



Statements and Speeches

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NEW DIMENSIONS IN NORTH-SOUTH RELATIONS: A CANADIAN PERSPECTIVE

An Address by the Honourable Mark MacGuigan, Secretary of State for External Affairs, to the Royal Institute of International Affairs, London, England, July 7, 1980.

William James once referred to the "great, blooming, buzzing confusion" of the perceptual world confronting a new-born child. We are none of us infants any longer, but I personally sometimes feel a little dizzy faced with the "great, blooming, buzzing confusion" of the world of North-South relations. It is a world in which the easy labels of North and South hide as much as they reveal, a world in which we must pick our way very carefully through the rhetoric, the maze of issues, and a profusion of meetings, groups and organizations. Confronted with this complex environment, perceptions of even well-informed observers can differ markedly.

Despite this complexity and the inevitable diversity of impressions, I hope we can agree on the fundamental importance and urgency of North-South issues. Interdependence between North and South has always been evident to developing countries, at least to the extent that they feel very directly the consequences of conditions in and decisions by the developed countries. In the past ten years, this awareness of interdependence has become more acute in the developed countries as well. It has been clearest in relation to energy, but it is also very evident in international monetary and trade issues. What is more, I think there is a general recognition that the developed market economies have an increasing strategic interest in military and political developments throughout the Third World. The urgency of North-South issues relates especially to the disruptions of the world economy from two major oil shocks. The latest of these has hit the poorest developing countries very hard and poses acute problems for the international financial system in particular.

The next year or so will see intense activity in the North-South dialogue. The United Nations Special Session late next month is likely to approve an International Development Strategy for the 1980s and it will launch the new round of global negotiations that will start in earnest next year. Canada is deeply committed to progress at this round. We believe that the world community should take advantage of these negotiations and of their probable coincidence with three summits in 1981 to try to come to grips with some of the most serious problems.

The first summit is likely to be a so-called mini-summit of the type proposed by the Brandt Commission. It would be a gathering of 20 or 25 heads of government from a representative selection of countries. Canada, which co-chaired the Conference on International Economic Co-operation in the mid-70s, has expressed its support for such a summit. Prime Minister Trudeau and I have been discussing it in both bilateral and multilateral meetings of the past few months. We believe this North-South Summit should supplement and give impetus to the global negotiations.

The second summit will be the annual Economic Summit of the seven industrialized countries which met most recently in Venice. The seven agree that the next summit to be held in Canada, should give particular attention to North-South issues, including aid, food production and energy. As host, Canada will work to promote a fruitful discussion.

The third summit will be the Commonwealth meeting in Melbourne at the end of September 1981. The Commonwealth has developed into a privileged forum for informal and frank discussions between a large group of countries from both the developed and developing world. The Melbourne meeting could well prove especially useful, coming after the two earlier summits and while the global negotiations are under way. Taken together, the global negotiations and these three summits will offer an exceptional opportunity to press for progress on North-South issues in the next 15 months.

I propose today to give you some views from a Canadian perspective about where we have come in North-South relations in general and in the North-South dialogue more particularly. In addition to trying to draw some lessons from the recent history of the dialogue, I shall try to assess the possible impact on North-South relations of three major developments of the past year or so, namely the roughly 150 per cent rise in oil prices, the Soviet invasion of Afghanistan, and the publication of the Brandt Report.

Looking back

The 1970s cannot be easily characterized as a period in which things got better or worse, in terms either of the North-South dialogue itself or of the more objective economic circumstances of the world.

Consider first the economic situation. On the positive side, some Third World countries, notably most oil exporters and the newly-industrializing countries, experienced unprecedented growth over most of the past decade. Even a very large and poor country like India was having real success in dealing with a fundamental problem like food production and in moving to a higher level of growth. Some important aspects of living conditions in developing countries, including health, life expectancy and literacy improved markedly.

Against this, there were two major disappointments. The first was that the poorest developing countries had very low rates of growth, especially in *per capita* terms. These countries were largely shut out of commercial borrowing and thus could not maintain their levels of imports in face of rising prices for oil, food, fertilizer and some manufactured goods. In relative terms, they fell even further behind the so-called low and middle-income countries. The number of "absolute poor" — those deprived of the minimal necessities of decent existence — continued to grow.

The second major disappointment was that the world economy suffered serious disruption and important losses in potential output because of two major oil shocks. It is clear, in retrospect, that the long period of cheap oil could not continue. It would not have been fair to oil producers nor in the longer-term interests of the world economy. That said — and even if we question the precise level of present prices, as we do — we can only regret that the two rounds of oil price rises have come in a way

which imposes unnecessary costs in lost production on the world economy.

There have been no breakthroughs in the North-South dialogue comparable in effect to the major oil price rises. What is more, North-South negotiations have taken place against a background of demands for a new international economic order which is so radical and comprehensive that the accomplishments or successes of the dialogue necessarily appear diminished in comparison. I don't wish to suggest that there has been satisfactory progress in the dialogue. I think it urgent that we achieve much more. But I do think that we risk losing our sense of perspective — and perhaps the optimism needed to maintain the dialogue — if we fail to measure the accomplishments against the fundamental nature of the issues, the relatively short time during which they have been seriously debated, and the difficult economic context.

There have been a number of significant agreements and concrete steps. The Generalized System of Preferences, negotiated at UNCTAD II in 1968 and largely adopted in the early 1970s, has been a major factor in the improved trading position of developing countries. As a result of the Conference on International Co-operation and Development, a \$1-billion Special Action Program was instituted to transfer resources quickly to the poorest developing countries. There has been a series of changes negotiated in the International Monetary Fund (IMF), including special oil facilities and new facilities to aid balance-of-payment adjustment over longer periods and for larger amounts. There was also an agreement to transfer to developing countries a significant share of the proceeds of IMF gold sales. The Integrated Program for Commodities, agreed in principle at UNCTAD IV in 1976, created the framework for the agreement on a common fund, which was finally concluded two weeks ago, and for specific commodity agreements, such as that on rubber reached earlier this year. I was able to announce in Kuala Lumpur last week Canada's decision to sign this agreement. The consensus at the Law of the Sea Conference on the designation of international seabed resources as the common heritage of mankind and on the establishment of an international seabed authority represents an innovative step in international organization and promises significant benefits to the Third World. Most recently, the UNCTAD Conference on Restrictive Business Practices this spring reached the first broad international agreement in this area.

It is possible in looking at these agreements to say "yes, but". Yes, accord was reached on these issues, but it is still sought on many more. Even so, the catalogue of agreements, which could be extended beyond the examples I have mentioned, does not indicate the total blockage in the North-South dialogue which is sometimes charged.

In addition to these instances of concrete agreements, there has been progress which is less tangible but still of real significance in relation to our thinking about and understanding of North-South issues. This frequently arises from studies, particularly by the international financial institutions and the Organization for Economic Co-operation and Development (OECD), of developing countries' problems and of the nature of interdependence between North and South. For example, we now have a much better understanding than we did ten years ago of the effect of North-South trade in aiding growth in developing economies and in reducing inflation in developed

economies; it is now clearer that such trade is a relatively minor cause of the need for restructuring in developed economies. There is very interesting work currently being done on the possibilities and limits of "massive transfers".

At the more political level we have been able to overcome some of the false obstacles to successful dialogue which arose from the different general perspectives of developed and developing countries. We can see this in the broad acceptance that some old and time-consuming disagreements over the concept of interdependence — where the North stressed interdependence between geographic regions and the South stressed interdependence between issues — were really based on false assumptions. I mention an abstract example of this type because the language or the rhetoric of the dialogue can be an important determinant of its course. Perhaps the most telling case was when Mr. Kissinger called, in May 1975, for "an end to the theatrical debate over whether we are seeking a new order or improving the old one...", and accepted the need for the dialogue between oil producers and consumers to include "the general issue of the relationship between developed and developing countries". This declaration on abstract issues marked a significant shift in American policy and had an evident effect on the climate of dialogue.

Progress in defining issues and problems can also be seen in the ability of North and South to pass a large number of resolutions by consensus at virtually all international meetings. The effect of such resolutions is often not direct or immediate, but they serve a useful purpose in clearing intellectual and ideological underbrush and setting directions for debate on more concrete measures.

Of course, the North-South dialogue in its various forms has not proceeded smoothly. There have been areas of relative success and others of relative failure. The general climate has altered from time to time. I think, for example, that the climate in the early to mid-70s was particularly marked by rhetoric and confrontation, that there was a clear improvement before and after the UNCTAD IV Conference in Nairobi in 1976, and that there has been a certain deterioration in the past year or so. In my reading of the factors influencing the chances for success or failure of a conference, I give special importance to the negotiating tactics of the Group of 77, to the extent to which each meeting is focused on a manageable number of issues, and to the determination of all sides to reach an agreement. Because of its importance, I should like to pause on this question of negotiating tactics.

Group of 77's approach to negotiations

The Group of 77, now comprising some 117 countries or two-thirds of the UN's membership, is made up of a collection of countries that are economically, culturally and ideologically very diverse. Because of this diversity — and especially the tensions between oil-importing and oil-exporting countries — some observers have been inclined to view the 77 as artificial and ultimately transitory. Personally, I think we are misleading ourselves if we believe the 77 as a negotiating unit will disappear from the North-South dialogue in the foreseeable future. The developing countries feel strong elements of commonality — arising from their traditional history as the poor countries of the world, whatever their present circumstances — and they believe that their collective unity is a requirement for successful bargaining with the North. What worries me is that, as the tensions within the Group increase, it will have more and

more difficulty reaching common positions on questions of substance and thus be forced into greater emphasis on rhetoric and procedure. It also risks becoming dangerously rigid in the positions it adopts at international meetings.

We can see some of these tendencies in comparing the histories of the recent UNCTAD (United Nations Conference on Trade and Development) and UNIDO (United Nations Industrial Development Organization) conferences. The UNCTAD IV Conference, held in Nairobi in 1976, is usually reckoned to have been a success. It was there that agreement was reached on the principle of an Integrated Commodities Program. The Group of 77 had prepared for that conference by holding its own meeting at Manila where it hammered out a consensus on principles and priorities. But the Group did not lose the flexibility to negotiate realistically at Nairobi: it clearly wanted an agreement on the commodities program and was prepared to make concessions to win it. And the developed countries, for their part, responded by making concessions which went beyond those they had anticipated.

The UNCTAD V Conference, held in Manila last year, had a more mixed record. Again, the Group of 77 had prepared beforehand, this time at Arusha. However, it did not settle on a clear priority, as it had for UNCTAD IV. And it adopted a position on the key question of interdependence which was highly politicized and from which it would not — or could not — budge. It refused to accept any reference to the role of energy in the economic situation of all countries. Even so, the conference did reach agreement on a number of issues, such as a program of assistance for the least developed countries, and on the principles of strengthening the technological capacity of developing countries because the 77 were still prepared to show some flexibility on these items.

The UNIDO III Conference, held early this year in New Delhi, is the starkest example of the dangers which can arise from the 77's adopting the wrong sort of negotiating position. In this case, they had followed an approach agreed at the Havana meeting of the non-aligned. It was confrontational, and it was highly politicized in introducing extraneous political issues and in couching technical issues in political terms. As a consequence, the conference failed to reach agreements which might have been possible on the key issues of substance. While many Third World countries showed a good deal of moderation in debate, the Group of 77 nevertheless maintained such a firm line in the negotiations that the OECD countries reacted by voting as a bloc, something which rarely happens.

It may be that the disappointments of the UNCTAD V and in particular the UNIDO III Conferences will lead the Group of 77 to modify its tactics during the forthcoming global negotiations. The recent UNCTAD agreements on the common fund, multimodal transport, and restrictive business practices are hopeful signs. I hope that these countries will be able to define a relatively finite set of priorities in relation to concrete issues and to display genuine flexibility in the negotiations. While the developed countries must be prepared to respond concretely to positive proposals and to make proposals of their own, the responsibility to make proposals falls particularly heavily on the 77. It is they who tend to take the lead in these conferences. They introduce most resolutions and largely set the tone. It is with this

in mind that I want to assess the likely impact of three major developments of the past year or so: the approximately 150 per cent increase in oil prices; the Soviet invasion of Afghanistan; and the publication of the Brandt Report.

The oil shock

It is important that we grasp the scale of the most recent oil shock. It is estimated that it will mean an income loss by the OECD countries to Organization of Petroleum Exporting Countries (OPEC) of around \$150 billion or 2 per cent of gross national product. What is more, this drain will slow the OECD's economic activity by an estimated \$250 billion below what it would otherwise have been by early 1981, for a total loss in one year of \$400 billion. But it is not just the developed countries that will pay. The price rise will mean an income loss by the oil-importing developing countries of \$30 billion, reduced export earnings of some \$20 billion for them because of lower OECD growth, and other lost economic activity of roughly \$25 billion, for a total loss of \$75 billion by early 1981. We can see something of the relative scale of this shock by looking at its relation to aid. Aid this year is expected to total around \$32 billion, or roughly the same as the direct income loss to developing countries from the oil-price rise. Total oil imports of \$55 billion by the oil-importing developing countries will now far exceed aid of \$32 billion. These numbers demonstrate why we at the Venice Economic Summit stressed that the Western countries are unable to cushion the Third World from the latest oil-price rise and we insisted that OPEC itself will have to act to meet this problem.

This new oil shock is bound to have an effect on the North-South dialogue. For one thing, it makes many of the issues — such as the plight of the poorest and the recycling problems of the international financial system — much more urgent. It has demonstrated graphically the nature of the new interdependence between North and South. It makes it politically more difficult for OECD governments to resist protectionism and maintain aid levels. And it has shown once again the key place energy must have on any agenda of North-South issues.

I do not want to suggest that all of the woes of the world economy should be traced to the oil exporters. Some of the recent price rise can be seen as a catch-up to the real value of oil in 1974. Some poor developing countries are even more vulnerable to wide fluctuations in the price of their principal commodity export than they are to oil-price changes. Some mistakes have been made in managing the Western economies. But there is no doubt that the suddenness and extent of the rise have been very damaging to the world economy. It is inconceivable that there could be truly meaningful global negotiations without careful attention to the energy issue, yet the very question of whether it was to be discussed has been a stumbling block for several years. Canada is pleased that there is now agreement that energy will be one of the five major subject areas for the global negotiations, although it is too soon to predict the practical significance of this. It will be very difficult indeed for the Group of 77 to agree on a coherent policy in relation to energy. But having the item on the agenda is a step forward.

Soviet invasion of Afghanistan

The Soviet invasion of Afghanistan was condemned by the overwhelming majority of the Group of 77. Since then, the U.S.S.R. has seen a significant erosion in the previous, frequent support it received from many Third World countries in the

political committees of the UN, for example, in the Commission on Human Rights and in the Disarmament Committee. As well, the credibility of Cuba within the Non-aligned Movement and the Group of 77 was undercut just when it had become chairman of the Non-aligned Movement. We might anticipate that the Third World countries will now show less tolerance for the sometimes cynical role played by the U.S.S.R. in UN North-South debates and for the very limited contribution the Eastern European countries have made to meet the development needs of poor countries.

But, I do not expect the Third World countries to lessen their commitment to non-alignment by moving towards the West. The most we can hope for is a little more objectivity in their assessment of Western proposals in North-South meetings. Perhaps non-alignment can regain some of the meaning it lost in Havana. Of course, we in the developed world must stretch ourselves to make concrete offers that have a real interest to the Third World; otherwise there is a danger these countries, disenchanted with both East and West, may focus increasingly on South-South issues and prove even harder than before to persuade that global problems deserve global attention.

The Brandt Report is the third new element in our brew. Canada welcomes the report as a very useful contribution to the dialogue. We, like most governments, are studying it carefully. My impression is that it and the proposed emergency program in particular, will prove useful as a frame of reference in the forthcoming global negotiations. The emergency program has four principal elements: a large-scale transfer of resources to developing countries; an international energy strategy; a global food program; and a start on some major reforms in the international economic system. The report resulted from many necessary compromises and there are sections that will prove controversial. The compromises in the global negotiations could be quite different. But the report stands as an example of what can be agreed by responsible people — admittedly unencumbered by office — from both North and South. It should be especially useful in influencing public opinion in the industrial democracies. A new task force of the Canadian Parliament investigating North-South issues will make considerable use of the study.

The Brandt Report has very usefully drawn attention to the need to think of new processes for dialogue, even in parallel with the global negotiations, and suggested the holding of a new North-South summit. I have already mentioned Canada's support for this proposal.

While I expect there will be some significant differences in the approaches of the OECD countries to the global negotiations, I am pleased by the extent of our shared thinking. The seven summit countries have declared their "positive spirit" in approaching the global negotiations. We agreed on the objectives of helping the developing countries in energy conservation and development in the expansion of their exports, the enhancement of their human skills, and the tackling of underlying food and population problems. At the summit, we also agreed on a review of our aid policies and procedures, and of our other contributions to developing countries. This review will be considered at the summit to be held in Canada next year. I do not underestimate the difficulties of a review which will be adequate to the challenges we face.

At another level, the developed countries agree on the importance of taking decisive measures within our own economies as a step towards improving the international economic and political environment. The control of inflation, the reduction of consumption and the development of new energy technologies are domestic objectives whose realization would improve North-South relations. However, Canada does not believe that the achievement of these domestic objectives can or should precede new reforms in North-South relations: many of our fundamental problems stem from disorder in the world economic system and it is a chimera to believe we can solve our domestic problems in isolation. This is the true significance of interdependence.

Canada's perspective and policy on North-South issues are distinctive in a number of ways. Like most of our OECD partners, we enjoy a high standard of living and we have very advanced industries – in our case atomic reactors, telecommunications, and aeronautical manufacturing are especially notable. But unlike some of our OECD partners, we are also large net importers of technology and are more host than home to multinational corporations. Our economy remains largely resource-based and we are net exporters of energy. We do not have tariff-free access to any of the three major consumer markets: Europe, the U.S.A. or Japan. Politically, we are large enough to play a prominent role in the world, but not so large that we create suspicions of over-ambitions. We have privileged links into almost all parts of the Third World through the Commonwealth, la Francophonie, and our place in the Western Hemisphere.

These factors have given Canada a global concern for North-South relations. We have been actively involved in the North-South dialogue since it began and we intend to continue this in the global negotiations, and the three forthcoming summits.

The environment for these meetings will be quite different from those of earlier major North-South conferences. The second oil shock, the Soviet invasion of Afghanistan and the Brandt Report, are all important new elements. I believe that Canada and other developed countries should take stock of these factors in thinking about the global negotiations, just as they should assess the progress made and lessons to be learned from the dialogue so far. Clearly, the next round will not be easy. We can hope that the Group of 77 approaches the negotiations in a flexible, pragmatic way and that it settles on a clear set of priorities. We in the developed world shall have to do the same, recognizing that achieving our objectives will require concessions made in good faith.

A Southeast Asian foreign minister remarked to me last week that we are the most non-aligned of the Western countries. While that is not exactly our perception of ourselves, I think it does indicate the feeling in the Third World that we are sympathetic to them and open to their concerns. Perhaps that will give Canada a unique opportunity to bridge that gap between North and South.