



Statements and Speeches

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CANADA'S ROLE IN THE DIALOGUE OF NORTH-SOUTH ISSUES

A Statement by the Honourable Mark MacGuigan, Secretary of State for External Affairs, to the Parliamentary Task Force on North-South Relations, Ottawa, October 29, 1980

...May I say also how pleased I am by the contribution the Task Force is making to the stimulation of public discussion on North-South issues, not only through the publication of the Interim Report, but also through the regular press coverage of its hearings. I am in full agreement with the Task Force recommendations with respect to promoting public awareness and discussion in Canada of North-South issues. I believe this aspect will be of crucial importance in the coming months and years. I would therefore welcome your further views on this key issue and I am particularly interested in how the Task Force sees its own role in this regard. If I may, I will return to this point later.

This issue is of course all the more important given the attention which will be focused on North-South questions during the course of 1981. The Global Negotiations, the proposed North-South Summit, the Ottawa Summit, the meeting of Commonwealth heads of government and negotiations in a variety of other fora will all require co-ordinated and effective Canadian positions. For this reason, parallel to the work of the Task Force, the government has initiated its own process of review of North-South issues and the role which Canada should play in the ongoing dialogue. I would like in my presentation, therefore, to highlight for you some preliminary thoughts on the state of the dialogue, both in terms of process and substance, as well as some of the specific issues which Canada will need to address in the coming months.

I do not think that there is any need to dwell today on the nature and scope of the problems which are encompassed under the North-South framework. You are all too well aware of the real economic constraints which developed countries, including Canada, are themselves now facing. You are all familiar with the statistics — the increasing number of the world's "absolute poor"; the escalating balance-of-payments difficulties of developing countries as a result of massive oil-price increases; the deteriorating economic situation in even the newly-industrializing countries. At the same time, and regrettably, statistics lose their shock value with repeated reference and we tend to become increasingly immune. It is therefore particularly important for all of us to keep central in our minds the human dimension — a dimension which many of you know from personal experience in developing countries.

The last time we met together was in New York City at the eleventh Special Session of the United Nations General Assembly. While the Special Session was but one element of the ongoing North-South dialogue, I would like to use it as a point of departure today for my comments on the process of the dialogue and its future prospects. If the Special Session cannot be characterized as a total success, it should

also not be considered a total failure. While it is always difficult to sum up an international meeting in a few words, I believe the Special Session should be regarded simply as one more way-station in a long and often frustrating process of dialogue and negotiation between a host of countries with very differing interests and perspectives.

As you are aware, the final results of the Session were twofold. On the International Development Strategy a consensus on substance was reached and the Strategy will come into effect on January 1, 1981. Formal adoption, however, was deferred until the current Regular Session as the Group of 77 preferred that it be linked to the launching of the Global Negotiations. In spite of the fact that the IDS does not conform to all of Canada's policies, — and reservations or interpretative statements will thus be necessary on some aspects — the adoption of a development strategy for the 1980s will be an important symbol of the determination of all governments to work together to foster the development of developing countries in the coming years.

Global Negotiations

Progress in recent years has been slow, however. Developing countries had therefore focused on the second objective of the Special Session — the launching of Global Negotiations for international economic co-operation for development — to give a new impetus to the dialogue. As you know, negotiations in New York focused on procedural arrangements for the Global Negotiations to the exclusion of discussions on the agenda. A compromise text was developed involving a three-stage process: in the first phase a central forum in New York would set objectives and guidelines for the negotiations; in a second stage, the actual negotiations would take place in existing specialized institutions or in *ad hoc* groups in New York. In the third, and final stage, the central body would receive the results of those negotiations and arrive at an overall package agreement. This compromise was ultimately acceptable to all delegations — developed as well as developing — except for three countries which remained concerned that the role assigned to the central forum would impinge on the existing mandates and autonomy of the specialized institutions. For its part, Canada, while sharing these concerns, considered that the text offered sufficient protection for the specialized institutions and we therefore supported it as a signal of our commitment to see the Global Negotiations get off the ground.

The end result of the failure to reach full consensus was that the entire question of Global Negotiations was remitted to the current Regular Session of the General Assembly, where open debate is now scheduled to commence on November 17. The President of the Assembly, however, will in the meantime convene a group of countries, probably including Canada, to begin tackling the issue once again.

Energy first priority on agenda

Agreement on an agenda, which was the focus of attention in preparatory meetings for the Special Session, will also be difficult. The industrialized countries sought a selective agenda which would focus on key themes in the areas of energy, food and agriculture, trade, development and money and finance. For most, energy was — unsurprisingly — the key priority. Some OPEC [Organization of Petroleum Exporting Countries] countries, in particular the surplus-oil producers have, however, not yet taken a clear position and seem anxious to preserve their flexibility with respect to predictability of price and supply, despite their interest in preserving the real value of

their assets. The Group of 77, given the diverse interests of its members, is — again unsurprisingly — demanding an agenda that is as comprehensive as possible. I believe that both sides, and certainly Canada, are aware that a compromise will be required and that both sides are ready to make the necessary efforts to reach one.

While the outcome of the negotiations in New York is by no means certain, I am hopeful that all parties will be prepared to negotiate positively and flexibly so that it will be possible to reach sufficient agreement on the procedural framework and the agenda to allow the Global Negotiations to be successfully launched in the new year. A further failure would represent a serious blow to the North-South dialogue. Bearing in mind the first recommendation of your own Interim Report, the Canadian delegation will again be instructed to participate actively and constructively in the negotiations, as it did at the Special Session, to further this end.

Despite the difficulties outlined above, I still believe that for the foreseeable future, the main public forum in the North-South negotiating process will be the United Nations, and the Global Negotiations in particular. This is because of the Group of 77's determination to work within a more universal and politically-sensitive forum, where their decision-making influence is greater and where linkage between issues is more possible. Thus, in spite of the frustrations and delays associated with a fully universal process, we shall all have to live with it, and to adapt to it. And this is not to suggest that the UN forum is unproductive. A long list of practical agreements, including the Common Fund, have been successfully negotiated in past months, notably in UNCTAD (the United Nations Conference on Trade and Development). Similarly in the specialized fora of the United Nations system, such as the World Bank, the IMF [International Monetary Fund], and the GATT [General Agreement on Tariffs and Trade], we believe that progress has been made on specific problems in a pragmatic way. The developing countries, nevertheless, see these institutions as not sufficiently responsive. Future initiatives within these fora must therefore address their perceived needs at the same time as we attempt to convince them that they too have a stake in the system. Thus, if we are to make progress in the dialogue, we shall have to utilize all the various institutional mechanisms, including such associations as the Commonwealth and such instruments as mini-summits, in the most flexible manner possible.

Even given such flexibility, the process of the dialogue will never be easy. The Group of 77 now comprises 118 very heterogeneous countries with different levels of development, different problems and different aims. In view of this, it is hardly surprising that the Group encounters extreme difficulty in reconciling the very divergent interests of its members. Thus, it is often forced to fall back on to rigid positions and the use of rhetoric and politicization to cover its own difficulties in reaching agreement; hence also the Group's tendency to focus on institutional demands for greater international power-sharing — an area where common interests are clearer than on specific substantive issues. But the group approach does serve the 77's purposes. It provides the developing countries with real bargaining leverage and is probably a genuinely necessary organizational instrument for negotiations. Thus, we should accept that unity of the Group of 77, while suffering strains particularly over energy, is likely to be maintained. At the same time, for Western countries, more effective consulta-

tion as well as greater willingness to develop initiatives — rather than always reacting to the Group of 77 — should be developed. And, in improving our negotiating mechanisms, we must seek to minimize sterile bloc-to-bloc confrontation.

Quite apart from the process there is an urgent need for Canada — the government, Parliament, and the public — to focus on the substance of North-South issues. The Western response in the past to the needs of the Third World has been largely reactive and, in the view of the developing countries, inadequate. There seems, however, to be a growing awareness, fostered in part by the Brandt Report, of the reality of global interdependence and the mutuality of interest — a theme which is also effectively developed with respect to specific issues by our own North-South Institute. And there is a growing appreciation of the need for effective action.

Canada's focus

I would therefore like to turn now to the major issues which I believe Canada must address in the coming months. In preface I would like to make a number of basic points. First, given the natural differentiation of interests and resources among developing countries, policy instruments and solutions will also have to be differentiated. Some will need to focus on the poorest, some on the middle-income industrializing countries and some on OPEC. For this reason, aid alone is not sufficient. Similarly, and of equal importance, the capacity to respond among developed countries is differentiated whether individually or in concert. Secondly, we must continually bear in mind that ultimately the responsibility for development will fall on the developing countries themselves and many of them will need to develop more effective domestic policies in this regard. They will, nonetheless, clearly need help and most particularly, a more favourable international environment. Thirdly, it is clear that all of the related policy options will have costs for Canada, whether political or financial — and some will be very high. Examined one by one, there are always reasons to reject policy changes, particularly in face of criticism from domestic lobbies. But, if in such a process they are all rejected, the outlook for developing countries — and in the end for all countries — will be bleak. There is need to ensure, therefore, that we adopt a comprehensive perspective in which the North-South aspect is clearly borne in mind, even as we look at each individual sectoral issue.

In this respect, I was struck by the second recommendation in your Interim Report "that, in policy-making in Canada and in proposing policy in international fora for the resolution of the current world economic crisis, the government assign a high priority to the needs of developing countries and in particular to the needs of the poorest people". This recommendation clearly has implications beyond aid and points to the need for the type of comprehensive and co-ordinated approach I have suggested. I look forward to your further suggestions as to how this objective might be achieved.

Longer-term prospects

Finally, Mr. Chairman, and most importantly, I am convinced of the need to examine how we as politicians can take a longer-term approach to issues. It is perhaps inevitable that, within a democratic system responsive to the public, we often settle for short-term solutions. This is true even when we know that, in our longer-term interests, an alternative policy might be the best choice. We are only beginning to understand the longer-term perspectives of international economic relations. But we

must, I believe, keep these foremost in our minds when addressing the issues before us. We must begin to deal more with the future.

Mr. Chairman, the issues of concern to the developing countries are both numerous and complex with many interlinkages. I wish to highlight the major areas and, within each, some key questions for Canada, which I hope your final report will also focus upon. Aid certainly is crucial but I must emphasize that aid is no longer, if it ever was, the only answer. The areas of energy, money and finance, trade and commodities, food and agriculture, and technology are no less important – although structurally perhaps more difficult to grapple with.

Energy
I think there is general agreement, endorsed by the Venice Summit, that the question of increased assistance for energy development in developing countries must be tackled. Canada must examine what further contribution it can make bilaterally and multilaterally to achieve this objective. As you know, it was announced yesterday that Petro-Canada will soon be establishing a subsidiary company for the purpose of exploration in developing countries. Another central issue is how to deal with the issue of predictability of oil price and production levels, the protection of the value of financial assets obtained for oil, and the staggering effects of the current price of oil on the development plans of the developing countries.

Money and finance
Whereas some years ago commodities were the focus of concern, today money and finance have priority. Recommendation three of your Interim Report has highlighted the problem of the recycling of oil revenue surpluses and I look forward to your further views on how to pursue this objective. Clearly the international financial community is alert to this issue and I welcome the efforts of the IMF and World Bank in this regard. Quite clearly, however, a greater and more concerted effort is required to deal with a problem of this magnitude. Canada must examine what position it should take with respect to developing-country demands for an increased role in the IMF decision-making process, for increased access to financing on more concessional terms, and for a more sympathetic approach to conditionality, including one which takes into greater account the impact of external forces on their economies. Can we support the proposed increases in the Bank's capital base and/or changes in the gearing ratio? Should we contribute more to subsidizing the interest rates on loans to developing countries? Finally, in making our response, how can we ensure that whatever new measures are adopted will not impede the international financial institutions' ability to perform effectively those monetary functions which remain vital to international economic discipline and stability?

Trade
Probably the key concern to developing countries in this area is their fear of increasing protectionism. In their view this is inherently linked to the question of structural adjustment in developed countries. It is true that, if they are to improve their export prospects and their balance-of-payments situation – and in turn their capacity to import – access to markets in the developed countries is vital. In my mind, therefore, while I recognize the political sensitivity of this area – particularly in domestic terms – and the real economic constraints which exist, we must face this issue squarely and examine what measures can realistically be taken. One area may be with respect to our General Preferential Tariff. I look forward to the Task Force's recommendations in this area.

Food

One of the key problems in this area is the low priority assigned to agricultural development by many developing countries. Given the levels of malnutrition and starvation in many countries, however, food aid will likely remain essential for some time to come. To what extent, and how, should Canada increase assistance to help developing countries make fuller use of their agricultural potential? Can more be done multilaterally, perhaps by greater support for international agricultural research centres?

Aid

Aid, particularly for the poorest, will remain critical for many years to come. But it alone cannot provide the basis for healthy growing economies in the developing areas. Responses in other areas will also be necessary. This said, I believe we have to examine, as you have suggested, the quality and philosophy of aid and I look forward to your recommendations in this regard. The key question is probably what can be done to improve the lot of the poorest. In addition, I know we are all pleased that Canada's ODA [official development assistance] will begin to increase again after a period of decline. We must now consider what measures further to those announced must be taken to ensure that our commitment to higher levels can be met, and what is the best use for the additional funds. I would, in particular, welcome the views of the Task Force on the factors that bear on aid effectiveness and how this effectiveness may be improved. A more general question, which I believe also merits examination is whether systems cannot be developed, domestically as well as internationally, to ensure a more reliable or "automatic" transfer of resources. Similarly, what realistic link could be established between development and disarmament?

These, I suggest, are some of the key policy areas to be examined. Against this background, the government will also be considering what opportunities there are for Canada to play a helpful, or catalytic, role in the North-South area. As a member of the Western Summit Group, and host to next year's meeting, we are a member of the major industrialized "club". Our participation in the Like-minded Group provides us with links to other middle powers. Our membership in the Commonwealth and la Francophonie, our hemispheric links and special ties to the Caribbean, and our Pacific window on Asia provide us with privileged access to the developing world. Thus, Canada is in a favourable position — particularly in the coming year — to stimulate movement and attempt to conciliate the conflicting views of our major industrialized partners and those of the developing world.

In order to play such a role in the dialogue, we must try to develop an organizing principle with regard to Canada's contributions to the substantive aspects of North-South relations — a principle which takes account of our structural uniqueness as a resource exporter and capital and technology importer. We should examine the areas where we can make a significant but perhaps qualitatively different contribution from others. The impact of these potential contributions may involve a departure from present patterns but a more effective and more rational international division of labour regarding assistance to developing countries could result.

**Public support
vital**

Finally, — and I reiterate now one of my initial points — if Canada is to address the issues positively and to play a constructive role in the dialogue, increased public awareness and support will be critical. As Mr. Breau is aware, I have just held con-

sultations with concerned Canadians regarding the objectives and operation of the Futures Secretariat, whose establishment I announced at the Special Session. The Futures Secretariat is, of course, intended to complement an already extensive network of NGOs [non-governmental organizations] who have been working for years to educate and involve the public on development issues, not only aid-related but on the broader concerns referred to above. Parliamentarians have also contributed to the process, as for example in 1975 when three of our colleagues toured the country. We must now, I believe, seek to intensify the level of grassroots involvement if we are, as I have suggested, to begin to deal with these issues on a longer-term basis. How can we as politicians play our part? That is an important question that we must answer.

Mr. Chairman, the year 1981 will present a number of opportunities both for Canada and the international community to move ahead in the North-South dialogue. The proposed North-South Summit, the Ottawa Economic Summit, and the Commonwealth heads of government meeting will all help to sensitize governments and publics further to the issues and allow more frank and informal talks to overcome rhetoric and bloc-to-bloc confrontation. The Global Negotiations will, I hope, present an opportunity to integrate and give new impetus to the negotiation of specific problems. But we must not become too 'event' oriented. It is not the discussions themselves which are important. It is their outcome. The needs are great and increased international co-operation in the search for solutions is the only answer. It is in this context – of both need and hope – that I look forward with anticipation to the Task Force's contribution to this search.