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Ref. A087/1178

PRIME MINISTER

Venice Economic Summit

There is to be a meeting of Personal Representatives plus experts in Italy, beginning on 30 April, to take forward the process of preparing the Summit meeting, scheduled for 8 to 10 June 1987. I shall be accompanied to this meeting by Sir Geoffrey Littler (Treasury) and Mr R Q Braithwaite (Foreign and Commonwealth Office).

2. The main purpose of the meeting will be to consider the usual "thematic paper", a first draft of which has now been --- circulated by the Italian Presidency. I attach a copy of the draft herewith.

3. The draft is being studied in detail, and there will be points of analysis and prescription on which we want to suggest modifications. But the Italian Presidency has on the whole made a good job of it; the paper is generally acceptable in its thrust, should be a useful basis of discussion, and of itself is unlikely to present us with major problems.

World Economic Situation and Policies

4. The paper identifies the main requirements of macro-economic policies for the developed countries as being:

- the continuance of sustained and sustainable non-inflationary growth, and
- the correction of world imbalances.

The paper notes that growth is likely to continue at slightly lower rates in the industrialised countries this year, without a resurgence of inflation, and there is a suggestion that "Summit countries should commit themselves to moderating the pace of budgetary constraint if needed in the light of the evolution of domestic activity, especially in those countries where greatest progress has been made in fiscal consolidation and control of inflation". That will no doubt be seen as directed primarily at Germany and Japan. The paper refers specifically to the problem of "large public sector deficits in the United States, Italy and some other countries", but otherwise particular countries are not identified. The paper suggests that countries in balance of payments surplus "should design their macro-policies to support domestic expenditure, while deficit countries should focus on reducing their fiscal and external imbalances". Some of the language is too evidently translated from the Italian and could be improved; but we can support the broad thrust of it.

5. The outstandingly important imbalances for the world economy at this time are the United States fiscal and external deficits, and the Japanese external surplus. We shall want to use the Summit meeting itself to keep up the pressures on the Japanese to increase domestic demand and open up their markets to goods and services from abroad. We shall not, however, want to use the Summit as an occasion for the other countries to mount an exercise of concerted criticism of and pressure on the United States; but there is need of changes in the United States, and we should be ready to welcome whatever the President and the Secretary to the Treasury are prepared to say by way of intentions, and even targets, for reducing their fiscal and external deficits.

6. In the eventual Summit communiqué, striking a balance between exhorting the Japanese and not exhorting the United States will be a delicate operation. It may be that on this occasion there would be a case for reverting to the pattern

adopted in the Bonn Summit communiqué of 1985, and more recently in the Louvre Agreement this February, and including a section which includes a short piece about the situations and policies of each of the main countries or groups. This could enable the United States to make a controlled statement, in words of its own choosing, about its policy intentions; and oblige the Japanese to do likewise. A bland statement that mentioned no country by name might surprise and unsettle the markets, especially as the G7 communiqué of 8 April twice referred to Japanese policy commitments.

7. One of these was the standard foreshadowing of a policy statement before the Summit promising measures to expand domestic demand and facilitate access to Japanese markets. This time it is a package prepared by the Liberal Democratic Party but not yet adopted by the Government which it is claimed would provide a Y5,000 billion (about \$35 billion) stimulus to domestic demand over an unspecified period. At the same time, they are (if a recent call by the Japanese Ambassador is any guide) mounting a diplomatic offensive to emphasise that they are moving as fast as they can and should not be pressurised to move faster. There are of course various pressures already being mounted; these were discussed at your meeting on 23 April. One means by which the Summit might sustain the pressure upon the Japanese Government could be to invite its representatives to describe the progress made in implementing the first Maekawa Report (which had only just been received and welcomed at the time of the last Summit) and to indicate the significance of the second Maekawa Report (recently submitted) and the intentions of the Japanese Government in that regard.

8. Finance Ministers will report to the Summit on the development of policy co-ordination and multilateral surveillance; the Heads of State or Government should be able to welcome the report, note the conclusions and outcomes of the G7 meetings in the Louvre and at Washington as contributions to

reducing exchange rate instability, and invite Finance Ministers to maintain and consolidate their arrangements for policy co-ordination and multilateral surveillance. The tone of voice and perhaps even the substance of what can be said will of course depend on what happens to exchange rates, and in particular to the dollar, in the meantime.

9. It looks as if agreement has been reached on terms satisfactory to the Italians and all others which will dispose of the G5/G7 controversy; but the President of the European Commission may not be so happy, and may seek to revive the question of Community representation in G7.

Trade

10. The Summit will want to welcome the opening of the Uruguay Round and sustain its momentum with an impetus of political will. Apart from the general argument for doing so, a declaration on those lines may be of some help to the United States Administration in withstanding protectionist pressures from the Congress. There is provision in the Punta del Este Declaration for a mid-term review of the Round; the Canadian Government is likely to urge the Summit to press for a Ministerial meeting of the GATT, and perhaps to suggest specific issues with which such a meeting might deal. In discussion we should not oppose the idea of a Ministerial meeting of the GATT to review the progress of the round, but we should stress that such a meeting should be held only when the time is right and a positive and useful purpose and outcome foreseen.

Agriculture

11. We shall also want the Summit to follow up the initiatives which we took last year for international discussion and action on the problems of agricultural surpluses. We should aim to achieve a further expression of political will by the Summit

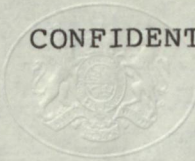
countries, emphasising that this is not just an international problem but a series of national problems, and that the solution requires collective international and concerted national policy responses. But the Summit should aim to give renewed momentum to the work in progress in GATT and in the Organisation for Economic Co-operation and Development (OECD), rather than to institute any separate work in a Summit framework. The Summit will want to recognise the need to have regard to the problems of adjustment for farming communities. The Italians have produced particularly helpful language on this.

Debt

12. In Summit discussions of the international debt "strategy", our objectives should be:

- to maintain the commitment to the case-by-case approach;
- to support the International Monetary Fund and the international development banking agencies;
- to emphasise once again the importance of the pursuit of prudent and sensible economic policies in debtor countries.

13. A particular objective should be to enlist support for the Chancellor of the Exchequer's proposals for a special approach to the debt problems of the poorest sub-Saharan African countries, with provision for extended rescheduling and "easy payment" arrangements. It is a specific condition of this approach that all the creditor countries should commit themselves to it. We hope to have made progress in discussions with other countries by the time of the Summit.

Energy

14. We see no need for any statement from this Summit on energy. There may be pressure for something to be said on nuclear safety, following last year's statement on Chernobyl; we could go along with this, so long as it is in a form which creates no embarrassment for us either in relation to Sizewell or in relation to the disposal of nuclear waste. It has been suggested that the United States may argue for a commitment to hold increased stocks of oil, for price and market stabilisation reasons; if there is any such pressure, we shall seek to resist it.

Environment

15. The Summit will be able to welcome a report by experts (commissioned at previous Summits) on the improvement of standards and techniques of environmental measurement. It is agreed that further work on this should be carried forward in existing agencies; there is no proposal for further work in a Summit framework.

16. The economic declaration will no doubt need to contain a renewed commitment to respect the needs of the environment in encouraging industrial and technological development. We shall keep a watchful eye on the drafting of any such statement, and may need to be ready to contribute a text of our own, so that the statement that emerges is one which we can accept.

Political Issues

17. The Italian Presidency do not envisage any general political declaration from the Venice Summit. It would be difficult to find anything to say that was not a repetition of the sentiments expressed in the Bonn and Tokyo declarations, and

we should be content to accept the Presidency's view. But there will no doubt be declarations or statements on particular issues.

18. The Summit will be an occasion at which Heads of State or Government can exchange views on East/West relations and arms control; your colleagues will be looking forward to a first-hand account of your meetings with Mr Gorbachev. It may by then seem desirable that the Summit should welcome the developments in arms control negotiations and look forward to a Reagan-Gorbachev summit, but it is as yet too early to foresee that. If a statement were felt to be useful, we should hope to have less difficulty than in previous years in finding a text acceptable to the French. But any statement would need to take account of the fact that NATO Foreign Ministers will be issuing a communiqué covering the same subjects two days later in Reykjavik.

19. As you know the United States Government have been working on a possible draft statement of principles for bringing about change in South Africa. The Foreign and Commonwealth Secretary has told Mr Shultz of our reservations about this, and we understand that the President may also have reservations. The Canadians have given notice that their Prime Minister would put first priority on the question of apartheid in South Africa, with a statement which would condemn apartheid, set out steps to hasten the process of change, and encourage the South African Government to discuss the country's future with black leaders. His proposals may include a Summit High Level Group which could keep up pressure on the South African Government and establish lines of communication with all parties in South Africa. I suppose that some other Heads of State or Government at the Summit may for their own reasons want to give some degree of support for ideas of this kind. I have already told the Canadian Deputy High Commissioner here that the British Government could not support and would be bound to seek to

This is an economic Summit

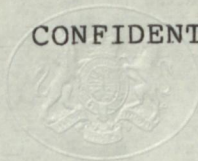
oppose proposals for a Summit statement on South Africa , on these or any lines, and still less the institution of a Summit High Level Group. I have said that, while you would be prepared to include Southern Africa among the subjects to be covered in the private discussions of Heads of State or Government and of Foreign Ministers at the Summit, we see no role for the Summit as such to adopt a public position or to undertake any kind of institutional initiative on the matter, and we believe that any statement on the lines envisaged could only be inopportune and could well be counter-productive. I propose, if you agree, to continue to follow this line. The Foreign and Commonwealth Office have in the meantime instructed relevant posts to Lobby against the idea of issuing a statement.

Yes emphatically

20. On terrorism, a statement on terrorism affecting civil aviation has been prepared. There should also be something on hostage-taking; we have a text which will enable us to contribute constructively to discussions of the need for such a statement and ensure that our requirements are met. At the Summit the discussion of terrorism will presumably fall, as in previous years, to Foreign Ministers.

21. I propose, if you agree, to indicate that you will wish Foreign Ministers to discuss the Middle East and Lebanon and other regional issues, and report to Heads of State or Government. This would not be with a view to any public declaration or statement (unless by then there seems to be a specific need for such a statement from the Summit). But the press will no doubt be told what issues have been discussed.

why?
22. There is general agreement that the Summit will need to issue a statement recognising the significance of AIDS: such a statement could pledge the Summit countries to support for international co-operation, based on the World Health Organisation, in the exchange of information on the spread of AIDS and on the measures being or to be adopted to check it, and



in research into possible vaccines and cures. The statement could endorse the importance of public education campaigns, where the United Kingdom is probably more advanced than any other country. It will be important to avoid any commitment to screening of international travellers, or particular categories of travellers.

23. The Italian Presidency will propose an oral statement on drugs, following up the discussion at last year's Summit. The text proposed (at the end of the thematic paper) is innocuous, and commits the Summit to no new initiatives.

24. The United States may once again seek a paragraph in the economic declaration on co-operation in the manned space station programme. If they do, the French will demand a counterbalancing paragraph on European space effort. We should be prepared to go along with this, provided that it implies no new commitments.

25. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

RIA

ROBERT ARMSTRONG

27 April 1987

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THEMATIC PAPER FOR VENICE SUMMIT

I. INTRODUCTION

1. Since the Tokyo summit, economic performance in the seven nations has shown improvements notwithstanding the persistence of large domestic and external imbalances. Average inflation rates and inflation differentials have come down. Growth is continuing into its fifth consecutive year. Interest rates have declined significantly. Exchange rate changes have occurred among leading currencies which will contribute to a more sustainable pattern of current account positions; in volume terms the adjustment of trade flows is underway.

Some progress can be seen also in the situation of the developing world where there has been substantial external adjustment coupled with accelerating growth in the non-oil LDCs. Debt service ratios, which worsened in 1986, are tending to move lower and new financing needs have been reduced.

These developments have occurred in the context of a world economy characterized by greater complexity and stronger interactions between regions and countries as regards growth, trade and finance.

Since Tokyo there is a stronger consensus among the Summit Nations that such interactions call for "close and continuous coordination of economic policy" with a view to ensuring consistency across Countries and ultimately achieving greater convergence of economic performance. It is recognized, however, that no easy solutions are available, in a more interdependent world, for designing a configuration of compatible policies to achieve a plurality of interconnected objectives and obtaining quick results. The commitment to intensify policy coordination in order to promote global growth and reduce existing imbalances has been reaffirmed in the context of the group of seven meetings at the Louvre and in Washington. There is a consensus that a more stable exchange rate is an essential condition for the attainment of such goals in recognition of the fact that further major shifts in exchange relationship could damage growth and adjustment prospects in the Summit Countries and in the world economy. The credibility of the strategy which has emerged since Tokyo would require swift implementation of the undertakings by

the Countries concerned. This would certainly reduce the risk of recurrent turbulence in currency markets.

2. This year, according to the forecasts recently released by International Organizations involving a further downward revision, domestic demand in the Summit Countries should slow to rates below three percent and output should grow at roughly the same rate as in 1986, two and half percent.

The positive feature of the outlook is that growth, albeit at lower rates, will continue for a fifth year without a resurgence of inflation. The expected slowdown of domestic activity in the industrial world, however, will lower the prospects for developing Countries to grow, find the markets they need and service their foreign debt.

3. The current situation of the world economy is thus characterized, together with many positive factors also by the persistence of major imbalances which can be corrected only over the medium term. These, however, need to be tackled without delay and with determination in order to avoid the great risks they entail for growth and stability. The imbalances include:

- continuing large disequilibria in current payments and associated net foreign positions between the major Countries which represent a permanent threat to the stability of the international monetary system;
- persisting high unemployment rates - particularly in Europe - especially among the young and those out of work for long;
- large public sector deficits in the US, Italy and some other Countries;
- high real interest rates, generally in excess of growth rates;
- continuing trade restrictions and growing dangers of an intensification of protectionism;
- the persistence of a large debt overhang for many developing Countries;
- the continuing weakness of commodity markets with the prospectus of further deterioration in the terms of trade of primary producing Countries.

II. BASIC TASKS AND POLICY ACTIONS BY THE SUMMIT COUNTRIES

1. POLICY COORDINATION FOR SUSTAINED GROWTH AND EXTERNAL ADJUSTMENT.

1.1. Summit Countries should reaffirm that the correction of world payments imbalances is the key medium-term priority and that continuing and sustained non-inflationary growth worldwide is essential for the process of international adjustment to be more effective and its burden more evenly shared. Such developments would also contribute importantly to the reduction of unemployment, the improvement of the LDCS external debt situation and the alleviation of world trade tensions.

1.2. Summit Countries should stress their determination to play a central role in a cooperative effort to sustain economic activity worldwide. While recognizing that the correction of payments imbalances will be a difficult process, which cannot rest solely on exchange rate changes, summit countries should commit themselves to following policies aimed at achieving the needed differentials in domestic demand. Surplus countries should design their macro-policies to support domestic expenditure, while deficit countries should focus on reducing their fiscal and external imbalances.

In recognition of the fact that the pursuit of worldwide growth must be a collective endeavour, the Summit Nations should call on other industrial countries in Europe and the newly industrialized nations in Asia with large external surpluses, to participate in this effort, by pursuing policies supportive of the common objective of strengthening the prospects of a balanced growth of the world economy.

1.3. Among the Summit Nations, budgetary discipline remains a valid medium-term objective and the reduction of existing public sector imbalances a necessity for a number of them. There is, however, a risk that fiscal positions, which are exhibiting greater convergence than in the past, might lead to a globally contractionary effect this year. Tax reform and other supply policies can provide incentives for investment and help improve resource use. But in addition, Summit Countries should commit themselves to moderating the pace

of budgetary restraint if needed in the light of the evolution of domestic activity, especially in those countries where greatest progress has been made in fiscal consolidation and control of inflation. Summit Countries might review the role of fiscal policy in sustaining growth in this juncture since there seems to be limited scope for further monetary accommodations as monetary policy appears to be overburdened by the goals of supporting activity, managing exchange rates and, where needed, checking inflation.

1.4. Summit Countries should agree on the need to supplement their macroeconomic strategy with effective microeconomic and structural policies to sustain progress towards non-inflationary growth and employment creation which has been insufficient, notably in Europe, to match the increase in the size of the labour force. Summit Countries might stress the need to:

- promote competition and deregulation of business in order to speed up industrial adjustment;
- reduce major imbalances between agricultural supply and demand and gradually adapt agriculture to market conditions;
- promote job creating investment;
- improve the functioning of labour markets through greater mobility and adaptability of the work force, wider wage differentials and more flexible contractual arrangements;
- encourage the elimination of restrictions to capital flows in order to foster international financial integration.

1.5. The cooperative management of economic policies by the Summit Countries should be seen in the context of the Tokyo Agreement on policy coordination and multilateral surveillance. Summit countries might want to stress that they now consider policy coordination as a permanent ongoing process and they fully accept the principle of discipline that it involves. Recognizing that domestic policies have important international repercussions which in turn exert a feedback effect on domestic performance, Summit Countries should reaffirm that the focus for the exercise of coordination should be the compatibility of policies designed to attain sustainable external positions and non-inflationary growth over the medium term.

In the present situation in which there is a need to contain the extent and the impact of the slowdown in economic activity, Summit Countries might want to re-emphasize their commitment to strengthen the process of policy coordination to that end. In this connection they should:

- welcome the report by the finance Ministers on the progress made to date in the management of the International Monetary System and endorse the conclusions they have reached, in particular in the contest of the Group of Seven meetings at the Louvre and in Washington as well as the policy actions undertaken since then (subject to revision in the light of the content of the report);
- invite finance Ministers and Central Bank Governors to consolidate procedures for carrying out periodic collective reviews of policies in force and for the adoption of remedial measures whenever there are significant deviations from the intended policy course;
- agree that the process of policy coordination should be based on the regular use of indicators of economic policies and performance;
- welcome the work done by the IMF to analyze and refine the instruments for effective surveillance, focusing attention on inconsistencies in national policies among the larger countries.

2. STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM

2.1. Summit Countries should fully support the successful outcome of the new round of multilateral trade negotiations and reaffirm their political commitment to join efforts in order to achieve further liberalization and expansion of world trade to the benefit of all countries. To this end it will be essential to reverse the erosion of the GATT system through an effective strengthening of the multilateral trading system based on its principles and rules.

2.2. Recognizing the interrelationship between growth, trade and development, Summit Countries should underline the importance of a supportive international environment, and notably of an improved functioning of the International Monetary System, sustained growth and the reduction of the debt burden and external imbalances.

Summit Countries should underline that in volume terms the adjustment of trade flows is underway. Frictions arising out of large bilateral imbalances should be reduced by the adoption

of measures to open markets and stimulate economies, not by import restraints or deflation.

2.3. Summit Countries should also stress that the objective of further trade liberalization demands a strong effort by industrial and developing countries alike to promote effective structural adjustment.

2.4. Summit Countries should endorse fully the commitment to adopt appropriate policies and concrete measures in compliance with the principles of standstill and rollback which have been reaffirmed in the ministerial declaration on the Uruguay round. Protectionist pressures must be met vigorously and overcome. They look forward favourably to the eventual inclusion of trade in services under the GATT discipline and to the expansion to new areas such as those of investments and intellectual property.

2.5. On the basis of the ministerial declaration on the Uruguay Round, Summit Countries should also consider favourably the possibility of a mid-term review of the progress which has been achieved at an early stage. To this end a meeting of the TNC at ministerial level might take place in the fall of 1988.

(following paragraphs from 2.6 to 2.12 to be reviewed in the light of the OECD ministerial session)

2.6. Concerning agriculture, Summit Countries acknowledge that the global structural imbalance between supply and demand reflected in depressed world market prices and tensions among producing and exporting countries, has its root not only in stagnating demand and rapidly increasing productivity, but also in domestic support policies sheltering producers from market realities and delaying the necessary structural adjustments.

They should also acknowledge the collective responsibility for this imbalance and for the search for equitable solutions. The improvement of the functioning of the International Monetary System will facilitate the prospects for the reduction of these imbalances.

2.7. Summit Countries should recognize that a durable improvement of the situation in international agricultural markets requires concerted adjustments of domestic agricultural policies worldwide. Such adjustments should aim at exposing increasingly producers more directly to market signals.

These adjustments should primarily consist in a gradual and balanced reduction of direct and indirect support without excluding other means such as production control by quotas or set-aside programs. Each country or group of countries should be able to retain flexibility with regard to the measures to be adopted.

2.8. Attention should also be paid to the measures aimed at strengthening the demand side and developing alternative or complementary activities in rural areas.

2.9. Adjustment of agricultural policies cannot ignore the contribution the farming population provides to society, to a balanced regional development and to the protection of the environment. Income support should be granted only to sustain revenues of low income farmers and of those living in less favoured regions.

2.10. Summit Countries should appreciate the work carried out by the OECD in the framework of the 1982 ministerial mandate, the report of the Secretary General following the invitation of the Tokyo Economic Summit, and should invite the OECD to further develop and regularly update this work.

2.11. Summit Countries should strongly reaffirm their belief that the above mentioned changes of domestic policies will give strong impulse to the successful negotiations of the Uruguay Round.

Underlining the importance of the fact that a number of countries and the European Community have already begun to implement adjustments of their agricultural policies, Summit Countries should agree that credit should be given to earlier and current unilateral adjustment efforts.

2.12. Recognizing that any agreement on gradual adjustment in domestic policies will not have immediate effects, Summit Countries, in order to improve the climate for negotiations in the Uruguay Round,

share the view that there is a need for an understanding among OECD countries on some immediate action including:

- a commitment to refrain from measures which aggravate the existing imbalance between supply and demand;
- a commitment to abstain from aggressive subsidization of exports ("ceasefire") and to improve stabilization of international prices and markets;
- an understanding on the need for a responsible management and disposal of surplus stocks.

3. THE DEBT STRATEGY

3.1. Summit Nations should reaffirm that they see no alternative to the present growth-oriented strategy launched following the US initiative of October 1985. Such strategy calls for a cooperative approach by all concerned parties in an effort to alleviate on a case-by-case basis the strains on debtor countries and to re-establish normal relations with financial markets and institutions.

Three elements are needed to this end: a supportive world economic environment; the pursuit of domestic structural reforms in debtor countries; the provision of adequate external finance.

All parties have a role to play in the strategy: first of all the debtor countries themselves, as they bear a primary responsibility for the restoration of their creditworthiness, but also the commercial banks and the international financial institutions, which will continue to be the main sources of financing for indebted countries.

3.2. In this context Summit Nations should reiterate their commitment to create a supportive environment through policies to promote sustained growth and the expansion of world trade, low interest rates, open markets, increased flows of finance.

3.3. The debt strategy has proved to be a flexible and effective framework for a number of agreements which through a combination of adjustment measures, debt reschedulings and provision of new money has allowed some resumption of growth and correction of imbalances, despite unfavourable developments in export earnings.

Progress in implementing the strategy, however, has been uneven and there is a need to adapt and strengthen its framework, taking account of new needs and instruments.

3.4. Summit Countries should stress that progress in restoring credit worthiness has been limited in some important cases, where there is still lack of adequate policies of structural adjustment and growth designed to encourage the efficient use of domestic savings and the repatriation of flight capital. On the other hand, there is a need to restore the conditions for a resumption of spontaneous lending by commercial banks which continues to be insufficient.

3.5. In this context, Summit Countries should encourage commercial banks to develop new and flexible financing techniques designed to alleviating the debt-servicing burden including lower spreads on new or rescheduled loans, exit bonds, debt-to-equity swaps.

Summit Countries should also review the adequacy of differing tax provisions as well as of regulatory and supervisory structures in the area of international bank lending.

3.6. Summit Countries should strongly support the activities of international financial institutions, including regional development banks. These may be called to play an expanded role in the light of lower-than-expected growth in the world economy and of LDCS' export markets, of worsening terms of trade for primary producers and of a shortfall in financing to LDCS from private sources.

Such additional support should be made available on a selective basis and in connection with programs of structural adjustment.

In particular, Summit Countries might:

- note with satisfaction the contribution made by the replenishment of IDA VIII;
- recognize the positive role played by the IBRD through its increased lending activity with special reference to its quick-disbursing loans;
- make progress towards an agreement on general capital increase of the IBRD;

- promote closer cooperation between the IBRD and the IMF in their structural adjustment loans and facility.

3.7. Summit Countries should encourage measures aimed at promoting non-debt-creating capital flows, especially direct investment: the newly established MIGA can play significant role in this context.

3.8. Summit Countries should further support growth oriented strategies in developing countries by:

- increasing official development assistance, particularly to the poorest countries;
- recognizing the importance of necessary flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programs;
- supporting longer repayment and grace periods in official rescheduling agreements, possibly also granting exceptional financial relief to highly indebted low-income countries, particularly in sub-saharan Africa.

III. OTHER ISSUES

1. TERRORISM (PROPOSED TEXT BY THE GROUP OF EXPERTS)

Summit Countries should reaffirm their condemnation of international terrorism, in all its forms, of its accomplices and of those, including Governments, who sponsor or support it, and are resolved to further intensify their joint efforts to combat international terrorism (further appropriate opening to take into consideration the political circumstances of the moment).

They should recall that in the 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 refused 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,

they should be jointly resolved that their Governments shall take immediate action to cease all flights to that country.

At the same time, their governments should initiate action to halt all incoming flights from that country or from any country by the airlines of the country concerned.

They should 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.

They should urge other governments to join in this commitment.

2. ENVIRONMENT (BASED ON THE GERMAN PROPOSAL)

As to their previous commitment to preserve a healthy environment and to pass it to future generations, Summit Countries should welcome the report by the environment experts on the improvement and harmonization of techniques and practices of an environmental measurement. Accordingly, they should encourage the United Nations environment program (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 international organization and interested countries, so that continuing progress in this important field can be ensured.

The priority environmental problems identified by the environment experts in their reports should receive full attention.

(ITALIAN PROPOSAL)

Summit Countries, also taking into account the report of the World Commission for Environmental Development (WCED), affirm that the main objective of their action remains a common response to global changes and effective international cooperation in managing environmental development challenges as well as ecological and economic interdependence.

3. ENERGY (PROPOSED TEXT)

Summit Countries should promote the increase of international cooperation in the field of energy particularly in the competent fora.

They welcome the important progress made in the International Atomic Energy Agency (IAEA) and Organization for Economic Cooperation and Development (OECD) in further improving nuclear safety. They urge prompt ratification of the IAEA conventions on early notification and mutual assistance in the case of nuclear accident.

They note with satisfaction that the United States, Soviet Union, Japan and the E.E.C. have started a collaboration in the field of nuclear fusion, under the auspices of IAEA, in order to jointly conduct a conceptual design and support research and development for an international thermonuclear experimental reactor.

4. EDUCATION (BASED ON THE TEXT PROPOSED BY THE JAPANESE PERSONAL REPRESENTATIVE)

Summit Countries should welcome the positive contribution made by the Conference of high level experts on education, held in Kyoto in January 1987, which provided them with an opportunity to deepen their understanding on the importance of education for social-economic development and to deliberate on the future role of education in our society.

5. AIDS (PROPOSED TEXT)

Summit Countries should reaffirm that AIDS is an international problem and at the moment the biggest potential health problem in the world. Control of AIDS will therefore be one of the prime tasks of all the countries concerned. National efforts may and have to be intensified and made more effective by international cooperation and concerted campaigns to prevent AIDS from spreading further. Such campaigns will have to be based on common principles and objectives and will have to ensure that the measures taken are in accordance with general principles and human rights.

In this connection Summit Countries should agree that:

- they will promote further cooperation for basic and clinical studies on prevention and treatment and exchange of information. They welcome and support joint action of researchers in the Summit Countries (as in the case of the French-American program, which has to be further enlarged) and all over the world for the cure of the disease, the clinical testing on components of the virus, the development of a successful vaccine;

- international cooperation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organizations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organization (WHO) is the best focus for it and all countries should be encouraged to cooperate to the full with the WHO and support its special program of AIDS related activities;

- in the absence of a vaccine or therapy, the best hope for prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted and the practical steps each person can take to avoid acquiring or spreading it. Appropriate opportunities should be used for exchanging information about national education campaign and other domestic policy issues.

6. DRUGS (PROPOSED ORAL STATEMENT BY THE ITALIAN PRESIDENT AT THE PRESS CONFERENCE)

Summit Countries have finally examined a problem affecting people all over the world, particularly young people and their families: the drugs problem which has already caused a tragic loss of human lives. They are committed to fight, to eradicate it and to undertake a global strategy in support of national legislations, aiming to prevent illegal production and commercialization of drugs and to create all necessary conditions for a more effective international cooperation. In this context, they welcome the agreements already reached on bilateral and multilateral basis."