



Within weeks of becoming prime minister of Canada, Joe Clark was off to Tokyo for the fifth in the series of economic summit meetings that began at Rambouillet, France, in 1975. He is pictured here with Margaret Thatcher, Giscard d'Estaing and Jimmy Carter.

balance of payments purposes) was renewed at the OECD Ministerial Council Meeting in June. Artificially depressed demand in both the developed and developing economies through restricted market access would aggravate existing structural difficulties and result in a major impediment to any hope of a sustained world economic recovery. Equally, an undisciplined proliferation of export subsidies and investment incentives would lead to exaggerated distortions in capital and trade flows in relation to market signals.

Adjustment

The phenomenon of structural change and adjustment is not new. The post-war revival of Europe and the emergence in the 1960s of Japan and Italy were accompanied by pressures to accommodate new technologies and new patterns of consumption and trade flows. The western industrialized system has, by and large, been receptive to and has benefited from this dynamic change, acting from the premise that liberalized flows of trade and investment and the law of comparative advantage work to the benefit of the international community. What is new in current circumstances is the confluence of slow growth, serious structural problems and the rapid, export-led emer-

gence of the upper-income developing countries as highly competitive producers particularly in standard-technology, labour-intensive industries.

The trade liberalization embodied in the MTN result will, if anything, accelerate the need for adjustment to structural change. At the same time, increased competition in domestic and third markets will mean that conditions are least favourable for positive adjustment policies in domestic decision-making. The time would seem ripe, therefore, for a concerted approach to the phenomenon of structural adjustment which will lend some element of predictability and market confidence with respect to legitimate "positive" adjustment, and at the same time, minimize the possibility that the adjustment process will become transformed into a negative-sum exercise whereby all governments would manoeuvre to shift the burden of adjustment to their trading partners. It is against this background that the OECD has undertaken an intensive examination into the difficulties encountered in shifting to more positive adjustment policies, including a clarification of some of the general issues raised, to assist policy-makers in their consideration of adjustment problems.

The OECD study recognizes that adjustment policies can be directed towards economic ends