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Canada and the north-south
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Canadian Foreign Policy

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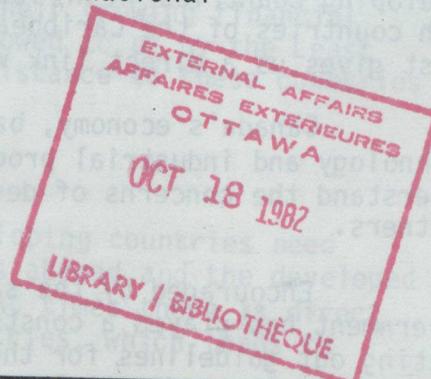
CANADA AND THE NORTH-SOUTH DIALOGUE

Introduction

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The countries of the North realize that in a world where economic, political, environmental and humanitarian interests are increasingly intertwined, it is impossible to remain in isolation from the problems of the South. Humanitarianism dictates that it is unacceptable for one-quarter of the world's population to starve when the rest is affluent. Enlightened self-interest points out the mutual benefits that will accrue when, according to World Bank estimates, over the next decade the developing countries will contribute more than 25 per cent of the increase in world production and account for about 30 per cent of the increase in world trade.

From the post-Second World War period to the present, the nature and focus of economic relations between developed and developing countries has gradually changed from emphasis on aid to other aspects of the international economic system. The developing countries' rallying call for a "new international economic order" in 1974 resulted in agreement the following year on areas in which specific future negotiations should concentrate to achieve a more just and equitable international system.



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Late in 1975, the Conference on International Economic Co-operation (CIEC) was set up under the co-chairmanship of Allan J. MacEachen, then Canada's Secretary of State for External Affairs and Manuel Perez Guerrero, Venezuela's Minister of State for International Economic Affairs, to determine if a limited group of developed, oil-importing developing countries and OPEC, could reach specific agreements. Although a spirit of co-operation and common purpose seemed to be emerging during the conference, CIEC ended in 1977 with only limited success.

In an effort to give greater momentum to the dialogue between North and South and to facilitate the participation of all countries, a proposal was adopted in 1979 to launch "Global Negotiations on International Co-operation for Development" to examine key issues in five areas: trade, raw materials, food, energy, and money and finance. Discussions on how to launch these global negotiations have continued, both in restricted groups - such as the 1981 Ottawa and 1982 Versailles Summits of the seven major industrialized countries and the Cancun (North-South) Summit - and at the United Nations.

Canada's Role

Canada's first undertaking with the developing world was in 1951 when we played an active role in the establishment of the Colombo Plan, a Commonwealth fund to provide technical assistance to developing countries of the Commonwealth. In the late 1960s, a United Nations Commission, chaired by the late Prime Minister Lester Pearson, produced a major report on development issues and possible solutions. The Pearson Report had a significant impact on approaches to assisting the poorer countries. Canada has since endeavoured to ensure practical results for North-South negotiations in spite of the many problems.

The main report of the Parliamentary Task Force on North-South Relations in December 1980 emphasized that Canada is uniquely placed to lead in the North-South dialogue and bridge the gap between the two groups. Canada has many links throughout the world. Our membership in the Commonwealth, and in la Francophonie -- an informal association of French-speaking countries -- give us close relations with a number of developing countries in Africa. We have hemispheric and historic ties with countries of the Caribbean and Latin America, while our Pacific coast gives us a direct link with Asia.

Canada's economy, based on resources, also relies on advanced technology and industrial production, which enables us to more readily understand the concerns of developing countries and our industrialized partners.

Encouraged by the support of the North-South Task Force, the government has played a constructive role in the North-South dialogue, setting out guidelines for the Canadian response based on principles of humanitarianism and mutual benefit. They include a recognition of interdependence, the need to harmonize external and domestic policies

which have an impact on developing countries, the need for a variety of policy instruments to respond to the requirements of developing countries and the greater integration of the South into the international economic system.

Whether or not global negotiations begin, negotiations will continue in various international fora, on such matters as energy, money and finance, trade, industrial development, food and agriculture and development assistance.

Energy

The OPEC price increases encouraged developing countries to take a stronger stand on issues affecting them, which aggravated their economic difficulties if they had to import oil. The need for reduced reliance on nonrenewable hydrocarbon resources to meet global energy needs is widely recognized internationally.

Energy related projects already constitute nearly 25 per cent of Canada's bilateral aid and in August 1981 Prime Minister Trudeau announced at the UN Conference on New and Renewable Sources of Energy in Nairobi, that Canada would make further contributions including more than \$1 billion of energy related bilateral assistance during the following years.

The creation of Petro-Canada International to help emerging countries develop their own energy resources, particularly hydrocarbons, is a unique, pioneering initiative in this area.

Money and Finance

Some developing countries have had balance of payments difficulties due to oil price increases, declining prices for their exports and heavy borrowing to finance development. This has made it difficult for them to pay for the imported food, oil and fertilizer they require and has resulted in their putting forward far-reaching and controversial proposals for changes in the international monetary and financial systems.

Canada, with other nations, has explored ways to make such institutions as the International Monetary Fund and the World Bank more effective. Similarly, in 1978, recognizing their growing financial problems, Canada cancelled outstanding debts owed to us by the Least Developed Countries. Since then Canadian assistance to these countries has been in grants rather than loans.

Trade

To a greater or lesser degree, developing countries need increased opportunities to sell their products abroad and the developed countries provide many of the best markets. At times there is direct competition with products from developed countries, which leads to

protectionist measures but, in general, developed countries recognize the need to facilitate access to their markets. The Generalized System of Preferences (GSP) is one important mechanism used by most Western countries to reduce tariffs on imports from developing countries. Trade negotiations also take place within the General Agreement on Tariffs and Trade (GATT) and a GATT ministerial meeting in 1982 discussed trade policy for the 1980s. Canada is working within these organizations and the United Nations Conference on Trade and Development (UNCTAD) to encourage the international trading community to strengthen the open, multilateral trading system which is in the interests of both North and South.

Commodities

Foreign exchange earnings by developing countries often depend on their exports of agricultural products and raw materials, known collectively as commodities. Commodity prices are subject to wide price fluctuations on international markets which makes it difficult for developing countries to plan their budgets. Canada has taken a constructive part in UNCTAD negotiations to stabilize commodity prices. On January 15, 1981 Canada signed the agreement which established the Common Fund for Commodities, \$750 million which will help finance commodity agreements with buffer stock provisions and commodity development measures.

Food and Agriculture

One of the most pressing issues facing North and South is the need to reduce the food shortfalls that force one-quarter of the world's population to live in starvation. Greater world food security is necessary for humanitarian reasons and a prerequisite to overall economic and social development. North and South are working together to improve the situation, not only with the short-term solution of food aid but by longer-term solutions such as increased food production, conservation, family planning, land reform and fisheries development.

Food aid has long been a major component of Canada's development assistance, and we provide approximately 600,000 tonnes of grain a year, as well as other food commodities. As part of the long-term solution, Canada recently made aid to agricultural development a priority in the Canadian development assistance program. Also, at the Commonwealth Heads of Government Meeting in Melbourne, October 1981, the Prime Minister announced the creation of a new International Centre for Ocean Development, specifically to organize the development of the world's vast oceans as a source of food.

Development assistance

Official Development Assistance -- grants and loans -- continues to be a central ingredient in the development of many of the poorest countries. Since the 1950s the Canadian International Development Agency (CIDA) has administered our aid program. In 1979-80,

CIDA provided about \$1.25 billion in aid. Of this, 48 per cent was for specific bilateral projects, while 41 per cent went to international multilateral institutions for projects in developing countries. Much of the balance went to nongovernmental organizations such as CUSO and OXFAM which provide assistance to Third World countries, and to fund the activities of the International Development Research Centre, an international body to promote research in developing countries.

Canada's policy is to focus on the basic needs of people in the poorest countries, particularly in rural areas, and on energy, agriculture and human resources. The Canadian government is pledged to reach an aid target of .5% of Canada's Gross National Product (GNP) by 1985 and to make strong efforts to reach .7% by the end of the decade. In accordance with the Plan of Action adopted by the UN Conference on the Least Developed Countries, held in Paris in September, 1981, Canada has agreed to allocate .15% of GNP for the Least Developed Countries.

Recent Developments

At the Ottawa Summit of July, 1981, government leaders of the seven major industrialized countries spent considerable time on North-South problems, as did the Commonwealth Heads of Government Meeting in Melbourne. The North-South Summit in Cancun, Mexico in October, 1981 increased the involvement of world leaders. In Canada's view, that meeting was, overall, a success. Under the co-chairmanship of Prime Minister Trudeau and Mexican President Lopez Portillo, leaders of 22 developing and developed nations held informal and constructive discussions. Despite divergent philosophies and interests, a spirit of trust and confidence enabled them to agree on priorities for future co-operation, including food and agriculture. Finally, they reaffirmed their commitment to try to launch Global Negotiations on a mutually agreed basis at the UN, where efforts to reach a consensus will continue. At the 1982 Versailles Summit, the industrialized countries renewed their commitment to increased co-operation with developing countries.

North-South issues will not be resolved at any single conference no matter how great the goodwill, and the North-South dialogue will continue to evolve for many years.

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