

The third type of loan available, of course, is that issued under the terms of Canada's Export Credits Insurance Act. These are extended on a commercial basis but qualify as development assistance because their terms are softer than those which could be extended directly by Canadian exporters. We include these loans in our aid programme figures because they form part of the internationally-accepted measure of flow, while accepting the argument that they are designed primarily to serve the Canadian exporter. At one time, export credits represented almost one-third of the entire programme, but in the year just past they accounted for only one-sixth, and the proportion is expected to grow smaller each year.

Canada maintains the policy of insisting that its aid be given in the form of Canadian goods and services, of tying our aid funds, in other words, to procurement in Canada. We do this of economic necessity, rather than by conviction, because our sympathies lie with the terms of the recommendation adopted by the Development Assistance Committee in July 1965, which said, in part:

"(Tying of aid) can bring about cumbersome limitations on the freedom of the recipient to choose freely the most suitable sources of supply on the international market. With regard to bilateral assistance, member countries should jointly and individually endeavour, unless inhibited by serious balance-of-payments problems, to reduce progressively the scope of aid-tying, with a view ultimately to removing procurement restrictions to the maximum amount possible."

A significant proportion of Canadian aid is channelled through the multilateral agencies and is, of course, already untied. In respect of our bilateral aid we are willing, indeed anxious, to move from our position in concert with our fellow donors, particularly those whose economic influence in the world is so much greater than that of Canada. To be realistic, I cannot visualize early international agreement on this question, considering the disparate nature of aid programmes and donor economies. I am, however, hopeful that it will be possible to arrive at a formula which would permit gradual movement towards the objective.

In the meantime, we have done our best to mitigate the possible adverse effects of tying aid. Procedures have been adopted to ensure that there will be competitive bidding by our exporters, and we make available a sufficiently broad range of goods and services to enable the recipient country to avoid those with a relative price disadvantage. Perhaps I may observe, at this time, that, as the result of aid associations extending over a period of 15 years, the kind of request made to us today is usually for the kind of service or material that we offer on a world-wide competitive basis of price and quality. Another step we have taken is to reduce the emphasis formerly placed on financing only the foreign-exchange component of a project. In the Caribbean area, in particular, we have indicated our willingness to assume a proportion of local costs where this is necessary to ensure the completion of a high-priority project.