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Summit Ends Without New Moves to Aid Dollar, Avert Recession or Trim Deficits

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VENICE, Italy—The leaders of the industrial world ended their economic summit meeting here without pledging any specific new actions to stabilize the dollar, fend off world recession or curb the huge U.S. budget and trade deficits.

The seven governments had warned for weeks that the meeting would largely confine itself to reaffirming existing agreements, and that the greatest need was for action to carry out those pacts. But their ...-page communique didn't include any firm pledges that the nations will do better, and papered over continuing splits on most of the major economic issues.

The best the leaders could do was to accept vague language calling on their finance ministers to propose "additional appropriate policy measures" in the future if world economic growth is insufficient." ...t officials of West Germany and Japan, ... countries where growth is most needed, immediately said this didn't require them to take any new economic actions.

President Reagan will hold a half-hour televised news conference here at 8 a.m. ...T today and will address the nation from the White House Monday evening, a White House spokesman said. Both the news conference and the speech are expected to focus on the economic summit meeting.

Secretary Baker's View

Yesterday, Treasury Secretary James Baker told reporters that "I think we've made progress—clear progress on a number of fronts." And he added that "I can't think of any major item on the economic ..., particularly, that we came here wanting that we didn't get."

But the economic communique, like the political statement issued Tuesday, seemed to reflect faltering U.S. leadership of the group. U.S. goals were minimal, and on key issues the positions favored by the Reagan administration were watered down. The U.S. came in for criticism of its budget deficit and French officials remarked that President Reagan didn't speak at all in yesterday's final plenary session, which was devoted to economic matters.

Japan Emerges Unscathed

By contrast, Japan, which at one time seemed likely to be a whipping boy here, emerged unscathed, largely because of a ...billion stimulus package announced before the summit. Japanese Premier Yasuhiro Nakasone was said to be "very pleased" with the summit, because Japan wasn't heavily criticized, and a Japanese ... for recycling part of the country's trade surpluses to the Third World was singled out for praise.

On the dollar, the leaders, as expected, limited themselves to reaffirming the agreement reached by finance ministers of seven nations at the Louvre in Paris ... February and in Washington last ..., to try to stabilize world currency ...s around their current levels. The communique trotted out the now-familiar ...al formulation that "further substantial shifts in exchange rates could prove counterproductive."

The statement also reaffirmed Secretary Baker's plan for easing the debt problems of "middle-income" Third World nations, largely in Latin America. It repeats Mr. Baker's formula of trading economic reforms for new commercial bank lending or other financing methods that banks may choose from a "menu" of options. These options include new forms of direct investment, which the communique encourages debtor nations to make possible.

The leaders also adopted a French proposal to negotiate by year's end a plan to increase aid to the poorest debtor nations, mainly in Africa.

Economic-Coordination Plan

As expected, the leaders blessed their finance ministers' plan for a more formal system of economic coordination involving the use of selected economic indicators to monitor each nation's performance. The non-binding plan isn't a direct currency-stabilization measure, though the communique mentioned that exchange rates would be one of the indicators used, and Mr. Baker said that, by better coordinating economic policy, the plan would also help stabilize exchange rates.

If a nation failed to meet its previously agreed targets under the indicator plan, the communique said "consideration of remedial actions" might be required. But the process would be kept secret, contrary to American wishes.

The summit leaders also endorsed a finance ministers' plan for new negotiations during the current trade talks in Geneva, Switzerland, aimed at phasing out agricultural subsidies. The communique gave another boost to the trade talks overall, and condemned protectionism.

The summit communique ackowledged that solving the central problem of huge Japanese and West German trade surpluses and the big U.S. budget deficit "will be a long and difficult process," and repeated calls for Japan and Germany to stimulate home demand, and for the U.S. to cut its deficits.

But the communique left open the question of whether West Germany and Japan need to do more than they have already pledged to spur flagging growth. The West Germans insisted throughout the meeting that they had reached the limits of what they could do without overheating their economy and reigniting inflation. Spokesmen repeatedly cited figures showing that the German economy is beginning to rebound after a bad first quarter.

"Germany was able to show that it is in the business of aiding and increasing world growth," Chancellor Helmut Kohl said.

As for whether his country would need to do more, Mr. Kohl added: "There isn't the slightest reason for anybody to make comments about Germany." He said the communique language about possible new measures was "a precaution against the unlikely event that growth slows down more."

The Japanese, too, deftly slipped out of any possible new commitments. Michihiko Kunihiro, chief cabinet counselor for external affairs, said Japan's expansionary program showed its commitment to growth, and he added that reaffirming the Louvre accord didn't mean the yen needed to stay at the new, higher levels it has reached since last February. "We read the word current in a longer-term context," he said. "Not too long ago the yen was much lower."

Indeed, the Japanese will be able to sell the summit agreement to their home audience as possible relief for the effects of the soaring yen. "For the first time in history, all the leaders have explicitly agreed to adjust exchange rates consistent with economic fundamentals," Mr. Kunihiro added. He said this meant the yen could fall somewhat, as the Japanese hope.

In the sessions, Mr. Nakasone and Mr. Kohl raised the issue of U.S. budget deficits. President Reagan argued that progress is being made on the deficit and stuck to his pledge to veto tax increases. But the communique contained several references to reducing large fiscal deficits, though without mentioning the U.S. by name.

On a number of points, the U.S.—normally the agenda-setter at summits—either took a back seat, or was forced to accept language it opposed, or to water down positions it favored.

The debt discussions were dominated by Japan and Europe. A Japanese plan to "recycle" part of its huge trade surplus to poor nations formed the centerpiece of the leaders' debt talks. The French and the British had also proposed specific plans to sharply increase aid flows to poor African nations through the International Monetary Fund, to stretch out loan repayments, and in some cases to offer lower interest rates on loans.

On debt-recycling, the communique embraced the idea of cutting interest rates on government loans to the poorest nations, a point the U.S. had opposed.

The communique didn't mention President Reagan's proposal, contained in a speech televised across Europe from Venice, to eliminate all agricultural subsidies by the year 2000. Secretary Baker said the goal was never even proposed by the U.S. for inclusion in the communique, "perhaps because there was not sufficient additional support for putting a fixed date in there." The agriculture language also left out references the U.S. had supported to putting farm-trade talks on a fast track. France and Germany have steadfastly opposed splitting agricultural issues from other trade matters.

The U.S. also lost on the seemingly minor point of whether to mention in the final document a target, first stated in 1970 and never fulfilled, that industrial nations would devote 0.70% of their gross national product to foreign aid. The U.S. currently devotes 0.24% of its GNP to aid, and according to French officials, Secretary of State George Shultz argued unsuccessfully for two hours yesterday to delete any mention of the old target figure.

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contributed to this article