

## **Summary**

Canadian businesses are perpetually searching for new markets across the globe and Canada has an untapped opportunity to facilitate this. Studies have shown that with modest investments we could increase certain markets by several hundred percent. It's hard to imagine local investments that could bring such returns, yet it is demonstrable that support of undeveloped economies, those hampered by deep poverty, poor health and undeveloped infrastructure, can realize tremendous opportunities for Canada.

The way to facilitate developing those markets and ensuring preferred access is through ODA, Official Development Assistance. And while there are many moral humanitarian arguments for ODA, the focus of this committee is the Canadian competitiveness, so I intend to demonstrate how modest investments abroad can have dramatic impacts at home.

Given the very high standard of living we enjoy in Canada, offering the lowest price for our commodities likely will not cut it – we don't produce goods in sweatshops and dangerous, polluting factories. Jurisdictions with less oversight and more damaging, destructive practices will almost always be unable to undercut us.

Quality can be produced anywhere there is the motivation to do so. Canada will never have a monopoly on producing the best, because if we can, by and large our competitors can as well.

But there's one way we can enjoy consumer loyalty, and that comes from being a friend and mentor to a market, especially as it grows and develops. All statistics point to the areas of greatest future growth will happen in emerging economies and we can be there alongside them, helping them, developing economic relationships and future security.

If you are known as the country that helped a developing nation throw off the shackles of unnecessary poverty, the degree that that can engender long-term positive relationships cannot be understated. There are many examples of this, but the Marshall Plan is probably the most powerful example of how economic assistance in a time of deep need can transform nations and develop beneficial economic ties that span generations.

## **Poverty and economic gains**

If recent Canadian ODA investment is any indicator, there is a reluctance to invest in the developing world, with many perceiving these regions as an endless sink of capital with few tangible returns. But perception is not truth, and research shows that proper investments following well-defined protocols can have powerful impacts on foreign economies, and eventually our own.

The old adage that an ounce of prevention is worth a pound of cure holds especially true in international development. Emerging markets can be fragile, and natural disasters can have a dramatic impact on economies.

Canada spent over 100 million fighting the recent Ebola outbreak in West Africa. The total global cost approached ten billion dollars, far more than the amount that would have prevented the outbreak in the first place. According to the World Bank, an estimated \$2.2 billion was lost in 2015 alone in the GDP of Guinea, Liberia, and Sierra Leone. Those are markets we could be helping develop rather than rescuing after a catastrophe.

Long-term research clearly shows that when we help people in developing countries educate their children, feed their families, and care for their sick, it prevents the next pandemic, builds sustainable markets, and helps diffuse the next armed conflict before it begins.

### **Some examples:**

#### ***Health***

Given past successes with the Global Fund to Fight AIDS, Tuberculosis, and Malaria, it is estimated that during 2017-2020 a fully replenished fund would provide economic gains of up to \$290 billion (USD) through better health and a more productive society. To put this in perspective, for every \$100 million (USD) Canada pledges to the Global Fund we would save up to 60,000 lives, avert up to 2.3 million new infections, and spur \$2.2 billion (USD) in long-term economic gains.

That 2.2 billion increase means more investment possibilities for Canadian business and more customers for Canadian goods and services, just by supporting one fund.

#### ***Nutrition***

The 2012 Copenhagen Consensus found that nutrition-specific interventions deliver some of the best returns on investment of all development interventions. They offer a benefit-to-cost ratio of 16 to 1—for every dollar we put in \$16 are gained—and they could reduce stunting globally by one-third and child mortality by one-quarter. Children with access to proper nutrition do better in school, and in adult life they earn 20% more in the labour market and are 10% more likely to own their own businesses.

Healthy children have stronger immune systems and are less likely to be affected by diseases. For example, the oral polio vaccine is four times less effective in malnourished children than in their well-nourished peers.

Malnutrition also causes stunting (low height for age), impaired cognitive function, a weakened immune system, and significant decreases in future earning power – perpetuating the cycle of poverty and low economic performance of malnourished populations.

## **Education**

According to the 2015 OECD report, *Universal Basic Skills: What Countries Stand to Gain*, "...the economic output that is lost because of poor education policies and practices leaves many countries in what amounts to a permanent state of economic recession..." and this example: "Among the countries compared, Ghana has the lowest enrolment rate in secondary schools (46%) and also the lowest achievement levels for those 15-year-olds who are in school...While it is difficult for Ghana to meet the goal of universal basic skills any time soon, if it did, it would see a gain over the lifetime of its children born today that, in present value terms, is 38 times its current GDP. This is equivalent to tripling Ghana's discounted future GDP every four years during the working life of those students with improved skills."

A thirty-eight fold increase in GDP by simply giving citizens a very basic, modest education. In this report the OECD predicts a whopping 627% increase in GDP across the board for lower-middle income countries if all children in those countries were educated to a basic skills level.

What huge markets would open up for Canada with the global economy expanding in these terms, if we chose to be on the forefront of positive change?

Globally, there are more than 260 million children and youth who cannot attend school. If current trends continue, the International Commission on Financing Global Education Opportunity estimates that less than one in three children in low-income countries will be learning basic primary skills by 2030.

Many studies and reports have examined the results of ODA in these primary categories, and they are unequivocal in their conclusions: small, appropriate investments give massively disproportionate returns in both human and economic capital. Ongoing ODA spending has played a huge role in the growth and performance of once severely underdeveloped economies such as Brazil and China, the latter transforming from the world's second largest recipient of ODA to the second largest market for Canadian goods and services.

In 1981, 44% of the world lived in extreme poverty, while by 2015 the percentage had declined by a factor of 4 to below 10%, despite a huge increase in the human population. This correlates to a great expansion of the GDP of Asia (5.7%/decade) and Africa (3.8%/decade) since 1961.

## **Canada still lags far behind the rest of the developed world**

Sadly, Canada can't claim credit for much of this. For almost 30 years Canada's contribution to ODA has declined, at times very steeply. Since 1990 Canada's share of aid has plummeted by almost half from 0.49% of GDP to a miserly 0.26%, despite international agreements to spend 0.7% of GDP on ODA. Only 1 other country in the G8 spends less than Canada as a percentage of GDP, and Canada is at

the very bottom in terms of total dollars spent. This despite the fact that Canada is ranked 5th in the G20 in GDP per capita, with only a slight difference separating our economic performance and the top performing economies of the world.

Clearly, it's not because we cannot afford it.

The Trudeau government has promised to support the implementation of the United Nations' Sustainable Development Goals (SDGs) as part of its commitment to enhancing the prosperity of all global citizens. If this is the case we have a long way to go before we come even close to fulfilling this promise. Without significant, structural changes, this government will have the lowest commitment to ODA of any Canadian government in the last half-century, a full 40% less than the average contribution of all developed countries.

For a country so dependent on trade, we show a remarkable ignorance of the cost to our own economy when we casually stand by as much of the world operates far below its potential. The features that suppress those potential markets are usually well known and amenable to ODA-funded improvements; that these economies are still functioning at such a low level is not due to a lack of ODA success, but the parsimony of wealthy nations like Canada. Our blindness to our own best interests ensures that many interventions are at best half-measures, and positive economic outcomes greatly delayed or cannot emerge at all.

While it is easy to ask: "what does it cost?" in terms of ODA expenditures, the correct question should be: "What does it cost if we do nothing?" It has been shown again and again that the cost for the latter is far higher.

## **Conclusion**

Cursory research quickly shows that there is no demonstrable economic argument for withholding proper ODA interventions; that we fall so short suggests it is not a lack of evidence but political will that prevents us from properly engaging in these potential markets.

The current situation reminds me of our approach to homelessness: we know through much research that it is far cheaper to house the homeless than deal with them as street people, with all the concordant issues of crime, disease, and mental health problems. But fearful of being too compassionate, of giving to the undeserving, of being too empathetic to "bums", we repeatedly shoot ourselves in the economic foot with an extremely parsimonious approach that denies most the human right of shelter, while greatly increasing our costs.

I believe that changing our focus to developing nations is increasingly important in the face of the nationalistic trend emerging in many developed nations. Long-term alliances are foundering and once-lucrative markets are being denied us. We can no longer count on old post-war alliances and friendships to ensure access to these markets; the collapse of NAFTA and trade protectionism in the US is a prime example of this. The United States owes us nothing, and so doors to our trade will close when it seems politically expedient.

But in helping a nation find self-sufficiency engenders deep attachments, gratitude, mutual respect and a willingness to work together for common benefit. In the end you compete on the world stage by being a respected global citizen that is shown to be trustworthy, respectful, moderate, and helpful.

This may seem like a rather rose-coloured analysis, but it's important to remember that we are trading with other human beings, and that trade is dependent on harmonious relationships – the recent trade conflicts with our neighbours to the south right now shows just how important a good relationship is, and what can happen when that relationship begins to unravel.

The US doesn't need us, but other nations do. Aside from the inarguable moral argument for helping our fellow human beings for their own sake, it's clear that by working with these nations, by helping them develop their economies, we help ourselves as well. Not in a colonial exploitive sense, but simply embracing the reality that the better they do, the better we do as well, and all benefit.

For a very long time now Canada has rested on its reputation, a reputation not backed by economic fact. We've largely ignored developing economies and relied most heavily on the nation that needs us the least. The 2016 US election has shown us the folly of that approach.