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NOTES PREPARED FOR THE
CANADIAN STATEMENT
AT THE CONFERENCE ON INTERNATIONAL ECONOMIC CO-OPERATION
BY THE HONOURABLE A. W. GILLESPIE,
MINISTER OF ENERGY, MINES AND RESOURCES
PARIS, MAY 30, 1977

that CIEC has served to remind the international community that resource transfers of constantly increasing magnitude are urgently needed, and will be needed for decades to come.

As a result of this renewed emphasis, one of the measures of our success will be the commitments that can be secured on ODA from donor countries. Speaking for Canada, the fifth largest DAC donor for official development assistance, I can assure you that we will continue to work toward the 3.2% target. Despite severe spending restraints on virtually all government programmes, we are determined that Canadian levels of assistance will continue to rise: the Canadian Government intends to disburse \$1,100 million in fiscal year 1977, an increase in excess of \$100 million over the previous year. I can tell you that this increase relates directly to our participation in CIEC. It also responds to the recommendations of

Canada is pledged to the task of shaping a new economic order to reduce the gap between the wealth of the few and the poverty of the many. We sought participation in CIEC, and accepted the co-chairmanship, because we believed that this Conference would provide vital impetus to the on-going North/South Dialogue. At the same time, it presented a first opportunity to address energy problems of increasing importance to all countries.

We must now at this Ministerial Meeting make a significant contribution to a better economic order. I am convinced that we can. I see already four milestones of signal importance and, within these, progress in many areas. The four are:

- A new emphasis on official development assistance
- A new appreciation of the extent of developing country integration into the international economic system
- A fresh spirit of willingness to examine new solutions
- An important international understanding on energy matters.

At the first milestone, CIEC has already underscored the primacy and importance of official development assistance to the economic progress of developing countries. Recent concentration on access, technology, shipping and a host of other subjects may have suggested that "trade not aid" was the all-important key to development efforts. Without in any sense denying the importance of such non-aid aspects. I think that CIEC has served to remind the international community that resource transfers of constantly increasing magnitude are urgently needed, and will be needed for decades to come.

As a result of this renewed emphasis, one of the measures of our success will be the commitments that can be secured on ODA from donor countries. Speaking for Canada, the fifth largest DAC donor for official development assistance, I can assure you that we will continue to work toward the 0.7% target. Despite severe spending strictures on virtually all government programmes, we are determined that Canadian levels of assistance will continue to rise; the Canadian Government intends to disburse \$1,100 million in fiscal year 1977, an increase in excess of \$100 million over the previous year. I can tell you that this increase relates directly to our participation in CIEC. It also responds to the recommendations of a

Canadian Parliamentary Committee concerned with development issues. Their very positive suggestions prepared especially to coincide with the conclusion of CIEC, have been in several important cases surpassed by new Government measures. The consensus of the Parliamentary Committee representing the interests and concern of all Canadians, and the measures now being taken by the Canadian Government, are clear indications of political will to improve our contribution to development. I will describe more of these to you in a general review of the progress this Conference has made.

Continuing on ODA issues, you are aware of the proposal that CIEC provide a special action programme to meet the immediate needs of developing countries. This would be money which would not have been made available in this form if this Conference had not taken place. I want to announce today that if this conference succeeds in a result including a special action programme, the Canadian contribution would have both a past and a future dimension. It would be directed toward the particularly acute needs of the Least Developed Countries. From the time this agreement is reached, the Canadian Government's aid to these countries henceforth would be entirely on a grant basis. As a direct contribution to special action, Canada would be prepared to respond to the demand for debt relief which has been a central issue of this Conference: the Canadian Government would convert to grants all past development loans to a number of Least Developed Countries in Africa and Asia. The amount to be forgiven would be some \$254 million. It would have an immediate and positive impact on countries concerned, and will free funds for their development which would otherwise have been due to Canada.

Canada welcomes the agreement that donors will strive for an 86% concessional element for ODA. We hope that there will be quick movement to and beyond this level. Our own concessional element of over 95% demonstrates conviction that aid must be on the softest possible terms, especially where this is directed to the poorest countries.

Although it is difficult to prove an organic link between CIEC and decisions taken in other institutions, one cannot dismiss the fact that concern for a positive CIEC result has been one of the factors motivating positive government decisions on the timing of the fifth IDA replenishment, the international fund for agricultural development, IBRD capital base increases, and other actions which will increase the quantity of concessional flows to developing countries. In short, we can already discern positive results on a broad front. I discern a second milestone in the vital impetus given by this Conference to an important process already begun. I refer to the integration of developing countries in all aspects of international economic life. This process did not begin here, but there is increasing evidence of its impact. There was a time when the major industrialized countries tended to seek solutions to

problems between themselves and, within this context, to elaborate special measures for developing countries. Today, our common objective is the incorporation of mechanisms designed from the outset to serve development needs, into the international economic system.

Grappling with these dynamic issues of international economic management has not made our task easier here. Often we have been discussing matters which are part of the complex mosaic of international negotiation elsewhere. Singling out developing country interests before the other parts of the negotiation are completed becomes increasingly difficult. Here again, however, I would contend that significant gains have been made in our common commitment to advance these interests.

On the trade side, we have welcomed during CIEC the early implementation of new measures for tropical products as the first concrete results to emerge from the MTN. The Canadian Government, responding to this need, implemented our tropical products offer in its budget this past spring. Except in cases where it proves impractical or inappropriate, Canada will consult with supplying beneficiary countries before withdrawing the GSP for safeguard purposes. On a broader front, Canada is convinced that the MTN must provide new opportunities for trade and industrial development in developing and raw material exporting countries, with improved access to developed country markets. We support major and comprehensive trade liberalization of tariffs and non-tariff measures on industrial and agricultural products. In this context we believe that questions relating to security of supply and access to markets should be discussed together in the MTN so that all questions of relevance to each sector can be considered in relationship to each other.

On the grains side, the Canadian Government endorses the readiness, expressed for the first time in CIEC, of major exporters and importers to enter early negotiations of a new arrangement. Again, with developing country interests to be reflected throughout the new agreement, we have found it difficult before the onset of negotiations to specify precise commitments. We should be neither surprised nor discouraged with this fact. An effective settlement in the grains sector will have to deal with interrelated problems; including the need to improve and secure access to world markets for grains and

grain products, to limit the detrimental effects of export subsidies, to reduce unnecessary fluctuations in grain prices and to improve world food security. Canada believes the eventual agreement should also include food aid commitments to ensure minimum levels of food grain availability as aid on a continuing basis. We are ready to accept a volume commitment in concert with other potential donors. All of this remains to be negotiated, and CIEC has brought the negotiating stage much closer.

CIEC has also provided the venue for major economies to announce their readiness to participate in the 500,000 ton emergency grain reserve. The Canadian Government will participate, provided other countries in a position to contribute will do the same. This reserve will be an important element in enhancing world food security. But world food security and food aid are the responsibility of the entire international community. As the present supplier of one-tenth of the ten million ton cereals target, Canada calls on all donors to take urgent measures to reach this goal.

The third milestone is that over the course of CIEC, participating countries have shown fresh willingness to look for new solutions to old problems. Sometimes we have found new answers. Sometimes, we have decided to re-examine the value of arrangements already in place, and the impact of policies already being implemented.

Probably the best illustration of this spirit is the emerging consensus that there should be a common fund for commodities. CIEC has "energized" this process: the Canadian Government today announces our support for CIEC action towards such a fund -- it is our position that this fund must be linked to the successful conclusion of individual commodity agreements. As in the past, we will participate actively in their negotiation. We will similarly approach negotiations on this common fund itself in a positive spirit, and the Canadian Government has pledged our proper share of the financial contributions to the fund, after viable arrangements have been agreed.

As evidence of another "new" approach, some of the countries participating in CIEC have agreed to a specific form of debt relief. Canada is one of these. Again, specific action has been taken to respond to the

declared needs of a particular group of LDCs. Canada has participated in past debt negotiations. We would welcome a generalized consensus view that a shared adherence to principles, coupled with better, stronger arrangements, would provide the best guarantee for positive international response to this kind of difficulty.

Another new step has been taken to help Africa. The inadequate infrastructure of the African continent has of course been a subject of concern and a focus of development efforts for some time now. Within this conference, we have all agreed to make a more systematic effort to concert our approach and to mobilize new efforts. The Canadian Government expects to spend approximately \$140 million on African infrastructure projects in 1977-78 including transport and communications, an amount which does not include the substantial contributions to agriculture and rural development. We endorse the concept of a decade for African transport and communications which would be aimed at the broad infrastructure needs of the African continent.

The last milestone which I have identified is perhaps the most important. It was the *raison d'être* for this conference. For the first time, the energy dimension has taken its rightful place in the international dialogue on important economic questions. We are able to express our satisfaction with what CIEC has already achieved:

- a) Increased understanding of the nature of the energy challenge,
- b) Agreement on the need to initiate and reinforce efforts on additional and alternative energy sources,
- c) Agreement on the need to cooperate in avoiding unnecessary economic disruption,
- d) Appreciation that increased flows of capital from international financial institutions, especially the World Bank, would help energy development in oil-importing LDCs.

I might add that Canada will contribute its full share to any increased IBRD capitalization which will be required for these efforts.

I have seen, and welcome, evidence in the oil market over the course of CIEC on growing sensitivity on

all sides to the need for such mutual confidence. Much remains to be achieved if serious economic dislocations are to be avoided in succeeding decades. It is for this reason that proposals have been made for a forum for continuing the energy dialogue after CIEC. The Canadian Government wholeheartedly supports this concept as one which will benefit the whole economic community.

These are the milestones which CIEC can already claim as key achievements. They justify our efforts and, to a good extent, our hopes for the conference. All hopes that all participants bring to conferences cannot be met. I have certain sympathies for some of the expressions of frustrated hopes I know we will hear today. Let me very briefly tell you some of our unmet hopes -- perhaps best seen as the milestones which might be met in the concluding hours of CIEC or during future meetings. We hope that the reluctance, and sometimes refusal, to talk about developing country responsibilities will disappear from our dialogue. This serves to weaken our own efforts to mobilize popular support for development issues. Three aspects are relevant. First, there are the steps which developing countries must take to help themselves, and I am convinced that debate on these matters can be said to infringe national sovereignty only in the same way that the discussion of developed country resources and policies are impinged upon by their discussion. Next, we would like to see more attention focussed on the responsibilities that developing countries, particularly those with strong positive revenue positions, must accept for the welfare of other developing countries. We all need their inclusion in the international efforts which must be made, although we accept the larger part of responsibility for ourselves. Third, we would like to see more agreement on the responsibilities that developing countries should have for the smooth functioning of the international system; willingness to set priorities among the manifold demands for international action; acceptance of the principle that commodity arrangements must allow for both producer and consumer participation; the need for creating economic climates to speed effective investment and the flow of funds for development. I would also include LDCs undertaking commitments consistent with their development stages to participate in the MTN, to contribute to grain stocks and to strengthen other international arrangements. As I said, these are perhaps the milestones for the future.

Politics and diplomacy have long been defined as "the art of the possible". A Canadian historian, seeking to define the Canadian spirit, suggested that it was "this sound sense of the possible". It is in that perspective that I would like to bring these remarks to a close, suggesting that CIEC has reinforced two very basic home truths in the general theme of the interdependence of the world community. The first is that our fundamental priority must be the re-establishment to full health of the international economy. All countries stand to benefit, and all have a responsibility. This is far from the "trickle-down theory" that developing countries will benefit from increased exchange between the developed world. Rather, it is the realization that the international financial system, the international trade system and our own economies all demand fundamental strengthening, if their capacity to be engines for development in other countries is not to be impaired. The second basic and related truth is that changes needed in these systems have already begun, sometimes structural and painful. We are aware that developing countries will seek massive resource transfers, and sometimes radical change, in the trade and monetary system. We hope that developing countries, in turn, are fully aware of our concern for the fragility of the system, the consequences of arbitrary or capricious public interference in economic markets and, above all, the consequences of energy supply and price for the futures of our countries. It is now our task to complete this work of fundamental importance to the future of our world.