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RELATIONS WITH THE THIRD WORLD: VIEWS ON THE NORTH-SOUTH DIALOGUE AND FOOD SECURITY

Canada

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Position and Posture

Canada ranks fifteenth in the world in per capita income, tenth in industrial output, and fourth in trade. As such, it is first and foremost a member of the group of industrialized democracies, a "leading nation," but ranking in the second tier, a "middle" power.

Canada's foreign and foreign economic policies are aimed at fostering peace, harmonious foreign relations, stability in the international economic order, and economic growth for Canada. With trade accounting for 30 percent of gross national product, 20 percent of employment, and almost 75 percent of the value of output of the goods-producing sector, Canada has the most trade-dependent economy of the Western "summit nations." Accordingly, trade policy is a prominent component of its foreign and foreign economic policies.

Historically, since its bilateral bargaining power with the industrial giants--the United States, the European Community, and Japan--has been perceived to be small, and because it seeks to minimize the pull of the gravitational field of the United States, Canada has favored multilateralism in its external economic relations and the creation of a rule-oriented international economic system.

With respect to the Third World, Canada's broad goals are to promote self-determination, nonalignment, and accelerated development, so as to immunize the developing countries from East-West conflicts rather than involve them.

Canada has played an important and distinctive meliorist, broker, or bridge-building role in the North-South dialogue. It is uniquely fitted for this task by its being both a member of the Group B countries and well regarded by the Group of 77. The reasons for its acceptability to the LDCs include: it has no colonialist past or geopolitical ambitions; it has links with a large number of LDCs through membership in the Commonwealth and _la Francophonie_; it shares concerns over dependence on the United States; and as a country with a weak manufacturing sector which exports resources and imports capital and technology, it shares many economic problems with developing countries. Also, Prime Minister Trudeau has sought a leadership role in the field of development cooperation. Hence, Canada has been deeply involved in the North-South dialogue. It has exercised creative diplomacy in keeping the problems of the South on the agenda of the Western summit meetings, and in seeking to break log-jams; and give momentum to deliberations in meetings of Commonwealth leaders, at the Western summits, in the Conference on International Economic Cooperation (CIEC), in the U.N. Assembly and Agencies, and at Cancun.

Canada's direct economic interests in the Third World are also substantial. Although the LDCs--which take around 9 percent of its exports and supply 15 percent of its imports--are not as important as trading partners as they are to the United States, the EEC, and Japan (Economic Council of Canada), nonetheless, these proportions have been edging upwards, and the developing countries are perceived as offering good trade growth potential in the future (Dobson, Walker). More particularly, together they offer some alternative to the United States, which now takes 70 percent of Canada's exports but where there is clear evidence of a secular slowing of the rate of growth and a threat of gathering protectionism (Daly). Also, the LDCs offer promising investment opportunities for Canada, especially in resource industries, utilities, transportation, and telecommunications, the fields in which Canada has a comparative advantage.

So far the LDCs have been treated as an entity. In reality, "the South is not a homogenous group of countries. It contains countries with the highest per capita income in the world and those with the lowest; countries with the fastest growth and countries suffering negative growth; countries with the world's biggest financial surpluses and those with the greatest deficits; countries with abundant natural resources and those with none; and countries with sophisticated modern industrial economies and those with rudimentary, tribal, agricultural societies" (Trudeau). Canada's relations with Third World countries are correspondingly characterized by diversity and nuance, ranging from a relationship with the least developed (LLDCs) that stresses aid to relationships with the oil exporting and newly industrialized countries (NICs) that emphasize trade, finance, and investment.

Development Cooperation

As noted above, at the rhetorical and political levels, Canada has been generally supportive of the LDC's aspirations for the creation of "a new international economic order" (NIEO) and has sought to play a constructive role in the conduct of the North-South dialogue. At the level of practical policy action on the specific components of the NIEO, the record is "spotty" (North-South Institute, 1980a and 1980b).

Aid and trade policies and practices are sufficiently important to be treated separately in subsequent sections.

Canada has been very sensitive to the balance of payment and debt problems of the LDCs. This is to be expected of a country which is the seventh largest provider of profit-seeking private loan and investment capital to the LDCs; which has one-third of its overseas private investment stock located in them; and whose banking system is dangerously exposed to possible defaults on debts by such countries as Brazil, Mexico, and Argentina. Canada has supported reforms and adaptations in the International Monetary Fund in the areas of increasing country quotas, expansion in the number and scope of special facilities, easier repayment terms, and caution in prescribing too large a dose of deflationary medicine. It took the lead on the occasion of the CIEC in cancelling the aid-related debt of the poorest countries, and has participated actively in the restructuring of the debt obligations of several Third World nations.

Canada has also played a significant role in the provision of multilateral development finance. It is a member of all the Regional Development Banks. In the World Bank, it has supported program lending, change in the gearing ratio, and creation of an energy affiliate.

In respect to the "integrated program for commodities" (IPC), Canada's position has been passive, reactive, and ambiguous (North-South Institute, 1982). As a net exporter--and a large one--of the "core" commodities, and as a country with shared problems with the LDCs in its commodity trade (for example, periodically adverse movements in its terms of trade, earnings instability, tariff escalation against fabricated products, and high degrees of foreign-ownership and technological dependency), it might have been expected that Canada would have been especially supportive of this component of the NIEO. In practice, it has moved cautiously, favoring "market solutions" to multilateral market management, taking a case-by-case approach to stabilization-oriented consumer-producer international commodity agreements (ICAs), and agreeing to the creation of only a minimalist common fund. It has supported improved market access for resource-based products and programs aimed at market development and quality improvement. Canada is a member of the existing ICAs for coffee, sugar, rubber, and tin, and will likely join that proposed for jute. And it is, of course, a leading supporter of international market management for grains. On the other hand, it has not joined the agreement for cocoa, nor has it favored the creation of ICAs for copper, iron ore, vegetable oilseeds, and timber. It took the initiative in the formation of the uranium cartel, but has declined to join the producers' associations for copper and iron ore.

Canada played the leading role in the decade-long negotiations in the U.N. Conference on the Law of the Sea (Munro). Throughout, it worked closely with the LDCs, and on many issues made common cause with the Group of 77. In particular, it supported the concept of the seas being a "common heritage of mankind," the establishment of international institutions to govern their use, and the principle of sharing the revenues obtained from the recovery of polymetallic nodules they contain. Of course, Canada's larger interests were in the recognition of a 12-mile territorial sea, a 200-mile exclusive economic zone, jurisdiction over the fish and other resources of the continental shelf for Coastal States, and control of mineral production from the Abyssal Plain.

On other issues of the NIEO (for example, institutional reform, the transfer of technology, the regulation of the behavior and treatment of multinational corporations, patent reform, shipping, and the contrived relocation of industrial activity), Canada has made few distinctive contributions. Indeed, as was the case on issues of international commodity policy, Canada has rarely broken ranks with the other Group B countries (North-South Institute, 1979).

Development Assistance

While this is perhaps the least important interface between the LDCs and the developed countries, it is one of the more tangible. To Canadians, it is also a matter of some sensitivity because of the origin of the 0.7 percent-of-GNP target in the Pearson Commission.

Participation in the provision of overseas development assistance (ODA) is animated in Canada, as elsewhere, both by considerations of humanitarianism and global solidarity and by self-interest. There is tension between these. Genuine concerns with real development lead to an orientation in Canada's ODA toward a role as catalyst rather than principal; a stress on building indigenous development capacity rather than projects; a focus on agricultural, rural, and human development rather than an urban-industrial and infrastructural focus; and a cultural rather than an economic model of the development process (Canadian International Development Agency). By contrast, considerations of self-interest dispose towards the use of aid to win friends, out-bid the Communists, buy a seat in international councils, subsidize Canadian industry, and create customers for Canadian products.

Canada's aid program has never been a model among the OECD's Development Assistance Committee, and recently it has been lacklustre.

In terms of aid "targetry," disbursements as a percentage of GNP slipped from 0.49 to 0.42 between 1978/79 and 1980/81, and with recent cuts, may be below 0.4 percent in 1982/83. The stated goal is to give 0.5 percent of GNP by 1985 and to endeavor to attain the 0.7 percent target by 1990. However, aid is increasingly seen by the Government and by the people as a major expenditure item which is often wasted or stolen, and which readily lends itself to economies.

In terms of "quality," Canada's aid program ranks "fair to middling" insofar as: the grants-to-loans ratio is high; loan terms are mostly so soft as to be near-grants; there is a ratio of 40:60 between multilateral and bilateral programs; 35 percent of bilateral aid is directed toward the LLDCs and 75 percent to the MSA countries; and the Canadian International Development Agency (CIDA) has adopted the "basic needs" theme and singled out food and agriculture, energy, and human resource development as priorities for Canada's development assistance programs. Long-standing weaknesses in the program include a high degree of "tying" (80 percent of bilateral aid must be spent on Canadian goods, with not less than two-thirds of the value-added being in Canada), and the fact that aid is administered in a highly centralized system and disbursed over an impossible-to-manage 80-plus countries. Many fear that quality will deteriorate further in the future as the emphasis shifts from doing good to doing well (that is, to building up "cashable" political and commercial credits), as the proportion of multilateral aid is lowered (perhaps to a ceiling of 35 percent), and as more assistance is concentrated on lower-middle income developing countries that offer better market opportunities for Canadian industries (including the Canadian agriculture and food sector). Additionally, the early commitments to agriculture and rural development and to enhancing world food security seem to be weakening. Such developments would be regrettable since "Canada's aid performance has for some years been viewed as the main redeeming feature in an otherwise undistinguished record of action in response to the Third World" (North-South Institute 1980a).

Food Aid

In 1980/81 Canada's food aid shipments were "valued" at just over $180 million. This was about 15 percent of each of its total multilateral and bilateral aid disbursements in that year. Food aid in calendar 1981 accounted for about 14 percent of the value of total agricultural exports to developing countries (except China and Cuba), and 2 percent of all agricultural exports. Contributions to multilateral programs account for some 60 percent of Canada's total food aid, while 40 percent is donated bilaterally. The major multilateral effort is support of the World Food Program in implementation of Canada's commitment, under the Food Aid Convention, to supply 600,000 tons of grains as food aid annually (CIDA). Grain is the major commodity Canada provides as food aid, but significant quantities of dairy products and rapeseed oil are shipped regularly, and donations of other products (for example, egg powder, potatoes, and even beef) have been made sporadically.

In Canada, as elsewhere, the food aid program has been variously criticized for: being too niggardly (the FAC commitment was reduced from 750,000 tons to 600,000 in 1978); not being made in forward pledges and in quantitative terms; creating disincentives to agricultural production in recipient countries; being a vehicle for disposing of domestic surpluses; and for not being used sufficiently to develop commercial markets for Canada's exports. Additionally, it has been said that multilateral food aid (which is largely controlled by Agriculture Canada) is not well integrated with the bilateral food aid program (which is administered mainly by CIDA), and that food aid is poorly integrated with Canada's nonfood development assistance (Cohn).

However, this is but symptomatic of a larger problem. Having no Ministry for Development, Canada's aid programs generally lack focus, and--more generally yet--there is but poor coordination in Canada between development assistance efforts and the nonaid dimensions of the North-South relationship.

Trade

Trade is clearly the central factor in the North-South equation. As noted earlier, with LDCs taking 9 percent of exports and supplying 15 percent of imports, Canada's trade is not notably oriented towards the LDCs. Reasons for this include: the high proportion of resource-based products in Canadian output; its historical position "which has been that of a peripheral entity linked with metropolitan economies based beyond its borders--first France, then Britain, and now the United States" (Economic Council of Canada); and the large share of its manufacturing industry that consists of foreign-owned branch plants producing for the national market. However, the proportion of Canada's trade done with the LDCs has been slowly rising (in 1966-70, the figures for exports and imports were 7.5 and 8.8 percent, respectively); and with the developing countries expected to account for more than 25 percent of the increase in world production and about 30 percent of the increase in world trade in this decade (External Affairs Canada), the general trade relationship between Canada and the Third World is taking on increasing significance.

In agricultural trade, the importance of this relationship is an established fact. In 1981, the LDCs provided 18 percent of Canada's agricultural imports. In that year, the developing countries (excluding China and Cuba) absorbed 16 percent ($1,386 million) of all Canada's agricultural exports (China took a further 8 percent); 15 percent of its shipments of grains, grain products, and animal feeds; and 14 percent of all exports of oilseeds and oilseed products (Agriculture Canada). In some recent years, the proportions have been higher. Looking to the future, Canada sees the geographic shift in the direction and momentum of its agricultural exports being still more towards the LDCs (and the centrally planned economies), since these markets (especially OPEC and the NICs) offer a dynamic that the United States, Western Europe, and perhaps Japan, do not possess, given the saturation of their food demand and the inelasticity of their agricultural supply--even with some easing (which is unlikely) of their agricultural support policies (Agricultural Institute of Canada).

As part of its marketing effort in the LDCs (and elsewhere), Canada is paying some attention to its credit arrangements and marketing institutions. The perception is that Canada is unable to meet competition in the rates, coverage, or terms of export credits, and that a growing number of LDCs prefer to deal with state trading agencies. Accordingly, some consideration is being given to matching the subsidy element in the credit arrangements available to other agricultural product exporters (Export Market Development Task Force), and Canagrex will be a parastatal trading agency able to deal on a government-to- government basis. Such arrangements will not apply to Canada's trade in grains. The Canadian Wheat Board is such an agency, and it already has access to special credit facilities.

Market growth in the LDCs for Canada's total and agricultural exports is dependent on their having adequate earnings of foreign exchange. Unless the South exports to the North, it cannot pay for the North's exports to the South. The conditions of access to the Canadian market for LDCs present a mixed picture. Canada already provides duty-free entry for many tariff-line items and low duties for many more. By 1988, when the Tokyo Round tariff cuts are fully implemented, some 80 percent of Canada's trade will be duty free. However, Canada still retains tariff "peaks" on sensitive products, and tariff escalation provides high levels of effective protection for value-adding activities in Canada, especially for the processing of agricultural products. Furthermore, some of Canada's protection is directed at raw and processed agricultural products (for example tobacco, fruits and vegetables, beef, and sugar) that are of export interest to a range of developing countries. Also a preferential tariff structure for sugar favors Australia and South Africa (and Commonwealth Caribbean countries) over LDC suppliers.

A generalized system of preferences for the LDCs was introduced in 1974. It is to be extended to 1992. It provides virtually all the LDCs with access to the Canadian market at the British Preferential tariff rate, or two-thirds of the MFN rate. However, its benefits to the LDCs are not large. Among the reasons for this are: the inclusion of many of the highest income developing countries and three Eastern European countries (Bulgaria, Romania, and Yugoslavia); a rule that not more than 40 percent of the value of the product can be accounted for by imported components (including imports from other LDCs but excluding imports from Canada); and a wide range of products are excluded, including most agricultural and food products and such sensitive manufactures as textiles, apparel and leather, and rubber footwear (albeit that the latter are subject to quantitative import restraints) (North-South Institute 1980b). Consideration is presently being given to a widening of the product coverage and the adoption of cumulative rules of origin. However, in the present environment, there is little prospect that Canada's GSP arrangements will become significantly less niggardly.

Indeed, regrettably, the conditions of access to the Canadian market for Third World countries, particularly the NICs, have worsened markedly in the past 3 years. Faced with the triple onslaught of recession, high unemployment, and intense foreign competition, Canada has moved to restrict access for textiles, apparel, leather goods, and footwear by a battery of global quotas and bilateral 'voluntary' export-restraint agreements. These arrangements have been forced on the weak by the strong, they have avoided the obligations of the GATT, they are not subject to multilateral surveillance, they have no termination dates, and they are discretionary and discriminatory. In mitigation, it may be said that Canada's position is much influenced by its having too much of its industrial structure in mature, standard-technology industries, by the sensitivities that attend the fact that these industries are located in a handful of key electoral ridings in Quebec and the Ottawa Valley, and by the need to prevent the Canadian market from being swamped by the backwash of products that have been deflected towards Canada by the protective measures of other countries (North-South Institute 1980c). It has also been claimed that even under restraints, import penetration ratios for textiles (25 percent) and apparel (7 percent) are high by international standards and no worse than mandated under the Multifibre Agreement. Finally, it may be noted that while supplies from the NICs are only part of the competition provided by imports from all sources, they are the least acceptable because of wage-rate differentials, lower environmental standards, and poor working conditions.

World Food Security

On this theme of the North-South dialogue, Canada's record is credible. Agricultural and rural development have been priority in the bilateral assistance programs conducted by CIDA and the (uniquely constructive) International Development Research Centre. Canada has encouraged efforts in this area by multilateral institutions, for example, the World Bank, Regional Development Banks, the International Fund for Agricultural Development, and the Food and Agricultural Organization (FAO). It has been a large bilateral and multilateral supplier of food aid.

Canada has also been a consistent supporter of proposals to organize world grain markets through a consultative arrangement for coarse grains and by a Wheat Trade Convention with economic provisions in a renewed International Wheat Agreement (IWA). To be sure, Canada's desire for an IWA is animated primarily by domestic and "First World" considerations, for example, the search for mechanisms that would assure an adequate minimum wheat price and stability for Prairie agriculture; provide equitable international sharing of the costs of holding stocks and adjusting consumption and production to changing market conditions; and attenuate the dangers of destructive subsidized competition among the exporters. Nonetheless, potentially, the pricing, stocking, and adjustment provisions of the agreement on which negotiations were held in the 1977-79 period had the capacity significantly to enhance food security for the LDCs. In the event, like other exporters, Canada could not accept the LDCs' stance on the level and width of the trigger prices, the aggregate size of national stocks, and the terms surrounding the LDCs' stocking obligations. In the absence of an agreement, elements in Canada have pressed for the formation of a "coalition of exporters" to collaborate informally in grain-market management. It is not self-evident that such a development would be in the best interests of LDC food importers.

Canada has not favored the proposal made by the Secretariat of the World Food Council for the creation of a system of LDC-owned but internationally financed security reserve stocks, arguing that such stocks would be cost ineffective, inadequate to the task of stabilizing grain markets, and incapable of being operated within a negotiable framework (Hill).

Conclusion

Like other developed countries, Canada has been hard pressed to maintain a balance between promoting LDC interests and coping with LDC pressures, between the wish to assist generously and the reluctance to adjust appropriately.

There has been an all-too-familiar mix of confusions and inconsistencies in the Canadian response to the various subjects that constitute the agenda of the North-South dialogue.

Indeed, there has been a yawning gap between, on the one hand, Canada's early recognition of the need for change in the international economic order, and her policy and practice on the other. In many respects, Canada's performance has fallen well short of the hopes of her development community, of the promise of her rhetoric, and of her capacity.

Worse, there are signs that Canada is now withdrawing from North-South problem solving and is "jockeying for a low-profile and inoffensive location in the Western convoy" (North-South Institute, 1980a).

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