

CANADA

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Ottawa
July 20 to 21

Canada at the Summits

When things seem to change, they often do.

When the heads of government of the seven largest market economy countries meet in Ottawa in July for the Seventh Economic Summit, they will again discuss development, trade, energy, unemployment, growth, inflation and world politics and, once more, they will deal with new realities. The trade surpluses of many industrial nations have disappeared and inflation rates have gone up as GNP growth rates have gone down. Energy, once abundant and cheap, is now high priced.

Realities have been changing rapidly for more than thirty years. At the end of World War II the levels of power and production seemed clearly defined. The United States, the one super power, had one great military rival, the Soviet Union. The economic foundations of Europe had been disrupted, and Great Britain was triumphant but threadbare; Japan and Germany were defeated and China assumed to be in chaos. The empires founded by the great powers of Europe were dissolving, and there were upheavals in Korea and Indochina. There was also the majority of the world, the poor, who, it was taken for granted, would always be with us.

Canada, physically unscathed, was a middle power with its economy intact and expanding, committed to playing a positive international role.

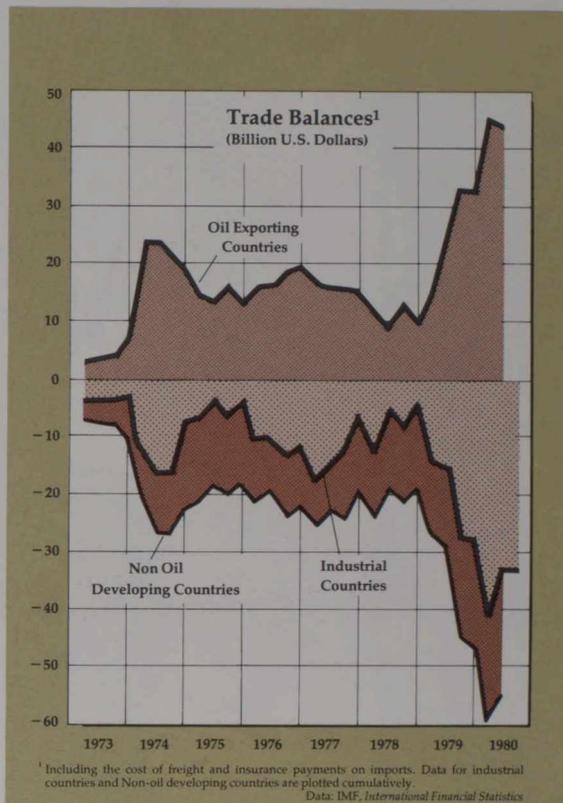
Today there are two super military powers, but the prerogatives and opportunities of power are not the same. The devastated have recovered. The United States is still the No. 1 economic power, but it has a peer in the European Community, and Japan has become a model of production.

The world is richer and more crowded, but in one vital respect the past is still with us—most of the wealth is concentrated in the northern part of the globe, while most of the people are in the south.

Today no one nation can act alone, and there are many conflicting voices in the planning of the world's economy: the West, the East, the rich, the growing numbers of the poor, and the multinational corporations. Each, to some degree, is dependent on the rest.

Canada is still prosperous and still committed to its positive and active role in the world. It is still sometimes referred to as a middle power, but now power is harder to define and the middle a point more difficult to fix.

In Ottawa in July the seven largest industrial nations with free market economies will once more attempt to resolve old and new problems and to build new bridges. In this issue of CANADA TODAY/D'AUJOURD'HUI we consider the coming Economic Summit and the world we live in.



This Year at Ottawa

The heads of government of the United States, Federal Republic of Germany, Japan, France, Great Britain, Italy and Canada will meet at the Seventh Economic Summit in Ottawa, July 20 to 21. The European Community will be represented as well. The seven countries together account for around half of world trade, for about four-fifths of the industrial countries' output and over half of the world's output. Meetings will be held in the East Block of Parliament and at Montebello, Quebec, a resort forty miles east of Ottawa.

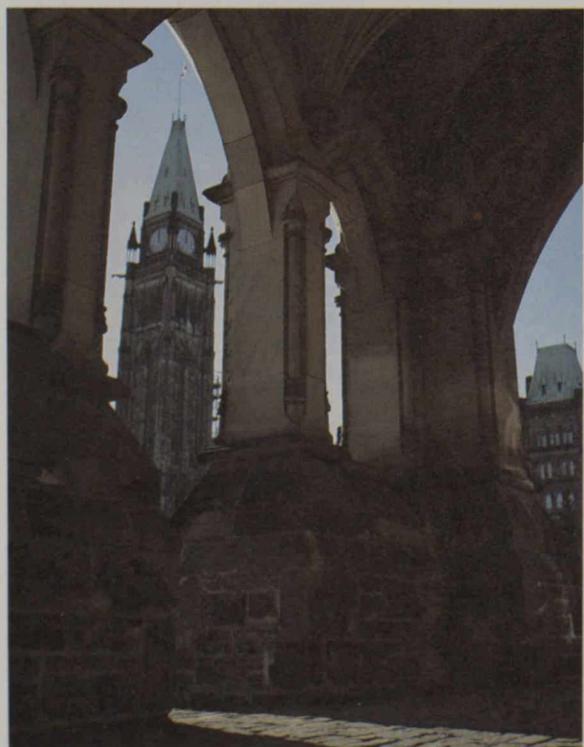
Prime Minister Trudeau, this year's host, has suggested certain procedural reforms. He would prefer smaller gatherings and shorter communiqués at the end of the sessions.

"We have got to use the time of the leaders of the Western nations better to solve at least in part problems that we have not been able to come to grips with before. I am particularly thinking of some North-South questions."



The Château Montebello on the Ottawa River in Quebec.

The Peace Tower on Parliament Hill, viewed from the East Block.



Cover photo: Canada's Prime Minister, Pierre Elliott Trudeau, will host the 1981 Economic Summit in Ottawa.

Past Summits



Venice 1980.

In 1975, at the suggestion of President Valéry Giscard d'Estaing, representatives of the six largest free market industrial nations met at the Château de Rambouillet, a French Government hunting lodge outside Paris, in an attempt to set unified economic goals.

The recession which began in the early seventies had worsened rapidly with the fourfold OPEC hike in oil prices. The six leaders took an overall, policy-oriented approach rather than a narrow technical one. By concerting their economic policies (and by mutual reinforcement) it was believed they could assure recovery without fueling inflation. The leaders reached tentative agreements on new guidelines for currency exchange rates, aimed at eliminating erratic fluctuations in the values of their currencies. They identified economic recovery and the reduction of unemployment as their common major goals and ended on a cheerful note: recovery, they believed, was already underway.

They made it clear that they were not interested in establishing another international institution and that they wanted, as Allan Gotlieb, Canada's Under-Secretary of State for External Affairs, would put it later, "to find a way of leapfrogging the national and international bureaucracies."

The following year at Puerto Rico, where the United States was host and Canada a new participant, the leaders decided the emergency had passed. "Renewed confidence in the future has replaced doubts about the economic and financial outlook," they said. "Economic recovery is underway and . . . [the] restoration of balanced growth within our grasp."

In 1977, in London, the President of the European Commission became a regular participant. By that time, the sense of well-being had faded. The leaders of the United States, West Germany and Japan, the stronger economies at

the time, agreed to ease trade restrictions to help lift the economies of the other four. It was recognized that some goals, if not contradictory, were also not complementary, and across-the-board achievement would be difficult. An abrupt easing of trade restrictions could damage vital domestic industries, and a campaign to increase growth could increase inflation. They did, however, pledge to cooperate on a series of measures to combat unemployment and facilitate international trade. They agreed to conserve energy and push the development of alternative power sources including nuclear energy. They also invited the USSR and the Eastern bloc to join in giving economic aid to the developing nations.

In 1978, when the leaders met in Bonn, the focus was still on growth, inflation and, with particular emphasis, employment. They gave a hard (and, as it turned out, successful) push to the Multilateral Trade Negotiations. There was formal recognition that "we are dealing with long-term problems which will yield only to sustained efforts." The final communiqué noted that "in spite of some improvement," the energy situation remained unsatisfactory, and the leaders promised to reduce dependence on imported oil.

By 1979 there had been a new 24 per cent increase in crude oil prices, and energy problems moved to the forefront at the Tokyo meeting. The leaders agreed to reduce oil consumption drastically by the early 1980s, to foster conservation and to move into other sources of energy.

Last year at Venice the leaders reaffirmed that the reduction of inflation was their first priority. Energy was still a major concern, and they announced a detailed, decade-long strategy to 'break the link' between economic growth and oil consumption and to foster the use of alternative energy sources. The overlap of economic problems and political questions and the problems of the developing world were given specific attention.

Gotlieb Sums Up



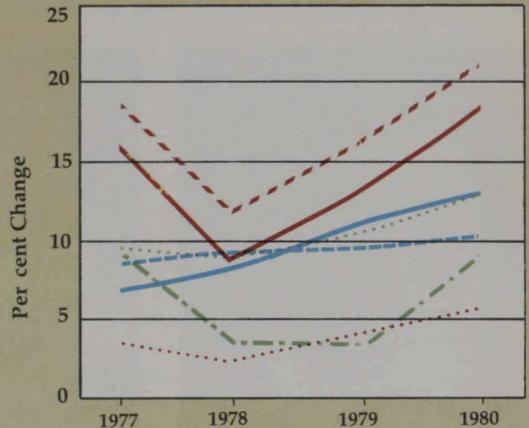
Allan Gotlieb

In a speech to the Canadian Institute of International Affairs in Winnipeg in April, Allan Gotlieb, Canada's Under-Secretary of State for External Affairs and Prime Minister Trudeau's personal representative during the preparations for the Ottawa Summit, commented on the development of the Summit meetings since 1975.

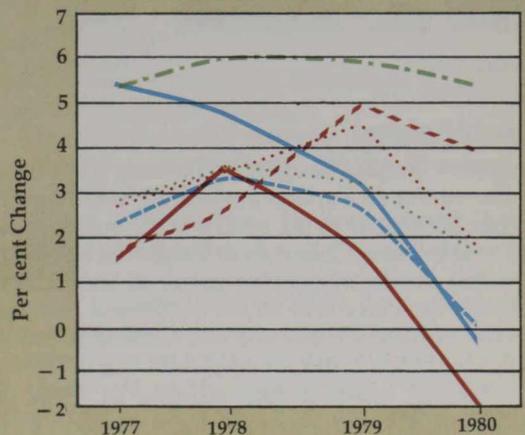
"I realize that communiqué reading is something of a specialized, not to say arcane, art. Not everyone spends Friday evenings curled up with a good communiqué or two. But, read with due care for the nature of the source, the Summit communiqués of the past six years well reflect the evolution of informed thinking – the shift from relative optimism to a greater recognition of the intractable long-term nature of the economic problems, a greater acceptance in principle of the reality of interdependence and structural issues. Leaders' policy of consultation has been reaffirmed and strengthened, closer personal relationships have developed among the Heads and a readiness has emerged to move toward collective action in some areas. In the process, these communiqués have served to educate the public and thus, perhaps, have had some effect on the expectations of participants in the economy.

"The Economic Summits, in fact, have so far proven to be a positive and helpful addition to the western world's instruments for managing international problems. They are not seen by the leaders as a "directoire", nor could they be. The Summit countries must continue to work with their closest friends and partners: in the European Economic Community; in international organizations such as the Organization for Economic Cooperation and Development and the International Energy Agency; and more broadly in the General Agreement on Tariffs and Trade, the International Monetary Fund, the International Bank for Reconstruction and Development – in all organizations that are the policy organs for coordinated action. But Summits have brought key leaders together in a group that is large enough to have a significant voice in the world yet small enough to make real discussion possible. These gatherings have filled a void. To some extent they have in fact been able to overcome the weight of modern bureaucracies, though there remains a concern about institutionalization of the process, a fear expressed particularly at Venice that the communiqué drafting threatened to take over the discussions. I believe, in short, that the world would have been worse off if there had been no Economic Summits."

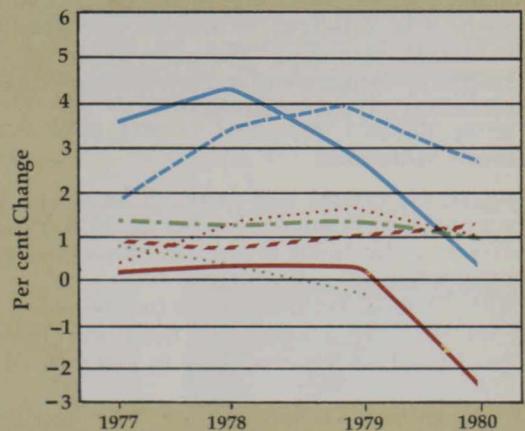
How Times Have Changed



Consumer Prices



Real GNP (volume)



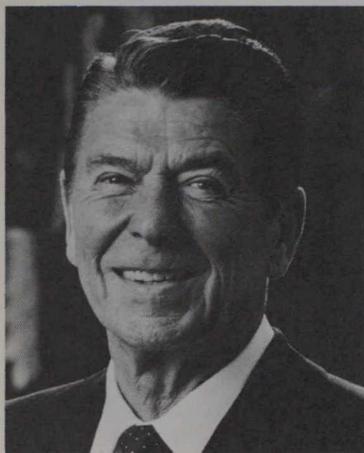
Employment

Legend

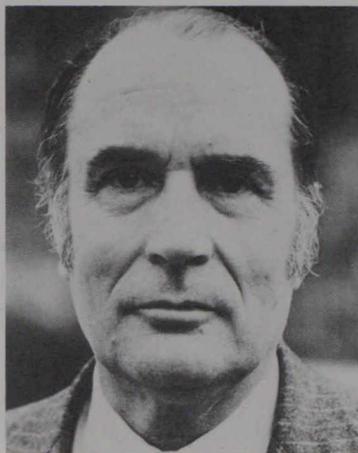
- Canada
- United States
- - - Japan
- France
- United Kingdom
- - - Italy
- Fed. Rep. of Germany

Data: IMF World Economic Outlook

The Participants



Ronald Reagan



François Mitterrand



Margaret Thatcher

Ronald Reagan

President Ronald Reagan had a long pre-political public career as a sports announcer and actor, but he has been close to the centre of the political stage since he became Governor of California in 1967.

The details of his emergence as leader of the Republican Party and of his successful campaign for the presidency last year are familiar to readers of CANADA TODAY/D'AUJOURD'HUI.

During his first five months in office the President has undertaken a major revision of the United States budget with the intention of cutting inflation while restoring vigorous economic growth. His principal techniques are reduced government spending, tax cuts to encourage industrial investment and accelerated depreciation to encourage capital formation.

François Mitterrand

François Mitterrand was born in Jarnac in the Charente Department on October 26, 1916. He is a lawyer and also holds degrees in humanities and political science.

He entered national politics in 1946 when he ran successfully for deputy from the Nièvre Department. He was reelected in every election but that of 1958.

He served as Minister of War Veterans (1947-1948), Secretary of State for Information (1948-1949), Minister of France Overseas (1950-1951), Minister of State (1952), Minister of the Interior (1954-1955) and Minister of State for Justice (1956-1957).

He became a member of the Democratic and Socialist Resistance Union in 1946 and served as chairman of the Federation of the Democratic and Socialist Left from 1965 to 1968. He was secretary general of the Socialist Party from 1971 to 1981.

On May 10 of this year he was elected President of France.

Mr. Mitterrand stated during the election campaign that his primary objective as President of France would be the reduction of unemployment, which reached the 6 per cent mark last year. He hopes to stimulate the economy by encouraging public and private investment, while holding down inflation through a rigorous monetary policy.

Pierre Trudeau

Pierre Elliott Trudeau appeared quite suddenly upon the Canadian political scene and became Prime Minister in 1968, less than three years after his first election to the House of Commons.

He had studied at the University of Montreal, Harvard, Ecole des Sciences Politiques in Paris and the London School of Economics, and had travelled in Europe, Russia, China, Africa, the Middle East and Latin America.

He was, and would remain, a deeply committed internationalist, and in 1970 he was already emphasizing the need to do something about the plight of the poorer nations. "We are not so much threatened by fascist or communist ideologies or even nuclear bombs as by the fact that two-thirds of the world goes to bed hungry every night." His Liberal Party won by a narrow margin in 1972 and by a substantial one in 1974. It lost in 1979 but won again less than a year later.

Margaret Thatcher

Margaret Hilda Thatcher became Prime Minister of Great Britain in the spring of 1979 when her Conservative Party substantially defeated the Labour Party.

She campaigned on a platform of less taxation, more law and order, restraints on union power, and less government involvement in business and everyday life.

Although trained as a research chemist at Oxford, she was called to the bar in 1953 and became a successful tax lawyer. At age twenty-four she ran for Parliament and lost, but she ran again and was elected in 1959.

She grew up in Grantham, a hundred miles north of London, the daughter of a grocer who was a Methodist lay preacher.

Helmut Schmidt

Helmut Schmidt has been professionally equipped to analyze economic conundrums since his youth. In 1949 he graduated from the University of Hamburg with an economics degree and became an economic adviser in the City of Hamburg government.

By 1953 he was the head of Hamburg's Department of Economics and Transport, and in the same year he was elected to the German Bundestag.

He has been active in Social Democratic Party politics since college and in 1968 was elected the Party's Deputy Chairman. He served successively as Minister of Defence, of Economics and Finance, and of Finance. He was elected Chancellor in 1974 and reelected in 1976 and 1980.

Zenko Suzuki

Zenko Suzuki was born on January 11, 1911, in the small fishing port of Yamada, on the Sanriku coast facing the Pacific Ocean. For generations, the Suzuki family had been *amimoto*, owners of fishing boats.

After finishing his studies at the Imperial Fisheries Institute (now Tokyo's University of Fisheries), in March 1935, Mr. Suzuki went to work for the Greater Japan Fishery Association, spearheading efforts to organize fisheries cooperatives in various parts of the country.

After World War II Mr. Suzuki was elected chairman of the labour union of the Central Fisheries Federation. He joined the Japan Socialist Party and in April 1947 ran successfully in the second postwar general election for the House of Representatives.

He was named Minister of Posts and Telecommunications in the first Ikeda Cabinet in 1960. In 1964 he was appointed Chief Cabinet Secretary, making him the Cabinet's chief spokesman and coordinator. He also served as Minister of Health and Welfare in the first Sato Cabinet, formed in 1965, and as Minister of Agriculture and Forestry in the first Fukuda Cabinet, formed in 1976.

Prime Minister Suzuki's political philosophy is based on the concept of harmony, a principle of political philosophy revered since ancient times in Japan. He concluded his first policy speech as Prime Minister before the National Diet in 1980 by saying: "From ancient times it has been said that opportunity from Heaven is no match for an impregnable castle, but even an impregnable castle is no match for harmony among people. With the wisdom and judicious adaptability of the Japanese people, I intend to carve out the future of Japan in the spirit of harmony."

Arnaldo Forlani*

Arnaldo Forlani was born December 8, 1925, in Pesaro where he still resides.

He was elected Provincial Secretary of the Christian Democratic Party for the Province of Pesaro at the age of 23.

In the 1958 elections he was elected to the Chamber of Deputies for the constituency of Ancona-Ascoli, Piceno-Macerata-Pesaro. He was reelected in 1963, and in 1968 he was elected Deputy National Secretary of the Christian Democratic Party.

He served as Minister of State Participations and as Minister for United Nations Affairs. He was Minister of Defence in the fourth and fifth Moro governments and was appointed Minister of Foreign Affairs in the Andreotti government.

Last year he served as President of the National Council of the Christian Democratic Party, and on October 18th, as Prime Minister, he formed the present four-party coalition government.

* At press time the Italian Cabinet had resigned, and Mr. Forlani had been asked to form a new Government.



Helmut Schmidt



Zenko Suzuki



Arnaldo Forlani

The European Economic Community

The European Economic Community, one of the great success stories of the recent past, will be represented at the Summit by Gaston Thorn, the European Commission President and Luxembourg's Foreign Minister.

It was recognized at the London Summit in 1977 that the E.E.C. should participate since its members have, by treaty, signed over to community institutions certain aspects of their sovereignty in agricultural, financial and other economic matters. For example, the Commission often negotiates trade agreements with third countries on behalf of the Community.

The original members of the Community, which came into being on January 1, 1958—France, Germany, Italy, Belgium, The Netherlands and Luxembourg—were joined by Britain, Ireland and Denmark in 1973. This year Greece began a five-year transition to full membership. The Community is committed to taking in Spain and Portugal as well, but with the agricultural support system now in effect their admission would add enormously to the budget expenditures.

The Community's members are now adjusting to new economic realities. Mr. Thorn made a gloomy report on the economy to the European Parliament in March. He said the continent is "at the centre of a crisis of long duration." Old industries such as steel are in decline, oil prices are high with every prospect of getting higher and there are high levels of unemployment.

The Agenda

The principal focus at the Economic Summit has been on the major economic issues facing both the industrialized market economy nations and the rest of the world.

The final, full agenda for the Ottawa Summit remains flexible, but it is anticipated that it will include discussions on:

—The tensions between fighting inflation and coping with low-or-no-growth scenarios foreseen for most developed countries and rising unemployment in many.

—The recycling of petro dollars and the debt and balance of payment needs of a number of developing countries.

—The international trade situation and the need to avoid destructive protectionism and renew the impetus toward the expansion of world trade.

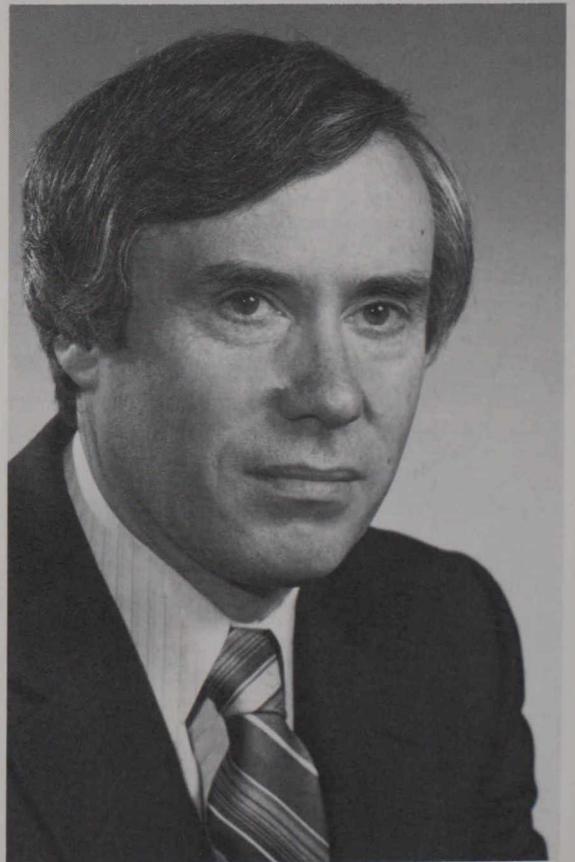
—The energy situation. The oil crisis has given a new urgency to the West's relations with developing and underdeveloped countries.

The traditional economic areas—trade, energy, inflation, growth and unemployment—have concerned the leaders of the industrial nations for years. The annual Summit meetings recognize the high degree of interaction among the Western economies—in trade, money markets and investment. No country can regulate its economy alone, and economic problems must be solved in consultation. There has also been a growing appreciation that *all* nations are interdependent and that, to a great extent, all economic problems are global.

Developing Dialogues

After hosting the Economic Summit in July, Canada will participate in the meetings of the Commonwealth heads of government in Melbourne in September and in the North/South Summit planned for late October in Mexico City.

Canada's Secretary of State for External Affairs, Mark MacGuigan, spoke on interdepen-



Mark MacGuigan

dence at a meeting of the Trilateral Commission in March. Below are excerpts from his remarks.

"Within the past several months, academic, business and government circles in the West have focussed on the relative importance of the two traditional 'themes' central to international relations: North/South and East/West. Yet we have now arrived at the stage where both converge — where for both the West and the South, the issues of Soviet intentions and capabilities are of increasingly serious concern, and where the economic futures of West and South are becoming inextricably linked.

"Indeed, in addressing instability and insecurity in the Third World, the West will have less to offer militarily than in the economic sphere where, despite current problems, there is long-term potential for mutually beneficial relationships. Economic interdependence between our countries and most of the Third World has given to both the West and the South a common stake in resolving global problems. In the long run, this identity of interests is bound to find an institutional expression beyond the limited political channels which now exist."

In the years after World War II the rich nations of the world grew rapidly richer and most of the poor did not.

As the gap grew, the developing countries demanded that something be done. Bilateral and multilateral aid programs took shape in the 1950s, some directed toward basic survival, some toward industrial development.

Much of the momentum came from the poor themselves. The industrialized nations would contribute about .3 per cent of their GNPs in aid while the poor, on the average, would invest 25 per cent of theirs in self-help.

By the mid 1960s it was clear that basic problems were not being solved.

In 1964 the first United Nations Conference on Trade and Development (UNCTAD) focussed on the long-standing problems that hampered the developing nations. In 1968 UNCTAD II negotiated a general system of trade preferences and in the same year the Commission on International Development headed by Lester Pearson, the former Prime Minister of Canada, suggested a goal for aid by industrial nations of .7 per cent of their GNPs.

In the mid-1960s the developing countries (the majority of the UN membership) had formed the Group of 77 (which would grow to 118). Most of them were non-white, former colonies of European empires, with economies based on primitive agricultural systems. The Group demanded a New International Economic Order (NIEO).

The problems of aid and development were complex, however, and each country had particular interests of its own.

The poor were not homogeneous and they were becoming less so. Some, lacking even the

necessities of survival, needed long-term basic aid. Others had the foundations of trade and industrialization. After the formation of the Organization of Petroleum Exporting Countries into a marketing cartel (OPEC) in 1960, there was a third clearly defined group, oil exporting nations, with large and growing trade surpluses and rapidly increasing per-capita incomes.

In 1974 the UN General Assembly adopted the Declaration and Programme of Action on the Establishment of a New International Economic Order, and in the same year the OPEC nations (all members of the Group of 77) sharply raised the price of oil. International economic meetings became commonplace. The Group of 77 met before each UNCTAD session to adopt common priorities, but they found it difficult to agree on specific goals.

Between 1975 and 1977 a full alphabet of North and South nations met in Paris at the Conference on International Economic Cooperation—Algeria, Argentina, Australia, Brazil, Cameroon, Canada, the European Community members, Egypt, France, India, Indonesia, Iran, Iraq, Jamaica, Japan, Mexico, Nigeria, Pakistan, Peru, Saudi Arabia, Spain, Sweden, Switzerland, the United States, Venezuela, Yugoslavia, Zaire and Zambia.

The results of this lengthy conference, co-chaired by Canada and Venezuela, were, to some extent, disappointing. The developing nations wanted greater commitments by the industrial nations for resource transfers. The latter, in turn, had hoped that the OPEC countries would offer guarantees of oil price and supply stability, or at least an opportunity to discuss these issues. However, significant progress was made, and the CIEC was an important step in the evolution of the North/South dialogue.

Since then, there have been numerous international meetings and dramatic changes in the economic climate.

The shock of oil price rises has severely affected the poorest nations. Emile Van Lennep, Secretary General of the Organization for Economic Cooperation and Development (OECD), noted that "each time the world economy begins to grow at the kind of rate needed to absorb unemployment and create conditions for real advances in the developing world, the price of oil shoots up." The industrial nations have been buffeted by the same oil price rises, as well as lower growth rates, higher inflation, increasing unemployment and unprecedented interest rates.

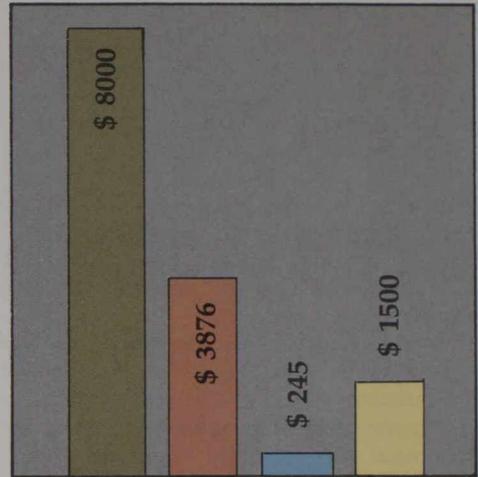
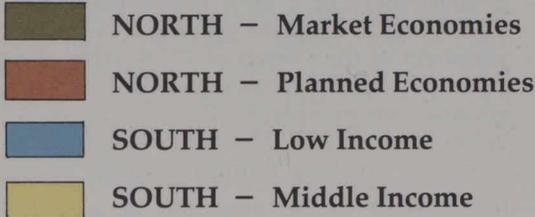
Last year the Independent Commission on International Development, usually called the Brandt Commission after its chairman, former German Chancellor Willy Brandt, emphasized the mutual benefits that would come from expanded North/South cooperation, and called for an aid program of \$8 billion a year in new food aid and a goal of \$50 billion to \$60 billion in development funds by 1986.

North

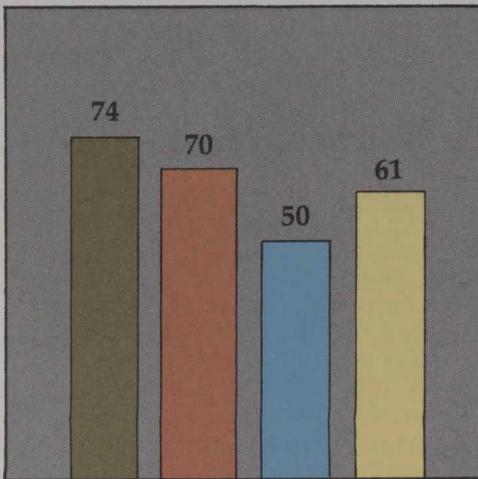
(United States, Canada, Western and Eastern Europe, the Soviet Union, Japan, Australia, New Zealand.)

South

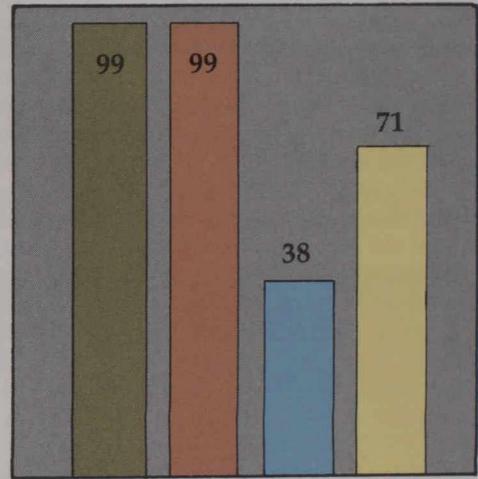
(Latin America and the Caribbean, Africa and the Middle East, South and Southeast Asia, China and the Pacific Rim.)



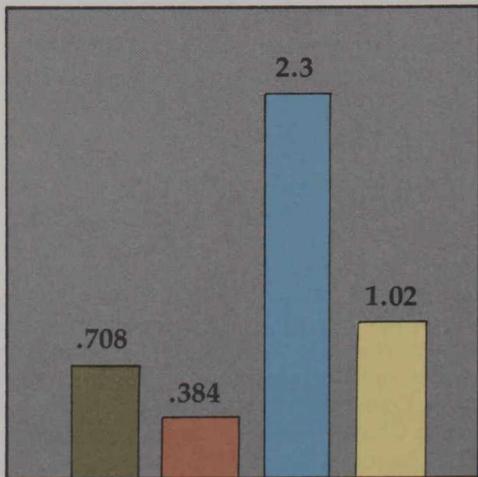
Average Incomes per capita



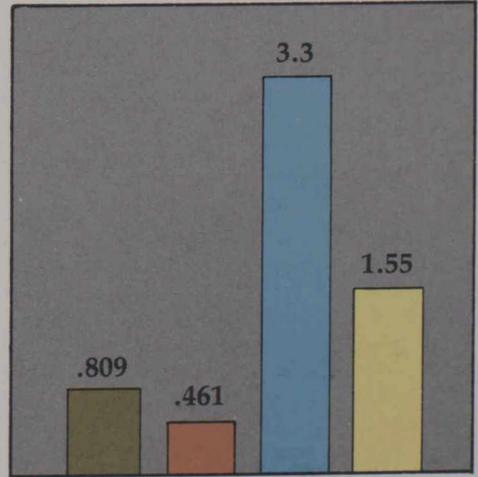
Life Expectancy



Literacy in Percentage



Current Population (Billions)



Projected Population (year 2000)

Data: Parliamentary Task Force on North-South relations

Some Hard Facts About the World Today

North and South are not, of course, precise geographical divisions of the rich and poor. Japan, for example, can be considered in economic terms part of both the "North" and the "West." Neither the "North" nor the "South" is homogeneous. The seven nations meeting in Ottawa in July have market economies, while the Soviet Union and the Eastern bloc have planned economies. Among the countries of the South, the poorest have annual

per-capita incomes below \$360, the middle income ones have incomes considerably above that mark, and some oil exporters such as Saudi Arabia have per-capita incomes that are among the highest in the world. Nevertheless, the essential truth is that the world is still divided between the haves and the have-nots, and most of the first are in the North and most of the rest are not.

Trudeau on the North and South

In the course of his introduction of President Reagan to the Canadian House of Commons on March 11, Prime Minister Trudeau touched on the problems of rich nations and poor.

"As to North and South, Mr. President, we are not dismayed by the complexity of the problems. The poverty of the developing countries does not have to be permanent, nor is it unalloyed. The gap between the two groups is neither racial nor unbridgeable. In the growth of the oil-producing states, in the vigour of the newly industrialized countries, there is convincing testimony to the dynamism and potential of the developing world. In the unity of the 'South'

there is not so much an identity of circumstances but an idea, a point of view, a shared sense of injustice. The poorer peoples are at the mercy of circumstances that leave them out of balance, often out of hope, and too often vulnerable to opportunists who come poaching in troubled waters. The industrialized democracies have not only a human duty but a *strategic* obligation to help developing countries in their struggle, their survival and their success.

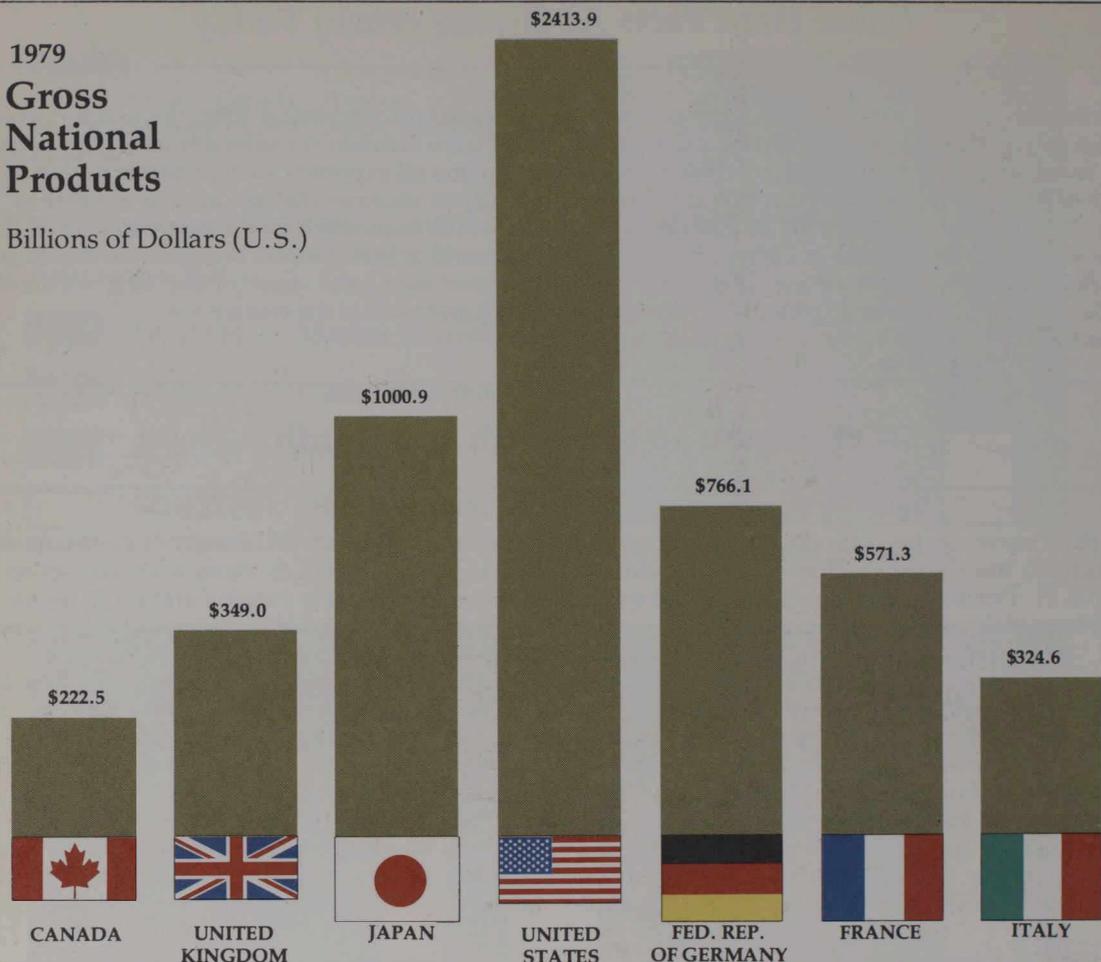
"Mr. President, humanity will prevail. We in the New World can never be pessimists. For we are in a very real sense the custodians of the future."



The map is based on the Peters Projection, developed by Dr. Arno Peters of the University of Bremen, which shows more accurately the proportions of the land surface area than does the more familiar Mercator Projection.

1979
**Gross
 National
 Products**

Billions of Dollars (U.S.)



Source: O.E.C.D. (Average exchange rates for the year were provided by the IMF.)

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 Ambassade du Canada
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