

Statement

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CHECK AGAINST DELIVERY

SPEECH BY

THE RIGHT HONOURABLE JOE CLARK,  
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,  
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Secretary of State  
for  
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aux  
Affaires extérieures

Canada

Every day the face of the world is transformed - politically, economically and physically. At times, change is abrupt and conspicuous. More often it is evident only with the passage of time. We welcome it for the benefits it can bring but fear it for the hazards it can pose.

How can we not welcome the diminished tensions between East and West or the strength of the democratic impulse we see growing in this continent? How can we not welcome the dynamism and commercial economic success of the newly industrialized economies of Asia and the Pacific?

Simultaneously, we are justifiably concerned by the increasingly evident damage inflicted on our ecosystem or by the threat to democracy in debt-burdened nations of the Third World.

Welcome or not, rapid or slow, change is inevitable. What is not is how we respond to it. Change challenges us all, as individuals, as governments, as members of international institutions such as this one. Responding effectively demands of us imagination, innovation and initiative. And more than ever global interdependence requires us to respond collectively so we can together manage problems beyond the capacity of any government to resolve successfully.

The OECD has a significant part to play in helping its members confront the change major industrialized countries face ahead. It must be open and dynamic, able to help us contend with the developments beyond our own borders. As an institution, it can serve as the focal point for our cooperative efforts with the rest of the international community.

One of our most obvious cooperative challenges centres on the countries of the developing world. The task of managing our relations with them fruitfully is complex, difficult and pressing.

As developing countries achieve economic progress, they become more active trading partners. But if they cannot service their external debt, there are immediate and direct financial consequences for creditor governments and institutions, and for an important part of our international trade.

If developing countries have difficulties in safeguarding their physical environments, we too will suffer the impact. Environmental neglect means their potential for economic development is impaired. Ultimately the environmental and economic consequences affect all of us.

And if we are unable to cooperate as we must to ensure a growing, stable world economy, with open markets, our development assistance programs and the efforts of developing countries themselves will have little sustained benefit.

The OECD's development assistance committee performs a vital role in maintaining the volume and quality of our overall assistance. It also allows us to reflect on the role of our aid programs and policies in promoting development. So we welcome the Committee's work to situate our development cooperation effort in the context of the challenges that face us in the 1990's and look forward to seeing the results of this work at next year's meeting.

The initial results of this analysis are consistent with Canadian policy, as set out in the aid strategy published last year.

One of the principal conclusions of our review is that we have to be supportive of the policies and programs that developing countries themselves are undertaking.

Sound national economic policies are a fundamental requirement for durable development and growth. Such policies must improve efficiency in the economy, promote domestic savings and attract the foreign investment which are so important to financing development.

Not only must we encourage such policies, we have to be prepared to provide the support needed to assist countries in implementing them.

Policy reform must be not only economically sound but socially sustainable as well. Accordingly, social considerations have to be integrated into the overall policy formulation process. The World Bank, the IMF and this organization have become increasingly aware of this fact and are now taking it into account in their current work. That is welcome and should be continued.

With domestic economic reforms, appropriately supported, indebted developing countries can begin to see some hope at the end of a very difficult road. But we clearly have to look at each country's circumstances, recognizing that the precise solutions to the debt and development problem may differ from one to another.

For middle-income developing countries, the agreed focus is on dealing with the voluntary and market-oriented reduction of commercial bank debt.

For the poorest of the poor, governments have been prepared to play a stronger role because their debt is largely related to official loans owed to industrialized governments. The reschedulings in the Paris Club, under what are known as the "Toronto terms", and the special support group effort for Guyana, which Canada chaired have been innovative and useful. But clearly we need to remain open to new ideas, particularly so in those areas where governments can play a significant role.

Official development assistance debt may well be one such area. Many countries, including Canada, have already forgiven the ODA debts of the least developing countries. Some, again including Canada, have taken similar measures for a number of countries in sub-Saharan Africa. It may now be timely to see whether further such debt relief is appropriate, given its special nature.

Debt management techniques are not in themselves sufficient to guarantee success in progress. Global economic conditions have to be made more conducive to development over the longer term.

Another basic conclusion of our aid policy review is that the first contribution of industrialized countries to development is to help ensure an open, growing and stable world economy in which developing countries can become active participants.

Official development assistance is, after all, a rather small part of the total development picture. Good fiscal and monetary policies in industrialized countries, for example, contribute to the reduction of interest rates and to improved savings. A more liberal multilateral trading system will benefit developing countries if it opens markets for their exports.

For Canada, contributing to a healthy domestic as well as international economy means coming to grips with our fiscal deficit. We did so in the government's April Budget which affected both our revenues and expenditures. While there will be adjustments in the short run, we have laid the basis for strong and stable growth in the coming years.

As we look at the global assistance effort, it is clear that the volume of assistance is not keeping pace with need. Our aid program in recent years has been growing by 7.4 per cent, more than twice the rate for Canadian government spending generally. Some donors, such as Canada, have had to make short-term adjustments to their budgets.

And beginning next year, our program will grow again, tied by a formula to the growth of the Canadian economy. Our ODA ratio will gradually increase.

Canada will continue to do its share to increase ODA flows in the coming years. Over the next five years, Canadian development assistance will amount to some \$16 billion.

Although aid quality is often harder to measure than volume, both are necessary for a credible aid effort. Canada is committed to quality in its program, and despite the budget reductions, the fundamental developmental orientation of Canadian aid will remain central.

That means that the policy direction of the Canadian ODA strategy, announced last year, and welcomed by the development assistance committee, remains unchanged. All the improvements will remain and will be carried out:

- the commitment to development first, and to the poor;
- the emphasis on partnership;
- the improved program planning and implementation;
- the commitment to public outreach;
- the priority put on major themes such as human resource development and the environment.

Canada will also continue to work actively in this organization to encourage improvement in the quality of our collective assistance efforts.

The problems of debt and development have been compounded by the growing threat to the global environment.

Farmers in Africa cannot be productive when desertification robs them of their fields. No more so than farmers in Bangladesh whose harvests are washed away by uncontrollable floods. These and other problems such as deforestation will, if left unchecked, limit the potential of developing nations.

But the threats are not just to the developing world. We all face them. On Canada's Atlantic coast our fishing industry is in jeopardy because of the over-harvesting of North Atlantic fish stocks. In the waters off our Pacific coast thousands of birds and marine animals perish every year, victims of rapacious drift net fishermen.

And between our coasts thousands of our lakes and trees are dead because of acid rain. Until acid rain is curtailed even more of our forests and water will die.

Acid rain and natural resource depletion are not problems unique to Canada, no more so than damage being inflicted on our planet's atmosphere. The combined effects of climate change, ozone depletion and transboundary air pollution such as acid rain could wreak havoc around the world.

While the prospects are grim we can take at least some comfort from the fact that the message of the World Commission on Environment and Development is now widely accepted.

More and more nations agree that environmental degradation poses a serious threat to sustained economic development and ultimately to global security. With it has come the growing recognition that governments and multilateral organizations must find effective means to maintain and enhance the quality of our basic ecological support systems.

We must harness the needed expertise whenever we can.

The OECD has a special responsibility in this regard. Its proven analytical capacity should be utilized to refine the concept of sustainable development. Such a framework would enable government and industry to implement policies and programs that are environmentally sound.

My colleague, the Minister of Finance has made some practical and innovative suggestions for how the OECD could undertake this work.

The OECD also has a role in broadening the dialogue on the environment through, for example, organizing a multisectoral advisory board on sustainable development. Such an approach, as experience in Canada shows, could promote the kind of exchange that can produce innovative but pragmatic proposals to respond to the challenges of sustainable development.

Canada would like to see a link established between the 1991 OECD Environment Committee Ministerial and the OECD Ministerial Meeting that same year. Such a link would give a focal point to new OECD environment and economy activities, and symbolize the integration of environment and economy issues within the OECD.

Another important contribution by my colleague, the Minister of Finance. The OECD should consider using the Economic Development Review Committee country reviews for an assessment of whether resources are being used in an environmentally sound manner.

On Tuesday IEA Ministers engaged in a lengthy discussion on energy and the environment. Canada proposed there that the IEA work closely with the OECD on these issues and, in particular, contribute to the work of the inter-governmental panel on climate change.

Climate change is perhaps the most significant environmental issue today. An international convention on climate change must be one of the top priorities for the world community.

Canada has found the OECD chemical program useful in the implementation of new environmental protection legislation. The OECD should take advantage of this expertise and share information on agricultural and industrial chemicals with developing nations in an effort to reduce the global spread of chemically related land and water pollution.

In short the message that the OECD should be sending out is that:

- its environmental program will be focussed and intense;
- it will define the relationship between economy and environment;
- environmentally oriented cost benefit analysis will be developed to help make tough choices;
- economic and financial tools to implement environmental policies will be elaborated.

We owe progress in these areas to ourselves; we owe it to developing countries as well.

Not all change as I mentioned at the outset is for the worse. There are bright spots as well.

Last year, we launched a process of consultation with newly industrialized economies. Canada played a lead role in promoting this dialogue. We did so not just because Canada too is a Pacific nation but, as well, because we recognize the mutual impact that our macroeconomic, trade and even social policies and programs have in common.

The dialogue on issues of mutual interest is now well engaged. The OECD, in its work, is taking greater account of the conditions and policies of Korea, Singapore, Hong Kong and other economies of the region. Workshops will be established to pursue discussions in specific policy areas. This effort at enhancing cooperation and further integrating these countries into the international economic system must be applauded.

We have seen the success stories among the newly industrialized economies and the lessons that can be learned. We have seen that this success did not come easily, but rather in the face of often considerable difficulties. And we have recognized that we need to have an open constructive dialogue with these important economies. Clearly, therefore, our very successful first effort should be followed up systematically.

The seminar and the workshops must be the starting point in a dynamic process, and not be allowed to become isolated events.

I believe that we can also extend our outreach to other areas, such as Eastern Europe, though in different forms. The OECD is well placed to undertake coordination of further analytical work on economic development in this area.

In particular, we believe that the OECD should respond positively and constructively to requests from CMEA countries for analysis of their economies and technical advice to bolster economic efficiency and reform.

In this broad dimension of our work, we can learn much from one another, and from non-members. We need to remain open to new ideas and new structures.

In our outreach activities, as in our work on development and on the environment, therefore, flexibility innovation and imagination must be our watchwords as we look to the challenge and opportunities of the 1990's.