



CANADA

The Permanent Mission of Canada
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à Genève

STATEMENT BY AMBASSADOR J. ALAN BEESLEY
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Item 3: Interdependence

Statement by Canadian Ambassador J. Alan Beesley

Mr. President,

Let me begin by congratulating you on your election as President of this Thirty-First Trade and Development Board. We are all aware of your extensive experience and well-known abilities. I am certain that everyone in this room will fully support you in your effort to make this Board a productive one.

As a participant in the first UNCTAD Conference, I can say with confidence that Canada has, from the outset, been a strong and vigorous supporter of UNCTAD as a key multilateral organization for dealing with global economic issues from the standpoint of development. Throughout the years we have sought to give North-South affairs real meaning in UNCTAD and value to developing countries. We have also been active in searching for ways to make UNCTAD a more effective instrument for dealing with its substantive mandate.

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It is against this background of concern and commitment, Mr. President, that my delegation believes TDB 31 -- coming as it does mid-way between sessions of the Conference and during the fortieth anniversary of the United Nations -- should be used both for stock-taking and for looking ahead. We still have some matters left over from UNCTAD VI that will absorb some of our attention, but we must also begin to set the stage for UNCTAD VII. While we can further examine the UNCTAD balance-sheet since Belgrade, we should also continue, as a priority, our collective efforts to improve our working methods and find fresh and contemporary departures.

Mr. President, from the point of view of substance, this annual autumn debate on interdependence provides an important opportunity to take stock of where we are and to plan for the future. We would hope that conclusions would be drawn from this general debate which would not only give direction to our on-going work in UNCTAD, but would also serve as a broader framework for future international activity by indicating what priorities deserve greatest attention in the months and years ahead. These conclusions should, in our view, include:

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- first, a confirmation that increasing interdependence among issues and countries makes the health of the global economy and the achievement of broadly based growth and development in the developing world a joint responsibility of developed and developing countries.
- second, recognition that such a partnership applies to both the pursuit of mutually reinforcing domestic policies, as well as cooperation in dealing with international issues.
- third, that industrialized countries have a responsibility for pursuing coordination of macro-economic policies which produce the necessary environment for sustained, broadly-based non-inflationary growth.
- fourth, that developing countries have a separate role in ensuring their domestic policies are of the kind which respond to key priorities and which place their countries and people in the best position to exploit growth opportunities.

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- fifth, that these efforts of adjustment and development must be supported through adequate resources from the IMF and World Bank, the continuation of commercial bank lending, and adequate concessional and aid flows from official sources.
- sixth, a common determination to continue to tackle the debt question on a case-by-case basis, in ways which rebuild creditworthiness, but which also show flexibility and understanding for the difficult position of certain debtors.
- seventh and most important, the recognition that as an international engine and transmitter of growth, the trading system is in urgent need of strengthening through the convening of a new round of trade negotiations.

This year's Trade and Development Report serves as an excellent starting point for our debate. While we have differences with some of its assumptions, and cannot agree with all of its conclusions, we do not question its overall quality or its serious contribution to our ongoing analyses. We congratulate the Officer-in-Charge, who we are pleased to refer to as Acting Secretary General, and those responsible in the Secretariat for this work. I listened with considerable interest to Mr. McIntyre's opening statement and found it

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a lucid, thoughtful and compelling presentation. While we hope it is premature to talk of a "lost decade" for development, the difficulties he cited, as well as the arguments he set out for further action, and the specific problem areas he pinpointed, should be examined seriously and urgently.

Mr. President, I do not plan to deal extensively with our assessment of the current situation except to note that we found the Trade and Development Report and Mr. McIntyre's statement perhaps a little gloomy about immediate prospects for growth. While growth in the major economies has slowed in the first half of 1985, there are now signs of improvement in the second half. Despite the good growth performance in ^{western} industrial countries, inflation has remained low at about 4 percent. In our view we can now look beyond crisis management to policies and actions which will build, in cooperation with our developed and developing partners, longer term and more broadly based global growth and prosperity.

Mr. President, the situation has improved slightly but there remain causes of serious concern. The Trade and Development Report rightly mentions them: the narrow base of the recovery, the uneven nature of its impact on developing countries, persistently high real interest rates, unemployment, and so on. Industrial countries recognize that they have a major role to play in managing these problems. Thus at the Bonn Summit, Summit countries undertook to implement various domestic policies designed to foster further sustained, non-inflationary growth.

Canada's own contribution to this process was set out earlier this year in a Budget statement which enunciated the twin priorities of economic renewal and employment. Moreover, Prime Minister Mulroney's government has announced measures inter alia to stimulate economic initiative, to encourage investment (both domestic and foreign) and to assign market forces a greater role in Canadian economic development. As regards the measures which other countries could take, we believe that reductions in the USA budget deficit could help moderate interest rates. We are also of the view that the moderating pace of USA economic growth should be compensated by more rapid expansion in other countries, particularly those whose improved financial position allows greater room for manoeuvre in their fiscal policy.

Mr. President, the Canadian Government can agree with much of the thought-provoking analysis contained in this year's Trade and Development Report of the of interdependence. Although our particular prescriptions and priorities may be different, we would subscribe to the Report's recommendation in favour of treating in an integrated way the objectives of debt reduction, economic growth and development.

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We have been impressed by the multi-faceted nature and quality of the analysis in the Report, particularly of the macro-economic policies of developed countries; the Report is novel in its consideration of three major trends -- policies of developed countries, the debt situation and the operation of the trade and financial system -- and the interweaving of these trends to show their effects on each other. This detailed analysis left out a fourth trend, however, namely the importance and impact on economic performance of domestic policies of developing countries.

Clearly the debt and trade issues are now connected in ways never before imagined and must be tackled with equal vigour and imagination, and with a clear eye to their inter-relationship. The Trade and Development Report focuses rather heavily on the debt problem and we do not believe it convincingly demonstrates that the current debt strategy is unsustainable under a scenario of a continuing pattern of present interest, exchange and growth rates in developed countries, and overall growth rates in developing countries of about 3½ percent.

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In our view much has been achieved over the past two years through the flexibility of the case-by-case approach and some tough economic adjustment actions by debtors themselves in coping with the initial and more serious phase of the debt crisis. Nonetheless, continued vigilance and application of this current strategy -- supplemented by whatever new measures may be appropriate -- are necessary to restore creditworthiness, re-establish a financially sound basis for new productivity, and to promote growth.

Among the newer ideas in play are multi-year debt rescheduling agreements, and the suggestion made by Canadian Prime Minister Mulroney at the Bonn Summit that some special arrangements might be considered for low-income countries who do not benefit from large amounts of development aid and find it hard to attract commercial lending. We also support a stronger role for the World Bank in supporting domestic adjustment, and greater cooperation between the Bank and the Fund.

We recognize that financial flows remain a crucial element in assisting debtors to meet objectives as well as to invest in future growth. Thus we have supported adequate

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funding for multilateral development institutions, and have encouraged debtor countries not to overlook the role which foreign direct investment can play.

Mr. President, in his opening statement Mr. McIntyre identified trade as one of the three areas where major action is necessary. In addition the Trade and Development Report points to the need for a strengthened multilateral trading system. Trade is both an engine and vehicle of economic growth, multiplying and transmitting its effects among nations. A healthy, stable and open multilateral trading system is vital to us all -- to industrialized and developing countries, to debtors and creditors.

As a country which earns one-third of its GNP from international trade, Canada has no choice but to give the highest attention and priority to the state of the international trading environment. As a country which daily must deal with larger and more influential nations as its main trading partners, the multilateral trading system remains a central means for securing and enhancing our interests. With our natural resources endowment, agricultural capacity and our specific areas of expertise, we have a major stake in seeing the trading system further strengthened and improved.

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This, for us, is the priority issue in the interdependence debate. A new round of negotiations in the GATT is, we believe, of utmost urgency. Tackling the tough problems that have led to the recent deterioration in respect for the traditional rules and principles of the GATT, expanding disciplines in sensitive areas such as agriculture, restoring stability and confidence in the system -- these will not be easy tasks nor of short duration. But when faced with the alternative of further erosion, increased uncertainty and suspicion -- and the effects such will have on the debt problem and our ability to generate substantial and more broadly distributed global growth -- there is really no choice.

Mr. President, the interdependence of developed and developing countries points to a shared responsibility in dealing with macroeconomic, finance, trade and development issues. We all have the responsibility to pursue policies which foster sustained, non-inflationary world economic recovery, resist protectionist pressures and promote structural adjustment where imbalances exist. We especially welcome signs that this shared responsibility is being increasingly recognized by developing countries themselves, such as in the statement made by the Ambassador of Nigeria September 17 on behalf of the Group of 77.

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Recent studies have shown that macro-economic interdependence between developed and developing countries is no longer confined to a direct, engine-of-growth impact through which increased output in developing countries is solely dependent on increased demand in developed countries. While external barriers to growth in the developing countries continue to exist, including barriers to trade among developing countries, the other domestic factors such as savings rate, pricing policies and incentive measures, particularly in agriculture, play a critical role in transforming the supply potential of developing countries.

From the Canadian standpoint some of the changes called for are evident in our own policies: enhanced private savings and personal initiative, less intervention and increased productivity and competitiveness.

One final theme I would want to sound in this debate on interdependence is the need to recognize, and respond to, the growing differentiation among various developing countries. This was properly noted in the Trade and Development Report. Different approaches and measures, both domestic and international, are needed, for example, for Sub-Saharan African countries, for middle-income countries, for the least developed and for newly-industrialized countries.

Mr. President, at the beginning of this statement, I suggested some conclusions that this debate should produce of direct relevance to international discussions which will be occurring in New York, Seoul and elsewhere on economic issues, and to our on-going work in UNCTAD. I would like to re-emphasize the points which we would like these conclusions to include:

- first, the health of the global economy is a joint responsibility of developed and developing countries;
 - second, this partnership applies to the pursuit of mutually reinforcing domestic policies and cooperation in dealing with international issues;
 - third, industrialized countries have a responsibility for pursuing coordination of macro-economic policies;
 - fourth, developing countries must ensure that their domestic policies respond to key priorities and growth opportunities;
 - fifth, adjustment and development must be supported through adequate resources;
 - sixth, determination to tackle the debt question to rebuild creditworthiness, but with flexibility and understanding of particular circumstances;
- and

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- finally, recognition that the trading system is in urgent need of strengthening through a new round of trade negotiations.

I thank you Mr. President.