



# Statements and Speeches

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## TOWARDS ECONOMIC RECOVERY WITHIN THE OECD

An Intervention by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, at the OECD Ministerial Meeting, Paris, May 9, 1983

The first quarter of this year has brought hope that the current recession has bottomed out. With rising output and steady or falling prices in many OECD (Organization of Economic Co-operation and Development) countries, the long-awaited recovery appears finally to be getting under way. Having waited this long, we should do all in our power, individually and collectively, to ensure that the recovery is conducive to sustained non-inflationary growth.

Such a recovery in the OECD countries would give hope not only for industrialized nations but for developing countries as well, providing them with increased export earnings with which to service their debts. Such a recovery will ease the very real pressures on the international payments system, relieve the fiscal pressure on our government budgets, and also enable us to maintain or increase the volume of aid flows to developing countries.

Let us not, however, be too complacent that sustainable recovery is assured. There are risks that the conditions for such a recovery may not be met. The threat to recovery lies in a number of possibilities: continuing high real interest rates; uncertainties over oil prices; or inadequate lending to major debtor countries. The countries of the OECD must continue to stand prepared, and be seen to be prepared, to take appropriate action to prevent untoward "shocks" to the world's economic system.

Critical steps have of course already been taken by the world community during the past year in the face of the major economic and financial challenge. Essential international co-operation among official and private sector participants has been achieved, at least on an *ad hoc* basis. A number of countries experiencing severe difficulties have introduced adjustment measures, with the help of the IMF, (International Monetary Fund). Agreement was also reached to expand the IMF's General Arrangements to Borrow and on the Eighth General Review of Quotas which will double IMF resources available for lending. The question of an additional allocation of SDRs, (Special Drawing Rights) is actively being studied by the IMF with the aim of allowing the Fund's managing director to make a recommendation on this issue at the IMF/IBRD (International Bank for Reconstruction and Development – World Bank) annual meetings in September. The World Bank has recently approved a special action program which accelerates disbursements of some \$2 billion in borrowing countries. Agreements were also reached on replenishing the resources of the three major regional development banks. Finally, we have witnessed the successful rescheduling of a growing number of countries' debts. These various efforts are to be commended. However, of themselves they give no cause for complacency as this over-all approach depends heavily on an early recovery and sustained commercial bank lending to LDSs, (less developed countries). I am encouraged by the manner in which commercial banks have responded thus far.

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This approach also, of course, needs to be complemented to the extent possible by imparting a trade-expansive dimension to the recovery process. If the developing countries are to benefit from recovery, we should recognize the operational imperatives of interdependence: not only do we need their markets and demand but they also need export receipts to enable them to buy our goods and services.

Moreover, the current preoccupation over the financial and debt problems facing many larger developing countries has tended to overshadow the desperate plight confronting a large proportion of humanity in the poorest countries.

Despite their crushing needs, however, two disturbing developments have emerged which give cause for great concern. One is the reduction, or at best, the dramatically reduced growth, in aid flows from OECD Development Aid Committee countries in the past two years. As far as Canada is concerned the government remains committed to the ODA/GNP (Official Development Assistance/Gross National Product) target of 0.5 per cent by 1985 and to deploy its best efforts toward the 0.7 per cent target by 1990. The second, related, problem is the continuing financial crisis besetting the World Bank's IDA (International Development Association) due to arrears in payments by the largest donor. Indeed, recent negotiations for IDA's seventh replenishment give little ground for optimism, with the possibility that nominal as well as real flows from IDA to the poorest countries will fall over the next few years. I think that this situation can only serve to motivate all donor countries to give the poorest countries, and institutions such as IDA, the high priority they deserve. In particular, I join with other DAC members in urging the United States to meet its commitments to IDA 6 and to work towards negotiating an adequate seventh replenishment.

We are now also on the eve of the major North-South meeting of 1983 – UNCTAD VI (United Nations Conference of Trade and Development) – and it is my hope that this important meeting in Belgrade will foster a constructive debate on the problems of the world economy. I therefore hope that this OECD ministerial meeting, and also the Williamsburg Summit, will be able to send a signal to the Group of 77 of our willingness to enter into such a debate. Our signal should, in my view, strive to enhance confidence in the ability of the existing international institutions to meet, and to adapt to meet, the needs of the entire international community. Canada stands ready to pursue in UNCTAD and other appropriate fora, practical proposals to current problems, and to consider on their merits specific proposals put forward by developing countries.

The OECD secretariat is to be congratulated on its work on interdependence. This work, carried out under the aegis of the North-South group, has provided us with valuable insights as well as a useful vehicle for debating the key issues confronting both North and South. I would urge the Secretary-General to continue this work over the coming year, as we collectively assess the results of UNCTAD VI and the evolving North-South dialogue.

Economic recovery strengthens our ability to contain protectionist measures, and progressively to relax barriers restricting trade, particularly those erected during the recession, as individual economies find room for growth to make this possible. We are committed to early and effective implementation

of the GATT (General Agreement of Tariffs and Trade) work program set out in the ministerial declaration of last November. We draw little comfort from the progress thus far.

There will be little difficulty developing customary rhetorical commitments to combat protectionist measures. I would hope however that we can move beyond pronouncements and act, individually and collectively, in a manner which demonstrates a clear political will to resist and where possible reduce protectionist measures. As a matter of priority OECD countries should seek to resolve issues dividing them. Only in this way can we expect to establish a standard of performance which will restore credibility to the trading system and provide a healthy basis for a trade-expansionary recovery offering benefits to all trading countries.

The work of the OECD secretariat and of the trade committee has been useful to governments in assessing their own performance relative to that of trading partners, and global trading performance and patterns over-all. We continue to support this work. As ministers, we have a collective responsibility to direct the activities and priorities of these multilateral institutions. Clearly, if they are to remain strong and effective, they need to be responsive and relevant to basic problems and political imperatives.

Economic relations with the centrally planned economies of Eastern Europe and the USSR have always been of some importance for OECD countries. Although over-all trade with the East is of relatively small significance when seen from a global perspective, it does have real economic importance for certain countries, sectors and firms. In this respect, economic analysis of East-West economic relations has intensified within the OECD over the past year. This is a positive development. It is important that we try to come to a common understanding of the nature of our economic relations with Eastern Europe. Canada has therefore welcomed suggestions to improve the data base and to facilitate discussion of policy issues from an economic perspective. I do not anticipate that we will all necessarily draw the same conclusions on each issue. But ongoing discussion and analysis will make an important contribution to our joint goal of ensuring that East-West economic relations continue to be conducted on the basis of a balance of advantages for both sides.

In sum, the issues we have on our agenda are of critical importance. I trust Canada can contribute not only to economic recovery within the OECD, but also to easing strains in the world trading and payments system in the months ahead.