

Economic Relations With the Developing Countries and Problems of Indebtedness

Canada has championed the cause of the developing countries at the economic summits. This is a role that Canada has willingly assumed, considering the quality of its aid program, the initiative it has shown in forgiving the debt of the poorest countries, and its decision to provide official development assistance (ODA) by means of grants rather than loans. Canada is in a position to play a leading role in these matters because of its membership in numerous multilateral organizations, such as la Francophonie and the Commonwealth, certain members of which look to Canada for support in the economic summit.

General Situation

For many countries in Africa, Latin America and even Asia, the 1980s were marked by crisis and deepening poverty. The burden of indebtedness and the slowdown of the world economy in the early 1980s increased the effect of poor public policy in some countries and exacerbated what was already a difficult adjustment process in others. On the other hand, in a number of developing countries, considerable progress was made in increasing output and income levels and other social indicators, which led to improved living conditions.

However, even in countries where the overall economic growth has been relatively good, extreme poverty and the problems associated with it still exist. In many countries, the most serious obstacles to development are weak institutional bases, inadequate infrastructures, and failure to develop fully the countries' human potential.

Disparities in development are changing the outlook regarding what had hitherto been called the Third World. No longer is it a monolithic economic and political bloc. The most remarkable breakthroughs have occurred in Southeast Asia. While China and India have made progress in their agricultural and industrial development, heavy concentrations of poverty still exist. Latin America has had to face numerous obstacles, including unsuitable economic policies, misuse of borrowed resources, capital flight, and unfavourable terms of trade. Sub-Saharan Africa presents a dismal picture; in many cases, per capita incomes have declined.

In the short term, prospects for the developing countries are hardly reassuring. While the annual Gross National Product (GNP) growth rate has risen 5 percent in the developing countries over the past two decades, a figure considerably higher

than that of the OECD countries, demographic factors have brought the increase of per capita income down to an average of 3.5 percent. In 1989, only Asia experienced positive per capita growth. These results are all the more alarming when contrasted with the industrialized countries, which underwent their seventh year of growth, although this now appears to be tailing off. The projections for 1990-91 are no more reassuring.

As a whole, the least developed countries have experienced some very difficult structural problems. These will be considered at the Second UN Conference on the Least Developed Countries in Paris this September.

A Policy of Co-operation for Development in the 1990s

A general framework for co-operation for development in the 1990s has been established by the OECD which is based on the following three objectives:

- encouraging sustainable economic growth;
- encouraging more extensive participation by the population in production development activities, with a more equitable distribution of the benefits; and
- ensuring respect for the environment and managing demographic trends in the numerous countries where population increases are too rapid to support sustainable growth.

The OECD points out that it is the developing countries themselves which are ultimately responsible for their development. In particular, the effectiveness of their policies and their institutions will determine whether they succeed or fail. External assistance supplements their own efforts for development. While the summit participants share this view, they also acknowledge that adequate levels of ODA are essential, and that it is their responsibility to work toward creating an economic environment favourable to the expansion of trade flows, investment and capital.

The Problem of International Indebtedness

In 1982 the indebtedness of developing countries became the focus of international attention. Debt has been the subject of much consideration at recent economic summits. Although it is