

PART A

Chapter 3: NORTH-SOUTH RELATIONS

In 1980, the record of the dialogue between developed (North) and developing countries (South) on international economic co-operation could best be described as mixed. There were some notable achievements such as agreement on a *Code on restrictive business practices* and on the establishment of the Common Fund for Commodities, improvements in the international trading system deriving from the MTN, evolution of the International Monetary Fund and the World Bank programs to meet the needs of the developing countries, and the adoption of the International Development Strategy (IDS) for the 1980s. But there were also some disappointments. The third general conference of the UN Industrial Organization (UNIDO III) ended in confrontation and the UN General Assembly twice failed to launch global negotiations on international economic co-operation. In spite of these frustrations, however, 1980 seemed a year where there was growing international awareness, fostered in part by the report of the Brandt Commission, of the reality of global interdependence and mutuality of interest. In an effort to move beyond rhetoric and stimulated by a recommendation of the Brandt Commission, Mexico and Austria proposed a summit of heads of government of a number of developed and developing countries to focus attention at the highest political level on the need to move ahead in the dialogue.

Within Canada, a need for increased public understanding of North-South relations and support for Canada's role in the North-South dialogue was recognized. In May, the government established a parliamentary task force on North-South relations with a mandate to examine relations between developed and developing countries in the areas of food, energy, trade, payment balances and development assistance, and to recommend practical steps Canada might take to contribute to progress on these issues. Perhaps the greatest significance of its report, tabled in the House of Commons on December 18, 1980, was the unanimity with which its members from all three parties urged Canada to play a bridge-building role in the dialogue. Although not responsible for the work of the task force, the Department of External Affairs provided substantive and administrative support.

Trade

North-South trade not only contributes to the development process in developing countries but sustains and promotes over-all world economic growth. To this end, Canada has worked to encourage developing countries to participate more fully in the international trading system. Moreover, the newly

industrializing developing countries offer increased export opportunities for Canadian manufactured goods.

In view of the downturn in global economic activity, the major issues in the North-South context have been the complex subject of structural adjustment on a global basis and continuing protectionist pressures. To the extent possible, Canada has sought to limit quantitative restrictions on imports of products of interest to developing countries. Nevertheless, some restrictions continue to be necessary on imports of certain textile, clothing and footwear products because of the importance of these sectors to the Canadian economy.

More specifically, throughout 1980, efforts were concentrated on bringing into effect the results of the MTN which concluded in 1979. In this regard, the first tranche of the negotiated tariff reductions was introduced on January 1, 1980. As part of a government decision to review the Canadian general preferential tariff (GPT), the Tariff Board was directed to study the impact on Canadian production of including additional developing country products under the GPT and the likely impact of providing free entry under the GPT for a number of products now dutiable. The recommendations of the Tariff Board should be submitted to the government in April 1981. (See also Part A, Chapter 2.)

Commodities, including the Common Fund

On June 27, 1980, an international agreement establishing the Common Fund for Commodities was concluded and referred to governments for signature and ratification. The objectives of the Fund are to be met through two accounts: the first account, of US \$400 million (US), will contribute to the financing of international buffer stocks within associated international commodity agreements; the second account, with a goal of \$350 million (US) in voluntary contributions, will finance measures such as research and development and market promotion to further commodity development. The Common Fund, the result of four years of negotiation, is regarded as a key element in the North-South dialogue, especially by the developing nations who see in it a test of developed countries' commitment to international change. The *Common fund agreement* was opened for signature on October 1, 1980 and will enter into force upon ratification by 90 states whose contributions comprise two thirds of the directly contributed capital and one half the targeted voluntary financing. Canada signed the agreement on January 15, 1981.

In 1980, negotiations and discussions were held on many commodities under the auspices of UNCTAD's integrated pro-