HOUSE OF COMMONS
CANADA

PARLIAMENTARY TASK FORCE ON NORTH-SOUTH RELATIONS

INTERIM REPORT TO PARLIAMENT ON THE RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

FIRST SESSION, THIRTY-SECOND PARLIAMENT, 1980.

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Preface

The Special Committee to act as a Parliamentary Task Force on North-South Relations has the honour to present its First Report.

In accordance with its Order of Reference of Friday, May 23, 1980, the Task Force has begun its examination of relationships between developed and developing countries in the areas of:

—food, including production and distribution, food security and food aid;

—energy, including international cooperation to increase energy production, diversification of energy sources, energy assistance to the non-petroleum producing countries;

—trade, including export earnings of developing countries, protectionism, market access, adjustment and employment;

—payment balances, including recycling and deficit financing;

—development issues, including official development assistance and assistance to the most poor

and other such matters that are being negotiated in several international fora and to recommend practical and concrete steps that Canada can take to contribute to the success of these negotiations.

The Task Force has had several informal meetings including discussion with the Honourable Mark MacGuigan, Secretary of State for External Affairs; and has begun its series of public hearings by receiving the views of the following witnesses:

From the Canadian International Development Agency (CIDA):

Mr. John Wood, Acting Director, Development Policy Division, Policy Branch;

Mr. Hunter McGill, Program Development and Policy Analyst, Food Aid Coordination and Evaluation Centre, Multilateral Branch;

Mr. Bryan Dare, International Finance Adviser, Policy Branch.

From the Department of Industry, Trade and Commerce:

Mr. Geoff Elliot, Acting General Director, Office of General Relations;

Miss K.E. McCallion, Officer;

Mrs. Helen MacNicol, Asia/Pacific Division, Office of Overseas Projects.

From the Department of Finance:

Mr. Blake Mackenzie, Officer, International Finance Division;

Mr. Brian Hunter, Officer, International Programs Division;

Mr. David Hilton, Director, International Programs Division.

From the Canadian Labour Congress:

Mr. John Harker, Director, International Affairs;

Mr. Kevin Collins, Senior Economist, Research and Legislation Department.

From the Canadian Council on International Cooperation:

Mr. T. Kines, President and National Director, CARE Canada;

Mr. T. Brodhead, Senior Vice-President and Executive Director, Inter-Pares;

Mr. Richard Harmston, Executive Director;

Mr. Ian Smillie, Executive Director, Canadian University Services Overseas (CUSO);

Mr. Lawrence Cumming, National Secretary, Oxfam Canada;

Mr. R. Dyck, National Director, Overseas Book Centre;

Mr. John Tackaberry, Government Relations Officer.

From the North-South Institute:

Mr. Bernard Wood, Director.

Interim Report

Ten years ago, a commission of distinguished world leaders headed by Lester B. Pearson, former Prime Minister of Canada and winner of the Nobel Peace Prize, warned that the widening gap between the developed and developing countries had become the central issue of our time. Their report, *Partners in Development*, launched the Second Development Decade. It called for a more coordinated international approach to stimulate aid and development policies.

At the start of the Third Development Decade another high-level international commission led by Willy Brandt, former Chancellor of the Federal Republic of Germany and also a Nobel Peace laureate, has published a report on international development. This time the issue has been put in starker terms: reshaping world-wide North-South relations is crucial to the future of mankind. The report, *North-South: A Programme for Survival*, is aimed at stimulating the world economy in the 1980's and 1990's in the interest of all the world's people.

The contrast between the Pearson and Brandt reports reflects ten momentous years in global relations, for the 1970's revealed the magnitude—and the contradictions—of the new challenges. We now face both grave dangers and unprecedented opportunities.

Both Pearson and Brandt have insisted that one major requirement of achieving peace is the overcoming of world hunger, mass misery and the vast disparities between the living conditions of rich and poor. Both have offered hope that the world, amid its griefs and anxieties, can reach a more balanced and stable development. But the decade between the reports has seen an alarming intensification of the problem. The addition of two billion people to the world's population in the next two decades will cause much greater strains on the world's resources. The industrial capacity of the North is underused, causing high unemployment, while the South is in urgent need of goods that the North could produce. Rapid inflation, erratic exchange rates and unpredictable interventions by governments are seriously disrupting international trade and investment. Moreover, we are baffled by the

fact that the world spends far less on development than the $450 billion currently spent on armaments; we will give this matter further consideration.

Closing the rich-poor gap is no longer just a matter of striving for social justice, though that goal is still paramount. It is also important to the continued economic development of the industrialized countries. North and South have more interests in common than is generally recognized: energy, commodities and trade, food and agriculture, monetary solutions and inflation control, technological innovations, ground and space communications. "We are increasingly confronted", says Brandt, "whether we like it or not, with more and more problems which affect mankind as a whole, so that solutions to these problems are inevitably internationalized".

This call for international action is also found in the recent report of the Commonwealth Group of Experts, *The World Economic Crisis: A Commonwealth Perspective*, which concluded:

> We are convinced that many of the problems of the international economy cannot be solved by nations acting on their own or in small groups. The present tendency of the world's leading nations to seek solutions individually, with too little reference to the global dimension, is a cause of serious concern. The interdependence of the world economy is now so strong that there would be a good case for collective action even in times of prosperity and growth; in the crisis situation now prevailing the case for joint action is compelling.

The Urgency of the Present Situation

The Task Force begins its work during the most serious world economic crisis since the Second World War. While long term development policies are essential, the current situation also demands urgent action. It was for this reason, and because Canada will be engaged in negotiations for an International Development Strategy for the 1980's at a Special Session of the United Nations General Assembly in August, that the Task Force decided to present this interim report.

So far as the industrialized countries are concerned the current situation, unprecedented in our lifetime, features a combination of high inflation, high unemployment, high interest rates, low growth and a constant increase in the real price of basic raw materials, in particular oil. According to the International Monetary Fund, the combined deficit on current account of the western industrialized nations is expected to increase from $30 billion in 1979 to about $75 billion in 1980. If this situation is met, particularly in Germany and Japan, with a contraction of economic activity, further deterioration in the world economy will be difficult to avoid.

When we turn to the South, to many of the developing countries, we see the danger not only of recession but of economic catastrophe which may wipe out the accomplishments and plans of a decade. Estimates of the current account for the group of *net* oil-importing developing countries have been made by the IMF and show an increase in their deficit from $29 billion in 1978 to $46 billion in 1979 and a forecast of $62 billion for 1980. This comes on top of adjustments which most of the developing countries have had to make since 1973 through a sharp compression in imports, a fall in growth rates and a substantial cut-back in development expenditures.

The human meaning of these statistics is what the Task Force wishes to put before the Canadian people. While developing countries will, in a financial sense, survive this crisis in one way or another, many of their poorest people may not. Even in normal times many of the people in developing countries survive only precariously. A relatively small decline in their economic position can push them into starvation. According to the Commonwealth Experts Group Report:

> There is, in fact, evidence that much starvation, and even many of the major famines in this century, have taken place in good food availability situations and hunger has been caused not by a fall in food supply, but by a sharp decline in the so-called 'economic entitlements' of substantial sections of the population.

Put in the simplest terms, people often starve for no other immediate reason than that they cannot afford to buy food. This situation is unfolding in several parts of the world. The World Food Council now lists 26 countries, 17 in Africa, which face abnormal food shortages. It is estimated that in East and Southern Africa half of the children under 7 and half of the women between 15 and 40 face the imminent prospect of severe hunger. The ability of these people and their governments to meet this threat is severely impaired by their general economic problems.

It was in anticipation of precisely such events that the Brandt Commission recommended a *Five Year Emergency Program 1980-85* containing the following essential elements:

1. *Resource Transfers*

A total of an extra $4 billion from donor countries directed to the poorest countries and regions most seriously threatened by the current economic crisis, and provision for financing the debts and deficits of middle-income countries.

2. *Energy*

An international energy strategy to ensure more secure supplies, more vigorous conservation, more predictable changes of prices, and to foster the development of alternative sources of energy.

3. *Food*

A broad programme of food production and agricultural development to overcome food deficits in poor countries and to ease inflationary pressures in the world food market.

4. *Reforms*

An immediate start on broadening the base of international financial institutions. In the industrialized countries, greater access to the processed primary products from developing countries and serious steps to stabilize commodity prices. In developing countries, expanded food production, decreased inequalities, increased internal cooperation, efficient and equitable use of transferred financial resources, and the encouragement of a positive international investment climate.

While stressing that such a program is in no way a substitute for or inconsistent with longer term goals, the Brandt Commission concluded that it is essential that it be undertaken if the world economy and development plans are to survive the threatening crisis of the years immediately ahead. For those inclined to view such warnings as exaggerations, the Task Force notes the words on July 10 of Canada's Deputy Prime Minister and Minister of Finance, the Honourable Allan MacEachen:

> The balance of payments deficits which the oil-importing Third World Countries now face threatens not only the stability of international financial mechanisms but the stability of the world itself.

Faced with such facts, the industrialized countries must respond with a sense of urgency and a determination to offer solutions, not merely reactions to the needs of the developing countries. If we fail, we will share a heavy responsibility for massive and immediate human suffering. We will at the same time have missed the essential meaning of this crisis and of those which have preceded it, namely that we cannot secure our own interests without at the same time promoting the interests of the developing countries.

Any solution to North-South problems must obviously involve and have the support of the oil-exporting countries; and the recycling of their huge revenues must be accomplished in such a way not only to guarantee their interests but also to encourage a resumption of

economic growth in the industrialized countries and meet the needs of developing countries. In addition, changes in the financial mechanisms and procedures of the World Bank and the International Monetary Fund form an essential part of such a solution.

While specific proposals along these lines may not result from the forthcoming Special Session on Development of the United Nations, the Task Force is convinced that the sense of urgency and the attitudes displayed there may influence decisively the possibility of progress in more restricted forums such as the North-South Summit of the type proposed by the Brandt Commission and next year's Summit of the seven major industrialized countries to be held in Canada. If the impression is created that Summits are sought as a way of avoiding or minimizing the concerns of developing countries—of, in effect, striking a deal between OPEC and the North—then the process will be seriously questioned and success will be less likely.

Canada has a special role to play in the months ahead as one of the few developed countries which can help to bridge differences between North and South. We call upon the Canadian government to commit itself to an active and positive role, seeking common interests with other like-minded countries and offering proposals which will help resolve, not merely continue, the debate. The Task Force supports the Brandt Commission's call for a North-South Summit in order to give political impetus at the highest level to global economic negotiations. We also call on the Economic Summit of leaders of the seven industrialized countries, to be held in Canada next year, to give North-South issues primary importance in their discussions.

Official development assistance has been one important indication of our willingness to share our wealth with countries and people far poorer than ourselves. In the mid 1970s Canadian ODA reached a high-point of .56 per cent of GNP. Today we are below the .45 per cent level and are faced with the prospect of further slippage. This has occurred despite declared Government policy to achieve the official United Nations target of 0.7 per cent of GNP and to move towards this target by annual increases in the proportion of Official Development Assistance to GNP.

There are various reasons for this situation, including the tight fiscal position of the federal government. We do not minimize the seriousness of some of those reasons and we understand the difficult task of reconciling the many competing demands of Canadians on the resources of Government, but there are compelling arguments for

keeping our commitments. Canada has a long tradition of dedication to development cooperation and we have built up a good reputation in developing countries. If we do not live up to our many pledges to move towards the 0.7 per cent target, we will seriously weaken our dedication and damage our reputation. Is this the wish of Canadians? We think not and therefore strongly recommend that the Government take immediate steps to prevent any further decline in the share of our GNP which goes to ODA and begin once more to move towards the 0.7 per cent target. We offer this recommendation without in any way implying that aid is the most important element in Canada's relations with developing countries or that it is only aid volume and not quality that matters. The Task Force, for its part, will set as one of its essential jobs the recommendation of a responsible and realistic date for the achievement of the 0.7 per cent target.

The Task Before Us

The first thing that must strike anyone reading our Order of Reference is its immensity and complexity. Any one of the issues taken separately could occupy a parliamentary committee for years to come. The first thing that strikes the members of the Task Force is that we do not have years to come. But the deadline reinforces the determination of all members of the Task Force to approach our work in a concrete and practical way and to achieve tangible results. There is already a surfeit of rhetoric about the moral imperatives of world development. The Task Force should try to keep ideological baggage to a minimum and focus on very particular, practical action which it thinks the Canadian Government can and should be undertaking, and which in turn it believes the Canadian people can be persuaded to support. Such an approach is, in our view, more helpful than reams of beautiful prose that will gather dust.

While the Task Force has been at work for only six weeks we have already met with representatives of a wide range of concerns in this country—government officials, labour, business and non-governmental organizations. These meetings have been enormously useful in formulating two conclusions of our interim report.

First, public understanding and support is both lacking in this country and essential to any real progress. Unquestionably most Canadians are unaware of the importance of North-South issues and of how they bear on their day to day concerns such as energy, food and jobs. If Canadians have not cared to know about these things, perhaps it is because they have been given so few convincing reasons why they

should know. Perhaps they have been encouraged to believe that our problems, and possibilities, begin and end at our borders. The Task Force has no more important job before it than to demonstrate in concrete and practical ways that our interests as people are bound up in the 1980s with the well-being of the developing countries, and that this is so whether one speaks of our children's security, economic prosperity or plain moral obligations.

We call upon Canadians to engage in study, discussion and debate of these issues for, as Mr. Brandt says:

> The shaping of our common future is much too important to be left to governments and experts alone. Therefore, our appeal goes to youth, to women's and labour movements; to political, intellectual and religious leaders; to scientists and educators; to technicians and managers; to members of the rural and business communities. May they all try to unerstand and to conduct their affairs in the light of this new challenge.

Second, we are convinced of the futility of approaching these issues and public education in a negative way by stressing fears and threats. Hope does not spring eternal; it requires evidence of accomplishment and learning. Notwithstanding the immensity of the task which remains, the development effort of the past ten years has produced both lessons and remarkable results whether one speaks of increased food production, increased literacy or a slowing of world population growth. We have a body of knowledge to help us plan for the stability and security of our planet in the next decade.

The importance of focussing on the positive aspects of development also applies to a major issue Canada faces—the adjustment of our economy to the essential industrialization of developing countries. As the Brandt Commission makes clear, this challenge has been far less significant to date than the pressures of technological change originating in other industrialized countries. But leaving that aside we must, as officials of the Canadian Labour Congress pointed out, beware of a policy of identifying losers, of backing into our economic future one failure at a time. Adjustments, major adjustments, are called for but these must spring from a clear determination in Canada to strengthen and guarantee our own economic future. We are convinced that such an approach, and only such an approach, will establish the long range mutuality of interests between Canada and developing countries.

Summary of Recommendations

The Parliamentary Task Force on North-South Relations offers the following recommendations in its interim report:

1. **That, in the current global negotiations, Canada play an active and positive leadership role by seeking agreement with other like-minded countries and advancing proposals that will promote solutions.**

2. **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.**

3. **That the Government support the principle that the recycling of the revenues of oil exporting countries be accomplished in such a way as to guarantee the interests of the oil exporters, encourage a resumption of economic growth in the industrialized countries and meet the needs of developing countries.**

4. **That, as a clear signal of Canada's commitment to development cooperation, the Government take immediate steps to prevent any further decline in the proportion of ODA to GNP and begin moving once more toward the 0.7 per cent target.**

5. **That Canadian parliamentarians, governments and leaders in all walks of life play an active role in promoting public awareness and discussion in Canada of North-South issues.**

6. **That, in promoting public awareness of these issues, emphasis be given to positive and mutually beneficial aspects of North-South relations and that this be the basis of our approach to such issues as economic adjustment to the industrialization of developing countries.**

Summary

of Recommendations

The Parliamentary Task Force on North-South Relations makes the following recommendations in its interim report:

1. That in the forthcoming global negotiations, Canada play an active and positive leadership role by seeking agreement with other like-minded countries and advancing proposals that will promote solutions.

2. 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.

3. That the Government support the principle that the recycling of the revenues of oil exporting countries be accomplished in such a way as to guarantee the investment of these oil revenues, encourage a redeployment of some oil revenues in the industrialized countries and meet the needs of developing countries.

4. That, as a clear signal of Canada's commitment to development cooperation, the Government take immediate steps to prevent any further decline in the proportion of ODA to GNP and begin moving once more toward the 0.7 per cent target.

5. That Canadian parliamentarians, governments and leaders in all walks of life play an active role in promoting public awareness and discussion in Canada of North-South issues.

6. That, in promoting public awareness of these issues, emphasis be given to positive and mutually beneficial aspects of North-South relations and that this be the basis of our approach to such issues as economic adjustment to the industrialization of developing countries.