

Statement

Secretary of
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Déclaration

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**NOTES FOR AN ADDRESS
BY THE HONOURABLE BARBARA MCDOUGALL
SECRETARY OF STATE FOR EXTERNAL AFFAIRS
AND CHAIRPERSON OF THE BOARD OF GOVERNORS
ON THE OCCASION
OF THE TWENTY-FOURTH ANNUAL MEETING
OF THE ASIAN DEVELOPMENT BANK**

**VANCOUVER, British Columbia
April 24, 1991**

Mr. President, Fellow Governors, Distinguished Guests

It gives me particular pleasure to welcome you to Vancouver for the 24th meeting of the Board of Governors of the Asian Development Bank. I extend warm greetings to our newest member countries, Mongolia and Turkey.

I am delighted to see my fellow Governors, Members and Associates of this highly regarded institution convene this week in Vancouver. May I thank the people and Government of British Columbia, who have worked diligently to help make this meeting a success, and our trusted colleagues in the Bank with whom we have worked so closely. We look forward to participating in the discussions and to hearing from our distinguished President, Mr. Kimimasa Tarumizu, on the activities of the Bank since our last meeting in India.

Canada's involvement in the Asia Pacific region has strong roots. For over a century the Port of Vancouver has been the first glimpse of Canada for tens of thousands of settlers from Asia. Most stayed to help build Canada while creating rich and diverse Asian communities, becoming an integral part of the cultural mosaic which is Canada.

We are a Pacific nation. We have built upon those historical and cultural ties to develop and expand our economic and trade links with Asia so that they are now as important to Canada as our ties with Europe.

- * Our trade with Asia exceeds our trade with the European Community.
- * The Asian region represents the fastest-growing market for Canadian exports.
- * Many Canadian firms have made significant investments throughout Asia in electronics, mining, banking, and oil and gas.
- * Asia is the source of the largest group of immigrants coming to Canada.

We should not forget, either, that Asia has become a major source of investment for Canada with major contributions in automobiles, petroleum, real estate, financial services, mining and pulp and paper. In fact, the growing importance of Canada and Asia to one another and the maturity of the relationship illustrates how quickly the world is becoming truly interdependent.

Given the depth and diversity of these ties it is only natural that our relations with the Asia-Pacific region are one of the pillars of Canada's trade and foreign policy.

We were thus very honoured and pleased to be elected to chair the Board of Governors at the last annual meeting in New Delhi. It is my personal pleasure to be with you today and I will serve you as diligently as I can in fulfilling my responsibilities.

Canada believes the Asian Development Bank is an integral part of the global effort to foster development and to strengthen the network of regional institutions. Membership requires us to contribute in full measure our knowledge, experiences and thoughtful guidance as we consider the challenges which confront the region.

Mr. President, Ladies and Gentlemen, this annual meeting takes place at a difficult and uncertain time in the world's history, which paradoxically holds great promise. The challenge to peace and security in the Gulf has been successfully met, but at a considerable social and economic cost, and now tragic human consequences. Events in Eastern Europe and the Soviet Union have also captured the world's attention and posed new challenges.

We have a common responsibility to transcend the immediate and develop long-term strategies to build the world as we would like it to be. So today I want to look forward and reflect on the challenges which will confront Asia, its partners, and the Asian Development Bank in the decade ahead.

The world has been thought of as a collection of self-contained societies. At an accelerating pace, we are confronted by the challenge of global economic integration. This shift from a political to an economic global agenda is mirrored by the globalization of investment, production and markets, and the corresponding increase in economic integration and interdependence.

Our struggle is to keep pace. We must create the means and the institutions to manage the complex interaction among governments, individuals, corporations, entrepreneurs and bankers. The promotion of open, market-based economies appropriate for an interdependent world has become the critical task to which we must apply ourselves with full vigour.

The impact of the forces impelling us to integrate is clearest in Asia itself and in its relations with the rest of the world. The phenomenal economic success of many countries of the region, the explosion of business connections, technology and information flows and investment -- in both directions -- have transformed your relations with the rest of the world.

Asia is also a region of many contrasts. The dynamic progress noted above is juxtaposed against the high level of poverty and very difficult development problems of many countries in the region. Some 500 million of the world's poor live in Asia.

In the decade ahead, our challenge is to build the regional and sub-regional mechanisms of co-operation to foster this growth and development, and to curb the inevitable tensions which result. We must ensure these institutions contribute to building bridges of dialogue and understanding within the international community. In a multipolar world, a commitment to multilateralism by all is even more essential than it was in the bipolar world we have left behind.

Asia already has, of course, a number of dynamic and well-functioning consultative mechanisms. Canada maintains a very active dialogue with the Association of South East Asian Nations (ASEAN) and is a proud and committed member of the Asia Pacific Economic Co-operation (APEC) forum. These remarkable institutions have done much to stimulate co-operation and dialogue within Asia and across the Pacific.

We applaud and encourage Asia's ever-expanding "habit of dialogue," and Canada's proposal for a North Pacific Co-operative Security Dialogue seeks to add another dimension to this dialogue and foster long-term stability.

The future security of Asia depends to a large extent on co-operative efforts to deal with challenges which can endanger regional and national stability -- challenges such as environmental degradation, pollution, poverty, good governance and civil unrest. In this, the Asian Development Bank has a crucial role to play.

If we look at the immediate challenges facing the Bank -- and bearing in mind that our response to the present must be in the context of our long-term perspective and strategy -- there are four concerns which stand out.

The first is how Asia can maintain its record of high growth in the face of an economic slow down in the Organization for Economic Co-operation and Development (OECD) countries and uncertain prospects in Latin America and Eastern Europe.

In countries that are struggling to retain or restore a stable economic base, the Bank must help bridge the resource gap, while supporting long-term economic reforms. Increased reliance on market mechanisms, stimulation of enterprise and investment, expansion of external trade and, as necessary, de-regulation of the economy or privatisation of state-owned corporations are all important components.

For countries well on the path to sustainable growth, the Bank has an important role to support the on-going adjustment of the economy and the efficient use of resources. The key importance of an appropriate policy environment and a long-term strategy for both the country and the Bank cannot be underestimated. We must not fall victim to short-term expediency.

Experience has shown time and time again that these practical policies are essential ingredients for sustained growth and competitiveness in a global economy. They are building blocks for a smoothly functioning and well-integrated world economy.

Increasing interdependence requires a healthy multilateral economic and trading system built on clear, predictable rules understood and respected by all. Asia has benefitted enormously from the gradual liberalization of the world trading system, and its future growth is predicated on its continuation. Greater protectionism and increased barriers would be a major setback, particularly for the developing member countries of the region.

* As Governors we must ensure our countries hold high the banner of trade liberalization and ensure the General Agreement on Tariffs and Trade (GATT) negotiations conclude successfully.

* As Governors we must ensure the policies of the Bank and those of its members support the development of economies based on a healthy and open trading system.

* As Governors we must ensure that regional institutions or trade agreements complement the broader multilateral system.

Secondly, we must recognize the importance of democratic development and governance in Asia as elsewhere in the world. Asia has seen recently a major strengthening of democratic institutions complementing the evolution towards healthy, market-based economies. We have seen a return to democratic rule in Bangladesh and an historic opening to democracy in Nepal. We have witnessed the first transfer of one civilian government to another in Pakistan. We recognize the immense achievement of President Aquino in restoring the hope of the Filipino people in the value of democratic institutions. We see exemplary progress throughout much of the continent, but we must not cease our efforts to see this replicated throughout the region.

Democratic development must encourage the participation of all members of society; it is a complex process which extends far beyond elections. It must be supported by viable institutions and public administration capable of providing good

governance. Democratic development and broad-based economic progress are complementary and mutually reinforcing processes necessary to build strong societies. The Bank must work in partnership with its members to support such developments.

A third concern must be the global environment. Mr. President, the Asian Development Bank deserves congratulations for the extent to which it is incorporating an integrated, comprehensive approach to the environment into its programs. Environmental concerns pose major challenges to the region, and the Bank must be at the leading edge on this issue. The Bank should ensure that local populations and non-governmental organizations are consulted at an early stage on the environmental impact of proposed projects. We applaud the creation of the new Office of the Environment and look forward to an annual report on the Bank's environmental activities.

Finally, Canada is especially pleased to note the special Report on Education in this year's Annual Report. We are convinced that education is a key to improving the quality of life and encouraging equitable economic growth. If I might, Mr. President, quote from your own report:

There is a great deal of evidence to show that basic education is highly co-related with social and economic development and with poverty alleviation. Adults with a broad, basic education tend to have higher incomes, greater agricultural productivity, lower fertility and better health and nutrition. ... (They) are also more likely to send their children to school. ...

These are precisely the results that are needed in many Asian countries, where so many of the world's poor still reside.

The Bank must also address more squarely the implications of gender issues for the development process. Canada, for its part, is disappointed with the progress of the Bank in developing the expertise, training and programs necessary to incorporate these factors in project design. Without change -- and fundamentally this requires more hiring of women specialists and a more active role for the unit charged with gender issues -- the progress sought by country members of the Bank will remain incomplete.

Mr. President, fellow Governors, it is our obligation to ensure the Bank has both the resources -- human and financial -- and the guidance on policy and strategy so that we can attain our objectives and realize our dreams.

The Asian Development Bank may soon become the only regional development bank where the largest contributors of both ordinary capital reserves and concessional resources come from

the region itself. This trend must be encouraged, for it demonstrates clearly the profound potential for Asian leadership on the global stage.

Mr. President,

The Bank is to be commended for its excellent performance in 1990 as in so many past years, and its responses to the evolving circumstances of its members. I wish to mention in particular the severe impact of the Gulf crisis on many peoples and countries of Asia -- some of whom were already facing difficult circumstances. The Bank responded quickly to UN resolutions and complemented bilateral and other multilateral efforts. The effects will remain for some time and will require close monitoring and further support.

The Bank, like Asia itself, is going through a time of analysis and change. The Bank has recognized that it must respond, and for this reason Governors commissioned the report which became known as the Panel Report, "The Role of the Asian Development Bank in the 1990s." It was universally welcomed as a blueprint for the Bank's future operations.

The Asian Development Bank has a well-deserved reputation for the role it has played in the phenomenal economic growth of the region as a whole. It benefits from a sound reputation as a respected financial institution. The Panel Report, however, pointed the way to a new focus on the problems of the half billion people who still live in poverty. It was recognized that Bank operations must be aimed at increasing productivity of the poor, improving social conditions, and protecting the natural environment.

My message to the Bank is that it must move quickly to play an even more effective role in a changing region. Above all, the Bank must be prepared to operate more strategically, and must re-align itself internally to do so. The Bank must play a dynamic role in the policy environment of the region. It is time to forego the reticence which has prevented it from guiding borrowing member countries through the reform process which they must undertake to meet the emerging challenges. The issue is not one of sovereignty: the issue is the establishment of a climate of mutual confidence and shared direction between the Bank and its members. It is this belief that leads us to the conclusion that policy dialogue must emerge more clearly as a framework for the Bank's country-lending strategies.

Governors should give a strong and clear message on these issues. To our distinguished President I would say, we are your strongest supporters, and you will find plenty of

encouragement here in Vancouver. We take our responsibilities seriously as both the originators and final arbiters of Bank policy, who provide the framework within which the Bank operates.

Our discussions here in Vancouver on the replenishment of the Asian Development Fund have brought us closer to an agreement to provide substantial concessional resources to poorer borrowing members. We also anticipate the need for a further general capital increase for the Bank in the near future.

The Asia Pacific region is taking a prominent place in the world, and rightly so.

Asia's economic progress has brought tremendous benefits, but it has also brought responsibilities of equal magnitude. As a longstanding partner with Asia, Canada continues to demonstrate its commitment to share in these responsibilities. The Asian Development Bank deserves its excellent reputation, but much work remains to be done. Accordingly, it gives me great pleasure to declare this meeting open and invite you to work together in rising to these challenges.