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Economic Summit - London 7/12/91

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Withdrawal/Redaction Sheet

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Paper	Soviet Union at the Economic Summit (2 pp.)	n.d.	(b)(1)	
02. Letter	From Robert B. Zoellick to Nigel Wicks, Second Permanent Secretary H.M. Treasury Re: Recommendations for Draft Theme Paper for Economic Summit (9 pp.)	3/29/91	(b)(1)	
03a. Memo	From Nicholas F. Brady to POTUS Re: G-7 Meeting in London, June 23 - Soviet Issues (3 pp.)	6/25/91	(b)(1)	S
03b. Paper	Re: Individual Country Views [on Soviet Union at G-7 meeting] (2 pp.)	n.d.	(b)(1)	S
04. Memo	Memorandum of Conversation Re: Opening Session of the London Economic Summit, July 15, 1991 (17 pp.)	7/15/91	(b)(1)	S

Page 1 of 1

Collection:

Record Group: Bush Presidential Records
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The 1991 EnviroSummit

**A critical view of the environmental
performance of the G7 governments**

Produced by G7 environmental groups led by:

Friends of the Earth International

World Wide Fund for Nature

The Environmental Defense Fund



WWF World Wide Fund
For Nature



Friends of the Earth

Each policy question can score up to ten points. A score of 10 picks out a pace-setter, while 0 spotlights a foot-dragger.

Each question was weighted to reflect its relative importance.

The marks, expressed as percentages of the total potential score on each set of questions, place the G7 governments in ranked order according to their performance on each issue.

2. GOVERNMENT RANKINGS.

(Please refer to the national reports or end of this volume for the individual questions.)

ATMOSPHERE AND ENERGY

What commitment and programme of action does the Government have to reduce its national greenhouse gas emissions which are not already controlled by international agreement, and in particular CO2 emissions, from present levels by the end of the century and by how much?

1.	Germany	39%
2.	Canada	33%
3.	Japan	31%
4.	Italy	30%
5.	France	29%
6.	USA	27%
7.	UK	24%

SPECIES AND HABITATS

What has the Government done itself and through international lending banks, to reduce the rate of loss of species and natural and semi-natural habitats (in particular tropical rainforests) both domestically and internationally?

1.	USA	57%
2.	Canada	47%
3.	Italy	37%
4.	Germany	36%
5.	UK	29%
6.	France	23%
7.	Japan	15%

WATER AND OCEANS

Does the Government have a comprehensive strategy to control and reduce sources of freshwater and marine pollution and to protect water resources?

1.	Germany	55%
2.	Canada	51%
3.	USA	47%
4.	Japan	46%
5.	UK	42%
6.	Italy	38%
7.	France	28%

TRANSPORT

Has the government introduced or committed itself to a transport policy and investment programme to encourage alternatives to growth in private car use?

1.	Japan	34%
2.	USA	24%
3.	Canada	17%
4.	France	14%
5.	Italy	13%
5.	UK	13%
7.	Germany	10%

LAND USE

What steps has the Government taken to ensure that its domestic land use policy with respect to transport, residential, commercial, industrial, agricultural and forestry development is environmentally sustainable?

1.	UK	31%
2.	USA	26%
3.	Italy	24%
4.	France	23%
5.	Japan	17%
5.	Germany	17%

NB: The questions on this issue are outside the jurisdiction of the Canadian Federal Government.

AGRICULTURE

Does the Government actively promote environmentally sustainable agricultural practices domestically and in bilateral and multilateral foreign aid, trade and lending programmes?

1.	Canada	34%
2.	France	31%
2.	USA	31%
4.	UK	28%
5.	Japan	21%
6.	Germany	20%
7.	Italy	15%

WASTE

Has the Government committed itself to a comprehensive waste and industrial emissions reduction recycling strategy and a phase-out date for all products and processes which result in toxic, persistent and bioaccumulative substances?

1.	Japan	46%
2.	USA	34%
2.	France	34%
4.	UK	30%
5.	Italy	29%
6.	Canada	21%
7.	Germany	12%

GLOBAL RELATIONS

What recent steps has the Government taken to help to alleviate poverty and population pressures, improve energy efficiency, promote CFC substitutes, conserve forests, and assist sustainable agriculture and water management in Eastern Europe and the less developed countries?

1.	Canada	43%
2.	USA	39%
3.	Italy	33%
4.	France	29%
5.	UK	27%
6.	Japan	25%
7.	Germany	16%

PUBLIC RIGHT TO KNOW

What provision does the Government have for making information relevant to environmental protection available to the public?

1.	USA	67%
2.	Canada	54%
3.	France	50%
4.	UK	36%
5.	Italy	29%
6.	Japan	23%
7.	Germany	19%

1 ATMOSPHERE AND ENERGY: USA**SCORE 27%**

The US Government has:

- (i) no target for the control of carbon dioxide or methane emissions;
- (ii) committed itself to reducing sulphur dioxide emissions by 57% from 1980 levels by 2000 and NOx emissions by 30 % from 1980 levels by 2000; and,
- (iii) aimed to phase out CFCs, halons and carbon tetrachloride in line with Montreal Protocol, methyl chloroform earlier, and to control use of HCFCs.

Innovatory schemes for trading permits for SO₂ and NOx emissions have been introduced to provide the economic incentive to realise the reduction goals for acid emissions, together with emission standards for vehicles. California and New York have introduced more stringent additional controls on vehicle emissions.

Plans for controlling CFCs and other ozone depleting substances are in place, and relatively advanced on methyl chloroform and HCFCs. However, the final phase out date of 2000 for the most important ozone depleting gases, the CFCs, is slower than the EC.

The Government has expressed significant reluctance to set a carbon dioxide emission control target. This is in spite of having to hand several measures which will assist improvements in energy efficiency (including mandatory minimum efficiency standards for many domestic appliances and support for utility regulations favouring demand-side management) and renewable energy development (through recent increases in R&D budgets). Moreover, many State utility regulations are now independently insisting on the incorporation of environmental externalities into planning for the electricity sector.

However, in spite of detailed advice to the contrary, the official National Energy Strategy allows for a significant increase in energy use and recognises only half of the officially estimated cost-effective potential for improving energy efficiency. Where it has acted, the White House has tended to intervene to support further energy production rather than improved energy efficiency.

1991 ENVIRONMENTAL SCORECARD RESULTS:

Issue 1: Atmosphere & Energy

Qu	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
1	3	3	3	6	3	1	2	0
2	2	0	3	2	2	5	3	2
3	2	3	0	3	5	5	2	2
4	1	2	2	5	2	3	2	3
5	3	3	3	2	4	3	2	4
6	2	7	5	6	4	8	3	7
7	2	0	2	0	2	1	2	0
8	1	0	0	0	0	0	0	2
9	3	7	4	8	4	2	4	4
10	2	4	4	3	1	3	2	3
score	210	69	60	81	63	65	50	57
percent		33	29	39	30	31	24	27

1.	Germany	39%
2.	Canada	33%
3.	Japan	31%
4.	Italy	30%
5.	France	29%
6.	USA	27%
7.	UK	24%

1 ATMOSPHERE & ENERGY: What commitment and programme of action does the the Government have to reduce its national greenhouse gas emissions which are not already controlled by international agreement, and in particular CO2 emissions, from present levels by the end of the century and by how much?

1.1 What are the latest available figures for energy use per capita, energy use per GNP unit, and emissions of CO2 per capita?

1.2 How have these indices changed over the last 5 years and can these changes be linked to Government policies? How does this relate to identified potential for reduced energy use (particularly in Government-sponsored reports)?

1.3 To what extent has the Government identified the potential for energy saving, highlighted the obstacles to achieving this and taken active steps, including setting a timetabled target and introducing a programme for improving energy efficiency nationally and by sector, to overcome them?

1.4 What have been the trends in the Government's energy efficiency and renewables research and development budget over the last 5 years, as a share of its total energy research budget, and as a share of total energy expenditures?

1.5 Has the Government adopted and effectively applied energy efficiency standards for: motors; appliances; lighting; boilers; buildings; and other energy-using technologies? How do they compare with the technical potential for improvements? Have these standards been improved since July 1990 and are there plans to make them more stringent?

1.6 What are the current figures and trends over 5 years in annual per capita emission levels of other major energy related pollutants for:

- SO2 emissions per capita
- NOx emissions per capita

- has the Government set targets and introduced measures to reduce emissions of these pollutants?

1.7 Does the Government have a programme to correct energy pricing and subsidies to ensure that the full social costs of energy production and use are reflected in energy prices?

1.8 Does the Government have a programme to implement the practice of least cost planning or 'integrated resource planning' for energy utilities in law and practice?

1.9 Has the Government committed itself to (a) a timetable for phasing out all ozone depleting chemicals covered by the Montreal London Protocols in advance of the deadlines set by those protocols and (b) a timetable for phasing out all other ODCs?

1.10 What are the current emission levels of the other main greenhouse gases:

- methane (CH₄)
- nitrous oxide (N₂O) and

has the Government a programme to reduce emissions of these gases, with plans to introduce more stringent controls?

2 SPECIES AND HABITATS: USA**SCORE 57%**

The US Government has strengthened habitat and species protection, both nationally and internationally, through a number of policy initiatives, but actual implementation of domestic conservation legislation has occasionally been notably lacking:

- * Measures provided for in the Clean Water Act Permit Programme, the Wetland Reserve Programme and the Coastal Wetland Protection, Planning and Restoration Act offer the potential to reduce destruction of US wetlands, although alterations to the criteria for delineation of wetlands threaten to weaken federal jurisdiction. The Clean Water Act has also been used on a number of occasions to protect riverine systems.

- * A 1990 strengthening of the Coastal Zone Management Act offers the potential to improve protection of near-shore coastal systems, and the Florida Keys National Marine Sanctuary has been signed into law, thereby addressing the threats to the US's most important coral reefs. However, resources to effectively implement the Sanctuary provisions have not yet been committed.

- * Budgetary support for implementation of the endangered species programme has been increased, although it is still inadequate.

- * Numerous areas have been designated for protection under the MAB Programme and Ramsar Convention.

Although improvements in the management of old-growth Pacific Northwest forests have occurred, direct incentives to protect or restore primary forests remaining on public lands have been minimal. Forest conservation activities are not a priority within increasing budgets for the Fish and Wildlife Service; old-growth forests continue to decline at 4% per year. With the exception of certain measures in respect of the Tongas National Forest, the Federal Government has taken few steps to protect wildlife habitats in areas not designated for nature conservation.

The US Foreign Assistance Act establishes strict requirements to ensure that US bilateral assistance protects tropical forests and biodiversity, whilst the US Agency for International Development (AID) has developed an 'early warning system' in respect of potentially environmentally damaging multilateral development bank (MDB) projects.

In international fora, particularly on the boards of the MDBs, the US has adopted a largely laudable and proactive conservation stance. Treasury Department instructions have prohibited US support for two controversial MDB loans for forest development projects in West Africa, and the US

Executive Director to the World Bank has been in the forefront of moves to develop a new Forest Policy. Funding for Tropical Forestry Action Plan coordination activities has been suspended, whilst support for fundamental reforms of the TFAP has been offered. The Treasury has also developed guidelines for MDB funding of projects with potential adverse effects on wetlands, although AID programmes continue to threaten these ecosystems in developing countries. Whereas the US was originally the leading proponent of a legally binding agreement on the conservation of forests, it is now in favour only of an agreement of principles in time for UNCED 1992.

1991 ENVIROSUMMIT SCORECARD RESULTS:

Issue 2: Species and Habitats

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
1	2	5	3	3	3	2	3	5
2	1	4	3	3	4	1	2	6
3	2	4	1	2	3	2	4	6
4	2	4	4	6	2	2	2	3
5	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6	3	6	3	4	5	0	2	8
7	1	4	0	6	4	3	3	8
8	1	6	0	0	2	2	5	7
9	1	3	2	5	4	3	2	3
10	2	5	2	3	5	1	4	5
score	150	71	34	54	55	23	44	86
percent		47	23	36	37	15	29	57

1. USA 57%
2. Canada 47%
3. Italy 37%
4. Germany 36%
5. UK 29%
6. France 23%
7. Japan 15%

2 SPECIES & HABITATS: What has the Government done to, and through international lending banks, to reduce the rate of loss of species and natural and semi-natural habitats (in particular tropical rainforests) both domestically and internationally?

2.1 Has the Government recently adopted, or strengthened any regulatory or economic incentives programme, increased its level of budgetary support or used international institutions to protect and/or restore domestic:

- inland and coastal wetlands
- other near-shore coastal ecosystems
- endangered species habitats
- primary or old growth forests
- rivers and estuaries
- coral reefs?

2.2 What proportion of sites meeting criteria for designation as protected sites under international conventions have been so designated?

2.3 What proportion of sites designated for nature conservation by the Government have been lost or damaged in the last 5 years? What steps has the Government taken to improve protection for wildlife in non-designated sites?

2.4 Has the Government implemented an effective domestic forest conservation programme, with increased budgetary support, to protect any remaining primary forests and restore significant areas of forest cover? What measures has the Government introduced to protect existing domestic woodland of wildlife value; is its area declining and if so, by how much?

2.5 What quantity of tropical timber has the country import annually for the last 3 years (a) in total and (b) per capita?

2.6 What significant steps has the Government taken (a) on its own and (b) by directing its representatives to the multilateral development banks, to oppose any proposed development projects that would lead to the destruction of primary tropical forests?

2.7 Does the Government require bilateral aid agencies to set standards designed to prevent the agencies from funding projects in the tropical forested countries that would lead to the destruction of the forests or the loss of biological diversity?

2.8 What steps has the Government taken to ensure that the Tropical Forestry Action Plan is reformed?

2.9 What active steps has the Government taken in the pursuit of a legally binding international agreement to promote the conservation of the world's forests?

2.10 Has the Government taken significant steps on its own, through treaty implementation or through its role in multilateral development banks to protect and restore in other countries:

- inland and coastal wetlands
- other near-shore coastal ecosystems
- endangered species habitats
- primary or old growth forests
- rivers and estuaries
- coral reefs
- Antarctica?

3 WATER AND OCEANS: USA

SCORE 474

The U.S. record on protection of fresh water and marine systems is a variable. Where the U.S. is party to international agreements, implementation and compliance is often good, but with some notable exceptions, such as the off-shore incineration of contaminated wood debris. Some opposition to proposals for international bans (e.g. on sludge dumping, industrial waste) has also been noted. Disposal of waste outside U.S. waters is not restricted - even in those cases where it would be prohibited within U.S. territorial waters.

Quality criteria are not always strict enough to sufficiently protect the aquatic environment so that rules which might be thought to ban or limit disposal into water are often ineffective.

Although some research is under way to reduce incidental fishing, the current fisheries policies are not adequate enough to protect stocks. Inconsistency is also evident in that the use of drift nets in the Pacific is being discouraged, but tolerated in the Atlantic.

Apart from monitoring toxics for the purposes of assessing compliance with legal permits, the gathering of baseline data has not been conducted vigorously or coordinated between various regulatory agencies.

1991 ENVIROSUMMIT SCORECARD RESULTS:

Issue 3: Water & Oceans

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
1	3	10	2	8	4	8	3	7
2	3	5	3	9	2	9	4	8
3	1	4	2	7	6	2	4	7
4	1	3	4	9	2	3	5	2
5	3	4	*	3	2	5	3	3
6	3	3	3	4	5	3	5	4
7	2	5	2	4	6	5	6	3
8	3	6	5	4	6	0	5	5
9	3	2	2	7	3	5	5	3
10	3	7	3	3	3	1	3	4
score	250	128	61	138	95	114	105	117
percent		51	28	55	38	46	42	47

1. Germany 55%
2. Canada 51%
3. USA 47%
4. Japan 46%
5. UK 42%
6. Italy 38%
7. France 28%

* insufficient data was available to provide a score; the weighting for this question was disregarded in calculating the percentage.

3 WATER & OCEANS: Does the Government have a comprehensive strategy to control and reduce sources of freshwater and marine pollution and to protect water resources?

3.1 Is the Government in breach of any international laws regarding the protection of the marine environment?

3.2 Is there an effective system of control and enforcement of the MARPOL convention and have fines sufficient to deter polluters been imposed for illegal discharges of oil and other substances?

3.3 Does the Government still permit the dumping of waste materials direct to the oceans and is it committed to ending the practice by what target date?

3.4 Has the Government set a timetable for a stated reduction in discharges of persistent toxics to the marine environment? Does this timetable require a specific percentage target reduction by 2000?

3.5 Has the Government set reduction targets to limit water-borne and air-borne pollution of near-shore coastal waters?

3.6 Has the Government ratified the Basel Convention and supported the London Dumping Convention resolution to prevent the export of hazardous wastes for ocean disposal by non-member countries?

3.7 Beyond national zones of jurisdiction, does the Government have a programme to ensure that corporations are not discharging or dumping hazardous or toxic substances in other countries' coastal waters or in the high sea?

3.8 Has the Government promoted and participated in regional agreements providing special protected status to sensitive marine ecosystems?

3.9 Does the Government produce reliable baseline information about total loadings of metals, organics, nutrients and other pollutants entering its estuaries and other near-shore coastal waters or an adequate programme to develop it?

3.10 Does the Government's fisheries policy take nature conservation aspects (including protection of non-commercial species, effects on the ecosystem as a whole) into account?

4 TRANSPORT: USA

SCORE 244

There is no federal Government policy of reducing private car kilometers travelled, although some states are setting targets.

Catalytic converters have been required on US automobiles since 1975. The 1990 Clean Air Act Amendments further strengthen standards and give states the option of adopting the more stringent California standard, thereby putting off from 2005 to 2015 the time when total vehicular emissions will start increasing again. States with sub-standard air quality are also explicitly required to implement transportation control measures to help reduce smog-forming emissions.

The U.S. Government has not set an upper limit on traffic growth over the next ten years. Vehicle kilometers have been increasing between 2.5 and 3% each year during the last decade, resulting in rising CO2 emissions. Fuel efficiency standards ensure a current corporate-wide average of 11.6 kilometers per litre (kmpl) (27.5 mpg). However, the Corporate Average Fuel Efficiency (CAFE) standards have not been strengthened since 1975, and the Administration has opposed any strengthening of the CAFE standards.

Over the last ten years, the proportion of funds allocated for mass transit has declined significantly. The Urban Mass Transportation Administration's budget lost 37% of its buying power, while Federal Highway Administration funding increased 23% over inflation. The Administration's Transportation bill is expanding the size of the national highway system to 240,000 kilometers (150,000 miles). Over 60% of federal funds are for this purpose.

The Administration is proposing to cut the percentage of the budget allocated to mass transit even further over the next five years, whereas a Senate bill would expand federal commitments to mass transit and allow local governments more flexibility in spending federal transportation dollars on mass transit.

Federal petrol taxes in the U.S. are very low compared to other industrialized countries and do not reflect environmental costs.

The federal Government has nationally applicable speed limits of 88 kilometers per hour (kmph) (55 mph) in urban areas and 105 kmph (65 mph) outside urbanized areas.

1991 ENVIRONMENTAL SCORECARD RESULTS:

Issue 4: Transport

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA	
0									
1	1	0	3	0	2	1	0	2	
2	3	0	0	1	2	0	0	1	
3	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
4	3	2	0	0	0	5	0	2	
5	2	n/a	3	0	0	0	1	1	
6	3	n/a	1	3	1	4	3	2	
7	3	0	0	0	3	1	3	2	
8	2	9	3	2	0	2	2	1	
9	2	9	5	3	2	10	0	6	
10	2	n/a	1	0	3	8	2	6	
score		210	24	30	22	28	71	28	51
percent			17	14	10	13	34	13	24

1. Japan 34%
2. USA 24%
3. Canada 17%
4. France 14%
5. Italy 13%
5. UK 13%
7. Germany 10%

n/a: The questions on this issue are outside the jurisdiction of the Canadian Federal Government.

4 TRANSPORT: Has the Government introduced or committed itself to a transport policy and investment programme to encourage alternatives to growth in private car use?

4.1 Does the Government have a policy to reduce private car kilometres travelled?

4.2 Has the Government set an upper limit on traffic growth over the next 10 years and what measures has it introduced as a result?

4.3 What are the (a) most recent annual data; (b) trend over 5 years; and (c) projected 10 year trends in transport sector emissions for

- vehicle kilometres in total
- carbon dioxide (CO₂)
- nitrogen oxides (NO_x)
- carbon monoxide (CO) and
- hydrocarbons

in (a) total and (b) as percentage increases over the last five years?

4.4 What vehicle fuel efficiency standards are currently in force? Has the Government upgraded these standards in the last year?

4.5 Has the Government reviewed and reduced its road building programmes to take into consideration the effect of infrastructure provision on traffic growth?

4.6 What is the level of the Government's total and per capita direct public transport infrastructure investment? What has been the recent trend over 5 years and what future plans have been announced?

4.7 Does the Government provide incentives to local authorities to curb the growth in private car use and increase provision of alternatives?

4.8 Has the Government introduced a fuel pricing policy and taxation of private car use to reflect its full environmental costs?

4.9 Has the Government introduced specific measures to speed the take up and retrofitting of catalytic converters?

4.10 What speed controls for motorways and extra-urban driving to increase fuel efficiency and reduce pollutant emissions has the Government introduced?

5 LAND USE: USA**SCORE 264**

The U.S. Government has not taken any direct steps to ensure that land use and transport planning are integrated to reduce travel. Federal highway investments continue to foster spread-out development and on balance, the Administration's Surface Transportation Bill will continue this trend. Cumulatively, U.S. policies have fostered the spreading out of development.

Indeed, the U.S. Government avoids legislative programmes that have express impacts on the use of privately owned land. However, several programmes under the Food Security Act (1985) have reduced the impact of changes to agricultural use, particularly with regard to wetlands and lands susceptible to erosion.

Despite a continuing slow increase in the number of protected areas, many are threatened by development, notably for minerals or energy supply, or by unsustainable rates of timber-cutting subsidized by the Forest Service.

Environmental Impact Assessment (implemented since 1970) has had positive benefits in the industrial sector, although recent supreme court rulings have weakened the requirements.

The provisions for public consultation and input regarding land use changes are substantial, but have not been improved recently.

1991 ENVIOSUMMIT SCORECARD RESULTS:

Issue 5: Land Use

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
0								
1	2	n/a	1	0	2	0	2	0
2	1	n/a	3	0	0	2	1	2
3	2	n/a	3	3	4	0	4	2
4	2	n/a	4	0	0	0	3	2
5	1	n/a	1	0	0	0	1	2
6	1	n/a	0	0	0	1	1	3
7	2	n/a	1	0	3	1	5	5
8	2	n/a	5	3	5	1	5	4
9	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	2	n/a	*	7	4	9	2	3
score	150	0	30	26	36	25	47	39
percent	-		23	17	24	17	31	26

- | | | |
|----|---------|-----|
| 1. | UK | 31% |
| 2. | USA | 26% |
| 3. | Italy | 24% |
| 4. | France | 23% |
| 5. | Japan | 17% |
| 5. | Germany | 17% |

n/a: The questions on this issue are outside the jurisdiction of the Canadian Federal Government.

* insufficient data was available to provide a score; the weighting for this question was disregarded in calculating the percentage.

5 LAND USE: What steps has the Government taken to ensure that its domestic land use policy with respect to transport, residential, commercial, industrial, agricultural and forestry development is environmentally sustainable?

5.1 What steps have been taken, including proposed or newly adopted legislation, to ensure that land-use and transport planning are integrated to reduce travel, particularly to take advantage of existing or proposed public transport systems or to minimize reliance on the single occupant private car?

5.2 Does Government effectively target public infrastructure investments and subsidies to foster such patterns of development?

5.3 What legislation has been introduced in the last 5 years to ensure that changes in land use do not adversely affect or cause the minimum damage to the affected environment? Has this or any existing legislation proved effective in fostering patterns of development that minimize pollution and harm to important land resources?

5.4 What steps have been taken in the land use planning system to ensure that new development is energy efficient?

5.5 What monitoring is carried out to ensure the effectiveness of land use policies in preventing travel growth, reducing land take and pollution, and protecting special sites?

5.6 Has the introduction of Environmental Assessment legislation been accompanied by an attributable reduction in: the development of protected areas; the growth of travel; land take; or pollution? What are the reductions?

5.7 What legal provision is there for public consultation over significant land use changes and has this procedure been strengthened recently?

5.8 What is the trend over 5 years for the number and size of protected areas? What percentage of the protected area is threatened by development and how much is lost each year?

5.9 What changes have there been in the last 5 years in the areas of:

- arable and cropland;
- un-improved grasslands
- semi-natural habitats
- wooded areas
- urban and housing development
- road development
- mineral workings.

5.10 What proportions of urban land are derelict and what measures has the Government taken to promote reuse of derelict land and prevent future dereliction?

6 AGRICULTURE: USA**SCORE 314**

The U.S. Government has not adopted specific targets for the reduction of nitrate and pesticide use. The 1990 Farm Act authorised a programme to pay farmers in sensitive water quality areas to implement management practices that would reduce agricultural impacts on water quality. However, the budget for the programme was only enough to enroll 100,000 acres for three years.

The U.S. has no specific targets for organic or less intensive farming. However, both the 1985 and 1990 Farm Bills authorised research into "low input sustainable agriculture" (LISA) practices. LISA research represents only a small fraction of the total federal agricultural research budget.

Measurements of soil erosion on agricultural lands in the U.S. are compiled, analysed and published every five years, as part of the National Resource Inventory. The 1985 Farm Act required all farmers who receive agriculture subsidies to develop a plan to control excess soil erosion on their lands by 1990, and to implement these plans by 1995.

The United States does not prohibit exports of banned pesticides and does not require countries importing hazardous pesticides to formally consent to such imports. The U.S. Agency for International Development has formed advisory committees on sustainable agriculture, and drafted sustainable agriculture policy guidelines. Overall, however, sustainable development programmes constitute a minor portion of total foreign development assistance.

1991 ENVIRONMENT SCORECARD RESULTS:

Issue 6: Agriculture

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
0								
1	3	4	1	3	2	2	3	4
2	2	2	5	0	3	3	3	3
3	2	5	5	3	1	2	2	3
4	1	3	3	0	0	4	3	0
5	3	0	4	0	0	0	2	2
6	3	5	4	3	2	2	1	6
7	1	n/a	3	3	0	2	4	4
8	2	5	3	4	0	0	4	5
9	3	5	1	0	3	7	4	0
10	3	2	3	4	2	0	3	3
Score	230.75	71	47	35	49	64	71	
percent		34	31	20	15	21	28	31

1.	Canada	34%
2.	France	31%
2.	USA	31%
4.	UK	28%
5.	Japan	21%
6.	Germany	20%
7.	Italy	15%

6 AGRICULTURE: Does the Government actively promote environmentally sustainable agricultural practices domestically and in bilateral and multilateral foreign aid, trade and lending programmes?

6.1 Has the Government adopted specific programmes to achieve environmentally sensitive domestic agricultural practices throughout the farmed area including specific targets for: the reduction of nitrate and pesticide use, soil erosion, protection of wildlife and landscape features?

6.2 Has the Government introduced specific regulations and market incentives to reduce and prevent the impact of chemical-intensive agriculture on surface and ground water?

6.3 Does the Government sponsor research on agricultural practices specifically designed to reduce adverse environmental impacts of agriculture? What percentage of the Government's agricultural research and development budget is spent on such research, and how has this percentage changed in the last 5 years?

6.4 Has the Government measured and published data on agricultural emissions of greenhouse gases? What are the most recent figures and has the Government committed itself to and introduced a timetabled programme to reduce such emissions?

6.5 What are the Government's timetabled target for (a) organic and (b) less intensive farming? What measures are in place to secure these?

6.6 Does the country measure soil loss from its agricultural lands? Has the Government adopted specific programmes and targets to reduce excess soil loss from agricultural lands, and to reclaim severely eroded lands?

6.7 Does the Government measure loss of farmland to urban and suburban development? What is the trend over the last 5 years? Has the Government increased or relaxed restrictions on the development of prime agricultural lands in the last 5 years?

6.8 Has the Government adopted programmes to identify, protect and enhance natural ecosystems at risk of conversion to agriculture, and to restore natural ecosystems already converted to agricultural production?

6.9 Does the Government prohibit exports of pesticides which have been banned within the country, and does it require Prior Informed Consent from importing countries for pesticide exports?

6.10 Does the Government actively help to promote environmentally sensitive, community-based agricultural assistance to developing countries through its foreign aid, trade and lending programmes?

7 WASTE: USA

SCORE 34%

Waste policies are not well developed in the U.S. and there has been little effort put into waste reduction policies. International and interstate shipments of waste are not prohibited, and state and/or local initiatives are increasing recycling efforts but have had to substitute for the almost complete lack of Federal programmes.

Some indirect tools for waste reduction do exist: for instance, the absolute and retrospective "cradle to grave" liability imposed on producers of waste is a remarkable policy which other countries would do well to adopt. The "Community Right-to-Know" programme requires publication of companies' inventories of toxic releases, enabling citizens to press for waste reduction programmes. On the other hand, more direct waste minimisation programmes do not exist, except perhaps in the Department of Energy's initiatives to reduce the amount of radioactive wastes. Toxicity reduction programmes exist, through the application of "best available technology" to discharges and through strict regulations or bans on some specific chemicals.

1991 ENVIROSUMMIT SCORECARD RESULTS:

Issue 7: Waste

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
0								
1	3	3	4	0	1	5	3	5
2	3	2	3	2	2	4	4	6
3	3	2	5	0	7	4	5	1
4	2	2	2	0	0	4	3	1
5	2	1	3	3	2	6	3	2
6	1	1	4	4	2	8	3	4
7	1	1	5	2	2	5	5	5
8	2	5	3	5	4	6	5	6
9	3	3	3	0	2	5	1	2
10	3	0	3	0	5	2	0	3
score	230	48	79	28	67	105	69	78
percent		21	34	12	29	46	30	34

1. Japan 46%
2. USA 34%
2. France 34%
4. UK 30%
5. Italy 29%
6. Canada 21%
7. Germany 12%

7 WASTE: Has the Government committed itself to a comprehensive waste and industrial emissions reduction or recycling strategy and a phase-out date for all products and processes which result in toxic, persistent and bioaccumulative substances?

7.1 Has the Government adopted an effective policy to promote integrated waste management covering raw materials, manufacturing and use of products, with an absolute and retrospective 'cradle to grave' liability for producers of waste?

7.2 Does the Government have an effective programme to ensure that discharges of sewage to marine environments are subject to biological and nutrient removal treatment?

7.3 Does the Government ban the transboundary shipment of waste except those for which the most part may be recycled and reused in making raw products?

7.4 What quantity of (a) municipal waste per capita and (b) industrial waste per unit of GNP has been produced annually for the last 5 years? Does the Government have a timetabled programme to reduce and/or prevent such waste?

7.5 What is the trend for the proportion of municipal solid waste recycled for the last 5 years? What do recent trends show? Has the Government set timetabled specific targets to increase the proportion, and if so by how much?

7.6 What amounts, in absolute terms, per capita and as a percentage of municipal solid waste of the following are recycled: aluminium; steel; glass; plastics; paper and what do trends in the last 5 years show?

7.7 Does the Government have a policy and programme to achieve a timetabled reduction of the dispersal and releases of persistent toxics to the environment? What percentage by what dates?

7.8 Does the Government require the application of 'best available technology' to control the discharge of polluting materials to the environment?

7.9 Does the Government have a programme of regulations and/or economic incentives to promote the development of substitute products and processes that minimize the generation and dispersal of waste?

7.10 What steps has the Government taken to reduce production of radioactive waste, and how coherent are its plans for radioactive waste management?

8 GLOBAL RELATIONS: USA

SCORE 394

A modest reduction of developing country debt is provided for under the Americas Initiative, but the majority of debt, outstanding to commercial banks, remains unaffected. However, there have been no meaningful measures to address the problem of the environmental impact of structural adjustment programmes.

Environmental reforms of the African Development Bank have been sought as a condition of recent funding replenishment, and the US Executive Directors to Multilateral Development Banks will be required to abstain from supporting proposed projects unless environmental impact assessment procedures are implemented.

The USA continues to deny funds to the United Nations Fund for Population Activities.

The US, through its own Treasury and its powerful role within the World Bank, is encouraging greater focus on energy efficiency in energy sector loans, supports the Global Environmental Facility, and has supported a National Environmental Loan to Poland to assist pollution prevention. It has also supported and provided assistance to developing countries for strengthening environmental institutions and NGOs, which it actively encourages to participate in policy development.

As regards international trade negotiations, in particular GATT, the US is waking up to the environmental implications of removing trade barriers based on scientifically-derived environmental and health standards. However, environmental concerns are typically treated in parallel with trade issues, rather than as a central feature, thereby missing some key concerns such as biodiversity and the position of developing countries.

1991 ENVIROSUMMIT SCORECARD RESULTS:

Issue 8: Global Relations

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA	
1	3	5	6	4	6	6	5	4	
2	2	6	5	3	6	1	2	7	
3	3	7	2	2	1	2	2	6	
4	2	4	2	3	4	3	4	4	
5	2	6	3	0	4	3	4	6	
6	3	2	1	0	1	1	1	4	
7	3	2	0	0	0	0	1	3	
8	3	4	5	3	3	5	2	2	
9	3	2	*	0	6	2	2	2	
10	2	7	4	1	3	2	5	2	
score	260	112	67	41	85	66	69	101	
percent	43	29	16	33	25	27	39		

- | | | |
|----|---------|-----|
| 1. | Canada | 43% |
| 2. | USA | 39% |
| 3. | Italy | 33% |
| 4. | France | 29% |
| 5. | UK | 27% |
| 6. | Japan | 25% |
| 7. | Germany | 16% |

* insufficient data was available to provide a score; the weighting for this question was disregarded in calculating the percentage.

8 GLOBAL RELATIONS: What recent steps has the Government taken to help to alleviate poverty and population pressures, improve energy efficiency, promote CFC substitutes, conserve forests, and assist sustainable agriculture and water management in Eastern Europe and the less developed countries?

8.1 What steps has the Government taken to reduce the net flow of finance from less developed countries to it? Has the Government taken any specific debt alleviation measures on a (a) bilateral or (b) multilateral basis?

8.2 Has the Government used its authority in multilateral development banks to promote environmentally sound investments and to integrate environmental considerations into all of their activities?

8.3 Has the Government actively promoted and monitored the use of thorough environmental impact assessment procedures by multilateral development agencies and does it require that the impacts of structural adjustment policies, on the natural resource base and social sectors, be carefully examined and taken fully into consideration?

8.4 What specific steps has the Government taken to remove obstacles to, and promote, through public and private investment, the transfer of technologies to control and prevent pollution and use energy efficiently in developing countries and Eastern Europe?

8.5 What specific assistance has the Government provided to establish indigenous pollution control industries abroad and develop environmental ministries and non-Governmental structures to protect the environment?

8.6 What steps has the Government taken in its own trading relations and in multilateral negotiations to ensure trading practices consistent with environmentally sustainable development, especially in the Uruguay Round of the GATT?

8.7 What is the Government's policy towards GATT compliance with national programmes designed to protect significant natural resources, such as tropical forests, old growth forests and marine mammals?

8.8 What is the current level of, and trend for the last 5 years in official development assistance expressed as a percentage of GNP?

8.9 Is the Government providing technical assistance to countries where its private sector is operating to ensure compliance with national environmental legislation and standards, or those of the host country where they are higher?

8.10 Does the Government provide technical and financial assistance for family planning? How close does the Government come to providing its GDP-fair share of the estimated total funding needed to achieve UN low-growth projections? Do the Government's foreign policy and assistance programmes support elementary and secondary education programmes for women and if so, at what level?

9. PUBLIC RIGHT TO KNOW: USA**SCORE 67%**

A federal Freedom of Information Act gives public access to federal monitoring data but does not provide for access to state data, which is dependent on the legislation of the particular state. NGO participation in national advisory committees is weak due to the legal process governing formal participation, but the U.S. does support the rights of NGOs to attend international institutional meetings.

An "Environmental Quality" report is published annually, and the procedures and funding for environmental impact assessment are regarded as quite effective. The multilateral development votes are public. Spending on education has increased, and the spending of the U.S. Agency for International Development environment sector has also increased.

Environmental labelling of products is not mandatory except for a few federal schemes such as those that include tropical timbers and tuna fish products. Schemes are being developed in the private sector.

Data on toxic emissions from manufacturing industries is collected and published, but the scope of this could be increased to cover all or more chemicals emitted, the use of chemicals, and currently excluded industries.

1991 ENVIRONMENT SCORECARD RESULTS:

Issue 9: Public Right to Know

	Weight	Can	Fra	Ger	Ita	Jap	UK	USA
1	2	5	1	2	2	1	1	10
2	1	5	9	9	5	7	6	10
3	3	5	4	0	2	1	3	2
4	2	3	7	7	3	5	6	7
5	1	8	5	2	0	7	4	7
6	1	0	0	0	2	0	0	10
7	2	5	6	0	4	2	2	6
8	2	5	7	0	5	1	5	8
9	2	7	5	3	6	1	5	3
10	2	9	6	0	0	2	4	8
score	180	98	90	35	53	41	63	120
percent		54	50	19	29	23	36	67

1. USA 67%
2. Canada 54%
3. France 50%
4. UK 36%
5. Italy 29%
6. Japan 23%
7. Germany 19%

9 PUBLIC RIGHT TO KNOW: What provision does the Government have for making information relevant to environmental protection available to the public?

9.1 Are the coverage and procedures for public participation in Environmental Impact Assessment effective in practice?

9.2 Does the Government issue a detailed state of the national environment report at least once a year?

9.3 Has the Government introduced mandatory labelling schemes to provide consumers with 'cradle to grave' environmental information?

9.4 Has the Government increased its public sector investment in environmental education and research?

9.5 Has the Government increased in absolute terms its financial support for domestic and foreign training programmes designed to improve institutional capacity in the environmental sector?

9.6 Does the Government make its multilateral development votes public?

9.7 Does the Government require the annual publication by industry of data about emissions/discharge of toxic materials into the environment?

9.8 Is there an automatic right of access to all environmental monitoring information submitted to or generated by regulatory authorities?

9.9 Does the Government provide for effective NGO participation in national advisory committees concerned with economic and social issues relevant to the environment?

9.10 Does the Government actively support NGO rights to participate in UN and other international institutions?



London Economic Summit 1991

POLITICAL DECLARATION

STRENGTHENING THE INTERNATIONAL ORDER

1. We, the leaders of our seven countries and the representatives of the European Community, renew our firm commitment to the ideal of a peaceful, just, democratic and prosperous world. The international community faces enormous challenges. But there is also reason for hope. We must reinforce the multilateral approach to the solution of common problems and work to strengthen the international system of which the United Nations, based on its Charter, remains so central a part. We call on the leaders of other nations to join us in that cause.

2. It is a matter for hope and encouragement that the United Nations Security Council, with the backing of the international community, showed during the Gulf crisis that it could fulfil its role of acting to restore international peace and security and to resolve conflict. With the East-West confrontation of the last four decades behind us, the international community must now build on this new spirit of cooperation not only in the Middle East but wherever danger and conflict threaten or other challenges must be met.

3. We believe the conditions now exist for the United Nations to fulfil completely the promise and the vision of its founders. A revitalised United Nations will have a central role in strengthening the international order. We commit ourselves to making the UN stronger, more efficient and more effective in order to protect human rights, to maintain peace and security for all and to deter aggression. We will make preventive diplomacy a top priority to help avert future conflicts by making clear to potential aggressors the consequences of their actions. The UN's role in peacekeeping should be reinforced and we are prepared to support this strongly.

4. We note that the urgent and overwhelming nature of the humanitarian problem in Iraq caused by violent oppression by the Government required exceptional action by the international community, following UNSCR 688. We urge the UN and its affiliated agencies to be ready to consider similar action in the future if the circumstances require it. The international community cannot stand idly by in cases where widespread human suffering from famine, war, oppression, refugee flows, disease or flood reaches urgent and overwhelming proportions.

5. The recent tragedies in Bangladesh, Iraq and the Horn of Africa demonstrate the need to reinforce UN relief in coping with emergencies. We call on all Member States to respond to the Secretary General's appeal for voluntary contributions. We would like to see moves to strengthen the coordination, and to accelerate the effective delivery, of all UN relief for major disasters. Such initiatives, as part of an overall effort to make the UN more effective could include:

(a) the designation of a high level official, answerable only to the United Nations Secretary-General, who would be responsible for directing a prompt and well-integrated international response to emergencies, and for coordinating the relevant UN appeals; and

(b) improvement in the arrangements whereby resources from within the UN system and support from donor countries and NGOs can be mobilised to meet urgent humanitarian needs in time of crisis.

The United Nations would then be able to take the early action that has sometimes been missing in the past. The United Nations should also make full use of its early warning capacity to alert the international community to coming crises and to work on the preparation of contingency plans, to include the question of prior earmarking of resources and material that would be available to meet these contingencies.

6. Since we last met the world has witnessed the invasion, occupation and subsequent liberation of Kuwait. The overwhelming response of the international community in reversing the forcible annexation of one small nation was evidence of the widespread preference for

- taking collective measures against threats to the peace and to suppress aggression
- settling disputes peacefully
- upholding the rule of law and
- protecting human rights.

These principles are essential to the civilised conduct of relations between states.

7. We express our support for what the countries of the Gulf and their neighbours are doing to ensure their security in future. We intend to maintain sanctions against Iraq until all the relevant resolutions of the Security Council have been implemented in full and the people of Iraq, as well as their neighbours, can live without fear of intimidation, repression or attack. As for the Iraqi people, they deserve the opportunity to choose their leadership openly and democratically. We look forward to the forthcoming elections in Kuwait and to an improvement of the human rights situation there and in the region.

8. We attach overriding importance to the launching of a process designed to bring comprehensive, just and lasting peace between Israel and her Arab neighbours, including the Palestinians. Such a peace should be based on UN SCRs 242 and 338 and the principle of territory for peace. We support the concept of a peace conference starting parallel and direct negotiations between Israel and representative Palestinians on the one hand and Israel and the Arab states on the other. We confirm our continuing support for the current American initiative to advance the peace process, which we believe offers the best hope of progress towards a settlement. We urge all the parties to the dispute to adopt reciprocal and balanced confidence-building measures and to show the flexibility necessary to allow a peace conference to be convened on the basis set out in this initiative. In that connection we believe that the Arab boycott should be suspended as should the Israeli policy of building settlements in the occupied territories.

9. We take note with satisfaction of the prospects opened by the restoration of security in Lebanon. We continue to support efforts by the Lebanese authorities to achieve the implementation of the Taif process, which will lead to the departure of all foreign forces and the holding of free elections.

10. We express our willingness to support the development of economic cooperation among the countries of the Middle East on the basis of liberal policies designed to encourage the repatriation of capital, an increase in investment and a decrease in obstacles to trade. Such policies should be accompanied by comprehensive long-term efforts to bring about more stability for the Middle East and the Mediterranean.

11. We welcome the further substantial progress in reform, both political and economic, achieved in the countries of Central and Eastern Europe during the last year and recognise that these gains will need to be maintained through a difficult period of economic transition, including through regional initiatives. We have a strong interest in the success of market reforms and democracy in Central and Eastern Europe and we commit ourselves to full support for these reforms. We also take note of the progress of Albania towards joining the democratic community of nations.

12. Our support for the process of fundamental reform in the Soviet Union remains as strong as ever. We believe that new thinking in Soviet foreign policy, which has done so much to reduce East/West tension and strengthen the multilateral peace and security system, should be applied on a global basis. We hope that this new spirit of international co-operation will be as fully reflected in Asia as in Europe. We welcome

efforts to create a new union, based on consent not coercion, which genuinely responds to the wishes of the peoples of the Soviet Union. The scale of this undertaking is enormous: an open and democratic Soviet Union able to play its full part in building stability and trust in the world. We reiterate our commitment to working with the Soviet Union to support their efforts to create an open society, a pluralistic democracy and a market economy. We hope the negotiations between the USSR and the elected governments of the Baltic countries will resolve their future democratically and in accordance with the legitimate aspirations of the people.

13. It is for the peoples of Yugoslavia themselves to decide upon their future. However the situation in Yugoslavia continues to cause great concern. Military force and bloodshed cannot lead to a lasting settlement and will only put at risk wider stability. We call for a halt to violence, the deactivation and return of military forces to barracks and a permanent ceasefire. We urge all parties to comply with the provisions of the Brioni agreement as it stands. We welcome the efforts of the European Community and its member states in assisting in the resolution of the Yugoslav crisis. We therefore support the dispatch of EC monitors to Yugoslavia, within the framework of the CSCE emergency mechanism. We will do whatever we can, with others in the international community, to encourage and support the process of dialogue and negotiation in accordance with the principles enshrined in the Helsinki Final Act and the Paris Charter for a new Europe, in particular respect for human rights, including rights of minorities and the right of peoples to self-determination in conformity with the Charter of the United Nations and with the relevant norms of international law, including those relating to territorial integrity of states. The normalisation of the

present situation will allow us to contribute to the indispensable economic recovery of the country.

14. We welcome the positive developments in South Africa, where the legislative pillars of apartheid have at last been dismantled. We hope that these important steps will be followed by the de facto elimination of apartheid and improvement in the situation of the most impoverished among the population of South Africa. We hope that negotiations on a new Constitution leading to non-racial democracy will begin shortly and will not be disrupted by the tragic upsurge of violence. All parties must do all that is in their power to resolve the problem of violence. We are concerned that the foundation for a new non-racial South Africa will be undermined by mounting social problems and declining economic prospects for the majority of the population, which have contributed to the violence. There is an urgent need to restore growth to the economy to help reduce inequalities of wealth and opportunity. South Africa needs to pursue new economic, investment and other policies that permit normal access to all sources of foreign borrowing. In addition to its own domestic efforts, South Africa also needs the help of the international community, especially in those areas where the majority have long suffered deprivation: education, health, housing and social welfare. We will direct our aid for these purposes.

15. Finally, we look for further strengthening of the international order by continued vigorous efforts to deter terrorism and hostage taking. We call for the immediate and unconditional release of all hostages wherever they may be held and for an accounting of all persons taken hostage who may have died while being held. We welcome the undertakings

given by governments with an influence over hostage holders to work for the release of hostages and urge them to intensify their efforts to this end. We extend our sympathy to the friends and relations of those held. We reaffirm our condemnation of all forms of terrorism. We will work together to deter and combat terrorism by all possible means within the framework of international law and national legislation, particularly in the fields of international civil aviation security and the marking of plastic explosives for the purpose of detection.

16. This forum continues to provide an invaluable opportunity for representatives from Europe, Japan and North America to discuss the critical challenges of the coming years. But we cannot succeed alone. We call on the leaders of the other nations to join us in our efforts to make a practical and sustained contribution to the cause of peace, security, freedom and the rule of law, which are the preconditions for trying to bring about greater justice and prosperity throughout the world.



London Economic Summit 1991

DECLARATION ON CONVENTIONAL ARMS TRANSFERS AND NBC NON-PROLIFERATION

1. At our meeting in Houston last year, we, the Heads of State and Government and the representatives of the European Community, underlined the threats to international security posed by the proliferation of nuclear, biological and chemical weapons and of associated missile delivery systems. The Gulf crisis has highlighted the dangers posed by the unchecked spread of these weapons and by excessive holdings of conventional weapons. The responsibility to prevent the re-emergence of such dangers is to be shared by both arms suppliers and recipient countries as well as the international community as a whole. As is clear from the various initiatives which several of us have proposed jointly and individually, we are each determined to tackle, in appropriate fora, these dangers both in the Middle East and elsewhere.

CONVENTIONAL ARMS TRANSFERS

2. We accept that many states depend on arms imports to assure a reasonable level of security and the inherent right of self-defence is recognised in the United Nations Charter. Tensions will persist in international relations so long as underlying conflicts of interest are not tackled and resolved. But the Gulf conflict showed the way in which peace and stability can be undermined when a country is able to acquire

a massive arsenal that goes far beyond the needs of self defence and threatens its neighbours. We are determined to ensure such abuse should not happen again. We believe that progress can be made if all states apply the three principles of transparency, consultation and action.

3. The principle of transparency should be extended to international transfers of conventional weapons and associated military technology. As a step in this direction we support the proposal for a universal register of arms transfers under the auspices of the United Nations, and will work for its early adoption. Such a register would alert the international community to an attempt by a state to build up holdings of conventional weapons beyond a reasonable level. Information should be provided by all states on a regular basis after transfers have taken place. We also urge greater openness about overall holdings of conventional weapons. We believe the provision of such data, and a procedure for seeking clarification, would be a valuable confidence and security building measure.

4. The principle of consultation should now be strengthened through the rapid implementation of recent initiatives for discussions among leading arms exporters with the aim of agreeing a common approach to the guidelines which are applied in the transfer of conventional weapons. We welcome the recent opening of discussions on this subject. These include the encouraging talks in Paris among the Permanent Members of the United Nations Security Council on 8/9 July; as well as ongoing discussions within the framework of the European Community and its Member States. Each of us will continue to play a constructive part in this important process, in these and other appropriate fora.

5. The principle of action requires all of us to take steps to prevent the building up of disproportionate arsenals. To that end all countries should refrain from arms transfers which would be destabilising or would exacerbate existing tensions. Special restraint should be exercised in the transfer of advanced technology weapons and in sales to countries and areas of particular concern. A special effort should be made to define sensitive items and production capacity for advanced weapons, to the transfer of which similar restraints could be applied. All states should take steps to ensure that these criteria are strictly enforced. We intend to give these issues our continuing close attention.

6. Iraqi aggression and the ensuing Gulf war illustrate the huge costs to the international community of military conflict. We believe that moderation in the level of military expenditure is a key aspect of sound economic policy and good government. While all countries are struggling with competing claims on scarce resources, excessive spending on arms of all kinds diverts resources from the overriding need to tackle economic development. It can also build up large debts without creating the means by which these may be serviced. We note with favour the recent report issued by the United Nations Development Programme (UNDP) and the recent decisions by several donor countries to take account of military expenditure where it is disproportionate when setting up aid programmes and encourage all other donor countries to take similar action. We welcome the attention which the Managing Director of the International Monetary Fund (IMF) and the President of the World Bank have recently given to excessive military spending, in the context of reducing unproductive public expenditure.

NON-PROLIFERATION

7. We are deeply concerned about the proliferation of nuclear, biological and chemical weapons and missile delivery systems. We are determined to combat this menace by strengthening and expanding the non-proliferation regimes.

8. Iraq must fully abide by Security Council Resolution 687, which sets out requirements for the destruction, removal or rendering harmless under international supervision of its nuclear, biological, and chemical warfare and missile capabilities; as well as for verification and long-term monitoring to ensure that Iraq's capability for such weapon systems is not developed in the future. Consistent with the relevant UN resolutions, we will provide every assistance to the United Nations Special Commission and the International Atomic Energy Agency (IAEA) so that they can fully carry out their tasks.

9. In the nuclear field, we:

- Re-affirm our will to work to establish the widest possible consensus in favour of an equitable and stable non-proliferation regime based on a balance between nuclear non-proliferation and the development of peaceful uses of nuclear energy.

- Reaffirm the importance of the nuclear Non-Proliferation Treaty (NPT) and call on all other non-signatory states to subscribe to this agreement;

- Call on all non-nuclear weapon states to submit all their nuclear activities to IAEA safeguards, which are the cornerstone of the international non-proliferation regime;
- Urge all supplier states to adopt and implement the Nuclear Suppliers Group guidelines;

We welcome the decision of Brazil and Argentina to conclude a full-scope safeguard agreement with the IAEA and to take steps to bring the Treaty of Tlatelolco into force, as well as the accession of South Africa to the NPT.

10. Each of us will also work to achieve:

- Our common purpose of maintaining and reinforcing the NPT regime beyond 1995;
- A strengthened and improved IAEA safeguards system;
- New measures in the Nuclear Suppliers Group to ensure adequate export controls on dual-use items.

11. We anticipate that the Biological Weapons Review Conference in September will succeed in strengthening implementation of the convention's existing provisions by reinforcing and extending its confidence-building measures and exploring the scope for effective verification measures. Each of us will encourage accession to the convention by other states and urge all parties strictly to fulfil their obligations under the convention. We each believe that a successful Review Conference leading to strengthened implementation of the BWC, would make an important

contribution to preventing the proliferation of biological weapons.

12. The successful negotiation of a strong, comprehensive, and effectively verifiable convention banning chemical weapons, to which all states subscribe, is the best way to prevent the spread of chemical weapons. We welcome recent announcements by the United States which we believe will contribute the swift conclusion of such a convention. We hope that the negotiation will be successfully concluded as soon as possible. We reaffirm our intention to become original parties to the convention. We urge others to become parties at the earliest opportunity so that it can enter into force as soon as possible.

13. We must also strengthen controls on exports which could contribute to the proliferation of biological and chemical weapons. We welcome the measures taken by members of the Australia Group and by other states on the control of exports of chemical weapons precursors and related equipment. We seek to achieve increasingly close convergence of practice between all exporting states. We urge all states to support these efforts.

14. Our aim is a total and effective ban on chemical and biological weapons. Use of such weapons is an outrage against humanity. In the event that a state uses such weapons each of us agrees to give immediate consideration to imposing severe measures against it both in the UN Security Council and elsewhere.

15. The spread of missile delivery systems has added a new dimension of instability to international security in many regions of the world. As the founders of the Missile Technology Control Regime (MTCR), we welcome its extension to many other states in the last two years. We endorse the joint appeal issued at the Tokyo MTCR meeting in March 1991 for all countries to adopt these guidelines. These are not intended to inhibit cooperation in the use of space for peaceful and scientific purposes.

16. We can make an important contribution to reducing the dangers of proliferation and conventional arms transfers. Our efforts and consultations on these issues, including with other supplier countries, will be continued in all appropriate fora so as to establish a new climate of global restraint. We will only succeed if others, including recipient countries, support us and if the international community unites in a new effort to remove these threats which can imperil the safety of all our peoples.

16 July 1991



London Economic Summit 1991

ECONOMIC DECLARATION

BUILDING WORLD PARTNERSHIP

1. We, the Heads of State and Government of the seven major industrial democracies and the representatives of the European Community, met in London for our seventeenth annual Summit.
2. The spread of freedom and democracy which we celebrated at Houston has gathered pace over the last year. Together the international community has overcome a major threat to world peace in the Gulf. But new challenges and new opportunities confront us.
3. We seek to build world partnership, based on common values, and to strengthen the international order. Our aim is to underpin democracy, human rights, the rule of law and sound economic management, which together provide the key to prosperity. To achieve this aim, we will promote a truly multilateral system, which is secure and adaptable and in which responsibility is shared widely and equitably. Central to our aim is the need for a stronger, more effective UN system, and for greater attention to the proliferation and transfer of weapons.

Economic policy

4. Over the last year, some of our economies have maintained good growth, while most have slowed down and some gone into recession. But a global recession has been avoided. The uncertainty created by the Gulf crisis is behind us. We welcome the fact that there are now increasing signs of economic recovery. Progress has been made too in reducing the largest trade and current account imbalances.
5. Our shared objectives are a sustained recovery and price stability. To this end, we are determined to maintain, including through our economic policy coordination process, the medium-term strategy endorsed by earlier Summits. This strategy has contained inflationary expectations and created the conditions for sustainable growth and new jobs.

6. We therefore commit ourselves to implement fiscal and monetary policies, which, while reflecting the different situations in our countries, provide the basis for lower real interest rates. In this connection, continued progress in reducing budget deficits is essential. This, together with the efforts being made to reduce impediments to private saving, will help generate the increase in global savings needed to meet demands for investment. We also welcome the close cooperation on exchange markets and the work to improve the functioning of the international monetary system.

7. We will also, with the help of the Organisation for Economic Co-operation and Development (OECD) and other institutions, pursue reforms to improve economic efficiency and thus the potential for growth. These include:-

- a) greater competition in our economies, including regulatory reform. This can enhance consumer choice, reduce prices and ease burdens on business.
- b) greater transparency, elimination or enhanced discipline in subsidies that have distorting effects, since such subsidies lead to inefficient allocation of resources and inflate public expenditure.
- c) improved education and training, to enhance the skills and improve the opportunities of those both in and out of employment, as well as policies contributing to greater flexibility in the employment system.
- d) a more efficient public sector, for example through higher standards of management and including possibilities for privatisation and contracting out.
- e) the wide and rapid diffusion of advances in science and technology.
- f) essential investment, both private and public, in infrastructure.

8. We will encourage work nationally and internationally to develop cost-effective economic instruments for protecting the environment, such as taxes, charges and tradeable permits.

International trade

9. No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round. It will stimulate non-inflationary growth by bolstering confidence, reversing protectionism and increasing trade flows. It will be essential to encourage the integration of developing countries and Central and East European nations into the multilateral trading system. All these benefits will be lost if we cannot conclude the Round.

10. We therefore commit ourselves to an ambitious, global and balanced package of results from the Round, with the widest possible participation by both developed and developing countries. The aim of all contracting parties should be to complete the Round before the end of 1991. We shall each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level.

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17. As the Gulf crisis showed, the supply and price of oil remain vulnerable to political shocks, which disturb the world economy. But these shocks have been contained by the effective operation of the market, by the welcome increase in supplies by certain oil-exporting countries and by the actions co-ordinated by the International Energy Agency (IEA), particularly the use of stocks. We are committed to strengthen the IEA's emergency preparedness and its supporting measures. Since the crisis has led to improved relations between producers and consumers, contacts among all market participants could be further developed to promote communication, transparency and the efficient working of market forces.

18. We will work to secure stable worldwide energy supplies, to remove barriers to energy trade and investment, to encourage high environmental and safety standards and to promote international cooperation on research and development in all these areas. We will also seek to improve energy efficiency and to price energy from all sources so as to reflect costs fully, including environmental costs.

19. In this context, nuclear power generation contributes to diversifying energy sources and reducing greenhouse gas emissions. In developing nuclear power as an economic energy source, it is essential to achieve and maintain the highest available standards of safety, including in waste management, and to encourage co-operation to this end throughout the world. The safety situation in Central and Eastern Europe and the Soviet Union deserves particular attention. This is an urgent problem and we call upon the international community to develop an effective means of coordinating its response.

20. The commercial development of renewable energy sources and their integration with general energy systems should also be encouraged, because of the advantages these sources offer for environmental protection and energy security.

21. We all intend to take a full part in the initiative of the European Community for the establishment of a European Energy Charter on the basis of equal rights and obligations of signatory countries. The aim is to promote free and undistorted energy trade, to enhance security of supply, to protect the environment and to assist economic reform in Central and East European countries and the Soviet Union, especially by creating an open, non-discriminatory regime for commercial energy investment.

Central and Eastern Europe

22. We salute the courage and determination of the countries of Central and Eastern Europe in building democracy and moving to market economies, despite formidable obstacles. We welcome the spread of political and economic reform throughout the region. These changes are of great historical importance. Bulgaria and Romania are now following the pioneering advances of Poland, Hungary and Czechoslovakia. Albania is emerging from its long isolation.

23. Recognising that successful reform depends principally on the continuing efforts of the countries concerned, we renew our own firm commitment to support their reform efforts, to forge closer ties with them and to encourage their integration into the international economic system. Regional initiatives reinforce our ability to co-operate.

24. All the Central and East European countries except Albania are now members of the International Monetary Fund (IMF) and the World Bank. We welcome the steps being taken by those countries that are implementing IMF-supported programmes of macro-economic stabilisation. It is crucial that these programmes are complemented by structural reforms, such as privatising and restructuring state-owned enterprises, increasing competition and strengthening property rights. We welcome the establishment of the European Bank for Reconstruction and Development (EBRD), which has a mandate to foster the transition to open, market-oriented economies and to promote private initiative in Central and East European countries committed to democracy.

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substantial increases already made in exports to market economies and we undertake to improve further their access to our markets for their products and services, including in areas such as steel, textiles and agricultural produce. In this context, we welcome the progress made in negotiating Association Agreements between the European Community and Poland, Hungary and Czechoslovakia, as well as the Presidential Trade Enhancement Initiative announced by the United States, all of which will be in accordance with GATT principles. We will support the work of the OECD to identify restrictions to East/West trade and to facilitate their removal.

27. The Group of Twenty-four (G24) process, inaugurated by the Arch Summit and chaired by the European Commission, has mobilised \$31 billion in bilateral support for these countries, including balance of payments finance to underpin IMF-supported programmes. Such programmes are in place for Poland, Hungary and Czechoslovakia. We welcome the contributions already made for Bulgaria and Romania. We are intensifying the G24 coordination process and we reaffirm our shared willingness to play our fair part in the global assistance effort.

The Soviet Union

28. We support the moves towards political and economic transformation in the Soviet Union and are ready to assist the integration of the Soviet Union into the world economy.

29. Reform to develop the market economy is essential to create incentives for change and enable the Soviet people to mobilise their own substantial natural and human resources. A clear and agreed framework within which the centre and the republics exercise their respective responsibilities is fundamental for the success of political and economic reform.

30. We have invited President Gorbachev to meet us for a discussion of reform policies and their implementation, as well as ways in which we can encourage this process.

31. We commend the IMF, World Bank, OECD and EBRD for their study of the Soviet economy produced, in close consultation with the European Commission, in response to the request we made at Houston. This study sets out many of the elements necessary for successful economic reform, which include fiscal and monetary discipline and creating the framework of a market economy.

32. We are sensitive to the overall political context in which reforms are being conducted, including the "New Thinking" in Soviet foreign policy around the world. We are sensitive also to the importance of shifting resources from military to civilian use.

33. We are concerned about the deterioration of the Soviet economy, which creates severe hardship not only within the

Soviet Union but also for the countries of Central and Eastern Europe.

The Middle East

34. Many countries have suffered economically as a result of the Gulf crisis. We welcome the success of the Gulf Crisis Financial Co-ordination Group in mobilising nearly \$16 billion of assistance for those countries suffering the most direct economic impact of the Gulf crisis and urge all donors to complete disbursements rapidly. Extensive assistance is being provided by Summit participants for the Mediterranean and the Middle East, as well as by the IMF and World Bank.

35. We believe that enhanced economic co-operation in this area, on the basis of the principles of non-discrimination and open trade, could help repair the damage and reinforce political stability. We welcome the plans of major oil exporting countries for providing financial assistance to others in the region and their decision to establish a Gulf Development Fund. We support closer links between the international financial institutions and Arab and other donors. We believe this would encourage necessary economic reforms, promote efficient use of financial flows, foster private sector investment, stimulate trade liberalisation and facilitate joint projects e.g. in water management, which would draw on our technical skills and expertise.

Developing Countries and Debt

36. Developing countries are playing an increasingly constructive role in the international economic system, including the Uruguay Round. Many have introduced radical policy reforms and are adopting the following principles:

- (a) respect for human rights and for the law, which encourages individuals to contribute to development;
- (b) democratic pluralism and open systems of administration, accountable to the public;
- (c) sound, market-based economic policies to sustain development and bring people out of poverty;

We commend these countries and urge others to follow their example. Good governance not only promotes development at home, but helps to attract external finance and investment from all sources.

37. Our steadfast commitment to helping developing countries, in conjunction with a durable non-inflationary recovery of our economies and the opening of our markets, will be the most effective way we have of enhancing prosperity in the developing world.

38. Many of these countries, especially the poorest, need our financial and technical assistance to buttress their own development endeavours. Additional aid efforts are required, to enhance both the quantity and the quality of our support for priority development issues. These include alleviating poverty, improving health, education and training and enhancing the environmental quality of our aid. We endorse the increasing attention being given to population issues in devising strategies for sustainable progress.

39. Africa deserves our special attention. Progress by African governments towards sound economic policies, democracy and accountability is improving their prospects for growth. This is being helped by our continued support, focused on stimulating development of the private sector, encouraging regional integration, providing concessional flows and reducing debt burdens. The Special Programme of Assistance for Africa, co-ordinated by the World Bank and providing support for economic reform in over 20 African countries, is proving its worth. We will provide humanitarian assistance to those parts of Africa facing severe famine and encourage the reform of United Nations structures in order to make this assistance more effective. We will also work to help the countries concerned remove the underlying causes of famine and other emergencies, whether these are natural or provoked by civil strife.

40. In the Asia-Pacific region, many economies, including members of the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Co-operation (APEC), continue to achieve dynamic growth. We welcome the efforts by those economies of the region which are assuming new international responsibilities. Other Asian countries, which are strengthening their reform efforts, continue to need external assistance.

41. In Latin America we are encouraged by the progress being made in carrying out genuine economic reforms and by developments in regional integration. We welcome the continuing discussions on the Multilateral Investment Fund, under the Enterprise for the Americas Initiative which, together with other efforts, is helping to create the right climate for direct investment, freer trade and a reversal of capital flight.

42. We recognise with satisfaction the progress being made under the strengthened debt strategy. Some countries have already benefited from the combination of strong adjustment with commercial bank debt reduction or equivalent measures. We encourage other countries with heavy debts to banks to negotiate similar packages.

43. We note:

(a) the agreement reached by the Paris Club on debt reduction or equivalent measures for Poland and Egypt,

which should be treated as exceptional cases;

(b) the Paris Club's continued examination of the special situation of some lower middle-income countries on a case by case basis.

44. The poorest, most indebted countries need very special terms. We agree on the need for additional debt relief measures, on a case by case basis, for these countries, going well beyond the relief already granted under Toronto terms. We therefore call on the Paris Club to continue its discussions on how these measures can best be implemented promptly.

45. We recognise the need for appropriate new financial flows to developing countries. We believe the appropriate way to avoid unsustainable levels of debt is for developing countries to adopt strengthened policies to attract direct investment and the return of flight capital.

46. We note the key role of the IMF, whose resources should be strengthened by the early implementation of the quota increase under the Ninth General Review and the associated Third Amendment to the Articles of Agreement.

Environment

47. The international community will face formidable environmental challenges in the coming decade. Managing the environment continues to be a priority issue for us. Our economic policies should ensure that the use of this planet's resources is sustainable and safeguards the interests of both present and future generations. Growing market economies can best mobilise the means for protecting the environment, while democratic systems ensure proper accountability.

48. Environmental considerations should be integrated into the full range of government policies, in a way which reflects their economic costs. We support the valuable work in this field being undertaken by the OECD. This includes the systematic review of member countries' environmental performance and the development of environmental indicators for use in decision-making.

49. Internationally, we must develop a co-operative approach for tackling environmental issues. Industrial countries should set an example and thus encourage developing countries and Central and East European nations to play their part. Co-operation is also required on regional problems. In this context, we welcome the consensus reached on the Environmental Protocol of the Antarctic Treaty, aimed at reinforcing the environmental preservation of this continent. We note the good progress of the Sahara and Sahel Observatory as well as the Budapest Environmental Centre.

50. The UN Conference on Environment and Development (UNCED)

in June 1992 will be a landmark event. It will mark the climax of many international environmental negotiations. We commit ourselves to work for a successful Conference and to give the necessary political impetus to its preparation.

51. We aim to achieve the following by the time of UNCED:-

a) an effective framework convention on climate change, containing appropriate commitments and addressing all sources and sinks for greenhouse gases. We will seek to expedite work on implementing protocols to reinforce the convention. All participants should be committed to design and implement concrete strategies to limit net emissions of greenhouse gases, with measures to facilitate adaptation. Significant actions by industrial countries will encourage the participation of developing and East European countries, which is essential to the negotiations.

b) agreement on principles for the management, conservation and sustainable development of all types of forest, leading to a framework convention. This should be in a form both acceptable to the developing countries where tropical forests grow and consistent with the objective of a global forest convention or agreement which we set at Houston.

52. We will seek to promote, in the context of UNCED:

a) mobilisation of financial resources to help developing countries tackle environmental problems. We support the use of existing mechanisms for this purpose, in particular the Global Environment Facility (GEF). The GEF could become the comprehensive funding mechanism to help developing countries meet their obligations under the new environmental conventions.

b) encouragement of an improved flow of beneficial technology to developing countries, making use of commercial mechanisms.

c) a comprehensive approach to the oceans, including regional seas. The environmental and economic importance of oceans and seas means that they must be protected and sustainably managed.

d) further development of international law of the environment, drawing inter alia on the results of the Siena Forum.

e) the reinforcement of international institutions concerned with the environment, including the United Nations Environment Programme (UNEP), for the decade ahead.

53. We support the negotiation, under the auspices of UNEP, of an acceptable framework convention on biodiversity, if possible to be concluded next year. It should concentrate on protecting ecosystems, particularly in species-rich areas, without impeding positive developments in biotechnology.

54. We remain concerned about the destruction of tropical forests. We welcome the progress made in developing the pilot programme for the conservation of the Brazilian tropical forest, which has been prepared by the Government of Brazil in consultation with the World Bank and the European Commission, in response to the offer of co-operation extended following the Houston Summit. We call for further urgent work under the auspices of the World Bank, in co-operation with the European Commission, in the framework of appropriate policies and with careful attention to economic, technical and social issues. We will financially support the implementation of the preliminary stage of the pilot programme utilising all potential sources, including the private sector, non-governmental organisations, the multilateral development banks, and the Global Environmental Facility. When details of the programme have been resolved, we will consider supplementing these resources with bilateral assistance, so that progress can be made on the ground. We believe that good progress with this project will have a beneficial impact on the treatment of forests at UNCED. We also welcome the spread of debt for nature exchanges, with an emphasis on forests.

55. The burning oil wells and polluted seas in the Gulf have shown that we need greater international capacity to prevent and respond to environmental disasters. All international and regional agreements for this purpose, including those of the International Maritime Organisation (IMO), should be fully implemented. We welcome the decision by UNEP to establish an experimental centre for urgent environmental assistance. In the light of the recent storm damage in Bangladesh, we encourage the work on flood alleviation under the auspices of the World Bank, which we called for at the Arch Summit.

56. Living marine resources threatened by over-fishing and other harmful practices should be protected by the implementation of measures in accordance with international law. We urge control of marine pollution and compliance with the regimes established by regional fisheries organisations through effective monitoring and enforcement measures.

57. We call for greater efforts in co-operation in environmental science and technology, in particular:-

a) scientific research into the global climate, including satellite monitoring and ocean observation. All countries, including developing countries, should be involved in this research effort. We welcome the development of information services for users of earth observation data since the Houston Summit.

b) the development and diffusion of energy and environment technologies, including proposals for innovative technology programmes.

Drugs

58. We note with satisfaction progress made in this field since our Houston meeting, notably the entry into force of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychiatric Substances. We welcome the formation of the United Nations International Drugs Control Programme (UNDCP).

59. We will increase our efforts to reduce the demand for drugs as a part of overall anti-drug action programmes. We maintain our efforts to combat the scourge of cocaine and will match these by increased attention to heroin, still the principal hard drug in Europe and Asia. Enhanced co-operation is needed both to reduce production of heroin in Asia and to check its flow into Europe. Political changes in Central and Eastern Europe and the opening of frontiers there have increased the threat of drug misuse and facilitated illicit trafficking, but have also given greater scope for concerted Europe-wide action against drugs.

60. We applaud the efforts of the "Dublin Group" of European, North American and Asian governments to focus attention and resources on the problems of narcotics production and trafficking.

61. We commend the achievements of the task-forces initiated by previous Summits and supported by an increasing number of countries:-

a) We urge all countries to take part in the international fight against money laundering and to cooperate with the activities of the Financial Action Task Force (FATF). We strongly support the agreement on a mutual evaluation process of each participating country's progress in implementing the FATF recommendations on money laundering. We endorse the recommendation of the FATF that it should operate on a continuing basis with a secretariat supplied by the OECD.

b) We welcome the report of the Chemical Action Task Force (CATF) and endorse the measures it recommends for countering chemical diversion, building on the 1988 UN Convention against drug trafficking. We look forward to the special meeting in Asia, concentrating on heroin, and the CATF meeting due in March 1992, which should consider the institutional future of this work.

62. We are concerned to improve the capacity of law

enforcement agencies to target illicit drug movements without hindering the legitimate circulation of persons and goods. We invite the Customs Cooperation Council to strengthen its cooperation with associations of international traders and carriers for this purpose and to produce a report before our next Summit.

Migration

63. Migration has made and can make a valuable contribution to economic and social development, under appropriate conditions, although there is a growing concern about worldwide migratory pressures, which are due to a variety of political, social and economic factors. We welcome the increased attention being given these issues by the OECD and may wish to return to them at a future Summit.

Next meeting

64. We have accepted an invitation from Chancellor Kohl to hold our next Summit in Munich, Germany in July 1992.

17 July 1991

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BUILDING WORLD PARTNERSHIP

1. We, the Heads of State and Government of the seven major industrial democracies and the representatives of the European Community, met in London for our seventeenth annual Summit.
2. The spread of freedom and democracy which we celebrated at Houston has gathered pace over the last year. Together the international community has overcome a major threat to world peace in the Gulf. But new challenges and new opportunities confront us.
3. We seek to build world partnership, based on common values, and to strengthen the international order. Our aim is to underpin democracy, human rights, the rule of law and sound economic management, which together provide the key to prosperity. To achieve this aim, we will promote a truly multilateral system, which is secure and adaptable and in which responsibility is shared widely and equitably. Central to our aim is the need for a stronger, more effective UN system, and for greater attention to the proliferation and transfer of weapons.

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Economic policy

4. Over the last year, some of our economies have maintained good growth, while most have slowed down and some gone into recession. But a global recession has been avoided. The uncertainty created by the Gulf crisis is behind us. We welcome the fact that there are now increasing signs of economic recovery. Progress has been made too in reducing the largest trade and current account imbalances.

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30. We have invited President Gorbachev to meet us for a discussion of reform policies and their implementation, as well as ways in which we can encourage this process.

31. We commend the IMF, World Bank, OECD and EBRD for their study of the Soviet economy produced, in close consultation with the European Commission, in response to the request we made at Houston. This study sets out many of the elements necessary for successful economic reform, which include fiscal and monetary discipline and creating the framework of a market economy.

32. We are sensitive to the overall political context in which reforms are being conducted, including the "New Thinking" in the Soviet foreign policy around the world. We are sensitive also to the importance of shifting resources from military to civilian use.

33. We are concerned about the deterioration of the Soviet economy, which creates severe hardship not only within the Soviet Union but also for the countries of Central and Eastern Europe.

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The Middle East

34. Many countries have suffered economically as a result of the Gulf crisis. We welcome the success of the Gulf Crisis Financial Co-ordination Group in mobilising nearly \$16 billion of assistance for those countries suffering the most direct economic impact of the Gulf crisis and urge all donors to complete disbursements rapidly. Extensive assistance is being provided by Summit participants for the Mediterranean and the Middle East, as well as by the IMF and World Bank.

35. We believe that enhanced economic co-operation in this area, on the basis of the principles of non-discrimination and open trade, could help repair the damage and reinforce political stability. We welcome the plans of major oil exporting countries for providing financial assistance to others in the region and their decision to establish a Gulf Development Fund. We support closer links between the international financial institutions and Arab and other donors. We believe this would encourage necessary economic reforms, promote efficient use of financial flows, foster private sector investment, stimulate trade liberalisation and facilitate joint projects e.g. in water management, which would draw on our technical skills and expertise.

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Developing Countries and Debt

36. Developing countries are playing an increasingly constructive role in the international economic system, including the Uruguay Round. Many have introduced radical policy reforms and are adopting the following principles:

(a) respect for human rights and for the law, which encourages individuals to contribute to development;

(b) democratic pluralism and open systems of administration, accountable to the public;

(c) sound, market-based economic policies to sustain development and bring people out of poverty;

We commend these countries and urge others to follow their example. Good governance not only promotes development at home, but helps to attract external finance and investment from all sources.

37. Our steadfast commitment to helping developing countries, in conjunction with a durable non-inflationary recovery of our economies and the opening of our markets, will be the most effective way we have of enhancing prosperity in the

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developing world.

38. Many of these countries, especially the poorest, need our financial and technical assistance to buttress their own development endeavours. Additional aid efforts are required, to enhance both the quantity and the quality of our support for priority development issues. These include alleviating poverty, improving health, education and training and enhancing the environmental quality of our aid. We endorse the increasing attention being given to population issues in devising strategies for sustainable progress.

39. Africa deserves our special attention. Progress by African governments towards sound economic policies, democracy and accountability is improving their prospects for growth. This is being helped by our continued support, focused on stimulating development of the private sector, encouraging regional integration, providing concessional flows and reducing debt burdens. The Special Programme of Assistance for Africa, co-ordinated by the World Bank and providing support for economic reform in over 20 African countries, is proving its worth. We will provide humanitarian assistance to those parts of Africa facing severe famine and encourage the reform of United Nations structures in order to make this assistance more effective. We will also work to help the

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countries concerned remove the underlying causes of famine and other emergencies, whether these are natural or provoked by civil strife.

40. In the Asia-Pacific region, many economies, including members of the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Co-operation (APEC), continue to achieve dynamic growth. We welcome the efforts by those economies of the region which are assuming new international responsibilities. Other Asian countries, which are strengthening their reform efforts, continue to need external assistance.

41. In Latin America we are encouraged by the progress being made in carrying out genuine economic reforms and by developments in regional integration. We welcome the continuing discussions on the Multilateral Investment Fund, under the Enterprise for the Americas Initiative which, together with other efforts, is helping to create the right climate for direct investment, freer trade and a reversal of capital flight.

42. We recognise with satisfaction the progress being made under the strengthened debt strategy. Some countries have already benefited from the combination of strong adjustment

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with commercial bank debt reduction or equivalent measures. We encourage other countries with heavy debts to banks to negotiate similar packages.

43. We note:

(a) the agreement reached by the Paris Club on debt reduction or equivalent measures for Poland and Egypt, which should be treated as exceptional cases;

(b) the Paris Club's continued examination of the special situation of some lower middle-income countries on a case by case basis.

44. The poorest, most indebted countries need very special terms. We agree on the need for additional debt relief measures, on a case by case basis, for these countries, going well beyond the relief already granted under Toronto terms. We therefore call on the Paris Club to continue its discussions on how these measures can best be implemented promptly.

45. We recognise the need for appropriate new financial flows to developing countries. We believe the appropriate way to avoid unsustainable levels of debt is for developing countries

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to adopt strengthened policies to attract direct investment and the return of flight capital.

46. We note the key role of the IMF, whose resources should be strengthened by the early implementation of the quota increase under the Ninth General Review and the associated Third Amendment to the Articles of Agreement.

Environment

47. The international community will face formidable environmental challenges in the coming decade. Managing the environment continues to be a priority issue for us. Our economic policies should ensure that the use of this planet's resources is sustainable and safeguards the interests of both present and future generations. Growing market economies can best mobilise the means for protecting the environment, while democratic systems ensure proper accountability.

48. Environmental considerations should be integrated into the full range of government policies, in a way which reflects their economic costs. We support the valuable work in this field being undertaken by the OECD. This includes the systematic review of member countries' environmental performance and the development of environmental indicators

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for use in decision-making.

49. Internationally, we must develop a co-operative approach for tackling environmental issues. Industrial countries should set an example and thus encourage developing countries and Central and East European nations to play their part. Co-operation is also required on regional problems. In this context, we welcome the consensus reached on the Environmental Protocol of the Antarctic Treaty, aimed at reinforcing the environmental preservation of this continent. We note the good progress of the Sahara and Sahel Observatory as well as the Budapest Environmental Centre.

50. The UN Conference on Environment and Development (UNCED) in June 1992 will be a landmark event. It will mark the climax of many international environmental negotiations. We commit ourselves to work for a successful Conference and to give the necessary political impetus to its preparation.

51. We aim to achieve the following by the time of UNCED:-

- a) an effective framework convention on climate change, containing appropriate commitments and addressing all sources and sinks for greenhouse gases. We will seek to expedite work on implementing

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protocols to reinforce the convention. All participants should be committed to design and implement concrete strategies to limit net emissions of greenhouse gases, with measures to facilitate adaptation. Significant actions by industrial countries will encourage the participation of developing and East European countries, which is essential to the negotiations.

b) agreement on principles for the management, conservation and sustainable development of all types of forest, leading to a framework convention. This should be in a form both acceptable to the developing countries where tropical forests grow and consistent with the objective of a global forest convention or agreement which we set at Houston.

52. We will seek to promote, in the context of UNCED:

a) mobilisation of financial resources to help developing countries tackle environmental problems. We support the use of existing mechanisms for this purpose, in particular the Global Environment Facility (GEF). The GEF could become the comprehensive funding mechanism to help developing countries meet their

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obligations under the new environmental conventions.

b) encouragement of an improved flow of beneficial technology to developing countries, making use of commercial mechanisms.

c) a comprehensive approach to the oceans, including regional seas. The environmental and economic importance of oceans and seas means that they must be protected and sustainably managed.

d) further development of international law of the environment, drawing inter alia on the results of the Siena Forum.

e) the reinforcement of international institutions concerned with the environment, including the United Nations Environment Programme (UNEP), for the decade ahead.

53. We support the negotiation, under the auspices of UNEP, of an acceptable framework convention on biodiversity, if possible to be concluded next year. It should concentrate on protecting ecosystems, particularly in species-rich areas, without impeding positive developments in biotechnology.

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54. We remain concerned about the destruction of tropical forests. We welcome the progress made in developing the pilot programme for the conservation of the Brazilian tropical forest, which has been prepared by the Government of Brazil in consultation with the World Bank and the European Commission, in response to the offer of co-operation extended following the Houston Summit. We call for further urgent work under the auspices of the World Bank, in co-operation with the European Commission, in the framework of appropriate policies and with careful attention to economic, technical and social issues. We will seek financial support for the successful implementation of the preliminary stage of the pilot programme from all potential sources, including the private sector, non-governmental organisations, the multilateral development banks, and the Global Environmental Facility. When details of the programme have been resolved, we will consider supplementing these resources with bilateral assistance, so that progress can be made on the ground. We believe that good progress with this project will have a beneficial impact on the treatment of forests at UNCED. We also welcome the spread of debt for nature exchanges, with an emphasis on forests.

55. The burning oil wells and polluted seas in the Gulf have shown that we need greater international capacity to prevent

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and respond to environmental disasters. All international and regional agreements for this purpose, including those of the International Maritime Organisation (IMO), should be fully implemented. We welcome the decision by UNEP to establish an experimental centre for urgent environmental assistance. In the light of the recent storm damage in Bangladesh, we encourage the work on flood alleviation under the auspices of the World Bank, which we called for at the Arch Summit.

56. Living marine resources threatened by over-fishing and other harmful practices should be protected by the implementation of measures in accordance with international law. We urge control of marine pollution and compliance with the regimes established by regional fisheries organisations through effective monitoring and enforcement measures.

57. We call for greater efforts in co-operation in environmental science and technology, in particular:-

- a) scientific research into the global climate, including satellite monitoring and ocean observation. All countries, including developing countries, should be involved in this research effort. We welcome the development of information services for users of earth observation data since the Houston Summit.

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b) the development and diffusion of energy and environment technologies, including proposals for innovative technology programmes.

Drugs

58. We note with satisfaction progress made in this field since our Houston meeting, notably the entry into force of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychiatric Substances. We welcome the formation of the United Nations International Drugs Control Programme (UNDCP).

59. We will increase our efforts to reduce the demand for drugs as a part of overall anti-drug action programmes. We maintain our efforts to combat the scourge of cocaine and will match these by increased attention to heroin, still the principal hard drug in Europe and Asia. Enhanced co-operation is needed both to reduce production of heroin in Asia and to check its flow into Europe. Political changes in Central and Eastern Europe and the opening of frontiers there have increased the threat of drug misuse and facilitated illicit trafficking, but have also given greater scope for concerted Europe-wide action against drugs.

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60. We applaud the efforts of the "Dublin Group" of European, North American and Asian governments to focus attention and resources on the problems of narcotics production and trafficking.

61. We commend the achievements of the task-forces initiated by previous Summits and supported by an increasing number of countries:-

a) We urge all countries to take part in the international fight against money laundering and to cooperate with the activities of the Financial Action Task Force (FATF). We strongly support the agreement on a mutual evaluation process of each participating country's progress in implementing the FATF recommendations on money laundering. We endorse the recommendation of the FATF that it should operate on a continuing basis with a secretariat supplied by the OECD.

b) We welcome the report of the Chemical Action Task Force (CATF) and endorse the measures it recommends for countering chemical diversion, building on the 1988 UN Convention against drug trafficking. We look

forward to the special meeting in Asia, concentrating on heroin, and the CATF meeting due in March 1992, which should consider the institutional future of this work.

62. We are concerned to improve the capacity of law enforcement agencies to target illicit drug movements without hindering the legitimate circulation of persons and goods. We invite the Customs Cooperation Council to strengthen its cooperation with associations of international traders and carriers for this purpose and to produce a report before our next Summit.

Migration

63. Migration has made and can make a valuable contribution to economic and social development, under appropriate conditions, although there is a growing concern about worldwide migratory pressures, which are due to a variety of political, social and economic factors. We welcome the increased attention being given these issues by the OECD and may wish to return to them at a future Summit.

Next meeting

64. We have accepted an invitation from Chancellor Kohl to hold our next Summit in Munich, Germany in July 1992.

SOVIET UNION AT THE ECONOMIC SUMMIT

- o As we approach the Economic Summit, it looks as if there will be agreement among the Heads to support your proposal for a special relationship for the Soviet Union with the IMF and World Bank.
- o This will allow the Heads to tell Gorbachev that the economic reform process can begin immediately with these institutions.
- o However, there is also an attempt being made to have the Heads create a process for dealing with the Soviet Union after the Summit so that Gorbachev isn't made to feel that the Soviet Union is being handed over to the IMF like a developing country.
- o To create the kind of continuing political relationship some countries believe is required, they are proposing that a process be created after the Summit whereby contact can be maintained by the Heads of State and Gorbachev.
- o This process would involve the formation of an informal group made up of the Summit Sherpas, which would coordinate Soviet issues and the relationship between the Soviet Union and the international institutions. In addition to Sherpas from the G-7, it would include representatives from the EC, the IMF, the World Bank, and the EBRD.
- o I believe this steering group approach poses dangers for the United States for the following reasons:
 - (1) It will tend to further institutionalize the Summit, turning a three day meeting into a year-round process.
 - (2) Setting up a Sherpa steering group to conduct the broad G-7 relationship with the Soviets on a consensus basis will bureaucratize the process just as the Sherpas have already bureaucratized the Summit.
 - (3) Our viewpoint on Soviet issues is different and should not be submerged in a consensus-oriented group.
 - (4) Our bilateral relationship with the Soviet Union should reflect our basic national interests on a wide range of U.S. foreign policy interests. These could get badly mixed up in a Sherpa steering group approach.

- o On the other hand, certain Soviet economic issues may lend themselves to a group approach within the existing fora.
- o If there are specific problems that lend themselves to a group approach, then we should be willing to form on an ad hoc basis a G-7 group of experts to deal with that particular issue. There would be no continuing link with the Summit and once the issue is dealt with, the group would be disbanded.
 - An example of this might be the request we expect from Gorbachev to address the urgent question of restructuring Soviet external debt.
- o Resisting an extension of the Sherpa process would avoid institutionalizing the entire Soviet relationship, annualizing the Economic Summit into a permanent process for the Soviet Union to exploit, and allow us to field the necessary expertise for whatever specific assignment was agreed to be worth undertaking on a group basis.



*London Summit
July 1991*

AC HAS SEEN

THE COUNSELOR
DEPARTMENT OF STATE
WASHINGTON

April 3, 1991

*Gov. S. F.
Any thoughts?
Bob I think has done
well. Andy*

NOTE FOR ANDREW CARD

**THE CHIEF OF STAFF
has seen**

I thought you might like to see our reply to the British draft theme paper for the London Economic Summit, particularly because of its references to the environment. This will give you a good sense of what issues will be covered during the next four Sherpa meetings. I will continue to keep you posted as we move closer to the Summit.

I would appreciate your keeping this close hold, but will be interested in hearing any suggestions you might have. In my absence, you can reach Bob Fauver (647-6904), who is coordinating the summit issues here at State and will be the principal point of contact.

Bob

Bob Zoellick

Attachments: As stated.

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THE COUNSELOR
DEPARTMENT OF STATE
WASHINGTON

March 29, 1991

Nigel Wicks, CVO CBE.
Second Permanent Secretary
H.M. Treasury,
London, England

Dear Nigel,

Thanks for the prompt distribution of the draft theme paper. I second your hope of shifting to a shorter, more focused paper that proposes issues for discussion for our leaders. I also wholeheartedly support the idea of a short communique -- one that truly reflects leaders' involvement. If we all agree to aim for a short release we will have to resist attempts to include new topics. (Perhaps our own budget agreement provides a guide -- new issues are added only if existing issues are dropped!)

Instead of providing you with language edits, I have opted for offering suggestions by category. I'll reserve specific language for a later draft. If you would prefer language edits, let me know and I'll be pleased to send them along.

Introduction (paras 1-3)

This section will undoubtedly evolve as events unfold nearer to the Summit. We agree that the idea of strengthening the international order is a good overriding theme. As you suggest, we believe that it is broader than a legalistic concept. Therefore, "upholding the rule of law" is a necessary but not sufficient condition for a strong international system. We need a broader view of responsibility-sharing. National economic and political policies have wider implications; many of these policies need to be examined within a world context. This concept is implicit in your draft, but you may wish to emphasize it more in the introduction.

The difference between items (a) and (b) on page two (instruments of cooperation vs. the principle of multilateral cooperation) is not fully clear to us. (Is it an emphasis on "making full use" in (a) and "extending" in (b)?) Perhaps you could sharpen the point by offering multilateral examples -- e.g., strengthening the trading system (through Uruguay Round success) and the economic policy coordination process.

More generally, all of the "focus" issues might benefit from the inclusion of examples, where possible.

Economic Policy (paras 4 - 8)

A key purpose of the eventual communique ought to be to instill some degree of public confidence about overall trends in the global economy. Our sense is that the overall picture presented in the paper is too tentative and negative, with the positive elements of the situation not given enough emphasis. We should be prepared to use the Summit communique to give a nudge to a recovery that should be emerging by then.

More specifically, we see too much emphasis on the "kill inflation at any cost" theme, and too little on the need for stronger growth and on the positive implications of stronger growth for achieving other shared objectives.

- To say that unemployment rose "from low levels" seems correct for the United States, but inaccurate for the European members of the G-7. Unemployment had been historically high in most of Europe before the economic slowdown began (e.g., around 10 percent in France).
- We believe there is more to monetary policy than "reducing inflation and keeping it low" (para 7 (b)). A prudent monetary policy is also one that accommodates sufficient growth and investment. As a general matter we would be reluctant to get into much detail on appropriate monetary policy, and we do not believe it appropriate to concentrate solely on the U.S. or the "credit crunch."
- While the notion of potential growth can be useful in some contexts it is too often used, as here, to suggest performance limits for individual economies that are somehow immutable. This may be true in the long run but need not be in the short run. The fact is that at least 3 of the 7 Summit economies are in recession, and that there is a powerful case for striving for stronger growth.

The treatment of fiscal policy is one dimensional, making a blanket argument for lower deficits everywhere. We believe the issue needs to be treated more fully.

- In paragraph 4, the fact that the budget transactions associated with S&L assistance are increasing the U.S. deficit is mentioned without any discussion that these transactions have little effect on credit markets or on the economy. (That the economic effects are small was discussed thoroughly at the March 1991 Working Party 3 meeting.)
- Also in paragraph 4, the mention of "cyclical" factors contributing to budget deficits is an opportunity to mention that -- at least in the United States -- progress continues to be made in reducing the "structural" deficit. In any case, mentioning the "cyclical" effects without mentioning the "structural" effects is misleading.
- In Germany, for example, some fiscal deterioration would seem a legitimate price for a political (and long-term economic) advance of enormous importance.
- Additionally, the recent (partially cyclical) fiscal deterioration in some countries occurred against the background of a secular improvement. The larger point is that sound policies, steadfastly pursued, improve our ability to deal with adverse conditions when they arise.

The fiscal issue is of course one element of the larger issue of national saving. We believe the paper's emphasis on higher saving everywhere may overlook the point that how the savings are put to use is also of fundamental importance.

A focus on structural improvements (para 8 (d)) is welcome, though it is not clear how much can be said in the way of specifics. If a list is to be made, we might seek to be more specific on what is encompassed by "greater competition." Would this include the whole range of regulatory issues (e.g., financial market deregulation, distribution systems, foreign direct investment) or is something more narrow actually meant?

Trade (paras 9 - 14)

We would like to see a reference to the Houston Summit to highlight that this is "unfinished business". It would be useful to remind leaders of this key unfulfilled commitment.

The reference to Central and Eastern Europe is very important to world trade liberalization. (As a more general point, I hope the London Summit can help us "take stock" of events in Central and Eastern Europe since Paris, so we can give a renewed push to our efforts to help these emerging democracies succeed.)

The discussion of agriculture should add reductions in export subsidies to the list of internal support and market access to complete the trilogy of needed reforms. We should also include a reference to reaching agreement on sanitary and phyto-sanitary issues. This section also seems to have dropped investment as an important subject of the negotiations.

We believe that a full, meaningful completion of the Round is more important than an early finish. Perhaps more emphasis on the quality and scope of the final product would help leaders grapple with the tough choices. Reference to an ambitious package of agreements could help sharpen the intent of this section. That said, we need to find an approach to the Round that stresses the need for a new impetus from our leaders so we can seek to secure completion or major progress by year's end -- or some such timeframe. Early completion is desirable to boost market confidence and global economic growth. It would indeed "strengthen the international order".

In line with the view that we should cut topics if others are to be added, I would urge dropping discussion of a future World Trade Organization. While I understand the "institution-building" theme, I worry that a focus on vague future forms may well divert us from hard work that needs to be done now. I think this issue is best put off until we complete the Round and are able to evaluate its outcome in strengthening GATT rules.

Energy (paras 15-16)

The energy section forgoes an unusual opportunity to affirm and extend Western energy security policies. In view of the major test posed by the Gulf war, it could draw the following lessons:

- The world depends on oil, most of which is in the Gulf area. As long as Middle East politics are troubled, our energy security is at risk. But risks can be reduced by certain multilateral energy policies.
- Strategic oil stocks proved an effective counter to the threat to supply posed by Saddam. All OECD countries ought to build up strategic stocks and coordinate their use through the IEA.
- Markets worked. They efficiently reallocated oil and evoked new supply to offset four million barrels per day lost from Iraq and Kuwait.
- Close consultation among consumer countries in the IEA assured the world that it had good information about market fundamentals.

The European Energy Charter looks like a Community proposal toward a pan-European "common market" in energy. As proposed, it is not a G-7 initiative. Redeveloping the Soviet and Eastern European energy sectors should not be exclusively European, but rather a joint cooperation effort. To be a G-7 initiative, an "energy charter": should be a regime open to all (e.g., not be exclusively European); should be designed to improve conditions for greater private sector investment and expanded energy markets in the USSR and Eastern Europe; and should emphasize helping these nations deal with transition to a market economy.

I have sought to alert our Community colleagues to the risks of mishandling this item. You will not be surprised to learn that the Soviets are extraordinarily eager to engage the skills, technology, and strength of the U.S. energy industry. To be frank, the Soviet energy people like to "think big", a trait they associate with us. In any case, energy development there and in Eastern Europe won't exclude us, the Canadians, the Japanese and others who can play a helpful role. I hope, therefore, we can make this project into a transparent effort to develop property, contract, and other rules to encourage a truly multilateral effort. It would be a shame if it became a point of friction.

Central and Eastern Europe (paras 17-19)

I think this is a key strategic item under your theme of strengthening the international order. As I noted above, this Summit offers an excellent opportunity to "take stock" of the events of 1989-90, and then focus G-7 (and others') efforts. I believe that the economic discussion might be sharpened and raised in priority relative to other issues for this Summit.

The paper needs to underscore the importance to the world of political and economic success in Central and Eastern Europe, where nascent democracy and market economies are under severe strain. We will want to emphasize that there are two sides to open markets. Central and East European countries must liberalize their trade regimes, and open their markets to foreign competition. But global markets similarly need to be open to Central and Eastern European goods. Assuring external markets for production will reinforce domestic market reforms.

As a guide to Central and East European policymakers -- and as a signal for future policy directions required for continued industrial country help -- we may find it useful to note the need to shift focus from emphasis only on macroeconomic stabilization to structural and microeconomic reforms. This shift is the key challenge for policymakers in that region right now.

Second, there is a need to emphasize the fundamental importance of drawing private capital flows to these economies. While governments can and must play a supporting role, we need to focus public thinking on how to encourage private investment. We may want to recognize steps Central and Eastern European countries have already taken to open up investment. But we will also need to stress the need to remove structural and practical impediments so that foreign businesses that are seeking to contribute to reconstruction and reform efforts in the region can do so.

Third, while we want to integrate Central and Eastern Europe into the global economic system, I believe that it is important to emphasize that this cannot occur at the expense of the international system that we are trying to strengthen. For example, we should work to make sure that EC Association Agreements do not violate GATT rules on MFN or FTAs.

On the political side, we should point out that security is a broad concept encompassing political, economic and other ties. We should seek to integrate Eastern Europe into the broadest possible range of Western economic and political institutions. (E.g., OECD, EC Association Agreements, COE, CSCE, NATO liaison, etc.)

Soviet Union (paras 20-23)

While the IMF Report is old business, the Summit should reiterate the validity of the recommendations as a way of pressing the Soviets to implement serious market reforms (vs. Pavlov's "return to order").

We need to give serious thought to highlighting a few key messages for President Gorbachev to try to get his economic program on a reasonable track. We're not doing the USSR or outsiders a favor by ignoring the truth. For example, we might bluntly say that (a) the current Soviet program won't work and that they need (b) to establish basic property and contract rights, (c) competition, (d) market prices, and, (e) a market-based macroeconomic stabilization program. Then we could note the West's willingness to assist in follow-up as the Soviets move in the appropriate direction. The text might emphasize supporting reform where it is taking place -- i.e., at the republic/local/cooperative level and the center, as appropriate. However, we also need to emphasize the conclusion of the IMF Report: that technical assistance, rather than financial support, is appropriate.

We should probably lower expectations of our leaders' discussion of aid at this Summit by: (a) citing the IMF Report; (b) noting that the Soviets are moving away from reforms that would enable them to use it effectively; and (c) pointing out that heavy Western lending is creating a debt time bomb in the USSR given, among other things, its declining oil production and exports. We should look for redoubled technical assistance and other forms of aid that help needy people or very directly support reform. Much of the real reform that exists will involve the local/republic level or struggling market sector (e.g., cooperatives).

We still support the integration of the USSR into the global community, including economic institutions. IFI membership now seems even more premature than it did last year given the current slippage in reform efforts, but conditions may change by the summer. However, and whenever we engage more fully, we believe that Special Associate Status and technical assistance will be the proper first response, so we should stress them in the paper.

The Middle East (paras 24-29)

This section may need to be deferred until our June meeting. It will need to be revisited as the Summit nears so as to more accurately reflect the situation. In particular, we believe that the draft's focus on economic disparities in the region may mislead as to relative priorities and their relation to political tensions. We need to recognize the cooperative role outsiders can play in the region. Also, we could note the usefulness of economic integration not simply within the region but also into the world economy.

In organizing my own thinking, I have relied on four categories of work:

- (1) Reconstruction: primarily a task for the Kuwaiti government; Iraqi reconstruction is dependent on political developments.
- (2) Economic Stability and Growth: Our "standard" work with national governments, usually working through the IFIs. We need to make sure we devote sufficient attention to sound macroeconomic policy formulation to foster economic growth and structural reforms, perhaps with some new institutional support.

- (3) Economic Confidence Building Measures (CBMs): Joint projects dealing with common problems -- such as water, health, education-human capital, tourism, transportation, etc. -- might complement our political efforts to reduce tensions in the region. These must be carefully orchestrated to support our diplomacy.
- (4) More Effective Links with the Global Economy:
Increasing the outward-orientation of these nations.

Once we determine our tasks under these four headings, we can assess what new or modified institutions might be supportive (e.g., a regional development bank or special World Bank facility to help address the second task and to complement the third (CBM) objective by offering greater regional cohesion).

We may find this logic useful as events unfold.

Developing Countries (paras 30-33)

This is a generally well done section; it raises the key issues. We hope that the leaders will agree that progress on the Brady plan is welcomed. They might encourage further commercial bank packages and avoid leaving the impression that major creditor countries are responsible for debt problems.

I believe the draft correctly points out that the focus on debt discussions this year is likely to be on official debt reduction.

Environment (paras 35-36)

I appreciate your interest in trying to focus attention on a few, special environmental issues. This effort might be enhanced if we can bring the issues together under an overarching theme. One such theme that comes to mind is the integration of environment and economics. Given your focus on the UNCED, it might be possible to pull the diverse issues together in this way.

While we agree that it may not be necessary to reiterate accomplishments from past Summits, we do believe it is important to note progress on critical issues. One such issue is negotiating a global forest agreement. We would like to see a more detailed discussion of the progress made toward our goal.

It seems to me that we might want to add as issues: (a) promoting global change/environmental research and monitoring; and (b) promoting debt for nature programs with an emphasis on forests. These both involve economics and the environment.

As you correctly note, negotiations on a framework convention on climate change are underway. As you know, these negotiations involve some very contentious issues that we are not going to resolve through the Sherpa process. In particular, we strongly disagree with the specific protocols you cite (emissions and forests). More generally, I feel that specific protocols should be negotiated after a framework convention is in place. We would like this reference deleted.

Drugs (paras 37-38)

We will wait to factor in the results of ongoing discussions of the Dublin Group, Chemical Action and Financial Action Task Forces.

Hope you find these suggestions helpful.

Sincerely,

A handwritten signature in cursive script that reads "Bob".

Robert B. Zoellick

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THE SECRETARY OF THE TREASURY
WASHINGTON

June 25, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: NICHOLAS F. BRADY

2713

THE CHIEF of STAFF
has seen

SUBJECT: G-7 MEETING IN LONDON, JUNE 23 - SOVIET ISSUES

The G-7 met in London on Sunday and had a full discussion of Soviet issues. This paper outlines our key observations, followed by individual country views.

1. We were told by some Europeans of their concern that the Administration appears to be closely involved and perhaps supportive of the Harvard Group's work with Yavlinsky. It was thought that this was encouraging expectations for the "Grand Bargain" approach. We made clear that the Harvard Group had no official standing with the Administration.
2. The Europeans and the Canadians are willing to consider lifting the EBRD limitations on Soviet lending. Although the U.S. and Japan both expressed opposition to lifting the limitation, we believe Attali will encourage the French and others to raise this issue with the Heads as a relatively painless way to provide support to the Soviet Union.
3. We found the Europeans reluctant to discuss the Soviet-Summit issue in specific terms or even to reveal their thinking in any depth. The U.S. pressed the other countries for greater specificity about their views both on how to manage the Soviet issue at the Summit and what approach should be taken on the question of economic and financial assistance to the Soviet Union. We expressed the view that unless the G-7 achieved better mutual understanding, there was a significant risk that Gorbachev would be successful in dividing the Heads at the Summit.
 - o For example, IMF Associate Status was supported but there was not time for a specific agreement on how to present this important concession to the Soviet Union in the best possible light. The U.S. view is to dramatize the significance of the Associate Status proposal. A risk remains that the Europeans may support this proposal in principal, but will still call for Soviet membership. We have followed up with Managing Director Camdessus, who supports the Associate Status approach, to enlist more explicit support for our position from the Europeans.
 - o In addition, there was much general talk about not providing financial assistance. However, it seemed there was a real inconsistency in European thinking because at the same time they talked about the need to provide aid or some sort of assistance.

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- o The U.S. could not elicit specific discussion on the risks of an approach which held out the prospect of financial assistance subject to conditions for economic reform being agreed to by the Soviet Union. There was a failure to recognize the risk that such an approach which seemed sensible initially would soon result in compromises on the agreed conditions under pressure from the Soviet Union.
- o On the question of the Soviet Union's external debt, there was a clear understanding that the sharp rise in official bilateral debt to the Soviet Union meant in fact that official credit is in practice being used to pay off commercial banks as they reduce their Soviet lending. Again, there was an unwillingness to engage in a specific discussion about the possibility of a Soviet default and possible Paris Club rescheduling. It was clear that some Europeans favor a preemptive approach to rescheduling; i.e., refinancing and restructuring Soviet debt before the Soviet Union builds larger arrears and defaults. Gorbachev may well raise this question at the Summit. This is an important issue because rescheduling would require Paris Club conditionality, which is traditionally provided by an IMF program. Rescheduling without successful reform would simply cause Soviet debt to mushroom into unmanageable proportions as was the case with Poland in the 1980s.
- o Finally, there was a clear view around the table that the Soviet Union may shortly enter into a financial and economic emergency. There was some evidence of a concern among the Europeans that hyper-inflation and crisis could take hold in the USSR. That in turn would likely weaken the DM and other European currencies. The G-7 Europeans' general interest in supporting the DM against the dollar at these levels at the meeting may well have reflected that concern. However, there was no willingness to engage in a specific discussion about whether Western financial assistance should be provided to allay the effects of an economic collapse.

In general, we were struck by the vagueness of the views expressed and the apparent lack of thinking through all the financial and policy implications of a Soviet request for financial assistance at the Summit. For example, Germany stressed the importance of a unified approach at the Summit and underlined the importance of the Soviets solving their own problems. But, they also talked vaguely of "aid and assistance" and had no considered approach to the problem of how to deal with the Soviets at the Summit and afterwards if there is an economic collapse.

The Soviet issue is extremely complex. It is difficult to reach a conclusive judgment as to what is going on with our European allies. We do not know the real reason for the lack of

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engagement by the Europeans at the G-7 Ministerial. Perhaps they are simply befuddled by the complexity of the Soviet problem, or perhaps they are planning to launch their own plan. The EC and the European Heads of State meet June 29 and it is possible that at that time (or in some other European forum) they could announce an agreed position that would isolate us at the Economic Summit.

We therefore returned to Washington with the view that the Administration should define its fundamental interests and basic approach to the Soviet Union before the Summit. Otherwise, we may end up placing too high a priority on seeking a G-7 consensus at the Summit which could be out of line with our national interests on the Soviet issue.

Attachment

cc: Secretary Baker
General Scowcroft

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Individual Country Views

Germany

Minister Waigel believed that the Union Treaty in the Soviet Union is the key to future developments. He expects Gorbachev to sign the agreement with the Republics in the next few weeks and said that even those Republics which do not formally sign the agreement will derive some economic benefits (e.g., common currency and a Customs Union), and make some financial contribution to the Soviet Union.

He recognized that agreement on paper is not enough and that Gorbachev's expectations are unrealistic with regard to matters such as a rescheduling of Soviet external debt, the creation of a foreign exchange stabilization fund, financial assistance for importing consumer products, and assistance for energy, agriculture and transportation. Waigel does not believe these issues can or should be resolved at the Summit.

However, Germany believes that the Summit should agree on the framework for proceeding with the economic reform process in the Soviet Union and for dealing with Gorbachev's issues. Waigel insisted that at the Summit, Gorbachev needs to give concrete indications of his intentions and that the G-7 should use the IMF and the World Bank as the basis for creating the framework Waigel has in mind. He referred to the EC's SDR 400 million for technical assistance as also being useful. Waigel also felt that Gorbachev will need to make a clear commitment to welcome all foreign investment in the Soviet Union.

United Kingdom

Chancellor Lamont expressed similar views. He stressed, as did all the Finance Ministers, that issues concerning the Soviet Union were a matter for the Heads of State at the Summit. He also reflected the view of many other Ministers that the Summit should not make financial decisions despite the fact that there will be great pressure generated by Gorbachev's presence. Lamont indicated, however, that he believed there would need to be "some aid" at "some point" for the Soviet Union and that the IMF could be helpful in the conditionality.

France

Beregovoy strongly endorsed the view that the Soviet issue was a matter for Heads at the Summit. The central question was political; namely, the relationship between the Center and the Republics. At the moment, it is not clear that Gorbachev can impose his will on the Republics. Probably, there will be many difficult problems in the next few months. Beregovoy firmly supported IMF Special Status but went on to advocate giving aid to the Soviet Union on the basis that it should be conditioned by and directed through the IMF. He clearly saw the Soviet Union's Special Associate Status with the IMF as a brief transition to full membership. France strongly favors lifting the limitation on Soviet lending in the EBRD.

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Canada

Canada supported Special Associate Status with the IMF but indicated a willingness to look at relaxing the EBRD's limitation on lending to the Soviet Union, provided the Soviet Union commits itself to basic reforms.

Canada's Finance Minister clearly recognized the political risk for the Heads approaching the Summit without a clear understanding of what the approach to the Soviet Union would be. He was firmly against discussing financial assistance from Canada.

Italy

Minister Carli was deeply concerned about the Soviet Union situation and did not believe financial assistance would make much difference to the course of events. He referred to Yeltsin as a Slavic version of Peronism but perhaps more dangerous because he is less corruptible.

Carli believes the Soviets cannot be allowed to think that they deserve financial assistance. Their people have not been educated to make economic decisions or to challenge the views of those in authority above them. In Carli's views, there is little basis for fundamental economic reform in the Soviet Union.

Japan

Minister Hashimoto supported Special Status for the Soviet Union with the IMF but stressed that this should not be premised on the provision of financial assistance. He supported the concept of an IMF shadow program in order to develop a basis to proceed further with the Soviet Union. There should be no aid given to the Soviet Union unless basic conditions are met by the Soviets in an economic reform program. Minister Hashimoto also drew attention to the difficulties in dealing with the six Republics which have not agreed to remain in the Soviet Union.

Hashimoto supported keeping the EBRD limitations on lending to the Soviet Union in place but seemed willing to review this matter later in light of Soviet progress.

ES
United States Debt Exposure to USSR

Current Official Exposure (Disbursed as of 5/1/91)	\$0.8 billion
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Current Commercial Bank Exposure	\$0.3 billion
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Total Current Exposure	<u>\$1.1 billion</u>
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Additional Undisbursed Official Commitments	\$2.0 billion
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CCC	\$1.7 billion
Eximbank	0.3 billion

Total Potential Exposure	<u>\$3.1 billion</u>
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USSR Total Debt by Country
(\$billions)

Country	Official	Commercial	Total	Share of Total
Germany	7.5	7.7	15.2	29%
France	2.2	6.9	9.1	17%
Japan	2.2	6.3	8.5	16%
Italy	2.9	3.4	6.3	12%
Austria	1.9	3.8	5.7	11%
United Kingdom	1.0	4.3	5.3	10%
United States	0.8	0.3	1.1	2%
Canada	0.5	0.0	0.5	1%
Other	1.4	0.0	1.4	2%
Total	20.4	32.7	53.1	100%

Source: Paris Club, BIS

Note: Official Debt as of May, 1991
Commercial Debt as of December, 1990

USSR Official Debt by Country
(\$billions)

Country	As of 1/1/91	As of 5/1/91	Share of May 1 Total
Germany	2.3	7.5	37%
Italy	0.7	2.9	14%
France	2.1	2.2	11%
Japan	1.5	2.2	11%
Austria	1.9	1.9	9%
United Kingdom	0.9	1.0	5%
United States	0.0	0.8	4%
Canada	0.1	0.5	3%
Other	0.9	1.4	6%
Total	10.4	20.4	100%

Source: Paris Club

Note: Includes both government loans and credit guarantees.

USSR Commercial Debt by Country
(\$billions)

Country	As of June 1990	As of December 1990	Share of 12/90 Total
Germany	7.1	7.7	24%
France	4.0	6.9	21%
Japan	6.3	6.3	19%
United Kingdom	1.4	4.3	13%
Austria	2.8	3.8	12%
Italy	3.4	3.4	10%
United States	0.3	0.3	1%
Canada	0.1	0.0	0%
Other	2.0	0.0	0%
Total	28.2	32.7	100%

Source: BIS

Withdrawal/Redaction Sheet

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04. Memo	Memorandum of Conversation Re: Opening Session of the London Economic Summit, July 15, 1991 (17 pp.)	7/15/91	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Economic Summit - London 7/12/91

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Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
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AR Disposition Date:	12/18/1998	MR Disposition Date:	

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