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Statement of the Fund's Representative  
to the 36th Session of the  
UNCTAD Trade and Development Board

October 10, 1989

Thank you, Mr. President. The Managing Director of the Fund already has extended his warmest wishes to you upon your election and to UNCTAD upon its 25th Anniversary. I am honored to be able to join in these wishes and to contribute to the debate during this Anniversary meeting of the Board. Mr. President, this decade, and particularly the past couple of years, show a remarkable record: we have seen not only an extended period of growth in large parts of the world, coupled with a strong expansion of international trade, but also a convergence of policy thinking among countries that has been unparalleled during the existence of this Board. Policy makers around the globe increasingly are seeking to solve economic problems by unharnessing their greatest resource: the energies and ingenuity of their populations. Thus, it will not surprise you that during the Annual Meetings of the Bank and the Fund, which closed only ten days ago, there was unanimous acceptance that sustained progress in economic well-being requires an incentive structure that promotes the willingness to work, to invest, and to save.

This does not mean that such an economic environment is a sufficient condition for growth--but it is important that it has been accepted as a necessary condition. As noted in the latest Trade and Development Report, some of the serious problems that beset a large number of developing countries result from the fact that they have not fully shared in the benefits of the sustained expansion of world trade.

In an increasingly interdependent world, economic dislocations anywhere present a global challenge that can be met only through the joint efforts of all: developing and developed countries, public and private sectors, and the international institutions.

Let me turn to the developing countries.

First, their experience shows that it is a mistake to attempt to solve problems associated with the structure of incentives in an economy by higher levels of spending. Strategies based on spending one's way out of economic dislocation, or on further distortion of the incentive structure to maintain costly activities, have proven to be a recipe for yet more serious misallocation of resources and are undoubtedly one of the roots of the difficult debt situation of many countries.

A second point, and here we must take issue with the authors of the Trade and Development Report, is that there is no alternative to policies that aim to eliminate internal imbalances. The argument that such policies tend to be counterproductive in the absence of up front provision of