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To: Members of the Executive Board
From: The Secretary
Subject: Statement of the Group of Seven

The attached statement of the Group of Seven dated April 13, 1988 is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads



April 13, 1988

Statement of the Group of Seven

1. The Finance Ministers and Central Bank Governors of seven major industrial countries met today to conduct multilateral surveillance of their economies pursuant to the economic policy coordination process adopted at the 1986 Tokyo Summit and strengthened at the 1987 Venice Summit. The Managing Director of the IMF participated. They discussed the medium-term objectives and projections for each of their economies and for their countries as a group, together with prospects for short-term performance, as a basis for assessing current economic trends. As part of their continuing efforts to strengthen coordination, they agreed to develop for inclusion in the set of existing indicators a commodity price indicator as an additional analytical instrument. In this context, they agreed to consider ways of further improving the functioning of the international monetary system and the coordination process.
2. The Ministers and Governors reviewed economic and financial developments since their statement of December 22/23, 1987. They noted that their renewed cooperation has provided a basis for improvements in their economies that will strengthen economic performance. They reaffirmed the validity of the policy directions and commitments set forth in that statement, which are contributing to continued growth with low inflation. Furthermore, they welcomed the additional evidence that the correction of external imbalances is underway, as well as the increased stability in exchange rates. They also agreed that greater attention will be given to structural reforms to increase the flexibility of their economies and to improve growth and adjustment.
3. The Ministers and Governors expressed their determination to continue to coordinate economic policies to strengthen the underlying fundamentals and thereby reinforce the conditions for exchange rate stability. They reiterated that either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilizing to the adjustment process, could be counterproductive by damaging growth prospects in the world economy. The Ministers and Governors also reemphasized their common interest in stable exchange rates among their currencies and agreed to continue to cooperate closely in monitoring and implementing policies to strengthen underlying economic fundamentals to foster continued stability of exchange rates. In addition, they agreed to continue to cooperate closely on exchange markets.

4. The Ministers and Governors noted that other countries also have responsibilities for supporting the global adjustment process. In particular, while noting that certain newly industrialized economies have performed remarkably well, they called upon their authorities to accept greater responsibility for ensuring an open trade and payments system and correcting global payments imbalances. Toward this end, they urged them to continue to take actions to reduce trade barriers and to allow their currencies to reflect fully the underlying strength of their economies.
5. The Ministers and Governors stressed their strong opposition to protectionist measures as a means of responding to global imbalances. They reaffirmed their determination to continue to resist protectionism and to promote an open world trading system. In that connection, they emphasized the importance of early progress in the Uruguay Round towards trade liberalization by all participants.
6. The Ministers and Governors reaffirmed their full support for the current case-by-case debt strategy as the only viable and realistic approach for overcoming international debt problems. They welcomed the progress being made by some debtor countries in achieving increased growth and reduced payments deficits through the implementation of sound macroeconomic and structural policies. They noted that a major contribution to the financing of indebted developing countries has been made through Paris Club rescheduling of public credit. They emphasized the important role commercial banks have in supporting debtor countries' reform efforts through adequate and appropriate financing options under the menu approach. The Ministers and Governors reiterated their strong opposition to global debt-forgiveness proposals that transfer risks from the private sector to the international institutions or creditor governments. They urged the IMF and the World Bank to continue to work with debtor countries on a case-by-case basis to support debtor countries' reform efforts and to catalyze needed external financing through techniques consistent with the evolving, growth-oriented debt strategy.