

STATEMENT

With permission, Mr Speaker, I will make a statement about the Economic Summit meeting in Venice on 22 and 23 June at which I was accompanied by my Noble Friend, the Foreign Secretary and my rt hon. Friends, the Chancellor of the Exchequer, and the Secretary of State for Energy.

This was the first Summit meeting since the Soviet occupation of Afghanistan and the first to have a detailed and formal discussion of international political problems. The unanimity and sense of common purpose that informed this discussion is reflected in our public statements. We confirmed that the Soviet occupation of an independent Sovereign nation is and will remain unacceptable. We called for the complete withdrawal of Soviet troops and for the Afghan people to be left free to decide their own future. We were not deflected by the Soviet Government's carefully timed announcement of the withdrawal of certain units from Afghanistan. We made clear that the withdrawal, if confirmed, must be irreversible and must continue until no Soviet forces remain in Afghanistan. We reaffirmed our opposition to the attendance of our athletes at the Olympic Games.

In addition to this declaration on Afghanistan, we also agreed statements about refugees, the taking of diplomatic hostages and hijacking.

The main purpose of these Summit meetings, however, is still to review the world economic situation. Here, our discussions were dominated by the problem of oil prices. These have virtually doubled since our last meeting in Tokyo a year ago. The increases in the price of oil have had and will continue to have profoundly damaging effects upon the world economy. They have led to even higher inflation, to the imminent threat of severe recession and to increased unemployment in the industrialised countries.

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We agreed at Venice that our top economic priority must remain the reduction of inflation and that determined fiscal and monetary restraint is therefore required. We agreed that if we were to improve productivity and to provide new job opportunities, resources must be shifted from Government spending to the private sector and from consumption to investment. We agreed that measures of this kind might be economically and politically difficult in the short term but that they were essential to sustained non-inflationary growth and to increased employment which are our major goals. These conclusions are entirely in line with the policies which the Government are pursuing in this country.

We accepted the need to break, over the next ten years, the link which has been apparent in some countries between economic growth and oil consumption. With this aim in mind, we agreed upon a series of measures to reduce consumption of oil, to use it more efficiently and to develop alternative sources of energy.

The worst sufferers from the sharply increased price of oil have been the developing countries. Both their oil bill and their current account deficit have doubled in the last two years. The increase in their spending on oil over this period is higher than the total amount of aid they have received ^{last year} from all official sources. At the same time the ability of the developed countries to help them has itself been diminished by the oil price rises; all seven countries represented in Venice are now in current account deficit.

It follows that the democratic industrialised countries cannot alone carry the responsibility of providing aid to the developing countries. We must look to the main oil exporting countries to use their vastly increased resources to give help. We believe that it is as much in their interests as ours to contribute in this way to the stability of the world economy and to the development of the poorer nations. The fact is that the industrialised countries of the free world, the oil exporting countries and the non-oil developing countries depend upon each other and need to work more closely together.

Against this background we welcomed the report of the Brandt Commission.

We also agreed to review our aid policies and procedures. We shall consider the results of this review at the next Summit.

In addition to our formal business, we had a number of less formal exchanges. In particular, I had a useful bilateral meeting with President Carter.

Mr. Speaker, on the economic side this was a meeting at which we were largely concerned to carry forward the work begun last year. At the same time, we broke new ground by discussing the major international political issue of the day - the invasion and continued occupation of Afghanistan by the Soviet Union. The meeting offered a timely opportunity for the Seven Heads of State and Government to reaffirm their unity of purpose on the political and economic difficulties we face. That opportunity was taken.