

adjustment. This, if anything, should tell us that our approaches to the problems of our time cannot remain static. In this regard, I would note the release of the CECD study on the "Costs and Benefits of Protectionism" which well documents the impact of protective measures on our economies.

There is among industrialized countries a broad consensus on the principal objective of economic relations with developing countries. It is to bring about the internal and external conditions necessary for their renewed growth so as to enable the least fortunate to emerge from endemic misery, for others to complete their industrialization, and eventually, for all to become more integrated in the mainstream of international trade. These varying needs reflect the considerable differentiation among the conditions of developing countries, a differentiation which we must keep in sight in helping them to address their problems.

There is no single approach towards this objective. It is clear, however, that domestic policies pursued by developing countries are key. Their economic and social policies must be conducive to greater productivity. In the short-term, developing countries will have to adjust in order to support their development in the longer term. Some will be faced with less capital inflow; most will have to stimulate domestic savings and modify their policies away from import substitution toward a greater export orientation.

To enable developing countries to succeed in their efforts, they will need our support in the form of continued improvement in the international economic environment, including adequate financial flows, liberalization of trade, resumption of investment, and enlightened management of the problems of indebtedness.

Prospects for substantial increases in both commercial bank and official financial flows above current levels remain uncertain to say the least. Consequently, private direct investment and trade credit flows will likely become more important. With a view to improving the climate for direct investment in developing countries, we believe the proposed Multilateral Investment Guarantee Agency could make a positive contribution and we would encourage early consideration of a draft convention.

Regarding the association of development financing and export credits, we believe that it can increase the total flow of resources for development