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April 1988

THE TORONTO ECONOMIC SUMMIT
1. INTERNATIONAL ECONOMIC COORDINATION

The continuing objective of Summits is to achieve compatible macro-economic policies to foster balanced growth. Even though Summits are not decision-making forums, they have enabled the leaders of the major industrialized democracies to pursue more coordinated and more effective responses to economic problems and to implement credible policies in order to restore confidence.

At the Tokyo Summit in 1986, recognizing the need for close and continuous coordination of economic policies, Summit leaders formed the Group of Seven Finance Ministers (G-7). The G-7 was charged with the responsibility of improving policy coordination to promote non-inflationary economic growth, strengthening market-oriented incentives for employment and investment, and fostering greater stability in exchange rates.

At their meeting in Paris in February 1987, the G-7 Finance Ministers agreed to promote more balanced global growth, and to reduce fiscal and external imbalances. To this end, each country undertook specific commitments for action. The "Louvre Accord" reached on that occasion contained measures to stimulate domestic demand in the Japanese and West German economies, and to reduce the US fiscal deficit.

Canada undertook to reduce the federal budget deficit, implement tax and regulatory reform, pursue trade liberalization bilaterally with the United States and multilaterally within the Uruguay Round, and continue to focus monetary policy on the reduction of inflation and to ensure that it was consistent with orderly exchange markets.

The G-7 also stated that the substantial change in exchange rates which had taken place since the G-5 agreement in Washington of September 1985 (Plaza Agreement) would contribute to reducing external imbalances, and had brought exchange rates within ranges consistent with underlying economic fundamentals provided that commitments were implemented. G-7 Ministers and Central Bank Governors agreed to cooperate to foster exchange rate stability.

The Venice Summit of June 1987 was dominated by a spirit of cooperation and cohesiveness among leaders. They were encouraged by continued, though lower, economic growth, by continued low rates of inflation and generally reduced interest rates. The strategy adopted by the G-7 in the Louvre Accord was further endorsed at the Summit (and then by the G-7

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