

OECD MINISTERIAL: ITEMS 2, 3 AND 4

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FINANCE, TRADE AND DEVELOPMENT

Mr. Chairman, I welcome this opportunity to look at the linkages between finance, trade and development in a global and medium term perspective. I am encouraged by the results of our collective efforts over the past two years not only to manage very serious strains but also to set the stage for resumed non-inflationary growth.

The signs of a continuing and broadening recovery are better than we had expected even a few months ago. Growth in world trade was renewed in 1983. The international financial system has continued to respond to the most pressing challenges on the debt front. Our success has been possible because we have been able to secure the close cooperation of the borrowing countries, OECD members, the commercial banks and the multilateral financial institutions. Looking to the future, there is every evidence to suggest that the rate of growth in OECD countries, which we said at Williamsburg would be necessary to generate recovery in the Third World is achievable and, in fact, is taking place.

Yet we are all aware of on-going difficulties. The turnaround in economic activity in industrialized countries is spreading to developing countries, but only slowly for most. New financial inflows are likely to be tightly constrained for some time yet. Protectionist pressures threaten the growth in world trade which we all seek. Real interest rates are still too high, and recent increases are extremely disquieting. Looking ahead, the recently released IMF Outlook cautions that we may face very serious debt servicing strains in the heavily indebted countries for a number of years beginning as early as 1985. In short, strains on the financial resources of the developing countries in the next few years could have a serious impact on their own economic development, and exacerbate social and political tensions. This could have unwelcome implications for the international trade and financial system. Thus, while