports of developing countries.

18. In agriculture, continued political impetus is essential to underpin the politically difficult efforts at domestic policy reform and to advance the equally difficult and related process of comprehensive agricultural trade reform. Although significant progress was made in 1987 in the Uruguay Round negotiations, with the tabling of major proposals, it is necessary to ensure that the Mid-Term Review in Montreal in December, 1988 adds impetus to the negotiations in this as in other fields. We support efforts to adopt a framework approach, including short as well as long term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets. This would be facilitated by agreement on a device for the measurement of support and protection. Also, ways should be developed to take account of food security and social concerns. Any short term measures would need to be a step forward toward the long term goals. The objective of the framework would be to make the agricultural sector more responsive to market signals.

19. As the Uruguay Round enters a more difficult phase, it is vital to ensure the momentum of these ambitious negotiations. The Mid-Term Review will provide a unique opportunity to send a credible political signal to the trading world. The greatest possible advance must be made in all areas of the negotiations, so as to reach before the end of the year the stage where tangible progress can be registered. To this end, all participants should seek to agree on framework approaches in the negotiations. [These include fundamental reform of GATT rules, market access, agriculture, trade in services, trade related intellectual property and trade related investment measures.] For our part, we are committed to ensure that the Mid-Term Review establishes a solid base for the full and complete success of the negotiations, in accordance with the Punta del Este Declaration.

20. We all recognize the critical and expanding role of international investment in the world economy and share a deep concern that increased protectionism would undermine the benefits of open investment policies. We resolve to progressively liberalize international investment policies and urge other countries to do likewise.

NEWLY INDUSTRIALIZING ECONOMIES

21. Certain newly-industrializing economies (NIEs) in the Asia-Pacific region have become increasingly important in world trade. Although these economies differ in many important respects, they are all characterized by dynamic, export-led growth which has allowed them to treble their share of world trade since 1960. Other outward-oriented Asian countries are also beginning to emerge as rapidly-growing exporters of manufactures. With increased economic importance come greater international responsibilities and a strong mutual interest in improved constructive dialogue between the industrialized countries and the Asian NIEs, as well as the other outward-oriented countries in the region. The dialogue should centre on cooperative efforts in the near term to achieve the international adjustment necessary for sustained, balanced growth of the world economy. The development of informal processes which would facilitate multilateral discussions of issues of mutual concern such as macroeconomic, trade and structural adjustment policies should be encouraged.

DEVELOPING COUNTRIES AND DEBT

22. The performance of developing countries has become increasingly important to the world economy. The situation of individual developing countries varies widely; many still face serious economic difficulties. Central to the prospects of all is strong and sustainable world growth, an open trading system, adequate financial flows and, most importantly, a commitment by these countries to appropriate economic reform.

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DEBT OF THE POOREST

NOTE BY THE UNITED KINGDOM

1. At the Venice Summit we recognised that the problems of some of the poorest countries, principally in Sub-Saharan Africa, were uniquely difficult and needed special treatment. For those countries who were pursuing appropriate adjustment policies, we welcomed proposals some of us had made for the easing of Paris Club and other bilateral debt and for an expanded IMF facility. We urged a conclusion of discussion by the end of 1987.

2. We met that timetable with the IMF's Enhanced Structural Adjustment Facility but not with the other proposals. It is important that we now agree, here in Toronto, a substantive scheme which can be set out in the Communique, with the final details to be settled in the Paris Club.

3. Three linked ideas have been put forward:-

(1) Longer rescheduling and grace periods.

(2) Concessional interest rates.

(3) Writing-off of principal.

4. As far as ODA loans are concerned, several creditor countries have already taken action to write off the entire principal. This is the most appropriate solution for that portion of the debts. Those who have not yet taken such action are urged to do so.

5. That leaves the Paris Club debts, which arise mainly from officially-guaranteed export credits. What is needed is an

agreement among creditor countries under which each creditor can choose the option he prefers (subject to paragraph 7 below). The terms of the different options need to be designed as far as possible to maintain an equitable sharing of costs and risks.

6. In order to achieve this, rescheduling periods and grace periods will need to be different for the different options. The three options could thus be specified as follows:-

- (A) Extend the repayment period for the debt under negotiation to 25 years. Interest would be payable at normal Paris Club rates.
- (B) Reduce the interest rate to a rate 3 percentage points below the normal Paris Club rates. The debt under negotiation would be repaid over 15 years.
- (C) Write-off one-third of the debt under negotiation. The remaining two-thirds would then be repaid over 10 years. Interest would be payable at normal Paris Club rates.

In each case, there would be an initial grace period of half the total period of repayment.

7. Creditor countries should be urged to adopt options (B) or (C), which offer a genuine reduction of the ultimate debt burden, unless they have insuperable objections against doing so.

8. In the event of any "Toronto reschedulings" on these terms having to be further rescheduled during the life of the initial agreements, normal Paris Club rates of interest would apply but arrangements should be made which preserve the differential treatment of the three options.

9. It is important that an agreement, and any choice between different options, should be decided by the creditors, and not be matters for negotiation with the debtors.

10. The Paris Club should be invited to work out urgently the details of an agreement on these lines.

19/6/88.