

*Business of Supply*

tling of devices which were originally instituted to save foreign exchange. Such controls allow local leaders to decide what are necessities and what are luxuries. In fact, this requirement is a basic objective of the IMF. It results inevitably in an increased shortage of these funds in Third World countries.

World financial institutions, along with the Canadian government, try to promote the international flow of trade and investment and oppose modes of development which restrict this flow. Liberalization of trade and foreign investment, combined with the deflationary aspects of the IMF's rules, benefit the foreign-owned firms which are dependent on foreign imports imported from other branches of the same multinational corporations.

If, for example, foreign exchange for imports were severely controlled, that is, in order to encourage the development of local substitutes, then foreign-owned factories might have to cut down their production or seek local substitutes. Most multinational corporations prefer intracorporate trade because they are then free to set the prices and hence can transfer the profits from one country to another in the guise of payments for imports.

The recessionary conditions which trade liberalization causes lead to a situation where many Third World companies must either curtail operations and lay off workers or actually cease operating, that is, through bankruptcy. In other words, they become ripe for takeover by foreign companies at bargain basement prices. Although the means are different in Canada, the pattern of takeover is the same. And, as in Canada, these corporations usually finance takeovers by borrowing from local banks. Because of their size and wealth, local banks are assured that their money is safe, and hence prefer to lend money to multinationals rather than to local companies. A trade liberalization program leads to foreign takeovers, the inability to develop local substitutes to foreign imports and shortages of foreign exchange. The latter is, of course, crucial. Without this, payments for the liberalized trade policies cannot be met. Enter foreign aid.

In fact, foreign aid is not a very accurate term. It conjures up the notion of gifts to Third World countries. The term "aid", as it has developed since World War II, means any international financial transaction, all the way from an outright grant to a loan at just below the going commercial interest rates. The loans sections of aid programs make up the largest percentage of CIDA's bilateral and multilateral aid programs. The purpose of aid, remember, is to support development which leads to the promotion of international flow of trade and investment. Aid, in fact, is seen by IMF, international banks and aid agencies such as CIDA as a means for balancing the budgets of underdeveloped economies.

For example, an article from *Finance and Development*, an IMF publication, states the following:

For, unlike the post-war aid received by European countries, aid to developing countries constitutes a continuous source of financing. In general, therefore, the recipient countries are not expected to adjust their balance of payments to do without the aid as were the European countries during the immediate post-war period.

Foreign debt then becomes the sequel to foreign aid. If market forces are allowed free play, then all manner of imports may be brought into a country without any rela-

[Mr. Rodriguez.]

tionship to the actual needs of that country. Some Third World countries have experimented with multiple exchange rates, that is, one rate would be used for needed items and a higher one for luxury items. Such a system acts in the same way as a tax subsidy does. Such policies obviously interfere with trade, and hence are anathema to so-called free enterprise countries such as Canada. What is forgotten, however, is that most of these funds must be paid back at a later date. The importance of aid and foreign investment depends upon the degree of development a country has attained. The more developed, the more important foreign investment becomes, and vice versa.

Typically, then, aid is given for the purpose of financing such liberalized import policies, to pay for Canadian-tied aid. Such a policy not only builds up an ever-increasing debt, but also restricts the ability of the country to use its foreign reserves to import only the goods and services it actually needs and to develop locally-produced import substitutes.

A final consequence of this economic system which has developed, and of which foreign aid, as presently constituted, is an integral part, is the tendency for many Third World governments to suffer the consequences of rightist military coups. Much space is usually devoted to explain that dictatorships are the result of the democratic unpreparedness of many Third World countries, but such simplistic theories ignore the reality of world power.

**The Assistant Deputy Chairman:** Order, please. I regret to interrupt the hon. gentleman, but the time allotted to him has expired.

[Translation]

**Mr. Dupras:** Madam Chairman, naturally I would have liked to have a little more time to discuss our external affairs, but due to the generosity of the previous speaker, I will have to do so in five minutes.

Just the same I would like to say first how eager the members of the Committee on External Affairs were when they received the terms of reference authorizing them to consider the international aid program of the Canadian government. I wonder if at this stage the minister would be willing, for example, to consider the establishment of a subcommittee of the Committee on External Affairs to attend the beginning of the 6th or 7th special session of the United Nations, before its regular session. That session will certainly deal with the new economic order and the members of that subcommittee could benefit from the contribution of participating countries. The Department of External Affairs is extremely successful if one considers its operations or activities during 1974. For instance, Canada will take part in the 6th special session of the UN General Assembly.

There was also the World Population Conference in Bucharest where the Canadian delegation distinguished itself particularly. Before that, there was the Conference on the Law of the Sea at Caracas, at which the Canadian delegation assumed a special role by taking the lead in matters dealing with territorial waters. Shortly after, and once again, the officials of the department and Canadian delegates distinguished themselves at the Food Conference held in Rome, in October and November of 1974.