

THE ECONOMIC SUMMIT PROCESS

The annual Economic Summit is the most visible element of a broader process of international consultation and cooperation in the management of the world economy. Summit discussions are closely linked to work done in other international fora, including the International Monetary Fund (IMF), the World Bank, the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), and the Group of Seven Finance Ministers (G-7).

Through these institutions, governments seek to manage an increasingly interdependent world economy.

The issues on the Summit agenda are also reviewed at several advance meetings of personal representatives of the Summit leaders (the "sherpas"). The sherpas, through their preparatory meetings, seek out areas of agreement that may form the elements of a Summit consensus approach on the main issues. Prime Minister Mulroney's Personal Representative is Mr. J.H. Taylor, Under Secretary of State for External Affairs.

History of Economic Summits

The first Economic Summit meeting was held in Rambouillet in 1975 at the invitation of the President of France. The original concept of the Summit was that leaders would exchange views in an informal, relatively unstructured setting, much along the lines of the so-called Library Group of Finance Ministers which first met in 1973 in the White House library. Many of the leaders at the first Summit were members of the Library Group.

The Rambouillet Summit was prompted by the leaders' shared concern about the pressing economic issues of the time. The Bretton Woods system of fixed exchange rates, established in the aftermath of World War II, had broken down. Its collapse had weakened the established order of international economic cooperation. At the same time, the effects of the oil crisis of 1973-1974 had led directly to a recession characterized by high unemployment, surging inflation in the industrialized countries and declining world trade.

The early summits focused on promoting economic recovery. Summit leaders agreed on measures to sustain stable economic expansion and to reduce high levels of unemployment

without adding to inflationary pressures. There was a recognition that domestic structural changes would have to be made to deal with rising oil prices and new economic realities.

At the 1978 Bonn Summit, leaders agreed to a program of concerted action — first devised by OECD ministers — to promote sustainable non-inflationary growth. The program called for an expansion of domestic demand, greater cooperation with the developing countries and cooperation to reduce dependence on imported oil.

The 1979 Summit in Tokyo and the 1980 Venice Summit were primarily devoted to responding to the second oil price shock. The Tokyo Summit established a group of experts to monitor oil price developments and the oil consumption patterns of the industrial nations. At Venice in 1980, leaders agreed to a 10-year strategy to break the link between economic growth and oil consumption.

In the early 1980s the world slipped into a recession characterized by persistent inflation, low growth, rising unemployment, current account deficits and high interest rates. The fight against inflation became a key concern and leaders agreed at subsequent summits on the need to restrain public borrowing and monetary growth.

Relations between developed and developing countries were a special theme of the 1981 Ottawa/Montebello Summit. The leaders' deliberations contributed to the preparations for the Cancun Summit between leaders of the North and South which took place later that year.

Following the steep recession of 1981-1982, the world economy has recovered. At subsequent summits, leaders have endeavoured to adopt compatible policies to broaden, strengthen and sustain this recovery.

At the 1983 Williamsburg Summit, leaders agreed to pursue policies conducive to low inflation, reduced interest rates and budget deficits, and enhanced employment opportunities. They also committed themselves to halting protectionism and to dismantling trade barriers. They agreed on a case-by-case approach to the international debt problem.

In Bonn in 1985, leaders agreed to implement a range of coordinated economic policy measures and to intensify efforts to launch new multilateral trade negotiations. The leaders also estab-