Canada maintains the policy of insisting that the major portion of its bilateral 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 necessity, rather than by conviction, because our sympathies lie with the terms of the recommendation adopted by the Development Assistance Committee of the OECD in July 1965, which said, in part, that 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 and growing 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, we cannot visualize early international agreement on this question, considering the disparate nature of aid programmes and donor economies. We are, however, hopeful that it will be possible to arrive at a formula which would permit gradual movement towards the objective of more untied aid.

In the meantime, in Canada, 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 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. Another step we have taken is to reduce the emphasis formerly placed on financing only the foreign exchange component of a project.

I would now like to turn briefly to the report on the Promotion of Private Foreign Investment in Developing Countries, document E/4293. Private foreign investment is generally recognized as an indispensible part of the flow of financial resources to developing countries. Canadians are very conscious of the contribution which foreign investment has made to our economic growth. It is a fact of life, however, that the pattern of international private capital flows are largely determined by underlying economic forces. The high rate of economic growth in the leading industrial countries in recent years has provided an exceptional opportunity for profitable private investment and has undoubtedly diverted some private capital which might otherwise have been invested in the developing countries. Accordingly, developing countries anxious to benefit from an inflow of private investment must provide an appropriate climate for such investment. Measures which in our view could prove helpful and which are referred to in the Secretary-General's report include: