

STATEMENT DISCOURS

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EXTÉRIEURES.



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NOTES FOR A STATEMENT BY
THE RIGHT HONOURABLE JOE CLARK,
SECRETARY OF STATE FOR
EXTERNAL AFFAIRS,
ON COOPERATION FOR ADJUSTMENT
AND RESUMED PROGRESS IN
DEVELOPING COUNTRIES

OECD MINISTERIAL MEETING
PARIS

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On the 25th anniversary of our Organization, it is fit to recall that one of the three basic aims set out in the Convention on the OECD is "to contribute to sound economic expansion in member as well as non-member countries in the process of economic development". It was then, as today, clearly recognized that OECD members share with developing countries this responsibility.

It is in this spirit that I express the hope that our meeting will serve to reinforce our willingness to undertake adjustments to our economies and to achieve progress on trade liberalization in a way that does justice to the interests of development countries. In this regard, a new round of multilateral trade negotiations will be critical to meeting both developing and developed country concerns.

The title of our first agenda item "Cooperation for Adjustment and Renewed Progress in Developing Countries" indicates that we need to explore and discuss the methods of cooperation best suited to assist those developing countries in difficult straits to carry out adjustments required for a real resumption of growth. Without this resumption, their prospects will remain poor and our own growth prospects could be inhibited.

The recent recession has reminded us all too clearly about the insidious lure of protectionism; it has been salutary in sharpening our appreciation of the interdependence of debtor and creditor countries; it has reinforced the importance of strengthening our multilateral institutions and the imperative need -- but also the social and political costs -- of structural

adjustment. This, if anything, should tell us that our approaches to the problems of our time cannot remain static. In this regard, I would note the release of the CECD study on the "Costs and Benefits of Protectionism" which well documents the impact of protective measures on our economies.

There is among industrialized countries a broad consensus on the principal objective of economic relations with developing countries. It is to bring about the internal and external conditions necessary for their renewed growth so as to enable the least fortunate to emerge from endemic misery, for others to complete their industrialization, and eventually, for all to become more integrated in the mainstream of international trade. These varying needs reflect the considerable differentiation among the conditions of developing countries, a differentiation which we must keep in sight in helping them to address their problems.

There is no single approach towards this objective. It is clear, however, that domestic policies pursued by developing countries are key. Their economic and social policies must be conducive to greater productivity. In the short-term, developing countries will have to adjust in order to support their development in the longer term. Some will be faced with less capital inflow; most will have to stimulate domestic savings and modify their policies away from import substitution toward a greater export orientation.

To enable developing countries to succeed in their efforts, they will need our support in the form of continued improvement in the international economic environment, including adequate financial flows, liberalization of trade, resumption of investment, and enlightened management of the problems of indebtedness.

Prospects for substantial increases in both commercial bank and official financial flows above current levels remain uncertain to say the least. Consequently, private direct investment and trade credit flows will likely become more important. With a view to improving the climate for direct investment in developing countries, we believe the proposed Multilateral Investment Guarantee Agency could make a positive contribution and we would encourage early consideration of a draft convention.

Regarding the association of development financing and export credits, we believe that it can increase the total flow of resources for development

purposes at a time when other types of financing are stagnating. However, we are conscious of the risk of trade and aid distorting effects and accordingly, we favour a tightening of discipline and greater transparency in its use. We would hope that we can all agree as a first step, to raise the minimum grant element of associated financing extended to the least developed countries from 20 to 30 per cent.

The multilateral institutions, particularly the IMF and the World Bank, should play an increasingly key role in reconciling short-term adjustment with long-term development. Among other things, we would support an enhanced role for the Bank in structural adjustment and policy dialogue, and a stronger catalytic role for the Bank in the financing of development. In this context, Canada believes that there should be closer cooperation between the Fund and the Bank on appropriate measures for policy reform.

The current case-by-case debt management strategy has succeeded in alleviating the payments problems of the most indebted countries. However, there is perhaps a need to further build on this strategy to respond in particular to the needs of low income and certain resource-dependent developing countries. For the most part with limited access to capital markets and having to adjust their economies to new realities, these countries constitute in our view a particularly vulnerable category. As suggested earlier, we believe that the World Bank could play an enhanced role in supporting these countries as they undertake the necessary structural adjustments. If we are prepared to encourage the World Bank to undertake this task, we should in consequence be willing to discuss the adequate level of resources needed to permit it to play this role effectively.

Canada attaches considerable importance to the special Spring Sessions of the Interim and Development Committees. They represent an important step forward in the continuing dialogue between developed and developing countries on the workings of the international economic and financial system. We believe the Fund and the Bank provide the competent and relevant institutions for a productive discussion of the linkages between trade, investment and financial flows and the related policy implications for both developed and developing countries. Accordingly, we believe that these meetings should bring about a greater convergence of views on the nature and extent of the economic problems facing the international community, and on appropriate policy responses to them.

We should also ensure that the particular problems of low-income countries are not overshadowed.

Canada has always attached the greatest importance to the quality of development assistance. It is of course necessary to maintain and if possible to improve our performance with respect to aid volume. Given the changing perspectives of the developing world, we should also intensify our reflection on the appropriate forms of aid to render it more compatible with their differing needs. I would like in this regard to acknowledge the leading role of the OECD Development Assistance Committee in elucidating the problems of aid effectiveness and aid coordination. Canada has been an ardent promoter of better coordination among donors and has given strong support to the work of the World Bank's consultative groups, and to the central role of the United Nations Development Programme. We are pleased with recent progress in this area which has greatly enhanced the effectiveness of both the emergency operations in Africa and longer term development efforts.

The African famine constitutes one of the great tragedies of our times. The extent of its impact on the populations of sub-Saharan Africa is staggering. More than 30 million people in twenty countries face serious food shortages. The generous response of our societies, not only of governments but of private individuals and the voluntary sector, has been encouraging and often inspiring. The international community, with strong leadership from the United Nations, has demonstrated a remarkable capacity to mobilize to meet the challenge of the relief operation. All of us realize that this is only the beginning. The further challenge will be to promote effective development to prevent such situations from recurring. The key is of course how to foster effective mobilization of resources in developing countries themselves. With the World Bank's \$1 billion special facility for sub-Saharan Africa linked to policy reform I think we are on the right track. We should be clear from the start that dealing with the African development problem will require an important long term commitment. For its part, in fiscal year 1985-86, Canada will be providing aid to Africa, through all channels, of more than Canadian \$650 million, not counting the \$100 million over three years it has pledged to the World Bank's special facility for sub-Saharan Africa.

The international community's response to the African crisis should provide us with inspiration. Fortunately the situation is not as dramatic on all the

continents. But everywhere there is a need to do our part to foster a resumption of the growth and reinforce the development process. As I have said, this will require a combination of appropriate domestic policies, adequate financial resources, trade liberalization, sustained domestic and foreign investment, strengthened multilateral institutions, and a more stable international economic system. We have said, and we repeat, that for many developing countries the achievement of viable levels of growth is one of the most critical challenges of our time. Our contribution to its achievement is in our interest as well as theirs.