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# Venice call for freer trade

## Summit concerned over protectionism

From David Smith, Economics Correspondent, Venice

The seven leading industrial countries yesterday committed themselves to preserving the present pattern of exchange rates, pledged action against protectionism, which they viewed with "grave concern", and called for a market-led reduction in interest rates worldwide.

The summit declaration, presented by the Italian Prime Minister, Signor Amintore Fanfani, came after two-and-a-half days of discussions in Venice. Britain was represented by the Foreign Secretary, Sir Geoffrey Howe, on the final day of the summit. "It has been a very business-like and successful summit," he said.

Mr James Baker, the US Treasury Secretary, said: "We have seen clear progress on a number of fronts. I cannot think of any item on the economic side in particular, that we came here wanting and did not get."

The new system of indicators for economic policy action was, he said, "a political mechanism for promoting action." And he had received a personal commitment from Herr Gerhard Stoltenberg, the West German finance minister, that Bonn would take further expansionary action if its growth was not up to expectations.

The summit declaration also promised changes in agricultural policies to reduce farm surpluses, pledged a general capital increase for the World Bank, action on a special debt package for sub-Saharan Africa this year and

measures to create jobs through structural change in the main economies.

There was little last-minute wrangling among the seven — the US, Britain, West Germany, Japan, France, Italy and Canada — which reflected discussions on the world economy which were free of rancour. There was little evidence that the big surplus countries, Japan and West Germany, came under pressure to take further expansionary fiscal action even though world growth has slowed this year.

The seven said there had been a number of positive

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developments for the world economy over the past year. Growth was in its fifth consecutive year "albeit at lower rates" and interest rates and inflation had come down. Exchange rates had been brought "within ranges broadly consistent with economic fundamentals". Trade flows had begun to adjust to the new pattern of exchange rates but current account imbalances remained "too large".

Along with the problems of trade imbalances, the heads of state said a number of problems had to be tackled, including "persistently high unemployment, large public-sector deficits and high levels of real interest rates".

No early correction of the US current account deficit and the Japanese and West German surpluses is foreseen, their correction will be "a long and difficult process". It was

enforced, according to the declaration, for all countries, including the newly industrialized ones, to co-operate in opening up world markets.

And, in a veiled reference to the possibility that the West German Bundesbank could take the first step in a new round of international interest rate cuts, the declaration said: "In view of the outlook for low inflation in many countries, a further market-led decline of interest rates would be helpful."

Measures favoured for job creation include promotion of competition, labour market reforms, reducing agricultural imbalances, opening of markets and promotion of investment. But there was no pressure at the meeting for a general world expansion to cut into unemployment.

Medium-term economic forecasts and objectives will be provided by the countries on seven indicators not listed in the declaration but understood to be growth, inflation, monetary conditions, current account and trade balances, budgetary policy and exchange rates.

"In effect it is a system for international group therapy," Sir Geoffrey Howe said. On trade and agriculture, the seven gave full support to the preparations currently under way for the Uruguay round of trade talks under the auspices of the General Agreement on Tariffs and Trade. They also committed themselves to "a progressive and concerted reduction of agricultural support".