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NOTES FOR A
SPEECH BY THE
SECRETARY OF STATE FOR
EXTERNAL AFFAIRS OF CANADA,
THE HONOURABLE
ALLAN J. MACEachEN,
AT THE SEVENTH SPECIAL SESSION
OF THE UNITED NATIONS
GENERAL ASSEMBLY, NEW YORK,
SEPTEMBER 3, 1975 23

"THE CHALLENGE OF CHANGE"

Mr. President,

The Sixth Special Session of this General Assembly posed a grave challenge to the international community. The proposals for a New International Economic Order involve a far-reaching transformation of the world's economic relations. Let there be no doubt that a challenge of this magnitude demands from all of us a considered and forthcoming reply.

Thirty years ago, against a background of war, misery and economic collapse, a remarkable group of internationally-minded, and far-sighted statesmen also faced the challenge of creating a new economic - and political - order. We owe the United Nations to their creativity and daring. We also owe to them those economic institutions whose existence and operations have done so much to increase economic growth and human well-being such as the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade.

It is easy now to lose sight of the greatness of their achievement. We have grown too familiar with the institutions they created and we have become increasingly conscious of their shortcomings in recent years. But let us not forget that, acting with little precedent, they created institutions and arrangements which provided a sound basis for international cooperation and economic growth. Now, the challenge of the New International Economic Order is to apply a similarly innovative spirit to the changed circumstances of the present day.

As I understand it, the new economic order is based upon two propositions:

- that developing countries do not derive sufficient benefits from the existing system of international trade, investment and finance; and
- that monetary instability, lagging economic growth, inflation and the impact of price increases of petroleum and of other essential imports have demonstrated the shortcomings of the world economic system and the need for changes which will benefit developing countries.

Canada accepts the validity of these assertions and recognizes the need for changes in international economic relations in order to reduce the intolerable disparities between rich and poor nations.

International Development Assistance

One - indeed the most established - of the ways of reducing this disparity between rich and poor, between developed and developing is through development assistance. This concept is one that we owe to that first generation of post-war leaders. Novel in 1945, it has since become firmly established as an instrument of international cooperation through the creation of the International Development Association (IDA), U.N.D.P., the regional development banks, and the extensive network of bilateral development assistance programmes.

But the proposals for a new economic order call for a fresh approach to development assistance. Its purpose, scope and character must be altered to fit the new circumstances of the 70's.

Canada's response is contained in a new Strategy for International Development Cooperation for 1975-80, which was published by the Canadian Government yesterday in Ottawa. Let me touch on the main features of our new Strategy which has been shaped to meet these new demands:

- We pledge ourselves to continue and to increase our programmes of development assistance. This year our disbursements will exceed \$900 million and they will grow significantly in the years ahead;
- We reaffirm our determination to achieve the official U.N. target of .7% of our GNP and to move toward it by annual increases in our official development assistance in proportion to GNP;
- We will place major emphasis on fostering economic growth and the evolution of social systems in such a way that they will produce the widest distribution of benefits among the population of developing countries;
- We shall concentrate the bulk of our bilateral assistance on the poorest countries and on the poorest sectors of their economies;

- We will develop new forms of cooperation to meet the needs of middle-income developing countries in order to strengthen their potential for more self-reliant development;
- We will maintain a degree of concessionality in our bilateral programmes of not less than 90%. The grant component of Canada's development assistance is at present 95%;
- We will arrange bilateral development loans so that developing countries will be eligible to compete for contracts;
- We reiterate our pledge to provide a minimum of one million tons of grain per year as food aid for each of the current and the next two fiscal years; and
- We plan greater emphasis on programmes of agricultural and rural development in developing countries.

But aid alone is not the answer. It must be supplemented by measures in the areas of trade, investment and finance from which developing countries can derive greater benefit. Development assistance is concentrated on the poorest countries. Broader measures of international economic cooperation will bring greater benefit to those countries which have advanced further towards self-reliant growth. We must be ready to consider new ideas and new approaches in this area.

Basic Canadian Response

My Government has reached certain broad conclusions on its approach to cooperation with developing countries:

- We agree that there must be adjustments in the international economic system which will lead to a more rapid reduction in the disparities between developed and developing countries;
- We consider that the transfer of resources which these adjustments would entail can best be achieved in the context of a growing world economy;

- We believe the reform of existing institutions, where possible, is preferable to the establishment of new ones; and
- We believe positive cooperation not confrontation is required to solve difficulties particularly in the area of commodities and other raw materials, including energy resources.

The discussions and negotiations now under way will establish the framework of world trade and finance in the nineteen eighties. There is much at stake for both developed and developing countries. I wish now to turn to three areas of particular concern to developing countries - commodities, trade liberalization and industrial cooperation.

Commodities

The area that has been accorded the greatest attention is commodities. This attention is undoubtedly justified. As both an importer and an exporter Canada regards the instability of the international commodities market as a major weakness of the international trading system.

How can we best deal with the "boom or bust" phenomenon in commodity trade?

- We believe commodity arrangements involving both producers and consumers constitute the most practical approach to the problem. Canada was an early supporter of commodity arrangements, including formal agreements on a commodity-by-commodity basis. We are one of the few countries which has adhered to all the major commodity agreements;
- We are prepared to examine positively the idea of negotiating arrangements for a wide range of products including, but not limited to, those listed in UNCTAD's Integrated Approach;
- We recognize that the use of buffer stocks and alternative stock mechanisms may be an appropriate stabilizing technique for a number of commodities;

- The concept of a common fund for financing such stocks is certainly worth examination. We are prepared to consider the concept sympathetically along with other potential donors, including both producers and consumers;
- We recognize that commodity prices have to reflect market forces. At the same time, we are well aware that no one's interest is served by commodity prices which are so low as to discourage production;
- We believe new features in commodity agreements to take account of international inflation and exchange rate changes should be explored;
- We shall wish to pursue these issues in the context of UNCTAD's Integrated Approach.

Trade Liberalization

On trade liberalization we believe that improved access to markets can yield significant benefits to developing countries.

- At present 75% of Canada's imports from developing countries enter duty free and we have proposed in the trade negotiations the removal of all duties on tropical products by industrialized countries;
- We are prepared to consider deeper tariff cuts and advance implementation on an MFN basis of other tariff cuts of interest to developing countries;
- We are also reviewing our generalized system of tariff preferences for developing countries in light of their suggestions for improvements;
- We recognize the importance that developing countries attach to the further processing of their commodities prior to export. We share with developing countries a common interest in the removal of tariff escalation and non-tariff

barriers which impede the establishment of efficient processing facilities in the resource exporting countries. In our view the sector approach provides an important technique for achieving this goal in the multilateral trade negotiations.

Industrial Cooperation

The further industrialization of developing countries is an essential element in any concerted attack on the disparities which divide rich and poor. In shaping the world of the 1980's we must aim to bring about faster and more balanced industrialized growth in the developing countries. We recognize that developed countries must contribute to this process.

- Two of the elements essential to more rapid industrial growth - investment and technology - are primarily available from the private sector in industrialized countries;
- We believe there is an urgent need to reconcile the legitimate interests of developing countries - their need for capital, their right to sovereignty over their natural resources, their control over their own economic destinies - with the role of the private sector in providing capital and technology;
- Industrial cooperation on a bilateral basis may be an effective means of reconciling these interests. It might incorporate a variety of instruments, including investment, technical assistance, management training and advice, and at the same time provide a legal framework within which the private sector can operate to the benefit of both participating partners;
- We believe that a model industrial cooperation agreement might be devised internationally as a guide to governments and the private sector;

- We favour the provision of information and expertise to developing countries on the means whereby host countries can identify and articulate their national priorities concerning transnational corporations;
- We are prepared to make available our own experience in the establishment of screening mechanisms, statistical methods, and techniques of taxation. We support international efforts to enable developing countries to assess their own interests more clearly and to negotiate effectively the terms of the entry of transnational corporations in a manner consistent with their national goals.

The Commonwealth Expert Group's Report

Mr. President, Canada has stressed the need for concrete measures to assist developing countries to play a much greater role in sharing the world's wealth and resources. In the past four months we have been involved in productive discussion with our partners in the Commonwealth on practical measures that contribute to closing the gap between developed and developing countries.

The Report entitled "Towards New International Economic Order" prepared by a Commonwealth Group of Experts on the instructions of the Commonwealth Heads of Government is now available to members of this Assembly. Last week at the Commonwealth Finance Ministers' Meeting in Georgetown, Commonwealth countries, and I quote from the communiqué "gave general endorsement to the Report and agreed that the early implementation of these proposals would constitute a first step towards achieving the progressive removal of the wide disparities of wealth now existing between different sections of mankind". The Report does not represent the full answer to our problems. Certain of its recommendations present a challenge to existing Canadian policy. Its value is, however, in its practical nature and the high degree of consensus which exists on its provisions, a consensus which extends to countries from all six continents. We believe the Report can provide an aid to the conduct of negotiations and to the national formulation of policy with the ultimate aim of closing the gap in living standards between developed and developing countries. I commend its practical approach and its emphasis on concrete measures to this Assembly.

Conclusion

Mr. President, I have outlined in broad terms the position of the Canadian Government on the principal issues confronting this Session. I wish to stress again the need for real and not imagined progress, for plans and negotiations and not paper and rhetoric. We are determined to play a positive role, to use our resources and our influence, in the efforts to bring about constructive change in the international economic system and thereby to reduce the gap between rich and poor nations. It is our hope that this Session will be a major step in that direction.