

Perhaps most important, and most reminiscent of Bretton Woods, has been the enormous skill and resourcefulness displayed by an *ad hoc* coalition of the world's financial institutions, led by the International Monetary Fund. Composed of the Fund, the Bank for International Settlements and commercial banks, and with the support of sovereign authorities, — of course, by that I mean the central banks — this coalition has met the refunding, rescheduling and loan requirements of a number of countries.

Inflation has continued to retreat. Interest rates have come down. Protectionism, though the pressures continue everywhere, has not been as virulent and destructive as many had feared. Most governments recognize that protectionist policies are ultimately self-defeating.

A broad array of income support measures in the industrial world, while no substitute for jobs, seems to have prevented a tighter contraction of economic activity and employment. Falling oil prices have reduced a major burden for oil importing countries. And recently, confidence has grown that the process of recovery is beginning in industrial countries, particularly and most importantly, in the United States. But this hope must not be permitted to narrow our vision.

Clearly, the re-emergence of growth in industrial countries is a critical and necessary part of global recovery. Clearly, "getting our own houses in order" must continue to be a preoccupation of governments in the Western world in support of recovery. And clearly a continued decline in interest rates would contribute mightily to that recovery.

For some, this has become a sufficient prescription, a prescription not only for our own recovery, but also for global health. I regard these elements as essential to recovery, but not sufficient in themselves. We must go further if we are to give partial recognition to the stark interdependencies of our globe, and to the need for enlightened internationalism and leadership.

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So, in looking at where we must go, let me refer to a careful analysis of world prospects for 1983, delivered some weeks ago by Mr. Jacques deLarosière, the managing director of the International Monetary Fund. And for those who are concerned with North-South problems, problems of the preservation of the institutions of trade and of international financing, it is a seminal text with many statistics and some predictions. On the basis of Fund projections of growth, interest rates and oil prices in 1983, Mr. deLarosière estimates that the balance-of-payments deficit for goods and services among the non-oil developing countries will decline to \$70 billion in 1983, from \$90 billion in 1982.

That means that \$70 billion in net new financial flows must reach this group in the Third World, if they are to be able to finance a very modest increase in imports and pay the interest on their debts. Seventy billion dollars must be forthcoming if some among these countries are not to find themselves in deeper financial difficulties. The consequences of their further financial difficulty would be grave. At a minimum, it would mean further deflationary pressures upon those countries, leading to reduced imports from the developed world. At a maximum, it would again imperil the world financial and trading systems, which are the foundation of the global order.