

UNCLASSIFIED

FM UKDEL IMF/IBRD, WASHINGTON
TO PRIORITY FCO
TELNO 300
OF 282330Z SEP 86
AND TO PRIORITY PARIS, BONN, TOKYO, ROME, OTTAWA

Please file

MIPT

MEETINGS OF G5 AND G7

FOLLOWING IS STATEMENT OF THE GROUP OF SEVEN FINANCE MINISTERS

BEGINS

"THE FINANCE MINISTERS OF SEVEN MAJOR INDUSTRIALIZED COUNTRIES MET TODAY TO CONDUCT THE FIRST EXERCISE OF MULTILATERAL SURVEILLANCE PURSUANT TO THE TOKYO ECONOMIC DECLARATION OF THEIR HEADS OF STATE OR GOVERNMENT OF MAY 6, 1986. THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND ALSO PARTICIPATED IN THIS MEETING.

2. THE MINISTERS REVIEWED RECENT ECONOMIC DEVELOPMENTS AND THEIR ECONOMIC OBJECTIVES AND FORECASTS COLLECTIVELY, USING A RANGE OF ECONOMIC INDICATORS, WITH A PARTICULAR VIEW TO EXAMINING THEIR MUTUAL COMPATIBILITY AND TO CONSIDERING THE NEED FOR REMEDIAL MEASURES.

3. THE MINISTERS NOTED THAT PROGRESS HAD BEEN MADE IN PROMOTING STEADY, NON-INFLATIONARY GROWTH IN THEIR COUNTRIES.

4. THERE IS BROAD AGREEMENT AMONG THE MINISTERS ON THE ECONOMIC OUTLOOK IN THEIR COUNTRIES: PROSPECTS FOR FURTHER GROWTH IN 1987 ARE GENERALLY FAVOURABLE, AND MORE JOBS WILL BE CREATED, ALTHOUGH THE LEVEL OF UNEMPLOYMENT WILL REMAIN HIGH IN SOME COUNTRIES. INFLATION IS LIKELY TO REMAIN LOW. INTEREST RATES HAVE FALLEN WITH PARTICULAR BENEFICIAL EFFECTS FOR INDEBTED DEVELOPING COUNTRIES.

5. HOWEVER, THE MINISTERS NOTED THAT THE PRESENT SCALE OF SOME CURRENT ACCOUNT IMBALANCES CANNOT BE SUSTAINED. THE EXCHANGE RATE CHANGES SINCE LAST YEAR ARE MAKING AN IMPORTANT CONTRIBUTION TOWARDS REDRESSING THESE IMBALANCES, AND THEIR FULL EFFECTS WILL INCREASINGLY COME THROUGH IN THE PERIOD AHEAD.

6. THE MINISTERS AGREED THAT COOPERATIVE EFFORTS NEED TO BE INTENSIFIED IN ORDER TO REDUCE THE IMBALANCES IN THE CONTEXT OF AN OPEN, GROWING WORLD ECONOMY. THEY NOTED, IN THIS CONNECTION, THAT ECONOMIC GROWTH IN SURPLUS COUNTRIES WAS IMPROVING, BUT SUCH GROWTH WILL NEED TO BE SUSTAINED - AND IN SOME CASES INCREASED. COUNTRIES WITH MAJOR DEFICITS MUST FOLLOW POLICIES WHICH WILL FOSTER SIGNIFICANT REDUCTIONS IN THEIR EXTERNAL DEFICITS, AND THEY COMMITTED THEMSELVES, AMONG OTHER THINGS, TO MAKE FURTHER PROGRESS IN REDUCING THEIR BUDGET DEFICITS IN ORDER TO FREE RESOURCES TO THE EXTERNAL SECTOR. THESE ACTIONS SHOULD HELP STABILIZE EXCHANGE RATES, AND ALL ARE NECESSARY SO THAT IMBALANCES CAN BE REDUCED SUFFICIENTLY WITHOUT FURTHER SIGNIFICANT EXCHANGE RATE ADJUSTMENT.

7. IN THE CIRCUMSTANCES, THE MINISTERS AGREED THAT THE POLICIES OF ALL COUNTRIES DURING THE PERIOD IMMEDIATELY AHEAD WOULD BE FORMULATED WITH THE FOLLOWING OBJECTIVES IN MIND:

TO CONTINUE TO FOLLOW SOUND MONETARY POLICIES SUPPORTING NON-INFLATIONARY GROWTH AND CONTRIBUTING TO INTERNATIONAL ADJUSTMENT IN ORDER TO HELP MAINTAIN THE CONDITIONS FOR BUSINESS CONFIDENCE AND FOR LOWER INTEREST RATES.

TO CONTINUE THE PROCESS OF REMOVING STRUCTURAL RIGIDITIES IN ORDER TO INCREASE THE LONG-TERM PRODUCTION POTENTIAL OF THEIR ECONOMIES.

TO CONTINUE EFFORTS TO RESIST PROTECTIONIST PRESSURES.

8. THE MINISTERS AGREED THAT THE MAJOR INDUSTRIAL COUNTRIES BEAR A SPECIAL RESPONSIBILITY TO FOSTER AN OPEN, GROWING WORLD ECONOMY WHICH IS PARTICULARLY IMPORTANT FOR THE RESOLUTION OF THE INTERNATIONAL DEBT PROBLEM.

9. IN ORDER TO FULFILL THEIR RESPONSIBILITIES IN THE CONTEXT OF THOROUGH IMPLEMENTATION OF THE TOKYO ECONOMIC DECLARATION USED TO ACHIEVE THE OBJECTIVES SET OUT ABOVE, THEY AGREED TO THE CLOSE AND CONTINUOUS COORDINATION OF ECONOMIC POLICY DURING THE PERIOD AHEAD."

ENDS

10. FCO PLEASE PASS TO MIDDLETON, CASSELL, LAVELLE (HMT), THE DEPUTY GOVERNOR AND GEORGE (BOE), BRAITHWAITE (FCO) AND ARMSTRONG (CABINET OFFICE).

LANKESTER

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ORWBAW 6635

MONETARY
ERD
MR BRAITHWAITE

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