

UNICEF's report, noting that debt and interest payments by developing countries of US\$ 178 billion in 1988 were more than three times the total amount of aid they received from the North, and that military spending in these countries consumed another \$145 billion annually—enough to end absolute poverty on this planet within this decade, concluded: "It is therefore obvious that for much of the world, some significant reduction in debt servicing and defence spending has become the *sine qua non* of a resumption in human progress."<sup>(5)</sup>

Unfortunately, there is no guarantee that dividends that accrue in one area, for example, through East–West arms cuts, will be translated into progress in areas such as recovery from Third World indebtedness. A surplus of military equipment in the North could lead to even more arms sales in the South. Massive economic assistance to Eastern Europe must come from already stretched budgets in donor nations. These new financial requirements could put upward pressure on interest rates that are already too high. Eastern European countries that are trying to make the transition to market economies may expect preferential debt concessions and access to foreign capital. A preoccupation with exciting developments within the ranks of Northern countries could result in a further marginalization of the developing world's needs and concerns.

Of course this need not happen; indeed it must not happen. But we should take nothing for granted. **We welcome the statements by the government that any financial aid to Eastern Europe will be separate from, and additional to, the budget for official development assistance (ODA). Nevertheless, we are concerned about the impact of cutbacks in the external affairs and aid expenditure envelope, in particular given the retreat from the aid targets established in the government's own 1988 policy paper *Sharing Our Future*. The committee's 1987 report on ODA, *For Whose Benefit?*, had recommended a legislated framework and funding floor for the Canadian aid program. In the light of recent pressures, we believe the case for that is even stronger. Accordingly, we repeat those recommendations and further recommend that the legislation include a provision that ODA funds be used solely to benefit the needy in developing countries.**

It would be quite wrong, however, to create the impression that the debt problem is primarily a matter for aid policy. In fact, as Figure 1 shows, there is now a growing net transfer of funds from the South to the North. At the same time global disparities are widening. We are seeing further impoverishment in the context of severe population and environmental pressures and an unsustainable build-up of debt. The North–South divide is not being bridged. Per capita income in the developed market economies grew at an annual average rate of 2.4% from 1981 to 1987. In Sub-Saharan Africa, the comparable "growth" rate over this period was -4.1%; in Latin America and the Caribbean,

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(5) *The State of the World's Children 1990*, p. 1.