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SPEECH BY HEAD OF CANADIAN DELEGATION,
THE HON. ROBERT STANBURY, MINISTER OF NATIONAL REVENUE,
AT THE XIV ANNUAL MEETING OF THE
INTER-AMERICAN DEVELOPMENT BANK,
KINGSTON, JAMAICA
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DEPARTMENT OF EXTERNAL AFFAIRS
MINISTÈRE DES AFFAIRES EXTÉRIEURES

Mr. Chairman,

My first words must be to congratulate you on your election to preside over this XIV Annual Meeting of the Inter-American Development Bank. Through you, I should also like to extend to the Government of Jamaica, our host for this meeting, the appreciation of the governors for the traditionally warm and generous reception we have been accorded since our arrival here and the obvious excellence of the arrangements which they have made for this meeting.

Canada is the newest member of this oldest of the family of regional development banks and as the representative of Canada, it is a particular honour for me to respond to the address of the distinguished Prime Minister of Jamaica, the Honourable Michael Manley. The Prime Minister's address provides clear evidence to us of his dedication and that of his government to the economic and social development of Jamaica and to increasing economic and social co-operation with its neighbours in the Caribbean and throughout the hemisphere. The breadth of vision which the Prime Minister has shown in the fifteen months he has held office come, I am sure, as no surprise to many in this hemisphere to whom the name Manley is well known as a vital part of the history of Jamaica over the past 40 years. The Manley name also has close association with Canada, dating from the service of the Prime Minister and his brother in the Canadian Armed Forces. Those who are familiar with the labours of the Right Excellent Norman Washington Manley, national hero of Jamaica, for the advancement of the Jamaican people, will not be surprised at the lofty aims enunciated by his distinguished son, the present Prime Minister.

On behalf of my fellow governors it is also a pleasure to pay tribute to the dedication and enthusiasm with which our esteemed president and his staff have carried forward the work of the bank over the past year. These efforts and the expanding role of the bank in advancing development within the hemisphere are clearly documented in the annual report which is being released today. It is a source of particular satisfaction that in 1972, for the first time, the volume of loans committed by the bank exceeded \$800 million.

As a reflection of the broadening of the traditional basis of membership in the bank, I believe it is especially appropriate that this meeting is taking place in a Commonwealth Caribbean country for the first time. This is an area with which Canada has had long and close historical ties, and with which we are co-operating in a variety of ways, including our participation in the Commonwealth Caribbean Development Bank. It is a particular source of satisfaction to us that our membership in the Inter-American Development Bank offers us the opportunity to broaden and develop our relationships, not only with the Caribbean region but also with so many nations of Latin America, with whom we enjoy close and substantial links.

Mr. Chairman, it is just a year since the necessary steps were completed to effect Canadian membership in the bank. Our first year of membership has been for us an excellent opportunity to broaden our knowledge of the bank's operations, and the problems and needs of its member countries. This, of course, was not the beginning of our association with the bank, which, in fact, stretches back almost a decade when the bank first agreed to administer long-term development loans on

Canada's behalf. Our decision to become a full member reflected a conscious, deliberate decision to play a fuller role in hemispheric affairs, particularly through expanded co-operation in the development effort which, understandably, remains a primary preoccupation of our partners in the area. We look forward with confidence and enthusiasm to the further development of our partnership.

It is understandable, however, that the first year has not been without some difficulty as both we and the bank adjusted to this new relationship. As we now assume a more active role, commensurate with our interests and resources, we will also seek to ensure that Canada is able to make its maximum contribution, through full participation in the various bank programmes, and through strengthening of the bank's loan and contracting procedures.

Our participation involves not only my government, which has of necessity taken the lead in establishing this new relationship, but the substantial interest and goodwill of the Canadian public, and in particular the Canadian business community. The presence at this meeting of a large and representative group of Canadian business and financial representatives demonstrably confirms this interest.

Both in our dealings with the bank and in our bilateral contacts, we are frequently faced with the need to take account of changing realities. It is in this context that I would like to offer some observations concerning some of the more dynamic problems which affect both the general environment in which the bank has to operate and certain specific issues before us.

One of the most significant changes in the western hemisphere is the emergence of many countries into roles of increasing importance in world affairs. This was clearly reflected in the convening of the Third UNCTAD Conference in Santiago last year. It is also evident in the initiative by the distinguished President of Mexico to draw up a charter of economic rights and obligations governing relations between states. (I might add how pleased our government was to receive President and Mrs. Echeverria in Ottawa during their state visit earlier this year.) The role of representatives from the region in the current negotiations on monetary reform in the Committee of Twenty, and in the preparations for the forthcoming round of multilateral trade negotiations in the GATT, is indicative of this increasing economic power. In a different context, Brazil's decision to support the new African Development Fund, and the participation of Venezuela and Columbia in the Commonwealth Caribbean Development Bank are further and welcome examples of Latin American readiness to assume wider responsibilities in international affairs.

Recent Canadian decisions to broaden and intensify our participation in hemispheric institutions reflect our desire to be a part of these developments.

As well, our bilateral relations with the countries of the region are steadily expanding. In addition to our development assistance programmes with a number of countries, we are moving toward closer links with regional institutions such as the Andean Pact and INTAL (Institute for Latin American Integration) and ILPES (Inter-American Institute for Economic and Social Planning).

Our trade relations are also showing particular dynamism. Although in 1972 the rate of commitment increased by 50 per cent over that of the previous year and is indicative of the growing interest of Canadian industry in the countries of this region, our trade is far from having reached its full potential. Moreover, the recent approval by Parliament of Canada's participation in the General Preference Scheme will, we hope, result in an increased flow of exports from developing countries to Canada. It is important, we believe, for the countries of the region to seize the opportunities which the rapid expansion of our economies is creating for increasing the mutual benefits of two-way trade.

Canada's expanding trade with the region has made us particularly aware of the impressive efforts throughout Latin America to promote industrial growth. These developments highlight the increasing significance of technology and in particular of the transfer of technologies, which can be absorbed and developed by Latin American industry. The interest of Argentina in negotiating a nuclear power reactor agreement with Canada is illustrative of this situation. For many countries it seems, in fact, that technology is becoming as important as capital. The two are, of course, inevitably linked. Consequently, access to technology can be frustrated by problems relative to investment and to the ownership of capital. The emergence of such problems within the region reflects, it seems to me, the increasing determination of governments to ensure that the resources which flow into their countries contribute to their development in ways which are consistent with national priorities and sensitivities. It is only natural, of course, that these will vary from country to country and will require different responses from those who provide the needed capital and technology.

It is not surprising that these preoccupations are of particular concern to Latin American countries at this stage of their development but they are not limited to Latin America or, indeed, to developing countries alone. Canada, for example, faces similar issues in the management of its resources and in the shaping of its national economic environment. In our search for equitable solutions to these problems, we think it important to emphasize two basic principles. The first is the right of a sovereign government to exercise the degree of control over its economy which it considers necessary. The second is the right of the investors who are prepared to risk their capital, to fair and reasonable safeguards. These principles can sometimes appear to be in conflict and differences of view are bound to arise.

The impact of these differences on the bank is clearly evident to us and raises issues which will require further consideration for the future. The dilemma for the bank is its relative inability to influence the resolution of such difficulties. For our part, we frankly doubt whether this should be a valid or appropriate role for this -- or other similar institutions. Our hope would be that the bank could be insulated as far as possible from the effects of such differences which must inevitably and properly be resolved bilaterally.

The need from the bank's point of view is to try to find longer term measures which may help to prevent the re-occurrence of such difficulties among its members. While there may be several ways to accomplish this

objective, we are impressed by one possibility which our distinguished president has put forward. I refer to his suggestions concerning the variety of techniques which might be developed to multilateralize, through the bank, the flow of additional investment resources. The possibility that such new techniques might reduce future differences over investments could be of great significance to the bank, and to its members. Canada would, therefore, welcome a careful study of the possibilities of a greater role for the bank as a catalyst in attracting capital for industrial development. We do not underestimate the complexity or sensitivity of such a study or its implications for the bank. However, the importance of the issue justifies most careful consideration.

Our concern for this issue does not mean that we favour increasing the importance of the bank's ordinary capital operations at the expense of its concessional funding. To the contrary, we believe that the bank must continue to give paramount attention to the basic development problems which the Prime Minister of Jamaica has drawn to our attention. This means continued priority for the fund for special operations in order to respond to the growing need for concessional resources. At this point I would like to pay tribute to the contribution of the United States of America which has played such a prominent role in sustaining the international development assistance effort in Latin America for so long. For the future, the increasing interest of non-regional countries in the economic development of this area will be helpful and Canada would welcome their admission to the bank. We hope that they will give special emphasis to the need for soft funds.

The relative scarcity of these funds means that they must be allocated as effectively as possible. The guidelines for the fund for special operations are a useful step in that direction. We support the continuing efforts by the bank to invest these funds where they are needed most.

Mr. Chairman, it is clear that the need for the bank and its members to adapt to these changing realities will be the major task facing us at this meeting and in the period ahead. There is a formidable list of challenges: to increase the availability of investment capital for resource development while retaining control of our national destinies; to be responsive to the needs of our borrowers without making loans out of sympathy, rather than on sound development banking principles; to give priority to those countries whose development needs are greatest without neglecting the equally legitimate requirements of our most advanced members; to co-operate closely with other countries and agencies without weakening our sensitivity to regional concerns, which has been a hallmark of this institution. I am sure that all governors share my confidence that this institution will succeed in meeting these challenges.