
North-South Relations

The current global economic situation is increasingly underlining the degree of interdependence between developing and industrialized countries. In Tokyo, leaders are likely to continue to focus on the debt problems of developing countries, on adjustment efforts and on the exceptional difficulties facing the poorest of the developing countries.

Canada has always been particularly conscious of the economic problems faced by the developing countries and has generally been perceived as a responsible interlocutor for the concerns of the "South" at the annual Economic Summits. With its close association with the Commonwealth and the French speaking nations, Canada has also taken the opportunity to discuss North-South issues at the Commonwealth Heads of Government meeting in Nassau (October, 1985) and at the Francophone Summit in Paris (February, 1986).

The position we have adopted reflects our humanitarian concerns, our strong and continuing commitment to international development cooperation and our desire to strengthen the multilateral system. It is also based on our view that we must encourage mutually beneficial economic links between Canada and the increasingly dynamic economies within the Third World.

Canada believes that the flow of financial resources to the developing world must be maintained and increased in order to support economic recovery and longer term development. The international financial institutions, in particular the World Bank, must be provided with the resources necessary to carry out their development role. Canada supports a generous replenishment of funds for the International Development Association (IDA VIII). It will be increasingly important for developed countries to improve the coordination of their development assistance programs.

Canada, for its part, has been looking at measures to further assist low income developing countries. The move to an all grant aid program, announced in February 1986, was one such step. We have also been carefully considering what additional steps might be taken to ease the debt burden of these countries.

Developments in International Petroleum Markets

The world oil market underwent substantial changes in the last decade. The oil price shocks of 1973/74 and 1979/80 not only had direct impacts on the supply and demand of energy, but also created new perceptions, policies and behaviours in consuming countries. World oil demand dropped substantially. Non-OPEC (such as the USA, Canada, the U.K., Norway and Mexico) supply increased and led to the large surplus of production capacity and falling prices which currently characterize the situation. Demand for OPEC oil declined.

In December 1985, OPEC members effectively abandoned their traditional approach of setting official prices and adopted an "individual" market-related pricing policy aimed at securing a greater share of the market. Members also agreed to secure and defend OPEC's "fair share" of the world oil market, consistent with the necessary income for members' development.

Since December spot market prices for light crudes have fallen by over 50%—from \$31 (US) to about \$13-\$14 a barrel and even lower for some grades. The traditional low demand underlying spot markets during late winter/early spring has exacerbated the market's volatility. Average trading values for crude lag behind spot prices because most crude is sold in international trade through long term supply contracts with price terms that are not immediately affected by the spot market.

There is no consensus on market prospects for the rest of this year, although most analysts think that some resurgence in prices, possibly to the \$15-\$20/bbl level, may appear by the fourth quarter.