

European Monetary System (EMS)

Established in 1979, it was designed to create a zone of monetary stability to minimize wild currency fluctuations. The EMS is based on a system of fixed but adjustable exchange rates, resting on a variety of intervention and credit mechanisms. Its core is the European Currency Unit (ECU), which is used to fix bilateral central rates for the eight participating EC currencies.

Export Credit

An export credit is a line of credit offered by the exporting country to the importing country for the purchase of the export good.

External Imbalances

Another term for a chronic surplus or deficit in a country's current account or balance of payments.

Functioning of the GATT System (FOGS)

A negotiating group established in the Uruguay Round to improve the operation of GATT as a trade policy organization, including enhancing the role of ministers, improving surveillance and fostering better links with the IMF and World Bank.

Louvre Accord

The agreement achieved at the Group of Seven finance ministers meeting in Paris on February 22, 1987. The ministers agreed that there was a need to intensify economic policy coordination efforts in order to promote more balanced global growth and to reduce existing fiscal and external imbalances. To this end, each country undertook specific policy commitments. The accord contained measures to stimulate domestic demand in the economies of Japan and the Federal Republic of Germany and to reduce the U.S. fiscal deficit.

Macroeconomic Policy

Policy geared toward influencing the overall aggregates of the economy, such as employment, production, and the rate of inflation, through measures affecting the fiscal balance and the supply of money and credit.

Multilateral Trade Negotiations (MTN)

The negotiations of the Contracting Parties of the General Agreement on Tariffs and Trade. (See GATT in previous section.)

Multilateral Surveillance

The use of economic indicators to compare economic policies among countries and the analysis of the interaction of those economic policies.

The Group of Seven finance ministers have developed and implemented strengthened arrangements for multilateral surveillance and coordination. As was noted in the Venice Summit Economic Declaration, the new process of coordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by summit countries. (See Group of Seven in previous section.)

Newly Industrializing Economies (NIEs)

Developing economies that have sustained rapid growth (over 6 percent per annum) of their gross national product over the past 12 years, and have a high proportion of manufactured products as a percentage of total exports. Currently, the economies identified as NIEs are the Republic of Korea, Singapore, Taiwan and Hong Kong.

Plaza Agreement

The Group of Five finance ministers (from France, the Federal Republic of Germany, Japan, the United States and the United Kingdom) met at the Plaza Hotel in New York in September 1985. The formal communiqué prepared at the meeting was the first public statement released by G-5.

The G-5 ministers agreed to a co-ordinated exchange market intervention that would drive down the value of the U.S. dollar, because it was too strong in relation to other currencies and no longer reflected fundamental economic conditions.

Punta del Este

A city in Uruguay that hosted the conference that launched the Uruguay Round of Multilateral Trade Negotiations.