

THE MUNICH ECONOMIC SUMMIT

This year's economic summit, the 18th annual meeting of leaders of the seven major industrialized democracies and the president of the Commission of the European Communities, will take place in Munich, Germany, from July 6 to 8.

Leaders are expected to focus primarily on the global economic situation, economic and political reforms underway in the former Soviet Union and Central and Eastern Europe, relations with developing countries, the environment, the safety of Soviet-designed nuclear reactors and nuclear proliferation.

Several important developments during the past year shape the context for this year's summit. Economic growth has been disappointing, with the rate of growth of the summit countries slipping to 0.8 per cent in 1991, from 2.5 per cent in 1990.

Following the dramatic breakup of the Soviet Union, newly independent republics are struggling to build viable economies and democratic institutions in conditions of ethnic tension and political instability. The emerging democracies of Central and Eastern Europe are making progress but face continuing challenges. Elsewhere, many developing countries are also pursuing economic reform and adopting more democratic governments.

Foremost on the agenda of summit leaders will be the global economic situation. Economic growth among the G-7 nations has slowed considerably since mid-1990, following eight years of record expansion. Individual structural reform policies, combined with continued policy coordination among G-7 partners have, however, provided the basis for future growth, although unemployment levels remain unacceptably high.

Leaders will review progress with the medium-term strategy of fiscal restraint, reduced real interest rates and policies to enhance productivity.

They will also likely exchange views on economic conditions in their own countries, as well as on structural issues.

The further liberalization of international trade is of continuing importance to global economic growth. Progress in multilateral trade negotiations will likely be reviewed by summit leaders.

The emergence of the newly independent countries of the former Soviet Union presents challenges to the international community. Summit countries are playing a leading role in supporting reform and the development of democratic, market-oriented societies, although the new countries themselves are ultimately responsible for their transformation.

Summit leaders intend to assess efforts at reform and confirm that Western support will be linked to tangible progress. President Yeltsin's meeting with leaders following the summit will provide an opportunity for a full discussion of developments in Russia.

Economic and political reforms under way in Central and Eastern Europe, and the state of international assistance to the region, will likely be reviewed at Munich. Bilateral programs coordinated through the Group of 24, and multilateral assistance through the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development and the European Bank for Reconstruction and Development, will continue to play an essential role in supporting the economic transformation of these countries.

Leaders recognize the adjustment programs being successfully undertaken by many developing countries and will likely consider the implications of growing economic differentiation among them. Attention will be given to the difficult social and economic problems facing the least developed. The importance of good governance, respect for