

TOKYO SUMMIT

7-9 July 1993

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**COMMUNIQUÉ:
ECONOMIC DECLARATION:
A STRENGTHENED COMMITMENT
TO JOBS AND GROWTH**

9 July 1993

1. We, the Heads of State and Government of seven major industrial democracies and the representatives of the European Community, met in Tokyo for our nineteenth annual Summit. Progress around the world towards democracy and open market economies surpasses our most optimistic expectations of only some years ago. To reap the full benefits of recent historic transformations our societies must respond to a number of challenges: achieving economic recovery and job creation, successfully concluding the Uruguay Round this year, integrating countries in transition into the world economy, supporting the developing countries, and reconciling global growth and environmental objectives. We are determined to address these challenges on the basis of our shared values. We renew our commitment to extend international cooperation, in particular by strengthening multilateral institutions.

World Economy

2. We are concerned about insufficient growth and inadequate job creation in our economies. Recovery is continuing in North America, but remains modest. Europe is still in a marked recession, although there are some signs of recovery. Japan's economy is over the worst, and some recovery is now in sight. Many Asian and Latin American economies are growing, some rapidly, and playing more important roles in the world economy.

3. We are particularly concerned with the level of unemployment. More than 23 million people are unemployed in our countries: that is unacceptable. Much of the recent increase is attributable to the present economic slowdown, but a significant part of the current level of unemployment is structural in nature. Reducing unemployment, therefore, requires a double strategy: prudent macroeconomic policies to promote non-inflationary sustainable growth, and structural reforms to improve the efficiency of markets, especially labour markets.

4. We are taking and will take appropriate measures to implement this agreed global growth strategy to promote a sustainable expansion designed to create substantial increases in employment. We will consult closely so that our national policies can be mutually reinforcing and compatible with our shared goal of a strengthened and recovering world economy. We welcome the improved cooperation of Finance Ministers towards this end.

Europe is carrying out vigorously the Growth Initiative agreed in Edinburgh and strengthened in Copenhagen. Europe is committed as a matter of overriding importance to implementing the firm budgetary and other measures needed in order to ensure that the conditions for rapid reductions in interest rates are created.

In North America, strong actions, which have been long overdue in the U.S. and which we welcome, are being taken to ensure substantial and steady reductions in fiscal deficits over the medium term, higher level of domestic savings and investment, and lower long term interest rates.

Japan has taken a series of stimulative policies including the most recent comprehensive package. Japan will implement fiscal and monetary measures as necessary, to ensure sustained non-inflationary growth

led by strong domestic demand, keeping in mind the need for long term fiscal prudence. This will contribute to the important goal of significantly reducing external imbalances.

Successful and rapid conclusion of the Uruguay Round will also boost the confidence of investors and consumers, and thus will be an important contribution to recovery and growth.

5. To enhance opportunities for employment and growth, it is essential to address structural issues which constitute obstacles to strong economic recovery and to longer term growth potential. In this context, we endorse the report of our Finance Ministers focusing on a broad range of structural reforms, inter alia:

greater labour market efficiency;

improvement in education and training;

enhancement of savings and investment;

maintaining and improving the multilateral trading system;

reduction of subsidies;

addressing the economic impact of aging populations;

controlling overall outlays on health care;

enhancing efficiency in financial markets while ensuring their stability;

developing international cooperation on the environment.

We commit ourselves to addressing these issues, together with issues of innovation and of improving the "quality" of budgets and of increasing the efficiency of the public sector, and we will review progress at the next Summit.

We welcome the OECD's interim report on employment and unemployment. We request the OECD to intensify its work, including that on the impact of structural changes, and to put forward its policy recommendations before our next Summit. We emphasize opportunities for job creation offered by environmental policies.

6. As a follow up to our discussions, we agree to send our high level representatives to a meeting in the United States in the autumn to explore the causes of excessive unemployment and to search for possible answers to this critical problem which saps the strength of our societies.

Trade

7. Maintaining and expanding the multilateral trading system is essential for world growth. We are determined to curb protectionism in all its manifestations and agree that no recourse should be made to initiatives and arrangements that threaten to undermine the multilateral open trading system. We also confirm that any regional integration should be complementary to and supportive of the system.

Our highest priority is a successful conclusion to the Uruguay Round. We welcome the recent significant progress made towards a large market access package in goods and services as a major step to the immediate resumption of multilateral negotiations in Geneva. This progress must be matched by comparable market opening measures by other participants. We urge all our trading partners to negotiate constructively on all subjects, recognizing that nothing is agreed until everything is agreed. There remain important issues to be resolved. We renew our determination to resolve them and to achieve with all our partners a global and balanced agreement before the end of the year.

Environment

8. Environmental issues remain a high priority on our policy agenda despite difficult economic times. We welcome the successful first meeting of the Commission on Sustainable Development and the progress made towards implementation and ratification of the Framework Convention on Climate Change and the Convention on Biological Diversity by the end of 1993, and on negotiation of a convention on desertification. We renew our determination to secure environmentally sustainable development through an effective follow up of the fruits of the UNCED, including the commitment to publish national action plans by the end of this year. We will work to ensure that the Global Environmental Facility, with necessary improvements, functions as the financial mechanism to provide funding for the incremental costs of implementing the global environment conventions signed at Rio. We encourage the multilateral development banks to focus more intensively on sustainable development, to incorporate environmental appraisals into project preparation and to make them publicly available.

We look forward to a successful outcome of the UN Conference on straddling and highly migratory fish stocks. We shall continue to seek appropriate internationally agreed arrangements on the management, conservation and sustainable development of forests. We welcome the analysis being done by OECD/IEA on the contribution of environment and energy technologies in meeting global environmental concerns.

Russia and the Other Countries in Transition

9. We reaffirm our support for the reform efforts in the countries in transition including the Central and Eastern European Countries, the Baltic States, the New Independent States and Mongolia, based on the principles of help for self help and partnership. The success of their reform and their full integration into the world economy are essential to world peace and stability. We look for continuing constructive and responsible cooperation with these countries in international affairs. Encouraging first signs of economic recovery are visible in those countries in Central and Eastern Europe where reform is most advanced. We welcome the development of economic cooperation and trade with us and urge stronger cooperation among the countries in transition themselves.

10. We welcome the further progress made by Russia since Munich in its courageous reform efforts under the leadership of President Yeltsin and supported by the Russian people in the recent referendum. We urge Russia to intensify its efforts to reduce inflation and the budget deficit, and to take all the necessary legal and administrative measures to build on the strong start in privatisation and to promote further structural adjustment. The G7 Joint Ministerial Meeting held in Tokyo in April set out a framework of support for the Russian people's self help efforts. We welcome the progress made in each area. Official creditors have provided tangible support for the reform process through generous debt rescheduling. We expect the Russian Government, banks and uninsured suppliers to negotiate comparable solutions. We welcome the creation of the IMF Systemic Transformation Facility and its \$1.5 billion first tranche disbursement to Russia. We urge Russia and the IMF to begin immediately negotiations toward a standby arrangement. We also welcome the recent approval of the World Bank's \$610 million oil sector rehabilitation loan associated with the EBRD's \$250 million co finance. We have made commitments to provide funds to establish a \$300 million Small and Medium sized Enterprise Fund in close cooperation with the EBRD. We recognize the importance of improved market access for economic progress in Russia. We will work with Russia as it proceeds towards accession to the GATT. In this connection, we will intensify efforts to adapt export controls to the post Cold War era. Recognizing that privatisation and enterprise reform are at the heart of Russia's transformation into a market economy, we agree to create a Special Privatisation and Restructuring Program, in cooperation with international financial institutions, consisting of enterprise restructuring support, technical assistance and oblast support, focusing on an initial period to the end of 1994. In total, this program is expected to mobilize \$3 billion. In addition, we are ready to encourage our private sectors to assist in this process, sharing with their Russian counterparts methods and techniques to increase productivity. We agree to establish a Support Implementation Group in Moscow to facilitate implementation of our support to Russia. In turn, we urge the strengthening of Russian implementation efforts.

11. We welcome the progress made in the nuclear safety program agreed at the Munich Summit, including the establishment of the multilateral fund, in which we encourage broader participation. Urgent safety measures, coordinated through the G24, need to be implemented rapidly to secure real improvements at the plants still causing great concern. The states concerned bear the primary responsibility for respecting the fundamental principles of nuclear safety. Independent regulatory authorities should be strengthened and nuclear safety must be given higher priority in all the countries concerned, including the early closure of high risk reactors such as Chernobyl. We invite the World Bank, together with the IEA, to continue the dialogue with each of the countries concerned, and working with other lending institutions including the EBRD and the EIB, to support them in developing longer term energy strategies. Our aim is to agree as quickly as possible on a framework for coordinated action by all those involved following a country by country approach. We will review the progress made in 1994. In the light of existing international obligations, we emphasize our concern over the ocean dumping of radioactive wastes by Russia.

Developing Countries

12. While encouraging changes in policy reforms and performance are taking place in many developing countries, many are still confronted with major economic and social difficulties, particularly in Africa. We recognize that their sustainable development and their integration into the world economy as well as their

cooperation in addressing the global challenges to mankind are essential for peace and prosperity of the world. We will continue to strengthen our support for their self help efforts based on the principles of good governance. We will also encourage them to follow sound and open economic policies to create a solid base for sustainable economic growth.

13. To this end, we will pursue a comprehensive approach, covering not only aid but also trade, investment and debt strategy, and a differentiated approach, tailored to the needs and performances of each country at its particular stage of development and taking environmental aspects into account. Under such an approach, we will make all efforts to enhance development assistance in order to respond to ongoing needs as well as new requirements. The poorest countries deserve special attention. Accordingly, we support the succession to or the renewal of the IMF's Enhanced Structural Adjustment Facility. We also look forward to a successful outcome of the International Conference on African Development in October this year. We confirm the validity of the international debt strategy and invite the Paris Club to continue reviewing the question of debt relief for the poorest highly indebted countries, especially with regard to earlier reductions in the stock of debt on a case by case basis. We welcome the U.S. administration's decision to join us in debt reduction for these countries.

14. We welcome the initiatives taken by developing countries to establish a more constructive partnership and dialogue on issues of our mutual interest. We will work for the success of the International Conference on Population and Development in Cairo next year which is important in addressing the linkages between rapid population growth and the goals of sustainable development.

International Cooperation and Future Summits

15. In order to meet the challenges we face, we are determined to strengthen international cooperation in the existing fora and seek better coordination and efficiency. We recognize and applaud the efforts of the Secretary-General to reform and improve the operations of the UN. We will support him in the pursuit of these objectives.

16. We have reflected on how Summits could best focus our attention on the most significant issues of the time. We value Summits for the opportunity they provide to exchange views, build consensus and deepen understanding among us. But we believe Summits should be less ceremonial, with fewer people, documents and declarations, and with more time devoted to informal discussion among us, so that together we may better respond to major issues of common concern. We intend to conduct future Summits in this spirit.

We have accepted the invitation of the President of the Council of Ministers of Italy to meet in Naples, Italy, in July 1994.

Political Declaration

STRIVING FOR A MORE SECURE AND HUMANE WORLD

8 July 1993

1. We, the leaders of our seven countries and the representatives of the European Community, reaffirm our commitment to the universal principles of freedom, democracy, human rights and the rule of law. Since we last met in Munich, the process of democratisation and economic reform has further advanced. Nevertheless, instabilities and conflicts, many with their roots in the past, still arise. We are determined to work together to create a more secure and humane world by enhancing international cooperation with broader partnership and scope.

2. The international community is actively engaged in improving the instruments for prevention and resolution of conflicts. The UN, which is vital to maintaining international peace and security, must be further strengthened, adapting itself to the changing international circumstances. We, therefore, support the ongoing efforts in the UN to improve its efficiency, and in particular to develop more effective institutional capacity for preventive diplomacy, peacemaking, peacekeeping, and post conflict peace building in the context of the Secretary General's "Agenda for Peace".

3. We strongly support regional cooperation in promoting peace, democracy and stability. We welcome the more active role played by the countries of the Asia Pacific region in the promotion of regional security dialogues. Regional organizations in Europe, Africa, and the Americas are making significant contributions.

4. The protection of human rights is the obligation of all nations, as affirmed at the World Conference on Human Rights in Vienna. The increased number of refugees and displaced persons as well as the problems of uncontrolled migration and difficulties confronted by national minorities require urgent attention by the international community, and should be tackled taking account of their root causes. Terrorism, particularly when sponsored by states, poses a grave danger which we will oppose energetically.

5. In promoting our partnership of cooperation, reforms in the former centralized economies should be further encouraged. We look forward to democratic, stable and economically strong societies in those countries. We firmly support the determined reform efforts by Russia under President Yeltsin and his government. We also look to Russia to promote its diplomacy based on the principle of law and justice and to continue to play constructive and responsible roles in the international community. We also support the reform process in Ukraine and hope that the recent meeting between Presidents Yeltsin and Kravchuk will provide a basis for further improvement of relations between the two countries.

6. Enhanced cooperation is necessary in combating the danger of proliferation of weapons of mass destruction and missiles. In particular, we:

Urge North Korea to retract immediately its decision to withdraw from the NPT, and to fully comply with its non-proliferation obligations, including the implementation of IAEA safeguards agreement and the Joint Declaration on Denuclearisation of the Korean Peninsula;

Encourage the countries concerned of the former Soviet Union to ensure rapid, safe and secure elimination of nuclear weapons in accordance with current agreements, providing effective assistance to this end;

Urge Ukraine to ratify the START Treaty, and Ukraine and Kazakhstan to accede to the NPT as non-nuclear weapon states.

We also continue our efforts to strengthen the non-proliferation regimes, including the Missile Technology Control Regime, and to establish effective export controls. We reiterate the objectives of universal adherence to the NPT as well as the Treaty's indefinite extension in 1995 and nuclear arms reduction. We also call on those countries that have not done so to sign the Chemical Weapons Convention and to accede to the Biological Weapons Convention.

In the field of conventional arms, we will work to ensure the effectiveness of the UN Register of Conventional Arms as an important step toward improving transparency and restraint in their transfers.

7. Faced with the rapidly deteriorating situation in former Yugoslavia, we reaffirm our commitment to the territorial integrity of Bosnia Herzegovina and to a negotiated settlement based on the principles of the London Conference. We cannot agree to a solution dictated by the Serbs and the Croats at the expense of the Bosnian Muslims. We will not accept any territorial solution unless it has the agreement of the three parties. If the Serbs and Croats persist in dismembering Bosnia through changes of border by force or ethnic cleansing, they will place themselves beyond the pale of the international community and cannot expect any economic or commercial assistance, especially reconstruction aid. The UN Security Council Resolutions on safe areas must be implemented fully and immediately to protect the civilian population. We commit ourselves to assist the Secretary General of the United Nations to implement UN Security Council Resolution 836 by sending troops, by air protection of the UNPROFOR, by financial and logistical contributions or by appropriate diplomatic action. Sanctions should be upheld until the conditions in the relevant Security Council Resolutions are met. Stronger measures are not excluded. The flow of humanitarian aid to Bosnia must be increased.

Deeply concerned about the situation in Kosovo, we call on the Serbian government to reverse its decision to expel the CSCE monitors from Kosovo and elsewhere in Serbia and to agree to a significant increase in their numbers.

8. We welcome the successfully held election and the announcement of a Provisional National Government in Cambodia to be followed by the establishment of a government on the basis of a new constitution to be enacted in accordance with the Paris Agreements. We continue our support for its reconstruction and lasting peace based on national reconciliation.

9. We fully support the efforts to achieve a comprehensive, lasting peace settlement in the Middle East, and call on Israel and the Arab states to take further steps for confidence building. We reiterate that the Arab boycott should end. We call on Israel to respect its obligations with regard to the occupied territories. We support the efforts of reconstruction in Lebanon.

We support the restoration of the legitimate authorities in Haiti and commend the UN and OAS for their efforts in this regard.

We are determined to keep up the pressure on Iraq and Libya to implement all relevant UN Security Council Resolutions in full. Concerned about aspects of Iran's behaviour, we call upon its government to participate constructively in international efforts for peace and stability and to cease actions contrary to these objectives.

We welcome the recent progress toward non-racial democracy in South Africa, paving the way for its full reintegration into the international political and economic community.

10. In an interdependent world, partnership is the key to building global peace and prosperity. We commit ourselves to anew effort to help shape a more secure and humane world, and urge others to join us.

STRENGTHENING G7 COOPERATION TO PROMOTE EMPLOYMENT AND NONINFLATIONARY GROWTH

(G7 Finance Ministers' Report to the Tokyo Summit)

8 July 1993

Challenges Before Us

1. The Heads of State and Government, meeting at the Munich Summit in July 1992, requested us, the G7 Finance Ministers, to strengthen our cooperation on sound macroeconomic policies and to intensify the work on structural policies. They also asked us to report to the Tokyo Summit in 1993.

2. Economic growth in our countries has recently been rather weak, averaging around 1.3 percent since 1990, although there are signs of recovery in some countries. More fundamentally, growth rates have

undergone a secular decline in most of our countries. The average annual growth rate was 4.8 percent in the 1960s, 3.3 percent in the 1970s and 2.6 percent in the 1980s. Also, our unemployment rate doubled from an average level of just over 3 percent in the 1960s to 7.2 percent now.

3. Sound macroeconomic policies are crucial to our common strategy for sustained, non-inflationary growth. At the same time, it is vital to address structural problems which constitute obstacles to strong economic recovery, to improved longer term growth potential, and to lower unemployment. Addressing these issues successfully is essential to the objective of fostering full and productive employment of our human resources.

4. The coordination on economic and financial policies that has developed among our countries has grown in importance as the economies become more interdependent. In particular, there were achievements of greater exchange rate stability and improvements in external imbalances. We are now strengthening our cooperative efforts particularly in order to pursue more effectively the reduction of obstacles to growth and employment creation.

Stable Macroeconomic Environment Conducive to Sustainable Growth

5. Macroeconomic policies should pay due attention to short term aspects in order to moderate cyclical movements and help overcome various shocks. Periods of inadequate growth may dampen investment and thus lower the growth path of potential output over time. At the same time, a sound and stable medium term perspective provides the best environment for efficient resource allocation and appropriate long term investment decisions, which are prerequisites for sustainable non-inflationary growth.

6. As for fiscal policy, it is essential for our countries to strengthen their efforts for fiscal consolidation at all levels of governments over the medium term. This will create room for private investment, help keep the stock of public debt manageable and thereby maintain scope for fiscal manoeuvre.

7. Regarding monetary policy, it should be conducted within a medium term framework with the objective of price stability. It should be supported by appropriate fiscal policy, and in some countries by wages and incomes policies. Such an approach would help keep real long term interest rates low enough to provide a good environment for investment.

8. We have been cooperating closely on exchange markets, based on the recognition that misalignment of exchange rates, i.e., divergence from economic fundamentals, and excessive volatility of exchange markets could adversely affect international trade and hamper sustainable growth. Efforts to make exchange rates more stable and better reflect economic fundamentals will be most successful if accompanied by a close coordination of macroeconomic policies.

Structural Policies Enhancing Opportunities for Employment and Growth

9. There is evidence that structural unemployment has grown, while economic growth has decelerated. Macroeconomic policies alone will not be effective in reducing the structural element of unemployment and fostering long term sustainable growth. Well targeted structural policies are needed to enhance opportunities for employment and growth.

10. More attention should be paid to labour market reforms. We need greater wage flexibility. We should move from relying on income support programs to more active labour market policies, especially by strengthening the incentives for education, training, and productive job search. These are particularly important where youth unemployment is high. Industry could be encouraged to increase its investment in training, while government could reallocate funds toward education and programs that invest in human capital. Elements of social insurance schemes and regulations that unduly discourage employment creation should be re-examined. Such actions should improve functioning of labour market and could also benefit allocation of the public spending and reduce it in some cases. We look forward to the conclusion of the OECD study in this area.

11. Investment clearly is a primary factor which influences productivity growth, and national savings are the main source of financing investment. Most of our countries have experienced a decline in gross national savings as a share of GDP over the past decade. In order to enhance investment and savings in each national economy, it is of utmost importance to reduce fiscal deficits over the medium term. It is also important to restructure government spending from consumption to productive investment. Measures to encourage private investment and savings should also be taken.

12. In order to maintain and improve the multilateral free trade system which is a prerequisite for a sustainable world growth, it is necessary for the G7 countries to take initiatives to bring the Uruguay Round to an early and successful conclusion and to avoid protectionistic measures. Ensuring much increased access to the markets of industrialized countries is essential to improving growth opportunities for Central/Eastern European/FSU countries and developing countries. As for regional trade arrangements, it is important that they remain open to countries outside the region, thereby facilitating multilateral trade liberalization.

13. Subsidies often lead to inefficiency. Also, many subsidies represent an unproductive use of taxpayers' money. Further efforts to reduce such subsidies can increase efficiency, help fiscal consolidation and reduce the dangers of protectionism. Particularly, in the areas of traded goods and in export credit systems, we should intensify within the existing forums the ongoing efforts to reduce distorting subsidies.

14. The aging of the population is progressing rapidly in most of our countries. In order to deal with the rise in public expenditures, measures to control the increasing costs of medical care, public pensions and other welfare programs should be considered. In response to prospective declines over time in the proportion of the working age population, labour market reforms may have to be considered to promote participation of older workers. In addition, in view of the possible decline in the savings rate in the future, efforts must be made to reduce fiscal deficits, to strengthen private savings, and to make more efficient use of those savings in productive investment.

15. The cost of health care has been increasing rapidly in our countries. In the absence of changes in policies, this trend is likely to continue because of a rise in the proportion of the elderly, the unique association in the health care industry of technological progress with higher rather than lower prices, and other factors. It is, therefore, necessary to better control overall outlays, for example, through "global budget systems" or, in some countries, direct control over fees. It is also necessary to improve efficiency of the health care systems by such measures as reviewing the coverage of the medical insurance and encouragement of cost reducing competition in the provision of medical services.

16. Financial deregulation has contributed to the development of broader and more efficient financial markets, domestic and international, and has benefited consumers. However, in some countries, deregulation may have contributed to excessive indebtedness and asset price movements. While we should continue our efforts of financial deregulation, it may be advisable that monetary policies pay more attention to asset price movements and the level of indebtedness. Regulatory and supervisory authorities should continue to enhance prudential oversight of financial institutions and be assured of the powers needed to perform their task. We will continue to cooperate in this area as necessary.

17. There is a growing insight that the economy and the environment are interdependent. Sustained economic growth requires us to reconcile economic and ecological goals. Although national measures are important for reducing global pollution, international cooperation is also needed. Sustaining and further developing the mutual trust that emerged in the UNCED of June 1992 in Rio de Janeiro, and properly implementing decisions made there, are important steps to making progress on environmental issues.

Strengthening Our Cooperation

18. Sound fiscal and monetary policies, with more stable exchange rates that reflect economic fundamentals, are prerequisites to putting our economies back on the track of sustainable non-inflationary growth. For each of us, candid policy discussions within the G7 Finance Ministers and Central Governors Meetings are important in formulating our domestic policy decisions. We are intensifying our policy coordination through the Meetings. To this end:

we have focused our discussions on our shared economic concerns, paying particular attention to the way our policies interact;

we have reviewed the procedures of the Meetings in order to increase the substantive content of the discussions. We have agreed to have more frequent and "informal" meetings with shorter, crisper communiqués or occasionally without them, although at times communiqués indicating coordinated actions could be considered in order to send appropriate signals to economic agents;

we are also striving to improve the "surveillance" discussions through more effective involvement of the IMF, improved analytical work on macroeconomic and structural issues, and expanded informal participation of central banks in the preparation of the Meetings.

19. As well as macroeconomic policy issues, our report focuses on eight structural areas. As Finance Ministers, we do not have primary responsibility for some of them, but do have a keen interest in all of them. Action in these areas is needed in order to enhance employment and growth over the medium term, reflecting the different circumstances in each country. Impediments in some of these areas, particularly trade, subsidies, financial deregulation and the environment, are more amenable to concerted or cooperative actions, while others should be addressed on a country by country basis. In all, however, a concerted effort to improve our understanding would be helpful. In this regard, the OECD's continuing work on structural issues provides valuable information and analysis, which contribute to our understanding.

20. We, the Finance Ministers of the seven major industrial countries, strongly hope that this report will help our governments pursue the macroeconomic and structural policies essential to promoting employment and sustainable non-inflationary growth. Success will improve the well being of people around the world as well as in our seven countries. We intend to follow up these issues.