MEDIASCAN
OVERNIGHT CANADA/DU JOUR AU LENDEMAIN
OTTAWA
JUN 12 1987
LE DROIT / PREMIÈRE 119
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Wilson sees some progress despite summit's circus act

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Sitting in a deck chair in the gardens of the Isola di San Giorgio, swilling mineral water at the end of a strenuous day of summiteering, Finance Minister Michael Wilson is prepared to make random observations about the seven-nation summit circus that will bivouac in Toronto next year.

First, he agrees that he doesn't like it much.

If these gatherings of heads of state and foreign and finance ministers are to achieve much, then it is the informal discussions that are most helpful.

Instead, the summits have developed into high theatre, attended at Venice by a press corps of 3,000. Inevitably, political issues have crept in and become more prominent, although Mr. Wilson, a veteran of three summits, maintains that they are still fundamentally "economic" meetings as they were conceived to be.

Even if he doesn't like the shindig surrounding it all, he holds out little chance that, next year, things will be much different.

Nevertheless, Mr. Wilson is happy about the surprisingly strong performance of the Canadian economy. Since the major countries began using International Monetary Fund statistics on growth, unemployment, inflation, monetary policy, balance of payments and so on to monitor each other's performance, Canada has been doing well.

The key number is the expansion of the gross domestic product. Fast GDP growth means you are not just helping yourself by creating more jobs, but also helping other countries by taking in more imports.

Last year, Canada was the fastest-growing major economy — and, to judge from recent figures, it may rise to the top spot this year. However, there are weaknesses, Mr. Wilson admits, notably the size of the budget and current account deficits.

Looking at Canada's recent economic record, he makes a comparison with Britain under Margaret Thatcher where growth has kept going at a fairly sustained rate. Both governments have been doing things to encourage supply-side growth, he says.

In Canada's case, he cites cutting the deficit, freeing up the energy sector, encouraging foreign investment and providing tax-based incentives to investment — and, still to come, measures such as deregulating financial markets and transportation, further privatization of Crown corporations and tax reform.

For some reason, he says, supply-side measures have got a bad name. In fact, they may be the key to getting more growth out of the economy.

All this leads up to the larger issue of whether the world economy will keep growing fast enough. Mr. Wilson is an optimist. He thinks enough countries have made the right moves, including Japan with its latest package of $42-billion (U.S.) worth of stimulative measures, and says there is no sign that a recession lies ahead.

Obviously, it would be better to see an average of 3 per cent-plus growth in the major economies, considered a norm for keeping unemployment from getting worse and international trade from shrinking.

But, if that is not being achieved now, it may be because the various economies are catching their breath, he says.

One of the messages he has been trying to get across is that it is not enough to co-ordinate policy in the Group of Seven or concentrate on the Big Three — the United States, Japan and West Germany.

Now that an arrangement has been worked out for getting closer policy co-operation among the major countries, it should be extended to 10 countries, and perhaps 24.

In addition, the focus should shift from short-term measures to the medium term. If this is done, there will be more stability in the global economy and in the financial markets. Governments will be aware of what the problem is — a shortfall of demand in their economy, say, or a misalignment of their currency relative to others — and take corrective measures.

If the system works effectively, it will act as an early warning signal of trouble ahead, Mr. Wilson says.

Another need is to bring newly industrialized economies such as those in South Korea, Taiwan and Hong Kong, into the process. They are running up large surpluses, sometimes on the basis of currencies that are undervalued. And this adds to instability in foreign exchange markets.

If all this sounds like a panacea for the problems that the world has encountered since Washington ended the U.S. dollar's link with gold and since currencies began to float, Mr. Wilson admits it does have its limitations.

Tremendous progress has been made at this year's meetings of finance ministers in Paris, Washington and Venice on developing a common position and making a commitment to consult and act together.

But whatever is agreed to is bound by the politics of the moment.

Countries that are reluctant to take action or simply say that public opinion will not allow such action still have the right to set policy and go their own ways. And Canada, with its mouse-and-elephant relationship with the United States, presumably does not want it any other way.

As Mr. Wilson sees it, what has been agreed to is that the major countries will listen to each other and consider the impact their economic policies have on other nations.

That might not stop financial markets jumping around, or going bananas over prospects for the U.S. dollar or whatever. But, in Mr. Wilson's view, it is progress.

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