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THE WAY FROM VENICE

Traditionally, the annual economic summit is mocked as one vast photo-opportunity for the seven leading politicians of the western world — especially those who happen to be trying to get themselves re-elected, and very healthy some of that irreverence is. But the summit, whatever else it is, provides a useful opportunity for the leaders to review the world economic situation and co-ordinate their approach to common economic problems at the highest level.

Aside from the photo-opportunities, it is highly desirable for the leaders of the free world to meet regularly. Not only does it help them to avoid becoming locked into their own rhetoric, it can provide the extra political commitment to make progress on common problems that is simply not available at lowlier gatherings.

Nevertheless, this week's economic summit in Venice has been only one event in a regular chain of high-level meetings on world economic issues. As it happens, the important decisions this year have been taken on other occasions.

At the February meeting of the Group of Seven's finance ministers and central bankers in Paris it was agreed in principle that the United States, Germany and Japan should take appropriate fiscal action to help offset the massive trade imbalance between the US and the two countries in surplus. In the light of this commitment the Group (less Italy) agreed that the current pattern of exchange rates was about right and would be defended.

Six weeks later when the same cast assembled in Washington for the half-yearly meeting of the International Monetary Fund, the dollar/yen rate had dropped sharply and the definition of exchange rate stability had to be adjusted. The fall in the dollar put additional pressure on Japan to convert its pledge in Paris into action. This it duly did with the expansion package announced a fortnight before the summit.

The summit itself, therefore, arrived as a chapter in the story closed. Japanese assurances that the planned packages will indeed be enacted by the Diet must be taken at face

value. Pressure on Germany to follow suit did not break surface publicly this week, partly because movements in foreign exchange markets were not forcing the issue. The Louvre accord on exchange rate stability was duly reaffirmed. That is modestly helpful. But there were no new moves which will do anything in the short term to buttress that stability.

In the longer term the Venice meeting may have opened a new chapter by agreeing what are described in the language of summit communiques as "strengthened arrangements for multilateral surveillance and economic co-ordination". Following an initiative at last year's summit in Tokyo, the seven have agreed to set national targets for a series of economic indicators and to meet to review the scope for policy action if they diverge from the planned path.

This will help to sharpen up the concept of co-ordinated objectives for the world economy. But there is nothing automatic about any policy changes if the world economy starts to move off the rails. No country is likely to cede that degree of sovereignty. So whether the new arrangements will open a new chapter or simply provide another footnote to the long-running story of international discussion of economic developments remains to be seen.

Several minor themes were also heard in Venice. The Lawson initiative on reducing the burden of debt on the poorest of the African countries made a little more progress. There was some useful tariff disarmament by the Americans vis-à-vis Japan. Sensible things were said about the need to tailor agricultural production more closely to demand.

On the other great issue of economic development — the removal of trade barriers and the liberalization of markets of all kinds — the summit endorsed a list of objectives which Mrs Thatcher must have found gratifyingly in line with British aims over the past eight years: the promotion of competition, measures to improve the functioning of labour markets and the opening up of internal markets. Listing the objectives, however, is one thing; making real progress towards achieving them is another.

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