those requirements. Money alone will not help developing countries, although indeed they badly need additional financing. However, financial assistance without performance requirements and monitoring, as has happened both in commercial lending and with bilateral or country-to-country assistance, has led to inefficient investment. Sovereign nations do not usually easily accept attempts by other nations to influence their policies, hence it is difficult to put conditions on bilateral aid. Commercial bank lending to developing countries which increased so rapidly in the seventies, was also not sufficiently buttressed by performance requirements. Commercial lenders evaluated the credit worthiness of their borrowers for individual, often short-term, loans, but did not adequately monitor either how the funds were used or the countries' long-term policies and prospects.

The multilateral financial institutions, however, have proven that they can design, evaluate, and supervise adjustment in the developing countries in ways which are acceptable to the country concerned. Every World Bank loan and IDA credit has conditions and is also complemented by a more general macroeconomic dialogue with each borrowing country about its economic prospects and policies. Now when so many developing countries are struggling to revive economic growth, the Bank's dialogue with borrowers on broad issues of economic policy has become more important than ever.

The Bank today is keenly aware that attempts to revive economic growth without attention to income re-distribution can result in little improvement for the poor, and could lead to widening gaps between rich and poor in the recipient countries. In its lending and its research, therefore, the Bank has worked toward improving the situation of the poor. Approximately one third of all World Bank loans now focus on projects that especially benefit the poor. These loans too are stringently monitored and are subject to conditions.

● (1530)

In April 1984, I heard Munir P. Benjenk, Vice President of the World Bank address this issue at the Lisbon Conference of the Council of Europe as follows:

> Obviously conditionality implies hard, sometimes hot disagreements. But what makes World Bank conditionality work as well as it does is that our borrowing member countries consider the Bank a friend and partner in their development efforts. The Bank's conditions are associated with long-term finance, are a natural complement to the IMF's conditionality and its short-term finance. This is particularly true of the Bank's non-project lending for structural adjustment and sectoral development, which recognizes that major reforms in developing countries can only take root if they are implemented gradually over a number of years, and are financed in parallel with closely monitored implementation.

The World Bank's size, experience and global perspective give it some advantage in analysing a country's economy, and increasingly now we are seeing some other investors, the Regional Development Banks, and the Commercial Banks sometimes, use the World Bank's analysis to help in decision-making.

I would like to refer now to the debate on the Bretton Woods Bill in this House in 1982. The Present Minister of Finance (Mr. Wilson) who was then the Opposition critic, said:

> I believe the Government of Canada should assess its position very carefully on an on-going basis. Can we continue to play as large a role as we have in supporting these multilateral institutions. If our economic performance continues the same, if we continue to have a weak economy . . . we in Canada may have to cut back.

I have nothing against the Hon. Minister's suggestion that the Government of Canada assess its position very carefully on an on-going basis. Obviously situations change and it sometimes is necessary to modify policies accordingly. However, I sincerely hope that the Government will not consider cutting back on foreign aid at this particular time.

Nearly 800 million people are living in absolute poverty; more than 600 million will still be in this condition as the world enters the next century. We have a moral obligation to help tackle the problems of poverty, hunger, and lack of education, which are all too prevalent in our world. Not only do we have a moral obligation to help, but it is clearly in our own interests to do so.

Because of our interdependence, we need to work for recovery in the world economy so that the benefits of the recovery can spread to all countries. Clearly, resumption of sound, lasting growth among industrialized nations will help developing countries.

But we, too, are helped by increasing prosperity in poor and distant countries. The North-South Institute here in Ottawa, for instance, estimates that the economic malaise in Third World countries has played a large part in a drop-off of Canadian exports and a loss of 135,000 jobs here.

Finding the correct balance between aid, trade and investment is a matter on which the international community can and must work together.

Aid, whether bilateral or multilateral, is still essential and will be for some time.

Trade is at least as important as aid in the promotion of development. Export earnings account for the major part of most developing countries' international purchasing power. During the recession from which we are emerging, these earnings were particularly badly squeezed between a contraction of the market for exports and the fall in the prices of the commodities on which so many developing countries rely heavily. This squeeze, bad enough as it would have been by itself, took place at a time when high interest rates have been the norm and when, unlike their impressive economic performance after the first oil shock of 1973, the developing countries were finding it particularly difficult to cope with high oil prices prevailing since 1979. Many have been faced with mounting debt repayments.

We all recognize the importance of maintaining an open and orderly international trading system. This will be promoted by assisting the developing countries to build up their economies and invest in the future so that eventually they will be less dependent on external assistance. Foreign investment and bank lending are of course extremely important to many developing countries.

We must not forget, however, that no matter how helpful, and indeed invaluable, aid, trade, and investment are, there