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Europeans to Pursue Own Goals at Meeting

A STAFF REPORT

THE VENICE SUMMIT

LONDON — The four European nations attending the Venice economic summit will probably defend their positions as fiercely as they can. But there will be a far-from-united European front on every issue.

In particular, West Germany is likely to be on the defensive over international demands to reflate its economy, arguing that proposed tax cuts over the next few years will provide a major fiscal stimulus.

West Germany, together with France, also is concerned about proposed agricultural reforms and international efforts to dismantle farm subsidies.

The British and Italian prime ministers, however, will be regarding the three-day gathering more as an electoral platform.

Margaret Thatcher goes to the polls on June 11, the day after the summit ends, while the Italian premier, Amintore Fanfani, faces an election June 14.

Mrs. Thatcher, who attended the 1983 Williamsburg summit during an election campaign, is well aware of the vote-catching kudos of being seen on the world stage at such a crucial time. Mr. Fanfani, presiding over a caretaker government, will be seeking credibility and trying to convince both the Italian electorate and the rest of the world that political stability can be restored as he plays host to the six other world leaders.

Domestic considerations apart, the main issue in Venice is likely to be agriculture. Every summit seems to plump for a particular matter on which to focus. In London

three years ago it was the world debt crisis.

At the 1985 Bonn summit, whether or not to implement a new General Agreement on Tariffs and Trade multilateral trade round was the key topic. Last year's Tokyo summit was overshadowed by the Chernobyl disaster. This year it looks very much as if the question of how to eliminate food subsidies and liberalize farm trade will be the major preoccupation.

Britain, whose farmers are among the most efficient in the world, fully supports the recent initiative of the 24 leading industrialized nations in the Organization for Economic Cooperation and Development to cut agricultural aid in the drive to reduce food surpluses.

But although West German Economics Minister Martin Bangemann agrees the Eu-

ropean Community's agricultural market should be opened up, the West German government faces opposition at home from farmers who claim that, per capita, the nation is already the largest importer of agricultural produce with an annual deficit of 20 billion deutsche marks (about \$11 billion).

The French government also faces a powerful farmers lobby that will strongly resist pressure to cut the level of support and make the industry more competitive.

Ranged alongside the question of farm subsidies is the broader issue of protectionism. Britain, West Germany, France and Italy will be pressing both individually and through the European Community (also represented at the summit), for a reduction in the U.S. budget and trade deficits in order to ward off the risk of an international trade war. And, while welcoming the recent fiscal expansion measures announced by Japan

SEE STRESS, PAGE 27

Stress on Economics Anticipated in Venice

CONTINUED FROM PAGE 1A

European leaders are likely to be critical of Japan's continued refusal to lift trade barriers.

Britain, Italy and France probably won't complain publicly about West Germany's economic slowdown. Nevertheless, Chancellor Helmut Kohl is bound to explain to the other six that the three stages of tax cuts between January 1987 and January 1990 add up to \$50 billion, a stimulus larger than that of any other country can boast.

With the federal budget deficit forecast to rise to DM30 billion next year, Mr. Kohl will claim the country's fiscal and monetary policies are making a very significant contribution to a better-balanced world economy, with the economy likely to be growing by 3% to 4% by the end of the year.

The Louvre Accord of last February, when finance ministers from the United States, Japan, Britain, West Germany and France agreed to try to stabilize exchange rates around prevailing levels, will be reviewed in Venice.

European countries will tell the United States that any further decline of the dollar would be unacceptable, and that exchange rates should be allowed to consolidate around present levels.

Agenda Eyed For Summit

Journal of Commerce Staff

LONDON — Heads of state and government from the seven most powerful economies in the Western world will gather in Venice next month for the 13th Economic Summit.

Since the first such gathering in Rambouillet, France, in 1975, world leaders from the United States, Canada, France, West Germany, Italy, Japan and the United Kingdom, together with the president of the European Community Commission, have met each year to review economic and, invariably, political issues.

This year's meeting, set for June 8-10, will be focusing primarily on trade and budget imbalances and the rising tide of protectionism.

Britain likely will raise the question of Third World debt and seek support for Chancellor of the Exchequer Nigel Lawson's proposal that the world's poorest countries, especially in sub-Saharan Africa, should be offered special relief.