



GOVERNMENT RESPONSE

TO THE

REPORT OF THE

PARLIAMENTARY TASK FORCE

ON NORTH-SOUTH RELATIONS

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The purpose of this document is to provide an official Government response to the main recommendations of the Parliamentary Task Force on North-South Relations.

The Government has been very pleased with the work of the Parliamentary Task Force and believes it has fully satisfied its mandate as contained in the Order of Reference of May 23, 1980. In the Government's view, the Task Force should, in particular, be credited with three major accomplishments: increasing public awareness; generating all-party Parliamentary support for a distinctive Canadian role in the North-South dialogue; and producing specific and constructive policy recommendations. Each task has its own importance.

The Task Force has contributed substantially to public debate and understanding of the dialogue between developing and developed countries. The Government firmly believes that greater public awareness of the significance of North-South issues to Canada will lead to increased support for a forward-looking Canadian North-South policy. The Task Force hearings provided a forum for the cross-fertilization of ideas from knowledgeable Canadians with differing views and perspectives. Its various reports have stimulated both media and public discussion. Such debate and resultant support is a prerequisite if Canada is to pursue a leadership role in the North-South dialogue, similar to the one recommended by the Task Force.

The unanimity with which the Task Force members from all three political parties urged the Government to play a leadership role on North-South economic issues will likely have the most lasting impact of all the Task Force recommendations. The call for Canada to play a "bridge-building" role to reduce the gap between the developed and Third World has encouraged the Government to pursue an active role in fostering a constructive dialogue with developing countries. The Government supports the two-pronged thrust of the reports of the Task Force. It agrees that Canada should base the development of Canadian policy on North-South issues on two major principles: the mutuality of interests of both North and South in solving global economic problems, and the humanitarian need to focus attention and resources on the world's poorest peoples and countries. These concepts will continue to motivate

Canada's aid programs and to govern our efforts to search for compromise at forthcoming international meetings, including the Ottawa Summit, the Commonwealth Heads of Government Meeting, the North-South Summit and the proposed Global Negotiations.

The Government concurs with the Task Force's view that coordination of Government policies is needed for a more coherent Canadian North-South policy. Appropriate measures in the policy-making process of the Government are being instituted to promote a more consistent approach. These practices will be reviewed periodically to ensure that North-South implications are taken into account in all relevant Government decisions.

The main recommendations themselves are an important contribution to the development of Canadian policy. They have been taken very seriously by the Government and have been studied very carefully with a view to re-evaluating existing policies. Set out below are point by point responses to the main recommendations of the Parliamentary Task Force on North-South Relations.

That Canada allocate 1% of Official Development Assistance to encourage the involvement and awareness of Canadians in North-South concerns.

As stated above, the Government recognizes the importance of encouraging involvement and awareness of Canadians in North-South concerns. The Government intends to give increased priority to the promotion, especially by non-governmental organizations, of public awareness and understanding of the problems faced by developing countries. It will continue to examine other methods, and the appropriate level of funding, that should be established for such activities.

A. FINANCE AND DEBT

1(a) That Canada commit itself to reach the ODA target of .7% of GNP by 1990 by means of steady annual increases to reach .57% by 1985.

The Government is taking this recommendation into account in a review now underway on what should be the path for Official Development Assistance to .5% and .7% of the Gross National Product in order to ensure a smooth growth and better programming of aid funds.

(b) That Canada press other industrialized and oil exporting countries to increase aid levels.

The Government concurs with this recommendation and intends to continue its efforts to encourage all donors to augment their aid to developing countries.

2) That Canada consider such methods as subsidization of interest charges on future loans made by oil exporting countries to oil importing developing countries as a means of balance of payments support to the poorest countries.

The Government would be prepared to consider ways multilateral recycling schemes could operate outside the purview of existing institutions.

3) That Canada support a step-by-step change in the World Bank gearing ratio to permit greater borrowing in the financial markets.

The Government considers an increase in the gearing ratio to be an inferior way to increase lending to developing countries but is prepared to support further exploration of this and other options. The preferred option would be an increase in callable capital of the World Bank.

4) That Canada support greater responsiveness by the International Monetary Fund (IMF) to externally caused and longer term adjustment crises facing developing countries to protect their development plans.

The Government considers the current measures being implemented by the IMF, which have been designed to meet the concerns expressed in the recommendation, indicate the Fund's willingness to respond in a pragmatic manner to changing world economic circumstances. Canada will continue

to support the further evolution of the IMF in a manner that meets the needs of its members and that is consistent with its mandate.

5) That Canada support the study of various means of establishing a closer link between the allocation of international reserve assets (Special Drawing Rights) and the needs of developing countries.

The Government agrees to the further examination of this issue by the IMF.

6) That Canada advocate greater responsibility for oil exporting countries with balance of payment surpluses in the IMF and World Bank by such methods as increased voting shares in new facilities to correspond with their increased financial contributions.

The Government agrees with the recommendation that Canada support greater responsibility for oil exporting surplus countries in the financing and management of the World Bank and the IMF. It will actively continue to encourage a higher profile for such countries in the proposed World Bank energy affiliate.

B. DEVELOPMENT ASSISTANCE

1) That Canada strengthen as the central objective of its development assistance program the basic human needs of the poorest people in developing countries.

Satisfaction of the basic human needs of the poorest segments of the population in developing countries is and will remain one of the central thrusts of Canada's aid program. Of course, this emphasis must be consistent with developmental priorities identified by the recipient countries themselves.

2) That higher priority be given to education and development of skills of women in the Canadian aid program.

The Government concurs with this recommendation which reflects current policy.

3) That a high proportion of aid funds should be concentrated in the poorest and most seriously affected countries.

The Government concurs with this recommendation. Canadian aid is already concentrated to a large degree in the poorest and most seriously affected developing countries. Over 70% of the bilateral program assistance goes to the poorest developing countries. This level of support essentially covers all of those developing countries who are most seriously affected by energy price increases and consequent decreases in their terms of trade. Moreover, the bulk of Canada's multilateral ODA programs are concentrated in the poorest countries.

4) That Canadian aid be concentrated in fewer countries, while remaining sensitive to humanitarian and foreign policy considerations. That the Government strengthen the administration of aid programmes in the field.

The Government is supportive of this recommendation. The majority of bilateral resources are already allocated to a limited number of countries and it is the Government's intention to strengthen the policy of concentration and to improve the effectiveness of the administration of aid programs by devoting more resources to the field.

5) That procurement for aid projects be consistent with development assistance objectives. Although a significant proportion should be procured in Canada, CIDA should be freed from any fixed percentage rule.

A more flexible approach to the tying regulations for Official Development Assistance would seem to have some merit and is being studied further, although it has been found that existing regulations have not been a major constraint in the selection and implementation of development projects.

6) That the ratio of bilateral to multilateral aid be determined by the objectives of the aid program with priority going to the basic human needs of the poorest people. Both should share in the real growth of the development assistance program.

The Government intends to allow real growth both in bilateral and multilateral assistance. In order to facilitate planning, the Government does believe that a range of 30 to 35% for multilateral assistance is necessary so as to permit other programs to grow as well, such as NGO assistance and Industrial Cooperation.

7) That an increased share of ODA support activities of NGOs. CIDA Bilateral Programs Branch should assign some of the funds it expects to spend in agriculture, health and rural development to small projects which would be operated on its behalf by Canadian NGOs.

The Government concurs with this recommendation and it intends to seek real growth to programs involving the non-governmental sector, including the use of institutions in this sector for implementing Bilateral projects.

8) That the Government increase the funding of IDRC

The Government intends to continue to support IDRC and give priority to increasing IDRC's funding.

9) That a larger portion of ODA funds be allotted for meeting emergencies.

The Government concurs with this recommendation which was reflected in recent decisions to double funds for humanitarian and emergency assistance in 1981-82.

10) That unspent aid allocations be carried forward from one fiscal year to the next.

While the lapsing of funds does not represent a major difficulty in managing the Canadian aid program and provides greater discipline in Government accounting practices, the Government would wish to study the feasibility of relaxing the lapsing provision within the context of the envelope system.

C. FOOD AID AND AGRICULTURAL ASSISTANCE

1) That food aid from Canada be used only as a transitional measure to fill the gap which exists between a country's food needs and its food production. Food aid should be part of a detailed and well-integrated food production plan in which food aid would gradually decline and assistance for food production would increase.

The Government concurs with this recommendation which reflects current policy.

2) That every effort be made to purchase food aid from neighbouring food-surplus developing countries.

The Government concurs with this recommendation which reflects current policy. It should be noted, however, that there are only a few situations where such an arrangement is possible.

3) That Canada make increasing use of mulilateral food aid channels. Bilateral food aid should be closely coordinated with multilateral channels.

The Government concurs with this recommendation which reflects current policy.

4) That the Canadian commitment to the Food Aid Convention be increased.

An increase in Canadian food aid is at present under consideration in the context of the planned increase in overall aid levels.

5) That Canada support the early conclusion of a new International Wheat Agreement.

The Government supports an International Wheat Agreement (IWA) which would contain a better balance of benefits for both producers and consumers. We are exploring the possibility of a new approach to an IWA which would separate the food security aspects from the commercial.

6) That Canada guarantee a fixed tonnage of cereals to developing countries faced with severe food deficits.

A set-aside of cereals for developing countries does not easily lend itself to forward financial planning because of price fluctuations and the cost of maintaining stocks; however, the special provisions for developing countries under consideration in the context of a new IWA could materially assist if a new Agreement can be reached.

7) That Canada attach higher priority to agricultural research with the objective of strengthening the management of such activities and improving dissemination of the results.

The Government concurs with this recommendation which reflects current policy.

8) That projects benefiting small landowners receive increased support, while recognizing some developing countries may prefer the creation of larger agricultural units.

The Government believes that agricultural development assistance should be tailored to the needs of each individual country and be based on the priorities of the recipient government.

9) That the International Fund for Agricultural Development be strongly supported.

Canada has been in the past and will continue to be a strong supporter of IFAD. It will continue its efforts to achieve a more equitable burden sharing between category I (OECD) and category II (OPEC). Negotiations are currently under way to determine an appropriate level of funding and sharing of contributions to IFAD's first replenishment. Canada is an active participant.

D. ENERGY

1) That Canada support the Energy Affiliate of the World Bank. Canada should itself contribute financially.

The Government will continue to support the concept of an energy affiliate and to do whatever it can to persuade both revenue-surplus oil exporters and industrialized countries of its advantages.

2) Canada should encourage projects which use renewable and locally available sources of energy.

The Government concurs with this recommendation and will continue its active support for the UN Conference on New and Renewable Sources of Energy in a way which aims at positive and practical results. Project activities by Petro-Canada International should get under way soon.

3) That high priority be given to reforestation in Canadian agricultural aid.

The Government concurs with the recommendation and it hopes that the UN Conference on New and Renewable Sources of Energy may provide occasion to develop initiatives in the area of reforestation and fuel wood use.

4) That Canada work effectively with other industrialized countries to implement energy conservation measures.

The active implementation of the National Energy Program will bring about major energy savings in a way consistent with our international undertakings.

E. TRADE

1) That the number of Trade Commissioners in developing countries which present expanding market opportunities be increased.

As demonstrated in the Export Strategy Paper for the 1980's, the Government agrees with the desirability of improving our ability to seize export opportunities in the newly industrialized countries through, inter alia, the deployment of adequate resources by the Trade Commissioner Service in key areas, including, if necessary, increases in those resources.

2) That increased Government assistance be provided to small and medium-sized companies in the private sector to help them to develop trade relationships with developing countries.

Possibilities for further improving existing programs and for creating new facilities for market development are being kept under continuing review, particularly as they may benefit small and medium-sized firms seeking to do business in the Third World. Funding for relevant programs has recently been substantially increased.

3) That there be better coordination and assessment of policies relating to import penetration and that overall responsibility be assigned to the Department of Finance.

The Government will continue to give high priority to improving the coordination and assessment of import policies.

4) That the Government review its import restraints, with a view to reducing discrimination against new entrants, in particular poorer developing countries.

Outside the textile, clothing and footwear sectors, there are no quotas, voluntary restraints or other safeguard measures presently in effect protecting Canadian producers in non-agricultural sectors from fair imports from developing countries. The Government has been reviewing import policy for the footwear, textiles and clothing sectors and a Government announcement can be expected shortly.

5) That the Government immediately launch a major public inquiry of the industrial sectors likely to be at a long-term disadvantage in relation to developing countries, with a view to adopting effective adjustment measures.

The difficulties of the Canadian industrial sectors which are most affected by the competition of developing countries are well known to the Government. Measures to help the competitiveness of these Canadian

industries in the present international trading environment are already being taken or are in the course of being formulated. Public inquiries concerning these industries have recently been conducted by the Textile and Clothing Board and the Anti-Dumping Tribunal (on footwear). The Government will be taking decisions shortly. When the decisions are announced, the Government will be in a position to make known the factors leading to the positions adopted.

6) That Canada support the attempt to devise a "social clause" in the GATT which would hold the signatories to a fair labour standards code.

The Government has been supportive in the ILO of international initiatives which encourage the development of improved working conditions in developing countries. However, the introduction of a "social clause" in the GATT, enforced by a right to impose trade sanctions for non-compliance, is not considered to be likely to accomplish this aim.

7) That Canada ratify the Common Fund Agreement and make the financial contributions it entails.

The terms of this recommendation are currently being met.

8) That the General Preferential Tariff be extended to include all of the manufactured products of the world's poorest countries and that graduation criteria be established to identify those countries no longer in need of preferential treatment.

This recommendation is being taken into account in the current Government review of what measures might be implemented under the General Preferential Tariff to improve access to the Canadian market for products of the developing countries. The results of this review are expected to be announced shortly.