

Tokyo Economic Declaration

May 6, 1986

INFLATION/
MONETARY ISSUES/
ENERGY

1. We, the Heads of State or Government of seven major industrialized countries and the representatives of the European Community, meeting in Tokyo for the twelfth Economic Summit, have reviewed developments in the world economy since our meeting in Bonn a year ago, and have reaffirmed our continuing determination to work together to sustain and improve the prosperity and well-being of the peoples of our own countries, to support the developing countries in their efforts to promote their economic growth and prosperity, and to improve the functioning of the world monetary and trading systems.

2. Developments since our last meeting reflect the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years. The economies of the industrialized countries are now in their fourth year of expansion. In all our countries, the rate of inflation has been declining. With the continuing pursuit of prudent fiscal and monetary policies, this has permitted a substantial lowering of interest rates. There has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions. For the industrialized countries, and indeed for the world economy, the recent decline in oil prices will help to sustain non-inflationary growth and to increase the volume of world trade, despite the difficulties which it creates for certain oil-producing countries. Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.

MONETARY ISSUES
TRADE

3. However, the world economy still faces a number of difficult challenges which could impair sustainability of growth. Among these are high unemployment, large domestic and external imbalances, uncertainty about the future behaviour of exchange rates, persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-term prospects for the levels of energy prices. If large imbalances and other distortions are allowed to persist for too long, they will present an increasing threat to world economic growth and to the open multilateral trading system. We cannot afford to relax our efforts. In formulating our policies, we need to look to the medium and longer term, and to have regard to the interrelated and structural character of current problems.