

The dramatic turnaround in the economic situation of the developing countries since late 1982 is also encouraging. Over the past year, courageous adjustment -- supported by assistance from the International Monetary Fund, commercial banks, and individual countries -- helped stabilize the financial position of many debtor countries. With the improvement in international trade this year, I am confident that adjustment can be pursued within an environment of expanding exports, thus permitting a welcome increase in economic growth in developing countries.

Despite the improvements over the past year, we are still faced with serious problems which leave no room for complacency. Unemployment in most countries remains unacceptably high and is expected to decline only modestly over the coming period. The turnaround in economic activity has been led by the United States; its imports have fed growth elsewhere but the recovery still remains unbalanced, concentrated as it is in North America and Asia. Although there are welcome signs of some pick-up in Europe, the prospects for sustaining growth at a satisfactory rate remain uncertain even in those countries where inflation does not present serious constraints. Real interest rates must decline in order to encourage investment and permit stronger economic growth. Uneven progress is being made in eliminating structural rigidities which severely restrict economic flexibility. Protectionist pressures continue to pose a threat to world trade and to efforts by debtor countries to achieve viable external positions with acceptable rates of growth.

In view of the major challenges facing us, members of the OECD must place a high priority on pursuing policies which ensure that, within the context of firm control over inflationary pressures, economic growth broadens and endures. A