

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 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 cooperation 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