

NAPOLI SUMMIT

8-10 July 1994

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COMMUNIQUÉ

9 July 1994

Introduction

1. We, the Heads of State and Government of seven major industrial nations and the President of the European Commission, have met in Naples on 8th-9th July 1994 for our 20th meeting.
2. We have gathered at a time of extraordinary change in the world economy. New forms of international inter-action are having enormous effects on the lives of our peoples and are leading to the globalisation of our economies.
3. 50 years ago, at Breton Woods, visionary leaders began to build the institutions that provided our nations with two generations of freedom and prosperity. They based their efforts on two great and abiding principles -- democracy and open markets.

As we approach the threshold of the 21st century, we are conscious of our responsibility to renew and revitalize these institutions and to take on the challenge of integrating the newly emerging market democracies across the globe.

To carry out this responsibility, we have agreed that, in Halifax next year, we will focus on two questions: 1) how we can assure that the global economy of the 21st century will provide sustainable development with good prosperity and well-being of the peoples of our nations and the world? 2) what framework of institutions will be required to meet these challenges in the 21st century? How can we adapt existing institutions and build new institutions to ensure the future prosperity and security of our people?

Jobs and Growth

1. A year ago, recovery was absent or hesitant in all our economies. Today, encouraging results are emerging. Recovery is under way. New jobs have been created, and in more and more of our countries people are getting back to work. Inflation is now at the lowest levels in over three decades and the conditions are in place for strong and lasting non-inflationary growth. Therefore we reconfirm the growth strategy we agreed in Tokyo. We call on our Finance Ministers to cooperate closely to keep recovery on track and we have asked them to enhance the ongoing process of multilateral surveillance and policy cooperation. We also encourage stronger cooperation between our appropriate authorities to respond to the growing integration of the global capital markets.
2. But unemployment remains far too high, with over 24 million unemployed in our countries alone. This is an unacceptable waste. It is particularly damaging when -- as in many of our countries -- it is concentrated among young people and those who have been out of work for a long time.
3. Following the jobs conference in Detroit and the analysis of the OECD we have identified the actions we need to take.

We will work for the growth and stability, so that business and individuals can plan confidently for the future.

We will build on the present recovery by accelerating reforms so as to improve the capacity of our economies to create jobs.

Both of these elements are essential in order to achieve a lasting reduction in the level of unemployment.

4. We will concentrate on the following structural measures. We will:
increase investment in our people: through better basic education; through improving skills; through improving the transition from school to work; through involving employers fully in training and -- as agreed in Detroit-- through developing a culture of lifetime learning;
reduce labour rigidities which add to employment's cost or deter job creation, eliminate excessive regulations and ensure that indirect costs of employing people are reduced wherever possible;

pursue active labour market policies that will help the unemployed to search more effectively for jobs and ensure that our social support systems create incentives to work;

encourage and promote innovation and the spread of new technologies including, in particular, the development of an open, competitive and integrated worldwide information infrastructure; we agreed to convene in Brussels a meeting of our relevant Ministers to follow up these issues;

pursue opportunities to promote job creation in areas where new needs now exist, such as quality of life, and protection of the environment;

promote competition, through eliminating unnecessary regulations and through removing impediments to small and medium-sized firms;

5. For the implementation of this programme we call for the active involvement of business and labour and the support of our people.

6. We are determined to press ahead with this action programme and will review the progress made towards realizing our objectives of sustained growth and the creation of more -- and better quality -- new jobs.

Trade

1. Opening markets fosters growth, generates employment and increases prosperity. The signing of the Uruguay Round Agreements and the creation of the WTO are important milestones in post war trade liberalisation.

2. We are determined to ratify the Uruguay Round Agreements and to establish the WTO by January 1st, 1995 and call on other countries to do the same.

We are resolved to continue the momentum of trade liberalisation. We call on the WTO, IMF, World Bank and the OECD to cooperate within their own areas of responsibility.

3. On new international trade issues we encourage work under way in the OECD to study the interaction of international trade rules and competition policies. We support the further development of international investment rules in order to remove obstacles to foreign direct investment.

4. We welcome the work on the relation between trade and environment in the new WTO. We call for intensified efforts to improve our understanding of new issues including employment and labour standards and their implications for trade policies.

5. In our meeting next year we will review progress on these issues.

Environment

1. Environment is a top priority for international cooperation. Environmental policies can contribute to enhancing growth, employment and living standards, for example through investments in appropriate technologies, energy efficiency improvements and cleaning up polluted areas.

2. We urge the multilateral development banks to continue making progress in promoting local participation and incorporating environmental considerations into their programmes.

3. We support the work of the Commission on Sustainable Development in reviewing progress in the implementation of the Rio process. We look forward to the implementation of the Conventions already concluded, in particular those on biological diversity and climate change and in this respect we will work for the success of the forthcoming Conferences of these subjects in Nassau and Berlin.

4. We welcome the restructuring and the replenishment of the Global Environment Facility (GEF) and we support its choice as the permanent financial mechanism of these two Conventions.

We welcome the recent conclusion of the Convention on Desertification and the results of the Conference on Small Islands, which add to the framework agreed in Rio.

5. We are determined to speed up the implementation of our national plans called for under the Rio Climate Treaty and we will each report what we have achieved at next year's Summit. We also recognize the need to develop steps for the post-2000 period.

Developing Countries

1. We welcome the economic progress of many developing countries. We are concerned, however, by the stagnation and continued poverty in some countries, particularly in Africa. Since rapid population growth has aggravated poverty in many countries, we stress the importance of a positive outcome of the Cairo Conference on Population and Development.

2. We are committed to continue our efforts to enhance development assistance as well as promoting trade and investment in developing countries.

We are encouraged by significant private capital flows to developing countries and by the efforts of many of these countries, particularly in Latin America and Asia, to increase trade among themselves.

We call on the World Bank as well as the regional development banks to strengthen their efforts to reinforce private capital flows to the developing world while providing growing resources for health, education, family policies and environmental protection.

We encourage the Paris Club to pursue its efforts to improve the debt treatment of the poorest and most indebted countries. Where appropriate, we favour a reduction in the stock of debt and an increase in concessionality for those countries facing special difficulties.

We welcome the renewal of the ESAF and the measures under consideration by the IMF to increase support to developing countries and to ensure that all members take part in the SDR system. In addition we agree to explore ways to mobilize more effectively the existing resources of the international financial institutions to respond to the special needs of countries emerging from economic and political disruption and the poorest most indebted countries.

3. In the Middle East, economic development is essential to underpin the peace process. Thus, along with others, we are providing financial and technical assistance to the Palestinian Authority and are working to promote cooperation and development in the region. We call for an end to the Arab boycott of Israel.

We warmly welcome South Africa's transition to full democracy. This will open new opportunities for trade and inward investment. We will provide further assistance to help strengthen economic and social development, in particular for the poorest groups. Not only the people of South Africa but also her regional neighbours have much to gain from steady economic policies that unlock her full potential. We also welcome the adjustment measures taken by the countries in the CFA Franc area after the recent devaluation and prompt support from the international community.

Nuclear Safety

1. We welcome the progress made in the nuclear safety programme, agreed by the Munich and Tokyo summits, concerning the countries of Central and Eastern Europe and former Soviet Union.

2. An effective framework for coordinated action is now in place. The World Bank, working with other lending institutions including the EBRD and the EIB, and with the IEA, is helping countries develop long-term energy strategies. Some near-term safety improvements are on the way. More needs to be done and longer-term actions must be carried out. The IFIs are invited according to their mandate to make full use of their lending possibilities for this purpose.

3. We remain committed to the existing international initiatives to promote an early closure of high risk reactors. The closing down of the Chernobyl nuclear power plant is an urgent priority.

We are therefore putting forward to the Ukrainian Government an action plan for the closure of Chernobyl. This plan will require measures to be taken by the Ukrainian authorities as well as financial contributions from the international community.

The closure of Chernobyl would be accompanied by the early completion of three new reactors to adequate safety standards, by comprehensive reforms in the energy sector, increased energy conservation and the use of other energy sources.

4. In this context we welcome the contribution by the European Union. As a further step we are ready to provide for the Action Plan an initial amount of up to US \$200 million in grants, including a replenishment of the Nuclear Safety Account for this purpose. In addition, loans should be provided by the IFIs.

We call on other donors and international financial institutions to join us in supporting this action plan and will review progress regularly.

Ukraine

1. We wish to see a stable and independent Ukraine.

We welcome the Trilateral Statement, Ukraine's ratification of the START I Treaty, and steps to remove nuclear weapons. We look forward to Ukraine's accession to the NPT as a non-nuclear weapon State.

But we are deeply concerned about the economic situation. Genuine reform is the only way to improve the economy. We urge the Ukrainian Government to design and implement rapidly stabilization and structural reforms, including price liberalization and privatisation. This would provide the basis for IMF lending and for substantial loans by the World Bank and the EBRD. We are committed to support comprehensive reform efforts through intensified technical and financial assistance and by facilitating improved access to our markets for Ukrainian products.

With a renewed commitment to comprehensive market reform, Ukraine could gain access to international financing of over \$4 billion in the course of a two-year period following the commencement of genuine reforms.

We endorse the proposal for a conference on Partnership for Economic Transformation in Ukraine to be held in Canada before our next meeting.

Russia

1. We recognize the historical dimension of the reform process in Russia. We are encouraged by the commitment to reform, both political and economic, of the Russian leadership and by the progress made so far.

2. The approach we endorsed in Tokyo last year is producing results. We welcome the agreement with the IMF on an economic programme and the recent series of loan agreements with the World Bank and the EBRD. We encourage Russia to work with the international financial institutions to stabilize the economy, reinforce the reform process, and reduce social hardship.

The increases in IMF limits, provision of SDRs to new IMF members and acceleration of World Bank lending that are now under consideration will significantly augment the ability to support Russian reform efforts. The recently agreed comprehensive rescheduling of Russia's 1994 debt obligations will also help.

We continue to look to the Support Implementation Group to help remove practical obstacles in Russia to our support efforts.

3. Mobilizing domestic savings for productive use and attracting foreign direct investment will be crucial to the success of Russia's reforms. We therefore urge Russia to improve the legal and institutional framework for private investment and for external trade. We ourselves will continue to work with Russia towards GATT membership, in order to advance Russia's integration into the world economy and further improve access to our markets for Russian products.

4. We will continue to support reform in Russia.

Other Countries in Transition

1. We welcome the progress made and reaffirm our support for the reform efforts of the countries in transition.

In particular, we commend the political and economic transformation of the Central and Eastern European Countries and support their integration into free market.

Cooperation against Transnational Crime and Money- Laundering

1. We are alarmed by the growth of organized transnational crime, including money laundering, and by the use of illicit proceeds to take control of legitimate business. This is a world-wide problem with countries in transition increasingly targeted by criminal organisations. We are determined to strengthen international cooperation to address this situation.

We welcome the UN Conference on Organized Transnational Crime to be held in Naples next October.

2. On money-laundering, we recognize the achievements of the FATF, which we set up in 1989, and reaffirm our support for its continued work over the next five years. In order to achieve our goal, we agree that counter-measures need to be implemented by FATF members and other countries with significant financial centres. Ultimate success requires that all Governments provide for effective measures to

prevent the laundering of proceeds from drug trafficking and other serious crime or offences which generate a significant amount of proceeds.

We urge countries to adopt necessary legislation wherever appropriate.

Next Summit Meeting

Our discussions this year have convinced us of the benefits of a less formal Summit procedure, as we agreed in Tokyo last year. In Naples, we have been able to have a freer exchange of views and to forge a closer understanding between us. Next year we look forward to an even more flexible and less formal summit.

We have accepted the Invitation of the Prime Minister of Canada to meet in Halifax in 1995.

CHAIRMAN'S STATEMENT ON POLITICAL ISSUES

10 July 1994

1. This occasion has been given added meaning by the full participation in the political discussions of the President of the Russian Federation. This partnership, which is a reflection of the reforms that have taken place in Russia, reaffirms our wish to tackle together today's problems in a constructive and responsible manner.

2. We strongly believe that the parties to the Bosnian conflict should accept the plan presented to them on July 6th in Geneva. We urge them to do so before July 19th. If the opportunity is not seized, there is a grave risk of renewal of war on a larger scale. The parties should refrain from any military action.

We shall ensure that the measures made known to the parties in the event of either acceptance or refusal are implemented.

We support the Action Plan undertaken by the UN for the rehabilitation of Sarajevo and we welcome the signature on July 5th by the European Union and the parties concerned of the Memorandum of Understanding on the EU administration of Mostar.

Concerning the UN-protected areas in Croatia, we urge compliance with the cease-fire, the resumption of talks and the mutual recognition of existing borders.

3. Following the death of Kim Il Sung, we must continue to seek a solution to the problem created by North Korea's decision to withdraw from the IAEA. We urge the DPRK to continue to engage the ROK and the international community, including a continuation of the talks with the US and going forward with the scheduled summit with the ROK. We also urge the DPRK to provide total transparency in its nuclear program through full and unconditional compliance with its non-proliferation obligations and to remove, once and for all, the suspicions surrounding its nuclear activities. We support the renewed efforts to resolve the North Korean nuclear issue through dialogue and we stress the importance of the DPRK's ensuring the continuity of IAEA safeguards and maintaining the freeze on its nuclear program, including no reprocessing spent fuel or reloading its nuclear reactors.

4. We have welcomed the Israeli-Palestinian Declaration of Principles and the signing of the Gaza-Jericho agreement as a first step in its implementation. We recognize the need to speed up the delivery of assistance and create the circumstances for a real improvement of living conditions. Progress on the other bilateral tracks and in the multilateral negotiations is now essential in order to achieve a lasting and comprehensive settlement of the Arab-Israeli dispute and a wider process of peace and cooperation in the whole Middle East/Mediterranean region. We call upon the League of Arab States to end their boycott of Israel. We support the efforts of reconstruction of a prosperous and independent Lebanon.

We reiterate our resolve to enforce full implementation of each and every relevant UN Security Council resolution concerning Iraq and Libya until they are complied with, and recall that such implementation would entail the reassessment of sanctions.

We call upon the government of Iran to participate constructively in international efforts for peace and stability and to modify its behaviour contrary to these objectives, *inter alia* with regard to terrorism.

We support the Algerian government's decision to move forward on economic reforms, which must be pursued with determination, while urging Algerian leaders to continue a political dialogue with all elements of Algerian society rejecting violence and terrorism. We condemn the recent massacre of Italian sailors and other victims, and express our condolences to their families.

We call upon the government of the Republic of Yemen to resolve political differences within the country through dialogue and by peaceful means, and to ensure that the humanitarian situation, particularly in and around Aden, is addressed. International obligations, including sovereignty and territorial integrity, should be respected.

5. Responding to the recent call by the Secretary-General of the United Nations, we have devoted special attention to the situation in the African continent. We salute the achievement of the people of South Africa in ending apartheid by constitutional means, committing ourselves to assist the new government in its efforts to construct a stable and prosperous democracy. At the same time we are painfully aware of the humanitarian tragedy affecting many African countries and we will do our utmost to help them. We are particularly appalled by the situation in Rwanda and call for uninterrupted continuation of the humanitarian action carried out by France through the rapid deployment of UNAMIR II. We urge a

stable cease-fire leading to a political settlement and an increased and urgent humanitarian effort. We support efforts to implement the settlement in Angola.

6. We demand that the military leadership in Haiti comply fully with all relevant UN resolutions and allow a restoration of democracy and the return of the democratically elected government of President Aristide. We call upon all states to bring pressure on the *de facto* regime as well as to enforce strengthened UN measures in relation to Haiti.

7. Proliferation of weapons of mass destruction and missiles is one of the most serious threats to international peace and security. We call upon all States that have not yet done so to accede to the NPT as non-nuclear weapon states. We declare our unequivocal support for the indefinite extension of the Treaty in 1995. We underline the importance of continuing nuclear arms reduction, and confirm our commitment to achieve universal, verifiable and comprehensive treaties to ban nuclear tests and the production of fissile material for nuclear weapons. We reaffirm our commitment for the earliest possible entry into force of the Chemical Weapons Convention and welcome the Special Conference of States parties to the Biological and Toxin Weapons Convention. We support full implementation of the UN Register of Conventional Arms. We agree to cooperate to prevent nuclear smuggling. We assign priority to the problems of anti-personnel landmines, including efforts to curb their indiscriminate use, halt their export, assist in their clearance worldwide. We shall work together and with others for effective export controls to ensure that trade in armaments and sensitive dual-use goods is carried out responsibly. We encourage non-proliferation efforts in the Middle East and South Asia.

8. The UN has a central role in preventive diplomacy as well as in peacekeeping, peace-making, post-conflict peace-building. It is essential that all such activities be fully mandated, effectively planned and organized, and be financed to meet the demands placed on them. All UN members have clear responsibilities in that regard and must fulfil them. Arrears must be eliminated and dues paid promptly and in full, while a more equitable scale of assessments should reflect changes in the world economy and in UN membership. The UN reform must continue in order to ensure efficiency, streamlining of functions and cost effectiveness.

Regional organizations can make a significant contribution in the field of preventive diplomacy and peacekeeping, fully consistent with the UN Charter as well as relevant CSCE documents. We stress the importance of the consent of all parties in peacekeeping operations, and reiterate the need to respect in all cases sovereignty and territorial integrity. We also emphasize that a mandate is to be sought from the UN when peacekeeping forces can be confronted with the need to use force beyond the requirements of self-defence.

The CSCE Budapest summit in December should be an important landmark in the process of enhancing the CSCE's role and capabilities.

We support the conclusion of the Pact of Stability aimed at promoting good relations in Europe.

In the Asia/Pacific area, we welcome the beginning of regional security dialogue, in particular in the ASEAN Regional Forum.

9. We support the improvement of international monitoring mechanisms and procedures for the promotion and protection of human rights everywhere, including the rights of persons belonging to national minorities, and pledge our support for the newly created office of UN High Commissioner for Human Rights. We are determined to strengthen efforts to combat racism, racial discrimination, xenophobia, aggressive nationalism, anti-Semitism and other forms of intolerance.

The international community should equip itself with more efficient means to respond in a prompt way to humanitarian emergencies world-wide. We shall seek to improve our capabilities through the UN and other appropriate mechanisms to fulfil such requirements.

10. We condemn terrorism in all its forms, especially when state-sponsored, and reaffirm our resolve to cooperate in combating it with determination. We call upon all countries involved to renounce support for terrorism, including financial support, and to take effective action to deny the use of their territory to terrorist organization[s].

We stress that organized crime and narcotics trafficking are a threat to political as well as economic and social life, and we call for increased international cooperation. We have agreed that the proposed world ministerial conference to be held in October in Naples at the initiative of the Italian government will be a most important occasion to advance such cooperation.

11. The meeting has also given us the opportunity for an exchange of views on the reform process in Russia, a historic task that President Yeltsin and the Russian government continue to bring forward with the confirmed support of the international community. President Yeltsin presented Russia's views on global economic and security issues. We intend to cooperate on such topics as transnational crime, money laundering, and nuclear safety.

12. Looking forward to Halifax, we shall continue to cooperate closely in order to increase the conditions for maintaining peace and stability in the world.