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6/18/76

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ORGANIZATION FOR ECONOMIC COOPERATION  
AND DEVELOPMENT

THE COHESION OF THE INDUSTRIAL DEMOCRACIES:  
THE PRECONDITION FOR GLOBAL PROGRESS

Mr. Chairman, excellencies, ladies and gentlemen:

The nations assembled here face an urgent and common need to understand and respond to the central reality of global affairs -- that the collective role of the industrial democracies is decisive for world peace, to global prosperity and to the cause of justice and human dignity. Never has our unity and purpose been so important to the world's progress.

Ours are the societies that launched the two great events that gave birth to the modern age -- the Industrial Revolution, and the political revolutions of the Eighteenth and Nineteenth Centuries that shaped today's community of nation-states. Ours



were the societies that pioneered in all the modern forms of commercial, social and governmental organization; ours are the nations that have recognized and acted on the necessity of international economic cooperation in advancing human aspirations.

Our democratic systems have disproved the doctrine that only dictatorship could advance human wellbeing. On the contrary, our performance has demonstrated conclusively that only freedom can achieve the economic advance of which men have dreamed for ages. It is ironic that the socialist countries and the developing countries -- after decades of denouncing our economic system as discredited -- have, in their own difficulty, turned to us. Today it is the industrial democracies which alone have the resources, the managerial genius, the advanced technology, and the dedication which sustained economic development -- under whatever political system -- cannot do without.

Yet we have also recognized another modern reality -- the fact of the interdependence of all nations in the global economic system. Our response to this reality has demonstrated the vigor, determination, and sense of shared purpose of the advanced industrial nations. Most of the OECD countries are emerging from economic recession. In that process of recovery we have worked together, averting protectionist tendencies in trade and the selfish pursuit of oil and raw materials at each other's expense. In great measure due to this, we are recovering more quickly and with greater prospects for continued progress than any other group of nations.





We know better than any that such accomplishments do not come easily or automatically, but only through constant and cooperative effort. We have succeeded because ours are strong, open, questioning societies, always ready for the future. We have recognized, encountered, and adapted to meet the forces of change -- change which we ourselves often had set into motion.

Even as we move to assure our own sustained economic recovery, we are taking care that our strength complements the aspirations of nations elsewhere. Our performance is the pivot around which international trade and finance revolve. Our technology and investment are the catalyst of development and economic progress in developing nations. Our capacities and achievement are the touchstones for past and future accomplishment.

We have acted together because we recognize the futility of acting apart. In the world economy, national interests cannot prosper or endure without reference to the larger global reality.

But today, the world economy faces a new and demanding series of challenges which require fresh attention and dedicated effort. The cooperation we have displayed in the past must be enhanced -- both in spirit and in form. Thirty years of progress since Bretton Woods have built a sound foundation from which to proceed. Now our task is twofold: we must improve our performance in areas where we have already begun to work together; and we must create new mechanisms of cooperation to deal with new issues and new opportunities.

This Organization is the place to begin. Its history and durability are themselves a demonstration of the unity and



cooperation of the industrial democracies. It has provided a unique forum and necessary focus for dealing with the critical link between national aspiration and global opportunity.

As the world faces great challenges, the industrial democracies begin with their own solidarity. This is no accident; it reflects our fundamental moral fraternity. Our traditions of freedom are the underpinning of our material success; it is those values which foster the full flowering of human creativity and talent. These moral strengths are indispensable to efforts to solve the complex problems of our time. They give moral meaning and political purpose to our technical achievements.

Today I want to talk about the importance of furthering our unity and progress through the OECD. Our objective is not to forge a bloc for our own advantage, but to enhance our own cooperation to extend world-wide economic cooperation and development.

I would like to discuss three areas of challenge and opportunity:

- First, strengthening the cohesion and prosperity of the industrialized democracies. We must enhance the means of cooperation among us in a new era.
- Secondly, the new issues we face in economic relations with the Communist world. These economic relationships are a new reality, an opportunity, and an area of new complexities. We must examine these issues together.



-- Thirdly, the ongoing international effort to promote economic development and a constructive long-term relationship between the industrial and developing worlds.

This can only succeed if the world economy flourishes, and if the industrial nations work creatively in common.

Strengthening the Cohesion and Prosperity of the Industrial Democracies

Our first and fundamental concern must be economic cooperation and progress among the industrialized democracies of North America, Western Europe, and Asia. Tomorrow, finance and economic ministers will discuss these economic questions in greater detail. Today I want to discuss with you in broad terms four essential areas of our cooperation which have the greatest significance for world order and the future of the international system.

-- First, economic growth. Only with sustained growth

can we resolve competing claims on our resources, reinforce the

political vitality of our institutions, enhance our freedom

of action in world affairs, and spread economic benefits

to others.

-- Second, the open international trade and monetary system.

We must strengthen this central pillar of the liberal economic

order on which prosperity and widening economic opportunity

depend.

-- Third, transnational investment. A full and continuing flow

of investment under fair and accepted conditions is

indispensable to development and to spreading economic

security and prosperity worldwide.



-- And fourth, energy. Greater cooperation among the consuming nations is crucial for our own economic health and for fruitful cooperative relations with the producing nations.

First, as our nations emerge from recession and embark on the road to recovery, we must ensure that our economic growth is sustained. In the past, the recurrent cycles of boom and stagnation have hampered investment and impaired productivity, and limited our attainment short of our fullest economic potential. An environment of steady, sustained long-term growth will permit us to meet the enormous material demands of the future, and indeed to expand our horizons. And only amidst steady growth can all the competing demands of our societies be effectively met and social progress maintained.

But all of us agree that growth can take place only if inflation is contained. We cannot sustain economic advance or avoid future recessions, with their wasted-resources and high unemployment, unless we find an antidote to the plague of inflation. The investment needed to create jobs for our growing labor force will not be forthcoming in an environment of rapidly rising prices. And inflation erodes the progress made in raising the standard of living of our peoples; inflation corrodes the spirit and strains the social fabric of our democratic societies.

The responsibility for economic policies for non-inflationary growth rests with national governments. But national efforts cannot succeed in isolation or if at cross purposes to each other. Close consultation and collaboration are essential to ensure that our national policies are complementary or reinforcing to each

other -- to avoid a further general inflation, or deflation, to maintain monetary stability among us; to give special attention to members that are in difficulty; to collaborate on policies on trade, energy, and relations with the developing countries.

The summit meeting at Rambouillet last November made a major contribution to general recovery and promotion of these goals. The summit next week at Puerto Rico will assess where we stand and chart directions for future cooperation.

The United States believes that the OECD is the essential forum for our detailed and long-term collaboration. This meeting provides an opportunity for the nations assembled here to reaffirm our joint commitment to an open economic system, to national responsibility, and to international

cooperation. With sound and concerted policies among us, and with efforts to coordinate our strategies for expansion, the potential for the world's sustained economic growth can be realized.

At last year's OECD Ministerial meeting, at the United States' recommendation, a Group of Distinguished Economists was created, which has been chaired by Professor McCracken. It was assigned the task of examining the medium- and long-term and structural problems of sustained economic growth. It is exploring the interrelated problems of inflation, adequacy of investment, structural imbalances and the supply of raw materials. We look forward to their conclusions and recommendations, which will undoubtedly be a major contribution to our understanding of the problems which face us in common, and to our strategies for meeting them.





Strengthening our trade and monetary systems also calls for enhanced collaboration on our economic policies.

In recent years, high unemployment and economic uncertainty revived protectionist pressures; inflation and drastic differences in the performance of member nations produced exchange rate pressures, major payments imbalances, and financial strains. Many of these problems were the result of the oil price rises and embargo that were imposed upon us. In any case, the industrial nations have overcome the worst part of the crisis. But there is more that we must do.

At Rambouillet and at the milestone IMF meeting in Jamaica last January, major steps were taken to strengthen the international monetary system for a new era.

We have agreed in the IMF to new rules which will help us

economic and financial instability,  
promote underlying/ avoid the shocks and disequilibrium which  
plagued the Bretton Woods system, and ensure the smoother  
functioning of the system of trade and investment.

The OECD nations today and tomorrow are continuing our  
close and detailed consultations. We are examining both current  
problems and the issues of the long-term future. OECD countries  
together have been a catalyst for institutional reform in the  
world economic system and will continue to be so. A striking  
example is the OECD Financial Support Fund. This financial  
facility will help us deal cooperatively with serious economic  
dislocations in the reform aggravated by the oil price rises.

The United States will seek the swift ratification of this agreement so that  
the Fund may come into action soon.



In trade, the OECD nations jointly undertook two years ago an extraordinary political commitment to preserve an open economic system even in a period of general economic difficulty. Our governments pledged on May 30, 1974 to avoid recourse to new restrictions on trade which would tend to shift one nation's difficulties onto others. That declaration has strengthened our successful efforts to resist protectionist pressures and to assist those countries whose balance of payments problems are particularly acute. That declaration was renewed last year. The United States believes that we should now renew it for an additional year.

But we should not be content with this alone. Our economic recovery provides us with significant opportunities for further progress.

-- First, the political commitment that our trade pledge represents can be the basis for wider cooperation among us. The United States proposes that this Organization be asked to recommend further areas for common action, not only on current trade problems and negotiations, but on the long-term operation of our open trading system.

-- Secondly, and more immediately, this political commitment should be brought to bear on the Multilateral Trade Negotiations in Geneva. Progress in these negotiations has been slow. But we are now at the point where we can and must move forward at a more rapid pace if the negotiations are to reach a successful conclusion in 1977.

To this end, the United States strongly recommends



intensive negotiations aimed at reaching agreement in Geneva on a tariff cutting formula this Fall.

-- Third, it is our shared obligation to improve the conditions of trade for developing countries. The postwar trading system was built on a consensus among industrial countries in which the developing countries did not share and which they now challenge in several important respects. We need to re-examine the trading system, reaffirming those rules and obligations where they are consistent with current realities and changing or strengthening them where they are not. In the MTN we will be negotiating new provisions in such areas as non-tariff barriers,

supply access, the settlement of disputes, and trade restrictions that are justified for balance of payments purposes. This Organization and its members can play a crucial role in building a new consensus on these issues, both among ourselves and together with the developing countries.

Transnational investment is the third area calling for close collaboration among the industrial nations.

Investment is the lifeblood of our economies and vital to development worldwide. It has been a principal source of the economic growth and security and prosperity which the nations represented here enjoy. It has been the single largest source of development capital for Third World nations and a powerful



force marshalling management and technology for their benefit.

It has developed resources; it has increased income; it has provided jobs in all nations.

In the last three decades, problems of foreign direct investment have been dealt with mainly as an aspect of trade and monetary relations. But since the mid-sixties, foreign direct investment has been growing faster than international trade. Indeed, it is now expanding more rapidly than global GNP. It both reflects and fosters the interdependence of our countries, as well as between the industrial and the developing nations.

But the dynamically increasing global importance of transnational investment has been accompanied by growing concern in many nations over the activities of private

investors, particularly the multinational corporation. Questions have been raised with new frequency about whether international corporations are serving the national interests and objectives of host countries. And some egregious cases of illicit payments have raised concern, casting a cloud over the overwhelming number of international firms whose behavior is beyond reproach.

On the other hand, governments, too, have impeded the flow of capital for development by inconsistent policies or discriminatory treatment of international firms. And most industrial countries have been under pressure at home to take increasingly nationalist positions toward international investment.

If this trend is not halted, we face a gradual but serious deterioration in the international investment climate, with serious consequences for economic development and the flourishing of the global economy.



It is highly significant, therefore, that this Organization undertook to negotiate voluntary guidelines for multinational firms as well as clarification of government responsibilities to them in order to preserve and promote the liberal investment climate which has served us so well. It is a milestone in economic relations among the industrial nations that we announce today the acceptance by OECD member governments of a Declaration on Investment, which includes:

- recommended guidelines for the activities of multinational corporations;
- an agreed statement of the basic responsibilities of our governments with respect to transnational investment;

- strengthened cooperation on the questions of incentives and disincentives to foreign direct investment; and
- increased consultations between our governments on all these matters.

This Declaration extends the cooperation which has characterized our trade and monetary relations into the area of investment -- the third and fastest-growing dimension of the international economy. The United States strongly endorses it and urges its widest possible adoption and observance.



But this Declaration is only part of a new global framework which must be developed to preserve the benefits of international investment while curbing corporate abuses and enabling the ability of governments to protect their national interests. A global framework for investment is now emerging. We must encourage its deliberate but steady development.

In addition to our full support for the OECD Declaration, the United States urges that all our nations together:

--First, support the work of the UN Commission on Transnational Corporations, and the related UN Information and Research Center within the Secretariat, which will develop a comprehensive information system on issues relating to transnational corporations. In the United Nations, OECD members must strive to develop a

full understanding of investment issues among all nations, seeking a consensus that addresses both the legitimate concerns of developing nations as well as the fundamental concepts of our own investment declaration.

--Second, that we and other concerned nations carefully consider proposal of the International Resources Bank which the United States offered at UNCTAD at Nairobi last month. While the Bank will focus on energy and other commodities, its principal features -- as a multilateral insurer against non-commercial risk and as a facilitator of production-sharing and technology transfer -- have important implications for development generally.

--Third, the United States urges that we take strong collective measures to eliminate corrupt



payments. Bribery and extortion are a burden on international trade and investment and corrode the institutions of government and society. Recent disclosures of illicit payments have seriously damaged faith in the free enterprise system and produced political crises within and among a number of countries. The United States has proposed that negotiation of a binding International Agreement on Corrupt Practices be launched, beginning at next month's session of the UN Economic and Social Council.

--Fourth, the United States urges that our nations cooperate to reduce anti-competitive practices which undermine many of the benefits of our open economic system. The United States proposes dual effort: to reduce international procedural obstacles to the investigation

and enforcement of laws against international anti-competitive practices; and to pursue bilateral and multilateral agreements for international antitrust cooperation similar to that about to be concluded between the United States and the Federal Republic of Germany.

--Fifth, we urge strengthening the investment work of specialized OECD committees which deal with investment problems, such as harmonizing statistical systems, cataloguing restrictive business practices, improving the exchange of tax information, dealing with tax haven problems, as well as work now underway on the general topics of technology transfer and short-term capital movements.

Taken together, these are a comprehensive approach to the problems of direct international investment.



International investment has served the world well.

It is the responsibility of the nations in this

Organization to ensure that investment continues to make its essential positive contribution to economic growth and international interchange. There is no more important economic issue on our agenda.

The fourth crucial sphere of cooperation among the industrial nations is energy. The cooperation of energy-consuming nations has become an imperative, for the last few years have demonstrated -- painfully -- the economic and political costs of our loss of control over this most essential component of industrial growth.

For the next several years, our nations' heavy dependence on imported oil means that we will continue to be politically and economically vulnerable

to a small group of oil producers. The outlook for reducing our dependence in the next decade is not encouraging. Forecasts made on the basis of energy programs now underway in the industrial countries indicate that our dependence on OPEC oil will increase from 27 million barrels a day in 1975 to as much as 37 million barrels per day by 1985. At the same time, it has become clear that oil reserves, while still large, are finite. Thus we must begin a long-term transition to an energy system based less on oil and more on alternative and ultimately renewable sources of energy.

The key to to these related efforts lies in marshalling our own resources to reduce our dependence on imported oil and to assure the most rapid development of new and alternative sources of energy.

The industrial countries have begun to respond to the energy challenge. Nationally, we have begun the difficult process of reorienting energy priorities and establishing new energy policies. Cooperatively, we moved rapidly to form the new International Energy Agency, within the framework of the OECD, and we have created a comprehensive structure of technical cooperation and policy coordination among industrial countries. We have begun the dialogue with the OPEC countries in the Conference on International Economic Cooperation, looking forward a reliable long-term economic relationship in the mutual interest. And we have recognized the importance of helping the poorer developing countries -- those with limited energy resources -- to survive the energy crisis.

But these efforts fall far short of what we must do. By themselves they do not solve either our

immediate energy vulnerability or the need to achieve over the longer term a satisfactory global balance of energy supply and demand.

The United States therefore proposes that OECD members take the following cooperative steps:

--First, in fulfillment of the collective commitments we have agreed to in the IEA Long Term Program, that we establish, on an urgent basis joint energy production projects to pool technical knowhow and financing in areas such as coal extraction and utilization, uranium enrichment and synthetic fuels. These will contribute to the early availability of commercially attractive additional energy sources.

--Second, that we establish ambitious and realistic collective and individual goals to reduce our dependence on imported oil



by 1985. Attaining these goals will require agreed targets for additional energy production particularly in the coal and nuclear sectors, which represent our best opportunities for substantially reducing our energy dependence in the next decade.

--Third, that we agree to intensify our national efforts reduce the growth in demand for energy.

The United States urges that the Governing Board of the IEA launch these efforts on a priority basis. We should aim for a Ministerial meeting in six to nine months at which member governments would not only endorse these goals for reduced dependence, but also make the essential political commitment to specific and concrete actions to achieve them. We should make it possible for OECD countries who are not members of

the IEA to participate fully in this process. At the Ministerial meeting we should also look beyond the next decade to the post-oil era, and seek ways to build on cooperative research and development efforts already in train in such areas as solar power and nuclear fusion,

This agenda -- of action for growth, trade and monetary affairs, investment, and energy -- suggests an expanding role and responsibility for the OECD.

Our collective action here at this meeting could well become an historic step, not only for our own nations, but for the global economy as well.

The OECD nations, working together, now face an unprecedented opportunity to advance our common welfare and prosperity. But our attention and effort must also be addressed to the great economic issues

which involve us with nations outside the OECD region.

Our economic future and the prospects for global economic progress are interlinked in a variety of ways.

Let me now therefore turn to our relations with the rest of the world.

EAST-WEST ECONOMIC RELATIONS

In the past, trade and economic relations with the Soviet Union and Eastern Europe have not been among our central concerns. But a new dimension of economic interaction between East and West has begun to take shape. We must accurately perceive this change and take cooperative steps to make it a positive element in the world economy.

The Soviet Union has the second largest economy in the world. It accounts for about 15% percent of the world's total economic output. All COMECON countries together account for about 20% percent of this output. But the Soviet Union, in spite of the size of its economy, is not a major factor in the world economic system. Its position in world trade is relatively small, and it has made virtually no contribution to economic development in the Third World.



Now, however, the Soviet Union and Eastern Europe are moving toward greater economic contact with the west, as they have come to realize that they cannot provide for growing consumer demand or meet the technological imperatives of the more complex economy they want solely from their own economic resources. Thus, in the last four years, trade between the COMECON countries and the OECD countries has increased nearly four-fold. In matters of finance, the sudden growth in the external debt of the Soviet Union and the countries of Eastern Europe has been striking. Their net debt to private western banks doubled in 1975 to \$15 billion, and their total hard currency debt has reached nearly twice that amount.

For us, the industrial democracies in the OECD, the economic interaction between East and West is a reality

that affects all of us. It can be a positive development in international relations, stabilizing relationships and broadening the contacts between our systems at many levels. At the same time, managing relations between our free economies and their state trading systems has inevitable technical complications. It has become a domestic political issue -- legitimately so -- in many of our countries. It cannot be treated solely as a commercial question.

Certain principles must be clear:

--All our nations have been engaged in this process.

It is now a reality.

--It presents hopeful prospects, both economic and political, if approached thoughtfully. It is up to the free nations to conduct themselves wisely

and in close consultation with each other, if we are to realize its benefits and avoid its dangers.

--The state trading systems must not be permitted to wield their size and secrecy to unfair advantage over our firms; nor should they be permitted to play off free nations against each other for their own commercial advantage.

The United States proposes that the OECD work toward developing objectives and methods for ordering our economic relations with the Communist countries. We do not require an elaborate network of organizations and procedures, but we do require concerted action if we are to face this issue in an intelligent and united fashion. Progress has been made, for example, in aligning national export credit policies among the

industrial countries. But many areas should be examined:

The United States believes that our nations must ask:

- How can we achieve effective reciprocity in trade between market and non-market countries?
- How do we deal with the problem of dumping and other unfair trade practices by countries in which prices need not bear a relation to costs or market forces?
- What are the implications of the growing external debt of the Communist countries?
- What should be the relationship between the nations of the East and the multilateral bodies dealing with economic affairs?
- And finally, how can we bring the Soviet Union and the Eastern European countries into the process of assisting development in the Third World?



These are among the questions we should examine jointly. We would like to see the results of this examination embodied in a report for our next meeting.

The Relationship Between North and South

A central economic issue, which demands the utmost in our cooperative effort, is the evolving relationship between the industrial and the developing nations. Our challenge is nothing less than to help build a new era of international economic cooperation characterized by an equitable and all productive relationship among the peoples of the world.

Peace is an imperative; every nation has a stake in the problem of global stability and peace. But the United States recognizes that the ultimate purpose of nations is to look beyond the maintenance of peace to a world which offers the children of the world a hope of a better future.

The United States has made its commitment. We are determined to work for that better future. We have demonstrated our determination and our will to do so --

of the UN General Assembly,  
at the Seventh Special Session/ at the Conference on  
in Paris;  
International Economic Cooperation/ at Kingston in January,  
and at Nairobi last month. The sum of these efforts has been,  
I believe, to create a new and positive atmosphere for  
progress.

In these efforts we have recognized, and we continue to recognize, that an effective international system must be founded upon a fundamental consensus in which all nations and peoples can share. It is not possible to build a world community

which is divided between the rich and the poor. If we are to live in a world of peace and justice, all nations must have a sense of participation; all nations must have the consciousness that their concerns are heeded.

The developing countries clearly seek to develop their countries, participate more fully in the international system, and to share equitably in its benefits. The objective of the industrialized nations should be equally clear.

It is an unmistakable commitment to economic progress everywhere in the context of an open world system of trade and investment with expanding markets for both developed and developing countries. We want to see rational, stable, and equitable development of the world's resources of food, energy, and raw materials as the fundamental basis for a prosperous world economy.





Thus , our objectives and those of the developing nations can be mutually supporting. The process of building the world community we all seek must therefore be shared by nations of both North and South, and must address the issue of economic development in the context of growing global prosperity.

Development is a long-term process. Sustained economic development will not come as the result of any one conference or any one set of proposals. It will depend primarily upon the domestic policies of developing countries themselves over a period of decades. Often this will require painful short-term sacrifices for longer-term gains. Development cannot be commanded to occur instantaneously by rhetoric. This is why

we attach such importance to the North-South dialogue. And this is why we are concerned when there are attitudes of confrontation or attempts at extortion, for these cannot but impede our efforts to make steady, practical progress. Solutions to the problems of development simply cannot be imposed by one group on another.

And development will also require the long-term effort of the industrial countries. Our role is critical, for we possess the largest markets and most of the world's capital and technology. We must recognize that what we do -- or fail to do -- is also critical to the future of the countries of the Third World. But our effort requires public support which cannot be sustained if we submit to the temptation to maneuver among ourselves for short-term political or economic opportunities in the developing world.

We have every reason for confidence that the North-South dialogue can progress in a way which benefits us all. Our nations need not be defensive. We need not curry favor for momentary gain. We need not act out of guilt or in response to pressure -- but freely, in our own self-interest as well as the world's. We have been forthcoming in the dialogue thus far. We have strained our domestic processes to develop pragmatic proposals to meet real problems in our relations with the developing world. As our economies improve and as we, together with the developing world, identify new areas for cooperation, we can look forward to widening global cooperation which can serve the interests of all.



The spirit of cooperation necessary between North and South presupposes cooperation among the industrial nations. Let me be clear. This is not a call for confrontation/ It is a proposal to work with the Third World. It is a proposal to make the development process, to which we are strongly committed, work.

The United States believes that this Organization should focus on three areas where our cooperation is most necessary and would be most effective:

We must

--/improve our ability to concert our development efforts

in international forums, for it is in these meetings that

ideas are launched, compromises are made, and

political directions set;

We must

--/enhance our collaboration in our bilateral and multilateral

aid programs, for our resources are limited, and closer

alignment of programs can increase their effectiveness;



We must  
--/develop a longer-term strategy for development which  
integrates the diverse strands of North-South policy,  
including / foreign aid, technology transfer, financial policy,  
and trade. For development is a comprehensive and  
never-ending process with implications for every area of  
the international economic system.

Let me discuss each area in turn.

First, recent experiences at UNCTAD in Nairobi and at  
other international forums have demonstrated that the coordination  
of our own positions at large international conferences  
must be improved. We in this Organization have supporting  
mechanisms for coordination of positions on energy,  
commodities, finance and development, but their effectiveness  
has been frequently called into question. For the remainder of

this year we will be relying on these bodies to continue to support our work in CIEC. It is therefore imperative that we review on an urgent basis our recent experience, with the objective of strengthening the coordinating role of each OECD support mechanism as well as the relationship among them.

The United States recommends that the Secretary General undertake an immediate examination of the issues and present recommendations to the Executive Committee <sup>in Special Session</sup> on ways in which we may more closely align our positions.

We suggest as well that this Organization take a more active role in developing views on key North-South issues than it has in the past. We believe this could most fruitfully be done by identifying in advance of international meetings those specific issues likely to cause problems among industrialized countries, thereby permitting consultations to develop mutually supporting positions.

The next several months will be a test of our ability to cooperate in various conferences. The agenda is full. We will be considering on a case-by-case basis measures to improve the functioning of individual commodity markets, including the reduction of excessive price fluctuations and methods of buffer stock financing. We must also concentrate on translating analysis into concrete results in CIEC. In this forum, the United States looks forward to visible and concrete achievements in energy, raw materials, investment, trade, and measures to address the problems of the poorest countries. We will be particularly anxious to explore possibilities for further consultations on energy, including ways to assist



that have no energy resources.  
developing nations/ We will want to facilitate progress  
on commodity discussions, including ways to improve the  
functioning of individual commodity markets. And we will  
want to begin work on the International Resources Bank proposal,  
CIEC  
which we see as relating to the work of all the commissions,  
particularly those dealing with energy and raw materials.

A second area of coordination which should be reviewed is the  
effectiveness of our bilateral and multilateral aid efforts in  
channelling resources to address specific problems in the  
developing world. The OECD Development Assistance  
Committee has done important work to improve and coordinate  
development assistance policies. There are, as well, over  
twenty consultative groups working to improve aid coordination  
and effectiveness in specific developing nations. We should  
review the state and effectiveness of our coordination



in all these areas. We must also seek to enhance the

coordination of assistance

policies and programs which have a regional or even continental

focus. The Club des Amis du Sahel is a recent successful

effort to concert our resources to combat the problems of

that Africa sub-region. We should explore whether there are

other regions, in Africa or elsewhere, where similar approaches

are needed. The recent initiative by the President of France

for focussing joint attention on specific problems on the African

continent is an example of the kind of effort we must make

together in the future.

Third, we must devote a major portion of our efforts to longer range planning. The problem of

development will be with us for decades to come. It will not be accomplished this year or next. No one policy will be decisive; no one conference will devise permanent solutions. We must therefore begin to focus on the development needs for the more distant future.

A first priority in this effort must be to bring together consideration of the various separate development issues we have been addressing. Development policies can be either mutually reinforcing or they can undermine one another. We must find a way to look at development as a comprehensive and integrated whole, harmonizing our long range planning efforts in trade, aid, investment and



technology. These individual policies need to be placed into a larger coherent plan so that the industrial nations' development efforts can more efficiently respond to the most pressing issues in the developing world.

To achieve a more effective integrated development strategy, the United States proposes that OECD countries, [meeting under the auspices of the Executive Committee in Special Session,<sup>\*</sup>] review the entire range of North/South issues which we will be addressing over the remainder of this decade and beyond. Over the next year we should develop a consistent and comprehensive set of objectives.

At the same time, we should now move to strengthen and streamline institutional arrangements within this organization for handling North/South issues. Such arrangements should be designed to give the necessary political impetus to our efforts and<sup>to</sup> serve as the

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\* Treasury strongly objects to this phrase. ✓

center for all North/South activities in the OECD.

It should also stimulate greater consideration for the needs and interests of developing nations in the ongoing work of specialized OECD committees.

The kind of coordination which I have suggested will compel attention at the highest levels of government. It will, of course, require compromises on policies and priorities which each of us has developed in the past. But it is our best chance to accelerate the pace of constructive progress in our relations with the Third World while not undermining our relations with each other. We must cooperate more fully for the benefit of all countries.



The Imperative of Cooperative Action

I have set forth an assessment of where we stand in our economic relations and where we should focus our attention and effort. We proceed from two main premises: the interdependence among the OECD nations, and our common desire to help shape a new era of global economic cooperation.

The central task before the industrialized democracies of the OECD is to give new focus and purpose to our own cooperative economic action. Economics is only part of that enterprise. The critical dimension for all that we discuss in this forum is, in fact, political. The choice before us and the decisions we take will reflect our perception of ourselves as peoples and as nations. The tasks are long-term, and they demand that we extend our line of sight beyond immediate technical issues to more distant horizons.

Our economic vitality is crucial to our survival as free peoples, central to the evolution of our own societies, and critical to our evolving relationship with the rest of the world.

History has demonstrated that there are eras when events can only be shaped by the imposition of a paramount power--with results that brought persecution as often as progress. But ours is a time when the centers of global power and influence are many and diverse. And ours, therefore, is a choice between cooperation or chaos. Today the West requires nothing so much as leadership determined not to adapt to reality but to shape it. Circumstances have provided us with a clear understanding of our interdependence, and our efforts to turn this reality to/our common progress are

well begun. We have every reason for confidence in our capacities. We have every reason for pride in the vision of prosperity and justice we offer the world. Let us now build upon what we have achieved, creatively and coherently, to continue the great work of advancing mankind's achievement of his highest aspirations.