

The focus of concern in managing debt-related problems has begun to shift from correcting short-term imbalances in external finances to the medium-term development aspects of the adjustment process. At the October 1985 IMF/IBRD Annual Meeting in Seoul, the United States proposed a number of measures (The Baker Initiative) that would steer the debt management process in this direction, including increased World Bank lending, greater IMF/IBRD cooperation and an increase in net lending by commercial banks. These ideas are under active discussion in various institutions.

Where Canada Stands

Canada is encouraged by the improvements registered in the international debt situation, but we recognize that debtor countries must make continuing adjustment efforts and will require financial support from official and private sources. Canada believes the case-by-case approach remains valid, because of its flexibility and sensitivity to conditions in individual countries. There is a need to build upon what has been achieved thus far in response to a less favourable economic environment.

Canada has maintained for some time that industrialized countries need to look at additional ways to assist debtor countries in coping with their debt servicing problems. The Canadian Government therefore welcomed the USA initiative in Seoul, and Canadian banks have also expressed support for the USA proposals. Canada believes the major industrialized countries have a responsibility to pursue sustained growth in the world economy, to lower real interest rates and to resist protectionist pressures.

While much attention has been given to the larger debtors, the needs of the smaller debtor countries, particularly in Africa, should not be overlooked. Since Sub-Saharan Africa is mostly dependent on official resource flows, Canada believes the question of aid and export credits is of key importance. We support a greater role for the World Bank and improved co-operation between the IMF and the Bank. We are a participant in the World Bank Special Facility for Africa and support an increase in International Development Association (IDA) lending. Canada will continue to be a major contributor to relief efforts and development programs in Africa. We believe that the Paris Club has