



# Statements and Speeches

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## THE CHALLENGE OF CHANGE

A Speech by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen, at the Seventh Special Session of the United Nations General Assembly, New York, September 3, 1975.

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 magnitude of these achievements. We have grown too familiar, perhaps, with the institutions these men created and, in recent years, we have become increasingly conscious of their shortcomings. But let us not forget that, with scant precedent to guide them, these remarkable statesmen created institutions and arrangements that provided a unique basis for international co-operation and economic growth. Now the challenge of the new international economic order is for us to apply a similarly innovative spirit to the changed circumstances of the present.

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

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

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

#### International development assistance

One -- indeed the most established -- of the ways of closing this gap between rich and poor, between developed and developing, is development assistance. This conception is one that we owe to the first generation of postwar leaders. Novel in 1945, it has since become firmly established as an instrument of international co-operation through the creation of the International Development Association (IDA), UNDP, the regional development banks, and the extensive network of bilateral development-assistance programs.

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 Seventies.

Canada's response is contained in a new Strategy for International Development Co-operation for 1975-80, which was made public by the Canadian Government yesterday in Ottawa. Allow me to mention the main features of our new Strategy, which is designed to meet these new demands:

- (1) We pledge to continue and to increase our programs of development assistance. This year our disbursements will exceed \$900 million, and they will grow significantly in the years ahead.
- (2) We are determined to achieve for official development assistance the official UN target of .7 per cent of our GNP and to move toward it by annual increases in proportion to GNP.
- (3) We intend to 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.
- (4) We plan to concentrate the bulk of our bilateral assistance on the poorest countries and on the poorest sectors of their economies.
- (5) We plan to develop new forms of co-operation to meet the needs of middle-income developing countries in order to strengthen

their potential for more self-reliant development.

- (6) We pledge to maintain a degree of concessionality in our bilateral programs of not less than 90 per cent. The grant component of Canada's development assistance is at present 95 per cent.
- (7) We intend to untie bilateral development loans so that developing countries will be eligible to compete for contracts.
- (8) We reiterate our pledge made at the World Food Conference to provide a minimum of one million tons of grain a year as food aid for each of the current and the next two fiscal years.
- (9) We plan greater emphasis on programs 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 tends to be concentrated on the poorest countries. Broader measures of international economic co-operation will bring greater benefit to those countries that have advanced further towards self-reliant growth. In this respect we must be ready to consider new ideas and new approaches.

#### Basic Canadian response

The Government has reached certain broad conclusions on its approach to co-operation with developing countries:

- (1) We agree that there must be adjustments in the international economic system that will lead to a more rapid reduction in the disparities between developed and developing countries.
- (2) We consider that the transfer of resources that these adjustments would entail can best be achieved in the context of a growing world economy.
- (3) We believe the reform of existing institutions, where possible, is preferable to the establishment of new ones.
- (4) We believe positive co-operation rather than 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

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framework of world trade and finance in the 1980s. 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 co-operation.

### Commodities

The area that has been accorded the greatest attention of late 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?

- (1) 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 that have adhered to all the major commodity agreements.
  - (2) 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.
  - (3) We recognize that the use of buffer stocks and alternative stock mechanisms may be an appropriate stabilizing technique for a number of commodities.
  - (4) The conception of a common fund for financing such stocks is certainly worth examination. We are prepared to consider this conception sympathetically, along with other potential donors, including both producers and consumers.
  - (5) We recognize that commodity prices cannot be determined without reference to market forces. At the same time, we are well aware that no one's interest is served by commodity prices that are so low as to discourage production.
  - (6) We believe new features in commodity agreements to take account of international inflation and exchange rate changes should be explored.
  - (7) We wish to pursue these issues in the context of UNCTAD's Integrated Approach.
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### Trade liberalization

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

- (1) At present, 75 per cent 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.
- (2) We are prepared to consider deeper tariff cuts and advance implementation on an MFN basis of other tariff cuts of particular interest to developing countries in the trade negotiations now taking place in Geneva.
- (3) We are also reviewing our generalized system of tariff preferences for developing countries in light of their suggestions for improvements.
- (4) We recognize the importance that developing countries attach to the further processing of their commodities prior to export. Indeed, we share with them a common interest in the removal of tariff escalation and non-tariff barriers that impede the establishment of efficient processing facilities in the resource-exporting countries. In our view, the "sector" approach is the most effective technique for achieving this goal in the multi-lateral trade negotiations.

### Industrial co-operation

The further industrialization of developing countries is an essential element in any concerted attack on the disparities between rich and poor. In shaping the world of the 1980s, 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; accordingly, 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 co-operation 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 counselling, 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 co-operation agreement might be drawn up 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 put our own experience in the establishment of screening mechanisms, statistical methods, and techniques of taxation at the disposal of developing countries. 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

We have stressed the need for concrete measures to assist developing countries in sharing more equitably in 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 a New International Economic Order*, prepared by a Commonwealth group of experts on the instructions of the Commonwealth heads of government, I understand is being made 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. However, we consider this report a most valuable document because of its practical nature and the high degree of consensus that exists on its provisions, a consensus that extends to countries from all six continents. We believe

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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. I commend its practical approach and its emphasis on concrete measures to this Assembly.

Over the course of the past several months, as well as in the debate here, we have heard some important and imaginative proposals both from developed and developing countries. They all deserve careful study. The atmosphere, as I see it, is conducive to progress and change. We must seize this opportunity. During the next ten days, we must work through the *Ad Hoc* Committee and through informal consultations and negotiations, to achieve a result in this session which will launch us in the right direction for dealing with the challenges of the future.

#### Conclusion

I have outlined in broad terms the position of the Government of Canada 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 invest our resources and our influence, in renewed efforts to bring about constructive change in the international economic system and thereby reduce the glaring disparities between rich and poor nations. It is our hope that this session will be a constructive step in that direction.

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