

EUROPEAN DEMOCRAT UNION, LONDON 25TH JUNE, 1983

STATEMENT BY THE PRIME MINISTER OF NORWAY,

MR. KÅRE WILLOCH

Economic Policy

Mr. Chairman,

1. The need for concerted action  
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During recent months it seems to have become more than probable that an international economic recovery has finally started. This does not, however, imply that the main problems of the world economy have in any way been solved. It is evident that more fundamental problems have to be overcome before we can expect to achieve both higher economic growth and lower unemployment on a more sustainable basis.

It is a great responsibility and challenge to governments to coordinate our efforts internationally in order to change this highly unsatisfactory situation without jeopardizing the improvement we have reached to reduce inflation. Furthermore, there are a number of factors which may prevent the recovery if not properly dealt with. They include:

- High real interest rates in some major countries
- low capacity utilization, depressing investment demand
- poor profitability situation for many enterprises

- structural problems
- increasing protectionism
- misalignment of exchange rates
- the global debt problem
- uncertainties among households and enterprises about the ability of Governments to restore sustained economic growth.

Most of these factors illustrate the great interdependence between our countries. International linkages, real and financial, limit the scope for countries to diverge substantially from average OECD behaviour. The policy objectives which can be pursued successfully by one individual country can prove self-defeating when pursued by many countries simultaneously.

The conclusion to be drawn from past experience and new analysis is, in our view, that policies have to be applied in a more concerted, and at the same time in a differentiated way. Policies have to be concerted in the sense that governments should take due account of the feedback effects of their own domestic policies on other economies through international linkages. All the same time policies have to be differentiated according to the situation in each individual country.

Apart from the economics involved, I would like to stress that there are important political implications as well. This has something to do with the political cohesion of the western world. It is very important to arrive at some sort of political concensus on common economic and

social goals of Western industrial societies. Economic cooperation between OECD-countries will be crucial not only from an economical point of view, but for the more general political development as well.

## 2. OECD, Williamsburg and UNCTAD

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During the last months three very important international meetings on economic policy have taken place: The OECD Ministerial meeting in May, the summit in Williamsburg and, finally, the ongoing discussions in the UNCTAD VI.

In Paris the OECD-ministers agreed in more general terms on an approach to sustain and to broaden the economic recovery now under way. Among the many important elements, I will emphasize their agreement to take advantage of the decreasing inflation, which makes it possible to undertake financial or monetary growth, in order to promote job creation and higher employment. The ministers also agreed to work for greater exchange rate stability, lower interest rates, the dismantling of trade restrictions, and effective measures to resolve debt problems.

As regards the North-South-dimension the OECD-communique stresses the need for increased aid, as well as improved and more stabilized export earnings for the poorer developing countries.

At the same time, however, no major country was able to commit itself to these suggestions in more concrete



terms. For this reason the communiqué of the meeting did not reflect the way to go in more concrete terms.

The discussions continued in Williamsburg and I was pleased to learn from the communiqué how the interdependence between our economies was again stressed, and that it was recognized that we have to act together. Further, the participating countries committed themselves to fight protectionism and expressed willingness to undertake coordinated interventions in exchange markets where it is found to be helpful.

It should be noted, however, that the communiqué did not contain more concrete obligations concerning short-term economic policies, with the inbuilt possibility that the upswing we all desire may be postponed.

I noted with satisfaction and appreciation both the serious concern and the positive statements expressed in Williamsburg about the grave situation of the developing countries and the need for increased aid, especially to the least developed countries.

The final days of UNCTAD VI in Belgrade should be used as an opportunity to attempt to intergrate the developing countries to a greater extent into the world economy. It should be in the interests of all industrialized countries to show flexibility during the final negotiations in Belgrade. Progress in the North-South dialogue with specific emphasis on trade, commodities and financial and monetary questions, must be

considered a prerequisite for sustainable growth both among the developing countries and in the industrialized world.

### 3. The problems of implementation

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Given the nature of such cooperative efforts, its success now rests with the implementation and the follow-up process ahead of us. We must now ensure that the spirit and guidelines of these meetings will be realized in the different national policies as well as by international bodies.

I believe that the multilateral international organizations - GATT, UNCTAD, IMF and OECD have an increasingly important role to play in monitoring our policies to the benefit of all our societies. The forthcoming annual meeting in the IMF will provide an opportunity to point out how we may act together. If necessary ministers should also meet again in OECD at Ministerial level before the end of the year in order to decide on a concerted international action for recovery.

We should not forget, however, that the ultimate responsibility for the future lies within our own countries. We have to a great degree opened our doors to the free flow of trade, of payments, of capital transactions, etc., but we have not to the same extent developed international codes of conduct to guide our economic policies.

The time has now come when we can no longer afford a purely national policy approach. This implies that governments will have to be prepared to design policies that to some extent may conflict with views dominating the national scene. This will be a test of the ability of our leadership. But we have to try for the simple reason that we will not win the fight against mass unemployment without improved international cooperation, and we will not, at least in the long run, win the fight for democratic and liberal ideas without improved economic performance.