

## 8. AMINTORE FANFANI'S VENICE SUMMIT, 1987

The G-5 controversy which the summit leaders had tried to deal with at Tokyo flared up again in the lead up to the second Venice summit, (June 8-10, 1987). Once again Italy found itself threatened with exclusion from an important meeting of the G-5 on the eve of a scheduled Paris meeting of the new G-7 group of finance ministers. When Prime Minister Craxi and his foreign policy advisor, Badini, discovered that the G-5 had met privately ( deliberations which resulted in the Louvre Accord for exchange rate stabilization), they withdrew from the G-7 meeting in protest of the violation of the Tokyo decision to expand the G-5. While the Canadian interpretation of the Tokyo decision was that there were in fact two different bodies, and that no violation had occurred, Craxi was adamant that the understanding he had of the Tokyo agreement be clarified. For Craxi and Badini the issue was clear: the G-5 had violated an understanding reached by the heads of government.

Craxi then became the first leader in the history of the summit to use the hosting of the summit as a bargaining chip, saying that if the G-5 was not expanded into the G-7, he would have to consider whether the Venice summit could take place in the form and under the terms expected. For Italy, as we have seen on many occasions already, the issue of membership was a crucial question. And for Craxi it was important enough to put the summit on the line in an ultimatum. His government was facing a vote of confidence later in the week, and he had gained much popularity at home as a result of his success at Tokyo in getting Italy into the big club of finance ministers. Moreover, given the major resurgence of the Italian economy in 1987, *Il Sorpasso*, in which Italians proudly proclaimed their arrival in the international economic "big time" by overtaking Britain as the world's fourth largest economy, there was an important question of prestige and status involved in this last round of the G-5 controversy. In the end, Craxi was successful in his efforts. Italy and Canada were brought into the G-7, the G-5 has not since met to anyone's knowledge, and the Venice summit went ahead as planned.<sup>28</sup>

When the leaders of the western world met in Venice for the second time, however, the Italian Prime Minister and host would no longer be Craxi. Under the coalition agreement based on which he had ruled so effectively, he was committed to resigning in either February or March to give way to a Christian Democrat Prime Minister. As a result, the host at Venice was not the man who had brought much stability to Italian leadership, but a caretaker Prime Minister, the senior DC leader Amintore Fanfani, who was under extreme political pressure with national elections pending two weeks following the summit.

Like the first summit hosted by Italy, the 1987 gathering proved to be primarily a political one. In fact, at the second Venice summit, a record number of political statements were endorsed ranging from East-West relations and terrorism to the Gulf War, AIDS and drugs. And the device of a "chairman's summary" on foreign policy issues was employed again for the first time since Montebello.

The emphasis in all discussions was on continuity, building on the process of summitry by adding to agreements reached at previous gatherings. The terrorism statement was a direct

outgrowth of the Bonn, 1978 declaration. The treatment of the Gulf War echoed that of 1984 in London, calling for freedom of navigation. Only on the issue of East-West relations did a significant debate take place on the political side, and in that case the issue at hand was how to view political developments in the Soviet Union under Gorbachev. No major conclusion or statement emerged on that subject, however.

On the economic side, the two most important developments at Venice also involved adding momentum to earlier initiatives. On the question of debt relief for the poorest developing countries, further emphasis was placed on the use of the IMF, World Bank and Paris Club institutions in an effort to encourage continued movement on that issue. The summiteers had come to realize that the Baker Plan's expectations for private bank lending to debtor countries would not be achieved, and that new injections of capital into existing multilateral institutions was necessary to address the problem. A French initiative calling for capital increases for the IMF and the IBRD received strong support from Canada and Italy, and survived American opposition to become part of the final communique, though the language used was left sufficiently ambiguous to provide the American leaders a way to avoid committing funds -- which Congress would have to approve -- in advance.

On the difficult question of agricultural subsidies which had arisen in Tokyo, an OECD ministerial agreement to accelerate the move towards more market responsiveness in the agricultural sector was endorsed following a discussion in which Reagan called on Fanfani for a consensus on eliminating all subsidies. The Italian host would not move beyond the OECD position, that reductions begin within the year, but with no commitment to a long-term timetable or to the American goal of the total elimination of all subsidies.<sup>29</sup> And on the overall objective of strengthening the process of macroeconomic policy coordination, little was added to the Tokyo declaration, as the finance ministers were left to continue the work on operationalizing the consensus that such a process was desirable, as they had begun to do that year under the Louvre agreement, the G-5 controversy notwithstanding.