



Statements and Speeches

No. 74/5

THE PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS

A Statement by the Secretary of State for External Affairs, the Honourable Mitchell Sharp, at the Sixth Special Session of the United Nations General Assembly, New York, April 11, 1974.

The international trade and payments system is under increasing strains, strains which have their roots in the growing pressure of demand on the non-renewable as well as renewable raw materials of the earth. We have become starkly aware of a developing crisis in the most essential commodity of all -- food.

This global economic situation touches each and every one of us in some way. None of us, as nation states or as individuals, is or can be insulated. It is, therefore, appropriate that we should come together here at the centre of the United Nations system to discuss our common problems and to consider how they can be dealt with most effectively by co-operative action.

Three aspects of the global situation, all of them related to raw materials and development, are of particular concern:

- the problem of food for those in greatest need;
- the effects of high energy costs;
- the impact of inflation on the international trade and payments system.

As a substantial exporter of certain raw materials, and a significant importer of others, Canada approaches these questions very much aware that importer and exporter interests are closely inter-related. It is seriously misleading simply to equate exporter and developing-country interests, or those of importer and developed countries. Indeed, the common interest of exporters and importers, of developed and developing countries alike, in an effective international trade and payments system, may be the most salient point to emerge from our discussions at this session.

Canada's approach is coloured by its own experience. Canada began its history as an exporter of primary commodities. That is what attracted the first explorers. The exploitation of our natural resources helped to promote both growth and development within our economy. Over the years, our economy changed to a more sophisticated structure, involving a balance between resource exploitation and industrial production.

Many factors have contributed to growth and development in Canada, including:

- substantial foreign investment;
- access to technology, mainly through commercial channels;
- access to markets for our products; and
- a general sharing of the rewards of resource production among Canadians.

The importance of these factors in our development has made Canada an outward-looking country, with high *per capita* exports and a heavy dependence on foreign trade. It has also persuaded us that a reasonably free international flow of the factors of production, whether capital, materials or technology, is of central importance to the process of industrialization and the raising of living standards.

Nor has our experience led us to believe that there are simple answers to the problems of development, or simple formulas that will ensure equity in the relations between developed and developing countries. We are reinforced in this scepticism about simple answers by our own efforts to reduce economic disparities between far-flung regions and to reconcile the conflicting interests of industrialized and raw-materials-producing areas within Canada. We find the problem infinitely complicated, requiring a wide variety of approaches to achieve results.

I can give assurance, however, that Canada has a strong interest in stable markets and a reasonable price structure for renewable and non-renewable raw materials, including foodstuffs:

- We support international commodity arrangements in which both exporters and importers are represented.
- We favour the establishment of machinery to ensure that the decisions of multinational business corporations are consistent with the national interests of the countries within which they operate.
- We defend the right of capital-importing countries to define the terms for the acceptance of foreign investment. We do so in Canada.
- We believe that raw-material-producing countries have a legitimate interest in upgrading their resources.

In short, Canada recognizes the right of resource-owning states to dispose of their natural resources in the interest of their own economic development and of the well-being of their people.

What has to be borne in mind is that the legitimate aspirations of resource-owning states can only be achieved within a healthy and

dynamic world economy. The world may have to curb the rate of growth of its consumption of certain raw materials. But this should be done in a co-ordinated manner and not by acts that cause economic dislocation, unnecessary unemployment and declining incomes.

That is why reasonable security of supply for consumers is the counterpart of the rights of producers.

Abrupt and arbitrary actions affecting supply may seriously disrupt international economic co-operation. All of us, whether raw-materials producers or industrialized countries, whether developed or developing -- or a bit of both --, have a responsibility to exercise our sovereign rights in a manner that does not run counter to the interest of other countries and peoples in the maintenance of a favourable economic environment.

This is all the more important if the world is to exercise prudence in the consumption of finite resources. It is extremely difficult, if not impossible, to plan rationally for conservation of world resources within an unstable economic environment in which countries must constantly adjust to fluctuations in world prices and supplies.

I turn, then, to the three urgent problems I identified at the outset -- food, energy and inflation.

Food In the final analysis, foodstuffs are the most essential of raw materials. We are acutely aware of this because the world faces a grave situation, already marked by famine and distress. The World Food Conference in Rome later this year was called in recognition of the need to find constructive international solutions to this most pressing problem. We attach particular importance to the work of that conference, yet the urgency of the matter justifies some further comments.

Canada has for years been a major exporter of food and a large contributor of food aid internationally. We shall maintain our food-aid contributions bilaterally and through the international mechanisms we strongly support. The expenditure of an additional \$100 million was approved by the Canadian Government last week to meet the emergency needs of developing countries, particularly for food and fertilizer. The world food problem, however, cannot be met by the exporting countries alone. It requires concerted action by all those countries able to contribute, and firm support for existing mechanisms. Canada welcomes the recent contribution by Saudi Arabia to the World Food Program. Such contributions are essential if we are to meet the crisis in food supplies in a number of countries.

Let us hope that nature will bless the world with good crops this coming year. But we must never again, if we can avoid it, permit the margin between famine and sufficiency to become so narrow. I shall not at this time expand upon the steps that must be taken. That is more suitable to the World Food Conference. Let me leave this thought: that only if the heavily-populated developing countries achieve a higher degree of self-sufficiency in food can the future be faced with reasonable equanimity.

Energy The sharp rise in the price of oil and changes in supply and demand have had extraordinary effects around the world. As in the case of other raw materials, Canada has approached this situation as both a producer and consumer, as both an importer and exporter. Because we import as much petroleum into Eastern Canada as we export from Western Canada, we have gained no significant advantage in our balance of payments from these developments. We have not, of course, been insulated from international price increases. At the same time, in contrast to many less-fortunate countries, we have not suffered serious set-back.

In general terms, Canada favours an orderly framework for world trade in oil, which would provide for stable prices at a reasonable level. Such a framework would reflect the cost of bringing in new conventional and non-conventional sources of energy in order to meet rising demand. Prices should yield a fair return to the producer, without overburdening the consumer.

The energy question, of course, goes beyond that of oil. It involves other energy sources and the technologies needed to exploit them.

I realize that this session was not called primarily to deal with energy resources. They are, however, of such importance to the topics on our agenda that I wish to emphasize the need for a constructive dialogue to be engaged on energy and energy-related problems wherever appropriate. Such a dialogue is needed particularly between the principal consumers and principal exporters, whose decisions are crucial for the world as a whole, and especially for the energy-poor developing countries. Canada, for its part, is willing to develop mechanisms for consultation between importers and exporters of uranium.

Inflation If the energy situation has had little direct effect on our balance of payments, Canada, like other countries, cannot hope to escape the inflationary effects of rising prices at a time when inflation is already a serious international problem. The terms of trade have in recent months shifted significantly in favour of commodity producers, as the prices of minerals and agricultural products have

risen to unprecedented levels. But we are all consumers -- of raw materials and manufactured products -- and it is as consumers that the impact of world inflation is brought home to use most forcibly. I can see no easy solutions to this problem.

Governments can help by pursuing responsible policies. It is inescapable, however, that current energy costs compel a restructuring of international markets, which will inevitably take some time to work out. Every country will face challenges in adjusting its economy to the changed situation.

Urgent international action to meet this situation must include: the liberation of trade arrangements; the growth of development assistance; and the systematic and progressive reordering of the monetary system in the IMF, so as to subject the creation of international liquidity to accepted disciplines.

Canadian response In the face of these compelling priorities, Canada has reviewed its own commitments. Subject to Parliamentary approval, the Canadian Government intends to take several steps to help alleviate the situation of the developing countries most seriously affected:

- We shall proceed with our own contribution of \$276 million to the Fourth Replenishment of the International Development Association.
- We shall permit the advance commitment of our first two payments to IDA, if that seems desirable.
- As I mentioned earlier, the Canadian Government last week approved an additional \$100 million, over and above its originally-projected program, to meet emergency needs in developing countries -- particularly for food and fertilizer. For the coming year, Canada's development-assistance expenditures are expected to reach \$733 million, as against \$571 million last year.
- We are also reassessing our entire program with a view to ensuring that our development assistance is directed to those in greatest need and in sectors where an urgent response is required. The immediate measures will include balance-of-payments support through quick disbursing grants and soft loans for essential commodities. Longer-term measures will include assistance for the development of energy sources. Such adjustments in development assistance programs are difficult but necessary.

In this context, the Canadian Government believes that all countries with appropriate resources have a responsibility to examine their own situations closely and take steps to alleviate the plight of those countries which are hard hit by the present energy situation. There are promising signs that countries which have benefited most from oil-price increases will, in fact, be taking concrete steps to provide assistance on concessional terms.

A renewed effort of international co-operation is called for, in which full use should be made of those established and recognized international institutions which have experience and expertise in supporting development. The United Nations Development Program (UNDP), the International Bank for Reconstruction and Development (IBRD), the World Food Program, and the Regional Development Banks are repositories of technical skills available to the international community. As such, they offer a ready means of securing early and effective action.

Some of these institutions have already begun to adapt their operations to the new situation. There is every reason for them to carry forward this process of adaptation and to work out revised policies and criteria, new techniques and types of program, geared to present circumstances.

Finally, the Canadian Government has decided to bring into effect, on July 1, 1974, its system of generalized tariff preferences in favour of developing countries. My colleague the Minister of Finance will be announcing the details of the scheme in Ottawa.

Mr. President, these are some steps Canada is taking to help with the problems of concern to this special session. But none of them is as important, to my mind, as our intention to co-operate fully with other countries:

- in needed adjustments to the international trade and payments system;
- in matters of commodity trade;
- in the reduction of trade barriers;
- in support for the established development-assistance institutions.

There are mechanisms of international co-operation already established and in good working order. Let us use them.

Without close consultation in the appropriate bodies, there is little hope of maintaining an effective network of international economic relations. Conditions of disarray and sustained confrontation may yield short-term benefits for a few, but in the long run the consequences would be wasteful and dangerous for all countries.

Modes of international co-operation need constant adjustment in order to reflect existing trends and realities. These adjustments may be small or great. We may expect a reordering and readjustment of international economic relations to emerge from a range of multilateral consultations, including:

- the current monetary negotiations and the multilateral trade negotiations;

- continuing discussions and consultations on commodities;
- the evolution of international codes of conduct in various areas;
- the creation of particular mechanisms to meet urgent needs, such as the proposed special facility in the IMF, which we have encouraged the Managing Director to explore; and
- the evolution of new techniques of resource-management, including conservation policies.

We are in the midst of a period of transition, in many respects of unprecedented scope.

This special session of the General Assembly is one important step forward in this process. I welcome this opportunity to improve our mutual understanding of the problems before us. The Canadian delegation, in addressing itself to the problems of raw materials and of development, will be taking a positive but realistic approach. It will seek, in promoting its own positions and proposals, to take full account of the interests of others. It will be guided by the conviction that our common interest is in a healthy and viable world economy.

S/C