



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 66/38

AID PROGRAMMES AND THE BUSINESS COMMUNITY

An Address by the Secretary of State for External Affairs,
the Honourable Paul Martin, at a Luncheon of the Canadian
Export Association, Toronto, September 14, 1966.

...I accepted your invitation to speak here today with particular pleasure because it gives me the opportunity of talking to those who, like myself, are involved with the world beyond our borders and with the ever-changing patterns of that world.

As one of the world's principal trading nations, Canada's economic health and growth is closely linked with the affairs of others. But it is not for trade alone that we have young men standing guard over the uneasy truce in Cyprus or helping to preserve the balance of power through lending their strength to the North Atlantic Alliance. Peace-keeping and defensive groupings are part of the price we pay willingly in this less-than-perfect world to promote the kind of stability in which all manner of human exchanges can take place for the common good. Today, I would like to tell you about another of our international responsibilities - the part we are playing in the collective campaign against hunger and poverty.

No world can be truly at peace when half its people go to bed hungry each night, when medical relief has yet to be brought to millions, when economic opportunity for so many of our fellow men is restricted to a daily struggle with infertile land or the backbreaking labour of primitive industrial tasks. We would not tolerate these conditions in our own land, not only because they are an affront to human dignity but because they would constitute a choking rein on our progress as a nation.

There are many, in the developed world of the West, who have found to their cost that the seeds of violence and disruption take root in ignorance, poverty and despair. And what cannot be accepted in a single country cannot be allowed to exist in the world of today, where self-containment is nothing more than dangerous delusion.

These thoughts have been expressed before in a 100 different ways by those who have been tirelessly preaching the gospel of international development assistance. But time has not dulled this message nor produced a ready solution to what is perhaps the single greatest challenge presented to our generation. Many remedies have been offered as an instant cure to underdevelopment. All of them bite into a part of the truth, but none offers the panacea for the economic malnutrition suffered by two-thirds of our world.

There is, of course, no single, simple solution.

Better use must be made of available food resources, particularly the rich larder of the sea. Acres of barren land must be made to produce with the aid of modern techniques and fertilizers. The skills which we possess in the industrialized countries must be transferred through the classrooms, now springing into eager life in Asia, the Caribbean, Africa and Latin America. We must be ready to help the developing nations to harness the energy of river and tide to generate the power needs of new industry. We must provide the capital resources to launch new undertakings.

We must also be prepared to make adjustments in our own economies. The transfer of production skills and the encouragement of industrial growth is given meaning only when accompanied by the offer of a remunerative market for the products of others. This could involve the reduction of trade barriers, the signing of international commodity agreements or the acceptance of increased quantities of manufactured goods from developing countries, and we shall have to meet these facts squarely if trade is to grow from aid to become the busy two-way street that leads to higher living standards for all.

This is the totality which must be envisaged. Neither trade nor aid can be viewed in isolation, but only as complementary forces.

In recent times, despite an overall increase in world trade, the rise in export earnings of the developing countries has been only 3 per cent a year, far less than they require to sustain satisfactory growth and totally inadequate to meet the demands of increasing populations. One-quarter of their essential import needs are met by foreign aid. But, in addition to this aid, and in addition to the \$30 billion a year they are earning from exports, the World Bank estimates they could make constructive use, during each of the next five years, of some \$3 to \$4 billion more aid than they are now receiving.

Review of Aid Programme - General Policy

Relatively speaking, Canada is not a major contributor to the total volume of aid or financial resources flowing from developed countries at a rate of more than \$10 billion a year. Our aid can never be more than part of a broad collective effort. Surely, then, it is all the more important that our aid be used wisely, with maximum effect.

It was for this reason that I caused a searching review of the aid programme to be made earlier this year - a review to which many departments of government contributed and to which were applied the latest theories developed in the laboratories of the science of development assistance. That review has led to decisions concerning many important aspects of that programme: an expansion in the level of the programme; increased flexibility in meeting the financing problems of developing states; emphasis on aid to countries likely to achieve a significant rate of growth fairly quickly; participation in programmes producing benefits for many nations.

As a result of these decisions, I can tell you that it is our intention progressively to expand the level of the Canadian aid programme from the current mark of around \$300 million to one more in keeping with our national affluence and our international obligations. At these higher levels, the terms of our assistance will be tailored to the various needs and abilities of the developing nations. The bulk of our assistance will be extended as grants or interest-free long-term development loans.

But, in recognition of the fact that there are some developing countries that are able to service loans on somewhat harder terms but which are unable to do so exclusively on normal commercial terms, we are introducing intermediate term development loans at 3 percent interest with a seven-year grace period and 30-year maturity. I think you will appreciate that, when these are added to our grant aid, the interest-free soft loans and the special long-term export credits, Canada will have considerable flexibility in its approach to the capital financing problems of the less-developed world.

As you may know, from the legislative point of view all the world's under-developed countries are eligible for Canadian assistance and we have had bilateral programmes, large and small, in 65 such countries. But a brief backward glance over our programme is sufficient to indicate that a major share of Canadian aid has always been allocated to a comparative few. Over 80 per cent of Canadian aid funds, for example, have been used to meet the needs of India and Pakistan, where the population exceeds that of Latin America and Africa combined.

At the same time, we have attempted to meet, as generously as possible, the requirements of a large number of the world's developing countries. Our assistance to such countries can often be more effective when combined with the efforts of others through the United Nations and other multilateral programmes.

In reviewing this policy, we came to the conclusion that this approach is sound and that it should be continued despite the availability of larger amounts of money under an expanding programme. The best advice of the World Bank, and such other aid co-ordinating agencies as the Development Assistance Committee of the OECD, supports our conviction that the course of reason is to provide the bulk of our bilateral aid to those countries which may be lifted, relatively quickly, to the take-off point of self-sustained economic growth.

Within this context, several factors govern the decisions which are made from time to time on the geographic distribution of the Canadian aid funds. Naturally, account is taken of our trading relations, our responsibilities in the hemisphere and the family ties of Commonwealth and of language. But, over and above this, we are guided by the existence of consortia and consultative groups established for particular countries by the World Bank and similar multilateral institutions, for it is in these councils that objective calculation can be made of a particular country's needs, applied both to the required volume of aid and the terms and conditions under which it should be extended.

You will be able to discern these influences at work in our allocations for the current year, which include in Africa such nations as Nigeria and Ghana and the French-speaking countries of Tunisia, Cameroun and Senegal, where we hope to move ahead with major capital-assistance programmes.

Particular attention is, of course, also being given to the needs of the developing countries in our own hemisphere - our close friends in the Caribbean area and, through the Inter-American Development Bank, those countries of Latin America which stand most in need of the type of assistance we can provide. As in previous years, a substantial part of our aid will go to India and Pakistan to be applied to projects and programmes which have been reviewed by the World Bank and other donor countries associated with us in consortia. We have been pleased to note the formation of similar consortia and consultative groups for such countries as Malaysia, Ceylon and Thailand.

This does not mean that we have ceased our partnership with other qualifying countries. Far from it. We have extensive technical assistance and educational programmes which are of proven value, and scholarships available in Canadian institutions for students from overseas who will make a real contribution to the development of their own nations. What it does mean is that the bulk of Canadian project and commodity assistance will go to countries where Canadian aid is likely to help in a decisive way the achievement of long-run development objectives.

It has been argued that Canada has not yet accepted its full share of responsibility in the collective aid effort, but I think you will see from what I have told you that we are moving, and moving rapidly, in the right direction.

Moreover, we must face the fact that our forward progress is taking place despite a feeling in certain quarters that limits have been reached - this feeling described so accurately by our Prime Minister as "a weariness with well-doing". To continue the pace of our advance we shall need the active support and co-operation of all sectors of the community.

Participation of Canadian Business

As a Government, we shall do our best to ensure that, through bilateral and multilateral channels, adequate financial resources are provided to enable the less-developed countries to develop and maintain their economic growth. As a businessman, looking forward to the day when these nations take their place as vigorous trading partners, I should hope that you would give the most careful consideration to ways in which you can join with us in this endeavour.

I should like to review some of the basic objectives of export credits and direct assistance, the part to be played by exporters and certain specific steps to facilitate the participation of Canadian business interests.

Members of this association will be aware of the facilities available under the Export Credits Insurance Act to assist in the financing of Canadian capital goods and related services. True, this is primarily support of the

Canadian exporter, permitting him to match credit terms offered by competitors in other industrialized countries. At the same time, ECIC resources do provide assistance to the developing countries in the sense that the terms available are a good deal softer, particularly in regard to maturity and grace periods, than those found in the market place - if, in fact, funds can be found at all. By the nature of things, these resources have gone largely to financing exports to developing countries. This is why statistics of such financing are included in the internationally-accepted measurement of the flow of financial resources from the developed to the less-developed world.

Unlike ECIC funds, the resources made available through the External Aid Office are voted by Parliament for economic, technical and educational assistance to developing countries. The initiative in the use of these funds rests with the government of the developing country. However, though not a primary purpose of the aid programme, it is worth remembering that this money is spent on the export of Canadian goods and services.

Naturally, this brings an immediate short-term benefit to the Canadian businessman, who thus shares the experience of his counterparts in other donor countries. At the moment, about 60 Canadian consulting and construction firms are working abroad on aid financed contracts and many millions of dollars worth of Canadian exports are being introduced or sustained in the markets of the developing countries. But there are long-term benefits of much greater significance, chief among them the creation of a wider range of global trading opportunity.

It can be demonstrated that Western manufacturers have increased substantially their exports on commercial terms to certain countries in the months and years that have followed the attainment of a measure of self-sustained economic independence.

One of our objectives is to encourage an increasing interest on the part of Canadian businessmen in our aid programme and to improve the ways by which they can participate in it. We want to help you to identify and take advantage of the opportunities our aid programme provides for you and we want to take more advantage of the specialized know-how which exists in your organization in selecting projects and establishing procedures which will most effectively employ our aid funds.

Canadian-aid financed goods and services must, of course, compare favourably in price and quality with those available in other industrialized countries. It is not in the interests of the Canadian export trade or in the interests of the developing countries to use aid funds to subsidize high-cost Canadian goods and services. We must also ensure that an adequate opportunity is available to all interested Canadian firms to compete for aid-financed exports. In the normal course, therefore, tenders or bids are sought from interested Canadian producers. In some cases, where a Canadian exporter has been the successful bidder following an international tender call, a decision to finance with aid funds the project or product in question does not need to be accompanied by a subsequent domestic tender call in Canada.

In these circumstances it is obvious that, if Canadian business is to make its full contribution, developing countries must be made aware of Canadian capacity. In the past, Canadian manufacturers have been encouraged to become more outward-looking and to take advantage of what your association has described as one of the best government trade promotion organizations in the world. We have seen the results. Now I would ask you to intensify your efforts to make known your abilities in less-developed countries of the world.

You should do this in the full knowledge that, quite aside from the Canadian programme, a wide world of financial backing is available for the priority development needs of these nations.

The Canadian aid programme, of course, is largely responsive in nature. Canada - or, for that matter, any aid-giving country - does not tell the developing country precisely what it must purchase with available aid funds. While we may, and often do, indicate the areas in which we think we have a particularly strong capability, we leave it to the government of the developing country concerned to decide for itself what Canadian goods and services can best assist in the fulfillment of its development plan.

You will appreciate that it is to the advantage of the developing country, as well as to ours, that requests to us for assistance are framed in the knowledge that Canada, in certain areas of business activities, offers the highest quality and the best price available. And we are constantly developing new ways to assist you, the Canadian businessman, and your counterpart in the developing world to make the best possible use of the aid-dollar.

Specific Steps

I have already referred to the searching review we have made of our aid programme and the resulting decisions we have made to expand the amount of our expenditure, increase the flexibility of terms and use the bulk of our aid in a number of specific areas. Let me tell you now of several other specific steps we are taking to facilitate the increasing involvement of the private business community in our programme:

First, we intend to provide more information in advance to the business community as to the areas in which we plan to commit a major share of our aid. This will enable businessmen to be guided accordingly as to the areas in which their own efforts are likely to be most productive. I have already given you an outline of the areas which will receive the bulk of project and commodity assistance under the current year's programme.

Secondly, we intend to make more funds available to finance pre-investment surveys and feasibility studies.

Many low-income countries require much help in determining precisely the potential of their mineral resources, fields, forests and rivers. Many have only a limited knowledge of their industrial possibilities.

Feasibility studies or pre-investment studies are essential tools of long-range development in which Canadian engineers, surveyors and planners have been heavily engaged in recent years. These studies are not luxuries. Whether it is to explore the full social and economic potential of a huge section of land such as the Chittagong Hill tracts of Pakistan or the Guayas River Basin of Ecuador, or to determine the economic value of a proposal to build a railroad, as between Zambia and Tanzania, the study can be used to guarantee the best employment of a developing nation's small store of wealth.

There are continuing benefits to Canada, apart from the growing international reputation of the men who have worked upon such studies. The reports they bring back, which can be made public with the permission of the country involved, can be valuable guides to investment or to businessmen seeking new outlets for their products.

Additionally, this kind of reliable appraisal can be expected to attract capital from financial institutions such as the World Bank or from private lending sources, which might be used to finance Canadian exports. You will see this line of credit operation working shortly in our Latin American programme. I hope that similar arrangements can be worked out in other countries where a substantial Canadian aid programme is envisaged.

We will continue to seek the most effective procedure for purchasing and procurement.

Until quite recently, virtually all aid-financed procurement was done through the multi-step procedures of government buying. These procedures, I think, make good sense where public funds are being used by the Canadian Government to meet its own needs. In the implementation of the aid programme, however, they are often quite inappropriate.

To an increasing extent, therefore, we are leaving it to the government receiving Canadian aid to purchase under competitive conditions, or have purchased on its behalf by its own importers, Canadian goods and services approved for aid financing. This technique will go a long way toward the establishment and maintenance of lasting commercial relationships, involving high-quality goods and services produced in Canada with an adequately high Canadian content and available at competitive prices.

We have adopted improved methods for selecting consulting firms for pre-investment investigations and supervision of capital projects so as to ensure the most equitable distribution of their work among Canadian consultants and the most effective utilization of the resources they represent.

Under our new procedures, proposals normally will be sought from a certain number - usually three or more - of competent and interested Canadian firms, including, where applicable, any competent firm suggested by the aid recipient. This procedure, which is comparable to that followed by a number of other donors and such other institutions as the World Bank, the UN Development Fund and the Inter-American Development Bank, will enable a contract to be awarded to a Canadian firm interested in working abroad which has submitted the most favourable proposal from the point of view of operation, experience and availability of qualified personnel and equipment. This procedure will help to ensure that a Canadian consultant who has developed the project will be in a good position to secure the resultant business.

I have already pointed out that the initiative in the selection of projects for aid financing rests with the recipient. But, while remaining responsive to the changing needs of the developing countries, continued efforts will be made to maintain a balanced Canadian programme.

Canadian food aid has gone to the unprecedented level of \$75 million this year and places a great responsibility on the Canadian farmer. We are making heavy demands on the technical experts, teachers and educational institutions of Canada in an extensive programme of technical assistance. I have referred to the increased use which is being made of the services of Canadian consultants. All these contribute to a balanced approach, and we wish to maintain this desirable balance in the area of commodity supply.

In the first place, we have recognized the demand for imports of machinery and spare parts to serve current requirements and to stimulate the expansion of existing plants. Under our new arrangements, such goods are financed under what might be broadly described as lines of credit established with aid funds. India and Pakistan this year have the backing of several millions of aid dollars to be used at their discretion to buy, in Canada, such things as bakery units, tools and other equipment. This technique will help Canadian manufacturers to play a large part in the maintenance of the pace of development in these countries and will also introduce new Canadian exports into what we confidently expect will become, over time, growing markets.

Secondly, our revised regulations will enable Canadian producers and Indian and Pakistani importers to enter into long-term purchasing arrangements for the supply of such things as nickel, copper, fertilizer and fertilizer components, aluminum, asbestos, lead, zinc, wood pulp, synthetic rubber and newsprint. While the choice of the commodities to be financed will largely be left to India and Pakistan we will, of course, seek to ensure that an appropriate commodity balance is maintained and that a fair level of commercial purchasing is carried out.

I am sure that these arrangements will lead us towards the goal of increased efficiency, both at home and overseas. I need not stress that there can be no guarantee to a Canadian consultant engineer, interested in feasibility studies or project inauguration - nor to a Canadian producer or manufacturer - that aid financing will necessarily be available for his particular service or product. He must compete for the scarce resources available to the buyer and be in a position to demonstrate not only his capacity to contribute to economic development but that his product or service compares favourably in price and quality with his competitors in Canada and abroad.

As responsible Canadian exporters you would not wish to have it any other way, but you can be assured that the methods and procedures adopted by the External Aid Office are designed to ensure that our aid programme is run on business-like lines, and that the legitimate interests of the Canadian exporter will be respected. Canadian development assistance must serve as a catalyst for private effort. Through our programme Canadian business will establish closer links with private enterprise in less-developed countries and play its full part in raising standards of life and well-being throughout the world in which we live.