

I. GETTING DEBT IN PERSPECTIVE: THE COMMITTEE'S APPROACH

Three years ago the Senate Standing Committee on Foreign Affairs released a timely report on *Canada, the International Financial Institutions and the Debt Problem of Developing Countries*. That was followed in May 1987 by a major report of this committee, *For Whose Benefit?*, which warned that Canada's official development assistance efforts could be in vain without urgent action to arrest the spiral of Third World debt and to deal with its crushing effects on the poorest countries and peoples.

In 1989, as we reflected on what had happened since those reports, we observed that the challenges to governments were greater than ever; the imperatives to act just as pressing. The total amount of the debt had continued to climb by about one-third from the level of US\$1 trillion that had been reached by 1987. Most developing-country debtors were undertaking painful economic "adjustments," often at the expense of the already poor and vulnerable members of their societies, but with little evidence of sustained recovery being achieved. Despite some modest measures of official debt relief by donor governments, and a positive shift in U.S. policy towards accepting a negotiated reduction of commercial bank claims, the fundamental affliction of the debt burden remained. Moreover, in its far-reaching socio-economic, political, security and environmental ramifications, the unfinished business of Third World debt posed a grave threat to our common future on the planet.

To begin to explore these issues, the full committee benefited from a series of panel discussions which brought together government officials, bankers, academics, independent researchers and NGO representatives. In November of last year, a working group of members held meetings in New York and Washington with UN agencies, international banks, the multilateral financial institutions, U.S. government officials, politicians, and policy analysts. That phase completed, a sub-committee was formally created in December with the following order of reference:

That the Sub-Committee as constituted be empowered to inquire into the effects of the critical debt problems facing many developing countries and the Canadian role in alleviating this international burden, with particular reference to Canadian involvement in debt relief and structural adjustment policies and programs; the Sub-Committee to report back its findings and recommendations to the full Committee by the end of June 1990.