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Treasury Secretary Baker with President Reagan at summit declaration.

Baker Praises Agreement For Economic Warning System

By Craig Webb
United Press International

Treasury Secretary James A. Baker III hailed the summit leaders' agreement yesterday to use economic reports as an "early warning system" to signal when countries should adjust their economic pol-

Statement signed by leaders of United States, Japan, West Germany, France, Italy, Britain and others committed their nations to strengthening the use of economic reports as a sort of thermometer to warn them when a country's economy was getting hotter or cooler than it should be.

The statement did not list which reports would be used or how often each would be. But David Stockman, the Treasury Department's director in charge of international affairs, said "the ones we're going to concentrate on" are economic growth, inflation, trade balances, government budgets, monetary policy and currency exchange

rate or more of a country's indicators get out of line, the summit

nations agreed, they will discuss the situation, U.S. officials said.

"In effect, what this will do is provide us with an economic early warning system to signal the need to consider additional economic policy changes," Baker said. "With this, we now have a political mechanism for promoting action."

Baker, here after the summit, said he considered the summit a success because "I can't think of any major item, on the economic side particularly, that we came here wanting that we didn't get."

He bristled when reporters asked him how he could say that when most of the achievements he cited were mere affirmations of agreements signed since February.

"You shouldn't look for major macroeconomic policy initiatives every two or three weeks or months," he said. "We've just come off of major meetings in Paris in February and at the Group of Seven meeting in Washington in April. And there was a possibility of losing ground here."

The Group of Seven consists of
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the top finance officials of the seven summit nations.

The summit statement prescribes two solutions to the \$1 trillion Third World debt crisis. For the poorest countries, many of them in sub-Saharan Africa, the summit leaders suggested that lending countries stretch out their loans to struggling nations, cut the interest rates and give longer grace periods for repayments.

But for the so-called middle-income countries—nations such as Brazil and Mexico, which have some capability of meeting their bills—the summit leaders stuck to the economic formula that has become known as the Baker Plan.

The plan calls on borrowing nations to revitalize and streamline their economies, on lending countries to work through organizations like the World Bank to coordinate

loans and on private banks to increase their lending. But the idea has barely taken hold since it was proposed in October 1985, primarily because private banks have been hesitant to lend money to nations that cannot repay what they already owe.

The statement also cited the importance of countries helping others and noted that some international organizations call for countries to give 0.7 percent of their gross national product as international aid.

Baker said he did not consider the statement to be anything that binds the United States to that percentage.

"It's our view that you have to look at financial flows across the board in determining development assistance," he said. "I think it's our view, for instance, that treating development aid in a vacuum is not the right approach to take."