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**DIALOGUE SPÉCIAL AU NIVEAU MINISTÉRIEL AVEC DES PAYS INVITÉS**

**26 MAI 1999**

***LA COHERENCE DES POLITIQUES DANS L'ÉCONOMIE MONDIALE :  
AVANTAGES ET ENJEUX DE L'INTERDEPENDANCE***

**INDE**

**Déclaration**

**Mr. Jaswant SINGH  
Minister for External Affairs**

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**SPECIAL DIALOGUE AT MINISTERIAL LEVEL WITH INVITED COUNTRIES**

**26 MAY 1999**

***POLICY COHERENCE IN THE GLOBAL ECONOMY:  
OPPORTUNITIES AND CHALLENGES OF INTERDEPENDENCE***

**INDIA**

**Statement**

**Mr. Jaswant SINGH  
Minister for External Affairs**

**Opening Statement by Mr. Jaswant Singh**  
**Hon'ble Minister of External Affairs of the Republic of India**  
**OECD Special Dialogue**  
**26th May, 1999 at Paris**

Your Excellency, Mr. Angel Gurría, Minister of Finance of Mexico, Mr. Donald Johnston, Secretary General of the OECD, distinguished Ministers from the OECD countries, Honourable Minister - participants of non-member countries.

I am honoured to be invited to open this Special Dialogue. This Dialogue brings together for the first time OECD countries and non-member countries to discuss economic issues of great and common importance to all of us.

Our meeting is taking place in a global situation of some concern. On the one hand, there has come into existence a broad, global consensus on some macro-economic approaches including that the role of the state must be redefined as supportive and not restrictive. That debate is over. There is now a greater acceptance of the role of private enterprise as a catalyst of economic growth; a broad agreement that there is a need for open trade and investment policies. The integration of developing countries into the world economy has begun. Financial liberalisation is permitting, indeed inviting private capital to move across national boundaries. A new dimension is thus added to the concept of global inter-dependence among nations.

There are, however, some mismatches; some worrisome anomalies. Let us recognise that economic growth in many developing countries

continues to be sluggish, in some cases per capita incomes are lower now than they were in the 1980s. Some perhaps of this could be attributed to poor domestic policy, but there are contributory external constraints. There is therefore, a need to reflect on this. Let us attempt to identify and then address them jointly. This Special Dialogue, which aims at a policy coherence on key international economic and commercial issues is a welcome mechanism because it could help to meet this urgent need.

It has been asserted that acceleration of development requires a steady flow of financial resources, concomitantly what follows is the logic of an increase in official development assistance, plus long-term resources from multilateral institutions. The story of official development assistance is well known. Instead of increasing, relative to GNP, to approach international targets, the percentage has actually declined. The flow of non-concessional resources from multilateral institutions such as the World Bank and the regional development banks has also declined in real terms.

These declines would not have mattered if other sources of finance were available. Reference is often made in this context to growth of private capital flows. There is no doubt that globalisation has led to an enhance growth in private capital flows to developing countries, also these flows now dwarf the flow of official assistance. But one cannot supplant the other: official is generally reliable; private is volatile; the former is need based, the latter needs profits and is naturally selective.

The turbulence in the financial markets and the volatility of private capital flows have shaken confidence in the stability of the international financial system, also in the adequacy of the present institutions to manage crises. Not just the role and responsibility of the international

borrower but of the international lender is also worth reflecting about. International institutions have to accept policy compulsions of countries, if their advice is to be more acceptable and help developing countries maximise gains from globalisation.

The volatility in currency fluctuations is also a matter of concern. Currency is no longer a mechanism for only trading in goods. It is a commodity of trade in its own right. Daily transactions in currencies are several multiples of transactions in goods.

The international community will have to craft mechanisms to reinvigorate world economic growth and the design of a new international financial architecture. In this exercise are subsumed major issues such as reconciling an open and equitable multilateral trading system with strengthening of the environment and sustainable development. We are in a situation which demands that we jointly seek answers which will restore confidence in the international financial system, and a renewal of faith in the concepts of globalisation and liberalisation. The crisis in the world's financial system and its negative consequence on the real economy highlights our inter-dependence.

I do believe, therefore, that we should view the evolving international economic order comprehensively, and not as one of developing countries versus developed countries. I hope that our exchanges this morning will bring us closer to answers acceptable to all of us.