

EBD/84/167

June 11, 1984

To: Members of the Executive Board

From: The Acting Secretary

Subject: 1984 Economic Summit - London Economic Declaration

There follows for the information of the Executive Directors the text of the declaration issued in London on June 9, 1984 at the conclusion of the economic summit meeting:

We, the Heads of State or Government of seven major industrialized countries and the President of the Commission of the European Communities, have gathered in London from 7 to 9 June 1984 at the invitation of the Right Honorable Margaret Thatcher FRS MP, the Prime Minister of the United Kingdom, for the tenth annual Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss economic problems, prospects and opportunities for our countries and for the world. We have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on the basic objectives of our respective policies.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in our countries. It is more soundly based than previous recoveries in that it results from the firm efforts made in the Summit countries and elsewhere over recent years to reduce inflation.

4. But its continuation requires unremitting efforts. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth and the creation of new jobs. We need to spread the benefits of recovery widely, both within the industrialized countries and also to the developing countries, especially the poorer countries who stand to gain more than any from a sustainable growth of the world economy. High interest rates, and failure to reduce inflation further and damp down inflationary expectations, could put recovery at risk. Prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to those objectives and policies.

5. Not the least of our concerns is the growing strain of public expenditure in all our countries. Public expenditure has to be kept within the limits of what our national economies can afford. We welcome the increasing attention being given to these problems by national governments and in such international bodies as the Organization for Economic Co-operation and Development (OECD).

6. As unemployment in our countries remains high, we emphasise the need for sustained growth and creation of new jobs. We must make sure that the industrial economies adapt and develop in response to demand and to technological change. We must encourage active job training policies and removal of rigidities in the labor market, and bring about the conditions in which more new jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalize capital markets.

7. We are mindful of the concerns expressed by the developing countries and of the political and economic difficulties which many of them face. In our discussion of each of the issues before us we have recognised the economic interdependence of the industrialized and developing countries. We reaffirm our willingness to conduct our relations with them in a spirit of goodwill and cooperation. To this end we have asked Ministers of Finance to consider the scope for intensified discussion of international financial issues of particular concern to developing countries in the IBRD (International Bank for Reconstruction and Development) development committee, an appropriate and broadly representative forum for this purpose.

8. In our strategy for dealing with the debt burdens of many developing countries, a key role has been played by the International Monetary Fund (IMF), whose resources have been strengthened for the purpose. Debtor countries have been increasingly ready to accept the need to adjust their economic policies, despite the painful and courageous efforts it requires. In a climate of world recovery and growing world trade, this strategy should continue to enable the international financial system to manage the problems that may still arise. But continuously high or even further growing levels of international interest rates could both exacerbate the problems of the debtor countries and make it more difficult to sustain the strategy. This underlines the importance of policies which will be conducive to lower interest rates and which take account of the impact of our policies upon other countries.

9. We have therefore agreed:-

- (1) to continue with and where necessary strengthen policies to reduce inflation and interest rates, to control monetary growth and where necessary reduce budgetary deficits;

(2) to seek to reduce obstacles to the creation of new jobs:

- by encouraging the development of industries and services in response to demand and technological change, including in innovative small and medium-sized businesses;
- by encouraging the efficient working of the labor market;
- by encouraging the improvement and extension of job training;
- by encouraging flexibility in the patterns of working time; and
- by discouraging measures to preserve obsolescent production and technology;

(3) to support and strengthen work in the appropriate international organizations, notably the OECD, on increasing understanding of the sources and patterns of economic change, and on improving economic efficiency and promoting growth, in particular by encouraging innovation and working for a more widespread acceptance of technological change, harmonizing standards and facilitating the mobility of labor and capital;

(4) to maintain and wherever possible increase flows of resources, including official development assistance and assistance through the international financial and development institutions, to the developing countries and particularly to the poorest countries; to work with the developing countries to encourage more openness toward private investment flows; and to encourage practical measures in those countries to conserve resources and enhance indigenous food and energy production. Some of us also wish to activate the Common Fund for Commodities;

(5) in a spirit of cooperation with the countries concerned, to confirm the strategy on debt and continue to implement and develop it flexibly case by case; we have reviewed progress and attach particular importance to:

- helping debtor countries to make necessary economic and financial policy changes, taking due account of political and social difficulties;
- encouraging the IMF in its central role in this process, which it has been carrying out skillfully;

- encouraging closer cooperation between the IMF and the International Bank for Reconstruction and Development (IBRD), and strengthening the role of the IBRD in fostering development over the medium and long term;
 - in cases where debtor countries are themselves making successful efforts to improve their position, encouraging more extended multiyear rescheduling of commercial debts and standing ready where appropriate to negotiate similarly in respect of debts to governments and government agencies;
 - encouraging the flow of long-term direct investment; just as there is need for industrial countries to make their markets more open for the exports of developing countries, so these countries can help themselves by encouraging investment from the industrial countries;
 - encouraging the substitution of more stable long-term finance, both direct and portfolio, for short-term bank lending;
- (6) to invite Finance Ministers to carry forward, in an urgent and thorough manner, their current work on ways to improve the operation of the international monetary system, including exchange rates, surveillance, the creation, control, and distribution of international liquidity and the role of the IMF; and to complete the present phase of their work in the first half of 1985 with a view to discussion at an early meeting of the IMF Interim Committee. The question of a further allocation of Special Drawing Rights is to be reconsidered by the IMF Interim Committee in September 1984;
- (7) to carry forward the procedures agreed at Versailles and at Williamsburg for multilateral monitoring and surveillance of convergence of economic performance toward lower inflation and higher growth;
- (8) to seek to improve the operation and stability of the international financial system by means of prudent policies among the major countries, by providing an adequate flow of funding to the international financial institutions and by improving international access to capital markets in industrialized countries;
- (9) to urge all trading countries, industrialized and developing alike, to resist continuing protectionist pressures to reduce barriers to trade and to make renewed efforts to liberalize and expand international trade in manufactures, commodities and services;

(10) to accelerate the completion of current trade liberalization programs, particularly the 1982 GATT work program, in cooperation with other trading partners; to press forward with the work on trade in services in the international organizations; to reaffirm the agreement reached at the OECD Ministerial Meeting in May 1984 on the important contribution which a new round of multi-lateral trade negotiations would make to strengthening the open multilateral trading system for the mutual benefit of all economies, industrial and developing; and, building on the 1982 GATT work program, to consult partners in the GATT with a view to decisions at an early date on the possible objectives, arrangements, and timing for a new negotiating round.

10. We are greatly concerned about the acute problems of poverty and drought in parts of Africa. We attach major importance to the special action program for Africa, which is being prepared by the World Bank and should provide renewed impetus to the joint efforts of the international community to help.

11. We have considered the possible implications of a further deterioration of the situation in the Gulf for the supply of oil. We are satisfied that, given the stocks of oil presently available in the world, the availability of other sources of energy, and the scope for conservation in the use of energy, adequate supplies could be maintained for a substantial period of time by international cooperation and mutually supportive action. We will continue to act together to that end.

12. We note with approval the continuing consensus on the security and other implications of economic relations with Eastern countries, and on the need to continue work on this subject in the appropriate organizations.

13. We welcome the further report of the Working Group on Technology Growth, and Employment created by the Versailles Economic Summit, and the progress made in the eighteen areas of cooperation, and invite the Group to pursue further work and to report to Personal Representatives in time for the next Economic Summit. We also welcome the invitation of the Italian Government to an international conference to be held in Italy in 1985 on the theme of technological innovation and the creation of new jobs.

14. We recognize the international dimension of environmental problems and the role of environmental factors in economic development. We have invited Ministers responsible for environmental policies to identify areas for continuing cooperation in this field. In addition we have decided to invite the Working Group on Technology Growth and Employment

to consider what has been done so far and to identify specific areas for research on the causes, effects, and means of limiting environmental pollution of air, water, and ground where existing knowledge is inadequate and to identify possible projects for industrial cooperation to develop cost-effective techniques to reduce environmental damage. The Group is invited to report on these matters by 31 December 1984. In the meantime we welcome the invitation from the Government of the Federal Republic of Germany to certain Summit countries to an international conference on the environment in Munich on 24-27 June 1984.

15. We thank the Prime Minister of Japan for his report on the Hakone Conference of Life Sciences and Mankind, organized by the Japan Foundation in March 1984, and welcome the intention of the French Government to sponsor a second Conference in 1985.

16. We believe that manned space stations are the kind of program that provides a stimulus for technological development leading to strengthened economies and improved quality of life. Such stations are being studied in some of our countries with a view to their being launched in the framework of national or international programs. In that context each of our countries will consider carefully the generous and thoughtful invitation received from the President of the United States to other Summit countries to participate in the development of such a station by the United States. We welcome the intention of the United States to report at the next Summit on international participation in their program.

17. We have agreed to meet again next year and have accepted the Federal Chancellor's invitation to meet in the Federal Republic of Germany.

Other Distribution
Department Heads