
Economic Summitry

The Road from Bonn to Tokyo

The annual meetings of leaders from the seven major industrialized democracies and the European Community are the most visible element of a broader, complex process of international consultation and cooperation in the management of the world economy. The Summits are closely linked to work done in other international forums including the International Monetary Fund (IMF), the World Bank, the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD). These institutions are the means by which governments seek to manage an increasingly interdependent world economy. The "road map" of the international economic issues from last year's Bonn Summit to Tokyo is defined by the major meetings of these international economic institutions:

- Special Session of GATT Contracting Parties, Geneva, (September 30, 1985);
- Commonwealth Finance Ministers' Meeting, Maldives, (October 1-2, 1985);
- IMF/World Bank Annual Meetings, Seoul, (October 7-8, 1985);
- Annual Session of GATT Contracting Parties, Geneva, (November 25, 1985);
- IMF/World Bank Spring Meetings, Washington (April 9-11, 1986);
- OECD Ministerial Meeting, Paris, (April 17-18, 1986).

The main issues on the Summit agenda are also reviewed at several advance meetings of the personal representatives of Summit leaders (the "sherpas"). While the Summits are intended to allow leaders to exchange views in informal, relatively unstructured meetings, the sherpas, at their preparatory meetings, seek out areas of agreement which may form the elements of a Summit consensus approach on the main issues.

Developments Since the Bonn Summit

A consensus did not emerge from the Bonn Summit on how the major industrial nations should coordinate their macroeconomic policies to sustain more balanced growth. There was however a broad understanding reached on approaches to managing domestic economies. These included maintaining continued vigilance against a resurgence of inflation, reducing budget deficits and freeing up markets. Although agreement was not reached at Bonn to move forward with the new round of multilateral trade negotiations, there was a strong commitment to resist protectionism. Japan implemented a package of measures to further open its import market.

Since the Bonn Summit there has been significant progress on a range of key international economic issues. These include:

- The agreement by Finance Ministers of the Group of Five (G-5) nations meeting in New York on September 22 to intervene cooperatively in foreign exchange markets to drive down the dollar;
- The Gramm-Rudman legislation passed by Congress which could result in a real reduction in the U.S. budget deficit;
- The strategy, announced by U.S. Treasury Secretary Baker at the Seoul meetings of the IMF and the World Bank, to help LDC debtor countries adjust and overcome their financial difficulties;
- The agreement to convene a GATT Ministerial meeting in September 1986 to launch the next round of multilateral trade negotiations;
- Coordinated reductions of nominal interest rates by Japan, Germany and the United States.