

As one who was at the meetings of the International Monetary Fund and of the Bank in September in Toronto, I can attest that there was a sense of awe and almost of panic. We feared that the Mexican difficulties, which came to a head then, would add to the Brazilian, the Argentine, the Yugoslav, the Romanian and all the other difficulties, and that not only one or two countries would go under, but that the whole structure of international financing might go under. And I repeat, the fact that this group was able to salvage the situation in a great testimony to the skill and dedication of the people who were there.

I believe that Mr. deLarosière intended to deliver a message of hope. But consider what formidable obstacles must be overcome for that hope to be more than mindless optimism:

- (1) The American-led world recovery must be strong and lasting, without restimulating the disease of inflation.
- (2) Real interest rates must fall further, both to support recovery and to ease the burden of servicing debts.
- (3) The recovery must be broadly based, so that the pressures for further protectionist and predatory damage to the world trading system will cease.
- (4) Seventy billion dollars must be forthcoming in financial flows to the non-oil developing countries.
- (5) Responsible economic management in debtor countries must be a precondition of additional credit flows. Because, as I will repeat later, the commercial banks will not be willing to lend that money unless they are certain that responsible financial management will be set in place in the debtor countries.
- (6) There must be greater stability in energy, commodity and foreign exchange markets.
- (7) And beyond all this, we must ask ourselves whether \$70 billion is not the narrowest calculus of a reviving world order — particularly for those countries and millions of people who lie virtually outside the world trade and payments systems. I am talking of course, of the poorest of the developing countries.

So there is obviously no room for complacency. A seamless web of forces is in play. American leadership is vital to success in managing all these problems. But the forthcoming Summit at Williamsburg must rekindle a fundamental spirit of enlightened internationalism. Summitteers must collectively demonstrate a deeper unity, a unity which spans several cultures and continents and engages the co-operation of all the democratic industrial countries.

Consider again the \$70 billion payments deficit which Mr. deLarosière has estimated for the non-oil developing countries for 1983. He suggests that this gap could be filled by flows of \$50 billion in core funding, largely official lending and aid, \$20 billion in additional commercial bank credits, and \$12 billion financed by the International Monetary Fund. Should they materialize, these flows of some