

MR INGHAM

VENICE SUMMIT : ON-THE-RECORD BRIEFING BY THE CHANCELLOR,
2 JUNE 1987

The Chancellor prefaced his opening remarks by saying that the talks with Japanese officials over the weekend had appeared to make some satisfactory progress. It seemed likely that three British firms would gain membership of the Tokyo Stock Exchange and our objectives in investment management services appeared to have been achieved.

The Chancellor identified a number of topics to which consideration would be given at Venice:

Exchange Rates - It was clear that the Louvre Accord in February, endorsed in Washington in the Spring, had worked despite scepticism in the markets and in certain sections of the media. There had been broad stability in exchange rates. Britain had been playing a very full part in it, intervening in the foreign exchange market to a much greater extent.

Debt - Correspondents would recall the 3-point plan adopted at the Spring meetings in Washington to deal with the debt problems of the poorest sub-Saharan countries, which had been warmly welcomed by the OECD in May. It would be Britain's objective to consolidate the political backing for this at Venice and to look for firm decisions on the plan at the IMF in Autumn.

Agriculture - Correspondents would recall that the Tokyo Summit communique included a reference for the first time, largely because of British pressure, to world agriculture problems. We would be looking to push the issue further at Venice.

World Growth - The danger of a slow down in world economic growth, though not a problem in Britain, was a problem in other countries. The reasons for the slow down were clear - adjustments in exchange rates and the need to carry out undertakings already given. Examples of such undertakings included that by the United States to reduce its budget deficit, and that by Germany to carry out supply side measures including tax reform and privatisation. We would look to see both of these brought forward at Venice.

These were likely to be the main economic issues discussed at the Summit, although the Chancellor warned against holding out any exaggerated hopes for the meeting.

In answer to questions, the Chancellor made the following points:

Reserves - Today's increase, at \$4³/₄bn the greatest monthly increase ever and coming on top of earlier monthly increases, meant that Britain's reserves were much stronger than ever before. Intervention would be sterilised and funded so that there were no adverse monetary consequences, but the timing of any such sterilisation would be determined by market forces. We were perfectly content with the exchange rate position as it is.

German Tax Reform - Possible German tax moves would come into effect on 1 January 1988.

Baker Plan - The Chancellor was not aware of any moves on this front. What Citicorp had done was beneficial as a blow for realism and market response had shown that they had much less to fear than had previously

been thought. The Bank of England's position was that it was continuing to strengthen the balance sheet. The Baker plan represented a further development of the accelerated step-by-step approach bringing the World Bank in with the IMF and, as a sensible evolution of existing strategy, had been helpful.

Paris Accord - International co-operation would be discussed but the Chancellor did not envisage any specific action to bolster the Accord.

Exchange Rates/Interest Rates - Exchange rate stability was an objective for the world economy in that it could achieve desirable effects. Interest rates were not an objective in the same sense, but had to be moved up and down according to the market. On international interest rates, there might be scope to see some further reductions in Germany.

"Japan Bashing" - Japan had already acted to limit any possibilities with its recent package and we were in the process of reaching a satisfactory solution to our differences with it on the financial front. There may be pressure from the US to get Japan to increase its rate of growth (Britain, of course, had one of the fastest rates of growth in the world).

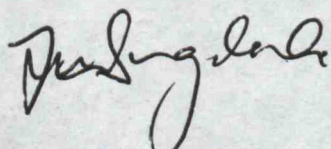
EMS - Britain's joining the EMS was not a matter for Venice, nor for international discussion. It was for Britain to make its own decision, though it was clear that other countries would like to see us join. The Chancellor thought that we were clearly strong enough to join the EMS, but doing so was a matter of timing. He believed that the Prime Minister's comparison of the UK and German economies, made some time ago, was

intended to point out that the British economy was not as strong as the German and that hitching the Pound to the Deutchmark was not a good idea.

US - The Chancellor would like to see steps taken to deal with the United States' deficit.

Japan - There was more to be done in opening up the Japanese market on goods where there were restrictions, especially on consumer and agricultural goods on which there was a very restrictive regime. This linked up with the worldwide agriculture problem which was aggravated by Japan's protectionist policy under which imports from many of the poorest countries in the region were kept out.

Tokyo Indicators - The indicators launched at the Tokyo Summit had been discussed by the Group of 7 in Washington in March. There would be further discussion in Venice and a section of the final Communique would deal with it. The Chancellor denied that his reticence to discuss the indicators further was a sign that there were problems. He said that there was further work to be done; we had not got it right yet and they needed to be thought through further. He thought that indicators rather than targets was a better description of the figures used. As to any proposals for a formal framework for future talks on the indicators, he thought it would be absurd to introduce any automatic trigger applied to Ministerial meetings: discussions would take place as appropriate.



SIMON DUGDALE

PRESS OFFICE
2 June 1987



10 DOWNING STREET

Operational Note

Not for publication

VENICE ECONOMIC SUMMIT, 8-10 JUNE 1987:
NOTES FOR THE BRITISH PRESS

Press Centre

The Press Centre will be on the island of San Giorgio beside the Cini Foundation which will house the Economic Summit itself. Within the Centre each country will have its own national press centre (see below for the British one). All press facilities will be available from 12.00 noon on 7 June; but television technicians and press agency staff can use their facilities from 09.00 to 23.00 on 4-6 June.

There will be a common services area for all visiting journalists, a Joint Declaration Room, and rooms for the main wire agencies. Common services will include 10 international telephone lines, 10 local and internal lines, 25 telefax machines, 15 telex machines, 15 tape punchers and three machines for wiring photographs. Nearby there will be another room with 50 direct-dial international telephones, 25 of which are in booths. This equipment and TV facilities can be tested from 4-6 June between 10.00 and 16.00 hrs.

Among the other services available at the Press Centre will be a Post Office, a news stand, an exchange bureau, a travel agency and a Summit Information Desk manned 24 hours a day

which will also act as a central distribution point for Summit documentation. A non-stop bar restaurant service for the press will be provided from 09.00 hrs on 8 June to 02.00 hrs on 11 June. The restaurant will serve free lunch and dinner between the hours of 12.30 and 15.00 and 19.30 and 23.00 hrs respectively. The bar service will operate when the restaurant services are closed and will terminate on 11 June at 02.00 hrs.

British Press Centre

This suite of rooms is well situated on the ground floor near the press common services (restaurant, bar, telephone room, etc) and the British delegation offices. It consists of one very large room which will be used for briefings and press conferences, a smaller room nearby equipped for the press to work in and another for press officers. The Reuter office is adjacent.

In the large briefing room there will be 10 direct-dial international telephones, 5 internal lines via switchboard and 5 lines for the city of Venice only. International calls will be charged for while local calls are free. There will be a public address system and two TV monitors in this room for viewing Summit events in the Cini Foundation and watching Italian TV broadcasts. ITN "News at Ten" will be screened live by satellite on the evenings of 8, 9 and 10 June.

Pools

A pool system will be operated throughout the conference for coverage of receptions and other events. Pools will range from 10-100 persons and will usually consist of photographers and TV operators only. Passes will be distributed through national Press Centres. Generally each nation will have the same number of places in pools. RAI TV

will be in all pools. Transport for events not on San Giorgio Island will be arranged.

Transport for the Press

Shuttle ferry services for the press between San Marco Giardinetti and the Darsena Grande on San Giorgio will be in continuous operation from 7 June as follows:

From 07.00 to 20.00 - every 20 minutes past the hour from Giardinetti

- at 15, 35 and 55 minutes past the hour from San Giorgio

From 20.00 to 07.00 - every 30 minutes past the hour from Giardinetti

- at 15 and 45 minutes past the hour from San Giorgio.

These ferries are the principal means of access for the press to San Giorgio Island. Requests for launch hire must be made through the Protocol Operations Room on San Giorgio as must requests for launches by journalists needing to visit Delegation hotels. These launches will be available from 08.00 - 24.00 and will cost extra thereafter. They may be tied up but not moored at the Porticciolo on San Giorgio, where security checks on passengers will be carried out.

Journey times by ferry motor launch are approximately as follows:

Giardinetti to Press Centre	6 minutes
Airport to St Mark's Square	25 minutes.

Accreditation and Passes

All journalists must have a press badge with their photograph on it. Applications should have been made to the press office of the Ministry of Foreign Affairs in Rome via The British Embassy in Rome by 9 May, although late applications will be considered. Passes for accredited press can be collected between 09.00 and 19.00 from 5 June at the Biblioteca Marciana on the Piazzetta San Marco.

The press badge, coloured yellow, will give access to zone C which includes the Press Centre and all other press facilities. It will not give access to the delegation offices, the Summit meeting rooms, or the hotels used by the British delegation. Any access to British delegation hotels is subject to special arrangements made by the staff of the British press centre.

Medical Arrangements

During the Economic Summit two medical centres will be open round the clock at the Cini Foundation on San Giorgio Island for delegations and press. Four hospitals in Venice and on the mainland are also on call and both speed-boat ambulances and a helicopter ambulance will be on stand-by.

Radio and Television Facilities

One of the buildings of the press centre will be run by RAI for the benefit of local and visiting television networks and Eurovision. The liaison officers are Mr Giuseppe Sinigaglia of RAI (tel Rome 36865567 or 36865568) and Miss Serenella Garroni of RAI (tel Rome 36865582).

Hotel Accommodation for British Press

Almost all the British press are accommodated at the Hotel Splendid Suisse, Merceria 760, San Marco, Venice (tel 041-5200755 - telex 410590). It is situated about five minutes' walk from the cathedral corner of St Mark's Square. Although it may be too late to get into the Splendid Suisse, journalists wanting accommodation in Venice for the Conference should send a telex to 410229 MAEOVEL in Venice. Liaison Officers are Col Oscar Pedrazzini and Mrs Torroni - tel Venice 522-2625 or 8353.

Airport Arrivals

A large press pool will be placed at the airport to view arrivals and departures of national delegations. Five international lines served by an operator will be available for pool use plus one telephone and one telex line.

Press Officers

Counsellor Daniele Verga (tel Venice 522 5092 or 2625) is responsible for summit press arrangements assisted by Dr Guariglia and Dr Teliani, while the liaison officer at the British Press Centre will be Dr Gianluigi Mascia (tel ext 515). Counsellor Roberto Bettarini is responsible for telecommunications (tel Venice 522-1718).

Mr Gordon Pirie, information officer at the British Embassy in Rome, will be in charge of running the British Press Centre. Spokesmen from the Prime Minister's Office, Foreign and Commonwealth Office and HM Treasury will also operate from it.

3 June 1987

FINANCIAL TIMES

JUNE 2, 1987

The agenda for Venice

NEXT WEEK'S economic summit in Venice differs from recent international meetings of finance ministers in at least one important respect. It will be much more difficult than hitherto to blame Japan for the world's many economic tensions and imbalances. The ¥6,000bn package of stimulatory measures announced in Tokyo last week is as generous as could sensibly have been expected given the domestic political constraints facing Mr Nakasone; and while Japan has on previous occasions failed to implement such packages, this time the assurances of officials have a more convincing ring. Taken in tandem with the promise of additional untied finance for developing countries, it suggests that Japan at last is taking its international responsibilities seriously.

The spotlight in Venice ought therefore to shift to another part of the world where growth is low, inflation negligible, the current account in large surplus and government finances rock solid: West Germany. The financial community has greeted the Japanese proposals enthusiastically. Nobody has yet suggested that the tax cuts and additional public spending (mainly on infrastructure) will do anything but good. There has been no hint that carefully planned reflation by the public sector will necessarily be ineffectual or that Japan must rely on a spontaneous revival led by private sector entrepreneurs. Support around the world for Japan's initiative illustrates the extent to which fiscal policy has been rehabilitated as an instrument of economic management.

Unpopular move

The question that Mr Gerhard Stoltenberg, the West German finance minister, will have to answer in Venice is: why are the policies that are desirable in one stagnating, surplus country not also desirable in West Germany? Even before Tokyo's conversion to more stimulatory measures, West Germany's growth prospects were much poorer than Japan's and its unemployment much higher. The IMF has calculated that if policies in Bonn do not change, real domestic demand in West Germany next year will grow more slowly even than in the US, a debtor trying to curb its deficits.

A package of stimulatory

measures, on the scale of those announced in Tokyo, would not just revitalise the West German economy. It would reinvigorate the whole EC economy, a trading bloc larger than either Japan or the US. However, given Mr Stoltenberg's past policy pronouncements and the difficulty of convincing West German state governments of the need for reform, such a package is most unlikely to materialise unless strong pressure is brought to bear in Venice. Mr James Baker, the US Treasury Secretary, must therefore prepare to make himself highly unpopular in Bonn.

A US-West German battle in Venice can also be expected at a deeper philosophical level. At the OECD ministerial meeting in Paris last month, Mr Baker made it clear that he expected the Group of Seven countries to make significant progress in devising a mechanism for implementing the economic co-operation and co-ordination that everybody claims to support. The US would like the industrial countries to set informal targets for a range of "objective economic indicators" (things such as real GNP growth, current account balances and budget deficits) and agree to hold consultations when the variables diverge from the mutually agreed targets, to see what remedial action might be required.

West Germany, supported by the UK, is resisting attempts to create a more formal structure of rules and obligations for the management of the world economy. Yet opposition to arrangements that would make effective co-operation more practicable seems largely misplaced. The objective indicators system is not intended in any sense as a substitute for greater reliance on free markets, which attract Mr Baker's whole-hearted support. It is merely a recognition that free enterprise can flourish on a global scale only if individual countries agree to pursue consistent macroeconomic policies. This seems a pretty uncontroversial proposition given the bitter legacy today, in terms of imbalances, currency instability and renewed protectionism, of policy inconsistencies in the early 1980s. The hope must be that, once in Venice, the G7 countries will put narrow considerations of national sovereignty behind them and work together in what Mr Baker has dubbed a "partnership for growth."