

Friday, May 15, 1998

G7 Chairman's Statement

1. The Heads of State or Government of the G7 countries and the President of the European Commission met today, 15 May, to discuss the world economic and financial situation, and the challenges we face in strengthening the global financial system.

The World Economy

2. We discussed recent developments in our own economies and economic developments in the rest of the world. In our own economies we will work together to achieve sustained non-inflationary growth. Such growth and stability are more important than ever, not only for our own economies, but also for other economies in the world, particularly the recovering economies in Asia.

3. We also agreed that the challenges facing each of our own economies remain different:

- The US, Canada and the UK have enjoyed continued strong growth. In these countries the task is to sustain growth while standing ready to prevent any possible resurgence in inflationary pressures and while increasing national savings in the US.
- In Germany, France and Italy, economic growth gained momentum last year and is now strengthening further; it is important that it be increasingly supported by domestic demand, which will have a positive effect on employment. Continuing structural reform is also essential to improve the longer term prospects for growth and employment.
- We strongly welcome the Japanese Government's substantial economic policy package announced last month and the progress toward implementation to revive confidence and to achieve long-lasting domestic demand-led growth. Japan explained its intention to strengthen the financial system, including by resolving decisively non-performing asset problems, and stressed the importance of promoting structural reforms.

4. We welcome the decisions taken on 2 May on the establishment of European Economic and Monetary Union. We look forward to a successful EMU which contributes to the stability of the international monetary system. The commitment in European Union countries to sound fiscal policies and continuing structural reform is key to the long term success of EMU, and to improving the prospects for growth and employment.

5. We recognise that all countries in the world have an interest in growth and stability in our countries. Equally we have an interest in sustained growth and stability in their economies. While we are encouraged by the progress in implementing sound policies in emerging markets that have been affected by the Asian crisis, events in recent days demonstrate that the situation remains fragile. In particular, we welcome the contribution made to global stability by the pursuit of sound economic and financial policies. Moreover, prompt action by some emerging and transition countries to strengthen their economic policies has helped limit spillover effects. Sound macroeconomic policies, open markets and continued structural reform in all countries are essential for long term stability in the world. Recent experience emphasises the importance also of good public governance.