b) The New International Economic Order

The expectations of the developing countries for a reordering of the international economic system under a "New International Economic Order", as well as the Canadian response to these expectations, can be summarized as follows:

1. Commodities

Developing countries derive the bulk of their export earnings from primary products, many of which are subject to large and frequent fluctuations in price. This makes planning, investment and debt-management extremely uncertain. Moreover, the generally increasing cost of their imports, including manufactured goods, oil and often food, has created a situation in which the terms of trade of certain developing countries have deteriorated in the past few years, thus affecting the possibility of sustained economic growth. The developing world has, therefore, sought the implementation of schemes to ensure that their terms of trade reflect a rate of return on their exports that is not eroded by price inflation in industrialized countries--a system that would, in effect, insulate their economies from fluctuation in the world economy. At the fourth United Nations Conference on Trade and Development (UNCTAD IV) in Nairobi in May 1976, agreement was reached on a broad program for dealing with these commodity-trade problems, which included the concept of a Common Fund for the financing of commodity-price stabilization mechanisms. Consultations and negotiations for the implementation of this broad program are now in progress and Canada is participating actively in all aspects of them.

Canada's general approach to commodities issues is to support individual commodity agreements negotiated between both producers and consumers. In this context, it has supported joint financing by both producers and consumers, on a mandatory basis, of international buffer stocks established within international commodity agreements. The Canadian Government has also indicated its willingness to contribute to a Common Fund for commodity-price stabilization if it is shown to be a useful and effective instrument for stabilizing commodity prices.

2. Trade liberalization

Developing countries have argued that the rapid industrial development they seek will probably be unattainable if they cannot get preferential access to the markets of the developed world. To this end, they have suggested special relief from tariff and other barriers, and assistance in export promotion. They have, in addition, called for the transfer of manpower and other resources in developed countries from labour-intensive, low-technology industries in which developing countries are competitive (such as textiles) into other areas. The result of such an adjustment in the international division of labour would be to improve market opportunities for developing country exports in the markets of developed countries.

On July 1, 1974, Canada implemented a system of tariff preferences for developing countries covering most industrial products and a number of agricultural and food products. The Tokyo Declaration of September 1, 1973, which initiated the current Multilateral Tariff Negotiations (MTN), stated that priority should be given to product areas of specific interest to developing countries and a special negotiating group was set