

In Germany, a reduction in underlying inflationary pressures and progress on deficit reduction has allowed substantial reductions in interest rates over the last two years. This in turn has allowed an easing of monetary conditions throughout Europe, as well as the beginning of a gradual revival in the German economy.

Canada is contributing to the G-7 growth agenda. The recent budget introduced a comprehensive strategy to achieve the objective of reducing Canada's deficit to 3 per cent of GDP by 1996-1997. The government is also committed to taking further action to eliminate the deficit thereafter. These measures will boost growth and employment by allowing a durable reduction in long-term interest rates.

Sound monetary policy has also contributed to a steady reduction in inflation and helped create the conditions for sustainable growth. Adherence to specific inflation targets, which have recently been reaffirmed and extended through 1998, is a further indication of Canada's commitment to continue to pursue these policies.

The governments of the G-7 countries agree that while implementation of these sound macroeconomic policies will undoubtedly help to improve the prospects for sustainable growth, structural reforms will also be needed to address unacceptably high levels of unemployment. At the G-7 Jobs Conference in Detroit last March, ministers agreed on the importance of reforms to make labour markets more flexible, and the need to address tax and regulatory obstacles to private sector-led job creation.

We in Canada are taking steps in this direction. The government has already acted to reduce work disincentives in Canada's unemployment insurance system. One of the main goals of the ongoing comprehensive review of our social support system is to improve the functioning of labour markets. We intend to make training a high priority and harness technological change in a way that will ensure rising living standards.

These efforts by G-7 governments will create the conditions for a stronger and more sustained global expansion. According to the IMF's *World Economic Outlook*, growth in the G-7 is expected to average 2.5 per cent this year and in 1995, up from 1.5 per cent last year. Growth among the other industrial countries is also expected to firm substantially. The developing countries are also expected to continue to grow at a robust pace of 5.5 per cent, on average, this year. Output in the former centrally planned economies, taken together, is expected to contract by about 6 per cent this year, but the IMF projects that growth will resume next year at a rate of 1.5 per cent.