



Statements and Speeches

No. 79/8

UNCTAD V: THE SECOND ASIAN MEETING

Opening Statement by Mr Larry A.H. Smith, Deputy Head and Leader of the Canadian Delegation at the Fifth Session of the United Nations Conference on Trade and Development, Manila, May 9, 1979.

* * * *

In the context of the Arusha meeting of the Group of 77 earlier this year, President Julius Nyerere of Tanzania observed that change is not only desirable but inevitable. This theme, from one of Africa's most distinguished leaders, sums up Canada's central approach to what have become the gross disparities in income levels between wealthy and poor. The spectre of hundreds of millions of people still living in absolute poverty cannot be tolerated by any thinking person. Change is also inevitable because we simply do not have the option of deciding whether to change or not. The process of change is evolutionary, continuous and, if we are to be frank with ourselves, frequently beyond the control of governments. What we must do is decide, within the limited ability of governments to intervene in these processes, and in the common interest of our increasingly linked economies, how we may attempt to influence the changes, prompting those desirable ones that can be accelerated, retarding those that need to be contained, steering those that can be redirected, to ensure that our evolving international economic order will bring benefits to all nations and all peoples. What we obviously cannot do is think that simple exchanges of words, or the drafting of elaborate resolutions, will in themselves have any impact on the world beyond our doors — unless they are based on the realities of those forces that shape our world.

In reference to his own experience in Tanzania, President Nyerere has also said "to plan is to choose". Here, within UNCTAD, and in our discussions on development in all institutions, choice is required, not only in terms of priorities but in the instruments — trade, financial or administrative — chosen to deal with change. Choice is required in the way we combine these instruments and in the manner in which we deal with their intended consequences, and with the sometimes serious side-effects they may produce on growth or distribution.

Given the inevitability of change and the possibility of choice, should we be encouraged or discouraged by our record to date? There are grounds for being both; without question there has been progress. The past 25 years have, in historical terms, been a period of unprecedented growth for the developing countries, measured by both their gross domestic products and their *per capita* incomes. Standards of housing, education, health, nutrition and life-expectancy have all climbed. It would be as foolish to ignore these signs of change as it would be to describe them as adequate. The challenges remain all the greater because we are moving.

That rates of change and economic progress vary significantly from country to coun-

try should come as no surprise to any of us. All nations of our world have different natural resources, population sizes, geographical locations, territorial areas, productive capacities, structures of society and national ideals. We recognize at least some of these distinctions in the battery of names that has become part of the international jargon — the "least-developed", the "island developing", the "landlocked", the "MSAs", the "MDCs", the "NICs", the "oil-exporting", and so on.

Of these, the middle- and upper-middle-income countries have in recent years enjoyed the greatest economic success. They have been experiencing increase in real gross national product and *per capita* GNP at considerably faster rates than the developed countries. Some have been highly industrialized, with a growing share of the international production and trade in manufactures as well as commodities. The income range of some developing countries now surpasses that of some so-called "developed" countries. The "futurists" and "think-tankers" like to project these trends into the future. It has been estimated that, over the next two decades, developing countries, with a population of some 500 million persons, will meet all the criteria for being classified as developed, and that many others will be moving along the same path. Whether or not we agree with such terminologies, the entire international community should take some satisfaction from the trends.

The progress achieved by these countries should not, however, lead us to complacency about the development process; poverty and human misery remain at intolerable levels in our "global village" and must be the focus of concerted and concentrated attention. Those countries with lower growth-rates must be helped to catch up. Major issues related to financial resources, food and agricultural development, industrialization, energy, market access, transport and technology-transfer remain unresolved, particularly in respect of the poorer countries. But the successes achieved demonstrate clearly, we believe, that our international system, in spite of its need for reform, is evolving and can accommodate change. Many of the issues to be addressed in this conference are, in fact, by-products of success. We should be encouraged that we are dealing, in these cases, not with problems of stagnation but with the adjustments required because of a dynamic process of change and the shifting structural base of the international economy.

In short, I believe we should view the essential task before this conference not as one of attempting futilely to turn back the tides of history, not as one of attempting vainly to preserve privilege or advantage, but rather in the positive spirit of how we can work better together for mutual benefit. We are not engaged in a "zero-sum game", where someone's gain represents another's loss. Rather, we should all see ourselves as members of an interdependent family of nations, where each of us has a growing capacity to help each other, or to harm each other. Both aspects have been demonstrated in recent years, with inflation, unemployment, industrial slack, exchange-rate fluctuations and financial crises besetting many of our economies. There has been a natural tendency for governments in both developed and developing countries to seek short-term national answers to immediate serious problems. We sometimes forget that, in our world, where interdependence is an increasing fact of life and not just a slogan, the economic interrelations are becoming so strong that

one country cannot solve its basic problems in isolation from the international community. Let us, through this conference, attempt to restore the longer-term perspective of an interdependent community of nations based on enlightened self-interest.

UNCTAD meets appropriately for the second time in Asia; when this conference met in [New] Delhi, just over a decade ago, the process of articulating development issues had just begun. Today, we meet in Manila, when the process of substantive negotiation has, in reality, just begun. UNCTAD I, II and III were instrumental in leading the world community to a definition of goals and objectives for the international development process. The proposals for economic change articulated in the sixth and seventh special sessions of the United Nations General Assembly now constitute much of the current agenda of development issues. UNCTAD IV set the stage for moving the comprehensive listing of major issues to the process of actual negotiation. If UNCTAD V is to be an effective instrument for promoting change, it too will have to choose carefully those issues on which it can exercise leadership and adopt an approach that will evoke the confidence of all member states.

It should not surprise us that the process of negotiation is not smooth, that it is time-consuming and that its results frequently fall short of our objectives and involve compromise. The issues under negotiation are of greater complexity and importance. Governments differ on the most appropriate remedies to problems. Not all changes will bring comparable benefits; not all benefits will be equally distributed.

The strength of UNCTAD lies in its adaptability to changing circumstances. At the outset, UNCTAD's distinguished Secretary-General, Raoul Prebisch, led the organization to an understanding of its own role and potential, demonstrating that the problems with which UNCTAD is concerned are problems of one world and that the common good of mankind can best be served by recognition that all men and all nations have a shared responsibility for resolution of these problems. His successors, Manuel Perez-Guerrero, and our present Secretary-General, Gamani Corea, have built UNCTAD into a deliberative and negotiating organ of major importance to the international economic system. Part of our task is to ensure its future effectiveness.

UNCTAD has a unique opportunity under its mandate to give emphasis and impetus to negotiations that will benefit large groups of developing countries, perhaps in different but equally desirable ways.

The successful outcome of the Common Fund negotiations recently in Geneva serves as a noteworthy example. We regard this as a major accomplishment and we shall work to ensure that the Common Fund's potential benefits are widespread for countries that differ from each other in resource-endowment and production potential. Canada will, at an appropriate stage, be prepared to make a voluntary contribution to the Fund's second "window", including a portion of the \$1-million equal assessment — subject, of course, to Parliamentary approval.

UNCTAD also has the opportunity to complement the work being pursued in other bodies. The Multilateral Trade Negotiations offer important tariff reductions and new

rules to deal with non-tariff measures that will benefit all trading countries. We should welcome these results as a demonstration of our commitment to resist protectionist pressures. Obviously, none of the participants' declared objectives will be fully realized; that is the essence of the negotiating process. However, all of us are going to realize at least some of our objectives and we all stand to benefit from freer world trade and strengthened rules to guide the trading system. Developing countries will benefit from concessions exchanged in the meeting by the major industrialized trade nations on a most-favoured-nation basis, as well as from more direct negotiations, some of which remain to be completed. A number of developed countries have already implemented concessions on "tropical products" of particular interest to developing countries. In Canada's case, these concessions covered, in 1977, approximately \$150 million of tropical-product imports from developing countries. In addition to these general and specific improvements in market access for developing country exports, the Tokyo Round will result in building into the GATT (General Agreement on Tariffs and Trade) system specific provisions designed to meet more fully the special needs and circumstances of the developing countries.

The complementarity of UNCTAD's role with the work of GATT is further reflected in the Integrated Program for Commodities, the Generalized System of Preferences and joint endeavours such as the International Trade Centre.

Of equal importance, UNCTAD's work also complements that carried out in other international bodies, such as the use of science and technology for development and the role of the multinational corporation.

As a global body concerned with trade and development issues, UNCTAD, through its universal membership, must demonstrate that the development process requires a co-operative and collaborative effort rather than a confrontational approach. No single nation or group of nations can expect to achieve domestic development goals or international economic reform solely through its own efforts. Our global population and our national economies have too many linkages to make such an approach feasible. Our choice then lies in determining which of our international institutions can best perform which tasks. UNCTAD's relations with other international institutions would seem best served by ensuring that each body works effectively within its respective mandate, and co-operatively where areas of responsibility intersect.

The developing countries fully appreciate that they bear the essential responsibility for their own development. Their own resources account for over 80 per cent of development expenditures. External concessional resource-transfers, while important for some countries, are but a marginal addition for many. Decisions about the internal distribution of investment, trade-offs among competing alternatives, and allocations among economic and social programs are choices that can only be made by national governments and authorities, within the international constraints of the economic system. The choices we can make collectively to contribute to the development process and complement the efforts of national governments are limited but important if we are to assist in the evolution of that economic system.

In part, the wisdom of our choices depends on a realistic assessment of the factors that determine what governments can do. Public support for domestic and foreign policies that promote the development process is essential. This is particularly so in industrial countries during periods of economic difficulty. Proposals that would restructure industrial production or trade patterns may more easily be endorsed if benefits to producer and consumer can be portrayed clearly. Decisions affecting investment in developing areas, or industrial adjustments, require active collaboration of decision-makers in both the private and public sectors. Many proposals affecting the interests of developing countries involve decisions taken on the basis of commercial criteria, where the role of government is limited to establishing appropriate conditions within which private businesses can operate.

The objectives of Canadian policy are to promote more rapid economic growth in those countries that need it, to encourage broadly-based participation in the development process, and to contribute to an orderly evolution of the economic system through a variety of policy instruments. Only programs that are practical and efficient will serve effectively the interests of both developing and developed countries.

In our view, the most important choice is to identify areas where developed and developing countries share common interests and then to promote those changes that will produce global benefits. We continue to believe that an open and dynamic system provides the most promising environment for economic growth and social progress.

Canada believes this conference will be particularly significant in setting the atmosphere for international co-operation in the 1980s, in deciding whether as a community of nations we can continue to work together in harmony or [must] fly apart in acrimony and intolerance. Canada will do its full share to set a constructive tone. We look forward positively to the United Nations special session on development and the elaboration of an effective new international-development strategy.

Satisfactory evolution of international economic relations depends perhaps as much on the manner in which we choose to approach these problems as it does on the issues themselves. We have been concerned about some of the rigidities of the group system that can conceal areas of flexibility and encourage an adversary approach. For this conference, let me propose two new groups. In one group let us place all our problems. In the other group let us place all the members of UNCTAD, united in our confrontation with the first group. Let us also be realistic about the complexity as well as the urgency of the problems we confront. They are not easily solved. Nations and peoples are impatient, and we cannot slacken our efforts. But we need long-term dedication and continuity of effort. Canada believes that economic progress is most commonly achieved by incremental processes of adaptation and accommodation. Our work will be more effective if it promotes gradual and evolutionary change.

Canada is committed to strengthening and improving the capacity of all countries to participate effectively in the international economy. Our substantial development-assistance expenditure of over \$1 billion annually is oriented primarily to the poorer countries. For the least-developed countries, it is provided entirely on a grant basis.

Currently, efforts are being made to improve the quality and efficiency of the program and maintain its high rate of "concessionality".

In trade matters we shall continue to work through the GATT and elsewhere to resist protectionism, to promote differential treatment according to the trade needs of particular groups of countries, to elaborate a code on the use of safeguard measures that will clarify their application and reduce uncertainty and will accommodate developing-country interests. Active consideration is being given to the manner in which our scheme of tariff preferences for developing countries can be improved.

We have been attempting to broaden and improve techniques for bilateral economic co-operation with developing countries. Recently, an agreement on trade and economic co-operation between Canada and the members of CARICOM, the Caribbean Community, has been signed. A further example is the approval now granted for the establishment in Canada of a trade-facilitation office to assist all less-developed countries in identifying Canadian markets for their goods.

In the coming weeks, we shall indicate our positions on the specific items covered by our agenda. We are particularly anxious to support efforts to improve the effectiveness of UNCTAD itself in fulfilling the objectives of its mandate for trade and development. We shall work to achieve a clearer understanding of UNCTAD's relation to international and intergovernmental organizations and institutions that have specific roles to play in international economic relations. In doing so, we shall seek to assist UNCTAD in choosing the approaches that will contribute most beneficially to the development process and to an international economic system that will provide encouragement for all countries to realize their potential.