Human Security, Sustainable and Equitable Development: Foundations for Canada’s International Policy
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**Executive Summary**

1. In the world of the 21st century, the achievement of human security through sustainable and equitable development will be increasingly fundamental to foreign policy, international peace, and global commerce. Therefore, a clear set of development objectives must underpin our international policies in all other areas—diplomacy, defence and commerce.

2. Together, the Millennium Declaration and the Millennium Development Goals (MD/MDGs) present a comprehensive set of objectives towards which various instruments of international policy—diplomacy, defence, trade and investment, and development cooperation—should work together.

3. The Prime Minister should publicly embrace the Millennium Declaration and the Millennium Development Goals as Canada’s vision of the kind of world Canadians desire and must work towards—one in which human dignity, justice and peace are upheld universally. He should communicate this vision to the Canadian public and seek the support of Canadians in helping to achieve the goals.

4. To operationalize this vision, the federal government should commit to embodying the Millennium Declaration and the Development Goals in the strategic priorities and plans of all departments and agencies. It should also commit to working closely with provincial and municipal governments, with the private sector and with civil society to incorporate the MD/MDGs into their missions, mandates and action plans, so that the commitment becomes one of the whole of Canada.

5. The Government of Canada should introduce legislation clearly defining sustainable and equitable development as the fundamental objective around which international policy must be coherent, and report regularly to Parliament on Canada’s contributions and achievements under the legislation.

6. The Global Affairs Cabinet Committee, and a parallel committee in Parliament, should regularly discuss Canada’s contributions and establish Canada’s own roadmap toward achieving the MD/MDGs over the next decade.
Introduction

In the world of the 21st century, the achievement of human security through sustainable and equitable development will be increasingly fundamental to foreign policy, international peace, and global trade. The basic contention of this paper is that a clear set of development objectives must underpin all our international policies.

Canada can and must play a much more active role in helping to bring about a world of greater human security, peace and development. Canadians expect more of their country and their leaders. They look back with pride at the passionate engagement of former Prime Ministers Lester Pearson and Pierre Trudeau in the cause of world development and peace. Canadians also believe they are “at home in the world” in ways quite distinct from that of citizens of the United States. While they understand the importance of maintaining a strong and positive relationship with their neighbour, they are prepared to part ways on critical international issues, such as the war in Iraq.1

A coherent and consistent policy requires the articulation of a set of clear objectives and decision-making machinery to deal with inconsistencies and tradeoffs that inevitably will arise. But most of all it requires vision and leadership from the head of government—the Prime Minister—who must persuade Canadians in all parts of the country, and the various levels of his own government, to work together on a set of common objectives. Without strong leadership and direction from the Prime Minister, there is a natural tendency for government departments and agencies, and different levels of government, to pursue narrower objectives, which can sometimes be at cross-purposes.

The Prime Minister and his government must communicate such a vision, with energy and conviction, to Canadians. He must convince Canadians that this undertaking requires the whole of Canada, not just the federal government, much less just the Canadian International Development Agency (CIDA). The vision may best be communicated with the help of non-government and civil society organizations, and with the support of the private sector. Our multiculturalism is an asset in this regard: there is room for much greater collaboration with the diaspora of many nations and cultures that have taken root in Canada.

International policy must adapt to the realities of a post-9/11 world. There has been a fundamental shift in international relationships since the terrorist attacks on New York and Washington. The notion of “security” has profoundly changed. For better or worse, foreign aid, international commerce, and relations between and among developed and developing countries are influenced by the new reality. Canada’s international policy must also adapt to this new reality, but without compromising the values and interests that are fundamental to Canadians.

Furthermore, diplomatic relationships and military strategies that evolved during the bipolar era of the Cold War have now metamorphosed into the so-called war on terrorism. However, while conflict and insecurity are particularly widespread throughout the developing world, inflicting considerable misery on large numbers of people caught in violence, they typically do not generate a “terrorist threat” against the industrial countries. Moreover, as both the Israel-Palestine conflict and the war in Iraq have demonstrated, conventional warfare does not lend itself well to the fight against terrorism, let alone establish a durable peace. In this paper, we argue that achieving international peace and security must fundamentally be linked to enhancing human security, which in turn is related to sustainable and equitable development. Further, we argue that international policy must enhance human security by reducing poverty and inequality, affirming human rights and political freedoms, strengthening democracy, and making peace durable.

The four major pillars of international policy—diplomacy, defence, commerce (i.e. trade and investment) and development—are related to each

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other in a seamless web. To understand why development is so fundamental to international policy, we must first consider the case of the world’s poorest countries—most of which are in sub-Saharan Africa. Their chronic poverty limits most kinds of international relationships to those based on multilateral or bilateral development assistance—unless such countries happen to present commercial opportunities or threats to local or international peace (more on this below). Thus, where there are few other linkages, as in the case of the poorest countries, development cooperation provides the primary basis for international policy.

Second, as countries experience economic and social development, diplomatic and commercial relations tend to intensify while aid relationships wane. In most middle-income countries, development creates broader international policy linkages through trade, investment and the flow of migrants.

Third, development must now also be recognized as fundamental to “defence”, that is, to peace and security. Viewed not simply as a matter of economic growth, but as a broad process of societal and political transformation, development frees people from political, social and economic constraints, while freeing them to lead longer, more capable and fulfilling lives. Lack of development in the poorest countries, and unbalanced development in middle- or higher-income countries, is often manifested in the violation of basic human rights, political and social repression, as well as widespread economic deprivation. Moreover, inadequate or unbalanced development is a threat not only to the security of individuals, but increasingly to local and international peace as well. Civil strife is most common in weak or failed states, which can also be breeding grounds for terrorism. However, terrorism is even more frequently bred in countries marked by deep inequalities, the absence of basic human rights, and political and social repression. Development in this broad sense, therefore, not only leads to the reduction of poverty, more political freedom, and greater affirmation of human rights, but also lays the foundation for more durable peace and security within and among countries.

Finally, it is true that relationships among high-income countries, that is, members of the Organisation for Economic Co-operation and Development (OECD), are not themselves driven by development issues, but rather are largely determined by trade and investment issues (e.g. Canada’s softwood and mad-cow disputes with the US). However, since September 11, 2001, it is also clear that such bilateral issues have been overshadowed by major differences among OECD countries (particularly between the US and others) on the appropriate response to the threats of international terrorism and weapons of mass destruction, most evidently in the sharp divisions over the war in Iraq. Differences over these geopolitical issues, in the view of this paper, are fundamentally rooted in differences of approach to the problems of insecurity in developing countries (including the Middle East and the Islamic world).

Given the fundamental nature of the relationship between development on the one hand and defence and commerce on the other, it therefore makes a great deal of sense to articulate a clear set of overarching development objectives around which international policy should be coherent.

Fortunately, such a set of development objectives already exists. During the 1990s, the United Nations (UN) convened meetings on the environment and development, gender, social development, human rights, and population issues. The outcomes of these meetings were codified in the form of time-bound development goals. By the year 2000, considerable consensus had emerged around the world on these goals. A special summit of world leaders was held in September at the UN General Assembly in New York, which led to the adoption of the Millennium Declaration and a series of Millennium Development Goals (MDGs; see Annexes).

The first seven goals relate to fundamental objectives for developing countries, beginning with the goal of at least halving extreme poverty and hunger by the year 2015. The remaining six are oriented toward social, economic and environmental objectives, such as the achievement of universal primary education, gender equality in schooling, and the reduction of maternal and infant mortality. The eighth and final

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goal speaks primarily to the role and responsibilities of developed countries in helping to achieve the first seven goals in partnership with the developing countries.

The MDGs are arguably imperfect. They contain no reference to the importance of human rights or freedom from conflict as preconditions for equitable and sustainable development and their gender equality goals represent a retreat from the world community’s aspirations as set out in the Beijing Platform for Action. However, the Millennium Declaration, the overarching statement of purpose by world leaders in which the MDGs are embedded, contains clear commitments to conflict prevention and to upholding human rights. Given these caveats, the Millennium Declaration and the Development Goals present a comprehensive set of objectives toward which various instruments of international policy—diplomacy, defence, trade and investment, and development cooperation—could work in concert.

However, as discussed further in this paper in the section on Development Cooperation Policy, it is important to note that it will be very challenging to achieve the MDGs over the next decade, particularly in the poorest countries. Therefore, it is necessary to maintain realistic expectations about the effort and timeframe needed to achieve the MDGs in those countries.

Since the Millennium Summit, bilateral development agencies, including CIDA, and multilateral organizations, including the UN, the World Bank, the International Monetary Fund (IMF) and the regional development banks, have endorsed both the Declaration and the MDGs and have incorporated them into their strategic priorities and operational plans. There is an ongoing monitoring (“roadmap”) exercise undertaken by the United Nations Development Programme (UNDP) and the World Bank to assess the extent to which the MDGs are being achieved in individual countries and globally. A major international review of progress toward the 2015 targets is scheduled for 2005.

However, endorsement of the Declaration and the MDGs has not gone far beyond the organizations whose mandates are primarily focused on developing countries. For example, in Canada, among federal departments and agencies only CIDA has adopted the MDGs as part of its policy priorities. There is very little recognition, let alone endorsement, of the MDGs in other federal departments and agencies. There is also little recognition among the Canadian public of the MDGs. This is not surprising since there has been little attempt by the federal government since the Declaration was signed by Prime Minister Jean Chrétien in September 2000 to communicate its key messages, including the MDGs, with the Canadian public.

How would endorsement of the MD/MDGs work in practice for departments and agencies other than CIDA?

► For the Department of International Trade, the new policy framework would require Canada to incorporate the MD/MDGs into its bilateral and multilateral trade policies and negotiations. Accordingly, it would require much greater flexibility in Canada’s negotiating positions on international trade rules, at the World Trade Organization (WTO), in the Free Trade Area of the Americas (FTAA) discussions, and in bilateral trade negotiations, diverging from the reciprocal norm of “equal rules for all countries” to allow developing countries more policy space and much longer timeframes (e.g. through special and differential treatment) to adjust to international norms and disciplines, in order to foster poverty reduction, economic and social development, or derogations from those rules.

► For the Department of Foreign Affairs, it would require building on the human security initiatives on which the department has recently exercised leadership, helping to bring about the Landmines Treaty and the International Criminal Court. Yet the Department needs to go beyond its current narrow framework of “peace, order and good government” to embrace the economic and social dimensions of conflict prevention and peace-building. It will have to broaden its perspective and support human development, as well as human security.

1 The opening of the Canadian market to least-developed countries in 2003 pursuant to the Kananaskis G-8 Summit is an example of an initiative already taken.
For the Department of National Defence, it would require contributing to growing needs of the international community for the capacity and the will to provide protection to vulnerable populations threatened by armed conflict. This may mean developing niches in peacekeeping, protection, and enforcement of international law, as mandated by the UN. Military procurement should be directed toward meeting human security and development objectives and should contribute to peacekeeping and humanitarian protection operations. The government’s commitment to train 5,000 new peacekeepers is a welcome step forward. The challenge is to ensure that this new brigade contributes to UN or UN-authorized operations and is not selectively deployed on geopolitical initiatives.

The Department of Finance (and, to a lesser extent, the Bank of Canada) has a key role in international policy, both outwardly, in its stewardship of Canada’s participation in the International Financial Institutions, and domestically, through allocating resources to CIDA and other international departments and agencies in the budget process. Moreover, its importance goes far beyond allocating resources domestically and externally, since the department and its Minister are leading actors in the international policy dialogue on development, principally through the International Monetary Fund, the World Bank and membership in bodies such as the G-7, G-10 and G-20. International debate has intensified on development policies (known in the 1990s as the “Washington Consensus”) articulated in these bodies, such as economic liberalization and privatization, and their impact on developing countries. For their part, critics of the Washington Consensus have emphasized the need for development policies that are differentiated among developing countries (rather than “one size fits all”), genuinely “owned” by the developing countries, and that actually serve to reduce poverty and meet the other MDGs. Accordingly, the Department of Finance must help articulate a policy framework compatible with the MD/MDGs at the IMF, World Bank, and in finance ministers’ forums, such as the G-7 and G-20.

These considerations, along with the current International Policy Review, make a compelling case for the following strategy:

The Prime Minister should publicly embrace the Millennium Declaration and the Millennium Development Goals as Canada’s vision of the kind of world Canadians desire and must work towards—one in which human dignity, justice and peace are upheld and universally evident, rather than conspicuously absent. He should communicate this vision to the Canadian public and seek the support of Canadians in helping to achieve the goals.

To operationalize this vision, the federal government should commit to embodying the Millennium Declaration and the Development Goals in the strategic priorities and plans of all departments and agencies. It should also commit to working closely with provincial and municipal governments, with the private sector and with civil society to incorporate the MD/MDGs into their missions, mandates and action plans, so that the commitment becomes one of the whole of Canada.4

The Global Affairs Cabinet Committee, and a parallel committee in Parliament, should regularly discuss Canada’s contributions, and establish Canada’s own roadmap, toward achieving the MD/MDGs over the next decade.

4 In so doing, Canada would be in the company of Sweden where the government has introduced legislation to ensure that the MD/MDGs inform the policies and actions of all ministries, and has engaged in a dialogue with the private sector and civil society which has resulted in explicit commitments by a large number of organizations to the MD/MDGs.
Development Cooperation Policy

a) Objectives and Principles of Canadian Aid Policy
At the outset it is worth repeating that development cooperation (or aid) policy is no longer the only international policy channel linking Canada to the developing world. Policies governing international trade and private foreign investment, along with the policies emanating from the World Bank and the IMF, are now far more important to the emerging markets and the more advanced developing countries in Asia and Latin America. At the same time, foreign aid remains the pre-eminent policy instrument, particularly for most of the world’s poorest countries, predominantly in sub-Saharan Africa.

Foreign aid at best is a catalyst, not a substitute, for the local efforts of people and governments. If it is successful, ultimately foreign aid is self-liquidating—the need for external support dwindling and eventually disappearing altogether. That being said, foreign aid can be critical to address the issue of poverty in the poorest countries. More than other policy instruments, it can directly tackle the constraints and obstacles to enhancing the welfare of the poor. Working with governments, civil society and the private sector in developing countries, foreign aid can help create the social and physical infrastructure necessary to support sustainable livelihoods for the poor, through building and maintaining health clinics, enhancing the capacity of ministries of education and rural extension departments, or through investing in roads, electric power and telecommunications networks. To a certain extent, it can also help create job and income opportunities, although ultimately these opportunities must be generated by investment in developing countries themselves.5

In terms of the overarching framework proposed in this paper, aid can be a vital instrument for helping to achieve the first seven Millennium Development Goals, in partnership with developing countries and with other donors.6 The first of the MDGs aims to eradicate extreme poverty and hunger. The next six MDGs aim to achieve universal primary education, ensure gender equality in school enrolment, reduce infant and maternal mortality, halt and reverse the spread of HIV/AIDS and malaria, and ensure environmental sustainability. While these goals are directed particularly to the developing countries, they should also be central to Canada’s aid program, as implied by the eighth MDG, which calls upon developed countries to work with developing countries to achieve the first seven goals.

At the same time, it is important to note both that aid is not a panacea for vanquishing poverty and achieving the other MDGs, and that the probability is high that the MDGs will not be achieved in many of the poorest countries. While more rapid poverty reduction is strongly related to higher economic growth, the impact of aid spending on the rate of economic growth is the subject of considerable debate.7 In many countries, particularly in Africa, it will take more than foreign aid, even at dramatically higher levels, to achieve the rate of growth needed to halve poverty by the year 2015 (MDG 1). Moreover, it is unlikely that the doubling of official development assistance (ODA) advocated in some quarters will materialize. (An additional US$50 billion in aid per year is thought by some to be the effort required to achieve the MDGs.8)

5 See the March 2004 Report of the UN Special Commission on the Private Sector and Development, co-chaired by Prime Minister Paul Martin and former Mexican President Ernesto Zedillo.
7 See Timothy Besley and Anthony Burgess, “Halving Global Poverty,” Journal of Economic Perspectives, 17:1 (Summer 2003), 3-22; in the same issue of JEP, William Easterly, “Can Foreign Aid Buy Growth?” (23-48). William Easterly, Ross Levine, and David Roodman, “Aid, Policies, and Growth: Comment” in American Economic Review 94:3 (June 2004), 774-780. These authors take issue with the conventional view, propounded by World Bank researchers Craig Burnside and David Dollar, in “Aid, Policies and Growth”, American Economic Review 90:4 (September 2000), 847-868, that aid has a positive impact on growth in countries with “good policies”. Even if this were the case, the issue is whether growth would be high enough (in excess of seven per cent) to have a significant impact on poverty reduction. Others have suggested that aid actually does stimulate growth whether or not recipients follow “good policies” as defined by Burnside and Dollar. See Hansen, H. and F. Tarp, “Aid Effectiveness Disputed,” in F. Tarp (ed.), Foreign Aid and Development: Lessons Learned and Directions for the Future. London: Routledge (2000).
8 For example, the Zedillo Panel report for the Monterrey Conference.
Such considerations lead to the conclusion that greater realism is required in regard to achievement of the MDGs in many of the world’s poorest countries over the next decade. Nevertheless, the maximum possible effort to increase foreign aid should still be mounted (more on this below). However, it is important that expectations be realistic, particularly on the part of the public, as to what is likely to be achieved, and to avoid the perception of “failure” to reach the MDGs in much of the developing world, which may undermine continuing donor efforts that will be needed long after the year 2015.9

Finally, two fundamental principles should inform Canada’s development cooperation program:10

► The principle of domestic ownership over development strategies and policies. As a donor country, Canada should be listening to, not telling, aid partners about their needs.

► The principle of country diversity. There are no universal blueprints for development; each country must adopt strategies compatible with their circumstances and capabilities.

b) Means
Within these overarching objectives of the MDGs, Canada should concentrate its aid program among fewer countries and fewer goals or sectors. Canada’s ODA resources are relatively modest. In terms of absolute expenditures, Canada is the sixth largest donor (after the US, Japan, Germany, the UK and France) contributing about three per cent of total ODA from OECD countries. However, Canada is typically not among the top six or even top 10 donors to any developing country, with the exception of some of the small Caribbean island states. This is partly because historically Canada has had one of the most widely dispersed aid programs among OECD donors, spreading 70 per cent of its ODA among 30 countries until 2002-03, when nine “countries of focus” were chosen.11 However, the intent was not to terminate aid to all except these nine countries, but rather to concentrate incremental growth principally in those countries. The effect of that decision will be to increase the concentration of the aid program only very gradually.

Greater concentration makes sense for the following reasons. First, official development assistance should be earmarked for the world’s poorest countries. Too much foreign aid is allocated to the more advanced developing countries, and not enough to the poorest. In the case of Canada’s aid program, less than one-fifth is allocated to the UN’s list of 49 Least Developed Countries (LDCs).12 However, there are signs that priorities are shifting in the direction of the poorest countries. By fiscal year 2003-4, although Canada’s top 10 recipients of ODA included such middle-income countries as Iraq and China, six of the nine “focus” countries—five in Africa plus Bangladesh—were on the list.13

Second, by allowing greater depth and scope of engagement in fewer countries, concentration lends itself to improved aid effectiveness and enhanced results. For example, the reduction in the spread of HIV/AIDS, malaria and other diseases (MDG 6) will require a considerable investment in a number of initiatives over a period of many years, through support for education, affordable medicines, prophylactics, and better-equipped and staffed clinics (among other things). The actual needs will vary from country to country over time. Greater concentration will deepen understanding of the development challenges faced by particular countries, and should allow more flexibility and continuity so that aid can be provided when, how and where it is most needed.

Third, to help bring about greater developing-country ownership, donors are shifting from a project-based approach to a program-based approach. Traditionally, donors have been keen to plant national flags on projects, featuring equipment...
or goods made in the donor country, designed and delivered by donor-based experts. Now, donors are increasingly helping to build capacity in the agencies and organizations of the developing country, by training and recruiting local experts, in order to support projects and policies articulated in the recipient country’s own development strategy. Greater country concentration, along with more untied aid, both as to sources of procurement and uses, will help to reinforce domestic ownership.

Finally, there are potentially great benefits for recipient countries. Aid coordination among fewer donors would be easier, reducing the administrative burden and transaction costs of managing aid. It would also be easier for donors to structure their aid programs around national priorities, reinforcing domestic ownership.

That being said, the question remains as to how Canada should focus its aid program. To begin with, the poorest countries should be given highest priority, even though widespread poverty exists in countries such as India and China (neither of which is an LDC). Because these countries are expected to experience rapid economic growth, most projections for the next decade indicate that China and India will succeed in reducing poverty by at least one-half (i.e. achieving MDG 1 nationally). Aid should be focused primarily on the poorest countries in Africa. As mentioned, Canada’s decision to select nine countries of focus (six of which are in sub-Saharan Africa) was such that it will not result in a rapid reallocation to these countries, or involve the termination of aid to middle-income countries. CIDA has taken steps in this direction in its Sustainable Development Strategy for 2004-06, by indicating it will end its bilateral programming in Thailand and Malaysia. Canada should wind up its bilateral aid program, in a transparent and consultative manner, in other countries that no longer are among the poorest, within three to five years. At the same time, Canada should commit the bulk of its bilateral aid resources, perhaps 80 to 90 per cent, to the countries on which it will focus the aid program.14

Canada should also safeguard its aid resources for its core development objectives and not reallocate aid to support the “war on terrorism”. After the September 11 attacks, a huge amount from the aid program—amounting to some $900 million over the period 2001-2008—has been allocated to Afghanistan and Iraq alone. These two countries are now Canada’s top aid recipients. In contrast, annual bilateral allocations to each of CIDA’s “countries of focus” vary between $10 million and $40 million. And the “Canada Fund for Africa”, unveiled with great fanfare at the 2002 G-8 Summit at Kananaskis, appropriated only $500 million in additional funding for Africa over the next five years.15 (Although a case is made in this paper for a larger aid program in Afghanistan, it should be clearly oriented toward equitable and sustainable development, and be on a par with other key countries of focus.) Unexpected and extraordinary allocations, such as those to Iraq and Afghanistan, should be financed from sources outside the regular aid budget, which should be “ring-fenced” to prevent it from being undermined in this way.

It is also worth asking whether the nine countries of focus are the “right” ones, or whether nine is the “right” number. On the latter question, nine may be excessively restrictive. A larger number may allow a greater diversity among countries without undue dispersion of the bilateral aid program. If Canada’s aid is wound up in middle-income countries it should be possible to expand the number of countries of focus to about 20. These should give priority to African countries, by adding up to nine countries from that region, but could also include additional countries in Asia and the Americas. It is suggested that in the Americas, Haiti—the only country in the western hemisphere on the UN’s list of 49 Least Developed Countries—be added to the list, since Canada has made a commitment to provide significant support to that

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14 Much of the remaining 10 to 20 per cent could be concentrated on middle- and lower-middle-income countries, such as those of the Caribbean, which have long-established relationships with Canada, but whose needs are not very large. A small amount should also be retained for Canada Funds administered by Canadian embassies and high commissions for local small projects. As well, Canada’s program should not be overwhelmingly dedicated to government-to-government aid. There should also be ample scope for local project initiatives undertaken by NGOs and civil society, which should not be confined to the same list of priority countries as government-to-government aid.

15 However, CIDA’s Sustainable Development Strategy for 2004-06 indicated that by the end of 2005, 60 per cent of bilateral programming in Africa would be concentrated in 10 countries, with average monetary ceilings increasing from $14 million to $44 million per annum.
country over the long term. In Asia, Afghanistan, also a Least Developed Country, should be added to the list, for similar reasons.16

In concentrating bilateral aid among fewer countries, Canada also has to be cognizant of similar choices made by other donors. Several donors may choose to concentrate their aid program among the same or a similar set of countries, leading to the possibility of a surfeit of aid and absorptive problems in those countries, while there is a deficiency of aid in others. Canada should press for greater coordination among donors, both through the OECD Development Assistance Committee (DAC), and at the recipient country level, to avoid such an outcome.

The dilemma of “too many donors supporting too few recipients” is, in fact, quite likely because donors now use similar allocation criteria in selecting among potential recipients. This has resulted from World Bank analysis, which suggests that aid is most effective in countries with sound economic policies and good institutions.17 Unfortunately, many of the poorest countries, which need aid the most, have not yet established such a “good” policy environment, often because they are fragile or failed states dealing with or emerging from conflict. Along with other donors, Canada needs to define more clearly its role in such countries, in order both to help them become more robust states and put in place the longer-term foundations for equitable and sustainable development.

There does appear to be a growing desire, among DAC donors including CIDA, to concentrate at least part of their aid in a selected number of fragile states. However, coordination among donors remains poor. For example, there are no criteria or mechanisms to ensure that all donors do not exit a particular developing country at the same time, leaving it totally without external support.

Within the chosen countries of concentration, Canada could also focus on sectors of activity. However, a sectoral focus must not primarily mean tying Canadian aid to the procurement of Canadian goods, services or expertise. Canadian goods and expertise should be made available where these are competitively priced (for example, Canada has agreed to provide generic drugs at affordable prices for HIV/AIDS patients) and are compatible with the recipients’ stated needs. By tying our aid—and Canada has traditionally had one of the most highly tied programs—over the long term, we undermine global untying and discourage the procurement of Canadian goods and services with others’ money. A sectoral focus may also restrict program flexibility in particular countries, which may need support for sectors other than those supported by Canada. This is even more likely to be the case if all donors support similar sectors, as they often do. Finally, it may undermine country ownership by predetermining the sectors in which countries are eligible for Canadian assistance. In short, Canada can and should provide leadership on critical sectoral issues, such as on the HIV/AIDS pandemic (see Box), without restricting its activities to those sectors.

Finally, there is an important role for the Department of Finance, as Canada’s key interlocutor in the policy dialogue with developing countries through the World Bank and the IMF. While the Millennium Declaration and MDGs represent key development objectives, achieving them will not simply require more ODA, but more specifically a higher and sustained rate of economic growth, broadly shared (i.e. growth that benefits the poor). As mentioned, additional ODA may not be enough to raise the growth rate to threshold levels of six to eight per cent thought necessary for significant poverty reduction. At least as important are developing countries’ economic policies—macro- and micro-economic policies and structural policies (e.g. trade and capital-account liberalization).

Over the last four years, such policies have been articulated in Poverty Reduction Strategy Papers (PRSPs), which are drafted by developing country officials but vetted and approved by the World Bank and the IMF. Despite their name, PRSPs have attracted criticism because they are not typically designed with either growth or poverty reduction as an objective.21

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16 By 2002-03, Afghanistan was in any case the top recipient of CIDA bilateral aid, receiving almost $115 million, compared to $50 million in the case of the second-largest recipient, Bangladesh. There is far less reason for Canada to be providing massive support to Iraq, which is not an LDC and should not be given priority in the allocation of Canada’s bilateral aid. Obviously, Iraq’s reconstruction needs are enormous, but these should be provided through multilateral channels.

Some policies advanced in PRSPs may indeed have constrained growth and with it the potential for poverty reduction. Since individual developing countries face quite different opportunities and constraints, a “one size fits all” economic model is unlikely to produce desired growth or poverty reduction outcomes. Since the Department of Finance plays the lead role on these issues by virtue of its responsibility for Canada’s membership in the Bretton Woods organizations, it seems essential that a

### The Face of Death and Action for Life

Deaths from HIV/AIDS continue at more than 9,000 per day, two-thirds of which are in sub-Saharan Africa. Given access to treatment and care, these deaths are avoidable. While positive steps have been taken by the Canadian government, they must be followed up with even more courageous initiatives.

Canada has moved to provide lower-cost pharmaceutical products to least-developed and developing countries (Bill C-9). The process of negotiating the legislation took months and, a year after the initiative began, implementation is still pending.

NSI has proposed Canadian leadership in building an international consortium to provide affordable generic drugs to all countries requiring them. We believe the government could make a singular contribution to Africa in particular, the Millennium Development Goals and humanity in general by taking this initiative. To do so it will have to set aside resistances on the part of transnationals and link with potential allies in India, Brazil and elsewhere.

Such an initiative should be combined with enhanced investment in ongoing health systems in least-developed and developing countries and multilateral leadership to radically up-scale donor investment in public health systems. We have worked with the government in detailing these and related initiatives in human security, which would make for a more coherent and effective policy. The government has increased funding to UNAIDS 3 x 5 program and to the Global Fund, but this must be followed up with further significant increases in funding.

The government must act to bring its trade and multilateral financing policy in line with the overall objective of saving and prolonging lives. Developing countries must be supported in resisting US and transnational corporate pressure to limit or erase their policy space to design intellectual property provision which enhance the right to health in their jurisdictions. Canadian diplomacy, both multilaterally in the WTO and bilaterally with developing countries and the US, must act to this end. Further, Canada must oppose and fight to reform IMF and other International Financial Institution policies which subvert health and human rights objectives by pressuring for reduced investment in public health and related services. Canada should work through the Commission on Human Rights and other bodies to ensure that respect for the human right to health is never made subsidiary to the claims of trade, investment or intellectual property regimes.

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18 John Foster and David Garmaise, Meeting the Challenge: Canada’s Foreign Policy on HIV/AIDS, with a Particular Focus on Africa, Ministerial Council on HIV/AIDS, September 2003


coherent policy approach is developed, involving both CIDA and Finance. The aim would be to strengthen CIDA’s inputs to decision-making at the WB and IMF to ensure that economic policies adopted through PRSPs, and more generally through the policy dialogue, do in fact facilitate growth and poverty reduction, reflect the diversity of developing country circumstances and needs and are consistent with the principle of ownership.

What does all this mean for the future of CIDA, Canada’s development agency? The position of this paper is that CIDA should remain independent, with full departmental status. Its Minister should continue to have full ministerial rank, rather than (as in the recent past) be a State Secretary reporting through the Minister of Foreign Affairs. The principal reason is that as an independent department CIDA would have greater ability to coordinate and deliver the policy framework proposed in this paper, particularly if it is given a legislative mandate to do so. In contrast, this paper opposes the idea of folding CIDA into the Department of Foreign Affairs, because of the tendency of that department to emphasize short-term exigencies (including security issues and the “war on terrorism”) over long-term sustainable and equitable development.

c) Aid Volume
Canada must increase the volume of its aid. During the 1990s, and particularly after the budget cuts of 1995, the Liberal government massively cut back the aid program. Proportionately, cuts to aid were greater than in any other program, including defence. These cuts led one observer to conclude that Canada had “lost its place in the world” in this period.21

By the end of the decade, cuts to the aid program had ceased. However, it was not until 2002 that Prime Minister Chrétien signalled that the Government of Canada would rebuild the aid program. A commitment was made to growth in the program at an annual rate of eight per cent for the remainder of this decade. This commitment was reaffirmed by Prime Minister Martin after he took office.

While this commitment is welcome, the eight per cent rate is not adequate. By the end of the decade, under reasonable assumptions Canada’s ODA/GNI ratio (effort relative to our ability to pay) will barely reach 0.35 per cent, only one-half of the longstanding goal for donor countries of 0.7 per cent first articulated by Prime Minister Pearson and advocated by the UN. Reaching the 0.7 per cent goal at a growth rate of eight per cent would take about 18 years, assuming GNI growth at the average annual rate (2.75 per cent) of the last 25 years. Therefore, Canada should commit to increasing the rate of growth of its aid program to between 12 and 15 per cent annually, which would enable us to reach the 0.7 per cent goal by the year 2015.

d) Debt Relief for the Poorest Countries
In 1997, the G-7 industrial countries launched a debt relief initiative for the heavily indebted poor countries (HIPC), which was further enhanced in 1999. While the HIPC initiative did provide relief to some countries, the result for other countries was simply to lower their scheduled debt-servicing payments to the level of their previous actual payments, and a few countries ironically will be paying more than their actual payments.24 Additionally, some donor countries have not delivered on funding commitments to pay for debt relief.

Servicing the overhang of excessive debt imposes significant opportunity costs on debtor countries, unable to meet vital needs for social and physical investment. In other words, excessive debt is an obstacle to the achievement of the MDGs. Much deeper debt relief for the poorest countries is clearly in order, a fact recognized by G-7 finance ministers who appeared to be considering various options for debt cancellation in late 2004. At the same time, there are growing concerns that unless appropriate measures are put in place, poor countries may again accumulate unsustainable debts and face further

21 The Minister for International Cooperation was given full ministerial rank after the June 2004 election.
crises in the future. Accordingly, the World Bank and IMF have proposed a “debt sustainability framework” which principally seeks to provide more grants, rather than soft loans, through the World Bank’s affiliate, the International Development Association (IDA).

Genuine “debt sustainability” will require more than cancellation of existing debts and the provision of grants through IDA. It will require coordinated action by bilateral donors (in the form of more grant aid rather than new loans) and private creditors, as well as development and poverty reduction strategies that actually achieve their targets.25 Canada has played a leadership role in calling for the forgiveness of all bilateral debt owed by HIPCs, has cancelled debt owed by seven countries26 and has frozen the debt payments of five others27 under the Canadian Debt Initiative of December 2000. Canada should now press for a more sweeping debt sustainability framework to help ensure that the development prospects of the poorest countries, and the achievement of the MDGs, are not compromised by a further build-up of debt.

e) Knowledge for Development

Last but not least, the cultivation and dissemination of knowledge will be central to the emerging multi-sectoral and inter-departmental involvement in global development issues. This will require investment in research—the creation of substantive knowledge across a range of development issues, building knowledge-based networks, and enhancing the capacity to use, adapt and create knowledge for sustainable development at the local level in developing countries.28 Through the International Development Research Centre (IDRC), Canada has for 30 years made a singular contribution in all these domains and has demonstrated world leadership in many instances. Indeed, IDRC’s capacity-building activities have generated substantial goodwill for Canada, as individuals participating in IDRC projects have gone on to assume prominent positions in their countries and elsewhere. Ironically, that contribution is acknowledged more outside Canada, among the many developing country beneficiaries of IDRC’s programs, than in Canada. The federal government should not only build on the base of IDRC in coming years, but also integrate its knowledge results and networks into the policy and programming framework of key departments and agencies. For all these reasons, IDRC should also be given assurance that its share of the overall aid envelope will at least be maintained.


26 Benin, Bolivia, Ethiopia, Ghana, Guyana, Senegal and Tanzania

27 Cameroon, Democratic Republic of Congo, Madagascar, Rwanda and Zambia.

Multilateral Reform

For more than half a century, Canada has been in the forefront of multilateral cooperation. Indeed Canada was an architect of the postwar multilateral order. The Canadian delegation (including individuals, such as Louis Rasminsky) played an important role at the 1944 Bretton Woods conference establishing the IMF and World Bank, and Lester Pearson’s celebrated intervention during the Suez Crisis helped to establish the UN’s role in maintaining international peace. In 1948, Canada was also one of the 23 founders of the General Agreement on Tariffs and Trade (GATT), the forerunner of the World Trade Organization. GATT’s first Director General was a Canadian, Dana Wilgress.

Canada continues to be a particularly active multilateral player, with memberships in a large number of organizations and with a high profile in several. For example, Canada has been a relatively vigorous member of the regional development banks (the African, Asian, and Inter-American Development Banks) and a generous contributor to their soft-loan funds. Canada’s multilateral activism also manifests itself in diplomacy, in the UN General Assembly and its various committees, when it is a member of the Security Council, and in the various specialized organizations.

Canada’s interest in multilateral organizations is consistent with its long-standing aim of establishing and maintaining a rules-based international order and with its scope as a middle power. The possibility of leveraging its influence through such organizations enables Canada to reach far beyond what it can achieve through bilateral initiatives alone.

Multilateral institutions contribute a significant portion of global resources allocated to international cooperation. In recent years, between 20 and 25 per cent of the world’s official development finance has flowed through multilateral organizations. Key among these are the International Financial Institutions (particularly the multilateral development banks and funds) and the UN family of development agencies.

Three multilateral organizations determine the economic policy framework, or the “rules of the game,” within which most countries must work. The IMF and the World Bank (created in 1944), along with the World Trade Organization (created in 1995 as a successor to the General Agreement on Tariffs and Trade, established in 1948), shape the global rules for macroeconomic and structural policies, such as trade and investment. Unfortunately, there is considerable asymmetry in the way the international rules are applied. The most powerful countries (particularly the US) have considerable policy autonomy to run budget or current-account deficits, or to adopt trade-distorting policies. Smaller and poorer countries, on the other hand, are obliged to avoid such deficits and abide by trade policy commitments if they wish to remain on good terms with the global multilateral organizations and world markets.

Of course, a central mission for the UN is the prevention of war and the maintenance of international peace. Its performance in that regard has been compromised by the events of the last decade, from its failures to halt the genocide in Rwanda and ethnic cleansing in the former Yugoslavia, to the stalemate in the Security Council over the US-led invasion of Iraq. In the period shortly after the invasion, some voices proclaimed the demise of the UN and the collective security arrangements underpinning the post-1945 world order. Subsequently, when it became evident that Iraq lacked weapons of mass destruction, and as the occupation forces became increasingly mired in fighting insurgencies in central and southern Iraq, the advantages of the UN’s approach became clear.

The demand for “reform” of the multilateral institutions has been a hardy perennial for at least a decade. In 1994, on the 50th anniversary of the Bretton Woods Institutions (the IMF and World Bank), many NGOs campaigned for their closure under the slogan, “Fifty years is enough!” Other civil society organizations have sought to influence multilateral institutions through greater involvement in their
decision-making process. For their part, officials of industrial member countries have also clamoured for multilateral reforms, but usually with the clear aim of improving their effectiveness (or “value for money”). Developing countries have increasingly called for a greater voice in their governance, particularly within the International Financial Institutions.

Multilateralism as a facet of international relations is as yet in its infancy. Aside from the inter-war League of Nations (which failed) and the International Labour Organization (founded in 1919, which still exists), most of today’s multilateral organizations are six decades old or less. After proliferating in the 1960s and 1970s, the last two decades have been a period of consolidation among the multilaterals. However, multilateral organizations must continue to change and adapt to evolving global circumstances as well as to the changing circumstances among member countries. In other words, the work of multilateral reform will never be complete.

A particularly strong challenge, not just to multilateral reform, but to the very future of multilateralism, is posed by the unilateralist tendencies of the Bush administration in its first years. Unless the US reverts to its traditional stance as a supporter of multilateralism (albeit as “first among unequals”), multilateral cooperation will be weakened and the benefits of multilateral reform are likely to be eroded.

How should Canada address the agenda for multilateral reform? And how would its efforts relate to the overarching policy framework suggested in this paper? Reduced to its essentials, the demand for multilateral reform comprises two related clusters of issues: [1] the need for greater effectiveness and policy coherence in and among multilateral organizations; and [2] changes in governance that would lead to greater representativeness, accountability, coordination and consistency in and among the multilateral organizations.

[1] With respect to the issue of effectiveness, as in the case of international policy at the national level, the starting point must be greater clarity of purpose among multilateral organizations. What are, or should be, the fundamental objectives common to all multilateral organizations? Not only do the Millennium Declaration and the MDGs provide a useful framework, they are also a framework that most multilateral organizations have already endorsed. That being the case, the issue is whether and how organizations, individually and collectively, are working together toward these objectives. In other words, the question is to what degree is there policy coherence among the multilateral organizations around the Millennium Declaration and the MDGs?

Canada’s efforts to enhance multilateral policy coherence would be reinforced by greater coherence among federal departments involved in international policy. Certain departments have specific responsibility to oversee the work of particular multilateral organizations. For example, the Department of Finance is responsible for the World Bank and the IMF; Foreign Affairs, for several agencies of the United Nations; International Trade, for the WTO; and CIDA, for regional development banks and UN agencies not overseen by Foreign Affairs. Canadian commitments under international human rights and gender equality conventions are affected by, and certainly should inform, the actions of these multilateral institutions. Thus, instructions sent by Finance to the Executive Director representing Canada at the International Monetary Fund should be informed by, or, at least, consistent with the Millennium Declaration and MDGs. So, if the IMF is urging policy measures on a member country (e.g. cutting health expenditures to eliminate a deficit) that would undermine its efforts to reduce infant and maternal mortality and reverse the spread of HIV/AIDS, Canada would urge that alternatives be considered to avoid this outcome.

Some multilateral organizations, such as the IMF and the WTO, will be more challenging than others with this approach, particularly those that do not emphasize “development” issues.

30 There is an extensive official literature. A 1992 World Bank report, “Effective Implementation: Key to Development Impact” (otherwise known as the “Wapenhans Report”) stimulated considerable debate which culminated in a 1996 Development Committee Task Force Report on the Multilateral Development Banks, “Serving a Changing World.” Two years previously the Bretton Woods Commission, a U.S.-based private-sector organization, issued a report on the international financial institutions, “Bretton Woods: Looking to the Future.” In addition, individual member countries or groups of members have commissioned a number of reports on multilateral organizations, for example the Nordic UN project, which published a series of reports on the funding and operations of the UN and its agencies, and the U.S. Meltzer Commission on the IFIs which reported to Congress and the Treasury Department in 2000 that “the IMF and World Bank group are largely failing in their mission to address world poverty and economic stability and need major overhaul.”
It is clear that the governance structure of key multilateral organizations does not adequately reflect the realities of today’s world. For example, the structure of the UN Security Council still favours the victors of World War II, with permanent seats (and veto rights) for the United States, China and Russia, as well as for the UK and France (the P-5). It would make more sense for the European Union to have one seat on the Council. If permanent, veto-carrying seats are to remain a feature of the Security Council, other plausible claimants include Japan, with the world’s third largest economy, and India, the world’s second most populous state (and a nuclear power).

The same issue arises in the Bretton Woods organizations, where the relative voting positions of countries such as China, India, Brazil and Mexico are anachronistically low in comparison with relatively small industrial countries, such as the Netherlands and Belgium. European countries are generally over-represented on the Executive Boards of the World Bank and IMF, where they control over one-third of the seats. These organizations allocate their resources almost entirely to developing countries, yet their governance is dominated by the industrial countries.

The principal casualties of the outmoded governance structures at the UN and the Bretton Woods organizations are their credibility and legitimacy. This in turn undermines their effectiveness as global institutions. Unfortunately, there are no easy solutions. It is difficult to see why or how any P-5 country would willingly give up its privileges or its relative status in the Security Council, or allow other countries to gain equal privileges. Similarly, the most powerful members of the Bretton Woods organizations (including the European countries) have resisted changes that would reduce their relative status and influence.

Meanwhile, developing countries have rediscovered the clout they can wield if they act collectively in a multilateral setting. At the WTO, the formation of coalitions helped to consolidate developing country opposition and to shape the course of the trade negotiations. Alongside the “Group of 20” (which included several large developing countries, such as China, India, Brazil and Egypt, and whose initial membership accounted for 51 per cent of the world’s population), the larger G-90 grouping of mainly African countries and LDCs contributed to effectively ending the discussions at the Cancun Ministerial conference in September 2003.

Canada can help bring about needed reform by first acknowledging and advocating the need for change. But how should the global organizations change? It would be consistent with the overarching policy framework of this paper, if a principal objective of multilateral reform is a greater role for developing countries in the governance of multilateral organizations. This includes not only the large developing countries, such as India and China, or middle-income countries, such as Brazil and Mexico, but even more so the poorest countries, which tend to be marginalized in all the global organizations.

One possibility for advancing the reform of multilateral organizations would be to convene a group of heads of government from both North and South, as with the Group of 20 finance ministers after the Asian financial crisis in 1998 (not to be confused with the G-20 bloc of developing countries that coalesced at Cancun). The advantages of creating such a body would include, first, providing a forum for informal discussion on pressing world issues, much like the G-8 (and its predecessor the G-7) has done since the late 1970s. Second, by including most of the world’s population and most of its economic capacity, the body could be said to be broadly representative while limiting its membership to a size—far less than the 190 nation-states of the entire world—in which manageable discussions could take place.

The disadvantages of such a body include the fact that, unless it effectively replaced the G-8 club of industrial countries, it could easily become an “outer circle” of countries with the G-8 constituting the “inner circle”, where key discussions are held. The willingness of G-8 members to wind up in favour of a G-20, which includes developing countries, seems unlikely. If the G-8 did not wind up—given the significant costs and growing cynicism attached to its...
annual summits—the need for and effectiveness of a G-20 as well as a G-8 meeting annually is questionable. Furthermore, while they may occasionally be able to break international deadlocks on certain issues, such informal bodies can never substitute for the formal multilateral organizations, with their operational mandates to support development and peacebuilding activities. Finally, if it were to replicate the membership of the G-20 finance ministers, the group would exclude the world’s poorest countries. Given the urgent challenges faced by the poorest countries, their absence would be a significant omission.

On balance, the advantages of a Leaders’ G-20 seem to be limited, if the key objective is to reform the multilateral organizations. A better option would be to work with members in each organization to improve its effectiveness and governance. One way of improving effectiveness is to enhance the role and independence of internal evaluation offices, which can spotlight weaknesses to be remedied, as well as strengths to be replicated and built upon. As to governance, Canada should press to improve the representation of developing countries, particularly in the Bretton Woods Institutions (BWIs), and to give greater voice to civil society organizations in multilateral organizations generally.

A particularly contentious issue in both the Bretton Woods organizations is the selection process for the chief executive. In the World Bank, the established tradition is that the US selects a candidate, a US citizen chosen by the administration in power, who is then ratified by the membership. At the IMF, the tradition has been to elect a European citizen chosen among the European countries. The process effectively eliminates the candidacy of nationals from most countries, including those from developed countries, such as Canada and Japan, and from all developing countries. At the IMF, there is at least some competition among European countries vying for their own nationals, but there was also evidence (during the election of Germany’s Horst Köhler in 2000) that the US plays a role in approving the Europeans’ choice.

The selection process is not inscribed in the charters for either Bretton Woods organization. While there may have been a rationale for the tradition until the 1970s when the US and Europe dominated the membership, that is no longer true today. Canada should work with other members to replace this archaic tradition with a more transparent selection process, open to candidates from any member country.

Canada should also press for:

- Greater policy coherence between the UN and the BWIs, e.g. by integrating the ILO’s core labour standards into the work of the World Bank and the IMF
- Making the World Bank/IMF approved Poverty Reduction Strategy Papers supportive of the Millennium Declaration and Millennium Development Goals
- An adequate volume of financing to achieve the MDGs through new international taxes (such as the Tobin tax, which is being implemented in Belgium) or through other mechanisms such as the International Financing Facility proposed by the UK Treasury.

In its own dealings with multilateral organizations, Canada should strive more for a whole-of-government approach, by including departments and agencies with a vital interest when certain policies come before the multilateral organizations. For example, when the World Bank recently undertook its Extractive Industries Review, the Department of Finance took the lead role for Canada, with support from CIDA and Natural Resources Canada. Other departments with policy interests, for example Foreign Affairs and International Trade, as well as Environment Canada and Indian Affairs, were not included but should have been.
Debate about the costs and benefits of globalization—and the balance between them—has raged on for several years. However, there is considerable agreement that the costs and benefits of globalization are poorly distributed, with the world’s poorer countries, and poorer segments of the population in most countries, not receiving a proportionate share of benefits (in the way of income, employment or other benefits, such as skills) or bearing a disproportionate share of costs (through loss of income or employment or market share). In other words, while globalization may help to bring about economic growth, it is not evenly distributed: it does not lead to equitable growth. As well, persisting gender inequalities in access to productive resources constrain the ability of poor women to adjust to changing markets, with major implications for sustainable growth.

There is also considerable agreement that the policy framework in which globalization evolved during the 1980s and 1990s—known as the “Washington Consensus”—failed to bring about growth with equity largely because it refused to acknowledge that there are winners and losers from globalization, and that the losers are not necessarily able to take advantage of the opportunities presented by globalization in the form of new markets or productive opportunities. An increasing focus on the need to attack poverty during the 1990s led to policy prescriptions aimed at increasing opportunities for the poor through investments in education and at protecting them with social safety nets against the adverse impacts of globalization.

In the latter half of the 1990s, however, it became evident that such palliative measures to help the poor were not enough. The central prescriptions of the Washington Consensus—rapid economic liberalization of goods and capital markets—increasingly came into question. The fallout from the Asian financial crisis of 1997-98 was particularly severe for the poor, largely because weak regulatory institutions (overseeing the financial sector) did not anticipate and were not prepared to deal with the volatility to which their financial markets were now exposed. A widely drawn conclusion was that rapid liberalization of capital markets, without the institutional infrastructure in place to regulate capital movements, should be avoided. More generally, it was recognized that the “speed and sequencing” of economic liberalization needs to be paced commensurately with each developing country’s ability to manage the economic shifts and possible turbulence that might ensue.

In the global trade negotiations called the “Doha round”, the same issues surfaced as at the Cancun ministerial meeting in September 2003. Many developing countries were not prepared to accept the agenda being urged upon them by industrial countries, including the introduction of an agreement to liberalize foreign investment and to replace the “spaghetti” pattern of bilateral investment treaties with a coherent global policy framework. Developing countries also demanded more concessions on the part of industrial countries, particularly in their highly protected and subsidized agricultural sectors.

However, it would be premature to conclude that a “post-Washington Consensus” has emerged. Such a framework would assume that there is agreement on a policy framework universally beneficial for and applicable to all countries, with the proviso that some countries need time to build up their institutional infrastructure to be able to implement and manage the policies effectively and equitably.

Critics of such a position would argue that there are no universally valid comprehensive (one-size-fits-all) policy prescriptions. These critics argue that it may be more appropriate for some countries to adopt some liberalization policies but reject others, for the foreseeable future. To give two examples: first, it may be preferable for poor countries to protect their agriculture sector, even though industrial countries liberalize theirs, in order to help underpin the viability
of domestic food markets and the livelihoods of peasant farmers, who often constitute the majority of the population. Second, complete liberalization of the capital market may not make sense for many developing countries, which might protect themselves from financial turbulence with certain restrictions on short-term inflows and on long-term outflows.

Indeed, there is now considerable agreement that developing countries must exercise “ownership” over their economic and social policies if those policies are to be sustainable. A large part of the reason for the failure of the policies of the Washington Consensus was that they were typically adopted under pressure and duress. A country in crisis would apply to the World Bank and/or the IMF for financial assistance, which would be granted under certain conditions—notably, the adoption of policies of “structural adjustment” (in the 1980s) or “reforms” (in the 1990s). Such policies frequently involved cutbacks or retrenchment and inflicted hardships on segments of the population (leading to the demand for “adjustment with a human face”). Governments adopting such policies were often lauded by the Bretton Woods organizations for their “political courage” in getting their populations to take “tough medicine”.

However, the adjustment or reform measures were not always appropriate for the specific circumstances, and were typically eased once the financial assistance had been fully disbursed. Moreover, there is frequently a conflict between short-term stabilization and long-term development measures. As such episodes became repeated, it became clear that, unless there is broadly-based political support for economic and social reform, the pressure of external financing tied to policy changes is unlikely to work over the longer term. In other words, if policy reforms are to be sustained and succeed, the government and the country as a whole have to take ownership of any reforms without any external pressure. This conclusion was drawn first and foremost by the World Bank and the IMF and broadly shared among donor countries.

Once the centrality of country ownership over economic and social policies is acknowledged, it follows that there must be room for countries to take ownership over policies that diverge from the “mainstream” approach to economic liberalization, and, accordingly, that there should be acceptance of greater diversity among the policies that countries are willing and able to “own”. This, in turn, requires allowing greater political space for each country to articulate and implement policies that are appropriate to its circumstances and institutional abilities. Put otherwise, fair and inclusive globalization requires that developing countries should not only have time to adopt liberalization policies as their institutional capacities permit, but also be given the political space to diverge from those policies. In other words, the principle of country ownership implies another principle, namely that there be space for diversity in development strategies and, further, that the trade and investment policies of developed countries accommodate that space.

Such an approach has clear implications for macroeconomic and structural policies. Globalization and particularly the liberalization of capital markets severely compress the ability of most countries (other than the US) to conduct counter-cyclical fiscal and monetary policy. Thus, capital inflows, which generally stimulate economic booms, tend to trigger expansionary fiscal and monetary policies, intensifying the boom; while capital outflows, which precipitate downswings, trigger restrictive policies, accelerating the downswing. Moreover, counter-cyclical macroeconomic interventions may simply exacerbate the underlying problem. For example, sterilized intervention leading to higher interest rates during a surge of capital into the economy may attract even greater short-term inflows, while lower interest rates during outflows may accelerate capital flight. One way of restricting capital mobility (particularly for short-term capital, which tends to be the most destabilizing) is through “market-friendly” measures such as the reserve requirement (in effect, a tax), as imposed by Chile and some other countries on short-term capital inflows. However, even more restrictive measures, such as the temporary freeze on capital outflows, as imposed by Malaysia during the Asian crisis, can help to contain the crisis.15

15 The IMF itself now recognizes the need for greater caution in capital-market liberalization, and the need for strengthening domestic financial institutions before opening capital markets to the world.
With respect to trade and other structural policies (e.g. investment and privatization), there are also grounds for derogations from the basic principle of “equal rules for all countries”, rich or poor. At present, the principle of “special and differential treatment” (S&DT) exists under the rules of the GATT/WTO primarily for the poorest countries, to allow them greater time to adopt agreements reached under the multilateral trade negotiations. However, among trade officials of most industrial countries the presumption is that S&DT is a questionable provision in the trade rules, one that should be restricted to the poorest countries. According to this view, the sooner developing countries are able to adapt to the international disciplines of trade, the better they will be able to cope with the global trading environment.

Historical and more recent evidence provides little optimism that a “fast track” to trade liberalization is best for countries undergoing protracted social and economic transformation. Indeed, most of today’s industrial countries (the US, Europe) built up their productive sectors thanks to decades of protectionist and interventionist policies. Trade and capital account liberalization have come relatively recently to the industrial countries—mostly in the last three decades—into a process that has taken a century or more of development. The East Asian “tigers”, for their part, relied on export promotion (in some cases involving state subsidies and other kinds of support) and undervalued currencies rather than on “free trade” and “sound exchange rate policy” to achieve historically unprecedented growth rates from the 1960s until the 1990s.

Besides international trade, foreign direct investment (FDI) is increasingly emphasized in economic liberalization programs, and to supplement an inadequate flow of ODA. Its potential payoffs include employment and income creation, economic diversification, human resource development, and new sources of tax revenue. In other words, both trade and FDI can contribute, directly or indirectly, to poverty reduction and the other MDGs.

In the case of FDI, however, developing countries (particularly the poorest) face significant challenges in realizing such potentials. Poor countries are typically in a weak bargaining position with respect to multinational firms, the purveyors of FDI. Growing competition for FDI among developing countries has led to favourable tax or other treatment. Moreover, FDI tends to flow to better-off urban areas rather than sectors (agriculture) or regions (rural areas) home to most of the poor. In the poorest countries, a substantial proportion flows into resource extraction, particularly oil, gas or minerals. Unfortunately, dependence on natural resources has not been kind to developing countries, which have experienced development failure, plunging per capita incomes, corruption, authoritarianism and violent conflict. Very often there is a direct relationship between resource exploitation and these outcomes. A North-South Institute study questioned whether resource exploitation does in fact contribute to poverty reduction and the other MDGs, taking into account its sometimes destructive social and environmental impacts. Indigenous peoples are particularly vulnerable, because they are typically not well equipped to negotiate with resource extraction firms (see Box).

No internationally binding legal framework yet exists to govern the conduct of multinational corporations. Instead, “corporate social responsibility” and voluntary codes of conduct have been promoted by conscientious firms and business associations. The UN launched its Global Compact in July 2000, a voluntary initiative aimed at integrating human rights, labour standards and environmental priorities into participating companies’ operating policies and procedures. Canadian firms are conspicuously under-represented in the Compact: out of 1,739 companies that have joined the Compact worldwide, only 16 are Canadian.

A strong case can be made for a universal, mandatory and enforceable code of corporate behaviour rather than the voluntary approach of the Global Compact. Canada should advocate the development of such a code, and work with Canadian firms to adopt binding standards for corporate responsibility in their dealings in developing countries.

To sum up, fair and equitable globalization requires country ownership of development policy.

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These considerations lead to the conclusion that the world financial and trade regime must accept diversity of development strategy and the right of every country to protect their institutional arrangements, so long as they do not seek to impose their model on others. Trade should be viewed as a means to development, rather than as an end in itself. The mandate and policies of the global institutions, such as the WTO, should then be to manage the interface between different systems rather than to reduce national institutional differences. The objective of the international trade regime should not be to increase market access for all countries at the same time, but to let different national economic systems prosper side by side.37

Thus, developing countries could press industrial countries for greater market access in the agricultural sector, while continuing to protect elements of their own agricultural sector.38 The development of the agricultural sector is fundamental to the achievement

Including the Voices of the Poorest of the Poor

Fair and inclusive globalization requires a far stronger voice for those living with the direct consequences of development projects spearheaded by Canadian companies, or financed with Canadian taxpayers’ dollars.

Canadians have been key players in facilitating large-scale development projects, such as oil and gas, mining and hydroelectricity that have the potential to severely disrupt the livelihood and cultural systems of the rural poor, particularly those of Indigenous peoples. While the outcomes for a country might appear to be a net contributor to economic growth, this accounting more often than not disregards the social, environmental, cultural and health costs, and the regressive distributional impacts.

Far more policy attention and coherence is required to ensure that Canadian interventions abroad – whether to facilitate revisions of mining codes, provide political insurance for companies, or develop hydroelectricity – adhere to the principles of sustainable development and uphold the rights of those living directly with the consequences.

The right to be heard and appropriately included in decision-making is the central focus of a collaborative project between the North-South Institute and Indigenous and Afro-descendant partners in Colombia, Guyana, Suriname and Canada. Phase I (2000-2002) focused on the mining sector and resulted in a variety of recommendations relevant to Canada, including that consultations with affected communities must lead to their free, prior and informed consent if a project is to go ahead on ancestral lands. Phase II (2004-07) will include other natural resources activities in addition to mining, and focuses on capacity-strengthening for communities and opening dialogue with other relevant actors at the national and international levels – including Canadian companies and government officials. The ultimate goal is to influence policy and practice so these are more aligned with Indigenous and Afro-Colombian processes, aspirations and rights.

“Indigenous peoples need to come together...and work together and see how best we can – in a very respectful manner, and a very friendly manner – get the governments to listen to us and to show them that, yes, we can contribute to development, but that they do have to listen to our views as well and allow us to participate in decision-making...”

– Tony James, President of the Amerindian Peoples Association, Guyana


38 Rodrik, ibid.
of the MDGs because so many of the world’s poor depend on agriculture and the rural economy for their livelihood. Moreover, in many countries, particularly in sub-Saharan Africa, women are more engaged than men in cultivation and livestock rearing, so that an improvement in the returns to agriculture can be a major contributor to greater gender equality.

Finally, current debates on globalization are generally about the movement of goods, services and capital between countries and about the policies that expedite or restrict such movements. They are rarely about the movement of people, despite the fact that international migration takes place on a significant scale, including migration from South to North. Moreover, migration flows can have a much more beneficial impact on both sending and receiving countries than either trade or international investment.

While much has been written about the “brain drain” of skilled people from South to North, reality is more complex, and there are arguments to be made in favour of a “brain gain”. Many developing countries cannot absorb all their highly-skilled individuals in their fields of specialization, leaving them under- or unemployed. From the viewpoint of such individuals, emigration to a developed country may represent a rational and better choice, if they are able to find employment in their professional fields. It may also represent a better choice for their country of origin if they remit a portion of their earnings. Unfortunately, many do not find employment in their professional fields, resulting in underemployment in their adopted country. However, this could still be a better choice for the migrants than remaining under-employed in their country of origin.

There are also a number of complex issues relating to the migration of less skilled people from developing to developed countries. As is the case with their more skilled compatriots, there are both “drain” and “gain” factors at play. Countries of origin are obviously deprived of emigrants’ labour—and often they are the most active and productive members of the labour force. Countries of destination, on the other hand, benefit from a supply of labour for minimum- or low-wage employment for which local workers are not available. Less-skilled migrants clearly make a rational choice if their minimum-wage earnings in their adopted country substantially exceed their previous incomes, and the sending countries benefit from workers’ remittances which are now quite substantial worldwide.

However, what distinguishes the migration of less skilled workers is that their movements are often illegal but allowed. As a result, such workers are often vulnerable to exploitation and abuse by employers and others, without any recourse to the protection of the law.

A fairer and more inclusive globalization would integrate the movement of peoples into the international policy framework. It would overturn the perverseness of current rules on migration, so that skilled people are encouraged to stay where they are needed most, while unskilled people are allowed to migrate to countries and regions where better opportunities await them. Canada should review its immigration policies in this light, particularly:

➤ by avoiding the recruitment of health-care professionals from developing countries with health care shortages
➤ by employing professional immigrants in fields of their specialization and expertise
➤ by making better use of the diaspora in aid financed projects and aid policy formulation
➤ by expanding programs such as Canada’s Seasonal Agricultural Workers’ Program, which admits a limited number of relatively unskilled workers to Canada on a short-term basis to work in the farm sector (see Box).

39 Although interest in workers’ remittances (from North to South), which have grown substantially in recent years, has attracted growing attention as an untapped source of capital for development.

40 These amounted to US$90 billion in 2003.
The Seasonal Agricultural Workers Program

The Seasonal Agricultural Workers Program (SAWP) is managed by Human Resources and Skills Development Canada and Citizenship and Immigration Canada in cooperation with agricultural producers and the governments of Mexico and the Commonwealth Caribbean. Agriculture is a vital component of the Canadian economy. Traditionally, there is a critical shortage of suitably qualified Canadian seasonal workers available in sufficient numbers when needed to plant, maintain, and harvest horticulture crops. SAWP was created in 1966 to respond to this shortage by providing a supplementary source of seasonal labor. The program allows for the organized entry and exit of Commonwealth Caribbean and Mexican migrant workers to work for up to eight months in specific agricultural commodity sectors. Currently, farmers in Ontario, Quebec, New Brunswick, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia and Prince Edward Island participate in SAWP.

SAWP’s two main objectives are to contribute to the improvement of Canada’s economic prosperity by ensuring that horticulture crops are planted and harvested in a timely manner and to provide full-time seasonal (temporary) wage employment for Caribbean and Mexican migrant farm workers and their families back in Mexico and the Caribbean. The program thus provides economic benefits for Canadians and for the migrant workers and their families. In the 2002 season, a little more than 18,500 migrant workers and their families benefited under the program.

The North-South Institute (NSI) conducted the first comprehensive study on SAWP between 2002 and 2003. The study found that, overall, SAWP has been a tremendous economic success story for Canada, Mexico, and the Caribbean over the past 40 years. However, the study also found that there were facets of SAWP’s management, farm employment, and rural community engagement that need to be addressed to further enhance SAWP’s economic benefits for both farm employers and the migrant workers. In this regard, the study made a number of practical recommendations that would significantly strengthen the program by addressing these issues, while building further on those areas that were found to be working satisfactorily in terms of the program’s two main objectives. The reports and recommendations can be found on the NSI website: www.nsi-ins.ca
a) Peacebuilding, conflict prevention and state failure

In the 1990s, peacebuilding efforts in a few countries such as El Salvador and Mozambique, driven for years by brutal conflict, could claim some major achievements. At the same time, the decade of the 1990s witnessed atrocities in Rwanda and in the former Yugoslavia. In Rwanda, the international community stood by and did virtually nothing to stop the genocide of 800,000 Tutsis and some of their supporters. In Bosnia and Kosovo, the international community ultimately took action, but not before a large number of innocent people were killed, maimed or raped.

As a result of these episodes, the paradigm of international peacebuilding underwent a steady evolution during the decade. Earlier variants comprised internationally mediated negotiations between key parties to the conflict, supported by international verification and peacekeeping, and followed by reconstruction initiatives aimed at building a liberal democratic state and market-based economy. By mid-decade, the horrors of Rwanda and the former Yugoslavia gave rise to a more robust variant of this liberal peacebuilding paradigm arguing that it is sometimes necessary for the international community to go beyond the posture of external “honest brokers” and use military force to protect civilians in war-torn societies and to lead the reconstruction effort.

The “robust liberal” paradigm was articulated by the Canadian-initiated International Commission on Intervention and State Sovereignty in its December 2001 report, *The Responsibility to Protect*. Ironically the commission’s report was published just after the terrorist attacks of September 11, 2001, which in turn led to the US-led invasions of Afghanistan and (18 months later) Iraq. Suddenly the pretext to intervene for humanitarian reasons had given way to an older, more traditional pretext for invasion, namely to protect civilians in war-torn societies and to lead the reconstruction effort.

The official objective of intervention was to prosecute the “war on terrorism”. Other motivations for the interventions in Afghanistan and Iraq include control over strategic natural resources (particularly oil) and the promotion of regime change in the Middle East by replacing authoritarian leaders with democratically elected governments. Although both invasions have been followed by reconstruction initiatives by the occupying forces, it seems clear that such interventions were not principally motivated by the liberal and humanitarian objectives that are central to *The Responsibility to Protect*.

As a result, the case for intervention today, even to protect populations subject to civil conflict and violence on a large scale, has become clouded by the “war on terrorism”. Foreign intervention, particularly if led by the US, even if prompted by humanitarian objectives, can be suspected of ulterior motives—in particular, the geostrategic objectives of the US. A prominent example is the humanitarian catastrophe in Darfur, western Sudan, where more than 50,000 people have been killed with the acquiescence of the Sudanese government in Khartoum because of a campaign for greater local autonomy. That government and other critics are accusing those threatening intervention that their real objective is control over Sudan’s oil resources and escalation of the Bush administration’s “crusade” against Islamic countries.

Given developments after September 11, it is time for new thinking on how to prevent local and regional conflicts and what kinds of peacebuilding efforts are more likely to be fruitful in the long term. It is crucial that bridges be built between the short-term exigencies of establishing peace and the longer-term needs to engender sustainable and equitable development. Research on how to bridge peacebuilding and development policy is urgently needed (see Box). The overarching policy framework proposed in this paper provides insights for a new approach to conflict prevention and peacebuilding:

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42 Published in Ottawa by IDRC.
Sustainable development and sustainable peace are intimately interrelated. Conflicts are more likely to arise, and more difficult to resolve, where there are deep inequalities in income and ongoing poverty and stagnation. Therefore, conflict prevention and peacebuilding initiatives should always be complemented with sustainable and equitable development strategies and, at the very least, ensure that development strategies do not exacerbate inequities (for example, through structural adjustment or liberalization policies that impact adversely on the poor). Similarly, since deep inequalities are typically entrenched, a very long time horizon (perhaps decades) is necessary to address them through economic, political, and social transformation. Haiti is a good example, illustrating how the failure of sustainable and equitable development is a fundamental contributor to political instability and civil conflict, and vice-versa. Frequent foreign interventions to resolve conflict have not successfully addressed the underlying development failure.

Domestic ownership is crucial. No amount of foreign intervention, no matter how appropriate, is a substitute for "made-at-home" solutions that are broadly supported by the domestic populace.

Multilateral and regional approaches to intervention must be nurtured. As the shortcomings to the unilateralist intervention in Iraq become increasingly evident, the importance of the UN as the world’s pre-eminent peacekeeper will again come to the fore. In some cases, regional organizations may be in a better position to respond to crises than the UN. In Africa, the African Union has intervened in Burundi and has offered to do so in Sudan in the case of the Darfur upheaval. In Latin America, the OAS played an

What Kind of Peace is Possible?

International development agencies have long recognized that it is essential to link humanitarian responses and postwar reconstruction programs with longer-term strategies to address the underpinnings of armed conflict – and prevent the recurrence of wars. Much has been invested in mainstreaming a “culture of prevention” into development and diplomacy. Yet these advances fall far short of what is needed. There continues to be inadequate support for long-term, transformative peacebuilding activities in key areas like rural development. What progress had been made in linking peacebuilding to longer-term poverty reduction strategies is also imperilled by the post-9/11 preoccupations with current crises and immediate, security-focused responses.

The North-South Institute has worked extensively on long-term peacebuilding and structural conflict prevention through its research on land policies. That work has shown that even where peace accords contain commitments to increasing access to land and other assets for the rural poor, as they do in El Salvador and Guatemala, change agents do not receive the coherent support needed to bring these reforms to fruition – thus fuelling new cycles of violence.

Through the “What Kind of Peace is Possible?” project, NSI and its partners are now looking at how enduring gaps between short-term and longer-term peacebuilding could be bridged in Afghanistan, Guatemala, Haiti, Mozambique, the Palestinian Territories and Sri Lanka. We are working to identify options for more sustainable approaches to peacebuilding, particularly in the realms of democratic governance and economic development, at the local level. By 2005, this project will yield policy recommendations for selected local and national actors in each country. It will also yield policy recommendations for international agencies. These recommendations will be shared in a series of briefs and through policy dialogue in each country, including Canada.
important role in helping to mediate a politically volatile situation surrounding the referendum on the recall of President Hugo Chavez. In order to be more effective, such regional organizations (and their member countries) need financial, political, material and other support from the international community. Canada should strengthen its financial and political support of the protection and conflict prevention capacities of selected regional organizations, particularly the African Union.

Canada is also involved in international debates on how to respond to state failure through means other than military intervention. In recent years the OECD Development Assistance Committee and the World Bank have argued that it is essential to remain engaged in countries where the state is collapsing or systematically failing to meet core obligations to its citizens. In such circumstances, it is important for donors to coordinate enhanced analysis and more finely-targeted programming, which should encompass support for governance reforms and for socio-economic activities, particularly essential services to the poor. The DAC and World Bank suggest that imposing orthodox macro-economic and fiscal reforms on countries already under stress can aggravate their problems. Above all, they underline the importance of integrated approaches to state failure, and of policy coherence.43 They also suggest that it is frequently necessary to take risks in countries under extreme stress in order to be helpful.

These policy prescriptions pose significant challenges to Canada and other OECD countries. They pull us in a different direction from the current aid effectiveness agenda, which suggests that aid should be focused on countries where need and “good policies” intersect.

If Canada is to rise to this challenge, it will have to develop a clear policy for an integrated, whole-of-government approach to failed states. That policy framework should encompass support for governance and socio-economic programming over the long term. Delivering on the policy will require CIDA to enhance its capacity for conflict analysis and coordination with other donors, its field presence in priority countries, as well as its monitoring and evaluation of conflict-sensitive programming. It will require deeper coordination with other departments—particularly Finance, Foreign Affairs, Defence and the Solicitor General—to ensure that their activities are coherent with long term conflict prevention objectives. Delivering on this policy will also require significant funds. The idea of creating a $100 million-per-year peace and security fund, currently under consideration by the government, seems sensible, although the amount is unlikely to be adequate. Yet many questions remain about the policy framework that will guide this fund: whether Foreign Affairs has the integrated perspective necessary to lead its management, whether funds would be focused on long-term engagement in a few countries like Haiti (where need, strategic importance and Canadian interests intersect) or whether it would be dispersed over the many countries in which there is a need for conflict prevention.

b) The Middle East Crucible

Canada must fundamentally re-think its policies toward the Middle East—including both its position on the Israel-Palestine conflict and its policies toward the Arab world. For the most part, Canada’s positions are often driven by US policies that are biased toward Israel and against the Palestinians while, at the same time, supportive of repressive Arab regimes in Saudi Arabia and Egypt, among others. There is also a need for renewed movement towards reform in Palestine itself. As such, Canada should support efforts to democratize the Palestinian Authority, increase transparency and accountability, and lay the foundations for a viable economy that can re-absorb the millions of unemployed youths whose desperation fuels violence.

Much of the animosity in the Islamic (and particularly the Arabic) world is undoubtedly fed by the deepening conflict between Israel and Palestine, by perceptions and the reality of US support of Israel, and by Israeli intransigence toward the Palestinians and the rest of the world. Israel, with the support of the US, has rejected a number of Security Council

resolutions over the last 35 years calling for a return to its pre-1967 borders. More recently, the spread of permanent Israeli settlements built in the West Bank, and the “security fence” built by Israel beyond the 1967 borders, have further expropriated lands in the Palestinian territory, evoked anger among Palestinians and Arabs, and criticism from countries around the world. The aggressive tactics of the Sharon government in Israel, with its policy of inflicting several-fold retribution on Palestinians for each terrorist attack, have further elevated grievances.

That is not to say that resolving the Israel-Palestine conflict will put an end to Islamic terrorism, but it would certainly undermine (and eventually terminate) support for terrorism in Palestine, and undermine it in the Arab world. Even more important, it would address a major (or the major) threat to world peace today. The next conflagration between Israel and its Arab neighbours has the potential of involving nuclear weapons, which would have catastrophic consequences for the whole world.

**Canada should maintain a balanced position on the Israel-Palestine conflict.** Canada should condemn the spread of Israeli settlements in the West Bank and the erection of the security fence to engulf more land in the Palestinian territory, and the perpetration of violence by both sides. Canada should work with others toward a two-state solution in which Israelis and Palestinians can live in peace and harmony with each other and their neighbours.

At the same time, it is clear that much of the impetus for Islamic fundamentalism emanates from two Arab countries: Saudi Arabia and Egypt. Saudi Arabia, a corrupt and feudal regime, has become a client state of the US; in return for military protection and political support, the Saudis have facilitated a smooth flow of petroleum and have acted to stabilize oil markets. Under cover of this relationship, the Saudis have nurtured Wahhabi fundamentalists and allowed them to promulgate their creed through madrassas (Islamic schools) throughout the Islamic world. The rise to power of the Taliban in Afghanistan would not have been possible without support from Wahhabi clerics in Saudi Arabia. The Saudi influence on US policy has been deepened by the considerable largesse of the Saudi regime provided for US politicians, academics, and opinion leaders.

In the case of Egypt, the most populous Arab state, a different dynamic has prevailed ever since the assassination of President Anwar Sadat in 1981. His successor Hosni Mubarak has overseen an increasingly repressive and unpopular regime in Egypt. The quiescence of Egypt towards Israel has resulted in generous economic and military support from the US, which has, in turn, served to entrench Mubarak’s power, while development has sorely languished. Many among the poor in this country of 70 million, at the heart of the Arab world, feel their government does not respond to their needs. However, the middle class also feels disenfranchised. As a result, support for fundamentalism has grown in many quarters of Egyptian society. Mubarak has responded through repression, even against legitimate and peaceful voices of dissent, apparently boosting rather than arresting support for the fundamentalists.

Underlying these policies is the presumption that any autocratic regimes in the Arab and Islamic world that profess support for the US in particular and the West more generally should be diplomatically, economically and militarily rewarded. Similar thinking during the Cold War led to support of such anti-Soviet leaders as Mobutu, Pinochet, and indeed, at one time, Saddam Hussein. While the short-term merits of supporting “enemies of one’s enemies” regardless of their intrinsic nature may be debated, in the longer term, such an uncritical approach is self-defeating.

**A fundamental rethinking of Canadian policies toward regimes in the Arab and Islamic world is required, based on sustainable and equitable development, and on the establishment or strengthening of human rights and democratic governance,** consistent with the overarching framework proposed in this paper.

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44 It is no coincidence that most of the September 11 hijackers came from Saudi Arabia and Egypt.


47 Support for moderate Islamists is compatible with support for human rights and democratic governance. See Feldman, op. cit., and Stephen Schwartz, *The Two Faces of Islam: The House of Saud from Tradition to Terror*.
Canada should distance itself from US policies where these are at odds with such an approach.

The case of Iraq demands particular attention. The longer the US-led occupation remains, the more remote are the chances of lasting peace and stability in that country. Moreover, in the lawlessness spawned by the invasion and occupation, Iraq has become a breeding-ground for Islamic terrorists. This is a grim irony, in view of the fact that there had been no links between the Saddam Hussein regime and Al Qaeda, leading many to the conclusion that the Iraq war has actually made the world more unsafe than it was with Saddam in power.

Canada should press for a rapid withdrawal of US and coalition forces from Iraq and their replacement with a security force under UN command. Canada should also support and help monitor early elections to ensure a genuinely representative and democratic Iraqi government takes power as soon as possible.

c) Ballistic Missile Defence (BMD)

The Bush administration’s proposal to initiate a program of ballistic missile defence, ostensibly to protect the homeland against weapons of mass destruction launched from such states as Iran or North Korea, has stirred considerable controversy both inside and outside the US. A number of experts, including former US military officers, have criticized BMD on account of its huge expense and on the grounds of its highly questionable effectiveness technically. Meanwhile, on-the-ground security measures to boost security at airports, ports, borders, and nuclear plants, and to increase US capacity to deal with future attacks similar to those of September 11, or with chemical and biological attacks, have been criticized as dangerously underfunded.48

Furthermore, BMD has the potential to spark a new nuclear arms race, as other countries respond by investing in similar military technology. It also could lead to the weaponization of space. The much greater opportunity cost of such a new arms race is the increasing neglect of sustainable and equitable development, which ultimately is the best guarantor of human security around the world.

Despite all these shortcomings, some Canadians feel that Canada should have a seat at the table as the US implements BMD, since the system will be deployed to intercept incoming missiles over Canadian air space. Others feel that, notwithstanding BMD’s questionable efficacy, participation would bring important technological and industrial spin-offs to Canada.

The position of this paper is that there are so many profound and intrinsic flaws in the BMD proposal, including re-igniting the arms race and the huge opportunity costs it represents for genuine global security, peace and development, that Canada should refuse to participate and indeed express its objections to the proposal.

Canada-US Relations

Canada’s bilateral relationship with the United States is clearly of overarching significance. The framework proposed in this paper for Canada’s international policy, based as it is on the Millennium Declaration and Development Goals, does not seem useful to provide guidance for relationships among developed countries, particularly at the level of details. However, such relationships must now be situated in a broader context, namely that of the geopolitical strategy of the US, the world’s only superpower.

The bilateral relationship between Canada and its giant neighbour is largely based on political and economic ties, and built on a foundation of peace and friendship going back at least a century. Today, the ties of friendship spring from shared liberal and democratic values; a huge and growing volume of bilateral trade and investment—the largest between any two independent countries in the world; thousands of family relationships spanning the border; a common language (with Anglophone Canada); many cultural similarities; and a considerable and continuous flow of cross-border tourism. The Canada-US economic relationship, it should be emphasized, is in the interest of the US as well as Canada.

There have always been trade disputes between the two neighbours, including those currently affecting Canadian softwood lumber and beef exports. Without denying the seriousness of such issues to the affected Canadian producers and regions, given the huge volume of unrestricted trade between the two countries, these problems must be considered relatively minor bilateral irritants. In themselves they cannot be said to have significantly undermined the overall Canada-US relationship.

However, geopolitical developments since the terrorist attacks on the US on September 11, 2001 have had a profound impact on its bilateral relationship with Canada—and for that matter, with all of America’s traditional allies. A major turning point was the Bush administration’s insistence on going to war against Iraq in May 2003, in the face of opposition from many other countries and, according to UN Secretary-General Kofi Annan, in violation of the UN Charter. In so doing, the US clearly posed a challenge to the postwar world order, with its fundamental underpinnings of multilateral cooperation, and the principles of nonaggression and collective security.

Apprehensions about the course of US foreign policy have been heightened, inter alia, by lack of evidence of an Iraqi link to the terrorist attacks of September 11, the failure to discover Iraqi weapons of mass destruction (the pretext for the invasion), thousands of casualties suffered by innocent Iraqis during the war and subsequent occupation, the prospect of continuing or escalating civil strife with the transition to Iraqi self-rule, the questionable legitimacy of the US-appointed Iraqi transitional government, and the willingness of the US to overlook the Geneva convention in its deplorable treatment of its prisoners of war taken in Iraq and Afghanistan.

Equally, there is cause for concern over the Bush administration’s clear bias in the Israel-Palestine conflict in favour of the Sharon government, with its proclivity toward military rather than diplomatic solutions. The US posture in the Middle East also reveals blatant disregard for efforts through the UN and by others toward a lasting peace, and demonstrates indifference to the opposition in the region and in much of the rest of the world to US and Israeli policies. All this makes any resolution of Israel-Palestine conflict much more problematic and distant, and seriously undermines the prospects for peace and stability in the Middle East more generally.

In this larger geopolitical context, Prime Minister Chrétien’s decision in May 2003 that Canada would not join the US-led coalition against Iraq marked a crucial watershed in the Canada-US bilateral relationship. While this decision was supported by a large majority of Canadians, some critics construed Mr. Chrétien’s decision as intrinsically “anti-American.” Others, who may have opposed the war against Iraq, felt that Canada is now so dependent on the US, that Canada has “no choice” but to support the war, at least tacitly. Yet others, who advocate building much

closer economic ties with the US, including a customs and currency union, would align Canadian foreign policy more closely with that of the US to reinforce those ties.

It is worth noting that Canada’s decision not to support the US coalition in Iraq has a significant historical precedent in the 1960s and 1970s. Canada did not support the Vietnam War. Indeed Prime Ministers Pearson and Trudeau spoke publicly against the war, as did many traditional allies of the US. There are other, perhaps less dramatic examples of Canada taking a different position on international policy issues. Unlike the US, Canada has recognized and had an active relationship with Cuba under the Castro regime. Similarly, Canada was a leading advocate of the International Criminal Court and of the Landmines Treaty.

Moreover, despite these differences, the two countries have managed to agree to intensify bilateral economic ties in the 1960s through the Auto Pact, in the 1980s through the Canada-US Free Trade Agreement, and in the 1990s through the North American Free Trade Agreement. In other words, history suggests that it has been possible for the two countries to maintain or strengthen their economic cooperation but differ occasionally on important foreign policy issues. While disagreements on key issues have been the exception, the point is they have occurred without undermining the overall bilateral relationship.

In any event, the terrorist threat from Islamist and other groups could be present for some time, with the possibility of further strikes against the US and other industrial countries. The question is whether the campaign against terrorism is best waged through conventional warfare, as in Afghanistan and Iraq, or through other means.

It is in this context that the Canada-US relationship should be placed within the policy framework suggested above. If long-term, equitable and sustainable development and durable peace is to be the foundation for Canada’s international policy, this policy framework should also be used to judge US global policies and, therefore, whether Canada is prepared to support those policies. The Canadian position should be based on whether US policies are consistent with Canada’s own policy framework. The issue is not whether Canadian policy is pro- or anti-American. Rather, the important issue is whether the policies of the US are helping to bring about a more equitable, peaceful and sustainable global order. If they are not, Canada has an obligation to raise its voice and challenge our neighbour to change course both for its own sake and for that of the world.

If Canada hews to such an independent course in its international policies, it is possible there may be repercussions in the form of sanctions or constraints imposed by the US that would seriously injure the Canadian economy and Canadian livelihoods. However, in addition to the fact that Canada opposed the Vietnam War without undermining (indeed, while deepening) its bilateral relationship, the fact that the Bush administration has not sought to retaliate against Canada because of its refusal to join the coalition against Iraq suggests this is only a remote possibility. Nonetheless there may be ways of parrying potential US retaliatory urges on those occasions when Canada challenges American policies. This can be done by emphasizing how Canada co-operates with those aspects of American policy with which Canada agrees, or complements it with actions that are seen to help the US.

For example, when it declined to join the US coalition against Iraq, Canada committed to step up the level of its peacekeeping and reconstruction efforts in Afghanistan. In so doing, Canada is contributing to equitable, sustainable and peaceful development in a country that obviously did harbour terrorists, including those involved in the September 11 attacks. Canada also made a large financial commitment to the reconstruction of Iraq. These efforts indicated that, although Canada did not support war against Iraq, it was willing to complement the US war against terrorism through very different means.

10 The huge size of the commitments made to Afghanistan and Iraq is an issue discussed above. These were the largest commitments ever made to individual countries (Iraq is not one of the world’s poorest countries) through Canada’s aid program, prompting criticisms that scarce aid funds are being diverted to security and the war against terrorism.
Furthermore, Canada has also cooperated with US authorities in a broad range of anti-terrorist activities, from greater coordination and sharing of intelligence, to harmonization of border and "Homeland Security" measures.51

In summary, this paper suggests a three-pronged approach for Canada’s position on US global policies to ensure consistency with Canada’s international policy framework:

► Complementarity—by strengthening equitable, peaceful and sustainable development through Canada’s aid program and peacekeeping efforts
► Cooperation—on legitimate intelligence and police work to counter terrorism
► Challenge—on those occasions when the US acts to undermine prospects for equitable, peaceful and sustainable development.

Canada’s bilateral relations with the US will also be affected by its decision on whether to participate in the Bush administration’s plan for ballistic missile defence (BMD). This issue is considered above under Peace and Security.

51 However, the Maher Arar case also suggests caution on such cooperative endeavours to ensure that they are consistent with Canadian laws, and the Charter of Rights and Freedoms, as well as international norms of human rights. In other words, Canada should desist from intelligence cooperation with the US where it entails violations of the human rights of those under surveillance or detention.
Soon after being sworn into office in December 2003, Prime Minister Paul Martin announced the creation of a new Cabinet Committee on Global Affairs, which he himself chairs. The formation of this committee is apt and timely, given the government’s aim of achieving greater coherence in Canada’s international policy. The committee, which represents all the key international departments with one conspicuous exception, can spearhead the strategy and many of the recommendations called for in this paper.

Conspicuously missing from the Global Affairs Committee is the Minister of Finance who should be an active member. The Department of Finance is a key player on international policy for all the reasons mentioned in this paper. This point was corroborated when Finance Minister Ralph Goodale accepted an invitation by UK Prime Minister Tony Blair to join the UK-sponsored Commission on Africa, focusing on that continent’s development challenges, that will report to the G-8 Summit in 2005.

That said, the government must go beyond the initiatives that can be taken by Cabinet under existing policies, by introducing new legislation. Such legislation would provide a more directive, and publicly visible, statutory framework for the new policy directions suggested in this paper.

A very relevant precedent now exists in Sweden in the form of Bill 2002/3:122—which is entitled, “Shared Responsibility: Sweden’s Policy for Global Development.” The main theme of this legislation is international policy coherence. The goal of the Swedish government under this legislation is to contribute to equitable and sustainable development, in all policy areas—trade, agriculture, environment, security, migration, and economic policy, among others. The focus of this bill is on poor people and poor countries. The policy will contribute to the achievement of the Millennium Development Goals. In so doing, it calls for collaboration with actors in all sectors of society, including public authorities at the national and local levels, civil society, the private sector, and the trade union movement. Under this legislation, in September 2004 the Swedish government presented its first annual report to Parliament on progress and outcomes achieved with regard to implementation of the policy. Similar objectives were laid out in two White Papers published by the UK in 2000.

It is recommended that, in designing a coherent international policy for Canada, the government closely examine both the Swedish legislation and the broader program of action initiated by the Swedish government, involving civil society and the private sector, as well as local governments, toward the achievement of sustainable and equitable development.

52 The Bill is available on the Ministry for Foreign Affairs website at: www.sweden.gov.se/sb/d/574/a/24520;jsessionid=aXO2hkV6blhe

53 UK Department for International Development, “Eliminating World Poverty: a Challenge for the 21st Century,” and “Eliminating World Poverty: Making Globalisation Work for the Poor.” Available on the DfID website at www.dfid.gov.uk. The UK’s International Development Act 2002, described as “an Act relating to the provision of assistance for countries outside the United Kingdom; to make provision with respect to certain international financial institutions and the Commonwealth Scholarship Commission; and for connected purposes,” is narrower in its scope, focusing primarily on development assistance, than the Swedish development bill, which aims at policy coherence across the whole of government.
# Millennium Development Goals (MDGs)

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<th><strong>GOALS AND TARGETS</strong></th>
<th><strong>INDICATORS FOR MONITORING PROGRESS</strong></th>
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| **Goal 1:** Eradicate extreme poverty and hunger | 1. Proportion of population below $1 (PPP) per day
2. Poverty gap ratio (incidence x depth of poverty)
3. Share of poorest quintile in national consumption |
| Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day | 4. Prevalence of underweight children under-five years of age
5. Proportion of population below minimum level of dietary energy consumption |
| Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger | |
| **Goal 2:** Achieve universal primary education | 6. Net enrolment ratio in primary education
7. Proportion of pupils starting grade 1 who reach grade 5
8. Literacy rate of 15-24 year-olds |
| Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling | |
| **Goal 3:** Promote gender equality and empower women | 9. Ratios of girls to boys in primary, secondary and tertiary education
10. Ratio of literate females to males of 15-24 year-olds
11. Share of women in wage employment in the nonagricultural sector
12. Proportion of seats held by women in national parliament |
| Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015 | |
| **Goal 4:** Reduce child mortality | 13. Under-five mortality rate
14. Infant mortality rate
15. Proportion of 1 year-old children immunised against measles |
| Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate | |
| **Goal 5:** Improve maternal health | 16. Maternal mortality ratio
17. Proportion of births attended by skilled health personnel |
| Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio | |
| **Goal 6:** Combat HIV/AIDS, malaria and other diseases | 18. HIV prevalence among 15-24 year old pregnant women
19. Condom use rate of the contraceptive prevalence rate
20. Number of children orphaned by HIV/AIDS |
| Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS | 21. Prevalence and death rates associated with malaria
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures |
| Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases | 23. Prevalence and death rates associated with tuberculosis
24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS) |
| **Goal 7:** Ensure environmental sustainability | 25. Proportion of land area covered by forest
26. Ratio of area protected to maintain biological diversity to surface area
27. Energy use (kg oil equivalent) per $1 GDP (PPP)
28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons) |
| Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources | 29. Proportion of population using solid fuels
30. Proportion of population with sustainable access to an improved water source, urban and rural |
| **Goal 8:** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases | 31. Proportion of urban population with access to improved sanitation
32. Proportion of households with access to secure tenure (owned or rented) |
| **Goal 10:** Halve, by 2015, the proportion of people without sustainable access to safe drinking water | |
| **Goal 11:** By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers | |
**GOALS AND TARGETS**  
(from the Millennium Declaration)

<table>
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<th>GOAL 8: Develop a global partnership for development</th>
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<td><strong>Target 12:</strong> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally</td>
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<tr>
<td><strong>Target 13:</strong> Address the special needs of the least developed countries. Includes: tariff and quota free access for least developed countries’ exports; enhanced programme of debt relief for HIPCs and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</td>
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<tr>
<td><strong>Target 14:</strong> Address the special needs of landlocked countries and small island developing States. (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</td>
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<td><strong>Target 15:</strong> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</td>
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<tr>
<th>INDICATORS FOR MONITORING PROGRESS</th>
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<tr>
<td>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked countries and small island developing States.</td>
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<tr>
<td><strong>Official development assistance</strong></td>
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<td>33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors’ gross national income</td>
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<tr>
<td>34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</td>
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<td>35. Proportion of bilateral ODA of OECD/DAC donors that is untied</td>
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<td>36. ODA received in landlocked countries as proportion of their GNIs</td>
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<tr>
<td>37. ODA received in small island developing States as proportion of their GNIs</td>
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<td><strong>Market access</strong></td>
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<tr>
<td>38. Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties</td>
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<tr>
<td>39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</td>
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<td>40. Agricultural support estimate for OECD countries as percentage of their GDP</td>
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<td>41. Proportion of ODA provided to help build trade capacity</td>
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<td><strong>Debt sustainability</strong></td>
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<tr>
<td>42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</td>
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<td>43. Debt relief committed under HIPC initiative, US$</td>
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<td>44. Debt service as a percentage of exports of goods and services</td>
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<td>45. Unemployment rate of 15-24 year-olds, each sex and total</td>
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<tr>
<td>46. Proportion of population with access to affordable essential drugs on a sustainable basis</td>
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<tr>
<td>47. Telephone lines and cellular subscribers per 100 population</td>
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<td>48. Personal computers in use per 100 population</td>
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The Millennium Development Goals and targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of State, in September 2000 (www.un.org/documents/ga/res/55/a55r002.pdf - A/RES/55/2). The goals and targets are inter-related and should be seen as a whole. They represent a partnership between the developed countries and the developing countries determined, as the Declaration states, “to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty.”

* For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

* Amongst contraceptive methods, only condoms are effective in preventing HIV transmission. The contraceptive prevalence rate is also useful in tracking progress in other health, gender and poverty goals. Because the condom use rate is only measured amongst women in union, it will be supplemented by an indicator on condom use in high risk situations. These indicators will be augmented with an indicator of knowledge and misconceptions regarding HIV/AIDS by 15-24 year-olds (UNICEF – WHO).

* To be measured by the ratio of proportion of orphans to non-orphans aged 10-14 who are attending school.

* Prevention to be measured by the % of under 5s sleeping under insecticide treated bednets; treatment to be measured by % of under 5s who are appropriately treated.

* OECD and WTO are collecting data that will be available for 2001 onwards.

* An improved measure of the target is under development by ILO for future years.
Excerpts from the Millennium Declaration

II. Peace, security and disarmament

8. We will spare no effort to free our peoples from the scourge of war, whether within or between States, which has claimed more than 5 million lives in the past decade. We will also seek to eliminate the dangers posed by weapons of mass destruction.

9. We resolve therefore:
- To strengthen respect for the rule of law in international as in national affairs and, in particular, to ensure compliance by Member States with the decisions of the International Court of Justice, in compliance with the Charter of the United Nations, in cases to which they are parties.
- To make the UN more effective in maintaining peace and security by giving it the resources and tools it needs for conflict prevention, peaceful resolution of disputes, peacekeeping, post-conflict peace-building and reconstruction. In this context, we take note of the report of the Panel on United Nations Peace Operations and request the General Assembly to consider its recommendations expeditiously.
- To strengthen cooperation between the UN and regional organizations, in accordance with the provisions of Chapter VIII of the Charter.
- To ensure the implementation, by States Parties, of treaties in areas such as arms control and disarmament and of international humanitarian law and human rights law, and call upon all States to consider signing and ratifying the Rome Statute of the International Criminal Court.
- To take concerted action against international terrorism, and to accede as soon as possible to all the relevant international conventions.
- To redouble our efforts to implement our commitment to counter the world drug problem.
- To intensify our efforts to fight transnational crime in all its dimensions, including trafficking as well as smuggling in human beings and money laundering.
- To minimize the adverse effects of UN economic sanctions on innocent populations, to subject such sanctions regimes to regular reviews and to eliminate the adverse effects of sanctions on third parties.
- To strive for the elimination of weapons of mass destruction, particularly nuclear weapons, and to keep all options open for achieving this aim, including the possibility of convening an international conference to identify ways of eliminating nuclear dangers.
- To take concerted action to end illicit traffic in small arms and light weapons, especially by making arms transfers more transparent and supporting regional disarmament measures, taking account of all the recommendations of the forthcoming United Nations Conference on Illicit Trade in Small Arms and Light Weapons.
- To call on all States to consider acceding to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on Their Destruction, as well as the amended mines protocol to the Convention on conventional weapons.

10. We urge Member States to observe the Olympic Truce, individually and collectively, now and in the future, and to support the International Olympic Committee in its efforts to promote peace and human understanding through sport and the Olympic Ideal.
V. Human rights, democracy and good governance

24. We will spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms, including the right to development.

25. We resolve therefore:
• To respect fully and uphold the Universal Declaration of Human Rights.
• To strive for the full protection and promotion in all our countries of civil, political, economic, social and cultural rights for all.
• To strengthen the capacity of all our countries to implement the principles and practices of democracy and respect for human rights, including minority rights.
• To combat all forms of violence against women and to implement the Convention on the Elimination of All Forms of Discrimination against Women.
• To take measures to ensure respect for and protection of the human rights of migrants, migrant workers and their families, to eliminate the increasing acts of racism and xenophobia in many societies and to promote greater harmony and tolerance in all societies.
• To work collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries.
• To ensure the freedom of the media to perform their essential role and the right of the public to have access to information.