

# G7 Statement

Cologne, June 18, 1999

## I. World Economy

1. Since we met last year in Birmingham, the world economy has faced major challenges. However, we note with satisfaction the recent improvement in market confidence and in the prospects for growth of the world economy as a whole. Continued strong growth in the United States, important policy actions to promote recovery in Japan, the successful launch of Economic and Monetary Union in Europe, a general non-inflationary environment and progress with respect to financial and economic stabilization in East Asia as well as in Latin America are encouraging developments. But a number of serious challenges remain, and continued action remains essential.

2. To turn these developments into stable and sustainable economic growth, we need to pursue balanced macroeconomic policies supportive of domestic demand and investment while preserving price stability. This will contribute to achieving more balanced growth among our economies and thereby reduce external imbalances. Some of our countries, to enhance employment opportunities and reap the potential of their economies, need to reinforce macroeconomic policies with strong structural measures aimed at improving market-based incentives for all economic actors. Such structural measures will be a prerequisite for enhancing employment growth and improving the environment for investment.

3. More specifically:

- In North America, macroeconomic policy should aim at maintaining the conditions for balanced growth.
- In the countries of the euro zone, it is important to pursue an appropriate mix of macroeconomic and structural policies aimed at strengthening prospects for improved growth and higher employment.
- In the United Kingdom, economic policies should continue to aim at fostering non-inflationary growth.
- In Japan, it is still essential to implement stimulus measures until domestic demand-led growth is restored and to pursue structural measures to enhance the economy's efficiency and competitiveness.
- Emerging market economies have made considerable progress, and the foundations for a renewal of growth have been established in a number of countries. While much remains to be done, currently improved prospects owe much to the policy action taken by these economies, supported by the International Monetary Fund (IMF), the World Bank and bilateral assistance. They also require a supportive international environment characterized by solid aggregate G7 domestic demand and open markets.

4. It is our conviction that an increasingly open and integrated world economy will offer expanding opportunities and shared benefits for all its members. In light of our special responsibility for the world economy, we pledge to continue close cooperation to foster worldwide economic growth. Leaders in other countries also share responsibility for promoting global growth and financial stability, and we urge them to pursue policies that contribute to these objectives. The international community will stand ready to support countries pursuing strong policies in the face of difficult economic challenges.