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TOWARDS ECONOMIC RECOVERY WITHIN THE OECD

An Intervention by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, at the OECD Ministerial Meeting, Paris, May 9, 1983

The first quarter of this year has brought hope that the current recession has bottomed out. With rising output and steady or falling prices in many OECD (Organization of Economic Co-operation and Development) countries, the long-awaited recovery appears finally to be getting under way. Having waited this long, we should do all in our power, individually and collectively, to ensure that the recovery is conducive to sustained non-inflationary growth.

Such a recovery in the OECD countries would give hope not only for industrialized nations but for developing countries as well, providing them with increased export earnings with which to service their debts. Such a recovery will ease the very real pressures on the international payments system, relieve the fiscal pressure on our government budgets, and also enable us to maintain or increase the volume of aid flows to developing countries.

Let us not, however, be too complacent that sustainable recovery is assured. There are risks that the conditions for such a recovery may not be met. The threat to recovery lies in a number of possibilities: continuing high real interest rates; uncertainties over oil prices; or inadequate lending to major debtor countries. The countries of the OECD must continue to stand prepared, and be seen to be prepared, to take appropriate action to prevent untoward "shocks" to the world's economic system.

Critical steps have of course already been taken by the world community during the past year in the face of the major economic and financial challenge. Essential international co-operation among official and private sector participants has been achieved, at least on an *ad hoc* basis. A number of countries experiencing severe difficulties have introduced adjustment measures, with the help of the IMF, (International Monetary Fund). Agreement was also reached to expand the IMF's General Arrangements to Borrow and on the Eighth General Review of Quotas which will double IMF resources available for lending. The question of an additional allocation of SDRs, (Special Drawing Rights) is actively being studied by the IMF with the aim of allowing the Fund's managing director to make a recommendation on this issue at the IMF/IBRD (International Bank for Reconstruction and Development – World Bank) annual meetings in September. The World Bank has recently approved a special action program which accelerates disbursements of some $2 billion in borrowing countries. Agreements were also reached on replenishing the resources of the three major regional development banks. Finally, we have witnessed the successful rescheduling of a growing number of countries' debts. These various efforts are to be commended. However, of themselves they give no cause for complacency as this over-all approach depends heavily on an early recovery and sustained commercial bank lending to LDSs, (less developed countries). I am encouraged by the manner in which commercial banks have responded thus far.