

The Houston Economic Summit

This year's Economic Summit, the sixteenth annual meeting of leaders from the seven major industrialized democracies and the European Community (EC), will take place in Houston, Texas from July 9 to 11.

One of the major issues for discussion in Houston will be East-West relations. This year's meeting will be the first opportunity for summit leaders, including Japan, to discuss together the rapid evolution of events in Central and Eastern Europe and the U.S.S.R. They will wish to assess the impact of these changes on the framework of political relations that, until 1989, largely defined the post-World War II era. The subject will also be of particular interest in the aftermath of the meeting between President Bush and President Gorbachev in Washington from May 31 to June 3 and the North Atlantic Treaty Organization (NATO) Summit in London, July 5 and 6.

At the Paris Summit in 1989, leaders agreed on the need to extend assistance for the process of reform underway in Hungary and Poland, and they assigned to the European Commission the task of co-ordinating such support. Leaders will likely review the success of this initiative and consider how further to support the reforms and adjustments now under way in other Central and Eastern European countries.

Events in Europe are also changing the landscape of East-West economic relations. Leaders will consider the implications of these changes for existing multilateral economic institutions such as the Organization for Economic Co-operation and Development (OECD), the General Agreement on Tariffs and Trade (GATT), the IMF and the World Bank, while ensuring that these institutions continue to fulfil their current objectives and programs.

As at all past summits, leaders will discuss the continuing need to implement compatible economic policies that encourage global non-inflationary growth. Leaders are confronted with a challenging global economic situation. On the positive side, the economies of the summit countries continue to grow, although at a more sustainable pace. After increasing somewhat last year, inflation rates in most summit countries have eased in response to the imposition of stricter monetary policies. However, as most of these economies are operating at or near capacity levels, there is concern that any relaxation of monetary policies would allow for a resurgence of inflationary pressures.

Countering such pressures, as well as checking global imbalances and addressing such issues as savings rates, will remain among the primary objectives of the Group of Seven (G-7) finance

ministers' consultative process on macroeconomic issues. This process has a good track record. Leaders can be expected to address the importance of consultation and, where necessary, concerted action.

In discussing international trade, leaders are expected to reaffirm their commitment to resist protectionist pressures and to maintain and strengthen the open, multilateral trading system. Summit leaders will wish to review, in particular, the progress made at the Uruguay Round of Multilateral Trade Negotiations (MTN) and to discuss means of ensuring a major package of results for its conclusion by the end of this year. A successful Round is essential for continued economic growth in both industrialized and developing countries and for the development of regional arrangements in an open, non-discriminatory manner.

Problems of debtor countries will continue to be of concern at Houston. Summit leaders will review the international debt strategy, which was strengthened last year with the introduction of the Brady Plan. At Houston, leaders may also consider ways in which the strategy could be further enhanced to reflect the adjustment efforts of seriously indebted countries.

Debt, development and adjustment in the poorest countries, especially in sub-Saharan Africa, remain particularly difficult challenges that require long-term commitments. Canada will seek to ensure that the interests and perspectives of the less developed countries in addressing these challenges continue to receive due attention at Houston.

At the Paris Summit, leaders renewed their commitment to co-ordinated action on the environment, and leaders at Houston will seek to build on the progress already achieved. Attention is expected to focus, within the framework of sustainable development, on several specific issues such as the atmosphere, global warming and protection of the marine environment. Leaders will likely discuss the results of the White House Conference on Global Change, the Bergen Conference on Sustainable Development, and a meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer. Leaders are also expected to discuss the preparations under way for the 1992 UN Conference on Environment and Development to be held in Brazil.

The issue of narcotics remains an important agenda item for the Houston Summit. At Paris, summit leaders expressed strong views on the need for effective co-ordinated international action to combat the international trade in illicit drugs and to eradicate money laundering. At Houston,