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THE WHITE HOUSE
WASHINGTON

C. F.

018643CA

PY 7
F0006-01

Re: Ottawa Summit -- Canadian Paper
on North-South Issues (CM 45)

Amb. Brock called in his comments:

Item 13, p. 8-- The Ambassador is
"vigorously opposed" to the word
right in the last sentence of Item 13:

"Redistribution for them is not an
option open only to the domestic
policies of affluent countries but
rather a right they should have as
disadvantaged members of the inter-
national community." (Emphasis mine.)

v, p. 22 -- re international food reserve
system.

Amb. Brock expressed his opposition,
as he believes SEC Block might have
done.

Amb. Brock has no objections to any of
the statements re trade.

5:25 pm
6/19/81

A.

6/13

K —

Send this and
other comments
directly to

Nancy Berg Dyke

CB

(keep copy)

6/15 - copy of DOC
sent -

6/20 copy of USTR
clubs sent



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

JUN 12 1981

MEMORANDUM FOR CRAIG L. FULLER
FROM: Lionel H. Olmer *LHO*
SUBJECT: Ottawa Summit - Canadian Paper on
North/South Issues

I appreciate the opportunity to review this latest draft of the Canadian paper. It takes into account many of the objections we have expressed in previous reviews.

In some respects the Canadian paper remains deficient. I offer the following comments and suggestions:

- Add to the bottom of paragraph 17 (a) the following language: "While there is room for further integration of developing nations into the international economic system, some, especially the advanced developing countries, already participate to a significant extent and we should insist that they assume the responsibility this entails for maintaining and strengthening the system."
- In section 17 (f) (re Soviet Union), the word "probably" in the last sentence on the page should be dropped. The sentence would read "The industrial countries should not encourage ..."
- Drop the last paragraph in section 19 (c) and substitute the following: "Nevertheless, in evaluating the benefits of GN the developed countries should consider the risks of weakening the authority of the multilateral institutions that underpin the international economic system and seek appropriate safeguards."
- Section 20 (i). We do support the section on trade and, in fact, are already moving forward on many of these issues. In the trade area there are instances where U.S. interests and the interests of the developing countries coincide, e.g.



safeguards and maintaining an open trading system. It is unfortunate that this discussion is buried at the end of the paper after the extensive discussion of aid and financing issues. Perhaps this discussion could be moved closer to the front of the substance section where we can get the whole discussion off to a more positive start with a brief mention of the progress already made, including the reduction of tariff and non-tariff barriers resulting from the MTN, the GSP schemes and the OECD Trade Pledge.

THE WHITE HOUSE
WASHINGTON

CABINET ADMINISTRATION STAFFING MEMORANDUM

DATE: June 8, 1981 NUMBER: 018643CA DUE BY: NOON June 12, 1981
 SUBJECT: Ottawa Summit - Canadian Paper on North-South Issues (CM45)

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Allen	<input type="checkbox"/>	<input type="checkbox"/>
4/18 - asked Chew Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Anderson	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Garrick	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Gray	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Beal	<input type="checkbox"/>	<input type="checkbox"/>
✓ Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>			
Transportation	<input type="checkbox"/>	<input type="checkbox"/>			
Energy	<input type="checkbox"/>	<input type="checkbox"/>			
Education	<input type="checkbox"/>	<input type="checkbox"/>			
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>			
OMB	<input type="checkbox"/>	<input type="checkbox"/>			
CIA	<input type="checkbox"/>	<input type="checkbox"/>			
UN	<input type="checkbox"/>	<input type="checkbox"/>			
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Remarks:

Please submit any comments you may have on the attached paper by Noon, Friday, June 12, 1981.

RETURN TO: Craig L. Fuller
 Deputy Assistant to the President
 Director,
 Office of Cabinet Administration
 456-2823



OFFICE OF THE VICE PRESIDENT
WASHINGTON

June 4, 1981

MEMORANDUM FOR CRAIG FULLER

SUBJECT: Canadian Paper on North-South Issues

Attached is the latest draft of Canada's paper on North-South issues for the Ottawa Economic Summit, which we just received. Although it is a Canadian paper, and will not necessarily be revised to reflect our views, it would be useful to have your views on it so that we can incorporate them in the briefing materials we will prepare for the Summit.

A handwritten signature in cursive script that reads "Nancy".

Nancy Bearg Dyke
Assistant to the
Vice President for
National Security Affairs

Attachment

Canadian Embassy



Ambassade du Canada

~~RESTRICTED~~

1746 Massachusetts Ave. N.W.,
Washington, D. C. 20036.

May 27, 1981.

Dear Mike,

I have been asked by Allan Gotlieb, the Personal Representative of the Prime Minister of Canada, to convey the following message to you:

"We agreed at our last Paris meeting that Canada should revise the Summit North/South paper and send a new text to you before our Vancouver meeting.

Attached is the new text on which a few comments may be useful:

- (a) it attempts to reflect the discussion we had in Paris both in our plenary sessions and in the working group;
- (b) it is shorter than the original text, and I believe further shortening will not be easy given the general desire to keep the present structure of the paper;
- (c) the parts headed Analysis and Objectives incorporate a number of useful amendments suggested by Washington;
- (d) this paper has been rewritten before the results of the Gabon meeting are known and we may well want to make further changes in the light of that meeting; and
- (e) while the text attempts to strike compromise language on points we debated in Paris, we appreciated there were some areas of difference to which we would want to return, and these have been marked with an asterisk.

... 2

The Hon. Myer Rashish,
Under Secretary for Economic Affairs,
Department of State,
Washington, D. C.

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BY rdh NARA DATE 10/31/2019

I hope we will be able in Vancouver to accept the basic outline of the paper and concentrate our attention on those parts where there may be specific disagreement. In cases where we cannot achieve a consensus, we will want to consider whether and how to reflect our differences in the paper."

Yours sincerely,


G. E. Shannon
Minister (Economic)

~~RESTRICTED~~

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May 22, 1981

DRAFT SUMMIT PAPERNorth/South Issues

The Personal Representatives were asked at Venice to review aid and other contributions to developing countries and report their conclusions to the next Summit. We have interpreted this mandate broadly, conscious of the important, complex and inter-related interests which are involved in what has come to be called the North/South dialogue. Individually we are not equally supportive of each of the conclusions in this paper. But we believe that generally they could form the basis for a new and more coherent approach to the developing countries and thus respond to the questions raised by leaders at Venice.

ANALYSIS

2. From the outset it needs to be emphasized that the South is not a homogeneous 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 records and prospects and those suffering stagnation and negative growth; countries with the world's major financial surpluses and those with the greatest deficits; countries

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by dlr DATE 10/31/2017

with huge often untapped natural resources and those with none; countries with sophisticated modern industrial economies and those with rudimentary tribal agricultural societies; the most populous countries of the world and the micro-states; established democracies and military dictatorships; overtly communist regimes tied to Moscow and those allied with the West. It spans the five continents of the world and encompasses all of its major religions. And it is caught up in a dynamic process of change.

3. The North, too, lacks homogeneity. For certain purposes it includes the communist countries of Eastern Europe and the developing countries of Southern Europe, some with lower per capita incomes than the newly industrializing countries of Southeast Asia. Even when more narrowly defined to describe only the industrialized countries of the OECD, there remain wide differences of size, power and outlook among its members.

4. These industrialized countries, however, recognizing their numerous common interests, came together in the post-war years and dominated the creation of a new set of rules and institutions through which they could cooperate to maintain an international order, not directed against the rest of the world but in which other countries were perceived to be relatively minor actors.

5. The countries of the South derive their unity largely from the perception that these post-war rules and institutions, in spite of the changes which have taken place in them, have not permitted equal opportunity or an equitable sharing of the benefits of the international economic system. Their vision of a New International Economic Order, vague and utopian though it may be, contains a shared belief that the rules need substantial change. They view their solidarity as an essential means to exert countervailing influence against the weight of the industrial North. And, in spite of the internal contradictions of the Third World, it has power to exercise both positive and negative influence over the resolution of problems of importance to the industrial world. With their growing political and economic strength, the developing countries are no longer minor actors on the periphery of the international political and economic system, but rather countries whose cooperation is important for the pursuit of our interests.

6. In the 1980s, pressures on the functioning of this international system will increase, as growth slows from the pattern of recent decades, traditional energy supplies become depleted, uncertainty continues about the capacity of present financial mechanisms to handle recycling, rapid population growth in developing countries outstrips food production, the

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number of the world's poor grows, competition for markets becomes more acute, protectionist pressures rise, environmental conditions deteriorate, and new participants such as China, OPEC or the NICs take on more important roles in the system.

7. Medium-term growth prospects in both industrial and developing countries are not such as to ease these pressures.

The Summit countries are meeting at a time when stagnation, unemployment and high inflation remain pervasive in the industrial world, reflecting deep-seated problems of low productivity, reduced investment, strong economic and social rigidities, and adjustments to higher energy prices. Most developing countries also face grim prospects. Even the rapidly growing middle income countries expect slower growth, as they are unlikely to be able to sustain the borrowing which permitted them to adjust to the first oil price shock. The poorest countries are expected to experience little real growth (and some will have negative growth) and they are saddled with exorbitant debt and rising import bills.

8. Industrial and developing countries are increasingly interdependent. Neither of these groups of countries can achieve its desired goals without taking into account the goals and aspirations of the other. An increasing number of national interests, on each side, have come to depend on events in the

other. Obviously individual developed and developing countries will vary in importance to each other and the overall balance remains uneven. But generally our political, security and economic interests, as well as our environmental, humanitarian and cultural concerns, are becoming more and more interwoven into a complex pattern of relationships with the developing world which require careful and sophisticated understanding.

9. Politically, even though the process of decolonization has been largely completed, many developing countries remain highly volatile. Government methods and social forms in them are often still in formation or are fragile. It is in our interests that they develop freely created institutions which correspond to the needs of their own societies and form the basis for stable government, while at the same time providing adequate protection of individual human rights. Whatever attractions communist ideologies may have had in the immediate post-colonial period, the record of the USSR in the developing world since, the poor economic performances of Eastern European countries, and the gradual diminution of the compulsive anti-Western sentiments which often characterized political views in the developing countries two decades ago, have all combined to suggest there now exists a more encouraging set of circumstances for cooperation between Third World and Western countries.

10. The security of the industrial countries is affected by instability and conflict in the developing world where the coming decades are likely to see increasing turbulence. This springs less from economic privation than from the development process itself, since transition from traditional to modern societies is essentially destabilizing. Moreover, many developing countries regimes lack legitimacy and national consensus, have limited means for satisfying national aspirations and expectations, and live within frontiers that are fragile and irrational. Such instability cannot always be confined within national boundaries and it provides fertile ground for Soviet adventurism. To the extent possible, however, its containment must rest with the countries of the Third World which have demonstrated in recent crises that they have an independent part to play and a stabilizing influence to exert in maintaining regional peace. The erosion of the international political institutions such as the Security Council, the OAS or the OAU has weakened the mechanisms for the containment of instability and calls for additional means to promote the peaceful settlement of disputes.

11. The economies of industrial and developing countries are increasingly sensitive to and interactive with one another, particularly through the private sector. Whereas in the 1960s only about one-third of the net flow of resources to

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the developing countries took place through private investment and other non-ODA channels, by the start of the 1930s this proportion had jumped to over two-thirds, not because of a decline in ODA but rather because private capital flows had increased seven-fold. OECD countries trade heavily with developing countries. They import not only oil and raw materials, but also an increasing share of manufactures. They now sell about one-third of their exports to developing nations while developing nations send two-thirds of their exports other than oil to industrial countries. Developing countries depend heavily on financing from Western banks and capital markets, while many industrial countries also are net borrowers on world capital markets. Growth and job creation in both industrial and developing markets depend importantly on this interlocking trade and finance.

12. The environment, population and quality of life in industrial and developing countries are linked. High rates of population growth will add nearly two billion people to the population of developing countries by the year 2000, increasing pressures on agricultural lands, water, forests and other resources, and possibly swelling the tide of migrants from developing to industrial countries.

13. The humanitarian interest of our populations in the disadvantaged peoples of the poorer countries represents probably the strongest motivation for development assistance. The thought of close to a billion people living in absolute poverty is generally intolerable to our consciences. Aid programmes, focussed on the poorest countries in which there may be few other national interests, express our commitment to deal with this problem. The developing countries themselves reject a simple humanitarian approach. They do not see themselves as the object of charity. Their claim is based on natural justice. Redistribution for them is not an option open only to the domestic policies of affluent countries but rather a [?] right they should have as disadvantaged members of the international community.

OBJECTIVES

14. The growing importance of the developing and industrial countries to one another demands that greater attention be given to North-South issues and that we institute and carry out a more coherent set of policies toward the developing countries. A set of common objectives would help us to define more clearly the policies or mechanisms to pursue them.

15. This approach must, of course, recognize that the industrial countries have a fundamental need and responsibility to their own peoples to keep themselves strong and to grow. This is not inconsistent with objectives we set for

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relations with the Third World. On the contrary, what industrial countries do at home to remain strong contributes importantly to the development of developing countries. For example, our investments in developing countries depend on the vigour of our own industries. Efforts we make to increase domestic energy production and conservation help to reduce our oil imports and decrease the pressure on oil prices paid by developing countries. Investments in structural adjustment in industry in the North expand domestic markets and give developing countries greater scope to pursue export-oriented strategies of industrialization. Fiscal and monetary policies in industrial countries to combat inflation help to lower the prices of manufactures imported by developing countries, as well as reduce the government demand on capital markets which service developing country financial needs.

16. Macro-economic policies which set the stage for higher economic growth rates and a more stable price environment thus complement and reinforce the flow of official aid to the Third World. Our need to promote our own economic health is not a reason to provide less aid but the basis for doing more. Similarly, what developing countries do in their own economies will determine how effectively aid is utilized and how soon these countries will be able to participate fully and equally in the international economic system without having to rely on concessional transfers from other countries. The

developing countries are appreciating more and more that their growth depends on our growth and that what is involved is not a zero-sum game, where they can grow only at our expense or we at theirs.

17. Looked at in this broad perspective, a set of common objectives among the industrial countries toward the developing world might include the following:

(a) The main thrust of our policies should be, over time, to integrate the developing countries more fully into the international economic system. This will involve improving the economic opportunities of the developing countries and accepting a greater degree of participation on their part in the international decision-making process. It means we need to preserve an open and universal international trading and investment environment, encouraging mutually beneficial cooperation with developing nations, resisting protectionism and adapting the structure of our economies to the framework of an international division of labour that gives the developing countries scope for export oriented strategies. The surplus oil-exporting countries have a huge stake, and share a mutual interest with us, in the operation of the international financial and payments system; and they should be encouraged to work with us, in a sense of partnership and joint responsibility, to ensure its smooth functioning.

(b) A second objective is to promote development of the South and accelerate the eventual participation of all countries, including the poorest, in the growth dynamic of the world economy. The surplus oil exporting countries and newly-industrializing countries can assist in this effort. They are now beyond the need for concessional assistance and can be encouraged to help their less fortunate neighbours. Aid from industrial countries remains, however, the most important means of transferring needed resources to the poorest countries; and its purpose should be growth and development to supplement self-help efforts. Other instruments in the fields of private investment, trade and financing, can and should be used to pursue this objective, particularly in relation to the middle-income countries.

(c) A further objective is to strengthen cooperation between ourselves and the developing countries so that our development efforts will be more effective. Growth rates and improvements in standard of living in the developing world have been climbing more rapidly over the past three decades than in any other historical period. The Group of 77 is often unwilling, for tactical reasons, to admit these successes. But problems remain great and require concerted action. Given our present limitations on volume of aid, we need to ensure it is used

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effectively in terms of distribution, selection of key sectors, establishment of criteria and efficiency of administration. To achieve these purposes with our aid programmes we need more coordinated action among donors and with recipients focussed on specific issues.

(d) A particular objective, because of its critical importance, is closer cooperation with the oil producers to help meet the world's energy needs. In financial terms, they are rich and some have become major donors of aid; but they remain, by most definitions, underdeveloped. The interests of the industrial countries are focussed on their own needs for greater reliability in the supply of oil and predictability about its price. The non-oil developing countries share these interests and are much more vulnerable than we to uncertainties. Cooperation with the oil producers will depend on: giving them a bigger voice in the operation of the world economic system commensurate with their financial stake in it; recognizing that we all have an interest in the security of financial assets and hence the reduction and control of inflation; assisting them to promote stability, growth and diversification in their own economies; and working with them to ensure responsible attitudes towards the functioning of the international economy.

(e) A major objective should be a strengthening of the international institutions which provide the framework for the orderly conduct of international economic

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relations. The IMF and the GATT respectively help to maintain discipline in the international monetary and trading systems. The World Bank, and to a lesser extent the regional development banks, are the most important source of official funds for the developing countries. Strong multilateral institutions not only have advantages for integrating the developing countries progressively into a wider economic system, but in many instances can induce structural adjustment in developing countries more effectively and with fewer political repercussions than can be achieved bilaterally. The private capital market often looks for the judgments of the IFIs before taking investment decisions, and collaboration between the IFIs and private banks has had an important role in the recycling process. In recent years, practically the entire real growth in official transfers has been accounted for by the growth in the multilateral banks and this has been achieved by their capacities to raise large amounts on the world capital markets. If the multilateral banks are to continue growing and be able to adapt to new circumstances and needs, they will need to retain the confidence of the world's capital markets, as borrowings from this source are not unlimited. It should be remembered that private capital flows to developing countries are now at twice the level of aid flows.

(f) The political objectives we should pursue in the Third World should be based on promotion of genuine independence, non-alignment and stability. We should try to

immunize the Third World from, rather than involve it in, East/West contention. While each of us will have, for historical or geographic reasons, regional points of special interest, we should retain the multilateral and global character of our relationship with Third World countries, demonstrating that our idea of a pluralistic world corresponds with their objectives of independence and self-determination.

(f) While we should maintain that the Soviet Union has a responsibility to assist the economic development of the developing countries, we should insist that it also respects their independence and non-alignment. Although the Soviet Union has made some gains in the Third World, it has also suffered stunning losses. The anti-imperialist and social model credentials of the Soviet Union have, over time, and particularly after recent events in Afghanistan and its own economic failures, lost their credibility for Third World countries. Nor has it ever been generous in the provision of economic resources. Its appeal to a developing country, given a free choice between looking to the East or West for support, is therefore limited; and the Third World is becoming increasingly critical of the unwillingness of the Soviet Union to accept responsibility to help developing countries. The industrial countries should probably not encourage the Soviet Union to play a larger bilateral role in the Third World

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since its aid programmes have always been aimed at securing political benefits. Areas where the prospective gains of greater Soviet involvement are likely to outweigh the risks would be in mechanisms where they would be part of a multi-lateral process, particularly in United Nations programmes. The Soviet Union could also be encouraged to open its markets wider to Third World exports (with less reciprocity or barter) and to curb its arms sales to developing countries.

POLICY MECHANISMS

18. In the light of the above interests and objectives, we can consider the more specific means of achieving our goals. Such policy mechanisms can be divided into two broad categories: those of a tactical nature to improve the process and environment of the dialogue; and those that are designed for substantive results.

TACTICS

19. The dialogue has not been working well. North and South seem to speak on different wave-lengths. The verbal barrages continue. Recriminations mount. Conferences fail. The Global Negotiations remain stalled. And frustrations and weariness with the process mount on each side. Certain steps may help to increase confidence and make the dialogue more productive.

(a) We should seek to persuade the South that many of their adversarial demands and confrontational approaches

have been counterproductive to their own interests. Our approach should be to work with them to select an appropriate set of issues for practical negotiation in the context of better mutual management of an interdependent world economy. Such an agenda will need to recognize that their interests and perceptions are not identical to ours.

(b) We should not be defensive about our own record of cooperation with developing countries and should seek positive recognition where it is due. The Group of 77 seem to believe that any acknowledgment of progress or of our considerable efforts would undercut their strategy of concerted pressure on industrial countries. We should as a minimum try to persuade them that exaggerated criticism and irresponsible statements make our task of maintaining public support for development assistance and other policies more difficult.

(c) We should encourage fresh attitudes and responsible negotiations on specific issues. Our willingness to support the convening of a North/South Summit in Mexico is evidence of the desire of the industrial countries to search for new ways in which impetus can be given to the dialogue. The proposed Round of Global Negotiations, given the wide degree of international support which now exists for them, should be seen as a necessary, and a positive, step which should be started as soon as a satisfactory arrangement can be worked out on procedures and agenda. The Global Negotiations may well

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contain more rhetoric than practical achievement and the process will be long and difficult. Their advantages would be:

- to provide a universal political forum in which all countries will have a sense of participation in the international policy-making process;
- to provide an escape valve for international tensions;
- to serve a useful educational and informational purpose; and
- to demonstrate that we want the developing countries to enter into a serious dialogue with us on current global problems.

The Global Negotiations could form a useful umbrella under which quieter and less public negotiations could take place, in the United Nations and in the specialized bodies (without undermining the competence of the latter), on matters of importance to the international community.

(d) While all donors apply a certain amount of political judgment in the allocation of aid, we believe that a simplistic policy of attempting to reward friends and punish enemies is unlikely to be productive. Development is a long-term process requiring consistency of policy; and the political environment and political relationships can change rapidly. However, in specific cases of blatant disregard of important

national interests, interference by foreign powers, gross violations of human rights, adventurism and warfare against neighbours, aid will need to be terminated. Recipient countries should be free to choose their own ideology. But our populations will not support aid which allows or subsidizes a developing country to pursue policies inimical to our deep interests or to international security. We should also make a distinction between bilateral cooperation, where political criteria are more easily applied; and multilateral cooperation, where the international financial institutions need to operate on the basis of well established economic criteria, and where, if we have a necessity to intervene for essentially political reasons (e.g. our reactions against the Vietnamese invasion of Cambodia), we should work within the rules of the institutions.

(e) We should support both bilateral and multilateral channels for aid, without trying to apportion specific shares, since each has special advantages according to the circumstances and the goals we pursue. Bilateral aid is generally more responsive to national economic, political and foreign policy interests. Multilateral channels, with shared responsibility for administration and the capacity for longer term global strategies, are a more efficient means of integrating the developing countries into the international system. The two mechanisms should therefore be seen as complementary rather than competitive.

SUBSTANCE

20. This is the heart of the matter. What are the measures we can take, or try to negotiate with the developing countries, to achieve practical results?

(a) Our global outlook shows clearly that two major sectoral problems for the 1980s, not only in the developing countries but in the world at large, are energy and food. We shall need to give higher priority to these sectors in our planning, encourage greater public and private participation in the search for answers, and intensify our dialogue with developing countries on them. A related and important issue is that of population growth where current trends (90 per cent of the increase in world's population to the end of the century will be in the Third World) dissipate development efforts and create concern about the ability of the developing countries to meet minimum nutritional standards. Underlying our approach is the imperative to help meet the basic human needs of populations and getting our aid to the people who need it. Improvements in the standard of living will result not only in higher food and energy consumption but also demands for related goods and services.

(b) We believe that a number of steps should be taken to improve the energy supply of the non-oil developing countries (whose aggregate current account deficits for 1981 are estimated at \$80 billion, of which the largest part is

attributable to the increased cost of oil imports) and help them to develop their indigenous resources.

We should:

- i) encourage developing countries to formulate coherent energy policies and plans and to cooperate in regional energy projects;
- ii) urge developing countries to maintain a favourable climate for exploration and investment by the oil companies;
- iii) endorse a larger role for the World Bank through the establishment of an Energy Affiliate or an Expanded Facility, bearing in mind that either course will need to attract substantial amounts from the revenue-surplus oil producers, provide for equitable participation by them, help fill gaps which cannot be met by private investment and act as a catalyst for private investment;
- iv) work actively to promote a positive outcome to the U.N. Conference on New and Renewable Sources of Energy;
- v) supplement multilateral efforts by increased levels of bilateral energy-related assistance;
- vi) encourage the oil producers to continue their efforts to help meet the minimum

oil import needs of developing countries (such as the Venezuela-Mexico plan in the Caribbean) with minimum political conditions;

vii) give high priority to research and development of energy-related technologies appropriate to the developing countries; and

viii) give special attention to reforestation in developing countries and the management of fuelwood resources.

(c) After a period of some improvement in agricultural production in the late 1970s, food stocks are again low and a major failure in food output anywhere in the world could have disastrous human consequences. In many developing countries food production is actually declining and the prospect of a major food crisis in the 1980s is real. We believe urgent steps need to be taken to accelerate food production in the developing world and to cope with food shortages. These measures could include:

i) using the levers at our disposal, and coordinating our actions, persuade developing countries to accept their responsibility to develop their agricultural potential and rural infrastructure;

ii) assist the developing countries to develop better food sector strategies

including price incentives, distribution systems, land management policies, storage facilities, credit arrangements, technical innovation, water control, ocean management and appropriate infrastructure;

iii) increase the development assistance we make available for these purposes;

iv) ensure our food aid programmes are designed not to undercut agricultural development in recipient countries, but rather to reinforce it and bring about structural change;

v) work towards the creation of an international food reserve system* and

vi) endorse a revision of the IMF's Compensatory Financing Facility to make financing available to countries having growing food import bills.

(d) Recognizing that the population issue is politically and socially sensitive, and difficult to tackle, we must state our view that the population explosion is a major constraint on development and a source of growing instability to the world. As Summit countries we should therefore be prepared both to urge developing countries to place greater emphasis on population projects, and to support

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programmes and approaches which have proved effective. Ultimately the most effective programmes are those which raise the standards of living of the low income populations, thus reducing the social causes of large families and helping countries to develop their human resources.

(e) We should recognize that the poorer countries of this world, unable to borrow funds on capital markets, are dependant on ODA for external financing, and that therefore we should make best efforts to increase the levels of our aid and improve its quality. Given differences of view among us, some of us are unable to affirm the U.N. ODA target of 0.7 per cent of GNP within a meaningful time frame, and any lesser target should be avoided. A joint recognition by the Summit countries of the importance of aid, however, would be an important political declaration. We should also make it known that we are prepared to allocate the major portion of our aid to those countries which need it most--i.e. the poorer countries. This could be accompanied by, or set in the context of, an expression of support for the objectives of the United Nations Conference on Least Developed Countries which will take place in September.

(f) The largest portion of external financing for developing countries emanates from the private sector; and the investment climate in developing countries is one of the major factors in their ability to achieve their economic goals.

The Summit countries should:

i) support developing country initiatives that attract and offer protection of foreign investment;

ii) foster and support bilateral investment insurance arrangements;

iii) continue to examine multilateral schemes which might promote a greater flow of private capital; and

iv) encourage increased involvement of the private sector in the operations of the IFIs when there are investment opportunities that can be enhanced by private investment.

(g) The external financing needs of the developing countries can be alleviated by a smooth functioning of stable capital markets. Access to the market remains the principal source of resources of the multilateral development banks and it is also important for the external financing of a number of developing countries. Over two-thirds of the lending of the private banks to the Third World has been to some six developing countries.

Summit countries should:

i) promote the financial soundness of the IFIs so that they can maintain and widen their access to private markets;

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ii) support close collaboration of the IFIs and the commercial banking system through lending instruments such as co-financing; and

iii) work towards the improvement of capital markets so that developing countries can have access to additional longer-term borrowings.

(h) The role of the international financial institutions in providing support and back-up to the financial needs of the developing countries is increasingly important, particularly in the light of the huge deficits some are now running and uncertainties about the longer-term capacity of the private intermediaries to continue to play their present role in the recycling of funds. In recent years the IMF and the IBRD have provided not only significant resources but also effective policy guidance, coordination and leadership to the advantage of all members. Both institutions have been able to react to new problems and demands by introducing policies and programmes such as those aimed at correcting some of the borrowing countries' structural problems. They have shown a capacity to collaborate with each other while maintaining their specific roles and purposes. They have been able to give increased participation to developing country members. (We will want to review the type of support which the Summit countries could

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best give to the IFIs in the light of the Interim and Development Committee meetings in Gabon.)

We believe the Summit countries should:

(i) support the efforts of the IMF to deal with balance-of-payments problems by encouraging members to take appropriate policy measures and by providing financial support;

(ii) take the necessary steps to ensure that the financial resources of the IMF remain adequate to meet its important tasks;

(iii) respond to the request of the IMF for refinancing of the Interest Subsidy Account;*

(iv) work for the early completion of the commitments undertaken to increase the capital of the IBRD, and ensure that IDA continues to function with sufficient resources;

(v) explore means of expanding IBRD lending, for example, through a change in its gearing ratio or through an increase in its callable capital.*

(i) One of the most important dimensions of the major objective suggested above, that of fuller integration of the Third World into the international economic system, is our trading relations with the developing countries. In pursuit of this objective, we need to increase the confidence of the developing countries that their interests can be protected and furthered by working closely with us as partners in the

management of the trading system, particularly in the GATT. The GATT is looking at a global trade policy agenda for the 1980s and, in the light of its June Special Session of the CG-18, we will want to review the nature of the supportive role the Summit might play in order to keep the momentum going for the maintenance of a liberal and open international trade environment. We believe that the Summit should make a number of points clearly:

- that we are determined to resist protectionist pressures and maintain an open trading system;
- that we are prepared to undertake positive adjustment measures to facilitate the restructuring of our own economies;
- that we are willing to seek ways to accord the developing countries wider market access, for example through improvements in the GSP;
- that we place importance on a satisfactory renegotiation of the Multi-Fibre Arrangements (MFA);
- that the concept of graduation is important to us, since the developing countries, particularly the NICs, should accept both the responsibilities and the benefits of an international trading system that works to everyone's mutual advantage;
- that we are prepared to accept that the agenda for the 1980s should include issues,

of importance to the developing countries; and
- that we recognize the poorest countries have little capacity to benefit through the international trading system and will need special treatment.

(j) The International refugee problem has reached critical proportions and affected all regions of the world, increasing political instability and creating heavy burdens on the countries of asylum and humanitarian problems in respect of the ten million refugees involved. Summit countries should reaffirm their intentions to lead international efforts aimed not only at dealing with these symptoms of disorder but, more importantly, at finding durable solutions to the causes. We should thus increase our efforts in the United Nations to develop internationally agreed approaches and principles governing the conduct of states.

(k) As industrial countries we have agreed both at the CIEC and in the International Development Strategy that ODA flows should be on an "increasingly assured, continuous and predictable basis". Some of us have made political commitments about the levels of aid to be sought from our parliaments over the medium term. Proposals for making at least a portion of aid transfers through international automatic mechanisms, which would be less of a direct burden on the national taxpayer, have been floated internationally. But such proposals remain

vague and ill-defined. We believe we should ask the OECD to pursue a thorough examination of automaticity,* continuing the analytical work it has already started.

CONCLUSION

21. As we look outward from the Summit on the rest of the world, the jargon of our times gives us two phrases to encompass the horizon--East/West and North/South. In this relatively short paper, we have at least tried to reach a deeper perspective on one of these dimensions. We have not found it easy to compress such a huge and complex subject as our relations with developing countries into a coherent pattern. But, as requested at Venice, we have presented our findings in the form of conclusions, suggesting objectives and policies which Summit countries should pursue. Each Personal Representative obviously would have different points of emphasis about the conduct of our future relations. We are agreed, however, in stressing that the dynamic changes occurring in our world mean that the management of our relations with that vast and increasingly important mosaic known as the Third World should be given much greater attention.

DOCUMENT NUMBER = 018643CA

ACTDATE = 810608
 ADDNUMB =
 CREFDATE = 810608
 DOCDATE = 810604
 DSPDATE = 810721
 NAME = SHANNON
 RCVDATE = 810605
 RECID = 018643CA
 STATE =
 UPDATE = 810721
 ZIP =

NAME MINISTER G. E. SHANNON
 ORG EMBASSY OF CANADA
 SUBJECT OTTAWA SUMMIT - CANADIAN PAPER ON NORTH - SOUTH
 ISSUES (CM45)
 SUBCODE F0006-01 C0028 FG012 FG020 FG006-15
 INDCODE 3300
 USEFCODE CM45
 ACTION 99TRES RAA 810608 NO RESPONSE - OBE C 810721
 99DOC RAA 810608 SEE 810612 MEMO C 810613
 99SRTN RAA 810608 NO RESPONSE - OBE C 810721
 COMMENTS PAPER TRANSMITTED BY NANCY BEARG DYKE - V.PRES.OFFICE