

The Road from Venice to Toronto

Since the Venice Summit held in June 1987, significant progress has been achieved on a range of key international economic issues;

- The Finance Ministers of the Group of Seven (G-7) agreed in their communiqué of December 22, 1987 and again at their meeting in Washington on April 13, 1988 to strengthen further the process of economic policy coordination and consider ways of improving the international monetary system.
- The IMF established a new concessional lending facility, the Enhanced Structural Adjustment Facility (ESAF) to provide new resources totalling US\$8.4 billion to help the world's poorest countries.
- The World Bank has marshalled commitments of US\$6.7 billion from bilateral donors in co-financing Bank adjustment programs in the poorest countries in Sub-Saharan Africa over the next three years. As well, some countries have provided relief on past official development assistance loans. Canada announced at the recent Summit of la Francophonie and at the Commonwealth Heads of Government Meeting that it would forgive such debts for 13 countries in Sub-Saharan Africa.
- National delegations have tabled their MTN negotiating proposals, thus enhancing prospects for early results in the Uruguay Round of trade negotiations. GATT members are addressing the deteriorating situation in world agricultural trade, and seeking ways of strengthening the GATT system.

The leaders at Toronto will once again be confronted with a complex global economic situation and a full and challenging agenda. On the positive side, despite the market turbulence last October, Summit economies are continuing to exhibit better than expected growth. The Summit countries are now in their sixth consecutive year of economic expansion. Unemployment rates have fallen markedly in North America and the United Kingdom. Inflation has been relatively restrained. Progress has been made toward the correction of external imbalances. The significant and helpful realignment of exchange rates that has taken place over the last three years, the measures taken to stimulate domestic demand in the Federal Republic of Germany and Japan (countries with surpluses), and the measures taken to reduce domestic demand in countries with large deficits have all contributed to the process of adjustment. Despite such positive developments, financial markets remain uneasy about fiscal deficits and about current account and trade imbalances. The imbalances have prompted demands for protectionist measures.

The increasing economic importance of the newly industrializing economies (NIEs) of Asia — the Republic of Korea, Taiwan, Singapore and Hong Kong — has raised the question of how to bring them and other emerging economies more closely into the process of consultations on world economic issues. At last year's Venice Summit, the NIEs were urged to assume a large responsibility in maintaining an open world trading system by reducing trade barriers, and having their currencies fully reflect their economic strength. This remains an important issue. The leaders at Toronto will return to it and the role these economies will play in international economic cooperation.