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SECRETARY
OF STATE
FOR EXTERNAL
AFFAIRS.

SECRÉTAIRE
D'ÉTAT AUX
AFFAIRES
EXTÉRIEURES.



NOTES FOR AN ADDRESS BY THE
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE MITCHELL SHARP,
TO THE Y.M.C.A., MONCTON, N.B.,
ON MAY 11, 1973

Ladies and Gentlemen,

In Ottawa, not just in External Affairs or the Canadian International Development Agency, there is constant exposure to the world beyond our borders and beyond our continent. There are in Ottawa 73 Embassies and High Commissions and a steady traffic in and out of foreign visitors and of Canadians returning from abroad. For these reasons, and for no special Ottawa virtue, there is, in the capital, a fairly high level of interest in the world around us.

You do not have this same built-in exposure and it is that much more to your credit that you have shown initiative and a lively interest in the developing world.

For this reason I can tell you that my motive in accepting your invitation is not just a taste for New Brunswick lobster. You have demonstrated energy and enterprise in organizing with the Ys of Halifax and Saint John to set up a Maritime Partnership Project. As I understand it, this began with a programme of cooperation with the Dominican Republic to help in the development of a YMCA in Santo Domingo. From this beginning you gave your support to the establishment of a sandal factory and shoe shop in Santo Domingo.

You will be pleased to learn that the CIDA grant of \$25,000 which you had requested for this project has been approved.

As a young man I was proud of the very rewarding association which I had with the Y in Winnipeg. As a Y enthusiast still, I am very proud to have this opportunity tonight to commend most warmly the members of the Moncton Y.

The problem of wide-spread and crushing poverty in large parts of the world remains not only a challenge to our sense of values but to the prospects of future stability in the world. Although I understand that the YMCA initiated its first overseas programme in 1889, most of us in the developed world, including governments, were far behind in our perceptions of this challenge. It was not really until the post-war years that there was an assumption by society of responsibility for the elimination of conditions of poverty in the world at large. This sense of responsibility was stimulated at that time by a number of converging factors: increasing awareness of widening disparities between rich and poor nations and a realization that the development of technology and the accumulation of wealth have made the eradication of poverty an attainable goal. This outlook stemmed from the same post-war philosophy which have us the framework for our present social welfare structure at home - and a commitment on the part of the Federal and Provincial Governments to reduce regional disparities.

We set out toward this goal with zeal and optimism - but in the beginning with only rudimentary appreciation of the complexities of the task. In time we came to acknowledge the limitations of development assistance. Aid can only provide a relatively small proportion of the total resources required by developing countries. Societies and governments in these countries must assume

primary responsibility for their own development and provide most of their own resources. They must set their own economic and social objectives. They must determine how much self-sacrifice is required and in what areas.

However, development assistance can provide the extra margin of support that can bring a developing country to the take-off point - enough support to make the heavy demands in themselves worthwhile. This can be done by supplementing the resources of the developing countries with skills, equipment, experience and resources which are limited in their own economies but essential to the development process.

The point I am making here is that external assistance can have an important and even decisive impact on the development process in each country.

From your own experience I think you will have recognized a basic truth about any help which is provided to the developing world. To be effective - which is to say to be enduring - aid must be more than the provision of funds, goods or technical expertise. For example, while there is a role for teachers, especially in the initial stages of a programme teacher training is more important. To be successful we must be helping a country or a community to help itself. In whatever project we are engaged in - either government or non-governmental programmes - we must always keep clearly in mind that we will have failed if the project cannot stand on its own feet when our skills and experience are withdrawn.

Nor should we look at the provision of aid strictly in terms of a charitable obligation of the haves to the have nots, or in terms of the Western world's debt to former colonial territories. Aid which is openly characterized as charity or as reparations is almost bound to set off on the wrong foot.

I have said the role of external assistance in relation to the task of eliminating world poverty is a limited one, but it still requires from Canada the intelligent application of a very wide range of our own resources and skills. You and other non-profit, non-governmental organizations are very much an essential partner in this enterprise.

Non-governmental organizations tend to be well suited to helping others help themselves. In your case this is a role you have discharged with distinction for the community in Canada. Private sector assistance enables organizations in developing countries to establish direct working relations with their counterparts in Canada. This contact facilitates the flow of knowledge and expertise - and ensures that it is relevant to the project at hand. There are times and places where we cannot be confident that aid provided on a government to government basis will reach its intended destination. Aid provided through the non-governmental net can sometimes bypass government corruption in a recipient country.

Non-governmental organizations often have the capacity also of bringing to their activities an element of direct human concern that is at times too diffused and diluted in the context of government programmes.

The Government and particularly the Canadian International Development Agency have long recognized the importance of the non-governmental organizations in meeting our aid objectives. A non-governmental organization division was created within the Canadian International Development Agency in 1968, to provide additional support for the contributions of Canadian voluntary associations. Since that time funds allocated to private organizations have been increased by 300%, that is to say from 4.1 million dollars to 16.5 million dollars. Over the same period the CIDA budget increased by 70%.

Nevertheless, the total Canadian external budget has been growing at an annual rate of 15 to 16% and aid appropriations have reached a very significant figure. From a modest post-war beginning our total aid appropriations have reached more than half a billion dollars a year. This amount will grow as our Gross National Product increases.

This is a substantial sum for the Canadian tax payers to provide - and to sustain a programme of this magnitude the support of the Canadian public is essential. Non-governmental organizations play a very important role in the creation of a wider public awareness and sense of dedication to the objectives of development assistance.

I have said something about the funds allocated through CIDA for non-governmental organizations. How is the rest of the money used? About \$331 million - two-thirds of the total was allocated last year for country to country or bilateral assistance. \$99 million was used as grants, mainly for technical assistance such as the provision of Canadian teachers and advisers, or the training of overseas students in Canada. \$142 million was allocated for long-term development loans, usually on an interest-free basis to make goods and services available to developing countries.

\$90 million was spent for shipments of food. The emergency provision of food aid is often necessary to relieve famine and also to relieve recipient countries from the need to spend scarce foreign exchange on imports of food. Most recently \$2.5 million of Canadian food aid was allocated to countries bordering on the Sahara desert who are suffering a severe drought. Food aid is, however, a temporary expedient to help a community through a particularly difficult crisis. It is only provided with great discretion because when food aid is not directly required to meet shortages it can depress agricultural prices and discourage investment and expansion in the agricultural sectors of developing economies.

Another large portion - \$134 million was spent to provide multilateral assistance. Our contribution to multilateral organizations includes grants, loans or advances to the World Bank, several regional development banks and a variety of U.N. specialized agencies.

One of the more innovative efforts in which Canada has had a part in applying technology to the problems of the developing countries has been the establishment in Ottawa in 1970 of the International Development Research Centre, an avowedly international institution financed by the Canadian Government. The objective of the IDRC is to assist the developing regions to

define these problems in their own way and then to build up the research capabilities, the innovative skills and the institutions required to solve them. The approach of the IDRC is to help the developing countries select and adapt technology to their own ends, which are not necessarily those of Western countries.

Let me give you an example of what is meant by adapting technology to their own ends which are not necessarily Western ends. I refer to a grant given a few weeks ago by the IDRC to support a study into the role, not of supermarkets, but of hawkers and vendors in the marketing and distribution of agricultural products in six cities of Malaysia, Indonesia and the Philippines. You may wonder: is this a worthwhile project? Look at it this way. Perhaps one-third of all goods and services in many Asian cities are handled through hawkers and vendors, yet their role in the pattern of food distribution from farms and cities is poorly understood, the implications of health, traffic and tax restrictions upon them hardly at all.

You can readily understand why it is important for development assistance to be carefully integrated into the development strategy of a country so that this assistance will complement the social and economic objectives of that country.

As I pointed out development assistance plays an important but still minor role in the struggle against world poverty. The function of trade and investment is more important. 80% of the foreign exchange earnings of developing countries come from international trade. Therefore, although development assistance will help on the road away from poverty, trade is the vital bridge.

The individual export receipts of most developing countries have been increasing. However, there is every reason for concern that the developing countries' proportional share of world trade has been declining in relative terms - 31% in 1948 - 22% in 1960 - down to 17.2% in 1971. To give you a dramatic example of the nature of this discrepancy in trade volumes, Canada's share in world trade in 1971 was over 5%. This was more than the share of all the Latin American countries together and substantially more than Africa's collective share.

Developed countries purchase more than 75% of the exports of the developing countries and roughly 8% of Canada's total imports come from the Third World. In our case we import more from developing countries than we export to them. However, this is not the general situation as is evident in the fact that the global trade account deficit of developing countries was 1.5 billion dollars in 1960 - rose to \$2.1 billion in 1969 and jumped to \$5.6 billion in 1971.

Given the crucial importance of international trade to development, these are disheartening figures. However, they are provoking international concern and international action. Some practical steps have been taken to assist developing countries overcome these trends.

At the Third United Nations Conference on Trade and Development last year, Canada and other industrial countries agreed that special techniques and ground rules should be established for the forthcoming international negotiations under the General Agreement on Tariff and Trade to ensure that

special attention is genuinely given to the interests of the developing countries. It is our hope that the GATT negotiations will result in a significant reduction in trade barriers.

The International Cocoa Agreement, which Canada was the first country to ratify, includes countries representing most of the importing and exporting interests in that commodity. One of the purposes of this Agreement is to stabilize cocoa prices and provide some predictability about export earnings which developing countries can derive from cocoa.

Another step we have taken recently is the adoption of enabling legislation on the implementation of a Generalized System of Tariff Preferences for Developing Countries. Upon implementation, this will allow a wide range of goods from developing countries to enter Canada at British preference tariff rates or at one-third from the Most-favoured Nation tariff rate - whichever is the lower.

Of course, all is not smooth sailing. The provision of aid is a sensitive task. Misunderstandings arise from different outlooks as much as from different techniques. The motives of the donors are sometimes suspect - and this is very understandable.

There is one case I recall of a donor country which shall be nameless, which in its anxiety to demonstrate its goodwill and benevolence to a newly independent African country ordered the dispatch by the fastest means of a consignment of road and agricultural machinery. Imagine the perplexity of the African recipients when the crates were opened to reveal snow plows. I do not think our errors are of that magnitude.

One misunderstanding concerns the role of Canadian business and industry in relation to "tied aid". For many "tied aid" is a pejorative term. It suggests that the tying requirement, which applies to a portion of our aid, is inconsistent with our primary development assistance objectives. By the frequency with which developing countries draft resolutions on the adverse effects of tied aid, this is obviously a subject of great concern to them.

Undoubtedly there is a case against tied aid, but I believe that the Canadian practice is sensible. First, even the most ardent advocate of untied aid agrees that some tying may be justified when the donor has a persistent balance of payments deficit or underemployment of labour and productive capacity. Unfortunately, a number of donor countries are worried about these very problems and thus tie their aid. It is very difficult for Canada to be more generous than our competitors in the industrialized world and to open up our funds for fierce international competition when other countries are not prepared to give our suppliers the same opportunities. Indeed, public support for the current high level of Canadian aid could easily be jeopardized if we were to risk letting American, European, and Japanese firms win our aid contracts at a time when we have not yet solved all our own employment problems.

We are constantly urging recipient countries to use Canadian funds selectively, in order to finance those goods and services where we are internationally competitive. A recipient country, after all, has a variety of bilateral and multilateral funds to draw on, and we urge them to shop discriminately in order to get the best value for their aid dollar. One has only to glance at the list of items provided under our Aid Programme to see that our funds are being used to supply those items for which we are pre-eminent in the world - grains, fish, minerals, newsprint, asbestos, synthetic rubber, diesel locomotives, STOL Aircraft, hydro-electric machinery, telecommunications equipment, aerial surveys and skilled technical assistance. It is hard to believe that anyone could be more competitive than Canada in these fields.

In short, the whole debate over tied aid has been painted in colours far too bright to apply to the Canadian Aid Programme. Our role is not to impose our goods on other countries, but to assist them where our capabilities and their needs coincide, and to encourage the maximum participation of all sectors of the Canadian economy in that process.

Canadian business and industry do have a growing and important role in the field. Canadian experience with small and medium-scale industries and in such sectors as food processing, wood products and raw material processing is often relevant to the requirements of many developing countries. Direct investment by Canadian business in developing countries is beginning to expand. I hope success in the ventures now under way is contagious. By this means there is a natural transfer of managerial talent, technology and a generation of employment - and the advantages are conferred in a manner which complements the dignity and helps to build the confidence of the developing country.

It is also a process which is paving the way to new trading links with the Third World, which could become a very fast-growing market - if development efforts are successful.

Canada's Export Development Corporation facilitates this process by making direct long-term loans to foreign buyers of Canadian capital goods, thus enabling developing countries to acquire capital goods on accessible terms.

Some authorities have suggested that aid programmes should have a political rationale. This is the view that successful development assistance, by reducing hunger and misery, has a tranquilizing effect on the poorer countries. It rests on the assumption that the interests of the donor nations are best served by maintaining the status quo. This is a pernicious view and one that I reject.

There are cases where one can only hope that in the course of time the aid which is received from us and from others will give to the people the strength they need to displace unrest and unprincipled governments. We can, if we look far enough ahead, see the inevitable unrest, which is born of rising expectations, as a transitional period leading to a more stable and prosperous world.

This subject of development assistance is one which deserves more attention in Canada than it receives. In all of our relations with the Third World, development assistance constitutes one of the most important elements. This is because relief from poverty is as much a priority in our relations with the Third World as it is in Canada. Aid is given to developing countries for essentially the same reasons that we assist less privileged people in Canada.

In the Government's White Paper on Foreign policy, the issue was put in this way - "A society able to ignore poverty abroad will find it much easier to ignore it at home; a society concerned about poverty and development abroad will be concerned about poverty and development at home. We could not create a truly just society within Canada if we were not prepared to play our part in the creation of a more just world society. Thus our foreign policy in this field becomes a continuation of our domestic policy."