devoted an increasing volume of resources to the INC program (more than $23 million in 1983-84) and the scope for further large increases may be limited.

(ii) <u>Establishment of a new aid/trade mechanism</u>

Under this approach, a certain volume of funds would be set aside from the aid program over a period of years to support development projects of interest to Canadian firms in developing countries. Unlike parallel financing, the aid/trade funds would not necessarily be programmed, could be committed quickly, and would not be restricted by the geographic, sector and income priorities that currently constrain CIDA's bilateral program. Projects would have to meet certain development criteria but in order for an aid/trade mechanism to be effective, assessments of these criteria would undoubtedly have to be made quickly.

An aid/trade mechanism could be used not just for matching other countries' concessional financing but also as a source of funds for projects developed from scratch by Canadian exporters. In addition, unlike the existing mixed credit program in EDC, the concessional funds involved could be counted against our ODA commitments.

Nonetheless, an aid-trade mechanism could create some problems. There would be a finite amount of funds available for such a program but its very existence could create unrealistic expectations about the degree of assistance that could be provided to Canadian exporters. Any screening mechanism that was put in place to assess the merits of demands for financing would have to ensure that the program was not being used to subsidize otherwise uncompetitive Canadian production. In addition, the relative lack of programming of aid-trade funds would likely make it difficult for the government consistently to meet international commitments with respect to both aid volumes and the geographic allocation of Canadian aid. Due to the lumpy nature of large capital projects, depending on when and where Canadian exporters were successful, these aid commitments could be exceeded in one year but missed in another. Furthermore, there is no assurance, particularly given the risk of matching offers of finance from other countries, that an aid-trade mechanism would result in an increase in Canadian exports to developing country markets.

(iii) Greater use of the mixed credit <u>program administered by EDC</u>

A third approach would be to transform EDC's mixed credit program from a matching facility to one which would actively seek out new business. Current project selection criteria could be somewhat relaxed, approval procedures