

At the June 1981 OECD ministerial meeting, ministers of member countries recognized that OECD economies were facing particularly difficult and complex problems, and warned that these would take time and considerable effort to resolve. There were differing assessments of the the situation and of prospects for a better longer-term performance of OECD economies. Ministers emphasized, however, that inflation and unemployment were their prime concerns and they agreed to pursue policies which balanced these twin problems as a basis for sustainable economic growth.

Economic relations with developing countries were an important focus of international action during the year. Despite some easing, high oil prices as well as recession and high interest rates in the industrialized states had a serious impact on the economies of developing countries. Sharply increased current account deficits generated financing problems. International flows of credit through private market channels were remarkably well sustained. A number of non-oil-exporting developing countries with only a limited access to capital markets, were however, unable to secure adequate financing to maintain import levels needed for satisfactory economic growth. The Cancun Summit of October 1981 raised the level of discussion on North-South issues to a high political level among key world leaders.

Ottawa Summit

In July 1981, Canada was host to the Economic Summit of the seven largest industrialized economies. While the two preceding Economic Summits had focused heavily on energy, the Ottawa Summit gave the highest priority to the macro-economic situation and the linked problems of inflation and unemployment. The fight against inflation was seen as a necessary precondition to sustained growth and increased employment. Leaders emphasized restraint in public borrowing and monetary growth, as well as the desirability of minimizing the volatility of interest and exchange rates. They reaffirmed their strong commitment to maintaining liberal trade policies and to resisting protectionist pressures. Largely owing to Canada's initiative, a substantial portion of the Ottawa Declaration was devoted to the problems of developing countries. Summit leaders emphasized their willingness to co-operate with these countries and in particular, to participate in preparations for a mutually acceptable process of global negotiations. East-West relations were also a subject of concern at the Ottawa Summit, given the build-up of Soviet military power and the continuing occupation of Afghanistan by Soviet forces.

Commercial policy

Trade is a key contributor to the efficient development of the Canadian economy and the maintenance of a high standard of living for Canadians. About 30 per cent of Canada's GNP is generated by trade in goods and services and roughly half of all goods produced in Canada are for export. The importance of trade to the Canadian economy was underscored in the government's policy framework entitled "Economic Development for Canada