

quickly, and increasingly projects may be sought in higher income developing countries. This could affect the achievement of Canada's international development objectives.

In addition, it should be borne in mind that it would not serve Canada's longer-term commercial interests to become associated with too many projects that are ultimately viewed as being of limited value by the recipient countries. We also need to ensure that whatever program we set in place is not used to subsidize otherwise uncompetitive Canadian production, which ultimately could damage Canada's commercial reputation abroad.

These concerns must be set against the fact that Canadian exporters seeking to win contracts in developing countries face competitors who are often subsidized in a variety of ways, often from their aid programs. This concessional financing frequently is justified as comprising an integral part of the competing country's aid program, but the end result is still equivalent to an export subsidy as far as the Canadian exporter is concerned.

Against this background, three options might be considered, if it were concluded that some additional funds should be made available for concessional financing of Canadian exports to Third World markets.

- (i) Continuation of the current CIDA bilateral program with increased emphasis on parallel financing with EDC

Under this approach, CIDA would be asked, within its current mandate, to place increased emphasis on parallel financing. Additional resources would need to be found for this purpose, principally from within the bilateral program. CIDA would be required to further its co-operation with EDC to help Canadian exporters participate where concessional financing was a factor. While CIDA would take these commercial factors into account more explicitly in deciding on its participation, it would continue to give the greater weight to developmental factors including sector priority and recipient country income levels. In particular, funds designated for parallel financing would be programmed well in advance by sector and by country and would not be used for "matching" purposes.

As a complement to the parallel financing activities of CIDA, the adequacy and effectiveness of the resources available for CIDA's Industrial Co-operation (INC) Program could be reviewed. Funds made available under this program are disbursed rapidly and could be targeted more towards development projects which open up export opportunities for Canadian firms. Over the last few years, however, CIDA has