

LONDON SUMMIT

7-8 May 1977

Summit Declaration

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SUMMIT DECLARATION

8 May 1977

In two days of intensive discussion at Downing Street we have agreed on how we can best help to promote the well being both of our own countries and of others.

The world economy has to be seen as a whole; it involves not only cooperation among national governments but also strengthening appropriate international organizations. We were reinforced in our awareness of the interrelationship of all the issues before us, as well as our own interdependence. We are determined to respond collectively to the challenges of the future.

Our most urgent task is to create more jobs while continuing to reduce inflation. Inflation does not reduce unemployment. On the contrary, it is one of its major causes. We are particularly concerned about the problem of unemployment among young people. We have agreed that there will be an exchange of experience and ideas on providing the young with job opportunities.

We commit our governments to stated economic growth targets or to stabilization policies which, taken as a whole, should provide a basis for sustained non-inflationary growth, in our own countries and worldwide and for reduction of imbalances in international payments.

Improved financing facilities are needed. The International Monetary Fund must play a prominent role. We commit ourselves to seek additional resources for the IMF and support the linkage of its lending practices to the adoption of appropriate stabilization policies.

We will provide strong political leadership to extend opportunities for trade to strengthen the open international trading system, which will increase job opportunities. We reject protectionism: it would foster unemployment, increase inflation and undermine the welfare of our peoples. We will give a new impetus to the Tokyo Round of Multilateral Trade Negotiations. Our objective is to make substantive progress in key areas in 1977. In this field structural changes in the world economy must be taken into consideration.

We will further conserve energy and increase and diversify energy production, so that we reduce our dependence on oil. We agree on the need to increase nuclear energy to help meet the world's energy requirements. We commit ourselves to do this while reducing the risks of nuclear proliferation. We are launching an urgent study to determine how best to fulfil these purposes.

The world economy can only grow on a sustained and equitable basis if developing countries share in that growth. We are agreed to do all in our power to achieve a successful conclusion of the CIEC [Conference on International Economic Co-operation] and we commit ourselves to a continued constructive dialogue with developing countries. We aim to increase the flow of aid and other real resources to those countries. We invite the COMECON [Council for Mutual Economic Co-operation] countries to do the same. We support multilateral institutions such as the World Bank, whose general resources should be increased sufficiently to permit its lending to rise in real terms. We stress the importance of secure private investments to foster world economic progress.

To carry out these tasks we need the assistance and cooperation of others. We will seek that cooperation in appropriate international institutions, such as the United Nations, the World Bank, the IMF, the GATT [General Agreement on Tariffs and Trade], and OECD. Those among us whose countries are members of the European Economic Community intend to make their efforts within its framework.

In our discussions we have reached substantial agreement. Our firm purpose is now to put that agreement into action. We shall review progress on all the measures we have discussed here at Downing Street in order to maintain the momentum of recovery.

The message of the Downing Street Summit is thus one of confidence:

- in the continuing strength of our societies and the proven democratic principles that give them vitality;
- that we are undertaking the measures needed to overcome problems and achieve a more prosperous future.

APPENDIX ON:

WORLD ECONOMIC PROSPECTS

Since 1975 the world economic situation has been improving gradually. Serious problems, however, still persist in all of our countries. Our most urgent task is to create jobs while continuing to reduce inflation. Inflation is not a remedy to unemployment but one of its major causes. Progress in the fight against inflation has been uneven. The needs for adjustment between surplus and deficit countries remain large. The world has not yet fully adjusted to the depressive effects of the 1974 oil price rise.

We commit our governments to targets for growth and stabilization which vary from country to country but which, taken as a whole, should provide a basis for sustained non-inflationary growth worldwide.

Some of our countries have adopted reasonably expansionist growth targets for 1977. The governments of these countries will keep their policies under review, and commit themselves to adopt further policies, if needed to achieve their stated target rates and to contribute to the adjustment of payments imbalances. Others are pursuing stabilization policies designed to provide a basis for sustained growth without increasing inflationary expectations. The governments of these countries will continue to pursue those goals.

These two sets of policies are interrelated. Those of the first group of countries should help to create an environment conducive to expansion in the others without adding to inflation. Only if growth rates can be maintained in the first group and increased in the second, and inflation tackled successfully in both, can unemployment be reduced.

We are particularly concerned about the problem of unemployment among young people. Therefore we shall promote the training of young people in order to build a skilled and flexible labour force so that they can be ready to take advantage of the upturn in economic activity as it develops. All of our governments, individually or collectively, are taking appropriate measures to this end. We must learn as much as possible from each other and agree to exchange experiences and ideas.

Success in managing our domestic economies will not only strengthen world economic growth but also contribute to success in four other main economic fields to which we now turn - balance-of-payments financing, trade, energy, and North-South relations. Progress in these fields will in turn contribute to world economic recovery.

BALANCE-OF-PAYMENTS FINANCING

For some years to come oil importing nations, as a group, will be facing substantial payments deficits and importing capital from OPEC [Organization of the Petroleum Exporting Countries] nations to finance them. The deficit for the current year could run as high as \$45 billion. Only through a reduction in our dependence on imported oil and a rise in capacity of oil producing nations to import can that deficit be reduced.

This deficit needs to be distributed among the oil consuming nations in a pattern compatible with their ability to attract capital on a continuing basis. The need for adjustment to this pattern remains large, and it will take much international cooperation and determined action by surplus as well as deficit countries, if continuing progress is to be made. Strategies of adjustment in the deficit countries must include emphasis on elimination of domestic sources of inflation and improvement in international cost price relationships. It is important that industrial countries in relatively strong payments positions should ensure continued adequate expansion of domestic demand, within prudent limits. Moreover these countries, as well as other countries in strong payments positions, should promote increased flows of longterm capital exports.

The International Monetary Fund must play a prominent role in balance-of-payments financing and adjustment. We therefore strongly endorse the recent agreement of the Interim Committee of the IMF to seek additional resources for that organization and to link IMF lending to the adoption of appropriate stabilization policies. These added resources will strengthen the ability of the IMF to encourage and assist member countries in adopting policies which will limit payments deficits and warrant their financing through the private markets. These resources should be used with the conditionality and flexibility required to encourage an appropriate pace of adjustment.

This IMF proposal should facilitate the maintenance of reasonable levels of economic activity and reduce the danger of resort to trade and payments restrictions. It demonstrates cooperation between oil exporting

nations, industrial nations in stronger financial positions, and the IMF. It will contribute materially to the health and progress of the world economy. In pursuit of this objective, we also reaffirm our intention to strive to increase monetary stability.

We agreed that the international monetary and financial system, in its new and agreed legal framework, should be strengthened by the early implementation of the increase in quotas. We will work towards an early agreement within the IMF on another increase in the quotas of that organization.

TRADE

We are committed to providing strong political leadership for the global effort to expand opportunities for trade and to strengthen the open international trading system. Achievement of these goals is central to world economic prosperity and the effective resolution of economic problems faced by both developed and developing countries throughout the world.

Policies of protectionism foster unemployment, increase inflation and undermine the welfare of our peoples. We are therefore agreed on the need to maintain our political commitment to an open and non-discriminatory world trading system. We will seek both nationally and through the appropriate international institutions to promote solutions that create new jobs and consumer benefits through expanded trade and to avoid approaches which restrict trade.

The Tokyo Round of multilateral trade negotiations must be pursued vigorously. The continuing economic difficulties make it even more essential to achieve the objectives of the Tokyo Declaration and to negotiate a comprehensive set of agreements to the maximum benefit of all. Toward this end, we will seek this year to achieve substantive progress in such key areas as:

- (i) A tariff reduction plan of broadest possible application designed to achieve a substantial cut and harmonization and in certain cases the elimination of tariffs;
- (ii) Codes, agreements and other measures that will facilitate a significant reduction of non-tariff barriers to trade and the avoidance of new barriers in the future and that will take into account the structural changes which have taken place in the world economy;
- (iii) A mutually acceptable approach to agriculture that will achieve increased expansion and stabilization of trade, and greater assurance of world food supplies.

Such progress should not remove the right of individual countries under existing international agreements to avoid significant market disruption.

While seeking to conclude comprehensive and balanced agreements on the basis of reciprocity among all industrial countries we are determined, in accordance with the aims of the Tokyo Declaration, to ensure that the agreements provide special benefits to developing countries.

We welcome the action taken by governments to reduce counterproductive competition in officially supported export credits and propose that substantial further efforts be made this year to improve and extend the present consensus in this area.

We consider that irregular practices and improper conduct should be eliminated from international trade, banking and commerce, and we welcome the work being done toward international agreements prohibiting illicit payments.

ENERGY

We welcome the measures taken by a number of governments to increase energy conservation, and most recently the program announced by the President of the United States. The increase in demand for energy and oil imports continues at a rate which places excessive pressure on the world's depleting hydrocarbon resources. We agree therefore on the need to do everything possible to strengthen our efforts still further.

We are committed to national and joint efforts to limit energy demand and to increase and diversify supplies. There will need to be greater exchanges of technology and joint research and development aimed at more efficient energy use, improved recovery and use of coal and other conventional resources, and the development of new energy sources.

Increasing reliance will have to be placed on nuclear energy to satisfy growing energy requirements and to help diversify sources of energy. This should be done with the utmost precaution with respect to the

generation and dissemination of material that can be used for nuclear weapons. Our objective is to meet the world's energy needs and to make peaceful use of nuclear energy widely available, while avoiding the danger of the spread of nuclear weapons. We are also agreed that, in order to be effective, non-proliferation policies should as far as possible be acceptable to both industrialized and developing countries alike. To this end, we are undertaking a preliminary analysis to be completed within two months of the best means of advancing these objectives, including the study of terms of reference for international fuel cycle evaluation.

The oil importing developing countries have special problems both in securing and in paying for the energy supplies needed to sustain their economic development programs. They require additional help in expanding their domestic energy production and to this end we hope the World Bank, as its resources grow, will give special emphasis to projects that serve this purpose.

We intend to do our utmost to ensure, during this transitional period, that the energy market functions harmoniously, in particular through strict conservation measures and the development of all our energy resources. We hope very much that the oil producing countries will take these efforts into account and will make their contribution as well.

We believe that these activities are essential to enable all countries to have continuing energy supplies now and for the future at reasonable prices consistent with sustained non-inflationary economic growth; and we intend through all useful channels to concert our policies in continued consultation and cooperation with each other and with other countries.

NORTH-SOUTH RELATIONS

The world economy can only grow on a sustained and equitable basis if developing countries share in that growth. Progress has been made. The industrial countries have maintained an open market system despite a deep recession. They have increased aid flows, especially to poorer nations. Some \$8 billion will be available from the IDA [International Development Association] for these nations over the next three years, as we join others in fulfilling pledges to its fifth replenishment. The IMF has made available to developing countries, under its compensatory financing facility, nearly an additional \$2 billion last year. An International Fund for Agricultural Development has been created, based on common efforts by the developed OPEC and other developing nations.

The progress and the spirit of cooperation that have emerged can serve as an excellent base for further steps. The next step will be the successful conclusion of the Conference on International Economic Cooperation and we agreed to do all in our power to achieve this. We shall work:

- (i) To increase the flow of aid and other real resources from the industrial to developing countries, particularly to the 800 million people who now live in absolute poverty; and to improve the effectiveness of aid;
- (ii) To facilitate developing countries' access to sources of international finance;
- (iii) To support such multilateral lending institutions as the World Bank, whose lending capacity, we believe, will have to be increased in the years ahead to permit its lending to increase in real terms and widen in scope;
- (iv) To promote the secure investment needed to foster world economic development;
- (v) To secure productive results from negotiations about the stabilization of commodity prices and the creation of a Common Fund for individual buffer stock agreements and to consider problems of the stabilization of export earnings of developing countries; and
- (vi) To continue to improve access in a non-disruptive way to the markets of industrial countries for the products of developing nations.

It is desirable that these actions by developed and developing countries be assessed and concerted in relation to each other and to the larger goals that our countries share. We hope that the World Bank, together with the IMF, will consult with other developed and developing countries in exploring how this could best be done.

The well being of the developed and developing nations are bound up together. The developing countries' growing prosperity benefits industrial countries, as the latter's growth benefits developing nations. Both

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developed and developing nations have a mutual interest in maintaining a climate conducive to stable growth worldwide.