increase their capacity to service the debt. It is also essential if Canada is to benefit from export possibilities resulting from their growth.

Canada has pursued a policy of fullest possible liberalisation of the multilateral trading system with particular improvements in market access for agriculture and tropical products. We seek a strengthening of the General Agreement on Tariffs and Trade (GATT) disciplines and codes and have led the debate on the need for a World Trade Organisation — the latter idea was endorsed by the South Commission in its recent report. While we support special consideration of developing country circumstances, especially for the least developed countries, Canada believes the integration of all countries in the multilateral trading system, where all share the same rights and obligations, is a central objective.

The debt overhang places additional burdens on the ability of debtor countries to respond to environmental problems. **Adjustment programs must be sensitive to environmental concerns.** Debt for nature conversions are one way to reduce the debt obligation while providing resources for environment projects. Policies designed to achieve sustained growth will afford the basis to overcome the problems of poverty and over-population which are at the root of many low-income countries' environment problems.

Conditionality

When the debt crisis broke, the initial response of international financial institutions was to apply economic performance conditions aimed at macro-economic targets to address the immediate balance-of-payments crisis. Essential as this was to establishing a firm basis for longer-term growth, the medicine was strong and the short-term result was often an abrupt fall in output, loss of jobs, higher domestic prices on sensitive items and a decline in social services.

This initial, uni-dimensional approach to conditionality has evolved into a broader, more growth-oriented framework to address the underlying economic problems of these countries, taking into account social and political factors.

The three essential elements are:

a) Short-term stabilization policies of the debtor country must be implemented in the framework of a medium-term plan for structural adjustment and adequately financed by external sources, e.g., international financial institutions, commercial banks, regional development banks and bilateral donors.

b) Structural adjustment programs should be designed with both economic equity and efficiency objectives in mind and allow for attenuation of adverse social and environmental consequences.

c) An adjustment program can succeed only if it has the support of the population and the commitment of its political leadership.