

THE 40 CONCLUSIONS OF THE SUMMIT OF THE ARCH

1) Inflation, where it has increased, will continue to receive a firm policy response so that it will be put on a downward path.

2) In countries with fiscal and current account deficits, including the United States of America, Canada and Italy, further reductions in budget deficits are needed.

3) Under the Plaza and Louvre agreements, our countries agreed to pursue, in a mutually reinforcing way, policies of surveillance and coordination aimed at improving their economic fundamentals and at fostering stability of exchange rates consistent with those economic fundamentals.

4) We welcome the decision to complete the work on the ninth review of the International Monetary Fund quotas with a view to a decision on this matter before the end of the year. We note that the question of a resumption of S.D.R. allocation remains under consideration in the Executive Board of the International Monetary Fund.

5) As regards insider trading, international cooperation should be pursued and enhanced.

6) We will avoid any discriminatory or autonomous actions, which undermine the principles of the GATT and the integrity of the multilateral trading system. We also are pledged to oppose the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens to undermine the multilateral system and the Uruguay Round negotiations.

7) Development is a shared global challenge. We shall help developing countries by opening the world trading system, and by supporting their structural adjustment.

8) We call for a substantial replenishment of International Development Association resources.

9) Thirteen of the poorest countries have already benefitted by the Toronto decision to reduce the debt.

10) A new strengthened debt strategy: interest support will be provided, through additional financing by the International Monetary Fund and the World Bank, for

transactions involving significant debt and debt service reduction. For that purpose the use of escrow accounts is agreed.

11) We urge banks to take realistic and constructive approaches in their negotiations with the debtor countries and to move promptly to conclude agreements on financial packages including debt reduction, debt service reduction and new money.

12) Necessity to preserve better the global ecological balance. This includes serious threats to the atmosphere which could lead to future climate change. Such environmental degradation endangers species and undermines the well-being of individuals and societies. Decisive action is urgently needed to understand and protect the earth's ecological balance.

13) We urge all countries to give further impetus to scientific research on environmental issues, to develop necessary technologies and to make clear evaluations of the economic costs and benefits of environmental policies.

14) We ask all countries to combine their efforts in order to improve observation and monitoring on a global scale.

15) We encourage the World Bank and regional development banks to integrate environmental considerations into their activities.

16) We also emphasize the necessity to take into account the interests and needs of developing countries in sustaining the growth of their economies and the financial and technological requirements to meet environmental challenges.

17) We welcome the HELSINKI conclusions related to the complete abandonment of chloro-fluorocarbons as soon as possible and not later than the end of the century.

18) We shall promote the development and use of suitable substitute substances and technologies.

19) We strongly advocate common efforts to limit emissions of carbon dioxide and other greenhouse gases.

20) We strongly support the work undertaken by the Intergovernmental Panel on Climate Change, on this issue.

21) We need to strengthen the worldwide network of observatories for greenhouse gases and support the World Meteorological Organisation initiative to establish a global climatological reference network to detect climate changes.

22) We are committed to maintaining the highest safety standards for nuclear power plants and recognize that nuclear power also plays an important role in limiting output of greenhouse gases.

23) Deforestation damages the atmosphere and must be reversed. The relevant international organizations will be asked to complete reports on the state of the world's forests by 1990.

24) While recognizing the sovereign rights of developing countries, we encourage, through a sustainable use of tropical forests, the protection of all the species therein.

25) We appeal to both consumer and producer countries, which are united in the International Tropical Timber Organization, to join their efforts to ensure better conservation of the forests.

26) Temperate forests must be protected against the effects of acid pollutants such as sulphur dioxides and nitrogen oxides.

27) The conclusion of a framework or umbrella convention on climate change to set out general principles or guidelines is urgently required to mobilize and rationalize the efforts made by the international community.

28) We condemn indiscriminate use of oceans as dumping grounds for polluting waste. There is a particular problem with the deterioration of coastal waters.

29) We urge all countries to make better use of the latest monitoring and clean-up technologies.

30) We ask all countries to adhere to and implement fully the international conventions for the prevention of oil pollution of the oceans.

31) We also ask the International Maritime Organization to put forward proposals for further preventive action.

32) We stress the urgent need for effective, coordinated action by the international community, in support of the Government of Bangladesh, in order to find solutions to the problem of catastrophic floods which are technically, financially, economically and environmentally sound. In that spirit, and taking account of help already given, we take note of the different studies concerning flood alleviation, initiated by France, Japan, the US and the United Nations Development Program, which have been reviewed by experts from

all our countries. We welcome the World Bank's agreement, following those studies, to coordinate the efforts of the international community so that a sound basis for achieving a real improvement in alleviating the effects of flood can be established. We also welcome the agreement of the World Bank to chair, by the end of the year, a meeting to be held in the United Kingdom by invitation of the Bangladesh Government, of the countries willing to take an active part in such a program.

33) We give political support to the project to set up an Observatory of the Saharan areas.

34) We urge all countries, especially those where drug production, trading and consumption are large, to join our efforts to counter drug production, to reduce demand, and to carry forward the fight against drug trafficking itself and the laundering of its proceeds.

35) Greater emphasis on bilateral and United Nations programs for the conversion of illicit cultivation in the producer countries.

36) Strengthen the role of the United Nations in the war against drugs through an increase in its resources and through reinforced effectiveness of its operation.

37) Support the international conference planned for 1990 on cocaine and drug demand reduction.

38) A prompt adhesion to, ratification and implementation of the Vienna Convention on illicit traffic in narcotic drugs and psychotropic substances.

39) Measures to facilitate the identification, tracing, freezing, seizure and forfeiture of drug crime proceeds.

40) Convene a special task force from Summit Participants and other countries interested in these problems. Its mandate is to assess the results of cooperation already undertaken in order to prevent the utilization of the banking system and financial institutions for the purpose of money laundering, and to consider additional preventive efforts in this field. The first meeting of this task force will be called by France and its report will be completed by April 1990.

ANNEX: COMMENTARY ON DRAFT ECONOMIC DECLARATION

Paragraph 2: the third turet, on the environment, has been expanded, through the reference to scientific studies and serious threats to the environment, and given a stronger sense of urgency.

Paragraph 5: the second sentence has been considerably weakened at German and UK insistence. Now a text which we can all support.

Paragraphs 6 and 8: these paragraphs have emerged after long debate, and the economics (particularly the reference to "... decreasing interest rates" in paragraph 6) is not wholly reliable. Re-opening could make it worse; not worth a fight.

Paragraphs 10 and 11: these remain unchanged, after long debate. The United States originally wanted stronger language, especially on coordination, but was just about persuaded to accept the current version, which we can support.

Paragraph 12: both sub-paragraphs are purely factual.

Paragraph 14: an important paragraph which spells out the areas where structural reforms are needed. An earlier reference to "reducing rigidities" has been

/amplified

amplified, partly at our instigation, by the addition of "..... in all sectors including energy, industry and agriculture", each of which applies to Germany:

- energy - heavy coal subsidies;
- industry - subsidies to ship-building and aircraft;
- agriculture - German agriculture is particularly in need of reform.

Paragraph 17:

the Commission, with UK support, tried to strengthen this paragraph to reduce the scope for the United States, especially, to take unilateral trade action, for example under Super 301. Their proposal was to have the fourth sentence read "We agree that the improved GATT dispute settlement mechanism, which should be improved further in the negotiations, is the only appropriate instrument to deal with trade frictions". But the United States objected that some disputes were not covered by the GATT. Canada said that their free trade agreement with the United States had dispute settlement arrangements. In the absence of consensus, the Commission amendment did not succeed.

/Paragraph 18

Paragraph 18:

the second sentence of the second sub-paragraph no longer requires countries to make their contribution to the Uruguay Round "consistent with their respective stages of economic development", which would have allowed some developing countries to escape full GATT obligations. The new language is better and has our support.

Paragraph 22:

the section on Development begins with a short new sentence to attract attention to the problem. In the following sentences, the drafting has been improved as a result of UK amendments. (There was no attempt by the French to single out aid targets in the middle sub-paragraph of this section.)

Paragraph 25:

this is a new paragraph, resulting from Italian insistence. Their initial proposal has been heavily amended. The words are satisfactory, but the increasing tendency of the economic declaration to single out particular countries outside the G7 (last year, Philippines; this year, Philippines, Yugoslavia and Bangladesh) is undesirable. The United States have not so far used the reference to Yugoslavia as an excuse for a specific reference to Mexico in the debt section; but if they were to do so, it would be best to drop the paragraph on Yugoslavia.

Paragraph 28:

the new addition to this paragraph proposed by the Chancellor was accepted.

Paragraph 32:

in the first tirect, the welcome for the "recent decisions which provide adequate resources" is very good language, because it will inhibit any further attempts to provide extra public sector resources.

The third tirect balances the second, by urging banks (like debtor countries) to move promptly in their negotiations. The UK has taken the lead here in opposing any government pressure on banks in the context of specific negotiations, eg on Mexico's debt.

Paragraph 38:

the UK tried to insert "market-based" before "debt for nature swaps", to remove the suggestion that governments should give financial backing. But Germany and the United States resisted this insertion and there was no consensus.

Paragraph 39:

the Americans agreed to drop the passage in brackets about developing substitutes for CFCs. Under German pressure, we agreed that "Specific attention must" be given to ozone depleting substances not covered by the Montreal Protocol. If the Germans press further, we could agree to "urgent attention". A detailed note on this problem is attached.

Paragraph 40:

this paragraph starts by speaking of "limiting" carbon dioxide emissions, not "reducing" them, as reduction is not yet realistic.

- Paragraph 41: the passage on nuclear power has been changed as the Chancellor wanted.
- Paragraph 45: much stronger support is now given to the UK proposal for an umbrella convention on climate change.
- Paragraph 47: we have agreed to "note with interest" the Italian proposal on international law for the environment. But the Italians wanted us to "welcome" it and may revert.
- Paragraph 48: there was no discussion on establishing new institutions for the environment.
- Paragraph 50: at UK suggestion the words "and taking account of help already given" have been put into the third sentence, to show that many countries including the UK have helped Bangladesh in the past. (We are no longer the largest donor to Bangladesh.)
- Paragraph 52: a strong new sentence opens the section on drugs, to reflect the feelings voiced by the Heads of Government.
- Paragraph 53: there is a new second tiret, proposed by Italy and supported by the UK, on help in countering illegal drug production or trafficking.

In the last tiret, there was some debate on whether the mandate of the task force should be confined to the financial field. The consensus, agreed with Finance Ministers, is that so confining it (as in the present text) would make for a more effective action.

/President

President Bush now supports this view.
But Chancellor Kohl may speak in favour
of a broader mandate.

Paragraph 55:

this new paragraph is an elegant way of
responding to proposals made, and messages
sent, to the Summit, ie by President
Gorbachev and by Egypt, Senegal, Uruguay
and India on the "North-South Dialogue".

OZONE-DEPLETING SUBSTANCES NOT COVERED BY THE MONTREAL PROTOCOL.

1. All Summit participants can endorse the undertaking made at the Helsinki Conference in May to phase out the use of chlorofluorocarbons (CFCs) which deplete the ozone layer, as soon as possible and no later than the year 2000. (The Americans have entered a caveat on the availability of safe substitutes.) The Germans, however, want a stronger commitment in the declaration to phase out other ozone-depleting substances not covered by the Montreal Protocol.

2. They probably have two substances in mind:-

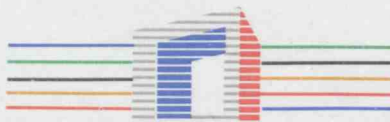
Carbon tetrachloride and methyl chloroform, which are dry cleaning agents. Scientific and technical assessment panels have been set under the Montreal Protocol which will cover these substances among other issues. The panels are due to report in a month or two's time, so that the June 1990 follow-up meeting on the Montreal Protocol - in London - can take firm decisions on them. In advance of the panel reports - which should show what substitutes might be available for these substances - we think it is wrong to take a firm position on how to treat them.

3. They may also seek a strengthening of the Protocol in respect of halons (for which the present commitment is a freeze at 1986 levels from 1992).

Halons, used mainly for fire-fighting. We agree that these should be phased out as soon as possible. But we are not sure that reliable substitutes are yet available and are therefore very reluctant to set a date by which use of them must cease. If the Germans are prepared to set a date, this means either they know of some technological breakthrough which we do not know about; or they are prepared to accept less effective fire-fighting; or they are adopting, as they have done elsewhere, the practice of "forcing technology". We have not hitherto adopted this practice, since we prefer to know that we can meet commitments before we make them.

Revised
13 July 1989

PREM 19/2634



SUMMIT OF THE ARCH

14-16 JULY 1989

16 July 1989

ECONOMIC DECLARATION

1) We, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Communities, have met in Paris for the fifteenth annual Economic Summit. The Summit of the Arch initiates a new round of Summits to succeed those begun at Rambouillet in 1975 and at Versailles in 1982. The round beginning in 1982 has seen one of the longest periods of sustained growth since the Second World War. These Summits have permitted effective consultations and offered the opportunity to launch initiatives and to strengthen international cooperation.

2) This year's world economic situation presents three main challenges:

- The choice and the implementation of measures needed to maintain balanced and sustained growth, counter inflation, create jobs and promote social justice. These measures should also facilitate the adjustment of external imbalances, promote international trade and investment, and improve the economic situation of developing countries.

PRCM 19/2634

OPALE DE RIVES

- The development and the further integration of developing countries into the world economy. Whilst there has been substantial progress in many developing countries, particularly those implementing sound economic policies, the debt burden and the persistence of poverty, often made worse by natural disasters affecting hundreds of millions of people, are problems of deep concern which we must continue to face in a spirit of solidarity.

- The urgent need to safeguard the environment for future generations. Scientific studies have revealed the existence of serious threats to our environment such as the depletion of the stratospheric ozone layer and excessive emissions of carbon dioxide and other greenhouse gases which could lead to future climate changes. Protecting the environment calls for a determined and concerted international response and for the early adoption, worldwide, of policies based on sustainable development.

INTERNATIONAL ECONOMIC SITUATION

3) Growth has been sustained by focusing policies on improving the efficiency and flexibility of our economies and by strengthening our cooperative efforts and the coordination process. In the medium term, the current buoyant investment seen during this period should pave the way for an increased supply of goods and services and help reduce the dangers of inflation. The outlook is not, however, without risks.

4) Until now, the threat of inflation in many countries has been contained, thanks to the concerted efforts of governments and monetary authorities. But continued vigilance is required and inflation, where it has increased,

INVEST-
MENT

inflation

INFLATION

will continue to receive a firm policy response so that it will be put on a downward path.

EXTERNAL IMBALANCES

5) While some progress has been made in reducing external imbalances, the momentum of adjustment has recently weakened markedly. There needs to be further progress in adjusting external imbalances through cooperation.

DEFICITS

6) In countries with fiscal and current account deficits, including the United States of America, Canada and Italy, further reductions in budget deficits are needed. Action will be taken to bring them down. This may help reduce the saving-investment gap and external imbalances, contribute to countering inflation and encourage greater exchange rate stability in a context of decreasing interest rates.

7) Countries with external surpluses, including Japan and Germany, should continue to pursue appropriate macroeconomic policies and structural reforms that will encourage non-inflationary growth of domestic demand and facilitate external adjustment.

8) All our countries share the responsibility for the sound development of the world economy. Over the medium term, deficit countries have to play a key role in global adjustment through their external adjustment and increased exports; surplus countries have to contribute to sustaining global expansion through policies providing favourable conditions for growth of domestic demand and imports.

9) The emergence of the newly industrializing economies and the initiation of a dialogue with them are welcome. We call on those with substantial surpluses to contribute to the adjustment of external imbalances and the open trade and payments system. To that end, they should

permit exchange rates to reflect their competitive position, implement GATT commitments and reduce trade barriers.

INTERNATIONAL MONETARY DEVELOPMENTS AND COORDINATION

10) Under the Plaza and Louvre agreements, our countries agreed to pursue, in a mutually reinforcing way, policies of surveillance and coordination aimed at improving their economic fundamentals and at fostering stability of exchange rates consistent with those economic fundamentals.

There has been progress in the multilateral surveillance and coordination of economic policies with a view to ensuring internal consistency of domestic policies and their international compatibility. The procedures to be used have been more clearly defined and improved in cooperation with the International Monetary Fund.

11) The coordination process has made a positive contribution to world economic development and it has also contributed greatly to improving the functioning of the International Monetary System. There has also been continued cooperation in exchange markets.

It is important to continue, and where appropriate, to develop this cooperative and flexible approach to improve the functioning and the stability of the International Monetary System in a manner consistent with economic fundamentals. We therefore ask the Finance Ministers to continue to keep under review possible steps that could be taken to improve the coordination process, exchange market cooperation, and the functioning of the International Monetary System.

12) We welcome the decision to complete the work on the ninth review of the International Monetary Fund quotas with a view to a decision on this matter before the end of the year.

We note that the question of a resumption of S.D.R. allocation remains under consideration in the Executive Board of the International Monetary Fund.

13) Within the European Community, the European Monetary System has contributed to a significant degree of economic policy convergence and monetary stability.

IMPROVING ECONOMIC EFFICIENCY

14) We will continue to promote measures in order to remove inefficiencies in our economies. These inefficiencies affect many aspects of economic activity, reduce potential growth rates and the prospects for job creation, diminish the effectiveness of macroeconomic policies and impede the external adjustment process. In this context, tax reforms, modernization of financial markets, strengthening of competition policies and reducing rigidities in all sectors including energy, industry and agriculture are necessary. So are the improvement of education and vocational training, transportation and distribution systems and further policies aimed at giving more flexibility and mobility to the labour market and reducing unemployment. Within the European Community, the steady progress towards the completion by the end of 1992 of the program contained in the Single Act has already given a strong momentum to economic efficiency.

15) The decline of saving in some of our countries in this decade is a cause for concern. This lower level of

saving can contribute to high real interest rates and therefore hamper growth. Inadequate saving and large fiscal deficits are associated with large external deficits. We recommend, within the framework of policy coordination, policies to encourage saving and remove hindrances where they exist.

16) Financial activities are being increasingly carried out with new techniques on a worldwide basis. As regards insider trading, which could hamper the credibility of financial markets, regulations vary greatly among our countries. These regulations have been recently, or are in the process of being, strengthened. International cooperation should be pursued and enhanced.

TRADE ISSUES

17) World trade developed rapidly last year. Yet protectionism remains a real threat. We strongly reaffirm our determination to fight it in all its forms. We shall fulfill the Punta del Este standstill and rollback commitments which, inter alia, require the avoidance of any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement and its instruments. We agree to make effective use of the improved GATT dispute settlement mechanism and to make progress in negotiations for further improvements. We will avoid any discriminatory or autonomous actions, which undermine the principles of the GATT and the integrity of the multilateral trading system. We also are pledged to oppose the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens to undermine the multilateral system and the Uruguay Round negotiations.

18) The successful negotiation of the Trade Negotiations Committee of the Uruguay Round in Geneva last April, thereby completing the mid-term review, is a very important achievement. It gives a clear framework for future work in all sectors including the pursuit of agricultural reform in the short term as well as in the long term. It also gives the necessary framework for substantive negotiations in important sectors not yet fully included in GATT disciplines, such as services, trade-related investment measures and intellectual property.

Developing countries participated actively in these negotiations and contributed to this success. All countries should make their most constructive contribution possible.

We express our full commitment to making further substantive progress in the Uruguay Round in order to complete it by the end of 1990.

19) We note with satisfaction the entry into force of the Free Trade Agreement between Canada and the US, as well as more recent initiatives to intensify the close economic relations between the European Community and EFTA countries. It remains our policy that these and other developments in regional cooperation, should be trade-creating and complementary to the multilateral liberalization process.

20) It is the firm intention of the European Community that the trade aspects of the single market program should also be trade-creating and complementary to the multilateral liberalization process.

21) We note with satisfaction the progress that has been made in strengthening the multilateral disciplines on trade and aid distorting export credit subsidies. This effort

must be pursued actively and completed in the competent bodies of the OECD with a view to improving present guidelines at the earliest possible date.

GENERAL PROBLEMS OF DEVELOPMENT

22) Development is a shared global challenge. We shall help developing countries by opening the world trading system and by supporting their structural adjustment. We shall encourage too economic diversification in commodity dependent countries and the creation of a favourable environment for transfers of technology and capital flows.

We underline the continuing importance of official development assistance and welcome the increased efforts of Summit participants in this respect. We note the targets already established by international organizations for the future level of official development assistance and stress the importance of overall financial flows to development.

We underline simultaneously the importance attached to the quality of the aid and to the evaluation of the projects and the programs financed.

23) We urge developing countries to implement sound economic policies. A vital factor will be the adoption of financial and fiscal policies which attract inward investment and encourage growth and the return of flight capital.

24) We note with satisfaction that there has been substantial progress in the multilateral aid initiative for the Philippines that was given special attention in the Toronto economic declaration.

25) Faced with the worrying economic situation of Yugoslavia, we encourage its government to implement a strong economic reform program that can command bilateral and multilateral support.

THE SITUATION IN THE POOREST COUNTRIES

26) The enhancement of the International Monetary Fund Structural Adjustment Facility, the World Bank special program of assistance for the poorest and most indebted countries and the fifth replenishment of the African Development Fund are all important measures benefiting those countries having embarked upon an adjustment process. We stress the importance attached to a substantial replenishment of International Development Association resources.

27) As we urged last year in TORONTO, the Paris Club reached a consensus in September 1988 on the conditions of implementation of significant reduction of debt service payments for the poorest countries. Thirteen countries have already benefitted by this decision.

28) We welcome the increasing grant element in the development assistance as well as the steps taken to convert loans into grants and we urge further steps to this end. Flexibility in development aid as much as in debt rescheduling is required.

29) We attach great importance to the efficient and successful preparation of the next general conference of the United Nations on the least developed countries, which will take place in Paris in 1990.

STRENGTHENED DEBT STRATEGY FOR THE HEAVILY INDEBTED COUNTRIES

30) Our approach to the debt problems has produced significant results, but serious challenges remain: in many countries the ratio of debt service to exports remains high, financing for growth promoting investment is scarce, and capital flight is a key problem. An improvement in the investment climate must be a critical part of efforts to achieve a sustainable level of growth without excessive levels of debt. These improvements of the current situation depend above all on sustained and effective adjustment policies in the debtor countries.

31) To address these challenges, we are strongly committed to the strengthened debt strategy. This will rely, on a case-by-case basis, on the following actions:

- borrowing countries should implement, with the assistance of the Fund and the Bank, sound economic policies, particularly designed to mobilize savings, stimulate investment and reverse capital flight;

- banks should increasingly focus on voluntary, market-based debt and debt service reduction operations, as a complement to new lending;

- the International Monetary Fund and World Bank will support significant debt reduction by setting aside a portion of policy-based loans;

- limited interest support will be provided, through additional financing by the International Monetary Fund and the World Bank, for transactions involving significant debt and debt service reduction. For that purpose the use of escrow accounts is agreed;

- continued Paris Club rescheduling and flexibility of export-credit agencies;

- strengthening of the international financial institutions capability for supporting medium-term macroeconomic and structural adjustment programs and for compensating the negative effects of export shortfalls and external shocks.

32) In the framework of this strategy:

- we welcome the recent decisions taken by the two institutions to encourage debt and debt service reduction which provide adequate resources for these purposes;

- we urge debtor countries to move ahead promptly to develop strong economic reform programs that may lead to debt and debt service reductions in accordance with the guidelines defined by the two Bretton Woods institutions;

- we urge banks to take realistic and constructive approaches in their negotiations with the debtor countries and to move promptly to conclude agreements on financial packages including debt reduction, debt service reduction and new money. We stress that official creditors should not substitute for private lenders. Our governments are prepared to consider as appropriate tax, regulatory and accounting practices with a view to eliminating unnecessary obstacles to debt and debt service reductions.

ENVIRONMENT

33) There is growing awareness throughout the world of the necessity to preserve better the global ecological balance. This includes serious threats to the atmosphere, which could lead to future climate changes. We note with great concern the growing pollution of air, lakes, rivers, oceans and seas; acid rain, dangerous substances; and the rapid desertification and deforestation. Such environmental degradation endangers species and undermines the well-being of individuals and societies.

Decisive action is urgently needed to understand and protect the earth's ecological balance. We will work together to achieve the common goals of preserving a healthy and balanced global environment in order to meet shared economic and social objectives and to carry out obligations to future generations.

RESEARCH

34) We urge all countries to give further impetus to scientific research on environmental issues, to develop necessary technologies and to make clear evaluations of the economic costs and benefits of environmental policies.

The persisting uncertainty on some of these issues should not unduly delay our action.

In this connection, we ask all countries to combine their efforts in order to improve observation and monitoring on a global scale.

35) We believe that international cooperation also needs to be enhanced in the field of technology and technology transfer in order to reduce pollution or provide alternative solutions.

ROLE
OF
INDUSTRY

36) We believe that industry has a crucial role in preventing pollution at source, in waste minimization, in energy conservation, and in the design and marketing of cost-effective clean technologies. The agricultural sector must also contribute to tackling problems such as water pollution, soil erosion and desertification.

37) Environmental protection is integral to issues such as trade, development, energy, transport, agriculture and economic planning. Therefore, environmental considerations must be taken into account in economic decision-making. In fact good economic policies and good environmental policies are mutually reinforcing.

In order to achieve sustainable development, we shall ensure the compatibility of economic growth and development with the protection of the environment. Environmental protection and related investment should contribute to economic growth. In this respect, intensified efforts for technological breakthrough are important to reconcile economic growth and environmental policies.

ECONOMICS
OF
ENVIRONMENT

Clear assessments of the costs, benefits and resource implications of environmental protection should help governments to take the necessary decisions on the mix of price signals (e.g., taxes or expenditures) and regulatory actions, reflecting where possible the full value of natural resources.

We encourage the World Bank and regional development banks to integrate environmental considerations into their activities. International organizations such as the OECD and the United Nations and its affiliated organizations, will be asked to develop further techniques of analysis which would help governments assess appropriate economic measures to promote the quality of the environment. We ask the OECD, within the context of its work on integrating environment and economic decision-making, to examine how selected environmental indicators could be developed. We expect the 1992 UN Conference on Environment and Development to give additional momentum to the protection of the global environment.

38) To help developing countries deal with past damage and to encourage them to take environmentally desirable action, economic incentives may include the use of aid mechanisms and specific transfer of technology. In special cases, ODA debt forgiveness and debt for nature swaps can play a useful role in environmental protection.

We also emphasize the necessity to take into account the interests and needs of developing countries in sustaining the growth of their economies and the financial and technological requirements to meet environmental challenges.

39) The depletion of the stratospheric ozone layer is alarming and calls for prompt action.

AID
FOR
DEVELOPING
COUNTRIES

OZONE
LAYER

We welcome the HELSINKI conclusions related, among other issues, to the complete abandonment of the production and consumption of chloro-fluorocarbons covered by the MONTREAL protocol as soon as possible and not later than the end of the century. Specific attention must also be given to those ozone-depleting substances not covered by the Montreal protocol. We shall promote the development and use of suitable substitute substances and technologies. More emphasis should be placed on projects that provide alternatives to chloro-fluorocarbons.

CARBON DIOXIDE
AND
GREENHOUSE
GASES

40) We strongly advocate common efforts to limit emissions of carbon dioxide and other greenhouse gases, which threaten to induce climate change, endangering the environment and ultimately the economy. We strongly support the work undertaken by the Intergovernmental Panel on Climate Change, on this issue.

OBSERVATORIES

We need to strengthen the worldwide network of observatories for greenhouse gases and support the World Meteorological Organisation initiative to establish a global climatological reference network to detect climate changes

ENERGY

EFFICIENCY 41) We agree that increasing energy efficiency could make a substantial contribution to these goals. We urge international organizations concerned to encourage measures, including economic measures, to improve energy conservation and, more broadly, efficiency in the use of energy of all kinds and to promote relevant techniques and technologies.

We are committed to maintaining the highest safety standards for nuclear power plants and to strengthening international cooperation in safe operation of power plants and waste management, and we recognize that nuclear power also plays an important role in limiting output of greenhouse gases.

42) Deforestation also damages the atmosphere and must be reversed. We call for the adoption of sustainable forest management practices, with a view to preserving the scale of world forests. The relevant international organizations will be asked to complete reports on the state of the world's forests by 1990.

43) Preserving the tropical forests is an urgent need for the world as a whole. While recognizing the sovereign rights of developing countries to make use of their natural resources, we encourage, through a sustainable use of tropical forests, the protection of all the species therein and the traditional rights to land and other resources of local communities. We welcome the German initiative in this field as a basis for progress.

To this end, we give strong support to rapid implementation of the Tropical Forest Action Plan which was adopted in 1986 in the framework of the Food and Agricultural Organization. We appeal to both consumer and producer countries, which are united in the International Tropical Timber Organization, to join their efforts to ensure better conservation of the forests. We express our readiness to assist the efforts of nations with tropical forests through financial and technical cooperation, and in international organizations.

TROPICAL
FORESTS

44) Temperate forests, lakes and rivers must be protected against the effects of acid pollutants such as sulphur dioxide and nitrogen oxides. It is necessary to pursue actively the bilateral and multilateral efforts to this end.

GLOBAL
CLIMATE
CONVENTION

45) The increasing complexity of the issues related to the protection of the atmosphere calls for innovative solutions. New instruments may be contemplated. We believe that the conclusion of a framework or umbrella convention on climate change to set out general principles or guidelines is urgently required to mobilize and rationalize the efforts made by the international community. We welcome the work under way by the United Nations Environment Program, in cooperation with the World Meteorological Organization, drawing on the work of the Intergovernmental Panel on Climate Change and the results of other international meetings. Specific protocols containing concrete commitments could be fitted into the framework as scientific evidence requires and permits.

OCEANS

46) We condemn indiscriminate use of oceans as dumping grounds for polluting waste. There is a particular problem with the deterioration of coastal waters. To ensure the sustainable management of the marine environment, we recognize the importance of international cooperation in preserving it and conserving the living resources of the sea. We call for relevant bodies of the United Nations to prepare a report on the state of the world's oceans.

We express our concern that national, regional and global capabilities to contain and alleviate the consequences of maritime oil spills be improved. We urge all countries to make better use of the latest monitoring and clean-up technologies. We ask all countries to adhere to and implement fully the international conventions for the prevention of oil pollution of the oceans. We also ask the International Maritime Organization to put forward proposals for further preventive action.

47) We are committed to ensuring full implementation of existing rules for the environment. In this respect, we note with interest the initiative of the Italian government to host in 1990 a forum on international law for the environment with scholars, scientific experts and officials, to consider the need for a digest of existing rules and to give in-depth consideration to the legal aspects of environment at the international level.

STRENGTHEN
U.N.E.P. etc. 48) We advocate that existing environment institutions be strengthened within the United Nations system. In particular, the United Nations Environment Program urgently requires strengthening and increased financial support. Some of us have agreed that the establishment within the United Nations of a new institution may also be worth considering.

49) We have taken note of the report of the sixth conference on bioethics held in Brussels which examined the elaboration of a universal code of environmental ethics based upon the concept of the "human stewardship of nature".

50) It is a matter of international concern that Bangladesh, one of the poorest and most densely populated countries in the world, is periodically devastated by catastrophic floods.

BANGLADESH

We stress the urgent need for effective, coordinated action by the international community, in support of the Government of Bangladesh, in order to find solutions to this major problem which are technically, financially, economically and environmentally sound. In that spirit, and taking account of help already given, we take note of the different studies concerning flood alleviation, initiated by France, Japan, the US and the United Nations Development Program, which have been reviewed by experts from all our countries. We welcome the World Bank's agreement, following those studies, to coordinate the efforts of the international community so that a sound basis for achieving a real improvement in alleviating the effects of flood can be established. We also welcome the agreement of the World Bank to chair, by the end of the year, a meeting to be held in the United Kingdom by invitation of the Bangladesh Government, of the countries willing to take an active part in such a program.

51) We give political support to projects such as the joint project to set up an observatory of the Saharan areas, which answers the need to monitor the development of that rapidly deteriorating, fragile, arid region, in order to protect it more effectively.

DRUG ISSUES

52) The drug problem has reached devastating proportions. We stress the urgent need for decisive action, both on a national and an international basis. We urge all countries, especially those where drug production, trading and consumption are large, to join our efforts to counter drug production, to reduce demand, and to carry forward the fight

against drug trafficking itself and the laundering of its proceeds.

53) Accordingly, we resolve to take the following measures within relevant fora:

- Give greater emphasis on bilateral and United Nations programs for the conversion of illicit cultivation in the producer countries. The United Nations Fund for Drug Abuse Control (UNFDAC), and other United Nations and multilateral organizations should be supported, strengthened and made more effective. These efforts could include particular support for the implementation of effective programs to stop drug cultivation and trading as well as developmental and technical assistance.
- Support the efforts of producing countries who ask for assistance to counter illegal production or trafficking.
- Strengthen the role of the United Nations in the war against drugs through an increase in its resources and through reinforced effectiveness of its operation.
- Intensify the exchange of information on the prevention of addiction, and rehabilitation of drug addicts.
- Support the international conference planned for 1990 on cocaine and drug demand reduction.
- Strengthen the efficiency of the cooperative and mutual assistance on these issues, the first steps being a prompt adherence to, ratification and implementation of the Vienna Convention on illicit traffic in narcotic drugs and psychotropic substances.

- Conclude further bilateral or multilateral agreements and support initiatives and cooperation, where appropriate, which include measures to facilitate the identification, tracing, freezing, seizure and forfeiture of drug crime proceeds.

- Convene a financial action task force from Summit Participants and other countries interested in these problems. Its mandate is to assess the results of cooperation already undertaken in order to prevent the utilization of the banking system and financial institutions for the purpose of money laundering, and to consider additional preventive efforts in this field, including the adaptation of the legal and regulatory systems so as to enhance multilateral judicial assistance. The first meeting of this task force will be called by France and its report will be completed by April 1990.

54) International cooperation against AIDS

We take note of the creation of an International Ethics committee on AIDS which met in Paris in May 1989, as decided at the Summit of Venice (June 1987). It assembled the Summit Participants and the other members of the EC, together with the active participation of the World Health Organization.

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55) We take note of the representations that we received from various Heads of State or Government and organizations and we will study them with interest.

56) Next Economic Summit

We have accepted the invitation of the President of the United States to meet next year in the United States of America.

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