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Kohl's Status As Linchpin

Main Economic Role Seized From Reagan

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VENICE, June 10 — Helmut Kohl, alone among the seven heads of state visiting Venice, took time to visit the city's cafes and stroll among the pigeons of St. Mark's Square, proving himself the symbol of a modest summit conference.

News Analysis

The West German Chancellor came content with existing arrangements for managing the world economy and wanting merely to keep the Americans off his back about his own. He succeeded.

"We're extremely satisfied," said the Chancellor's spokesman, Friedhelm Ost. "No one said you must do this or you haven't done that."

On all significant economic questions that came before this conference, Germany captured the initiative from President Reagan, who had controlled these events until the Democrats won control of Congress and the Iran-contra affair erupted. The Americans still dictated most of the agenda, but the Germans determined the results.

The Sensitive Farm Issue

One important example was the issue of subsidies that all the countries give their farmers to keep them in business. The subsidies have led to widespread overproduction and have become budget-busters for many countries — accounting, in the case of the United States, for more than 10 percent of the Federal budget deficit.

The subject of farming is so delicate politically that not until last year's conference at Tokyo did the countries even acknowledge a problem. Then in Paris last month, at a meeting of the Organization for Economic Cooperation and Development, they agreed to work "expeditiously" toward multilateral reduction of the agricultural subsidies.

The Administration, particularly, was cheered by that agreement, and last Friday President Reagan set the year 2000 as a target for elimination of all the subsidies.

But according to Americans here, Mr. Kohl and his ministers, sensitive to the domestic political implications for their farmer-constituents, balked at phraseology in today's communiqué that would connote speed or deadlines.

Comments From Officials

"The others," said a senior German official, "have accepted our arguments that in discussing farm subsidies, you've got to take into consideration protection of the countryside and protection of farm families."

An American official said, "All we got was generalities."

In the dispute over German trade surpluses and American budget deficits, Mr. Kohl did not give an inch, while for the first time in the four-year-old dispute it appeared that President Reagan did.

In previous conferences the United States had conceded that its budget deficits undermined the world economy, but in endorsing reductions in those deficits it said it could do so only by cutting Government spending.

Frank C. Carlucci, the national security adviser, about to begin briefing yesterday in Venice.

In Venice, President Reagan did not go so far as to accept the urging of other countries that he raise taxes, too. But today's communiqué, in referring to "deficit countries," avoids any comment about spending and implies — although no American here would confirm it — that the President could soon relent in his fervent opposition to higher taxes.

Kohl's Stand on Surpluses

There was no relenting by Chancellor Kohl, however. West Germany, codified with Japan as a trade surplus country, promised policies to strengthen domestic economic growth, which would help reduce the surpluses.

Germany said at a Paris meeting of finance ministers last February that it would do its part by cutting taxes somewhat at the start of 1988 — but nothing more and nothing sooner. Bonn's Finance Minister, Gerhard Stoltenberg, said today's agreements represented simply a "reinforcement" of that accord.

"They're always saying, 'Watch out for inflation,'" a Canadian official here said, "but it's more complicated than that. They have a different idea about how economies function. It's not just inflation. It's also a belief that surpluses are virtuous, and they become indignant at being lectured by profligates."

Chancellor's New Figures

American officials, though the Germans deny it, say they did press Chancellor Kohl to do more to stimulate his nation's economy but found that they got nowhere in their appeals.

The Chancellor came to Venice with a new set of figures contending that West Germany's economy had not declined during the first four months this year, as the nation's central bank had reported, but that by other criteria it had grown at a fairly moderate rate.

"They're simply stubborn," an American official here said. "They refuse to acknowledge that their growth has fallen."