



Statements and Speeches

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NORTH-SOUTH DIALOGUE AND INTERNATIONAL DEVELOPMENT

An Address by the Honourable Allan J. MacEachen, Deputy Prime Minister and Minister of Finance, to the Closing Session of the North-South Round Table Conference of the Society for International Development, Ottawa, November 16, 1980

...Development co-operation and the North-South dialogue, with all their complexities and apparent contradictions, have all too often been relegated to specialists and bureaucrats. That this should be so seems regrettable when we think of this dramatic reality: the most basic needs of some 800 million people — for food, for shelter, for firewood, for water, for health care — are not being met; two-thirds of the people of this planet are falling behind not only in terms of their well-being but of their ability to fulfil their potential and that this environment is bound to influence the future of the more fortunate nations.

While our publics are not blind to this situation, they have trouble seeing how the North-South dialogue and the international development effort are doing much to improve it. These are subjects upon which greater political debate, based on a clear statement of the issues involved, is essential if we are to achieve the public support needed for long-term progress.

One of the most welcome efforts in public "consciousness-raising" has been the Brandt Commission Report. Here in Canada that Report has provided an essential focus to the work of our Parliamentary Task Force on North-South Relations. This Task Force, which has provided a public forum for hearing testimony on all aspects of relations between developed and developing countries, will publish its conclusions next month. I look forward to the public debate of its findings and recommendations. I am particularly concerned that the valuable effort of this dedicated group be sustained by the Parliament of Canada in a continuing way. Our own North-South Institute has made a significant contribution to public awareness of international development issues, including the North-South dimension of sectoral and general economic policies.

My strongest impressions of the North-South dialogue were formed during the 27-country Conference on International Economic Co-operation (CIEC) which met in Paris from December 1975 to June 1977. One of the co-chairmen of this Conference was Dr. Perez-Guerreiro of Venezuela and I was the other.

The CIEC experience taught me what a broad range of issues comprise the North-South dialogue, how complex they are, and how slow can be their resolution. The experience also brought home to me very strikingly the great diversity in the state of economic development and in the preoccupations and interests of the developing countries, and, I might add, of the developed countries as well. Often I felt that the co-chairing countries, Canada for the industrialized group and Venezuela for the developing countries, had as much or more in common in political outlook and

Importance of
Brandt Report

economic interests as they had with some of the members of the groups they represented.

Such a reaction was perhaps to be expected, as it was my view at the start that one of the chief objectives of conducting the dialogue in that particular format was to reach a clearer understanding of the international economic situation, of the commonality of interests and interdependence of North and South, of the obstacles to development, and of the concrete possibilities for change.

**Assessment of
CIEC**

Of course, the Conference's purpose was not simply to achieve better understanding but also to try to bring about progress in the range of issues then under negotiation between developed and developing countries. I will not go into the balance sheet of gains and disappointments recorded by both sides. I would, however, like to quote from the assessment I gave to the House of Commons following the completion of the Conference:

"One cannot easily evaluate a conference such as the Conference on International Economic Co-operation in terms of success or failure. I personally have never expected unqualified success, nor could the developing countries admit to unqualified success even if it were achieved, if only to preserve their positions for future negotiations. I have always hoped for that measure of success which is defined by real progress on the main substantive issues at play, sufficient progress on international economic problems to make it worthwhile to continue to pursue a constructive dialogue between developed and developing countries."

That is what I said three years ago and I still believe that the CIEC achieved much that was concrete, for instance restraint during that period in international oil prices, additional aid and debt relief for the poorest countries and in launching the negotiations for the Common Fund aimed at commodity stabilization, and it is regrettable so much has been lost since, as a result of the failure to build upon the momentum and understanding achieved. Three years after the conclusion of the CIEC, agreement has been reached on a treaty establishing this new institution. I expect that Canada will be in a position to sign this agreement very soon. That Conference kept the dialogue going and helped define the agenda for future discussions.

I have given you my impressions of the CIEC because I think they illustrate well the *problem of differing perceptions and differing expectations concerning the North-South dialogue*. My perceptions differ sharply from assessments which have become fashionable and almost unthinkingly automatic.

However, even more important than the characterization of the results of any particular North-South meeting, is the North-South process itself. Is it a somewhat academic discussion of esoteric issues — or, as an international cynic once put it, "coming down from the clouds on a string of words" — is it a unilateral process of request by the poor and concession by the rich? Whatever interpretation may be made of the past, the rise of the South not only in numbers but in terms of power, influence, knowledge and responsibility is shaping the process into a bold attempt to achieve a new kind of partnership between North and South in the management of

growing interdependence. Because the challenge is so great, the diversity of interests so complex and the quantum of problems that can be resolved limited at any given time, we are bound to experience some frustrations and disappointments. But let us make no mistake, the process of North-South, the means through which it will progress and its ultimate objectives, will have a profound bearing on world economic management in the years to come. It is important to understand this as we work to launch the Global Negotiations and begin to implement the international development strategy. We shall have to define the relationship between the Global Negotiations and the institutions which have served us in the management of the world economy in a way that will enhance our collective ability to further the legitimate interests of both North and South.

Shape of
dialogue and
financial
aspects

It is a dilemma which leads me to pose the following questions about the emerging shape of the North-South dialogue:

Will the dialogue be conducted in such a way as to provide positive encouragement for greater effort and innovation on the part of governments and of specialized agencies? Or will the process turn off governments and publics in our country as well?

Can North-South discussions give credit for what is achieved piecemeal and gradually, nationally and in multilateral institutions, while still providing pressure – and guidance – for more fundamental change?

Will the discussions make it easier or more difficult to achieve more rapid economic growth and a slowing of inflation which will be of benefit to all our countries? Or will they lead to actions which will turn negotiations on international economic issues into "zero sum games", in which the gains of one group become the losses of another.

Perhaps a number of examples which are of particular interest to me will help explain how concerned I am that the new phase of the dialogue should have a positive effect. The examples are, first, the use of targets for Official Development Assistance (ODA), secondly, the role and evolution of the International Monetary Fund and the international monetary system, and thirdly, the ways in which bilateral donors and international financial institutions can help the developing countries deal with structural problems, particularly in the energy field.

First, the use of targets for development finance. This was one of the key issues at the recent UN Special Session in New York. Many developed countries committed themselves to making more rapid progress towards the longstanding ODA target of 0.7 per cent of gross national product. Canada, for its part, announced that it was reversing the trend of recent years in which its ODA was declining as a per cent of GNP. We committed ourselves to having our ODA level reach 0.5 per cent of GNP by 1985 and to use our best efforts to reach 0.7 per cent by the end of the decade. Increasing our development assistance has been a matter high on the government's agenda since it took office in March. Certainly it has been on my agenda since I became Minister of Finance; I then felt I had a chance to do something about it. However, it is fair to say that the prospect of the Special Session in September concentrated our minds wonderfully on this question. This was an obvious example of the dialogue working

in a constructive and positive way.

The question now is how to keep sight of the IDS commitments in a way which will facilitate their full implementation by those who have accepted them and their adoption by those who have not. Naturally, to be effective, this monitoring exercise will have to be conducted with some sensitivity and delicacy. It must recognize that, from time to time, political uncertainties and economic problems will complicate the effort to press on with steady increases in the volume of aid. It must take into account not just the volume of assistance but its quality and the extent to which it is effectively and properly directed particularly to the poorest people. It must take into account efforts and developments going beyond official development assistance, for example in the area of trade and private banking and investment flows. It must not, in addition, concentrate solely on the performance of the Western industrial countries.

We face what are certain to be enormous needs for concessional development finance in the coming decade. No one would disagree that ODA volumes must be greatly increased from their depressingly low levels. But ODA volume must not become the sole barometer or the chief symbol of a country's commitment to international development. To make it so would be to impair seriously the constructiveness of the dialogue.

Global Negotiations and existing institutions

The relationship between the Global Negotiations and existing institutions, more particularly the IMF, is my second concern. This question is currently one of the most topical and controversial ones in the North-South dialogue. The Group of 77 called for fundamental structural changes in the international economic system, including its financial and monetary dimensions. Spokesmen for the North have for their part stressed the need to maintain the integrity of the IMF, which is the guardian of the international monetary system. This situation has been characterized as a conflict between a call for structural change and a call for integrity and immunity to change, or alternatively, as an attempt to subordinate the IMF to decision-making in a superior global body. Fortunately, as I understand the developments in New York, these descriptions no longer reflect the current state of North-South discussions. These have tended to recognize the desirability of some change and the complementary nature of the contributions to be made by the global and specialized fora in full respect for the latter's competence and functions.

As Governor for Canada of the IMF and currently chairman of the Group of Ten industrialized countries, I have witnessed the institution as an operating mechanism and as a policy forum. I seek to evaluate the Fund in terms of the amount of resources the Fund provides, its borrowing policies, its exchange rate rules, the terms and conditions attached to its assistance, the role of the developing countries in its decision-making structures, and its over-all responsiveness and technical competence. The Fund is almost unrecognizable from as little as ten years ago, when the Bretton Woods exchange-rate system was still in place. Yet these results have been achieved on a step-by-step basis as the world economic situation has evolved.

My experience also suggests that it would be a mistake to think of the IMF as a monolithic institution. This institution has its own built-in North-South dialogue, as

is evidenced by Amir Jamal's important speech at the annual meeting of the Fund and the World Bank. It is, in effect, a well-informed, although specialized forum for policy discussion and action. What seems to me most important is that we bring to these discussions a sense of urgency and frame of mind that is open, objective and cognizant of our real needs.

We should also ensure that the Fund maintains its capacity to adapt to a rapidly-changing world economic situation in order to meet the needs of all of its members and serve the best interests of the world economy.

Our concerns over the reform of the structure of the international monetary system and its decision-making process must be inspired by our ultimate goal which is that this system function effectively. This is necessary for the expansion and balanced growth of the world economy and thus for the well-being of the North and South alike. The existing and prospective payments imbalances present major challenges which will require close international co-operation to overcome them.

Finally, I would like to mention briefly the roles of both bilateral donors and international financial institutions in helping developing countries deal with their financial and structural problems, particularly those related to energy.

Energy devel-
opment aid

The energy question is as of vital interest and concern to Canada as to other countries. We have a great energy potential. We have also been vulnerable to the economic problems which have accompanied the world oil crisis. This gives us a strong incentive to develop further our own resources and to participate in international efforts to solve the world's oil problem. The oil-importing developing countries, as you discussed during your Round Table, have been particularly hard-hit by recent developments, and yet many of them have a large energy potential, including a potential for oil production. They need financial and technical assistance to develop these resources more rapidly.

Because of this sense of interdependence in the face of the world energy problem, the government's National Energy Program, which I tabled with my recent budget, contained an important initiative to help oil-importing developing countries. A new firm, Petro-Canada International, will be created to explore for oil solely in developing areas, where multinational oil companies are often reluctant to invest. Preliminary discussions have already taken place with the state oil companies of Mexico and Venezuela, in connection with a major joint effort to assist petroleum development in Latin America and the Caribbean. Some \$250 million has been allocated to this program. The program will reflect our development assistance objectives. It will be aimed at finding oil in countries which now must import it.

But what we and others can do bilaterally is dwarfed by the extent of the developing countries' need to adjust to the new energy situation. We believe an ambitious multi-lateral vehicle must be developed to deliver more assistance for them. We see promise in the proposal to create an "energy affiliate" of the World Bank. To operate on the scale required, it would need to employ innovative financing techniques, but it would also require very large support from both old and new donors. It offers the possibility

**Multilateral
approach
only
solution**

of helping with the surplus oil revenue "recycling" problem at the same time that it would tackle the basic energy supply question. A great number of technical questions must be addressed and an even greater measure of political will must be mobilized. The Government of Canada intends to do what it can in the coming months, in all the different manifestations of the dialogue, to promote the idea of greater multilateral efforts to deal with the energy situation of developing countries.

It is apparent to me that the energy problem and many of the other issues we have touched on this weekend are only amenable to solution by multilateral approaches, and ultimately through multilateral institutions with equitable sharing of power, responsibilities and statesmanship. I have been particularly impressed with the ability of the World Bank and the regional development banks to design and support integrated global and regional approaches to many of the concrete development problems faced by developing countries.

I expect that in the 1980s we will look to the international financial institutions to play an even greater leadership role. They are likely to grow at a much faster rate than the growth of government budgets earmarked for development assistance and the national economies of donor countries. Imaginative approaches are required to increase their borrowing on international capital markets relative to the size of the capital and other contributions subscribed by their members. This will be particularly important if there continues to be a reluctance or an inability on the part of some of their chief contributors to commit resources to them on the scale required.

Canada intends to do its utmost to maintain its support for these multilateral institutions. I am announcing today, for instance, that the government will be asking Parliament to approve a payment of \$165 million to the World Bank's soft-loan affiliate, IDA. The payment will be made by the end of 1980 as part of the "bridging" mechanism to keep IDA in operation, pending contributions from all major donors. Beyond our own efforts, we intend to do what we can in discussions with developed and developing countries to promote the development of new sources and mechanisms of multilateral assistance where these are needed to deal with truly global problems.

A final word on the North-South dialogue as it now presents itself. It seems to me that the Global Negotiations are essential for setting longer run goals and helping us work out general orientations for policy. Sensitively handled, they will have a positive influence on public opinion and political will. The Brandt Commission Report shows us that the scale of our problems demands a leadership approach. The very complexity and great urgency of the problems also demands that we go on dealing as best we can with issues as they arise, domestically and in the specialized institutions. A "bottom-up" or incremental approach is just as necessary as ever. The challenge for the North-South dialogue in the years ahead will be to find some fruitful accommodation between these two organizing principles, the structural and the gradualist.