

CIDA AND THE AID-TRADE LINKAGE

by

EDWARD GRANT MACKAY

B.A., Queen's University, 1985

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF ARTS

in

THE FACULTY OF GRADUATE STUDIES  
Department of Political Science

We accept this thesis as conforming  
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA

February 1987

©Edward Grant Mackay, 1987

In presenting this thesis in partial fulfillment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and study. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the Head of my Department or by his or her representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of Political Science

The University of British Columbia  
2075 Wesbrook Mall  
Vancouver, Canada  
V6T 1Z4

Date: February 22, 1987

### Abstract

The Canadian foreign aid program increasingly has been linked to trade and other commercial objectives. How and why has this happened? Has this been a successful linkage? What are the implications for Canada and its foreign aid program of this pursuit of the aid-trade linkage? This thesis attempts to answer these questions by exploring the origins and evolution of Canada's aid program, the political and bureaucratic status of Canada's aid agency, the Canadian International Development Agency (CIDA), and the various policies and policy instruments employed in this recent orientation of aid.

It is here argued that in the pragmatic origins of Canada's aid efforts, beginning with the Colombo Plan of the 1950s, lay the seeds for today's aid-trade policy linkage. These origins enabled the interests and objectives of other federal government departments to intrude on and often supersede developmental considerations in Canadian development assistance. As a result, the creation of a strong central aid agency has consistently been impeded, and the needs of Third World nations consistently overshadowed by domestic concerns.

Exacerbating this situation was the fiscal restraint and domestic recession of the late 1970s and early 1980s. The pressures stemming from these twin problems gave the final impetus for the increasing integration of aid and commerce.

While it is questionable whether linking aid with commerce serves Canada's political and economic interests, in either the

short term or the long term, the federal government seems intent on continuing this policy trend. Indeed, the aid-trade linkage superficially resolves a number of administrative problems for CIDA, and enthusiastically is promoted as a bright new opportunity for Canada and its development partners. Conversely, efforts to reverse this policy trend face many obstacles in the Canadian polity and society. In the absence of decisive political leadership on this issue, then, aid-trade linkage is likely to continue.

## TABLE OF CONTENTS

Abstract .....	ii
Preface .....	1
Chapter I .....	9
INTRODUCTION .....	9
 Chapter II	
A SELECTIVE HISTORY of CANADIAN DEVELOPMENT ASSISTANCE .....	15
 Chapter III	
A SURVEY of COMMERCIALY-ORIENTED POLICES .....	34
3.1 Introduction .....	34
3.2 Food Aid .....	38
3.3 Extension of Aid To Middle-Income LDCs .....	41
3.4 Lines Of Credit: Parallel Financing And Mixed Credits .....	45
3.5 Bilateral - Multilateral Debate .....	49
3.6 Aid-Trade Fund .....	52
3.7 Industrial Cooperation Program .....	55
3.8 The Tying Of Aid .....	60
3.9 Conclusions .....	68
 Chapter IV	
EVALUATING THE AID AND COMMERCE CONNECTION .....	70
4.1 Introduction .....	70
4.2 In Support Of The Aid-Trade Connection .....	70
4.3 The Case Against The Aid-Trade Connection: Utility ....	75
4.4 The Case Against The Aid-Trade Connection: Propriety ..	87
4.5 Conclusions .....	93
 Chapter V	
EXPLAINING THE "COMMERCIALIZATION" OF CANADIAN AID .....	95
5.1 Introduction .....	95
5.2 Critical Perspectives On The Aid-Trade Connection .....	96
5.3 Towards An Alternative Explanation .....	111
5.3.1 Why Has The Aid-Trade Connection Become Politically Current? .....	112
5.3.2 Why Is CIDA So Susceptible To Domestic Pressures? .....	123
5.3.3 Why Is Canada's Response To The Third World So Transitory? .....	127
 Chapter VI	
CONCLUSIONS .....	137
 BIBLIOGRAPHY .....	146

## PREFACE

In a thesis dealing with the linking of aid and trade objectives in Canada's development assistance program, the principal concerns, naturally, are examining and explaining the policies and philosophies which constitute the aid-trade linkage. Accounting for the emergence of this policy linkage, and even assessing its costs and benefits, may seem a purely technical or objective endeavour, but it is not. The entire exercise invokes normative questions and values. Criticisms are made, and policy prescriptions forwarded, on the basis of subjective judgments about what should be and what could be. Accordingly, it is necessary in this section to elucidate the principal values and beliefs which guide the subsequent analysis.

First, it is important to discuss the meaning of the term "development". Development is often equated with growth, especially per capita Gross National Product (GNP) growth; industrialization is another synonym, as is wealth. The position taken here is that development need not mean any one thing, or be based on any one model; the peoples and societies of the world are far too varied to admit of just one interpretation of development. A sufficiently broad definition might be as follows:

... a process by which societies change so that they are able to meet the basic needs of their populations, in a way that is sustainable in the long term and is based

largely on indigenous resources and values.<sup>1</sup>  
Further:

There is no uniform approach; there are different and appropriate answers depending on history and cultural heritage, religious traditions, human and economic resources, climatic and geographic traditions, and political patterns of nations.<sup>2</sup>

In short, the meaning of development cannot easily be pinned down. It is for this very reason that foreign aid agencies and recipient countries have had and will continue to have such difficulties in agreeing on approaches to development, in setting attainable targets, and in reaching those targets. Development is a very risky process, but this should not in any way detract from the utility of development cooperation. Indeed, development is first and foremost a human process, and without maximum human input, anticipated development quickly can become inevitable stagnation.

But what role can development assistance, or foreign aid, play? It is worth noting that many critics, on the left and right alike, charge foreign aid with impeding development. On the left, critics contend that foreign aid perpetuates dependency and underdevelopment by solidifying the position of oppressive elites, by reinforcing exploitative, resource-based patterns of production, and by imposing alien and inappropriate values and technologies on traditional societies and economies. Critics on

---

<sup>1</sup> Canadian International Development Agency (CIDA), Annual Report, 1984-85, p. 6

<sup>2</sup> Independent Commission on International Development Issues (Willy Brandt, Chairman), North-South: A Programme for Survival, p. 24

the right, on the other hand, view development assistance as excessively wasteful and bureaucratic, stifling national initiative and the free rein of market forces. Thus, development assistance is often viewed as a basic cause of poverty and underdevelopment, rather than as a solution.

This thesis refutes such analyses. Admittedly, foreign aid can produce some of the aforementioned distortions, if poorly planned or administered. The current intent and practise of development assistance are clearly far from perfect. Nevertheless, evidence from over thirty-five years of such resource transfers suggests that foreign aid can be a "supporting and catalytic element in the complex of factors" which generate development.<sup>3</sup> It is illusory to draw simple statistical relationships between aid and economic growth, or even between aid and the development of one sector of one country.<sup>4</sup> Rather, the role of foreign aid varies from country to country, and over time, and must be seen as a supplement to other domestic and international resources and policies. As one source puts it, development assistance can "... relieve some key constraints and, in appropriate combinations with a recipient country's resources, accelerate and broaden its economic and social progress.<sup>5</sup> Development assistance, then, does have a critical role to play in the development process, as difficult as it is to define that

---

3 Organization for Economic Cooperation and Development (OECD), Twenty-Five Years of Development Cooperation: A Review, p.. 280

4 Ibid., p. 201

5 Ibid., p. 14



role or that process. But, it might now be asked, why should the industrialized countries help developing countries at all? Should rich countries be aiding future competitors? Should resources be transferred to the Third World when serious problems remain unsolved at home? In short, what is the basis for the practise of development assistance, and more generally for international economic cooperation?

Constructing a case in favour of continuing foreign aid is almost as difficult as agreeing on the means and ends of development. The risks are high; the costs are quite concentrated and apparently large; and the benefits are often long term or intangible. The failures of foreign aid seem to be more publicized than the successes. Nevertheless, a compelling case for development assistance, and indeed for broader North-South cooperation, can be fashioned on three pillars: moral, political, and economic.

Morally, development assistance is demanded and justified because of the absolute levels of poverty, disease and illiteracy prevailing in many parts of the developing world. In a world of great abundance, such human suffering is intolerable. Further, the huge relative disparities in wealth, power and standards of living between the industrialized world and the developing world are unjustifiable. In times past, such relative and absolute disparities would go unnoticed and untouched; today, in a world made increasingly smaller by technology, these gaps represent human failure on a massive scale.

Politically, programs of assistance to the developing world

are conducive to the short and long term interests of both the industrialized nations and the international community as a whole. The alleviation of poverty and disease removes one basic cause of instability and violence. Genuine North-South cooperation helps maintain an all-important international dialogue, promoting peaceful rather than violent solutions to seemingly intractable problems. And North - South cooperation, including development assistance, helps create new international political and economic relationships, thus accelerating the pace of interdependence and lessening the significance of East-West conflict.

Economically, development assistance can provide short and long term gains for both donor and recipient. Donors typically receive back a large proportion of their own foreign aid funds, through measures such as the tying of aid and lines of credit. More importantly, foreign aid can be a cornerstone of a more fruitful two-way economic relationship between donor and recipient. Further, the international community as a whole stands to gain from development assistance. Security of supply of raw materials, reduction of unemployment, elimination of trade barriers: all are highly desired objectives which can be facilitated by the economic stability, social progress, and international understanding engendered by development assistance. As one source puts it: "Whoever wants a bigger slice of an international economic cake cannot seriously want it to become

smaller."6 The forces of economic interdependence, thus, dictate the need for more international cooperation, of which development assistance must be a vital part.

In short, without downplaying the important conflicts and divergent outlooks which still separate North and South, the interests of both lie in greater international cooperation. The case for development assistance, then, is based on a recognition of "enlightened and constructive self-interest", or the ability of national governments to move beyond a narrow and restrictive interpretation of national interests.7

It still remains, however, to outline the components of an effective foreign aid program for Canada. For it is abundantly clear, from this case study and others, that foreign aid is all too often employed for reasons other than promoting development, notwithstanding its potential. How might Canada avoid the pitfalls and contribute creatively to Third World progress through its development assistance program?

To begin, Canada should commit itself internationally to reaching progressively an aid target of, say, 0.7 per cent of GNP. Of course, many such commitments have been made before, and then postponed. At the very least, failure to meet such a commitment would bring international censure. One way to honour such a commitment would be to agree to a built-in "automaticity", whereby Canadian aid funds would be channelled automatically

---

6 Independent Commission on International Development Issues. op. cit., p. 21

7 Commission on International Development (Lester B. Pearson, Chairman), Partners in Development, p. 9

through an appropriate international organization. As the Independent Commission on International Development Issues put it:

At present, the amount of aid depends on the uncertain political will of the countries giving it, and is subject to the shifting priorities of annual appropriations, and the vagaries of legislatures ... Automatic forms would not evade or avoid the political process; but once there is the initial will to set up the international arrangements, annual reiteration will be unnecessary. There is mutual interest in making aid continuous and predictable.<sup>8</sup>

Another measure which should be taken is a corporate and political strengthening of Canada's principal aid agency, the Canadian International Development Agency (CIDA). This would be to ensure that it spends Canada's aid funds more effectively, and that it can more often avoid succumbing to the demands of other federal government departments, while effecting some reciprocal influence over their activities. What is urgently needed is a stronger CIDA capable of operating on a very long term horizon; the international "automaticity" would contribute to this. A strengthening of CIDA would require not so much a "removal from politics" or full autonomy as a forceful re-entry into politics. One possible way to effect this would be to re-designate CIDA as a senior ministry, led by an energetic and capable senior Cabinet minister.

---

<sup>8</sup> Independent Commission on International Development Issues, op. cit., p. 244

Finally, Canada's aid effort would benefit from a thorough clarification and re-ordering of objectives and priorities. The objective of fostering sustainable development in the Third World must be re-affirmed as paramount, and rendered operational in all facets of CIDA activity. Specifically, the prominence of commercial goals in CIDA programs must be lessened.

All of the above recommendations would represent formidable challenges to any federal government. They would require also attempts to build a larger and more vocal domestic constituency for Third World interests. They would likely have to be accompanied by a far greater public awareness of North - South disparities and the functions of development assistance. Above all, however, they would demand decisive and firm political leadership and courage from a government willing and able to adopt a long term position on Canada's relations with the developing world, and also willing to suffer the political costs for doing so.

In sum, the proposals made here may seem utopian, and are certainly idealistic. Realistically, it may be naive to expect such fundamental changes in attitudes and institutions when the immediate incentives to change are not great. Nevertheless, such proposals and the objectives they embody do perform a most vital function: to provide a standard by which to judge Canadian aid practise and a set of goals to work toward.

## I. INTRODUCTION

Foreign aid or development assistance has been described as the "soft option" in the industrialized world's relations with the developing world.<sup>9</sup> Certainly, while large in the aggregate, Official Development Assistance (ODA)<sup>10</sup> from the "North" to the "South" still constitutes but a small fraction of the overall resource needs of Less Developed Countries (LDCs).<sup>11</sup> Further, positive action by industrialized nations on many "non-aid"

---

<sup>9</sup> Roger Young, Canadian Foreign Aid Policies: Objectives, Influences and Consequences, p. 6

<sup>10</sup> ODA has been defined as: "... those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following tests:

- a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and
- b) it is concessional in character and contains a grant element of at least 25 per cent." OECD, Twenty-Five Years of Development Cooperation: A Review, p. 171

<sup>11</sup> To illustrate the marginality of ODA to the resource needs of most developing countries, consider the following ODA/GNP ratios for developing regions in 1982-83: Asia - 0.8 per cent; Sub-Saharan Africa - 4.5 per cent; North Africa and the Middle East - 1.3 per cent; Americas - 0.5 per cent. Another way of making the point is to consider the same ratio for developing countries grouped according to income: Least-Developed Countries - 10.5 per cent; Low-Income Countries (excluding China) - 3.3 per cent; Lower - Middle Income Countries - 1.4 per cent; Upper-Middle Income Countries - 0.5 per cent. What these figures reveal is that with the exception of some extremely aid-dependent countries, such as Bangladesh, Sri Lanka, Somalia, Tanzania, Zaire, Ethiopia, Jordan, and Haiti, most developing countries are generating resources from sources other than ODA. For more details, see: OECD, op. cit., pp. 121-122

issues - such as commodity pricing agreements, debt rescheduling, and trade liberalization - would likely have more overall impact on problems of development than could ever be hoped for from ODA. In short, foreign aid is no longer the most critical issue on the "North - South agenda."

At the same time, however, issues associated with development assistance will remain indefinitely on that agenda. While small in relation to developing country resource needs, total ODA is still of a magnitude (\$35.75 billion in 1984)<sup>12</sup> to warrant government interest on both sides of the development partnership. Further, the potential of ODA to make vital developmental contributions, on both small and large scales, cannot be disputed, thus ensuring it remains a concern for recipient governments and, perhaps, for donor governments. The high-profile nature of many aid projects also helps to ensure that political interest, again on both sides of the partnership, is maintained. Finally, development assistance has had a catalytic and historic role in the evolution of bilateral and multilateral relations between the developed and developing worlds; if for inertia alone, foreign aid should continue to play a highly visible and controversial role in future North-South relations. As Wood notes, in the case of Canada:

For a country like Canada, even if 'aid' is substantially less important than other relationships, it is still the most important instrument explicitly concerned with promoting or supporting development in the

---

12 Ibid., p. 162

Third World. Fundamental shifts in the Canadian approach to the quantity or quality of 'aid' may therefore signal vital trends in Third World - Canada relations generally.<sup>13</sup>

For all of these reasons, foreign aid will remain a subject in need of greater understanding. For another reason, too, continuing study is warranted. In any foreign policy issue area, the question of interests and objectives inevitably surfaces. Foreign aid is no different. Today, few observers believe that foreign aid is transferred solely for humanitarian or philanthropic reasons; indeed, many question the very existence of such motivations. Instead, most agree that foreign aid increasingly fulfills a number of functions, responding to diverse interests in pursuit of diverse objectives. A long list of suspected objectives can be assembled: developmental, humanitarian, political, commercial, ideological, cultural, military. But is this combination of interests and objectives a satisfactory mix? How does development assistance become saddled with the burden of balancing these often conflicting interests and objectives? What are the effects on the supposedly primary developmental objectives? Such questions hint at the complexity and foreign policy significance of foreign aid, and suggest that a study of foreign aid objectives may reveal much about the

---

<sup>13</sup> Bernard Wood, "Canada and Third World Development: Testing Mutual Interests", in Robert Cassen, Richard Jolly, John Sewell and Robert Woods (eds.), Rich Country Interests and Third World Development, p.120



larger picture of North-South relations.

Accordingly, this thesis will examine the interests, pressures and objectives which have influenced the evolution and current practice of Canada's program of development assistance, as administered by the Canadian International Development Agency (CIDA). Specifically, it will address the increasing importance of commercial objectives within the aid program. The attention devoted to pursuing the "aid-trade linkage", or, as CIDA calls it, the "aid-trade interface", is of particular interest here. At its most general, the aid-trade linkage refers to a process whereby aid projects or programs generate (or can be made to generate) trade gains for the donor country. Hence, aid can be conceived as a means for protecting old or opening new commercial markets in the developing world. The presumed benefits accruing to the donor country from aid-trade linkage may be either short term or long term in nature, and may be secured either intentionally, through willful manipulation of aid planning and projects, or as a fortuitous byproduct, for instance as a result of commendable performance on an aid project. The linkage may also be pursued and consummated through a large number of policy instruments or channels.

Needless to say, the increasing prominence of the aid-trade linkage in Canadian aid has become a highly contentious issue, raising questions about the effectiveness of CIDA and its programs, and larger questions about the ability and willingness of the Canadian government to confront problems of Third World

underdevelopment squarely, especially in the face of increasing pressure from domestic interests. Moreover, since other members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) face domestic and international pressures and constraints similar to those of Canada, an examination of Canada's pursuit of the aid-trade linkage should be helpful in reaching an understanding of larger North - South dynamics.

The thesis will be organized as follows. Chapter 2 will provide a brief historical overview of Canadian foreign aid. Here, the focus will be on the ad hoc evolution, the multiplicity of objectives, and the philosophical flux which have characterized Canadian aid, and CIDA, over the years. Chapter 3 will examine a number of policies and programs which have been prompted primarily or in part (but not necessarily exclusively) by economic self-interest. This chapter, in short, seeks to establish the salience of a "commercial imperative" in Canadian foreign aid. Chapter 4 represents an attempt to evaluate the merits and the faults, in both technical and moral terms, of coupling aid with commerce. Does the aid-trade connection actually work, and is it in Canada's short term and long term interest to pursue it? Chapter 5 turns to an explanation for the "commercialization" of Canadian aid. Why has the aid-trade linkage become so entrenched in aid practice? To this question no simple, single explanation can be adduced; instead, the explanation offered will be based upon an appreciation of the

types of pressures to which weak state agencies are subjected, the role of decision-making structures in the state itself which reinforce those pressures and that weakness, and the detrimental impact of the absence of clear and consistent philosophical beliefs and developmental models at CIDA. In addition, a study of the aid-trade issue suggests larger questions about Canada's relations with the developing world, and indeed about the even larger issues associated with North-South relations in the international system. The final chapter will summarize the main arguments presented, provide a few concluding thoughts, and, if for the sake of argument alone, present a number of policy prescriptions aimed at improving the developmental impact of Canadian tax dollars.

## II. A SELECTIVE HISTORY OF CANADIAN DEVELOPMENT ASSISTANCE

With the Colombo Plan of the 1950s as the origin of involvement, Canada has been active in international development assistance for over 35 years. In that time, a great many people, policies, policy reviews and programs have influenced Canadian foreign aid. To do justice to their respective influences would require a text well beyond the purview of this thesis, a task in any case performed elsewhere.<sup>14</sup> Hence, this chapter will provide a brief and selective review of some of the more significant events in the history of Canadian aid.

Canadian development assistance to the developing world actually began before the Colombo Plan. In 1949, Canada began a program of modest assistance to the United Nations' technical assistance program, targeted at newly independent countries.<sup>15</sup> During the 1940s, however, Canadian aid flowed exclusively through the U.N., and Canada never created a central office or agency to receive and process aid requests.<sup>16</sup>

---

<sup>14</sup> The paucity of literature dealing with the origins and evolution of Canada's programs of Official Development Assistance continues to be a problem. To date, the best sources are: Keith Spicer, A Samaritan State? External Aid in Canada's Foreign Policy; Thomas C. Bruneau, Jan J. Jorgensen, J.O. Ramsay, CIDA: The Organization of Canadian Overseas Assistance; Jeffrey Steeves, The Canadian International Development Agency: The Policy Process and the Third World, 1968-1979; and Peter Wyse, Canadian Foreign Aid in the 1970s: An Organizational Audit

<sup>15</sup> Robert Carty, Virginia Smith and LAWG, Perpetuating Poverty: The Political Economy of Canadian Foreign Aid, p.28

<sup>16</sup> Spicer, op. cit., p. 93

Canada's entry into the foreign aid field is more commonly linked to the January, 1950 Colombo Conference in Ceylon. At the Conference, the "Colombo Plan for Economic Development in South and South East Asia" was initiated by Canada, Great Britain, Australia, New Zealand, India, Pakistan and Ceylon. Originally conceived as a short term response to political upheaval and economic troubles in Asia, it subsequently became the principal framework for Canadian aid to Asia. As a forerunner of aid programs today, however, the Plan seems in retrospect quite ad hoc and unsophisticated. As Harrison notes:

It really amounted to a co-operative and co-ordinated study of a number of economic situations, too varying as to stages and patterns of growth, and too immense in the aggregate, to be considered amenable to any centrally planned and directed scheme of development.<sup>17</sup>

What were Canada's interests in the Colombo Plan? First and foremost was the belief that aid to the newly independent Asian countries could forestall what seemed to be an onslaught of communism in the region. As the Minister for External Affairs, Lester B. Pearson, explained in Parliament:

...the forces of totalitarian expansionism could not be stopped in south Asia and south east Asia by military force alone...If south east Asia and south Asia are not to be conquered by communism, we of the free democratic world, including the Asian states themselves which are free, must demonstrate that it is we and not the Russians who stand for national liberation and economic and

---

<sup>17</sup> W.E.C. Harrison, Canada in World Affairs 1949 to 1950, p. 231

social progress.<sup>18</sup>

Also important, to Canada at least, was the belief that the assistance provided through the Colombo Plan would strengthen the value of the Commonwealth in the eyes of the recipient countries.<sup>19</sup> While Pearson also articulated Canada's broad economic interests in expanded trade with Asia and economic stability in the region, Canada's participation in the Colombo Plan primarily reflected political interests, "...with virtually no policy aim beyond a lively anti-Communist instinct and an exhilarating vision of a free, multi-racial Commonwealth."<sup>20</sup>

The Canadian commitment to the Commonwealth was evident again in the 1958 initiation of a full program of assistance for the Commonwealth Caribbean, and the extension of piecemeal aid to Commonwealth Africa in 1959. After 1960, the African recipients were funded under a full program, the Special Commonwealth Africa Assistance Program (SCAAP). Despite the Commonwealth link in both the Caribbean and the African programs, however, Ottawa still had not begun to view such assistance as part of a larger commitment to the Third World. Rather, much like their

---

18 Lester B. Pearson, in the House of Commons, February 22, 1950. For a lengthy exposition of Pearson's views on the Colombo Conference, see: Official Report of Debates;; House of Commons, Second Session - Twenty-First Parliament, Vol. 1, 1950

19 Barrie M. Morrison, "Canada and South Asia", in Peyton V. Lyon and Tareq Y. Ismael (eds.), Canada and the Third World, p. 15

20 Spicer, op. cit., p. 3

predecessor, the Colombo Plan, these new programs were seen as "reactions to special circumstances, and were handled through ad hoc, patchwork administrative structures."<sup>21</sup>

Indeed, the inability or unwillingness of the federal government in the 1950s to develop a long run view of aid and its administration was the "central and decisive fault in Canada's early programme."<sup>22</sup> Spicer argues that there were no official attempts to systematically assess underdevelopment as a new challenge, no such attempt to fix attainable goals for Canadian aid or to study its possible integration with other instruments of foreign policy, and no official recognition that foreign aid might become the primary instrument of Canadian foreign policy in the developing world. Instead, Canadian policy-makers were attracted by immediate and visible results from politically "photogenic" capital projects.<sup>23</sup>

Exacerbating this philosophical void was the continuing practice of dividing political responsibility for aid between three ministries: External Affairs, the political sponsor; Trade and Commerce, which handled day-to-day administration; and Finance, which controlled the aid budget.<sup>24</sup> Although close personal relationships between the various personnel from the

---

21 Carty, Smith and LAWG. op. cit. p. 28

22 Spicer, op. cit., p. 103

23 Ibid., p. 103

24 Robert Carty, "Giving for Gain - Foreign Aid and CIDA", in Richard Swift and Robert Clarke (eds.), Ties that Bind: Canada and the Third World, p. 153

three departments made the harmonization of departmental interests easier, conflicts nevertheless emerged. As Spicer recounts:

...intrinsic differences in outlook and aspirations still divided these ministries, and led each to retard or complicate the work of the two others. External Affairs...rightly wielded a supreme veto inspired by diplomatic motives...Trade and Commerce naturally belittled both political and budgetary factors in favour of technical - and commercial - expedience. And Finance, for its part, invariably brought to bear on its colleagues' proposals a questioning restraint, untempered by field experience in the unkind political and technical realities of aid execution.<sup>25</sup>

Constant reorganization of policy-making bodies and interdepartmental committees, and great personnel instability, signalled a growing malaise in the Canadian aid bureaucracy. By 1960, the aid administration was "divided, confused and deeply demoralized."<sup>26</sup>

In 1960, the federal government acted to rectify the damage wrought by a decade of maladministration by creating the External Aid Office (EAO), accountable to the Minister of External Affairs. The creation of EAO signified a recognition by the government of the "growing significance and complexity of programmes of economic and technical assistance."<sup>27</sup> It also signified, according to Spicer, that "...the Cabinet recognized

---

25 Spicer, op. cit., pp. 105-106

26 Ibid., p. 106

27 Report of the Department of External Affairs, 1960, p.



aid as a momentous activity of long-range Canadian diplomacy."<sup>28</sup> Trade and Commerce still maintained influence, however, through the External Aid Board, an interdepartmental committee established to coordinate aid policy.<sup>29</sup>

In contrast to the 1950s, the 1960s was a period of relative calm and administrative stability at EAO. A modest program of bilateral assistance to Francophone Africa was initiated in 1961, expanding (albeit slowly) throughout the decade. Many observers have argued that this increasing attention to Francophone Africa derived primarily from domestic political objectives: to promote the reality of Canadian bilingualism, and to thwart Quebec's aspirations for a larger role in Francophone Africa.<sup>30</sup> Canada also began extending assistance to Latin America in 1964, through the Inter-American Development Bank, of \$50 million over five years. Spicer contends that a major factor behind this aid was the unrelenting U.S. pressure on Canada in the early 1960s to join the Organization of American States (OAS). The multilateral aid, then, was Canada's compromise offer, a "concrete gesture of hemispheric solidarity."<sup>31</sup>

---

28 Spicer, op. cit., p. 107

29 Carty, Smith and LAWG, op. cit., p. 30

30 For example, see Louis Sabourin, "Canada and Francophone Africa", in Lyon and Ismael, op. cit.; and Gregory Armstrong, "Aid Policies as a Reflection of Canadian Domestic Concerns", in International Perspectives, January-February 1975

31 Keith Spicer, "Clubmanship Upstaged: Canada's Twenty Years in the Colombo Plan", in International Journal, Winter 1969-70, p. 27

Other influences were at work during the decade. The U.N.'s 1960 announcement of the "First Development Decade", and its related call for aid to reach 1 per cent of each donor's Gross National Product (GNP), were reflected in EAO's expanding budget.<sup>32</sup> Canadian ODA rose from .19 per cent of GNP in 1960, to .33 per cent in 1966, to .42 per cent in 1970.<sup>33</sup> Alternatively, the extension of Canadian aid to an increasing number of countries reflected the continuing influence of External Affairs over the aid program.<sup>34</sup>

The creation of CIDA out of the EAO in 1968 is a landmark event in Canadian development assistance history. The decision reflected a growing belief that Canada's role in international development had to be broadened beyond aid. As the CIDA Annual Review for 1967-1968 put it:

... direct aid is only one of a complex of factors by which Canada can influence the development of the less-developed countries. Aid must therefore increasingly be complemented and supplemented by other measures in the field of trade, finance, tax and science and technology.

The reorganization and reorientation of the External Aid Office is designed to take all this into account...<sup>35</sup>

Given the interest of new Prime Minister Pierre Trudeau in Third

32 Carty, in Swift and Clarke, op. cit., p. 155

33 Francis X. Colaco, Economic and Political Considerations and the Flow of Official Resources to Developing Countries, p. 15

34 Carty, in Swift and Clarke, op. cit., p. 156

35 Canadian International Development Agency (CIDA), Annual Review 1967-1968, p. 2

World issues, and the energy and enthusiasm of CIDA's first President, Maurice Strong, it was widely anticipated that CIDA would command a larger budget and a larger voice in government than had EAO. The former has held true; the latter, for the most part, has not.

One of the first comprehensive statements of the Trudeau government's policy on development assistance appeared in the 1970 foreign policy review, Foreign Policy for Canadians. In the booklet entitled "International Development", the government asserted that the primary objective of the Canadian aid program was to:

...support and foster the growth and evolution of the social, educational, industrial, commercial and administrative systems of the developing countries in such a way that their people can improve their own organization and capacity to produce, distribute and consume goods and services, and thereby improve the quality of life in their countries.<sup>36</sup>

Despite this extremely broad and vague interpretation of "economic and social development", the booklet suggested a series of concrete goals for Canadian aid: to increase ODA as a percentage of GNP; to "untie" aid as much as possible (i.e., to remove restrictions requiring CIDA funds to be spent on Canadian goods and services); to increase multilateral aid (i.e., aid channelled through multilateral development and financial institutions, such as the World Bank or U.N. agencies); to

---

<sup>36</sup> Canada, "International Development", in Foreign Policy for Canadians, p. 12

attempt greater aid coordination with other donors; and to concentrate funds on a select number of LDCs.

Such goals seemed to herald a new and long overdue clarity of objectives for Canadian development assistance. This clarity, however, was obscured by the presence in the document of a long list of motives supposedly prompting Canada's involvement in development assistance: to reaffirm the importance of the individual; to fulfill Canada's obligation for membership in the world community; to generate sympathy for Canadian interests or support for Canadian policies; to contribute to the evolution of an increasingly interdependent international system; to facilitate Canada's external relations, particularly with developing countries; to help in the short run and long run promotion of Canadian exports; to contribute to a general expansion of world trade in which Canada would obtain growing markets; and to provide an "outward-looking expression of the bilingual character of Canada", thus contributing to "our sense of internal unity and purpose."<sup>37</sup> The promise of a new era for Canadian aid was strong, but the continuing intrusion of ideological, political, cultural and economic objectives belied the sincerity and viability of this promise.

The early 1970s was a period of rapid expansion in Canadian ODA. Total ODA grew from \$346 million in 1970-71, to \$507 million in 1972-73, to \$742 million in 1974-75 (or .4%, .48%, and

---

37 Ibid., p. 10

.52% of GNP, respectively).<sup>38</sup> This expansion may have stemmed from domestic sources such as the general expansion of federal expenditures during this period, and the Liberal government's apparent enthusiasm for development assistance. It may also have been due in part to external stimulæ: first, the pressures exerted by the OECD's DAC for its members (Canada included) to increase aid spending to .7 per cent of GNP; and, second, the influence of the 1969 Report of the Commission on International Development, entitled Partners in Development, and the lobbying by the Commission's Chairman, ex-Prime Minister Lester B. Pearson, on the Liberal government.<sup>39</sup> Whether the positive Canadian response to such external pressures indicated a greater responsiveness to LDC needs or a continuing search for legitimacy amongst fellow DAC members is still an open question; in all probability, both considerations influenced the government's efforts.

The next milestone for CIDA was the publication in 1975 of its Strategy for International Development Cooperation 1975-1980. The Strategy marked the first (and still the only) Canadian attempt to analyze comprehensively the nature of the development challenge, to review and assess CIDA policies, and to forward proposals for policy changes. To its credit, CIDA argued for a "comprehensive and organic" approach to development cooperation,

---

<sup>38</sup> CIDA, Strategy for International Development Cooperation 1975-1980, p. 41

<sup>39</sup> Bruneau et al., op. cit., pp. 12-13

and proposed a host of policies and policy changes which were based on sound development principles.<sup>40</sup> CIDA was promising a more forthright and comprehensive aid program. The question was: could it deliver on this promise?

For a number of reasons, CIDA did not and has not delivered on its promise. To begin with, despite its undeniable merits, the Strategy continued to evince the long-standing Canadian concern for political and economic "trickle back" benefits. It argued for cooperation with the Export Development Corporation (EDC), indirect export promotion through the aid-trade interface, and a continuing commitment to food aid, which many observers regard as being based more on "surplus disposal" for Canadian farmers than on Third World food needs.<sup>41</sup> The document also noted that Canadian ODA should be "compatible with the broad goals of the Government's foreign policy"<sup>42</sup> and with "general

---

40 Among its more important policy proposals were: to increase tripartite and multipartite cooperation; to continue support for international institutions; to increase aid to .7 per cent of GNP; to give priority to the poorest countries; to increase the geographic concentration of aid; to liberalize aid tying regulations; to focus on regional cooperation; and to support centres of research and innovation. See the 21 Points in the Strategy, pp. 18-39

41 For more detailed expositions of this argument see: Theodore Cohn, "Canadian Aid and Trade in Skim Milk Powder: Some Recent Issues", in Canadian Public Policy, Spring 1978; Cohn, Canadian Food Aid: Domestic and Foreign Policy Implications; and Suteera Thomson, Food for the Poor: The Role of CIDA in Agricultural, Fisheries and Rural Development. This issue will also be addressed more explicitly in Chapter 3.

42 CIDA, Strategy, p. 23

Canadian interests."<sup>43</sup> Once again, the presence of numerous economic and political objectives, however vague, suggested that CIDA had not freed itself from the burden of accommodating non-developmental concerns. Such a burden has clearly reduced CIDA's ability to deliver a "comprehensive and organic" development cooperation effort.

Just as important in this regard, however, was CIDA's inability to influence the policies of other federal departments and agencies whose activities involved relations with the developing world. While CIDA was forced to accommodate the varying interests and objectives of other federal government organs, it was not able to effect a reciprocal influence. As the North-South Institute points out, Canada's trade, monetary and other policies in the late 1970s were set with little, if any, regard for their effects on developing countries.<sup>44</sup>

...despite the importance of relating aid and non-aid policy instruments, and the bureaucratic mechanisms put in place to effect that result, the impression is one of frustration on CIDA's part. An integrated development policy failed to materialize.<sup>45</sup>

Finally, substantive progress towards a "comprehensive and organic" development cooperation stance was hindered by the climate of fiscal restraint which settled on Ottawa in the late

---

43 Ibid., p. 27

44 North-South Institute, In the Canadian Interest? Third World Development in the 1980s, p. 7

45 Standing Committee on External Affairs and International Trade, Discussion Paper on Issues in Canada's Official Development Assistance Policies and Programs, p. 7

1970s. Although ODA as a percentage of GNP fluctuated up and down (.54 in 1975, .46 in 1976, .50 in 1977, .52 in 1978, .46 in 1979, .42 in 1980),<sup>46</sup> the overall trend in the late 1970s was slightly downward, and certainly nowhere near the .7 per cent promised in the Strategy. In real terms, too, ODA spending suffered during this period: from \$1.06 billion (U.S) in 1978, it declined to \$1.026 billion in 1979, a decline due mainly to the reduction in budgetary aid appropriations since the 1975-76 fiscal year, and to the decision in 1978 to hold down all public expenditures.<sup>47</sup>

A flurry of media criticism of CIDA in this period also served to point out some of the agency's flaws, and perhaps provided the rationale for slowdowns or cut-backs in CIDA appropriations.

As well, problems in disbursing all of its funds led to an accumulation of monies at CIDA. This "carry-over" option was withdrawn in 1977-78, however, with a new condition that all allocated funds had to be spent in the year or else they "lapsed" (became unavailable).<sup>48</sup> Strong's successor as President of CIDA, Paul Gerin-Lajoie, widely considered a strong spokesman for Third World interests in Ottawa, was also considered "woolly-minded and

---

<sup>46</sup> OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1981 Review, p. 174

<sup>47</sup> OECD, 1980 Review, p. 109

<sup>48</sup> Task Force on Canada's Official Development Assistance Program, Study of the Policy and Organization of Canada's Official Development Aid, p. 57



careless about finances" and "ill-suited to a regime of penny-pinching"<sup>49</sup>; as a result, perhaps, he was replaced in 1977 by Michel Dupuy, a career bureaucrat, who had a clear mandate to establish sound financial management and control.<sup>50</sup> And a strongly critical Auditor General's Report on CIDA's administrative practices in 1979 led to significant managerial and financial stringencies.<sup>51</sup> In short, while CIDA managed to survive the restraint era with its aid program still strong in many respects, especially relative to the programs of some other DAC donors, it was not immune to the pressures of fiscal restraint.

The climate of the late 1970s and early 1980s can best be characterized as being dominated by the twin pressures of domestic recession and fiscal restraint. Respectively, they have resulted in a greater attention to securing domestic returns from the aid program, and slowdowns (and actual decreases) in aid spending. While the current Conservative government remains committed, rhetorically at least, to reaching, progressively, aid targets of .5, .6 and .7 per cent of GNP, these targets are continually pushed further into the future. The current aim, announced in the February, 1986 budget, is to remain at .5 per cent until 1990/1991, to reach .6 per cent by 1995, and to reach .7 per cent by 2000.

---

49 Carty, Smith and LAWG, op. cit., p. 34

50 Steeves, op. cit., p. 14

51 Task Force, op. cit., p. 61

Canadian ODA in 1984-85 was over \$2.1 billion, or .49 per cent of GNP (a .04 per cent of GNP increase over 1983-84); CIDA expends about \$1.7 billion of this amount. Current sectoral emphases are agriculture (including fisheries and forestry), energy, and human resource development.<sup>52</sup> A long list of criteria is used in establishing eligibility for Canadian assistance: level of need, commitment to development, absorptive capacity, human rights record, Canadian foreign policy objectives, commercial possibilities, and special crisis situations.<sup>53</sup> Clearly, the interplay of interests and objectives so long endemic to CIDA continues to this day.

What lies ahead in the short term for Canadian ODA? Certainly, in spite of all the countervailing pressures for restraint and domestic returns, Canada will continue to fund an aid program that is relatively large and relatively generous by most DAC standards. However, given the Mulroney government's resolve to cut the federal budget deficit, it is quite likely that even the revised date for reaching the .7 per cent target, 2000, will itself be revised. Similarly, the government's desire to increase the international competitiveness of Canadian business might result in even greater attention to securing domestic economic gains from the aid program. If the past 35 years of Canadian involvement in development assistance are any

---

52 CIDA, Annual Report, 1984-85, p. 9

53 CIDA, Elements of Canada's Official Development Assistance Strategy, p. 38

guide, it is also likely that sectoral emphases will shift, new models of development will emerge, and CIDA will remain the vehicle for the promotion of a great many developmental, commercial and political objectives. One thing will remain constant: the federal government's strong rhetorical commitment to Third World development.

What lessons can be learned from this brief historical overview of Canadian foreign aid? First, Canadian development assistance began and evolved in an ad hoc manner. Second, the influence of other federal departments over aid policy has always been a major factor in Canadian ODA. Third, the developmental objectives of Canadian aid have never achieved the primacy attributed to them in rhetoric; instead, they have always co-existed and competed with other objectives, facing pressures from many corners, and yet somehow still managing to retain some influence over aid policy. Finally, this brief history underlines the complexity of the aid "business", and also the difficulty in differentiating real objectives from after-the-fact rationales. Care must be taken in approaching such a task.

Before proceeding to examine more explicitly the "commercial imperative" in Canadian foreign aid, it is necessary to discuss briefly the significance of the multiplicity of interests and objectives which have for so long characterized Canadian aid. For is it not possible that a number of objectives could co-exist harmoniously? That is, the mere existence of multiple objectives by itself does not necessarily create conflicts or contradictions

in policy. However, multiple objectives create the possibility or likelihood of conflict, and thus the need for compromises and trade-offs in aid policy. It is for this reason that an aid program saddled with the differing objectives of diverse interests is so worrisome.

For instance, an aid regime premised entirely on humanitarian grounds would have a strong relief or emergency orientation, presumably would focus on the poorest people, in the poorest countries, would provide funds untied to procurement in the donor country, and would likely emphasize "basic needs" and "self-reliance" orientations.<sup>54</sup> Developmental considerations, similarly, might include the untying of aid, and might also include a strong basic needs/self-reliance component, but would not be restricted to this orientation. In contrast to relief and emergency assistance, such aid would seek to generate self-sustaining economic and social development in recipient countries, according to their own development priorities. Commercial concerns, however, could lead to aid funds being disbursed to countries offering trade or investment gains (in all likelihood the middle and upper-income LDCs), would probably

---

54 "Basic needs" refers to food, shelter, clothing, health and education. Assistance under a "basic needs" regime might aim at agricultural and rural development; training and human resource development; energy, health and social development.

CIDA has said this of "self-reliance": "...it does not necessarily mean "self-sufficiency", or the rejection of external contributions but, first and foremost, a reliance on one's own human, natural and financial resources, and an ability to adjust and control external assistance in accordance with one's own priorities and needs." See CIDA, Rural Development and Renewable Resources: Sectoral Guidelines, A-15

argue for the tying of aid, and might emphasize large-scale capital projects because of their trade potential. Politically-oriented foreign aid, alternatively, would likely be disbursed to as many countries and international institutions as possible. It might also reveal in highly visible (but perhaps economically dubious) aid projects and programs, catering to the interests of LDC elites rather than needy groups. Political objectives would also likely demand a continually expanding aid budget, even if the aid agency responsible for disbursing the funds could not do so easily. The potential for conflicts between these varying objectives is manifest.

In examining CIDA and Canadian foreign aid, it is clear that such conflicts have developed over the years. At times the political interests carried the day (as in the early Commonwealth and Francophone programs); in other cases, commercial objectives gained and retained paramountcy (as in the persistent refusal to untie more Canadian aid). While often the most easily discarded or violated in a political and bureaucratic environment characterized by both conflict and enforced compromise,<sup>55</sup> the supposedly primary developmental orientation has not been destroyed, reflected for instance in the high concessionality<sup>56</sup>

---

55 Roger Young, "Canadian Foreign Aid: Facing a Crisis of its Own?", in Journal of Canadian Studies, Winter 1984-85, p. 33

56 Concessionality is a measure of the "softness" of a loan, measured by the grant element of a loan. It is calculated on the basis of interest rate, grace period (interval to first repayment) and maturity (interval to final repayment). Specifically, the grant element is the difference between the face value of the loan and the discounted (at 10 per cent)

of Canadian aid and in the Canadian support for many international development institutions. It is very unlikely that this latter orientation will disappear entirely. Unfortunately, though, the co-existence of these varying objectives can only further amplify the confusion and inconsistencies in the aid program. And, as Carty explains:

The end result is a batch with the confusing flavour of too many rationalizations, served up to far too many recipient countries, using a full, if not contradictory, spectrum of aid utensils. It is a concoction calculated to suit every audience or season and satisfy none.<sup>57</sup>

---

present value of the service payments to be made by the borrower during the lifetime of the loan, expressed as a percentage of the face value. CIDA, Annual Report, 1984-85, p. 96

57 Carty, in Swift and Clarke, op. cit., p. 170

### III. A SURVEY OF COMMERCIALLY-ORIENTED POLICIES

#### 3.1 Introduction

The previous chapter outlined the broad historical development of the Canadian aid program, and in particular stressed its ad hoc origins, its precarious political and administrative status, and its susceptibility to numerous domestic and international pressures. This chapter will be concerned with examining in some detail the various policies and programs which have been prompted primarily by economic self-interest. It will aim, then, at establishing the increasing salience of the "commercial imperative" in Canadian foreign aid, with particular reference to the rising political popularity of the aid-trade linkage.

Before proceeding to examine these various policies and programs, it is necessary first to define and discuss the aid-trade linkage, as it is clearly central to an understanding of commercially-oriented aid. Since CIDA never explicitly defines or discusses the linkage in its official publications, however, it is somewhat difficult to know exactly what is meant by the term, and precisely what its objectives are deemed to be. A clearer picture of the aid-trade linkage, then, will have to be built upon fragments of information and insights from a variety of sources.

A useful way to begin to understand the aid-trade linkage is to think of it in terms of three levels. The first level is the most general, and describes increased trade as a fortunate,

inadvertent and long term benefit stemming from aid, but not as a necessary or consciously planned result. CIDA itself provides a summary of this perspective:

From the economic viewpoint, Canada believes in the expansion of international trade and in supporting those developing countries that help themselves...we are living in an increasingly interdependent world...the stabilization of international economic mechanisms is crucial to our economy. Canadian efforts to promote independent growth in developing countries will be rewarded by new outlets for Canadian raw materials and finished products and by new sources of supply for imported goods and commodities.<sup>58</sup>

This first level, then, describes Canada's general interest in expanded world trade and in Third World development, but does not require the explicit integration of commercial concerns with aid policy.

The second level describes a more conscious policy of integrating aid with commerce, and may be termed "commercially relevant aid". Here, commercial considerations may enter the aid policy-making arena, but, according to official statements, not to the detriment of the recipient countries. A discussion paper by External Affairs aptly summarizes this position:

Providing aid merely to advance the fortunes of particular Canadian exporters would be to misconstrue the purpose of aid. It would be equally unfortunate to give out aid in a form that denies the prospect of creating future markets for Canadian goods and services. This means that Canada should not foist aid on developing countries in the form of goods and services that are Canadian but not



competitive on commercial markets (which would be an abuse of tied aid), but rather use aid as a pump primer for competitive Canadian goods and services.<sup>59</sup>

The above passage draws attention to several important features of the conventional view of the aid-trade linkage: the provision of competitive goods, the desire to secure future export markets, and the reciprocity of benefits. For this level, then, commercial concerns may enter policy decisions, especially in terms of the selection of projects, programs and recipient countries to be financed. In short, aid is used in ways that concurrently satisfy commercial objectives.

Finally, the third level describes a situation where aid is primarily or exclusively oriented towards commercial objectives. Naturally enough, neither CIDA nor any other federal department officially recognizes or discusses this level, as it represents a clear violation of the principles behind ODA. Nevertheless, a number of instances will be cited in this chapter in which the aid-trade linkage was pursued at this level.

The primary interest of this thesis is with the latter two levels of aid-trade linkage, in which commercial objectives are most explicit. The first level is too general to warrant its discussion as "commercial aid" or as part of a strategy of linking aid and trade. Nevertheless, in aid practise and in official rhetoric, it is often difficult to differentiate between

---

<sup>59</sup> Department of External Affairs, Canadian Trade Policy for the 1980s: A Discussion Paper, pp. 34-35

these levels or to draw clear lines between them. Indeed, many policies and policy instruments seem to operate on more than one level. The complexity of the aid-trade linkage thus should not be obscured by this simple three-level model.

What domestic benefits are expected to accrue from the active pursuit of the linkage? Clearly, export growth is one goal. Preserving existing export markets may be another objective. Concern for a deteriorating balance of payments may be yet another motivation for fostering exports through the aid program. The aid-trade link may also be conceptualized as a means to diversify the direction of Canadian trade, or the content of exports.<sup>60</sup> Similarly, the goals of national economic growth, job creation, industrial development, and technological advancement may have an influence over aid policy on this question. Unfortunately, as with so many other government policy orientations, it is very difficult to distinguish between primary and subordinate benefits.

On the other hand, it is fairly easy to identify policies, policy instruments, or "models" with which the aid-trade linkage is pursued. In this chapter, the thesis identifies food aid, the disbursement of aid to rapidly growing LDCs, lines of credit, the Industrial Cooperation Program (INC) and aid tying as current efforts to facilitate the aid-trade connection. Others may also

---

60 Michael C. Webb and Mark W. Zacher, "Canadian Export Trade in a Changing International Environment", in Denis Stairs and Gilbert R. Winham (eds.), Canada and the International Political/Economic Environment, p. 86

fulfill this function, but perhaps less explicitly. The provision of technical assistance may acquaint developing countries with Canadian goods and technologies; the use of Non-Governmental Organizations (NGOs) in CIDA programs may perform the same function. Even financing the education of foreign students in Canada may, very indirectly, be conceived in terms of the aid-trade linkage. Essentially, almost all of Canada's ODA instruments, including the International Development Research Centre (IDRC) and the Petro-Canada International Assistance Corporation (PCIAC), have the potential to promote Canadian goods and services. In short, the aid-trade linkage could be in theory (and sometimes is, in practice) pursued through an enormous number of policy instruments and channels. And, as mentioned, each instrument may be pursued at varying levels of aid-trade linkage. For the most part, though, a limited number of policy instruments are employed explicitly to this end. It is to an analysis of these instruments that the thesis now turns.

### 3.2 Food Aid

Canada has long been an extensive supplier of food aid. In 1984-85, the food aid program was composed of \$385.9 million in commodities, related transport costs, and cash contributions. This makes Canadians the world's largest per capita donors of food aid. Such aid is extended bilaterally, through multilateral institutions (the largest being the World Food Program), and

through NGOs.<sup>61</sup> The principal commodities in the program are wheat, flour, vegetable oils, pulses, milk powder and fish.

According to CIDA, food aid is disbursed primarily for humanitarian and developmental reasons. Its various functions are: to increase the quantities of food available in food deficit countries; to accelerate the pace of development by freeing foreign exchange and generating domestic resources for development; to provide supplementary food for nutritionally vulnerable groups; and to offer basic subsistence during emergency relief and rehabilitation situations.<sup>62</sup>

CIDA is quick to note, however, that as the second largest single component of direct assistance (after direct, government-to-government aid), food aid contributes greatly to the Canadian agricultural, fishery, and dairy sectors. Between 80 and 85 per cent of the food aid budget is spent on Canadian procurement, with the remainder covering transportation costs and cash contributions to the World Food Program.<sup>63</sup>

While acknowledging the obvious need for food aid in emergency situations, some observers have questioned whether CIDA's interest in food aid is not determined by the political popularity of these "trickle back" benefits, rather than by any alleged humanitarian impulses. Cohn has argued that CIDA's food

---

61 CIDA, Annual Report, 1984-85, p. 35

62 CIDA, Elements of Canada's Official Development Assistance Strategy, p. 28

63 Ibid., p. 28

aid program is ultimately based on the goal of "surplus disposal". The food aid effort began in the 1950s with the goal of disposing of Canada's agricultural surpluses, especially wheat. This goal still survives today, he argues, as "supply management takes precedence over food requirements of hungry LDCs."<sup>64</sup> Further, he asserts, food aid can become an effective model for aid-trade linkage by altering or creating consumer preferences in the recipient country, thus fulfilling a "market penetration" function.<sup>65</sup> The functions of surplus disposal and possible market penetration also ensure political support for the food aid program from the Canadian agricultural, fishery and dairy sectors, and their political representatives in the Department of Agriculture, the Wheat Board, the Ministry of Fisheries, and the Canadian Dairy Commission. Thomson reveals a statistical trend which appears to support Cohn's basic premise. Despite its high priority commitment to agricultural development, Canada gave only \$506.7 million for agricultural and fisheries development over the period 1967-68 to 1977-78, while giving \$1.549 billion in food aid over the same period. And multilateral food aid contributions were only one quarter of

---

<sup>64</sup> Cohn, Canadian Food Aid: Domestic and Foreign Policy Implications, p. 27

<sup>65</sup> Cohn cites the example of Canadian skim milk powder aid to Japan in the early post-war period. When the Japanese economy began to improve, Japan began importing Canadian skim milk powder commercially. Presumably, consumer preferences had been influenced by the Canadian aid. See Cohn, in Canadian Public Policy, op. cit., p. 219

bilateral food aid contributions over this period;<sup>66</sup> the ability of the bilateral channel and the inability of the multilateral channel to promote Canadian commercial food exports may have been a major factor behind this trend.<sup>67</sup> For these reasons, then, it is tempting to agree with Cohn's explanation of Canadian food aid:

Declining prospects for commercial export can contribute to the development of surpluses in Canada; domestic and external pressures may then lead to inclusion of these surpluses in Canada's food aid program.<sup>68</sup>

### 3.3 Extension Of Aid To Middle-Income LDCs

By 1984-85 Canadian development assistance was extended bilaterally to over 90 developing countries. (Many aid observers argue that this figure is too high, and that to achieve maximum aid effectiveness Canada should concentrate its aid funds on a much smaller group of countries.) Included in this list are countries falling into a number of United Nations categories: "least developed countries" (LLDCs), "lower-income countries", and "middle-income countries."<sup>69</sup> While the extension of aid to

---

<sup>66</sup> Thomson, op. cit., p. 219

<sup>67</sup> Carty, Smith and LAWG, op. cit., p. 127

<sup>68</sup> Cohn, Canadian Food Aid: Domestic and Foreign Policy Implications, p. 45

<sup>69</sup> A great many schemes are used to classify or categorize developing countries. One commonly accepted scheme is as follows: 1) LLDCs are defined as those with a low income, a low

so many countries clearly reflects the diplomatic objectives of External Affairs (i.e., the objective of maintaining an aid "presence" in many countries, thereby contributing to Canada's bilateral political relationships and general international prestige), it also may reflect a desire to enhance commercial prospects in some of the faster growing markets of the Third World.

CIDA justifies its aid to middle-income LDCs on the grounds that they are still developing nations, and thus still need Canadian assistance, but that such assistance may take new and more commercial forms:

...so called "middle-income countries"...are still "developing countries" and have considerable needs which must be met from external sources in order to ensure their continuing development and the internal transformation of their respective societies. These needs relate to the concerns of a country at the economic take-off point: transfers of technology and scientific know-how; provision of selective managerial and technical capability; transfers of capital on more or less commercial terms.<sup>70</sup>

The desire to establish "true" economic relationships (based on reciprocal trade and investment, as opposed to the traditional

---

literacy rate (20 per cent or less), and a low share of manufacturing in total output (10 per cent or less of GNP); currently there are 36 LLDCs. 2) Lower-income countries had a per capita annual income of less than \$600 (U.S.) in 1980. 3) Middle-income countries had a per capita annual income of more than \$600 in 1980. See OECD, World Economic Interdependence and the Evolving North-South Relationship, p. 67

70 CIDA, Industrial Cooperation with Developing Countries: Report on an International Consultation on Industrial Cooperation, p. 19

donor-recipient development assistance relationship) is also seen as an objective in this regard for CIDA. Thus, CIDA justifies its aid to such countries largely on a developmental basis: that of changing developmental needs in growing LDCs. But it also explicitly acknowledges the commercial potential of these countries, using terms such as "mutual interests" and "reciprocal benefits" as catchwords for this philosophy of "enlightened self-interest". The comments of one high-ranking CIDA official concisely capture the spirit of this philosophy:

The middle income countries, and indeed some of the lower-income countries, are also vital prospects for long-term commercial relationships with Canada. Consequently, concessional aid in these cases can be justified on commercial as well as developmental grounds. Through the aid program, we intend to seize the opportunities for complementarity of developmental and commercial goals and to elevate the traditional aid relationships to a more sophisticated form of cooperation which are (sic) desired by our partners as well as ourselves.<sup>71</sup>

Admittedly, the wealthier LDCs are more likely to benefit from the integration of aid and commerce than are the LLDCs. Nevertheless, without denying the possibility of a compatibility between developmental and commercial goals, it is just as likely that they will conflict. With Canadian assistance concentrated on low-income LDCs (Canada currently pledges to commit .15 per cent of GNP to LLDCs and 80 per cent of bilateral funds to low

---

<sup>71</sup> Glen Shortliffe, Canadian Development Policy and the Asia Pacific Region, p. 5.



income LDCs<sup>72</sup>), assistance to the wealthier developing countries can only be marginal to their overall resource needs. On the other hand, though, even marginal assistance may generate export and investment opportunities for Canadian firms, thus facilitating the aid-trade linkage. And while there is some coincidence of commercial and developmental interests in these countries, particularly in their industrial and export sectors, there remains a great deal of poverty, illiteracy, rural depopulation and ecological destruction in all of these countries, severe problems not easily solved by "industrial cooperation" or large capital projects. These problems instead ought to be addressed through agricultural development funding, education and a basic needs orientation, activities which do not easily fit into the aid-trade mould.

CIDA may have discovered a way to close this commercial-developmental divide, at least partially. Rudner has argued that, thus far in the 1980s, the annual increases in CIDA expenditures are being concentrated on higher-growth, low income LDCs, "...in which the incidence of poverty, economic performance and commercial opportunities seem to come together especially propitiously."<sup>73</sup> (This does not, of course, solve the problem of finding the proper balance between funding "modern" or industrial activities on the one hand, versus basic needs or rural

---

72 CIDA, Elements, p. 38

73 Martin Rudner, "The Evolving Framework of Canadian Development Assistance Policy", in Brian W. Tomlin and Maureen Molot (eds.), Canada Among Nations: 1984, p. 135

activities on the other.) In CIDA's defence, this expenditure trend may be due to a lack of "absorptive capacity"<sup>74</sup> in the LLDCs and other low income LDCs; but, just as probably, it is due to pressures on behalf of the aid-trade linkage. Whether CIDA will achieve a reasonable balance in these countries between their "modern" and "traditional" sectors remains to be seen.

### 3.4 Lines of Credit: Parallel Financing And Mixed Credits

Like many other OECD nations, Canada has sought to generate export markets in the developing world through the provision of concessional export credits. Such lines of credit, in which concessional ODA funds are blended (or offered separately but in tandem) with more commercial financing, are presumed to enhance export potential because they offer loans on extremely favorable terms, provided the funds are spent on donor country goods and services.

For Canada, two principal forms of concessional export credits stand out. The first, "parallel financing", is an arrangement whereby CIDA will finance one component of a project, while another Canadian (usually the Export Development Corporation) or international agency finances a separate

---

<sup>74</sup> "Absorptive capacity" refers to the capacity of a developing country to absorb aid funds in projects and programs without wasting or misallocating these funds.

component of the same project, or a separate but related project.<sup>75</sup> According to CIDA: "In all cases, separate but interdependent agreements are signed with the Third World purchaser. Parallel financing involves two separate agencies acting independently in fulfillment of their different mandates."<sup>76</sup> From 1981 to 1983, CIDA disbursed about \$150 million in parallel with EDC financing.<sup>77</sup> Since 1978, seventeen projects have been co-financed, with about \$750 million expected to flow back to Canada in procurement.<sup>78</sup>

It has been essentially an ad hoc facility but has proven very useful in a number of cases where developmental and commercial interests have coincided. This mechanism has had the effect of "stretching" aid dollars and of improving the costs of financing...These arrangements have also helped CIDA achieve its volume-related developmental objectives.<sup>79</sup>

Parallel financing, it is argued, generates a greater flow of financial resources to the developing world than would otherwise be the case.

The second primary instrument in this category is "mixed

---

75 To illustrate, the EDC might provide a loan for a cement plant while CIDA funded the development of adjacent port facilities. CIDA is also involved in parallel financing with other bilateral donors and multilateral financial and aid agencies, such as the World Bank and Arab/OPEC aid agencies. See CIDA, Elements, pp. 43-44

76 Ibid., p. 43

77 Canada, Export Financing: Consultation Paper, p. 17

78 CIDA, 1985-86 Estimates, p. 22

79 Canada, Export Financing, p. 16

credits", which involves the blending of ODA with commercial export credits.<sup>80</sup> Canada began this practice in 1981, strictly on a "matching" basis, meaning Canadian exporters could obtain financing that matched competitors' concessional offers. To date, EDC's mixed credit packages have not been used actively to seek out new markets.<sup>81</sup>

Not surprisingly, both the government at large and CIDA in particular defend the use of concessional export financing, stressing the capital needs of recipient countries, the reciprocity of benefits accruing from such arrangements, and, sometimes, the domestic benefits of export promotion. Not all third parties are satisfied by such assurances, however. The DAC has adopted guidelines which seek to limit the use of "associated financing" (i.e., mixed credits). Such practices, it is argued, create "...the risk that through associated financing scarce ODA resources are diverted from development-oriented uses in poorer recipients to trade and competition-oriented purposes and projects in these countries or from these countries to middle-income countries."<sup>82</sup> Even the Department of Finance, which endorses concessional export financing, concedes that such

---

<sup>80</sup> Canada does not include the "soft loan" portions of its mixed credit financing packages in its ODA, although many other DAC countries do so. Instead, the concessional portions are provided by EDC through its Section 31 Canada Account. See Export Financing, p. 17

<sup>81</sup> Ibid., pp. 19-20

<sup>82</sup> OECD, Twenty-Five Years of Development Cooperation, p. 245

financing creates the possibility of trade-offs between developmental and commercial objectives:

While these interests will often coincide, there are significant differences in the criteria for the selection of recipient countries, sectors and individual projects which would make it difficult to realize fully both objectives.<sup>83</sup>

In spite of these criticisms and self-doubts, however, Canada continues to make extensive use of such facilities. According to the DAC, Canada is one of the worst "violators" in using associated financing. After France, which supplies fully 52 per cent of the DAC total of associated financing, Canada ranked second in 1983-84, with 14 per cent.<sup>84</sup> Canada also ranked high in terms of its share of the DAC total of ODA used in associated financing (12%) and in its proportion of ODA used for associated financing (10%).<sup>85</sup> Interestingly, in terms of practises which are "economically similar" to associated financing, such as tied and partially untied single ODA loans with a grant element of less than 50 per cent, Canada receives strong praise. The average grant element in Canadian ODA commitments in 1983-84 was 98.9 per cent, well above the DAC average of 90.7 per cent.<sup>86</sup> The very generous concessionality of Canadian loans is contrasted with Canada's more hard-headed use

---

83 Canada, Export Financing, p. 17

84 OECD, Twenty-Five Years of Development Cooperation, p. 246

85 Ibid., p. 246

86 Ibid., p. 106

of associated financing, suggesting the respective influences of contending objectives and interests within the aid program.

### 3.5 Bilateral-Multilateral Debate

The debate over the respective merits of bilateral (i.e., government to government) and multilateral (i.e., through international institutions) aid channels has long been a feature of Canadian development assistance. The Foreign Policy for Canadians booklet of 1970 committed Canada to increasing its share of ODA transferred multilaterally. Similarly, the 1975 CIDA document, Strategy for International Development Cooperation 1975-1980 aimed at a multilateral target of 35 per cent of ODA. These targets have been met. According to the largest DAC statistics, Canada ranked very close to the top of the 17 DAC members in terms of the proportion of ODA channeled multilaterally, at 40.6 per cent.<sup>87</sup> However, the current President of CIDA, Margaret Catley-Carlson, favoured a reduction in Canada's multilateral/bilateral ratio when she was a Vice-President in the late 1970s and early 1980s. Accordingly, it can be expected that the debate will continue.

The debate revolves around a large number of concerns: CIDA's problems in disbursing all of its funds; the administrative efficiency and developmental effectiveness of the respective channels; the political implications of either

---

87 Ibid., p. 147

supporting or "abandoning" multilateral institutions; and the degree of "visibility" of aid projects. Not surprisingly, the debate also involves considerations of a commercial nature, though it cannot be said that these dominate the terms of discourse.

The primary focus of such commercial concerns is the apparent lack of commercial control over and returns from funds distributed multilaterally. For the most part, Canadian multilateral funds cannot be tied to procurement in Canada; bilateral funds, on the other hand, are heavily tied. Instead, contracts in such international fora are awarded following a process of competitive international bidding. Herein lies the Canadian concern. Canada's record of winning contracts in such competitive contests is relatively poor, especially for capital equipment suppliers. However, this may not always be due to uncompetitive bids as a result of high prices, poor quality or the lack of export financing. As the North-South Institute points out:

...the issue of Canadian competitiveness in multilateral competitive bidding has been inadequately tested because the numbers of Canadian bidders has been so extremely low. It is well-known that when Canadian companies have bid, they have enjoyed a very high rate of success.<sup>88</sup>

---

<sup>88</sup> North-South Institute, Third World Markets and Export Financing: Onto a Sounder Footing, p. 6. For other good discussions of Canada's multilateral bidding record and the various constraints to success, see: Jane Chudy, "Why Canadian Business is not Getting More World Bank Contracts", in Development Directions, August/September 1978; and James H. Adams, Oil and Water: Export Promotion and Development Assistance

Despite this rather important fact, a number of calls have been made for Canada to reduce its multilateral assistance because of this apparent lack of success.

Typical of this perspective is the position taken in the Hatch Report of 1979: "...Canada has persisted in a policy of extensive funding of a large number (60 or so) of multilateral agencies from which relatively little benefit has flowed to Canada."<sup>89</sup> Accordingly, the Report argues for a reduction in multilateral aid, with a greater focus for the remainder on "...fewer agencies with preference to those engaged in development financing. Canada should seek to improve its staffing and its executive representation in these agencies in order to promote a better return on its contributions."<sup>90</sup>

Proposals such as these have drawn considerable criticism from those concerned with the apparent drift of Canadian development assistance towards a position of narrow self-interest. Adams supplies one perspective:

...the appropriate Canadian response should be to seek to improve Canada's performance and, more specifically, to increase the level of Canada's participation in the multilateral bidding game, rather than to withdraw timidly.<sup>91</sup>

Another North-South Institute publication echoes a similar

---

<sup>89</sup> Export Promotion Review Committee (Roger Hatch, Chairman), Strengthening Canada Abroad, p. 35

<sup>90</sup> Ibid., p. 36

<sup>91</sup> Adams, op. cit., p. 26



sentiment, highlighting the highly lucrative (\$20 billion annually) nature of contracts tendered by the world's international financial institutions (IFIs):

...the goal of a far more energetic and successful Canadian performance in winning existing and future multilaterally-financed business in the Third World is so overwhelmingly important that it could well be the key objective in building our exports to new markets.<sup>92</sup>

Regardless of the potential benefits stemming from IFI contracts, it would be unfortunate if CIDA decisions on the proper balance between bilateral and multilateral channels were made primarily on the question of economic returns to Canada, though that is what appears to be happening. Instead, such decisions ought to be made primarily on the basis of the developmental effectiveness and administrative efficiency of the respective channels, with other concerns subordinate.

### 3.6 Aid-Trade Fund

One of the most explicit attempts ever made by Canada to exploit the aid-trade linkage was the proposed "Aid-Trade Fund" of 1984. In his February, 1984 budget, Finance Minister Marc Lalonde announced the possibility of a new fund which would

---

<sup>92</sup> North-South Institute, Third World Markets and Export Financing, p. 7

absorb up to 50 per cent of the annual increase in ODA:

The developing countries offer many export opportunities for our private sector. However, many of these countries are experiencing unusually serious balance of payments problems which are impeding their development efforts and thus their capacity to import. Their decisions to undertake investments and capital projects often hinge on the availability of external financing on concessional terms. To respond to these needs, for our own benefit as well as theirs, we shall require closer coordination of our development assistance and our export financing policies... [The fund is] to provide financing for projects which have high priority in recipient countries' development plans, for which Canadian firms are competitive and for which development assistance financing is required... The object will be to help Canadian firms to provide additional goods and services in support of Third World development and to increase the Canadian share of procurement in multilateral development projects.<sup>93</sup>

The new Conservative government shelved the idea for the Fund, but resurrected it in the May, 1985 budget in the guise of a "Trade and Development Facility." Finally, in the February, 1986 budget, the government decided not to create the Facility. The very existence of such proposals, however, suggests an ongoing interest in aid-trade linkage. And, not surprisingly, they created considerable controversy.

Wright argues that the brief history of the Aid-Trade Fund provides important insights into bureaucratic conflicts over aid funds. According to Wright, the idea for the Fund sprang from

---

<sup>93</sup> Marc Lalonde, in the House of Commons, February 15, 1984. See House of Commons Debates: Official Report, Second Session - Thirty-Second Parliament, Vol. 2, 1984

the Department of Finance's international programs division. Dissatisfaction with the Cabinet's lack of policy in awarding mixed credits to Canadian exporters, and a belief that CIDA would not be able to spend all of the projected increases in aid funds, were key factors behind the Department's proposal. Finance's original plan was altered considerably before the Budget Speech, mainly owing to opposition from External Affairs, which saw the fund as representing a clear breach of Canada's policy of allocating 80 per cent. of bilateral funds to low-income LDCs.<sup>94</sup> The upshot of all the changes was that "...the fund was painted as a new thrust in aid policy, a commercially relevant aspect of the aid program, whereas Finance had conceived of it as a way to use part of the aid program to achieve commercial objectives."<sup>95</sup> In terms of the levels of aid-trade linkage, it appears the Fund moved from the third to the second level in the course of the political negotiating and trade-offs. Clearly, the episode reveals large differences of opinion within government as to the purpose of the aid program.

Helleiner sees the Fund in a slightly different light, as a threat to the very principles and guiding policy positions behind Canadian aid:

The announcement in the 1984 budget that aid expenditures will be increased by an "aid-

---

<sup>94</sup> Gerald Wright, "Bureaucratic Politics and Canada's Foreign Economic Policy", in Denis Stairs and Gilbert R. Winham (eds.), Selected Problems in Formulating Foreign Economic Policy, p. 42

<sup>95</sup> Ibid., p. 42

trade" Canadian export fund signals the incapacity of the existing system to fulfill the poverty-alleviating tasks for which it was created; formal commitments to higher aid expenditures together with failure, under existing policy constraints, to move funds to those countries and projects that really need them has generated a predictable governmental response - the programme will henceforth direct more aid to those countries and projects that can use Canadian imports, that is, those that are better off and do not really require as much assistance.<sup>96</sup>

An examination of these aid-trade facilities provides a number of key insights into aid policy-making in Ottawa. The permeability of the aid policy-making arena to the interests and objectives of other federal government departments is clear; so too is the interdepartmental conflict over the direction of aid policy. The close inter-relationship and compatibility between CIDA's administrative (i.e., disbursement) problems and the pursuit of the aid-trade linkage is also evident from this episode. Finally, the slight but significant difference between "commercially relevant" aid and explicitly using aid to achieve commercial ends is uncovered. These are all themes to be addressed later in the thesis.

### 3.7 Industrial Cooperation Program

CIDA has always considered itself more than just an "aid"

---

<sup>96</sup> G.K. Helleiner, "Canada, the Developing Countries and the International Economy: What Next?", in Journal of Canadian Studies, Winter 1984-85, p. 19

agency: it is, rather, a "development" agency.<sup>97</sup> Accordingly, it has sought to increase and improve the various channels of cooperation between Canada and developing countries, aiming to go well beyond the traditional donor-recipient aid relationship. One such channel has been labelled "business cooperation" or "industrial cooperation", which are essentially euphemisms for a policy of encouraging the Canadian private sector to become more active in the Third World, especially through joint venture investments.

Canada entered the business cooperation field in 1971 by initiating a program of assistance for feasibility and starter studies for Canadian companies wishing to expand or establish activities in the Third World. In 1978, it launched a new and enlarged program of assistance, the Industrial Cooperation Program (INC), with an initial budget of \$460,000. In recognition of the growing potential of such business linkages, the INC was expanded in 1984 to become the operating arm of the newly formed Business Cooperation Branch.<sup>98</sup>

The INC is the most important component of this new Branch. It provides financial assistance for pre-feasibility, feasibility and starter studies, organizes and finances trade and technology

---

<sup>97</sup> Shortliffe, op. cit., p. 28. This is similar to the qualitative and quantitative distinction between development assistance and development cooperation, the latter being broader, including cooperation on trade, investment, monetary policy, education etc.

<sup>98</sup> CIDA, Canadian Business and the Third World: A Growing Partnership, pp. 3-9

seminars, missions and exhibitions, and publishes investment guides, all for the benefit of Canadian firms seeking investment opportunities in the developing world, especially in joint ventures. It also administers the Canadian Project Preparation Facility (CPPF), a fund aimed at improving the chances of Canadian firms bidding for IFI contracts, and several other such facilities.<sup>99</sup> Finally, the INC maintains networks of business associations in Canada and throughout the developing world. Thus, the INC administers a broad array of instruments with the goal of increasing the participation of Canadian business in the Third World, particularly for the transfer of technology. The INC's activities, however, are decidedly one-way: little attention is paid to improving the trade prospects for Third World business in Canada.

In defending its practice of "business cooperation," CIDA points to several factors. The reciprocal benefits theme is a constant in CIDA publications. According to CIDA:

The purpose of the Industrial Cooperation Program (INC) is to stimulate increased participation by the Canadian private sector in the industrial development and growth of the Third World, and to do so through joint ventures and other forms of business initiatives beneficial to developing

---

<sup>99</sup> Two other less prominent funds are: the Canadian Technology Transfer Facility, "...designed to allow for the testing and adaptation in developing countries of a proven technology already in use industrially as a prelude to long-term business cooperation"; and the Canadian Renewable Energy Facility, which "...supports the testing and adaptation of Canadian technology in developing countries, especially in the field of renewable energy." CIDA, Canadian Business and the Third World, p. 17

countries and Canada.<sup>100</sup>

The joint partnerships fostered in industrial and business development are said to help in the critical transfer of technology, which in turn can lead to increased employment and import substitution, improved foreign exchange earnings, and expanded human resource development.<sup>101</sup> The developing country is thus presumed to benefit. But so too is Canada, as such joint ventures promise immediate sales of technology, equipment and services, and possible long term market penetration.

To date, no systematic and comprehensive analysis has been undertaken (or, at least, released for public consumption) on the INC and its success in fostering industrial cooperation. Nevertheless, a number of criticisms have been directed at CIDA for this innovative program. Langdon, for one, argues that CIDA's investment incentives schemes ought to be abandoned because the "institutionalized relationship" of investors to CIDA may give developing country officials fears that these Canadian firms might use their CIDA connections to influence aid donations.<sup>102</sup> The fact that the INC responds to the initiatives of Canadian business and not to the initiatives of developing countries may lend credence to Langdon's view. In yet another report by the ubiquitous North-South Institute, Adams argues that

---

<sup>100</sup> Ibid., p. 4

<sup>101</sup> Ibid., p. 5

<sup>102</sup> Steven Langdon, Canadian Private Direct Investment and Technology Marketing in Developing Countries, p. 45

the INC represents a violation of the spirit of CIDA's basic mandate:

The criticism of CIDA's participation should...have less to do with the debate over the developmental contribution of foreign investment - which is essentially a decision to be made by the host country - than with the propriety of fostering Canadian foreign investments, albeit in joint ventures, by means of the development assistance program.<sup>103</sup>

Further, as in any government incentives scheme, there is the possibility that the assistance rendered will achieve no positive results at all, or, worse yet, that it will be accepted for ulterior motives, such as gaining publicly-subsidized market information about a developing country. For example, a firm might accept CIDA assistance to explore the opportunities for a joint venture in a developing country, having decided already that the joint venture format is too unwieldy, and opt instead for a fully-owned direct investment. In such a case, CIDA would simply have subsidized the Canadian firm's investment; and the developmental impact of the latter form of investment, all things being equal, is less beneficial to the host country than a joint venture investment. Thus, despite the many positive potentialities of the business cooperation ideal, INC may be more

---

<sup>103</sup> James H. Adams, "Transnational Investment in the Third World: Issues for Canada", in North-South Institute, In the Canadian Interest? Third World Development in the 1980s, p. 151



appropriately within the purview of DRIE.<sup>104</sup> All these criticisms notwithstanding, CIDA continues to give the INC great attention as one of the most innovative models for the aid-trade linkage.

### 3.8 The Tying Of Aid

For Canada, aid tying represents the single most important commercial component in the aid program, the leading instrument for the aid-trade linkage. Current Canadian policy stipulates that 80 per cent of bilateral assistance (exclusive of transportation costs) must be spent on Canadian goods and services, with at least two-thirds Canadian content.<sup>105</sup> Despite numerous official pledges progressively to untie Canadian aid (as, for example, in the Strategy of 1975), Canada remains among the DAC laggards in terms of the proportion of its ODA which is tied, second only to Austria.

The tying of aid funds to procurement in the donor country has long been one of the most controversial and maligned practises in development assistance. Many scholars maintain that

---

<sup>104</sup> A similar proposal is made by Kathryn McKinley and Roger Young, in Technology and the Third World: The Issues and the Role for Canada, p. 77

<sup>105</sup> These figures apply to the overall bilateral budget; individual projects may have more or less Canadian content. CIDA, Elements, p 11

aid tying reduces the developmental value of aid, distorts recipient country priorities, and disrupts normal trading patterns. The DAC continues to try to obtain collective agreement on measures to untie bilateral aid. And many independent studies argue that aid tying does not generate significant donor country benefits, particularly given its high costs. Nevertheless, the tying of aid continues.

Unlike its explanations for other commercially-oriented aid policies, in which it assumes the offensive with philosophical or developmental factors, the federal government's case for the tying of aid seems essentially to be defensive. Admittedly, one of CIDA's arguments is that tied aid contributes to a lasting economic relationship with Canada, one of the primary objectives of the aid program. "To reach this goal involves contacts with and knowledge of our technical services, our commodities, and of course an opportunity to export to us, as well as to buy."<sup>106</sup> However, most other explanations seem focussed on non-developmental factors. A common theme is that aid tying generates economic benefits for Canada (jobs, exports), which in turn generate the political and public support for ODA which is said to be critical to the survival of the Canadian aid program. In their more candid moments, CIDA officials might acknowledge that aid tying ensures that aid funds are spent properly, or that aid tying facilitates the disbursement of aid funds, which has

---

<sup>106</sup> Ben Malkin, "The Debate over Untying Canada's Aid Funds", in Development Directions, August/September 1978, p. 14

been a major problem for CIDA. The political desire to achieve high visibility for aid projects is another reason for tying aid, though it is seldom publicly articulated. The premise that Canada cannot take measures toward untying until other DAC countries do so is another defence of tied aid. As a "non-aid" committee, the Export Promotion Review Committee had no qualms about expressing this position: "For Canada to take the initiative in untying would undoubtedly result in more Canadian aid money being spent in other countries without an increase in their aid being spent in Canada if other nations failed to follow suit."<sup>107</sup> Finally, to cap all these points, CIDA can simply state that the case against tied aid is a red herring, as CIDA spending is focussed on sectors and projects involving Canadian expertise, and because CIDA often tenders its contracts in Canada, thus ensuring competitive suppliers.

Very few critics are satisfied with this seemingly rational perspective, nor with the other defenses of tied aid. Many argue that CIDA's process of selection is not competitive, resulting in a "...replaceable form of export subsidy benefitting a very small number of favoured firms."<sup>108</sup> A 1976 Treasury Board study of the possible effects on the Canadian economy of an untying of bilateral aid seemed to concur with this assessment: a large

---

<sup>107</sup> Export Promotion Review Committee, op. cit., p. 36

<sup>108</sup> Carty, Smith and LAWG, op. cit., p. 103

percentage of CIDA disbursements, according to the study, went to firms heavily dependent on CIDA contracts.<sup>109</sup> Further, many of CIDA's main capital equipment suppliers also received Export Development Corporation (EDC) financing: seven-tenths were on the list of the EDC's 30 main beneficiaries.<sup>110</sup> This may reflect a healthy desire on the part of these firms to explore export opportunities; but it may also reflect an unhealthy dependence on public sector export financing, in which case CIDA's tied aid provision is not serving as a "pump primer" for competitive goods and services. As the Treasury Board warned: "CIDA cannot pledge to provide a captive market for certain industries or firms on a regular basis."<sup>111</sup>

Some observers contend that tied aid exists primarily to support weak industries or firms. As Reuber argues:

...as often as not the reason for emphasizing export promotion through aid is to try to provide markets abroad for products where Canada is not competitive internationally and

---

<sup>109</sup> Treasury Board, The Economic Effects of an Untying of Canadian Bilateral Aid, p. 26

<sup>110</sup> Ibid., p. 47 According to the study, the major losers from an untying of bilateral aid would be firms building railway stock; telecommunications, construction and some motor vehicle firms; flour mills and rapeseed mills; and the phosphate fertilizer and nylon tire cord industries. While the study still contains important insights, its 1976 publication date forcefully points out the pressing need for an updated study of this issue.

<sup>111</sup> Ibid., p. 47

shows little prospect for becoming so.<sup>112</sup>

Islam, similarly, argues that foreign aid programs typically support export industries with surplus capacity and sluggish demand at home and overseas.<sup>113</sup> Thus, like food aid, the tying of aid may perform a "surplus disposal" function in addition to its "market penetration" objective.

Even if the tying practice was rendered more competitive, a number of costs still emerge. Bhagwati contends that "...source-tying of aid will generally impose costs, inclusive of 'monopolistic' pricing by suppliers even when ideal procurement policies are followed."<sup>114</sup> Among such costs are the reduction in the value of aid, by up to 20 per cent, owing to higher-cost suppliers (in some cases, but not all); the biasing of techniques and projects in favour of imported inputs and technologies, especially in the case of large-scale capital projects; the possible distortion of recipient government developmental priorities; a bias towards projects with export potential; discouragement of regional economic cooperation; and an increasing reluctance to cooperate and coordinate aid activities

---

112 Grant L. Reuber, "The Trade-Offs Among the Objectives of Canadian Foreign Aid", in International Journal, Winter 1969-70, p. 131

113 Nural Islam, "Interest Groups and Aid Conditionality", in Just Faaland (eds.), Foreign Aid, p. 263

114 J. Bhagwati, "The Tying of Aid", in Jagdish Bhagwati and Richard S. Eckaus (eds.), Foreign Aid, p. 263

with other donors, who may be seen as competitors in the search for commercially "interesting" projects.<sup>115</sup> And, finally, it is argued that tied aid prevents the realization of CIDA's own objectives in rural development and basic needs:

The small-scale and rural development schemes...cannot be effectively financed through tied aid, since they require above all, local materials, local labour, and simple techniques rather than imported goods and services.<sup>116</sup>

As with the INC, then, many critics see tied aid as a violation of CIDA's mandate for development.

A final reason to be critical of aid tying, at least in the Canadian case, is the likelihood that it has not greatly enhanced export performance through market penetration. For many, tied aid is an ineffective, costly and inappropriate vehicle for export promotion, especially since nobody "...has ever been able seriously to claim that tying has served to introduce competitive Canadian goods and services into unfamiliar markets and thereby build mutually-beneficial long-term trade relationships."<sup>117</sup> If

---

<sup>115</sup> For more detailed analyses of the types of costs created by the tying of aid, and their consequences, see: OECD, Twenty-Five Years of Development Cooperation, pp. 241-242; Bhagwati, op. cit.; Carty, Smith and LAWG, op. cit.; Commission on International Development (Lester B. Pearson, Chairman), Partners in Development; Patricia Adams and Lawrence Solomon, In the Name of Progress: The Underside of Foreign Aid; and Colaco, op. cit.

<sup>116</sup> G.K. Helleiner, "International Development Eight Years On", in International Journal, Spring 1978, p. 399

<sup>117</sup> North-South Institute, "Concessional Development Assistance: "Aid" in Perspective", in A Balance Sheet of Third World/Canada Relations, p. 6.

tied aid was effective at export promotion, it might be harder to criticize; since very few observers perceive it to be effective, though, serious criticisms are raised as to whether the large developmental costs foregone are worth the marginal domestic benefits gained.

While aid tying may not always succeed in promoting exports (for reasons to be discussed in the next chapter), it does give the appearance of doing so, and thus can easily be promoted as doing so. The real value of aid tying, then, might lie more in appearances than in reality.

Considering the relative orders of magnitude involved, it is improbable that aid tying provides significant macroeconomic benefits to any donor's domestic employment or balance-of-payments aggregates. The case for tying is essentially political rather than macroeconomic: to maintain public support for development co-operation in times of high unemployment by demonstrating domestic benefits of aid.<sup>118</sup>

The "buying" of political support with measures such as aid tying may seem a vital function when the aid program is being subjected to pressures for fiscal restraint. Certainly, whether in the public-at-large or in the Cabinet, political support is very important. Unfortunately, though, the "strategy" of buying support raises some potential problems. As long as the government in general and CIDA in particular build political constituencies for ODA on the basis of largely untested

---

118 OECD, Twenty-Five Years of Development Cooperation, p. 241

assumptions about the aid-trade interface, CIDA will have a very hard time fashioning clear and consistent development strategies. Indeed, it will run the risk that its purely developmental objectives "will be overshadowed by the domestic political popularity" of the aid-trade linkage.<sup>119</sup> This can only confuse even further CIDA's objectives. Finally, buying support for the aid program through aid-trade measures such as aid tying may preclude attempts by the government, and especially CIDA, to explain to the Canadian public the great difficulties and risks involved in trying to foster viable development in the Third World. An understanding by the public of such risks is, ultimately, the only sound basis upon which support can be based.

---

119 Adams, Oil and Water, p. 23



### 3.9 Conclusions

This brief survey of CIDA policies and programs has focussed on the commercial objectives in Canadian foreign aid. Admittedly, it is a somewhat selective examination: virtually every aid policy has some commercial underpinning, however small or indirect. This survey, however, has tried to identify those policies and programs which are most explicitly commercial in orientation, or which admit themselves most easily to manipulation for commercial ends.

In such an examination, it is readily apparent that commercial concerns are never the sole determinant of aid policy; instead, they co-exist and compete with administrative pressures, diplomatic and political goals, and developmental philosophies. To be sure, CIDA should never be considered simply as yet another federal export promotion agency. This said, however, it is equally evident that short run export promotion and the longer term pursuit of the aid-trade linkage have become central features of the Canadian aid landscape, pursued at several levels of linkage and through a variety of policies and policy instruments. Canada's involvement in the development of Third World nations now seems to require as justification some concern for domestic returns from aid. Unfortunately, this increasingly salient "commercial imperative" often conflicts with CIDA's other objectives, and prevents the emergence of clear and consistent development strategies. The increasing prominence of the

"trickle back" philosophy thus raises many troubling questions about the utility of CIDA's development assistance efforts, and the ability and desire of the federal government to finance an effective aid program. Accordingly, the next two chapters will address, respectively, the utility and wisdom of the aid-commerce connection, and the underlying causes of this drift towards an aid program premised on narrow economic self-interest.

#### IV. EVALUATING THE AID AND COMMERCE CONNECTION

##### 4.1 Introduction

The previous chapter examined a number of CIDA policies and programs whose common denominator is a strong commercial foundation. The existence of these commercial "thrusts" in aid policy confirms that CIDA officials (or at least some of its more influential personnel) believe in the utility and wisdom of linking aid and trade. Unfortunately, however, to date no systematic analysis of the utility of this strategy has been undertaken. This chapter will attempt to bridge that gap. Without a much more comprehensive and lengthy economic study of the issue, no objective or definitive conclusions can be reached as to when the linkage might work, with which products, and under what conditions. Instead, this chapter will examine a number of factors which are likely to affect the utility of the aid-trade linkage for Canada. The propriety of the aid-trade connection will also be addressed in this chapter; here, though, a conclusive (if subjective) assessment can be made.

##### 4.2 In Support Of The Aid-Trade Connection

Five arguments support the case for both the general utility and the political propriety, for Canada, of pursuing commercial objectives through aid. The first, and the most appealing, is that the aid-trade linkage has an inherent logical plausibility

which is convincing. This is so for a variety of reasons. A foreign supplier working under the auspices of an official aid agency ought to have an immediate advantage in penetrating the particular LDC market and in securing additional export sales. Exposure to the firm's technology, products, personnel and techniques may very well induce the LDC's government or private sector to purchase additional goods and services.

Particularly in LDC economies dominated by the state, the credibility and respect stemming from involvement in official aid projects could be decisive in landing further contracts; an outstanding performance of the aid-related duties can only further help. And, as Islam notes, the personal and professional acquaintances made abroad may lead to additional commercial sales: public officials, familiar with certain foreign suppliers, might lobby on their behalf. Such patronage may have a sound economic rationale, as savings could accrue to the LDC in terms of training, repairs and replacement parts; on the other hand, it could be a patronage oiled by corruption.<sup>120</sup> Finally, the basic fact of being operational in a distant market, largely at public expense, is an inherent competitive advantage given the costs a firm would otherwise have to incur to duplicate such an opportunity. Aggressive firms can, and do, use this opportunity to the fullest, to ferret out additional business in the recipient country and nearby. In theory at least, then, the aid-trade linkage has a technical plausibility which is quite sound.

---

120. Islam, op. cit., pp. 55-56

Moreover, the active encouragement of the private sectors of both donor and recipient in the development process signals a long overdue recognition in the developmental benefits that private business can provide. Private companies in the industrialized world are highly effective agents for transferring technology and technical know-how; private companies in the developing world may prove to be the most efficient agents for maximizing the benefits from such technology, and for providing the innovation and efficiency upon which sustained economic development must be founded. Also, long-lasting, two-way economic relationships, so vital to development in both the North and South, will be built primarily by private sector trade and investment activity. Early encouragement, then, could pay dividends on both sides of the relationship. In short, while "mutual interests", "reciprocal benefits" and "interdependence" are often the catchwords for aid policies based on economic self-interest, they do contain a large measure of truth.

The two above arguments are the strongest in favour of a closer integration of aid and trade, but there are other, lesser points. One is that as long as CIDA ensures that its suppliers deliver quality products at competitive prices, neither the developmental impact of aid funds nor the reciprocal benefits exchange are compromised. Indeed, aid tying does not, by itself, nullify any or all possible developmental gains: the diminution of gains depends on a host of factors, including the quality of suppliers, the developmental propriety of the projects being

financed, and the commitment of the recipient government to development.

Another argument supporting the aid-trade policy linkage is that political support for the aid program is heightened, thereby permitting the government to continue a constructive role in international development cooperation (the validity of this argument will be assessed in Chapter 5).

A final argument (perhaps more a post hoc rationalization than a determinant of policy) is that even if Canada untied its aid, and if Canadian suppliers were extremely competitive, developing countries still might not buy Canadian goods and services; this is because Canadian firms lack the historical and cultural links enjoyed, nurtured and manipulated by firms from other countries, such as France, Japan, the U.S., and Great Britain. As Dudley and Montmarquette explain:

...the larger donors are more likely than the smaller donors to have extensive economic ties with their aid recipients. For these large donors, the aid deal may implicitly be part of a package which includes investment and trade links as well as development assistance. The small donors may find it difficult to compete on these terms.<sup>121</sup>

Indeed, such countries are often able to "tie" their aid without

---

121. Leonard Dudley and Claude Montmarquette, The Supply of Canadian Foreign Aid: Explanation and Evaluation, p. 53

any formal tying restrictions.<sup>122</sup> To enter and compete in these markets, the argument runs, Canada has little choice but to tie its aid.

In summary, the integration of aid and trade has a number of points to recommend it. In particular, both the positive developmental role to be played by the private sector, especially through joint ventures and the transfer of technology, and the logical plausibility of the aid-trade linkage stand out. As well the mere existence of commercial objectives cannot, a priori, be assumed to undermine the developmental merits of a project. Further, recipient governments are increasingly able to select donors for projects on the basis of fairly accurate perceptions of donor strengths and weaknesses, thus creating a closer fit between commercial and developmental objectives. In short, the commercial interests which have permeated aid programs almost everywhere do not by themselves create conflicts of objectives over aid projects or aid programs; other factors must enter the calculus. Thus, many of the criticisms of commercially-oriented aid have, in theory at least, considerably less application than their proponents might care to admit.

---

122. Bhagwati has identified five major types of tying by source (i.e. to procurement in the donor country): formal restrictions, where aid is formally or contractually tied; informal restrictions, which may stem from historical trading links or to the competitiveness of donor country firms, or simply to pressures exerted on the recipient LDC; indirect restrictions, where aid is coupled with trade arrangements, or where financing is only offered for commodities and projects where the donor has a comparative advantage; export and import credits; and aid directly embodied in goods and services. Bhagwati, op. cit.

#### 4.3 The Case Against The Aid-Trade Connection: Utility

In practice, in the Canadian context, however, such criticisms often hold true. Other factors have entered the calculus; the actual pursuit of the aid-trade connection by CIDA has not always followed the prescribed ideal model in which competitive firms use their CIDA exposure as a springboard to seek out new market opportunities, all in a situation of mutual benefits. It is to an examination of some of the factors which impair the utility of a successful aid-trade strategy for Canada that the analysis turns.

The first factor relates to the criteria establishing eligibility for Canadian bilateral assistance. In this list, a country's existing or potential trade with Canada is but one of many criteria. Commercial potential is undoubtedly important in the selection of projects to be financed, in per capita bilateral aid allocations, and in the absolute amount of assistance channelled to certain commercially promising LDCs. But other criteria - level of need, population size, Commonwealth or la Francophonie membership, crisis situations - influence bilateral allocations as much if not more than a country's commercial potential. Thus, despite Ottawa's manifest interest in pursuing the aid-trade link, and its numerous policy instruments directed toward this end, it has still not been able or willing to elevate commercial objectives to the fore in the allocation of bilateral funds amongst countries.



Why is this? One source surmises that it is only because CIDA has not yet figured out how to do so.<sup>123</sup> Dudley and Montmarquette suggest a more plausible explanation: eligibility and allocation decisions are made at different levels, with insufficient coordination between them.<sup>124</sup> Another possible explanation is that Canada has committed itself internationally to concentrate aid funds on LLDCs and other low income LDCs; a move by CIDA to shift aid funds to more commercially interesting LDCs would risk widespread international disapproval. Thus, "...the use of foreign aid to promote exports may be difficult to implement, given the other objectives of Canadian foreign aid."<sup>125</sup> In short, the multiplicity of objectives which facilitated the increased prominence of commercial interest in the aid program also appears to pose an obstacle to an effective aid-trade strategy for Canada.

Even if CIDA was willing or able to make commercial potential the primary criterion for allocating funds bilaterally (as it often does in allocating funds to projects), the products and firms CIDA is promoting may not always be appropriate for the aid-trade linkage. The Treasury Board has argued that for most of CIDA's food and primary commodity aid, the "market penetration" function has already been achieved:

---

123. Carty, Smith and LAWG, op. cit., p. 98

124. Dudley and Montmarquette, op. cit., p. 103

125. Ibid., p. 83

Because of the homogeneity of these goods, penetration of markets on a commercial basis is dependent on competitive prices. In addition, Canada's importance as a source of supply of these products on a world scale means that Canada's capacities are well-known and that, in respect of most of these products, market penetration has already been achieved.<sup>126</sup>

Moreover, many of the commodities Canada supplies through the aid program are produced by developing countries themselves, which reduces the potential for effective aid-trade linkage even further.

Market penetration, the Treasury Board goes on, is probably applicable only to the capital goods and consultancy services financed by CIDA. For various reasons, many Canadian firms producing capital equipment are uncompetitive on world markets, either because of technological dependence or high costs. Such uncompetitive firms are unlikely to achieve long-term market penetration, even if they have a certain official legitimacy as partners in an aid project. Indeed, uncompetitiveness may prevent an aid project from ever being started, as Hainsworth describes in the case of Indonesia:

Non-utilization of aid appropriations is...often the result of Canadian contractors and suppliers being deemed unacceptable from Indonesia's viewpoint, either because their bids are uncompetitive or because they have not established the right connections or demonstrated sufficient prior commitment as

---

126. Treasury Board, op. cit., p. 13

partners-in-development                      on                      similar  
projects.<sup>127</sup>

One such example was the massive Bukit Asam coal mine development project in Indonesia, in which CIDA/EDC parallel financing facilities remained unused because of the uncompetitiveness of CIDA's proposed suppliers.<sup>128</sup> The loss of commercially interesting projects such as this as a result of an uncompetitive supplier or aid offer could prove very detrimental to Canada's long term trade prospects, especially in a huge and expanding market like Indonesia.

Another possible obstacle is that the CIDA supplier, competitive or not, may not wish or be able to maintain a commercial presence in a developing country after its CIDA contract has expired, and its work been done. The costs of maintaining a permanent office abroad, or of providing for sales agents and servicing, are often prohibitively high, especially for small firms, but are probably necessary in order to secure a lasting market presence. In such a case, the CIDA supplier may simply choose not to try to exploit the aid-trade linkage, therefore viewing the CIDA contract as an end in itself rather than the means to another end. Or, in other words, such a firm sees CIDA itself as its client, not the developing country. Unfortunately, this kind of outlook may become endemic to the

---

127. Geoffrey B. Hainsworth, "Innocents Abroad or Partners in Development? An Evaluation of Canada-Indonesia Aid, Trade and Investment Relations", in Canada and International Trade: Conference Papers. vol 2: Canada and the Pacific Rim, p. 627

128. Rudner, op. cit., p. 142

company, and it may spend as much energy trying to secure CIDA contracts as it does trying to improve its operations.

One factor that must be considered in this regard is the large extent of foreign ownership in the Canadian economy. While CIDA tries to favour companies with a high proportion of Canadian ownership, this is not always possible. Further, many Canadian-owned firms are subsidiaries or affiliates of foreign parent companies. These intra-or inter-corporate linkages may prove to be yet another obstacle to the successful consummation of the aid-trade linkage. The Treasury Board draws attention to this possibility:

Since commercial sales may be generated by the initial penetration attributable to tied aid, in many cases such sales will go to the other components of these firms, many of which are multinational, if the Canadian affiliate is inefficient. Canadian tied aid may bring about the replacement of a technology originating in colonial relationships by a North American technology, without the Canadian firms being able to benefit from later commercial sales generated by aid.<sup>129</sup>

Yet another reason to question the utility of the aid-trade linkage for Canada is this country's poor record in permitting access for developing country products, especially for those products also produced by Canadian companies which are uncompetitive on world markets. This kind of protectionism hinders the export growth of LDC industry, thus reducing the foreign exchange available for financing Canadian imports. It

---

129. Treasury Board. op. cit., p. 44

also likely reduces the resolve, politically, to allow Canadian goods into such markets.

This legacy of protectionism is likely to pose an increasingly salient contradiction for the future of the aid/trade strategy, especially where the thrust of aid-financed Canadian trade expansion is related to expanding export potential among recipient countries.<sup>130</sup>

Thus, "...Canada's exports to these areas will continue to be limited by their reaction to protectionism in Canada and other industrialized countries."<sup>131</sup> And "...the relatively laggard Canadian performance in taking up commercial opportunities in the Third World"<sup>132</sup> makes it much more difficult for Canadian politicians to resist calls for protectionism in Canada against Third World products. In short, Canada and the developing countries may become enmeshed in a vicious circle of protectionism.

A final reason to be skeptical of the utility of the aid-trade strategy is the increasing ability of developing countries (especially the larger and faster-growing LDCs) to bargain effectively with donors so as to offset donor economic self-interest. Rudner explains:

Given the manifest commercial interest in aid-financed trade to penetrate markets in rapidly developing countries and the intense donor rivalry over projects with trade-linked

---

130. Rudner, op. cit., p. 144

131. Webb and Zacher, op. cit., p. 134

132. Wood, in Cassen, Jolly, Sewell and Wood (eds.), op. cit., p. 117

prospects in these markets, recipient countries have been able to take advantage of this trade interest and donor rivalry to impose local-content rules, procurement offsets, and other similar protectionist measures to promote their own commercial concerns in the development assistance "market". The same aid tie that expands trade prospects paradoxically also exposes development assistance to the cross currents of trade diplomacy and domestic protectionism.<sup>133</sup>

Hainsworth cites the example of Indonesia, which, he says, has been "bargaining more insistently" in order to maximize its aid gains. Counter-trade rules have been applied, and the terms of aid commitments "disputed more laboriously"; "...one donor country is being played against another."<sup>134</sup> Thus, while individual firms may still profit from aid-trade linkage, the costs to the donor country as a whole rise considerably as a result of such recipient government practices.

In a similar vein, the North-South Institute points out that a serious situation is developing in the export credits field. Sophisticated importers, especially in middle-income LDCs, are increasingly playing off competing exporters to their advantage. The result has been a spiralling of export credit subsidies, leading to so-called "spoiled markets" in which subsidized export financing is a necessary part of any successful project bid.<sup>135</sup> The benefits to any successful bidding country will be far less

---

133. Rudner, op. cit., pp. 143-144

134. Hainsworth, op. cit., p. 626

135. North-South Institute, Third World Markets and Export Financing, pp. 10-11

than anticipated; and, in such an export credits war, Canada cannot hope seriously to compete against the larger DAC donors. Immediate self-interest aside, moreover, there are a number of sound reasons for Canada to resist the pressures toward such an export credits war, and to press, multilaterally, for a reduction in the use of such facilities. These factors will be examined in the section below, dealing with the propriety of Canada's pursuit of the aid-trade linkage.

In summary, while the aid-trade linkage has an inherent logical appeal, Canada faces a number of actual and potential problems in its pursuit of export markets through the medium of the aid program. CIDA has not been willing or able to pursue the linkage to the complete exclusion of its other objectives. The deployment of inefficient firms and homogeneous goods directly prejudices the possible success and the very need for the strategy, respectively. Protectionism in Canada is also a very serious impediment to the aid-trade ideal. And the ability of certain developing countries to minimize donor country gains draws the entire aid-trade interdependence into question. For all these reasons, the study of the aid-trade issue reveals "...an apparent (and comparative) incapacity of the Canadian government to maximize domestic economic benefits from development assistance."<sup>136</sup> Before conclusively making such an assessment, however, it might be useful briefly to review some

---

136. David R. Morrison, "The Mulroney Government and the Third World", in Journal of Canadian Studies, Winter 1984-85, p. 6

patterns in Canada's recent trade performance with the developing world.

For a variety of reasons, Canada's exports to and imports from the developing world have long been targeted as needing improvement. Whether stemming from a desire to reduce Canada's trade dependence on the United States, to take advantage of lucrative and growing LDC markets, or to diversify the content of exports, this goal has received increasing political attention, especially given the fairly recent emergence of the Newly Industrializing Countries (NICs) and near-NICs of the Pacific Rim. Linking aid and trade is one of many approaches taken to breaking into these markets. As a high-ranking CIDA official put it: "There is no doubt in my mind that official aid programmes can bring about changes in the third world countries that will lead to stronger trading partners for Canada and to larger markets for Canadian goods and services... The trade/aid interface simply becomes the point at which aid and trade objectives can be simultaneously achieved."<sup>137</sup> But has there been success?

Thus far, the trade record appears mixed. On the one hand, one source contends, the relative importance of Canada's trade with developing countries increased from 1970 to 1980.<sup>138</sup>

---

137. CIDA, Export Financing: The Role of the Canadian International Development Agency, An Address by N.E.C. Power, Wilfred Laurier University, Waterloo, p. 8

138. North-South Institute, Canadian Trade with the Asia-Pacific Developing Countries, Briefing Paper, September 1983, p.



Another source, however, shows Canadian exports to and imports from every region of the developing world remaining stable or decreasing as a percentage of Canada's total world trade from 1975 to 1984.<sup>139</sup> Trade with the developing world as a whole has grown in absolute terms, and currently is in surplus for Canada, thus aiding the Canadian balance of payments. On the other hand, though, Canada runs a trade deficit with the fast-growing NICs of East Asia.<sup>140</sup> Thus, some doubt remains as to the interpretations to be adduced from the changing patterns of Canadian trade with the developing world.

There is little doubt, however, that in the aggregate Canada's trade with the developing world remains subordinate in the overall scheme of Canadian trade. A number of factors confirm this. Helleiner records that although Canadian trade with the developing world as a percentage of total Canadian trade has improved since the 1970s, the aggregate percentages are still well below the OECD averages. Thus, LDC goods constitute only 11.1 per cent of Canadian imports compared to an OECD average of 28.2 per cent; conversely, the developing world purchases only 8.6 per cent of Canadian exports compared to an OECD average of

139. United Nations, 1984 International Trade Statistics Yearbook. vol. 1: Trade by Country, p. 403

140. G.K. Helleiner, "Underutilized Potential: Canada's Economic Relations with Developing Countries", in John Whalley (ed.), Canada and the Multilateral Trading System, p. 104

23.6 per cent.<sup>141</sup> Several authors have contended that Canadian exports to the Third World are comprised mostly of goods with the lowest growth in trade, and are exported primarily to countries with the slowest growth.<sup>142</sup> In short, despite the Canadian interest in selling to (and presumably buying from) LDCs, Canada appears to be consistently outperformed by fellow OECD countries.

Such a trade record is even more disheartening in view of the strong support Ottawa has given to exporters. Based on EDC, Wheat Board and CIDA disbursements in 1980, one source has estimated that various programs of financial assistance covered 22 per cent of Canadian exports to the developing world in that year.<sup>143</sup> Similarly, the North-South Institute contends that tied aid accounted for over ten per cent of Canada's exports to LDCs between 1981 and 1983, more than three times the average for all member countries of DAC.<sup>144</sup> Moreover, as Raynauld, Dufour and Racette argue, the subsidization of exports is not without its costs: "...the benefits that are alleged to accrue from exports actually decrease in proportion to the amount of the subsidies given by governments to producers in order to generate these

141. Ibid., p. 103

142. Wendy Dobson, Exports to Developing Countries: An Opportunity for Canada, p. 6; and Vittorio Corbo and Oli Havrylyshyn, Canada's Trade Relations with Developing Countries: The Evolution of Export and Import Structures and Barriers to Trade in Canada, p. 76

143. A. Raynauld, J.M. Dufour and D. Racette, Government Assistance to Export Financing, p. 29

144. North-South Institute, Third World Markets and Export Financing, p. 4

benefits."<sup>145</sup> Hence, while individual firms may benefit from being subsidized through the aid program, the Canadian economy as a whole may suffer, as the costs to secure any benefits have been quite high.

At least in terms of the volume of public sector financing provided to promote exports, Canada has for some time been demonstrating a vigorous commitment. If this results in export growth which has not been satisfactory, it seems reasonable to look beyond public sector financing for the explanations.<sup>146</sup>

This thesis cannot deal at length with the causes of Canada's laggard export performance in the Third World. Briefly, though, a number of contributing factors can be cited. The high cost or poor product quality of some Canadian producers is undoubtedly a factor. The fact that Canada competes with LDCs in many products, and especially in primary commodities, cannot be overlooked. The lack of historical, cultural or political links with the Third World to rival those of other DAC donors is probably to blame as well. Such links may help generate commercial export sales, regardless of product price or quality. The export constraints faced by Canadian subsidiaries or affiliates of foreign parent companies has already been mentioned. Finally, the research and development weaknesses and the innate conservatism of many Canadian firms pose an obvious obstacle to product and marketing innovation, and thus to export

---

145. Raynald, Dufour and Racette, op. cit., ix

146. North-South Institute, Third World Markets and Export Financing, p. 4

success.

This brief overview of Canadian trade with the developing world suggests that Canada's macro trade patterns have not changed greatly over the past fifteen years. Canada's overall trade with LDCs still constitutes a small share of total Canadian trade. Given the potentially lucrative nature of many high-growth LDC markets, such a record is quite disheartening, especially considering Canada trails its main OECD competitors in trading with the Third World. Further, Canada's commercial record in the Third World cannot be blamed on a lack of political support: aid-trade models are being pursued vigorously, and a large proportion of Canada's existing exports to the developing world are subsidized through various channels, including the aid program. Undoubtedly, the aid-trade linkage has often performed successfully on the micro level, providing export gains for many dynamic Canadian firms. (Unfortunately, no serious study of this issue has ever been undertaken, or released for public scrutiny). However, at the macro level, several decades of aid-trade practice have not noticeably opened up Canadian trade with the developing world. Is it not appropriate, then, to begin assessing the costs, to both Canada and its development partners, of employing the aid program to this end?

#### 4.4 The Case Against The Aid-Trade Connection: Propriety

It has been argued here that the aid-trade linkage may not be a fruitful strategy for Canada, given a number of serious obstacles. The relatively poor Canadian performance in penetrating LDC markets brings the utility of the aid-trade policy linkage even further into doubt. However, success or failure aside, Canada should begin to disengage its aid program from such commercial concerns as much as possible, for a number of factors bring into question the political and economic propriety of the burgeoning aid-trade linkage.

A number of factors relating to Canada's own interests deserve mention in this regard. The first concerns the sources of Canada's export weakness. As the North-South Institute points out, if public sector financial assistance has not been able to rectify Canada's export troubles, then it is appropriate to search for root causes. Unfortunately, the popularity of the aid-trade linkage and the unproven faith in its utility may preclude attempts to get at the sources; it is also unlikely that aid-trade linkage itself can help directly to alleviate such problems. Thus, paradoxically, efforts to enhance Canadian export performance through manipulation of the aid program may actually serve to undermine Canada's future export position.

Similarly, the subsidization of inefficient firms, through tied aid or the INC, for example, may slow necessary industrial adjustments and thus retard the long term industrial development

of the country.<sup>147</sup> Such "protectionism" may reduce the incentives to become more enterprising and innovative.<sup>148</sup>

Further, if CIDA suppliers are inefficient, uncompetitive in price, or unsuitable for the developing country's conditions, Canada's future commercial reputation may be dealt a severe setback. As Adams puts it: "...one can only be deeply skeptical of the long-term wisdom of a policy which ties Canada's commercial reputation in the recipient country to the provision of uncompetitive goods.<sup>149</sup> Admittedly, the magnitudes involved in the aid program are not so great as to threaten the future of Canadian prosperity if inefficient firms are sheltered. The detrimental impact of the aid-trade linkage thus should not be exaggerated in this regard. On the other hand, though, the aid program does concentrate on certain activities and certain sectors of Canadian "competence and expertise", so the results might be concentrated, sectorally and even regionally. And commercial reputation, often critical in penetrating LDC export markets, may very well hinge on the aid-related performance of only a few firms.

Another question to be considered is whether CIDA's own political and administrative weaknesses ought to be addressed by

---

147. Ibid., p. 10

148. Rudner, op. cit., p. 141. Subsidization of dynamic firms, on the other hand, may give such firms the financial and marketing "breathing space" needed to become more enterprising and innovative, and thus successful on world markets.

149. Adams, Oil and Water, p. 26

having recourse to politically popular and administratively less onerous projects and programs. Should not the root causes of these problems (among them the lack of authority, the inability to disburse funds, and the confusing mix of objectives) be addressed directly, rather than indirectly through the aid-trade linkage? Just as with Canada's export troubles, there lies the risk that the popularity of the aid-trade issue will preclude efforts to strengthen CIDA.

Finally, by elevating economic self-interest to such a prominent position in the aid program, Canada could be seriously undermining its international credibility and influence, particularly with the developing world. Canada's reputation has already been tarnished for its ambivalent and self-interested stances on many issues of interest to developing countries; a further blackening of this reputation can only serve to hurt Canada's long term commercial and political interests in the developing world.

In short, Canada's commercial and political self-interests do not appear to be well-served by a policy of integrating aid with commerce. But, on a broader level, Canada's move towards an aid program dictated by commercial concerns may have undesirable consequences for the developing world and for the international community as a whole.

One such possible effect is the continued blurring and confusion of objectives in the Canadian aid program. Aid and commerce can co-exist harmoniously in some instances, but in too

many others the attempted integration creates conflicts or contradictions in policy, thus necessitating compromises and policy reversals. In such a political and bureaucratic environment, developmental objectives are on a shaky footing. The domestic political constituency for Third World needs is considerably smaller and weaker than those supporting other objectives, and is less likely to prevail in a political "show-down". Hence, concessions must be made, but, for the most part, concessions to other objectives reduce the developmental value of aid. Thus, developmental objectives, for which CIDA supposedly was created and for which Canadian tax dollars supposedly are spent, simply cannot compete with the domestic political popularity of the aid-trade linkage. In short, a continued policy of pursuing this linkage is likely to lead to further confusion and conflict among aid objectives, and hence a less than desirable Canadian aid effort.

Similarly, the intrusion of commercial concerns into aid policy can have the effect of reducing the real value of resources transferred. For instance, tied aid is said to reduce the real value of aid by up to 20 per cent. Funds moved to middle- and upper middle-income LDCs may lessen the amount available for the lower-income LDCs and the LLDCs. Despite the increasing ability of some recipient governments to formulate sound, long-range development plans and to negotiate effectively with donors, development priorities may still be distorted by commercially-oriented assistance offerings. Besides, not all



LDCs yet possess the ability to maximize their gains from the aid relationship. In another vein, money spent on food aid as "surplus disposal" reduces the likelihood that more important projects and programs for agricultural research and development will be financed. While the intrusion of commercial concerns does not necessarily nullify the developmental impact of aid funds and projects, there is a great likelihood of this happening, given the different priorities of each objective. Again, Canada's development assistance effort is likely to be less effective than it could be in the absence of such concerns.

Finally, Canada's pursuit of the aid-trade linkage could provide other DAC governments with the justification or rationalization for adopting similar policies. Without exaggerating the catalytic role Canada might play in igniting an export credits war, or in preventing collective agreement on measures to untie aid, it is still clear that Canada does possess some credibility and influence in DAC counsels, and should be prepared to wield it in a constructive way. Especially given the marginal benefits thus far accruing from its pursuit of the aid-trade linkage, Canada has a great opportunity to play a positive, if symbolic, role in making development assistance more effective, and in elevating the interests and needs of the LDCs to greater prominence.

#### 4.4 Conclusions

This chapter has attempted to evaluate the practical utility and the longer-term propriety of seeking domestic returns from the development assistance budget. Intuitively, the aid-trade linkage might be able to function effectively, generating reciprocal benefits for donor and recipient. In such an ideal scenario, recipient governments would grant aid projects to donors on the basis of accurate perceptions of donor strengths and according to well-balanced, long term development plans, the private sectors in both countries would play a highly constructive role in cementing reciprocal economic relationships, and sustained two-way trade flows would commence.

Unfortunately, though, theory is always confronted by the ugly face of reality. And the realities of the Canadian economy, polity and development assistance program suggest that a great many obstacles must be surmounted for the linkage to work effectively, as in the model, for Canada. CIDA may simply be the wrong vehicle for promoting this linkage, and the Canadian private sector the wrong agent for its execution. Thus far, the utility of the aid-trade linkage remains to be proven, although the government is determined to proceed on the basis of untested assumptions. Similarly, the political and economic propriety of the linkage is questionable: it may damage Canada's political credibility and commercial reputation in the developing world, while undermining the integrity of Canada's and possibly other

DAC countries' aid programs.

Thus, it does not appear that the benefits, broadly conceived, stemming from Canada's pursuit of the aid-trade linkage have been worth the costs, broadly conceived. Clearly, no simple formula can establish the exact nature of the trade-offs. On a number of counts, though, Canada's stance is overly self-interested without appearing to serve Canada's interests. Yet Ottawa pursues this strategy with increasing enthusiasm. Why is this? An explanation for this critical question is the subject of the next chapter.

## V. EXPLAINING THE "COMMERCIALIZATION" OF CANADIAN AID

### 5.1 Introduction

The principal lessons to be gleaned from the preceding chapters are that the Canadian aid program has become the arena for a variety of contending interests, with the pressure to generate domestic economic benefits from ODA becoming increasingly influential in this interplay of interests. The aid-trade linkage now appears to be firmly enshrined in aid philosophy, planning and practise at CIDA. However, the costs to both Canada and recipient LDCs appear to exceed any benefits arising from the aid-trade linkage. Considering the immediate costs and the long term implications of this trend, an explanation for its prominence is indeed warranted. Why has CIDA become concerned with securing returns from the aid budget, in both the short and long terms?

The explanation to be presented in this chapter will proceed as follows. First, a variety of perspectives found in the literature will be examined and assessed. Generally, each offers useful insights, but none provides a sufficiently comprehensive explanation for this complex question. Based on the evidence thus far reviewed, the interplay of pressures, interests and objectives, both domestic and international, suggests that a mono-causal explanation will be inadequate. Thus, the explanation to be offered here will draw on the strengths of

several perspectives and paradigms. First, though, it is to an exploration of a number of alternative perspectives that the thesis turns.

## 5.2 Critical Perspectives On The Aid-Trade Connection

The first perspective to be examined would suggest, strangely enough, that there is no viable explanation for the increasing "commercialization" of Canadian aid. The business of politics, the argument runs, is so laden with influences, pressures, events and interests that policy emerges in an ad hoc, unplanned and even random fashion. White provides a fine example of this perspective:

...the actions of donors are determined primarily by the historical situations in which they happen to find themselves...in any given situation differing motives will give rise to similar actions. Motivation, in other words, is a minor factor, the analysis of which does not help us in explaining what it is that donors do.<sup>150</sup>

This "non-explanatory" perspective has problems accounting for the trends observed in the history of Canadian development assistance. It quite properly draws attention to the great difficulty involved in disentangling influences from pressures, and objectives from rationales. However, this should not nullify the utility of such a task. Further, if the evolution of the Canadian aid program has been guided primarily by "historical

---

150. John White, The Politics of Foreign Aid, pp. 34-35

situations", as White would argue, why is it that widely different development problems in many countries have given rise to remarkably similar Canadian policy responses? White's perspective also suggests a deterministic inability of donor governments to fashion, pursue and achieve objectives. Such a view, again, does not accord with the determined pursuit by Ottawa throughout the years of various political, commercial and developmental objectives. (Whether it has achieved these objectives is an altogether different matter). Politics, and more specifically the politics of foreign aid, may often be irrational, pragmatic or misguided, but are just as often rational and predictable, responding to concrete economic and political interests. Trends and patterns can be discerned. Moreover, while it is clearly true that governments develop rationales for their actions long after commencing those actions, this does not mean prior (and ultimately decisive) objectives and pressures have not played their part. In short, the aid-trade issue has not become politically salient purely by historical chance.

Another perspective, and not surprisingly that adopted most often by CIDA itself, is that the aid-trade linkage represents, primarily, an evolution in the developmental models guiding Canada's response to Third World needs, an evolution prompted in large measure by the changing developmental requirements of LDCs. Hence, the references in CIDA publications to the innovative role of private business in development, the necessity of effecting

technology transfer, or the growing capital needs of LDCs are all suggestive both of changing needs and evolving developmental models. Is it not possible, then, that all these instruments for pursuing the aid-trade linkage are founded primarily upon the responsiveness of CIDA to new development needs, with the thought of "trickle back" benefits a remote concern, publicized mainly for the purpose of garnering political support for aid spending?

In CIDA's defence, this argument has some merit. Certainly, changing developmental needs and shifting models of development have something to do with the use of more commercial or market-oriented aid instruments, projects and programs. Exactly how much is very difficult to ascertain, but suffice it to say that responsiveness to LDC needs at CIDA headquarters is in part responsible.

On the other hand, however, it would be erroneous to attribute the entire aid-trade orientation to CIDA's changing perceptions of LDC needs. For one thing, CIDA's relatively weak position in the Ottawa hierarchy has rendered it vulnerable to pressures from other federal government actors. Such pressures have played a much more significant role than has CIDA itself in the drift towards the aid-trade connection. Besides, CIDA has often (but not always) resisted the integration of aid and commerce. Further, it is difficult for CIDA to justify this new orientation purely on developmental grounds when it can be shown that this orientation produces inconsistencies and conflicts in policy. For instance, to be true to its developmental mandate,

CIDA should adopt different policies for LLDCs and middle-income LDCs on issues such as food aid and tied aid, but it does not. This suggests that the developmental basis for many of these aid-trade models is at best a subordinate influence over policy decisions.

A third explanation, perhaps peculiarly Canadian, is that Canada is simply a follower in DAC circles, its policies reflecting those of the DAC leaders (i.e., United States, France, Japan, Britain, West Germany). This perspective would contend that Canada faces very real limits, both economically and politically, in its ability to respond to the needs of LDCs through its aid program. Politically, the main DAC donors would take great offence if Canada's aid performance improved rapidly; their own aid efforts would begin to appear less generous, and thus prove to be a source of political embarrassment. Economically, it is argued, Canada would suffer greatly if it unilaterally eliminated the commercial underpinnings of many of its aid policies. For instance, the untying of bilateral aid would produce procurement losses, and the cessation of mixed credits might lead to the loss of existing or potential export markets. How can Canada untie its aid, or resist using mixed credits, when its main commercial rivals are employing such tactics to penetrate Third World markets?

While plausible in some instances, perhaps, this perspective vastly underrates Canada's importance as an aid donor and its potential influence in DAC circles. The very generous



concessionality (i.e., high grant element and low interest rates) of Canadian loans stands out as an example of what can be done without necessarily igniting a political conflict. Conversely, Canada's laggard performance on many other aid issues, such as procurement tying and the use of "associated financing" cannot be explained with reference to the DAC leaders, for their performance on these and other issues is more commendable than Canada's. Indeed, the perennially admirable development assistance programs of the Nordic countries and the Netherlands refute this argument almost entirely, for they are much smaller and less influential in DAC than is Canada. The ability of these nations to "insulate" their aid programs from the vicissitudes of fiscal and economic pressures suggests that domestic factors may be more critical in shaping aid programs than international trends and pressures. In short, Canada should not be exempt from blame for its increasing drift towards a self-interested aid program.

Other observers surmise that disenchantment among aid officials and politicians with the results of aid programs is to blame for the aforementioned drift. Colaco accounts for such disenchantment:

A lack of appreciation of the long term nature of the development process combined with an indiscriminate lumping together of countries with greatly different cultures and resource availabilities under the monolithic rubric of "developing countries" has within it the seeds of disenchantment with

development cooperation.<sup>151</sup>

According to the North-South Institute, the political failure (inability?) to explain properly the complex and high-risk nature of the development process generated unreasonable expectations about the potential of aid; these expectations have largely not been satisfied, which creates disenchantment.<sup>152</sup> This disenchantment, in turn, makes it more difficult to defend aid spending in an era of economic recession and fiscal restraint. Hence, increasing attention turns to securing domestic returns from aid spending in order to guarantee public and intra-governmental support for the aid program, and thus to "save" ODA. A representative view is found in the Hatch Report of 1979, which expresses the belief that the business community was disenchanted with CIDA's "overly philanthropic giveaway approach." To rekindle shrinking public and business support, and to "do more for development", the Report argues, Canada should more closely integrate its aid activities with its trade strategy.<sup>153</sup>

Clearly, this type of explanation provides several useful insights. It draws attention to the positive relationship between domestic economic pressures and self-interest in the aid program. This "political support" hypothesis suggests that even CIDA may embrace the aid-trade linkage if it means "saving" the

---

151. Colaco, op. cit., p. 16

152. North-South Institute, In the Canadian Interest? p. 54

153. Export Promotion Review Committee, op. cit., p. 35

aid program. Further, disenchantment with the results of foreign aid brings with it a questioning of the validity of the old approaches to using aid, thereby facilitating the emergence of new approaches, such as industrial cooperation. And, quite rightly, this explanation lays blame squarely on governments for failing to appreciate the complexity of the development process, and for promoting false expectations about the potential of aid.

To be more complete, though, this "disenchantment" hypothesis ought to be able to answer six questions. How are the origins of commercial interest in aid, which clearly preceded any possible growth in disenchantment, to be explained? Is not the failure to meet expectations due at least in part to the fact that commercial and political interests have always influenced aid policy, thus resulting in poor development policy? Why have governments been unable or unwilling to explain to the public the complex nature of the development process, and the realistic limits of aid in that process? If disenchantment is so strong, then why are aid programs not simply eliminated? Are not other factors more significant than disenchantment in accounting for the decline in public and political support for aid? Finally, how are certain aid donors able to "insulate" their programs from very similar economic pressures and feelings of disenchantment? Such questions suggest that disenchantment with aid may be important but that it cannot assume the status of a primary causal factor. Other considerations must have entered the picture.

A relatively large body of literature on Canadian foreign aid has emerged which might best be termed "radical". Analysts in this school see the role of the state as being determined by the imperative of capital accumulation. Through its various agencies and departments, including the development assistance agency, the state exists to serve the interests of private business. Two primary variants of this perspective deserve mention. The first sees this capital accumulation role as being determined by the structural forces which guide capitalism. Pratt supplies an example of this "structuralist" interpretation of the role of the state: "Any contemporary capitalist state...must maintain its unity and it must ensure the reproduction of its conditions of production. These structural requirements determine the role of the state."<sup>154</sup>

The second variant of this "radical" critique of the state does not see the role of the state as being structurally determined; instead, leading state personnel are personally responsive to the needs of leading corporations. Constant business pressure on such personnel also pays dividends, as the policies and programs of the state almost always reflect the needs of private business. Typical of this "instrumentalist" position is the following passage:

...as the size of the aid program grew, and because national and international economic problems caused the needs of Canadian-based corporations to increase, CIDA has been

---

154. Cranford Pratt, Canadian Policy Toward the Third World: The Search for a Paradigm, p. 10

increasingly pressured towards the promotion of Canadian exports and therefore the accumulation of private profits.<sup>155</sup>

Whether through "structural requirements" or active pressure the Canadian state is perceived as the staunch ally of private corporations, skillfully employing the aid program and other government organs to promote private profits. The state's own interests are not seen as a major influence on state policy, but are instead seen as either subordinate or identical to those of private firms or of capitalism in general.

...federal policy-makers are not just cajoled by business. They also fervently share the business belief that exports must expand if Canada is to prosper. Private corporations are the lead actors in their export-led economic strategy, and the aid program is one of several supporting roles played by the state.<sup>156</sup>

Often termed a "neo-marxist" or "dominant class" perspective, this school of thought represents a fairly comprehensive and convincing critique of the intent and practise of development assistance. It thus provides a number of very penetrating insights. It draws attention to the close interrelationship that exists between economic dislocation in Canada and abroad, and increasing fiscal pressures in government. Hence, it is able to show how the twin problems of recession and restraint have been forced onto and into the development assistance program in the search for solutions to each. On

---

155. Carty, Smith and LAWG, op. cit., p. 111

156. Ibid., p. 104

another note, such a critique is quite correct in arguing that aid has been and is used for the promotion of exports, and thus private profits. The interests and general economic philosophies of the state and of business thus are often in tandem, as "radical" theorists contend. Accordingly, it is quite likely that the interests of the Canadian private sector, broadly conceived, and those of more specific economic sectors and individual firms, receive a fairer and more sympathetic hearing in the corridors of government than do the interests and demands of those "critical internationally-oriented public interest groups"<sup>157</sup> which are in favour of an aid program less constrained by commercial considerations.

While radical critiques of Canadian foreign aid are commendable on a number of points, it is equally clear that they ignore certain factors critical to an understanding of the evolution and practise of Canadian aid. To begin with, their focus on the prominence of commercial objectives and the interests of business downplays the significance of purely political considerations in the aid program. It will be remembered that the aid program originated in an ad hoc manner primarily to serve political and diplomatic interests; it was only later that commercial concerns came to the fore. The origins of the aid program and its early evolution, it can be argued, were a very important factor in the relative ease with

---

157. Cranford Pratt, "Canadian Foreign Policy: Bias to Business", in International Perspectives, November/December 1982, p. 6

which the commercial imperative became embedded in aid practise. And now, the interplay of and conflict between the political and the commercial orientations of aid are an enduring feature of aid policy-making in Ottawa. Any analysis which simply equates political interests with commercial objectives is overlooking the complexity and confusion which envelope CIDA's activities, and is thus missing an important factor in an understanding of the "commercialization" of Canadian aid.

A second criticism of the dominant class perspective is that it suggests that the Canadian state plays a subordinate or at most a supporting role in decisions over the direction of aid policy. On the contrary, the evidence reviewed points to an extremely large and autonomous role for the various organs of the state in the debates over the direction of aid policy. This role, and the interests of the various state organs, cannot simply be assumed to be at the behest or even on behalf of business; in a number of instances, bureaucratic interests have come into conflict with the explicit demands of the "business lobby".<sup>158</sup> While many philosophical differences between business and CIDA have been eliminated, especially in the past decade's pursuit of the aid-trade linkage, a number of significant differences still remain in the respective views of CIDA and Canadian business associations as to the proper role and

---

158. The most telling example of the divergence in the respective views of business and CIDA over the direction of aid policy is the entire thrust of the Hatch Report, which expressed the general opinion that aid and commerce should be integrated as closely as possible.

objectives of the aid program. In short, in aid policy-making as in many other fields, the state-business relationship might more appropriately be termed a "privileged yet conflictual relationship"<sup>159</sup> or a marriage of convenience rather than a permanent partnership.

Finally, the dominant class critique of Canadian foreign aid seems to portray the Canadian state as a monolith. The evidence reviewed in this and other case studies suggests, however, that the key players in aid policy-making in Ottawa over the years—External Affairs, Finance, Industry, Trade and Commerce, DRIE, Agriculture, and CIDA — all have widely divergent interests, capabilities and mandates. Hence, each brings a particular perspective to the table in the process of deliberating over aid policy and Canadian policy on "non-aid" issues of interest to the developing world. As a consequence of these differing political and bureaucratic interests, conflicts arise over the proper role and direction for Canadian ODA, compromises are fashioned, and clear winners and losers often can be identified. Such a situation does not appear to support the notion of a unified state, a notion often (but not always) implied in neo-Marxist analysis. It has been argued, however, that such conflicts are tantamount to class frictions within the state, with the various political players each representing different fractions of class

---

159. William D. Coleman, "Canadian Business and the State", in Keith Banting (ed.), The State and Economic Interests



in society.<sup>160</sup> While the conflicts engendered may represent, in the abstract, conflicts over the proper role for the state and over the "division of spoils" from public policy, they also represent uniquely political and bureaucratic conflicts, unrelated to any ephemeral conception of class conflict.

The final theoretical perspective to be examined in this section may be termed the "governmental politics" approach.<sup>161</sup> Analysis under this rubric attempts to "get inside" the state, to penetrate decision-making bodies, and to locate the sources of bureaucratic and ministerial conflict. The guiding rationale behind this perspective is that by examining the environment of decision-making, one discovers the real source of policy. Further, such analysis explicitly asserts that the state has interests of its own, both broadly conceived and for each of its many sub-actors; that it actively pursues these interests, if need be at the expense of the interests of social groups or classes; and that, for the most part, the state is able to withstand the pressures exerted by domestic interests if their objectives differ from its own. In short, the governmental politics analysis suggests a relatively autonomous and relatively powerful state with its own unique interests. As Nossal puts it:

---

160. Linda Freeman, The Political Economy of Canada's Foreign Aid Programme

161. A very detailed and thorough example of this perspective is contained in Glyn Berry's Ph.D thesis, Bureaucratic Politics and Canadian Economic Policies Affecting the Developing Countries - The Case of the "Strategy for International Development 1975-1980"

...the Canadian government's policies towards development are the result not of the preferences of particular groups or classes within civil society, nor even of some empheral (sic) notion of Canadian society writ large. If these policies serve the interests of specific groups, it is incidental to the main interests being served: those of the state itself.<sup>162</sup>

The "governmental politics" approach, further, suggests that "bureaucratic maintenance"<sup>163</sup> is an extremely important concept for understanding the aid policy-making process: "Crudely put, interest in development stems from the existence of a large agency designed to administer aid programmes."<sup>164</sup> Hence, interest in foreign aid stems primarily from the state; policy changes are effected primarily at the state's discretion; and the imperatives of position within the state and personal ambition dictate how the "state" will act. In order to understand Canadian foreign aid, the argument goes, attention should focus on politics within the state itself, rather than on government-business relations or international trends.

Like the dominant class or neo-Marxist perspective assessed earlier, the governmental politics approach to studying Canadian foreign aid is extremely insightful. In particular, its focus on

---

162. Kim Richard Nossal, Statism, Realism and Canadian Policies Towards the Third World, pp. 12-13

163. Nossal has defined "bureaucratic maintenance": "...usually measured by the ability of senior management to sustain if not expand budgetary and manyear allocations and to defend if not expand the organization's policy jurisdiction." Ibid. p. 5

164. Ibid., p. 24

intra-governmental conflicts, bureaucratic interests, administrative expediency, and relative state autonomy are very helpful for understanding the stresses and strains operating on CIDA, forces which have been very influential in shaping aid policy.

On the other hand, though, the governmental politics approach cannot go all the way towards a comprehensive explanation for the "commercialization" of Canadian foreign aid. First, in and of itself, it does not provide a sound basis for understanding state-society linkages. Instead, the state is conceptualized as a removed and autonomous entity, with few links to the society around it; the society, broadly conceived, scarcely enters the analysis. This study of Canadian foreign aid reveals that while public opinion and domestic pressure groups are not always influential in shaping the direction of aid policy, they can be and have been in some instances. A fuller explanation therefore must provide a basis for understanding the role of non-state actors in policy-making and their relationship with the state.

Second, a governmental politics analysis may exaggerate the real autonomy and strength of the state. Again, this study of Canadian development assistance suggests that the state and its various agencies and ministries are constrained by a variety of domestic and international pressures, foremost among them economic recession, fiscal restraint and the pressures for re-election in a liberal democratic political system. Hence, even

though policy decisions may be made in a relatively removed political and bureaucratic environment, prior pressures and influences have always played a role.

In conclusion, this review of assorted theoretical and explanatory analyses has served two purposes. First, a number of fruitful insights emerges in such an exercise. Second, this survey has led to the conclusion that the salience of the aid-trade linkage in Canadian development assistance cannot be explained adequately by a single paradigm, or be attributed to one source, however large. Instead, a variety of factors has been causally involved in the evolution of the aid program and the increasing attention to aid-trade linkage: humanitarian, developmental, economic and political, on both the domestic and international levels. They must, therefore, be included in any explanation as independent variables, and given the weight they deserve. No single paradigm, though, can account for this variety of influences. Accordingly, the explanation to be outlined below will not be premised on a single paradigm, but will borrow from many. It is to such a "multi-theoretical" analysis that the thesis now turns.

### 5.3 Towards An Alternative Explanation

Thus far the analysis has shown how a large number of factors have influenced the evolution of the Canadian development assistance effort. The challenge, then, is to construct an

explanation for the emergence to prominence of the aid-trade linkage which can account for and accommodate this diversity of influences, while still remaining systematic and coherent. One approach that might be taken is to explain the salience of the aid-trade linkage in three stages, each successive stage building upon the previous and each responding to questions left unanswered at the prior stage. This should lead to an overall explanation which can account for the aid-trade policy linkage, but which as well answers some of the larger questions involved in Canada's relations with the developing world.

#### 5.3.1 Why Has The Aid-Trade Linkage Become Politically Current?

Accounting for the emergence of the aid-trade linkage must begin first with reference to the origins and early development of the Canadian aid effort, for they have had a critical impact on subsequent trends. It will be recalled that Canada entered the foreign aid business primarily for political reasons: to counter communism and to help build the foundations for the Commonwealth. In spite of such interests, however, Canada's early participation in the Colombo Plan never resulted in a strong, central aid agency, nor in a coherent philosophical framework by which to judge aid applications, procedures and projects. This ad hoc administrative and philosophical situation was fertile ground for the infusion of more objectives and interests into the aid program, and this is precisely what

happened.

In the 1950s and 1960s, these anti-communist and pro-Commonwealth impulses were joined in the aid program by other political objectives: appeasing Canada's Francophone population, thwarting Quebec's international aspirations, building Canada's international prestige, cementing political relationships with newly independent countries, acknowledging American demands for a more active Canadian role in the Americas, and, perhaps, firming up the Canadian national identity through the activist foreign policy of "internationalism".<sup>165</sup> Humanitarian impulses were strong in these early years, or at least were claimed to be so. Commercial interests in these early years were mostly of a general nature: foreign aid was presumed to enhance the economic stability of newly independent nations, to set them on a course of economic growth, and to lead to a general expansion of world trade, all of which would create markets for Canadian goods. The tied aid provision represented a more concrete medium for commercial interests.

Under the pressures of this lengthy and growing list of objectives to be served by Canadian foreign aid, it was inevitable that conflicts would emerge between different levels of the aid bureaucracy. For instance, at the technical level, aid planners could develop a clear set of developmental criteria

---

165. Lyon and Ismael (eds.), op. cit., xlv - xlvi. Lester B. Pearson once noted that idealistic internationalism and the national interest were opposite sides of the same coin. Cited in Peyton V. Lyon and Brian W. Tomlin, Canada as an International Actor, p. 4

by which aid projects and programs could be planned and judged. However, the intrusion of numerous non-developmental objectives from the higher reaches of the aid bureaucracy was bound to upset aid planning and thus impair the consistency of the approaches taken in projects and programs. The differences in outlook between planners and policy-makers was (and still is) likely to hamper the consistency and effectiveness of Canadian aid.

In addition, the fact that foreign aid practise was relatively recent made such a task even more difficult, as the very complexity of underdevelopment and the development process were only just being realized in these early years. Aid agencies could barely keep up with the flux in theories and models of development, and CIDA proved no exception. As Steeves notes: "The industrialization through growth model gave way to medium-scale industrial development and infra-structural investment, teacher training gave way to vocational and technical training, development in general gave way to rural development and, finally, a strongly economic approach has been moderated by a concern for the social impact of development projects."<sup>166</sup> This flux undoubtedly continues to this day, in part reflective of the changing needs of LDCs but just as much a reflection of the near impossibility of fully understanding the development process. Unfortunately, though, this bewildering variety of approaches to

---

166. Steeves, op. cit., p. 7

using foreign aid has impaired the coherence of the aid program<sup>167</sup> and has prevented CIDA from limiting its objectives and from assigning consistent priorities among them.

Further, Canadian aid agencies have never been able to attain any real measure of autonomy or authority in Ottawa. Despite the much-heralded arrivals of EAO in 1960 and CIDA in 1968, and the significant improvements each made in the practise and image of development assistance, Canada still awaits a central aid agency which is capable of fending off the demands of other federal government actors. As long as EAO or CIDA held subordinate positions in the federal government hierarchy, the representation of Third World interests in official Ottawa was likely to remain weak. And as long as they remained weak, more political and commercial objectives could be dumped onto the aid program, thereby contributing further to their weakness. Indeed, "jurisdictional invasions" by External Affairs, Finance and Trade and Commerce had long been a feature of Canadian aid, but in the context of growing aid budget in the 1960s and early 1970s, and the increasing interdependence of domestic and international affairs, the interest of these powerful departments in the aid program grew. "Jurisdictional invasions" thus continued, and, ironically, just when CIDA's budget was increasing its autonomy and its control over the budget seemed to diminish.

Certain changes in the Ottawa decision-making environment in the 1970s served to increase such "jurisdictional invasions", and

---

167. In a series of interviews with CIDA officials, Bruneau, Jorgensen and Ramsay found that the officials felt that the lack of a single concept of development was a major problem because planners and policy-makers operated with different views. Bruneau et. al., op. cit., pp. 33-34



to weaken further CIDA's ability to place purely developmental considerations first. The first such change was the introduction by Prime Minister Trudeau of collegial or consensus decision-making in Cabinet. This was intended to encourage broad discussion of issues in Cabinet, and thereby to ensure more Ministerial control and better coordination of policies between departments. One unfortunate result of this change, for CIDA at least, was that such discussion aimed at consensus positions, thus necessitating compromises. For an aid program, however, compromises invariably mean further watering down of developmental priorities to accommodate other interests.

The second change worth mentioning was the increasing delegation of policy discussion and policy-making authority to interdepartmental committees.<sup>168</sup> In theory, according to Wyse, these committees were supposed to generate wide-ranging options and viewpoints, but the Cabinet wanted consensus position: its view was that aid policy should not conflict with the objectives of other departments.<sup>169</sup> Consequently, innovation in aid policy was thwarted while existing policy "invasions" continued unimpeded:

Consensus decision-making in the committees was not only incapable of weighing priorities; it was also fundamentally

---

168. The most important of these committees were the Canadian International Development Board (CIDB), the Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC), and the Interdepartmental Committee on Development Assistance (ICDA).

169. Wyse, op. cit., pp. 25-28

conservative. On almost any issue the status quo prevailed, unless a consensus existed to change it.<sup>170</sup>

As the North-South Institute points out, the formal involvement of other departments in discussions on aid policy and on the broader question of "development cooperation" may have seemed an ideal way of forging a more consistent and balanced Canadian position on issues of concern to developing countries, but this was not the result:

While perhaps ensuring more breadth of perspective and expertise, this expanded participation has not simplified the process of deciding on Canadian action in areas where departmental objectives and biases differ.<sup>171</sup>

Despite the representation of commercial and political interests in the aid program through these interdepartmental committees, CIDA never enjoyed great success in effecting reciprocal influence over non-aid matters. CIDA thus has been unable to make up the policy "ground" lost in development assistance with policy influence over non-aid matters.

The third change which further weakened CIDA was the rational budgeting system introduced by Trudeau for the entire federal government. Wyse argues that the system put in place created an incentive for senior CIDA executives to "load" the aid program with objectives: the more objectives, the better the justification for the aid program and the greater the Cabinet

---

170. Ibid., p. 28

171. North-South Institute, North-South Encounter: The Third World and Canadian Performance, p. 37

support at budget time.<sup>172</sup> But in "loading" the aid program with objectives, CIDA had to permit the departments concerned to participate in aid policy-making.

In essence, the government's budgetary system fostered an unequal bureaucratic transaction: CIDA sold influence over the aid program in return for verbal support at budget time, while government departments acquired influence over the aid program even though supporting it cost them nothing.<sup>173</sup>

Thus, by the time the twin troubles of domestic recession and fiscal restraint emerged in the late 1970s, CIDA was already burdened with trying to balance and accommodate a wide range of interests. The economic slowdown served greatly to increase the pressures to satisfy such interests. Federal departments found themselves subject to increased pressure from their constituencies to produce policies and programs which would offset the effects of the recession; such pressure, in turn, was then applied to CIDA. The general economic thrust of the federal government also shifted at this time, with greater emphasis on export growth (evidenced by the 1982 shift of trade functions from Industry, Trade and Commerce to External Affairs); not surprisingly, CIDA was quickly identified as a viable vehicle for export promotion.

The recession also heightened the concern for fiscal restraint in government. One way to survive the impact of budget cuts was to make the aid program less "philanthropic" and more

---

172. Wyse, op. cit., p. 29

173. Ibid., p. 29

geared towards domestic economic returns. Naturally enough, CIDA executives and the small "pro-aid" constituency in Ottawa were not pleased with such pressures, but were likely more receptive to the calls for making the aid program "commercially relevant" than they had previously been: better to have an aid program oriented towards domestic benefits than no aid program at all. The strategy (if it may be termed such) may partly have succeeded: CIDA spending as a proportion of federal government spending has remained fairly constant throughout the late 1970s and early 1980s<sup>174</sup>, although it has not been immune to cutbacks in appropriations. Rudner concurs, arguing that the increasing concern for domestic benefits from the aid program "...enabled the ODA target to survive the fiscal stringencies of the recession more or less intact."<sup>175</sup> Of course, the utility of "saving" an aid program with such a mixed bag of objectives is an open question; however, CIDA still does perform a number of functions admirable, so the fact that they survived may be due to gouging in other parts of the program.

Throughout Canada's three and a half decades of foreign aid programs, aid officials have often attempted to resist (usually with little success) the intrusion of commercial considerations into the aid program. For a number of reasons, though, this

---

174. ODA as a percentage of federal government expenditures dropped from 2.8 (1970-72) to 2.3 (1975-77) to 2.3 (1978-80) to 2.1 (1981-83). OECD, Twenty-Five Years of Development Cooperation, p. 132

175. Rudner, op. cit., p. 128

resistance may now largely be a thing of the past; as it has developed, the aid program now provides a number of incentives for aid planners and policy-makers to embrace the commercial orientation. The need for political support, stemming from the precarious position of a weak state agency, has already been mentioned. Administrative considerations, too, bias aid policy in favour of pursuing the aid-trade linkage. For instance, the expansion in CIDA spending throughout the 1960s and early 1970s was not matched by a corresponding increase in personnel at CIDA or in operating budgets for bilateral programs. Consequently, severe disbursement problems emerged which threatened the very existence of some of CIDA's programs. The solution was to resort increasingly to program forms of aid, which required fewer administrative personnel.<sup>176</sup> According to a federal task force, CIDA planners now favour projects which either lend themselves to rigid planning and where the disbursement profile can be predicted fairly easily (e.g., large construction sites for infrastructure projects), or whose rhythm of disbursement can quite easily be sped up or slowed down (e.g., lines of credit, food aid)<sup>177</sup> - that is, certain commercially-oriented projects and programs. The tying of aid, also, may help alleviate the disbursement problem:

Hard-pressed planners can use tied aid as justification for locating a Canadian

---

176. Task Force on Canada's Official Development Assistance Program, op. cit., pp. 53-54

177. Ibid., p. 58

supplier who can be engaged quickly and relied upon to deliver his material or expertise with a minimum of supervision and regardless of expense.<sup>178</sup>

Philosophically, too, CIDA is likely more comfortable with the new commercial orientation of some aid projects and programs. The ongoing flux in development models, the plethora of objectives residing in the aid program, and the differing developmental needs of LLDCs, low-income LDCs and NICs all helped the commercial imperative to find a philosophical home at CIDA. Such a process was undoubtedly facilitated by disenchantment with the results of aid, and by a corresponding disaffection with existing approaches to development. In such an environment, some of the aid-trade policy positions may have appeared highly innovative and attractive. Indeed, the current President of the agency, Margaret Catley-Carlson, is very enthusiastic about the aid-trade linkage and the need to involve the Canadian private sector in the development process. Terms such as "mutual interests", "interdependence" and "industrial cooperation" are all genuinely reflective of a philosophy of development premised largely on getting the fastest-growing LDCs onto the world market and in transferring Canadian technology.

In short, then, commercial interests, developmental beliefs and administrative concerns have to a large extent coincided,

---

178. Bruneau, Jorgensen and Ramsay, op. cit., p. 39. It is still an open question as to whether aid tying facilitates the disbursement of aid funds. Glyn Berry has argued that tying may facilitate disbursement in some instances, but in others it may lead to lags in disbursement, rigidity, and excessive administrative supervision.

fortuitously, in the pursuit of the aid-trade linkage. CIDA will no longer oppose unequivocally the intrusion of commercially-slanted policies into the aid program: the integration of aid and commerce almost certainly provides a number of benefits for the hard-pressed agency.

In summary, the aid-trade linkage has gained political currency for a variety of reasons. The ad hoc origins of the Canadian aid effort, the relative permeability and weakness of Canada's aid agencies, and certain administrative and political arrangements have all helped ensure that commercial interests were able to penetrate the aid program. The domestic and global recession of the late 1970s and early 1980s, and the ongoing political concern about government spending, were the final catalysts to the current merging of aid and trade. Initially resistant to such pressures, it now appears that significant elements at CIDA embrace the aid-trade connection for political, administrative and developmental reasons.

In retrospect, the growing popularity of the aid-trade linkage may seem to have been inevitable. Given CIDA's generally precarious position, and the increasing pressures mounted on it as a result of the recession and spending restraint, the concern for securing benefits from the aid program seems almost predestined. However, since the aid-trade policy orientation stems in large part from such domestic pressures, and from CIDA's bureaucratic vulnerability, is it not appropriate to ask why CIDA is forced to accommodate so many varying interests? That is, the

relative weakness of CIDA in the Ottawa hierarchy, its permeability to the interests of other departments, is not an explanation, in and of itself, for the pursuit of the aid-trade linkage, but rather something in need of explanation. Hence, the popularity of the aid-trade linkage raises a larger, more fundamental question to be addressed: why is CIDA so susceptible to the interests of other government department and the pressures of restraint and recession? It is to a discussion of this question that the analysis next turns.

#### 5.3.2 Why Is CIDA So Susceptible To Domestic Pressures?

Why has the federal Cabinet not viewed the creation and maintenance of a strong and relatively impermeable development assistance agency as a political priority? While many factors are undoubtedly involved in this long-term trend, the fundamental reason is that the Canadian government in general, and the Cabinet in particular, have not yet recognized the needs of the Third World as being of paramount importance to Canada.

A number of factors militate against creating a stronger aid agency even if it were desired. The great political and economic diversity of Canada makes it difficult to fashion a consistent national position on development cooperation; in the absence of consistency on this broad issue, the need for a strong central aid agency is seemingly lessened. Similarly, due to the participation of many federal departments in issue areas of



concern to the Third World, achieving political coordination, especially if this involves subordination to an aid agency, is perhaps not politically realistic. Further, few governments are likely to relish the prospect of alienating the business community, which strongly supports the new direction of aid policy, or of creating discord amongst various federal departments. Finally, not even the most ardent supporter of more and better development assistance could reasonably hope or argue that Third World needs should assume top priority in Canadian public affairs; they will necessarily always be overshadowed by domestic preoccupations.

Another important reason why CIDA is so susceptible to assorted domestic pressures is that Canada lacks a domestic political constituency of any magnitude which is willing to defend Third World needs in Ottawa. Such a constituency might be able to resist the movement towards aid-trade linkage by threatening "electoral retribution" on the offending government, or by vigorously lobbying key Cabinet ministers. As it is, though, the constituency for the Third World in Canada is small, unlikely to create great alarm amongst government members. As a result, then, CIDA spending is largely discretionary (even given general international obligations and particular bilateral agreements), and is thus easily manipulated. It is not surprising that one of CIDA's only powerful supporters, the Canadian business community, strongly endorses the aid-trade linkage. As Carty puts it, Canadian business "...lobbies in

favour of continuing aid for all the wrong reasons and is the least interested in a critical evaluation of the impact of aid on the Third World."179

In its current status, then, CIDA represents a unique set of political and bureaucratic compromises: between national and international objectives, between the interests of CIDA itself and those of other federal departments, and between CIDA and business. In short, the Canadian economy and political system provide large obstacles or disincentives to the creation and maintenance of a viable aid program which can avoid succumbing to domestic economic pressures, and thus avoid making such compromises.

These are, certainly, very difficult obstacles. What they require is political attention, political leadership and long run vision, attributes present in some other DAC countries but thus far quite rare in Canada. Indeed, the manipulation of CIDA to serve commercial objectives is somewhat congruent with Canada's position on a variety of North-South issues: they all reflect a short-sighted and short run interpretation of Canada's national interests. Canadian positions on a variety of non-aid issues - such as foreign investment regulation, the Law of the Sea negotiations, or commodity pricing arrangements - have been ambiguous at best, and self-serving and contradictory at worst,

---

179. Carty, in Swift and Clarke, op. cit., p. 151

in responding to Third World needs.<sup>180</sup> For instance, Canadian trade policy vis-a-vis the Third World has been described as "chronic crisis management" rather than as "positive and forward-looking."<sup>181</sup>

The recent pattern of protectionism in Canada would appear to indicate that the "national interest" has tended to be defined in terms of short-run, stop-gap actions on behalf of import-competing domestic producers and producing regions.<sup>182</sup>

Clearly, the short-term treatment of many such issues derives in part from the precarious economic position of many individual firms and producing regions. Such treatment also is clearly prompted by the Canadian political system in which concentrated economic costs are far more visible and thus receive far more attention than the widespread benefits which would likely accrue from "positive and forward-looking" policies. The geographic concentration of economically vulnerable industries in politically critical electoral ridings in Central Canada, and particularly in Quebec, has an undeniable political effect on the way the federal government deals with LDC demands for import access.

---

180. For good treatments of these positions, see: the North-South Institute's North-South Encounter, In the Canadian Interest?, A Balance Sheet, and North-South Relations 1980/1985: Priorities for Canadian Policy; and the Economic Council of Canada, For a Common Future: A Study of Canada's Relations with Developing Countries.

181. North-South Institute, North-South Relations 1980/1985, p. 11

182. North-South Institute, In the Canadian Interest?, p. 49

No matter how difficult these pressures may be, however, they are not insurmountable; indeed, other policy responses can be envisaged which could deal with the problems of these regions and producers without sacrificing the interests of developing countries. Unfortunately, successive governments in Ottawa have proven either unwilling or unable to explore such possibilities. This, in turn, suggests that Ottawa's commitment to the development of the Third World does not run very deep, certainly not as deep as its rhetoric would maintain. Reality, though, is quickly catching up with rhetoric:

...Canada has not delivered on its statesmen's rhetoric; ...its "neutral" reputation...is now tattered; and its record is deteriorating. Canadians can no longer "coast" on whatever favorable reputation Canada may have had in the past. Governmental practise has caught up with image.<sup>183</sup>

Why has practise lagged behind rhetoric? Why are the federal government's responses to the "challenges" of the Third World all too often based on a short run definition of Canada's interests? It is to such questions that the analysis turns.

### 5.3.3 Why Is Canada's Response To The Third World So Transitory?

Such a question may give the impression that Canada has done nothing of substance to contribute to the development of the world's poorest nations and peoples. Such an impression would be

---

183. Helleiner, in Journal of Canadian Studies, p. 17

flawed indeed, as Canadians, in private and public capacities, have often demonstrated a concern and a capability to help in the development process in the Third World. The issue is not so much the absolute ability, willingness or desire to help, but rather the inconsistent nature of this commitment. In its relative contribution, Canada has not done as much as it could or as much as its rhetoric would contend. This suggests fundamental causes hidden in the Canadian society, polity or economy. Indeed, as many other OECD countries exhibit a similarly short run treatment of Third World demands, analysis ought to search as well for even more fundamental factors common to the international system.

The first factor to be targeted is the Canadian political system. As mentioned earlier, Canada's parliamentary democracy permits regional and even riding-level grievances and economic dislocations to attain national prominence, and hence national political attention. The role of the federal opposition parties often consists simply of attacking the government constantly, instead of formulating alternative policy platforms. Accordingly, the ability of any government to fashion an effective, long term response to the demands of the Third World, a response which would likely involve "short term pain for long term gain", is severely circumscribed. Further, the Canadian polity provides a number of positive incentives to satisfying the demands of various Canadian regions and interest groups without ever formulating a long term national strategy for doing so. Conversely, the political costs involved in accepting short term

pain in Canada for the long term benefit of both Canada and the developing world are high indeed.

Similarly, the performance and structure of the Canadian economy seem weighted against a balanced response to Third World developmental needs. First, Canada is currently or will be shortly a competitor with many developing nations in a number of products, mainly primary commodities but also including some manufactured goods. This is bound to influence the Canadian response to developing country demands for import access or for the formation of commodity pricing arrangements. In addition, Canada's economic ties with the developing world, for the most part, are not yet very extensive, which might prevent the emergence of a greater understanding of the increasing interdependence which binds the economies of the world together. Similarly, the very fact that investment and trade flows with the Third World are not large in the aggregate invariably means public and political attention will tend to focus on larger economic relationships, such as with the United States and Japan, to the detriment of other, smaller relationships.

Finally, the Canadian record of penetrating the fastest-growing markets in the developing world has been relatively poor. According to Wood, this poor record "...now seriously inhibits greater responsiveness to Third World needs for import access"<sup>184</sup>, as the proponents of liberalized trade relations with

---

184. Wood, in Cassen, Jolly, Sewell and Wood (eds.), op. cit., p. 117

the developing world cannot point to great Canadian trade gains to counter-balance the losses that are expected, in the short run at least, to result from permitting greater import access for Third World goods. Unfortunately, though, short term Canadian protectionism may harm Canada's long term export hopes, as it may provoke retaliatory protectionism by developing countries against Canadian exports.<sup>185</sup> This "vicious circle" of protectionism is not without influential opponents, but in their attempts to gain a greater hearing for Third World needs and liberalized trade, they face a system with many built-in obstacles.

Another factor militating against a more systematic response to the North-South divide is the fragmented nature of government, business and labour cooperation in Canada. Coleman has argued that the system of business associations in Canada is "underdeveloped" and "characterized by congeries of isolated groups"<sup>186</sup>, resulting in a weak capacity to deliberate and enforce collective measures. Similarly, the state in Canada is seen to be weak, lacking "...a strong state tradition, one that gives the state ideological unity and an elevated sense of the public interest."<sup>187</sup> The federal government's ability to forge a national consensus on virtually anything, including North-South issues, is consequently impaired. And, finally, labour in Canada is equally fragmented, but even less influential. The end result

---

185. Webb and Zacher, op. cit., p. 134

186. Coleman, op. cit., p. 272

187. Ibid., p. 272

is that the government-business-labour relationship in Canada is characterized by suspicion, ad hoc relations and weak coordination and enforcement of policy proposals. In turn, the goal of a greater responsiveness to Third World needs is rendered that much more difficult.

A question might also be raised as to what the Canadian public thinks about Canadian policy towards the Third World. After all, the public elects governments to fulfill the public will, at least in theory. Does the federal government's response to various issues of interest to developing countries not reflect widespread public opinion? For the most part, the answer is no. Canadian public opinion on aid and non-aid issues is often contradictory or ambiguous, according to a number of recent public opinion surveys.<sup>188</sup> Regardless of the views of the general public, however, it is not at all clear that they influence aid policy to any significant extent. As Wyse argues:

...public opinion and public opinion-makers supported foreign aid, but did so passively and with little intensity. Their support ensured the survival of the aid program, their passivity meant the federal bureaucracy, the Cabinet, and the special interest groups had almost a free hand to determine aid policy.<sup>189</sup>

Attention, then, rightly ought to focus on the attitudes of political decision-makers. One study suggests that "official

---

188. For two recent surveys, see: Adcom Research Limited, A Report on Canadians' Attitudes Toward Foreign Aid, Canadians and Africa:and What Was Said (Report by the Honourable David Macdonald)

189. Wyse, op. cit., p. 25



Ottawa" perceives Canada's role in international development to be based primarily on altruism, rather than on national interest.<sup>190</sup> Another analysis argues that both the public and politicians are disturbingly complacent about Canada's aid performance, paying mere lip service to the goal of global redistribution.<sup>191</sup> Similarly, Fleming and Keenleyside have argued that the discussion of foreign aid issues by Liberal governments in the 1970s varied directly with the political fortunes of these governments:

...periods of domestic political (and economic) difficulty seem generally to have corresponded with a decreasing focus on development in government statements and speeches, while in times of domestic political security the government has been more responsive to external pressure to give more attention, at least verbally, to the needs of the world's most disadvantaged peoples.<sup>192</sup>

With such opportunism and fluctuating interest characterizing the attitudes of decision-makers, it is little wonder indeed that Canadian policy on many aid and non-aid issues has been so disappointing, particularly relative to government rhetoric.

A final domestic factor to be considered in this regard is the role of the media in presenting information and perspectives

---

190. P.V. Lyon, R.B. Byers and D. Leyton-Brown, "How "official" Ottawa views the Third World", in International Perspectives, January-February 1979

191. Lyon and Tomlin, op. cit., p. 157

192. Peter Fleming and T.A. Keenleyside, "The Rhetoric of Canadian Aid", in International Perspectives, September-October 1983, p. 20

on development in the Third World. Apart from its usual preoccupation with disasters, wars and upheaval in the Third World, the Canadian media, generally speaking, have tended to adopt the same short-run outlook on the options facing Canada in its economic relations with the developing world as has the federal government. As O'Manique explains:

...the media have placed great emphasis on Canada's "serious" domestic economic problems with little reference to the global economic context and as a result may have influenced the present short-term measures of the government to promote further growth without regard to - and at the expense of - long term and global considerations.<sup>193</sup>

While factors such as these may militate against the likelihood of the federal government becoming more receptive in its policy positions to the needs of LDCs, there are also international factors which reduce such a likelihood. Many other OECD countries also have difficulty in generating the political leadership necessary to elevate the fate of LDCs to a more prominent position on their political agendas. As Cassen, Jolly, Mathieson and Sewell note, official interest in the North-South debate remains transitory for a variety of reasons: DAC countries rarely perceive their interests on issues to be along North-South lines; the global recession has increased competition among OECD countries, rendering them less sympathetic to the needs of the South; differences of interest in Third

---

193. John O'Manique, "The Response of the Principal Sectors of Canadian Society to the NIEO", in Ervin Laszlo and Joel Kurtzman (eds.), The United States, Canada and the New International Economic Order, p. 121

World/developmental issues exist both within and between OECD countries, again rendering more difficult the task of forging national and international positions on development cooperation, respectively; and each country's interest in a particular issue varies over time, leaving its future position totally unpredictable.<sup>194</sup> Finally, many issues of interest to the developing world are perceived, at least by the larger DAC countries, as East-West or Cold War issues, and are treated accordingly.

As a consequence of these various factors, North-South issues for the most part are still treated as matters for political diplomacy - requiring only statesmen's rhetoric, earnest statements of intent, and promises of more and better aid - rather than as issues of economic survival - requiring immediate and concrete policy responses on many aid and non-aid issues.<sup>195</sup> Merely acknowledging "interdependence" does not help greatly in the search for appropriate policy responses:

...the critical question is not 'does interdependence between the North and South exist?' but 'on what terms is it in the interests of the North and South to pursue and fashion interdependence between them in the 1980s?' The acceptance of interdependence then becomes less a deduction from economic facts than a declaration of economic and political will.<sup>196</sup>

---

194. Cassen, Jolly, John Mathieson and Sewell, "Overview", in Cassen, Jolly, Sewell and Wood (eds.), op. cit., p. 2

195. Ibid., p. 38

196. Ibid., p. 37

Realistically, however, until the East-West Cold War subsides in the minds of Western politicians, or until the pressures of economic interdependence leave OECD nations with no choice but to take Third World development more seriously, the North-South relationship will continue to be dominated by notions of charity, submission and ambivalence.

Admittedly the situation is not at all one-sided, as institutions such as the United Nations and DAC, plus private academic and church organizations, provide a constant counter-balance to the trends towards greater donor self-interest. Indeed, the ongoing donor country need for international legitimacy, and the desire to continue if not expand commercial and political relationships with the countries of the developing world, ensure that a certain minimum "floor" of genuine cooperation will be maintained, on both aid and non-aid issues, below which the developing world will not be allowed to fall. This certainly represents a unique phenomenon in world history: the scale of ODA transferred from North to South is unprecedented in the history of man. In its current intent and practise, foreign aid is far from perfect, but at least provides the promise of and the foundation for more fundamental cooperation between North and South.

Thus far, however, it is clear that this minimum "floor" of cooperation is not adequate to the needs of LDCs, nor does it serve well the long run interests of the countries of the developed world. This is why the increasing resort to more

commercial forms of aid, in Canada and elsewhere, is an alarming trend. So long as the practises of sovereignty and territoriality remain the principal tenets of international relations, however, it is probably naive to expect North-South relations to change greatly for the better, or to expect much more from development assistance. One is reminded of Morgenthau's famous dictum:

...a policy of foreign aid is no different from diplomatic or military propaganda. They are all weapons in the political armory of the nation.<sup>197</sup>

---

197. Hans Morgenthau, "A Political Theory of Foreign Aid", in American Political Science Review, June 1962, p. 309

## VI. CONCLUSIONS

The purpose of this thesis has been to examine, explain and assess the implications of the increasing integration of aid with commerce in Canada's Official Development Assistance (ODA) program. To do so, the thesis first provided a selective history of Canadian foreign aid efforts. Here, it will be recalled, the emphasis was on the ad hoc origins and evolution of Canadian development assistance, the permeability of Canadian aid agencies to the interests and objectives of other federal government actors, and, finally, the increasing pressures stemming from fiscal restraint and domestic recession to generate domestic economic benefits from the aid program.

Next, the thesis analyzed a number of CIDA policies and programs which share a broad commercial orientation. Among the conclusions to be gleaned from this chapter, several stand out. The co-existence (and, often, conflict) of commercial, developmental and political objectives is a recurring feature of all the policy instruments studied. As well, the great difficulty in distinguishing between (and, for CIDA, rendering operational) the varying levels of commercial involvement in aid provides an important lesson. The line between "exports as a byproduct" and "commercially relevant aid", or between "commercially relevant aid" and "aid used for commercial ends" is never very clear in the case of most of the policy instruments

studied, and in aid practise the distinctions are almost impossible to make.

Chapter 4 attempted to assess the practical utility and the political/economic propriety, for Canada, of integrating commercial concerns into the development assistance program. While the aid-trade linkage has an innate appeal, and undoubtedly functions as envisaged in many cases, for the most part it does not appear that Canada has yet developed a viable strategy for making the linkage work. Indeed, thus far, a number of serious obstacles block any real, long term success. Similarly, the political/economic wisdom of the aid-trade link is dubious: for a variety of reasons, Canada may be undermining its own long term commercial and political interests in the developing world through this policy.

Finally, Chapter 5 sought to account for the presence of commercial objectives in Canadian foreign aid, and in particular to explain the current political popularity of the aid-trade linkage. The analysis offered was based on three orders of explanation. The first attempted to show how, through the culmination of a series of events, influences, pressures and weaknesses, CIDA has become increasingly receptive to the aid-trade ideal. But this only led to a further question, namely: Why has CIDA been so susceptible to jurisdictional "invasions", bureaucratic weakness and philosophical vacillation? The analysis suggested that CIDA's weaknesses were a reflection of a short run mindset, with regard to the North-South agenda, on the

part of successive federal Cabinets, a mindset evidenced also in Canadian positions on other, non-aid issues. But, again, this led to another question, namely: why has Ottawa's commitment to Third World development been so transitory? Hence, the third and final order of explanation suggested that the Canadian polity and economy militate against effective, long-term responses to the interests and demands of developing countries. This situation is worsened, in a vicious circle of cause and effect, by the fact that Canadian decision-makers do not consider most North-South issues to be of pressing importance, or do not consider them as North-South issues at all. Both of these factors, in turn, suggested an even more fundamental explanation: the North-South divide will remain a secondary issue on the international agenda until the countries of the North are forced to think otherwise, either owing to widespread upheaval in the Third World, increasing economic interdependence, or a drastic re-ordering of economic and political belief systems in the industrialized world.

In reaching such conclusions, and particularly in arguing against the integration of aid and commerce, this thesis will invariably generate a number of strong counter-arguments. It is fitting, then, to address these concerns in the remainder of the thesis.

The first point to be addressed is the frequently heard retort that "charity begins at home". According to this line of thought, Canada should look after its own serious economic and



political problems before "giving away" vast sums of funds to other countries. Proponents of this philosophy presumably see nothing wrong with Canada seeking to maximize its own gains from its aid program; after all, it is financed by Canadian tax dollars.

For a number of reasons, this outlook deserves to be questioned. While Canada's ODA commitments, currently over \$2 billion, seem large, they represent only about one-half of one per cent of Canada's GNP, and only about 2.1 per cent of the federal budget.<sup>198</sup> Certainly, they pale in comparison to the amount of resources devoted to rectifying Canada's own internal problems. Indeed, relative to the social and economic problems of most of the countries and peoples of the world, Canada is extremely well-off. Is an inward-looking and frugal policy really the way to solve Canada's own problems? It can even be argued that "charity" can be enhanced by a sagacious and generous aid program far more than by an aid program blemished by far too many domestic objectives.

A difficult issue to address, though, is where exactly to draw the line on Canadians seeking to benefit from their own aid program. Nobody seriously can argue that Canadians should not try to benefit from CIDA programs or from the programs of international financial and development institutions. Indeed, Canada's development cooperation effort would be severely

---

198. OECD, Twenty-Five Years of Development Cooperation, p. 131

undermined without the participation of Canadian individuals, NGOs and firms, all of whom have their own particular motives, including the profit motive. Further, without such participation, a major basis of public support for the aid program would be lost. Perhaps the only viable response to this pertinent question is that the maximization of domestic returns should not be a priority for the aid program, and the potential for domestic returns should not be a criterion for CIDA funding of projects. Further, if developmental goals are pursued by CIDA as conscientiously as possible, and if Canadian individuals and firms adopt a patient, long term view of the benefits to be realized through the bilateral aid-trade interface, rather than seeking to maximize immediate gains, then Canadians should have no reservations about exploiting the aid-trade connection. Finally, Canada should try to restrict its purely commercial objectives to its multilateral contributions. Here, it will be recalled, competitiveness is the key to winning contracts. And, unlike bilateral projects and programs, multilateral projects offer no opportunity for Canada to distort planning or implementation for domestic returns; reciprocal benefits are assured.

Another tricky dilemma is how to involve the Canadian private sector more productively in the development process without compromising the integrity of the aid program. Again, no simple answer can be given; it is a question CIDA policy-makers have undoubtedly grappled with. It seems reasonable, though,

that if procurement procedures are tightened so as to recruit only competitive firms (the North-South Institute has offered the useful proposal that further eligibility for CIDA financing be dependent on a firm's record in pursuing and securing purely commercial or multilaterally-financed business in the relevant market<sup>199</sup>), if the tied aid provision is made more flexible (or eliminated entirely), and if the objective of securing domestic returns is rendered less prominent, then the most innovative and enterprising Canadian firms, those most useful to the development process anyway, will still be interested in the aid program. In addition, federal government efforts to publicize more effectively future contracts being offered by IFIs would serve to improve the chances of Canadian firms in winning those contracts, and thus becoming more involved in the development business generally. Assistance to Canadian firms in preparing bids for these contracts, through facilities such as the Industrial Cooperation Program's Canadian Project Preparation Facility, is a step in the right direction.

Another problematic issue is whether Canada has the right to tell LDCs what kind of aid they should or should not receive or what kind of projects are best. That is, if a developing country's government asks for a Canadian satellite communications system, or a huge hydro-electric dam, or Canadian tractors, is Canada not being paternalistic and just a bit hypocritical if it

---

199. North-South Institute, Third World Markets and Export Financing, p. 13

suggests that the government should be more concerned with its rural poor, or with satisfying basic health and education needs? Unfortunately, on either side of the question paternalism is involved, as LDCs often premise their requests on what they think Canada will be offering anyway. Perhaps this double-edged paternalism reveals the underlying nature of foreign aid, which "has always been received with deep misgivings" and an "implicit sense of humiliation and dependence".<sup>200</sup> A partial solution to such misgivings might be to attempt to increase the lines of communication between Canada and its development partners, as for example in the provision of more assistance, through the aid program, to help develop the capacities of these countries to formulate viable and realistic development plans.

A final counter-argument to be addressed concerns the question of "insulating" CIDA and Canadian foreign aid from domestic pressures. Is it really reasonable to expect CIDA to remain impermeable to domestic pressures when every other government program and facility is thus affected? This is, CIDA has not been the only agency suffering the effects of restraint and recession; why should it be immune? One reason is that foreign aid agencies must operate with a long term horizon, sound principles of development (as hard as these are to construct and follow), and a large measure of integrity and idealism if they are to perform their tasks properly. Such traits do not easily survive in an atmosphere characterized by policy compromises and

---

200. North-South Institute, North-South Encounter, p. 109

conflicts. Further, the very weakness of the "Third World constituency" in Canada, and elsewhere, relative to domestic interests, is in itself a case for a stronger, more vigorous development assistance agency. Ultimately, though, the case for a more "insulated" aid program is at once a "technical effectiveness" issue and an inescapably moral one: to ensure Canada makes a better contribution to alleviating the social and economic problems of the world's less fortunate peoples.

A number of other measures might also contribute to a more effective development assistance effort. CIDA spending should be limited to fewer developing countries. Any money saved in this way should go to expanding programs for regional cooperation between LDCs. Greater attention should be paid to cooperating with other donors. As mentioned earlier, the tying provision should be relaxed or eliminated entirely, particularly for the LLDCs. Finally, and most importantly, CIDA requires a thorough process of self-examination and a clarification of objectives and priorities; this may not elevate developmental considerations to the fore, but it would at least eliminate some of the confusion and contradictions which currently surround CIDA's objectives.

A number of realistic policy prescriptions have been forwarded here, in the belief that they may contribute to a more effective Canadian response to North-South issues. In the absence of the necessary political interest in rendering such proposals operational, and in ensuring they are more than just cosmetic, however, it is doubtful whether administrative changes

by themselves can do much to rectify the increasingly self-interested drift of Canadian development assistance.

# BIBLIOGRAPHY

- Adams, James. Oil and Water: Export Promotion and Development Assistance. Ottawa: North-South Institute, 1980.
- Adams, Patricia.; and Solomon, Lawrence. In the Name of Progress: The Underside of Foreign Aid. Toronto, Energy Probe Foundation, 1985
- Adcom Research Limited. A Report on Canadians' Attitudes Toward Foreign Aid. A Study Prepared for CIDA and External Affairs, November 1980.
- Armstrong, Gregory. "Aid Policies as a Reflection of Canadian Domestic Concerns." International Perspectives (January-February 1975): 44-48
- Berry, Glynn. "Bureaucratic Politics and Canadian Economic Policies Affecting the Developing Countries - The Case of the "Strategy for International Development 1975-1980". Ph.D. dissertation, Dalhousie University, 1981.
- Bhagwati, J. "The Tying of Aid." in Foreign Aid, pp. 235-293. Edited by Jagdish Bhagwati and Richard S. Eckaus. Harmondworth: Penguin Books, 1970.
- Bird, R.M. Conditioning Aid on Performance: Possibilities and Limitations. Ottawa: Economic Council of Canada, 1978.
- Brady, Philip F. "The Rubik's Cube of Canadian International Development Cooperation in the 1980s." Canadian Journal of Development Studies 5(1984): 129-139.
- Bruneau, Thomas C.; Jorgensen, Jan J.; and Ramsay, J.O. CIDA: The Organization of Canadian Overseas Assistance. Montreal: Centre for Developing Area Studies, 1978.
- Canada. Export Financing: Consultation Paper. Ottawa: 1985.
- . Department of External Affairs. Canadian Trade Policy for the 1980s: A Discussion Paper. Ottawa: Minister of Supply and Services Canada, 1983.
- . Department of External Affairs. "International Development." in Foreign Policy for Canadians. Ottawa: Queen's Printer, 1970.
- . Department of External Affairs. Report of the Department of External Affairs 1950. Ottawa: 1950.

- . Department of External Affairs. A Review of Canadian Trade Policy: A Background Document to Canadian Trade Policy for the 1980s. Ottawa: Minister of Supply and Services Canada, 1983.
- . Export Promotion Review Committee (Roger Hatch, Chairman). Strengthening Canada Abroad. Toronto: 1979.
- . House of Commons. Standing Committee on External Affairs and International Trade (William C. Winegard, Chairman). Discussion Paper on Issues in Canada's Official Development Assistance Policies and Programs. Ottawa: House of Commons, 1986.
- . Parliamentary Task Force on North-South Relations (Herb Breau, Chairman). Altering the Images: Canada and the North-South Dialogue. Toronto: Personal Library, 1981.
- . Special Committee on a National Trading Corporation. Canada's Trade Challenge. Ottawa: Minister of Supply and Services Canada, 1981.
- . Special Joint Committee of the Senate and of the House of Commons on Canada's International Relations. Independence and Internationalism. Ottawa: Minister of Supply and Services Canada, 1986.
- . Task Force on Canada's Official Development Assistance Program. Study of the Policy and Organization of Canada's Official Development Aid. Ottawa: 1986.
- . Treasury Board Secretariat. Effectiveness Evaluation Division, Planning Branch. The Economic Effects of an Untying of Canadian Bilateral Aid. Ottawa: 1976.
- Canadian International Development Agency. Annual Report, 1967-68 to 1984-85. Hull: Minister of Supply and Services Canada.
- . Canadian Business and the Third World: A Growing Partnership. Ottawa: Minister of Supply and Services Canada.
- . Canadian Delegation to the Commonwealth Ministerial Meeting on Industrial Cooperation, Bangalore, India. The Canadian Approach to Industrial Cooperation. Ottawa: 1979.
- . Elements of Canada's Official Development Assistance Strategy. Hull: 1984.
- . Estimates 1985-86. Ottawa: 1986.



- . Industrial Cooperation with Developing Countries: Report on an International Consultation on Industrial Cooperation. Ottawa: 1977.
- . Partners in Development. Ottawa: Minister of Supply and Services Canada, 1984.
- . Strategy for International Development Cooperation 1975-1980. Ottawa: 1975.
- Carty, Robert. "Giving for Gain - Foreign Aid and CIDA." in Ties that Bind: Canada and the Third World, pp. 149-211. Edited by Richard Swift and Robert Clarke. Toronto: Between the Lines, 1982.
- Carty, Robert.; Smith, Virginia.; and the Latin American Working Group. Perpetuating Poverty: The Political Economy of Canadian Foreign Aid. Toronto: Between the Lines, 1981.
- Cassen, Robert.; Jolly, Richard.; Sewell, John.; and Wood, Robert. Editors. Rich Country Interests and Third World Development. London: Croom Helm, 1982.
- Chudy, Jane. "Why Canadian Business is not Getting More World Bank Contracts." Development Directions 1 (August-September 1978): 22-25.
- Cohn, Theodore. "Canadian Aid and Trade in Skim Milk Powder: Some Recent Issues." Canadian Public Policy 4 (Spring 1978): 213-226.
- . Canadian Food Aid: Domestic and Foreign Policy Implications. Denver: University of Denver Graduate School of International Affairs, 1979.
- Colaco, Francis. Economic and Political Considerations and the Flow of Official Resources to Developing Countries. Paris: Development Centre of the OECD, 1973.
- Coleman, William D. "Canadian Business and the State." in The State and Economic Interests, pp. 245-289. Edited by Keith Banting. Toronto: University of Toronto Press, 1986.
- Commission on International Development (Lester B. Pearson, Chairman). Partners in Development. New York: Praeger Publishers, 1969.
- Corbo, Vittorio.; and Havrylyshyn, Oli. Canada's Trade Patterns with Developing Countries: The Evolution of Export and Import Structures and Barriers to Trade in Canada. Hull: Economic Council of Canada, 1980.

- Dickinson, Harley D. "Canadian Foreign Aid." in Economy, Class and Social Reality, pp. 97-149. Edited by John Allan Fry. Toronto: Buttersworth, 1979.
- Dobson, Wendy. Exports to Developing Countries: An Opportunity for Canada. Montreal: C.D. Howe Research Institute, 1979.
- Dudley, Leonard.; and Montmarquette, Claude. The Supply of Canadian Foreign Aid: Explanation and Evaluation. Hull: Economic Council of Canada, 1978.
- Economic Council of Canada. For a Common Future: A Study of Canada's Relations with Developing Countries. Hull: Minister of Supply and Services Canada, 1978.
- Faaland, Just., ed. Aid and Influence: The Case of Bangladesh. Bergen: Chr. Michelsen Institute, 1981.
- Fleming, Peter.; and Keenleyside, T.A. "The Rhetoric of Canadian Aid." International Perspectives (September-October 1983): 18-22.
- Freeman, Linda. The Political Economy of Canada's Foreign Aid Programme. Montreal: Canadian Political Science Association, 1980.
- Gordon, Sheldon. "Canadian Aid Policy: What's in it For Us?." International Perspectives (May-June 1976): 21-25.
- Hainsworth, Geoffrey. "Innocents Abroad or Partners in Development: An Evaluation of Canada-Indonesia Aid, Trade and Investment Relations." In Canada and International Trade: Conference Papers. vol. 2: Canada and the Pacific Rim, pp. 611-710. Montreal: The Institute for Research on Public Policy, 1985.
- Harrison, W.E.C. Canada in World Affairs 1949 to 1950. Toronto: Oxford University Press, 1957.
- Helleiner, G.K. "Canada, the Developing Countries and the World Economy: What Next?." Journal of Canadian Studies 19 (Winter 1984-85): 16-27.
- "International Development Eight Years On." International Journal 33 (Spring 1978): 395-401.
- "Underutilized Potential: Canada's Economic Relations with Developing Countries." in Canada and the Multilateral Trading System, pp. 81-130. Edited by John Whalley. Toronto: University of Toronto Press, 1985.
- Hoadley, J. Stephen. "Small States as Aid Donors."

International Organization 34 (Winter 1980): 121-137.

Independent Commission on International Development Issues (Willy Brandt, Chairman). North-South: A Programme for Survival. Cambridge: MIT Press, 1980.

Langdon, Steven W. Canadian Private Direct Investment and Technology Marketing in Developing Countries. Hull: Economic Council of Canada, 1980.

Lyon, P.V.; Byers, R.B.; and Leyton-Brown, D. "How Official" Ottawa Views the Third World." International Perspectives (January-February 1979): 11-16.

Lyon, Peyton V.; and Ismael, Tareq Y. Editors. Canada and the Third World. Toronto: Macmillan of Canada, 1976.

Lyon, Peyton V.; and Tomlin, Brian W. Canada as an International Actor. Toronto: Macmillan of Canada, 1979.

McKinley, Kathryn.; and Young, Roger. Technology and the Third World: The Issues and the Role for Canada. Ottawa: North-South Institute, 1979.

Maizels, Alfred.; and Nissanke, Machiko K. "Motivations for Aid to Developing Countries." World Development 12 (September 1984): 879-900.

Malkin, Ben. "The Debate Over Untying Canada's Aid Funds." Development Directions 1 (August-September 1978): 12-16.

Morgenthau, Hans. "A Political Theory of Foreign Aid." American Political Science Review 56 (June 1962): 301-39.

Morrison, David R. "Canada and International Development." Journal of Canadian Studies 19 (Winter 1979-85): 133-144.

----- "The Mulroney Government and the Third World." Journal of Canadian Studies 19 (Winter 1984-85): 3-15.

North-South Institute. A Balance Sheet of Third World/Canada Relations. Ottawa: North-South Institute, 1979.

----- Handle With Care: Skim Milk Aid to Developing Countries. Ottawa: North-South Institute, 1979.

----- In the Canadian Interest? Third World Development in the 1980s. Ottawa: North-South Institute, 1980.

----- Multilateralism: Still the First Option for Canada. Ottawa: North-South Institute, 1985.

- . North-South Encounter: The Third World and Canadian Performance. Ottawas" North-South Institute, 1977.
- . North-South Relations/1980-85: Priorities for Canadian Policy. Ottawa: North-South Institute, 1980
- . Third World Markets and Export Financing: Onto a Sounder Footing. Ottawa: North-South Institute, 1985.
- Nossal, Kim Richard. "Analyzing the Domestic Sources of Canadian Foreign Policy." International Journal 39 (Winter 1983-84): pp. 1-22.
- . The Politics of Canadian Foreign Policy. Scarborough: Prentice-Hall Inc., 1985.
- . Statism, Realism and Canadian Policies Towards the Third World. Toronto: University of Toronto Development Studies Programme, Working Paper A.9, 1984.
- O'Manique, John. "The Response of the Principal Sectors of Canadian Society to the NIEO." in The United States, Canada and the New International Economic Order, pp. 73-139. Edited by Ervin Laszlo and Joel Kurtzman. New York: Pergamon Press, 1979.
- Organization for Economic Cooperation and Development. Compendium of Aid Procedures: A Review of Current Practises of Members of the DAC. Paris: OECD, 1981.
- . Annual Reviews, 1979 to 1984. Development Cooperation: Efforts and Policies of the Members of the DAC. Paris: OECD.
- . Twenty-Five Years of Development Cooperation: A Review. Paris: OECD, 1985.
- . World Economic Interdependence and the Evolving North-South Relationship. Paris: OECD, 1983.
- Paragg, Ralph R. "Canadian Aid in the Commonwealth Caribbean: Neo-Colonialism or Development?." Canadian Public Policy 6 (Autumn 1980): 628-641.
- Pratt, Cranford. "Canadian Foreign Policy: Bias to Business." International Perspectives (November-December 1982): 3-6.
- . Canadian Policy Toward the Third World: The Search for a Paradigm. Toronto: University of Toronto Development Studies Programme, Working Paper A.2, 1983.
- . Dominant Class Theory and Canadian Foreign Policy:

The Case of the Counter-Consensus. Toronto: University of Toronto Development Studies Programme, Working Paper A.6, 1983.

Raynauld, Andre. "Export Insurance and Financing in Canada." In Domestic Policies and the International Economic Environment, pp. 111-149. Edited by John Whalley. Toronto: University of Toronto Press, 1985.

Raynauld, A.; Dufour, J.M.; and Racette, D. Government Assistance to Export Financing. Ottawa: Economic Council of Canada, 1983.

Reuber, Grant L. "The Trade-Offs Among the Objectives of Canadian Foreign Aid." International Journal 25 (Winter 1969-70): 129-141.

Rudner, Martin. "The Evolving Framework of Canadian Development Assistance." In Canada Among Nations: 1984, pp. 125-145. Edited by Brian W. Tomlin and Maureen Molot. Toronto: James Lorimer and Company, 1985.

Shortliffe, Glen. Canadian Development Policy and the Asia Pacific Region. Toronto: The Joint Centre on Modern East Asia, Working Paper No. 8, 1982.

Spicer, Keith. "Clubmanship Upstaged: Canada's Twenty Years in the Colombo Plan." International Journal 25 (Winter 1969-70): 23-33.

-----, A Samaritan State? External Aid in Canada's Foreign Policy. Toronto: University of Toronto Press, 1966.

Stairs, Denis. "Public Opinion and External Affairs: Reflections on the Domestication of Canadian Foreign Policy." International Journal 33 (Winter 1977-78): 128-149.

Steeves, Jeffrey S. The Canadian International Development Agency: The Policy Process and the Third World, 1968-1979. Halifax: Dalhousie University Centre for Development Projects, 1980.

Thomson, Suteera. Food for the Poor: The Role of CIDA in Agricultural, Fisheries and Rural Development. Ottawa: Science Council of Canada, 1980.

Triantis, S.G. "Canada's Interest in Foreign Aid." World Politics 24 (October 1971): 1-18.

United Nations. Department of International Economic and Social Affairs. 1984 Trade Statistics Yearbook, vol. 1: Trade by

Country. New York: United Nations, 1986.

United States. Congressional Budget Office. Assisting the Developing Countries: Foreign Aid and Trade Policies of the United States. Washington: Congress of the United States, 1980.

Varshney, Ashutosh. "Political Economy of Western Aid to the Third World: A Structural Reinterpretation." India Quarterly 37 (July-September 1981): 359-388.

Wall, David. The Charity of Nations: The Political Economy of Foreign Aid. London: The Macmillan Press Ltd., 1973.

Webb, Michael C.; and Zacher, Mark W. "Canadian Export Trade in a Changing International Environment." in Canada and the International Political/Economic Environment, pp. 85-150. Edited by Denis Stairs and Gilbert Winham. Toronto: University of Toronto: University of Toronto Press, 1985.

White, John. The Politics of Foreign Aid. London: The Bodley Head, 1974.

Wright, Gerald. "Bureaucratic Politics and Canada's Foreign Economic Policy." in Selected Problems in Formulating Foreign Economic Policy, pp. 9-58. Edited by Denis Stairs and Gilbert R. Winham. Toronto: University of Toronto Press, 1985.

Wyse, Peter. Canadian Foreign Aid in the 1970s: An Organizational Audit. Montreal: Centre for Developing Area Studies, 1983.

Young, Roger. "Canadian Foreign Aid: Facing a Crisis of its Own?." Journal of Canadian Studies 19 (Winter 1984-85): 28-41.

----- . Canadian Foreign Aid Policies: Objectives, Influences and Consequences. Toronto: University of Toronto Development Studies Programme, Working Paper A.10, 1984.