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STATEMENT DISCOURS



NOTES FOR A STATEMENT
BY THE SECRETARY OF STATE
FOR EXTERNAL AFFAIRS,
THE HONOURABLE
ALLAN J. MACEachEN,
TO THE STANDING COMMITTEE
ON EXTERNAL AFFAIRS AND
NATIONAL DEFENCE,
OTTAWA, MAY 11, 1976



In the past year there have been a number of important developments in the relations between developed and developing countries, and I should like to begin by describing some of the aspects of the crucial dialogue which is now in progress.

The launching of the Conference on International Economic Co-operation last December marked a significant step forward in coming to grips with the complex problems involved in building a new, and more equitable, international economic system. As you know, we are playing a major role in this unique venture in international economic co-operation, which brought together twenty-seven representatives of developed and developing, as well as OPEC, countries with a view to achieving understandings on a broad variety of energy, commodity, trade, development, and financial issues.

Since February, the four Commissions of the CIEC -- Energy, Raw Materials, Development, and Finance -- have held three meetings at which representatives of the OPEC and developing countries (G19) and the industrialized countries (G8) have exchanged preliminary views on a wide variety of issues. Canada participates in the Energy and Development Commissions and has taken an active part in their work as well as following closely through observers the work of the Raw Materials and Finance Commissions. This first phase of the Conference has necessarily been of an exploratory and analytical character. It would be unrealistic to expect that the conference, in the space of three months, could achieve explicit and concrete results on the complex issues under consideration, issues which go to the heart of the economic policies of all the participating countries.

However, my conversations in Nairobi with my fellow chairman, Dr. Pérez Guerrero, and foreign ministers from many of the participating countries encourage me to think that we shall be able to make considerable progress at our mid-term meeting in July which will be chaired jointly by Dr. Pérez Guerrero and myself. At that time we will be able to assess the work completed and I hope that it will be possible to provide more refined guidance for the Commissions in their new rounds. In particular, I hope that we will be able to concentrate on individual problems in a more selective manner in order to have positive achievements in the latter half of the year.

As members are aware, I have just returned from UNCTAD IV - where the developed and developing nations are jointly tackling matters related to trade and development issues in order to try to reduce disparities between rich and poor countries. This process was given further impetus at the Seventh Special Session of UNGA and I hope that this momentum can be maintained in Nairobi. It is expected that as the Conference continues, questions of commodity trade, debt relief and the transfer of technology will be the focal points of the debate of UNCTAD IV.

I agree with the view of this Committee that it is essential to build toward an increasing sense of common interest between the rich countries and the poor countries. I share your feeling that Canada has a particular role in this process and that we must be a positive mediator, advancing proposals that are as forthcoming, as practical, and as fundamental as we are able to devise.

In my statement to the Conference, I pointed out the Canadian position on several of the most crucial issues before the delegates. Canada supports the need for a comprehensive integrated approach to commodity problems and also the principle of joint producer/consumer financial responsibility, on a mandatory basis, for the establishment of buffer stocks within commodity agreements, where the utilization of such a mechanism for price stabilization is appropriate. In this context, I announced that Canada will be making a voluntary contribution to the buffer stock of the Fifth International Tin Agreement and that Canada is prepared to continue examining the proposal for a common fund in the light of current and future commodity consultations and negotiations. Canada is also fully prepared to participate in working out specific ways and means, within an agreed time frame, to deal with the problems of individual commodities and to give effect to the decisions taken at UNCTAD IV.

Canada believes that development assistance loans should not create debt repayment crises for the recipients of the loans and therefore we proposed that the grant element threshold for Official Development Assistance (ODA) should be raised above 25 per cent and that, in conjunction with other donors, we would be willing to raise the threshold as high as 50 per cent. I indicated that we are prepared to consider debt relief on a case-by-case basis with particular sympathy for the problems of the poorest of the developing countries and encouraged multilateral finance institutions to consider committing new resources, within their programme priorities, to countries for which an agreed debt reorganization has been negotiated. The question of an international debt conference will be approached with an open mind; however, I pointed out that debt questions should be seen in the context of overall balance of payments problems.

Canada will continue its substantial support for the development of appropriate technology for developing countries through its aid programme and through the International Development Research Centre. At the same time, we are exploring the creation of links between research institutions in Canada and in developing countries and of the possibilities for Canadian assistance. We also support further work on a voluntary, universally applicable Code of Conduct setting out guidelines for the transfer of technology on a supplier-recipient basis and the continuance of international discussion on restrictive business practices which adversely affect trade, particularly with the developing world.

Canada has heeded the call of the developing countries for a more equitable system of international economic relations. At the same time, we are, of course, continuing to assist the developing countries through the operations of the Canadian International Development Agency.

The CIDA estimates for 1976-77 amount to almost \$737 million, about \$25 million more than last year. Combined with a carry-forward of uncommitted funds from earlier years, this will produce for CIDA a cash-flow ceiling, approved and adjusted by Treasury Board, of slightly over one billion dollars. Compared to the equivalent figures for 1975-76 -- disbursements of some \$903 million, trimmed back from the \$933 million I indicated to you last April -- this will mean that Canada's ODA expenditures will continue to grow at a rate of more than 10 per cent.

When all the figures are in for the fiscal year just ended, Canada's ODA will likely stand at about .58 per cent of GNP, the highest level yet reached and a great improvement over the late 1960's, when we were providing about one-third of one per cent of GNP and ranked 10th or 11th among the 16 donors listed by the Development Assistance Committee. Canadians can feel some satisfaction that we have moved this close to the quantitative goal, while maintaining the highly concessional quality of Canadian aid. The estimates for 1976-77 at least show that there will again be a significant increase in aid disbursements.

Looking at the estimates in detail, you will find that disbursements for bilateral programmes, excluding food aid, will rise to \$462 million, an 11.5 per cent increase over last year's \$414 million. Multilateral disbursements, again excluding food aid, will be \$243 million, an increase of about 12 per cent over last year's figure, allowing more support for both the concessionary funds and the ordinary operations of the various development banks. The provision for special programmes, such as matching grants for non-governmental organizations and funds for the International Development Research Centre, will grow from \$61 million last year to \$66 million.

The other major element in our assistance programme is food aid. When delegates met in Rome in 1974 to deal with the world food crisis, Canada showed leadership by taking on quite specific commitments for the following three years. For 1975-76, the Rome pledges have been met through a food aid programme that has grown rapidly from \$117 million in 1973-74 to \$174 million in 1974-75, and last year reached a total of some \$215 million.

For the coming year, I am pleased to announce that Canada will provide roughly \$230 million of food aid. Of this total, about \$105 million will be channeled through multilateral organizations. You may recall that Canadian support for the World Food Programme grew dramatically last year, from about \$20 million in 1974-75 to \$94.5 million in 1975-76. We will increase our contribution for the current year to \$103 million, because the World Food Programme has a comprehensive overview of world food needs, and because it has effective programmes that link food aid to development work in a way that reaches the people in greatest need.

Our programme of bilateral food aid will provide Canadian grain, milk powder, and other types of food for India, Bangladesh, Sri Lanka and for other countries in Asia, Africa and Central America, to a total value of about \$125 million. Because food production recovered well during 1975 in the developing countries, it will be possible for some of this food aid to be used in rebuilding the buffer stocks that were so dangerously depleted by the recent crisis. A substantial reserve fund of some \$33 million has been set aside to help cope with situations that may arise during the year.

These are the details -- but how well do they fit into the overall pattern of Canada's strategy for international development co-operation, as outlined last September? In offering you today an initial report on how the strategy has been implemented

during these past eight months, I should add that much of the thinking in the strategy further clarified concepts that have long shaped Canadian policy, and that these ideas are now receiving increased expression in the form of initiatives that will be taken or projects that will be agreed upon in the near future. Thus, I will not attempt to give a full explanation of what is being done in response to each of the strategy's 21 points, but will limit myself to some essential highlights.

A few days ago I announced the first of a series of sectoral guidelines explaining our policy in regard to the major areas of international development. I am also pleased to tell you that there has been a substantial shift in the emphasis given to various sectors in the planning of projects. Among those projects to which we are currently committed, agriculture, strictly defined, accounts for 13 per cent of dollar value, and ranks third as a sector of concentration, after public utilities and education. But among the projects currently in the planning stage, it ranks first as a sector, and accounts for more than 30 per cent of dollar value.

We are also giving priority to the poorest developing countries. Our early planning for the next five years indicates that 80 per cent of official development assistance will go to the poorest countries, those with an annual GNP in 1973 of \$200 or less, 11 per cent to those in the \$200-\$375 range, and less than 10 per cent to those above that level.

Greater geographic concentration is also a feature of our development strategy. In 1976-77 the number of countries in which we have a systematically planned and continuing development programme will be reduced from 30 to 27. Fifty-six per cent of our bilateral funds will be focused on the ten largest country programmes, and 40 per cent on the five largest.

I will only add that, besides these specific steps, the strategy of course influences the day-to-day operation of our programme, and that many studies or administrative changes are underway or have been completed to make possible the further implementation of the strategy. Among these are such initiatives as the working-out of administrative mechanisms for the untying of Canadian assistance to procurement in developing countries; a major study on what the effects would be -- both the benefits to developing countries and the costs to the Canadian economy -- of full untying; and an examination of the possibility of substituting agricultural inputs for some of our food-aid programme, since the true need is for greater production where the people live rather than unending shipment of food across the oceans.

Having dealt with a number of aspects of Canada's relations with developing countries, I should now like to turn to another matter of immediate concern to Canada.

The Third UN Conference on the Law of the Sea has just concluded its fourth session in New York and it is my considered judgement that it has achieved significant progress in most areas of its mandate. There may remain a number of important issues that will require further negotiation before full success is achieved but the new negotiating text produced by the Chairmen of the Conference is a considerable improvement over last year's draft.

Let me review briefly developments as they affect the main issues which the Conference seeks to settle and their impact on Canada's interests.

The first part of the new text deals with the range of complex and radically new concepts that are being developed in order to regulate future activities in the international seabed area beyond the limits of national jurisdiction. It now provides, in my view, many of the basic elements necessary for a true accommodation of interests between developing and developed countries. Whereas the articles drafted in Geneva last year were regarded by the technologically advanced countries as impracticable, the new text represents a more realistic approach to the problem. At the same time, the concept that the international area will be the "common heritage of mankind" and not an area of renewed colonial expansion, has been given more specific and concrete meaning through a series of new draft articles and technical annexes covering a wide range of issues. Admittedly, a number of developing countries have reservations about the new text as they have yet to be fully satisfied that their interests and aspirations are adequately met by the far-reaching provisions of this new draft. Canada places high importance on the satisfactory resolution through further negotiations of the remaining contentious issues. These include some of direct interest to Canada, such as the composition of the proposed council and more particularly the formula for production controls which would relate seabed to landbased mineral production.

The second part of the new text deals, among other questions, with the Economic Zone concept, a concept which we regard as the foundation stone of any successful Law of the Sea Conference. In spite of the many attempts made by certain groups, notably the landlocked and geographically disadvantaged states and some of the long distance fishing nations, to erode the very nature of the Economic Zone, the concept has emerged unscathed and is now firmly entrenched in the consensus which is reflected in the revised single negotiating text. This means that Canada would acquire sovereign rights over living resources (that is, fisheries resources) out to 200 miles, would maintain its sovereign right over the resources of the continental shelf out to the edge of the continental margin, and would have recognized in specific treaty language its right to preserve the marine environment and control scientific research.

On fisheries, the basic compromise reflected in the original single negotiating text accommodated all essential Canadian interests, and has re-emerged intact in the revised text. In fact, there were very few changes to the fisheries articles, and these were mostly editorial in nature, including the change we brought about to the Anadromous Species Article to correct certain editorial problems that had found their way into the original single negotiating text. The most difficult issue that remains to be resolved is the question of rights of access by landlocked and "geographically disadvantaged" states to the fisheries within the economic zones of coastal states in the same region or sub-region. The revised single negotiating text contains provisions on this subject that will require further negotiations. They contain no provisions that would materially derogate from Canada's sovereign rights over fisheries in the future 200-mile economic zone, nor would we be prepared to accept such derogation in future negotiations.

With respect to the continental shelf, the previous affirmation of coastal states sovereign rights to the edge of the continental margin was confirmed together with the concept of revenue-sharing in respect of the seabed resources found between the 200-mile limit and edge of the margin.

Canada was extremely active in New York in the debate on the preservation of the marine environment. The basic Canadian approach is reflected in the revised single negotiating text on this subject, whereby the draft articles establish an umbrella convention laying down fundamental treaty obligations to preserve the marine environment. The original single negotiating text was already in large measure acceptable to Canada but it was particularly deficient in our view on the subject of the control of pollution from ships. It provided very limited powers to coastal states over ships found in the territorial sea, economic zone, or in ports (in respect of violations committed elsewhere). The revised single negotiating text contains major improvements. It moves some appreciable way towards striking the balance between, on the one hand, the rights and duties which coastal states, flag states and port states must have to control pollution from vessels, and, on the other hand, the need to maintain freedom of maritime commerce and communications.

Canada has also been seeking a provision in this section of the Convention which would provide international recognition that Canada has the right to protect the Arctic marine environment by the imposition of higher vessel source pollution standards than those agreed to internationally. The revised single negotiating text contains such a provision. The formulation which now appears has been discussed by the states most directly concerned and will, we hope, provide a basis for general agreement.

From the Canadian point of view, the revised single negotiating text articles on preservation of the marine environment still need further refinement. Canadian efforts have made a major contribution to bringing the text to its present form, and we will continue to provide leadership in further redrafting, not only to protect Canada's own marine environment but the oceans as a whole.

The articles in the revised text on marine scientific research provide, in our view, a large measure of protection to vital coastal state interests in the economic zone and on the continental shelf, while at the same time ensuring that important international interests in promoting and co-operating in research programmes are not impeded. While there will still undoubtedly be some further revisions and changes at the next session, I believe we have a good basis for an eventual compromise on this issue. Likewise, the articles on transfer of technology provide that states shall co-operate in providing the developing countries with the scientific and technological capability they need for the utilization and management of their marine resources and the protection of the marine environment. At the same time, the text recognizes that this co-operation must have proper regard for all legitimate interests, including the rights and duties of holders, suppliers and recipients of marine technology.

In my statement to the conference on April 12, 1976, I stated that Canada supported the inclusion of comprehensive dispute settlement procedures in the convention. I also stated that these provisions must be compatible with the rights and duties of states particularly within the economic zone; similarly I stated that these provisions must be based upon a reciprocity of interests of all states and should not simply stress dispute settlement on matters of interest to one group of states.

The new Part IV of the single negotiating text on the settlement of disputes appears unduly complicated and will require refinement and simplification. Since dispute settlement was discussed for the first time in the Plenary Session of the Conference in April of this year, it remains one of the outstanding issues upon which negotiation will begin at the next session of the Conference. The Canadian Delegation will, of course, be actively engaged in these negotiations.

Canada, therefore, has good reason to be pleased with the results of the Conference. Unfortunately, the Conference was not able to conclude its work. It is encouraging, however, that a further session will be held within a relatively short space of time in New York, beginning August 2 and extending until September 17.

Mr. Chairman, I have attempted to draw some comparisons between the new revised single negotiating text and the previous Geneva negotiating text in order to provide some indication of the measure of progress achieved at the New York session. I think, however, that members of this Committee should be aware that the real significance of the New York negotiating text is that it reflects the great distances already travelled and maintains the needed momentum in the development of radical new concepts in international law. Canada, together with other states, set out to restructure some of the basic concepts of international law because of our conviction that they no longer reflected the needs of our times. I can say to this Committee that whatever occurs in the next session of the Conference and whether or not the Conference concludes in success or failure, radical changes are being effected in international law as a result of the multilateral negotiating process which has occurred within the Conference.

I think that members will agree from what I have said that now is the time to intensify our negotiating efforts at the Conference. Our goal of establishing a sound legal régime for the world's oceans is worth this effort.

I should now like to deal with another subject which is of great significance. There can be no doubt as to the present and growing importance of Western Europe to Canada. Our many and diverse links with the countries of Western Europe, political, economic, social and cultural, have been forged in part as a result of traditional ties with Canada's major "countries of origin", and more recently as a result of our perception of the importance of Europe's role in the modern world. In the multilateral context, we have been members of the Atlantic Alliance since its inception and have recently reaffirmed our commitment to it in unmistakable terms. We have in addition declared our strong support for the continuing efforts of Western European countries to achieve a high degree of integration within the framework of the European Community; and indeed for some time we have been engaged in the negotiation of an agreement providing for commercial and economic co-operation which should have extremely beneficial effects for the Canada-Europe relationship.

We are not of course unaware of the difficulties that confront the countries of Western Europe. As a highly industrialized area which has relatively few primary resources and is heavily dependent for its prosperity on exporting manufactures and services, Western Europe has been particularly hard hit by the economic recession of the past two years. Today there are five million unemployed Western Europeans. The existing instruments for monetary, economic, social and regional co-operation have proved unequal to the situation,

which is further complicated by the high degree of structural disparity between the stronger and weaker economies of the region. Moreover there has been considerable disappointment with the limited success achieved to date by the European Community institutions in coming to grips with the question of economic and political union, including the holding of direct elections to the European parliament.

These shorter term trends and developments have made it even more difficult than previously for governments to accommodate in sufficient measure the rising expectations of their citizens and have exacerbated strains in the political fabric of a number of Western European countries. This is particularly true of the countries situated on the northern shores of the Mediterranean. These countries, with the exception of France and Italy, are not yet fully industrialized, and are all what can best be described as societies in transition. The pressures generated by the need for rapid development and modernization in these already essentially fluid societies are further heightened by setbacks in the development process. Moreover these countries have been ruled, for varying periods, by governments that have not been notably responsive to changes in society or in the general world environment. In at least one of these countries, Italy, it is possible that Communists will sooner or later be admitted to participation in the government in one form or another. This is a prospect that is certainly going to have repercussions on the broader European scene and on the functioning of such institutions as NATO and, perhaps to a lesser degree, the European Community. It is not a prospect to which Canadians can be indifferent, and indeed I had occasion to speak of it publicly some weeks ago. The essentials of the Canadian position are that we have a vital interest in the maintenance of the democratic and parliamentary structures and principles of the societies and governments of Western Europe; at the same time, we are strongly attached to the principle of non-interference in the domestic affairs of other countries. We respect the internal political evolution in each country.

There are, then, issues and problems in Europe about which we have real concern. However, I think we can hold to a view of reasoned optimism. Even in Southern European countries which are affected by potentially disruptive forces, it can be maintained that a substantial degree of change is long overdue, and may well be a sine qua non of stability and measured progress in the longer term. Some of the difficulties which Europe as a whole faces at the present time are difficulties which we face ourselves: to a significant degree they spring from a trough in the business cycle. But it is a matter of encouragement to us that even in these adverse circumstances,

the will of the Europeans to move forward together and the common policies by which the Europeans reflect their will to do so, have not been reversed. Furthermore, I think it is clear that Western Europe, like ourselves, can now look with reasonable confidence to an economic and commercial recovery which will mitigate some of the problems that have arisen. I am hopeful that in those more buoyant circumstances, we shall find in Western Europe a resurgence of dynamism and common purpose.

This is of importance to Canada which looks to Europe as a key element in the working out of our own policies and which has, in particular, recognized the European Community as a new and constructive dimension of the larger European reality.

It was therefore natural that in pursuing the Third Option we should take a fresh and innovative look at our relationship with Europe and in particular take account of the new dimension which the emergence of the European Community has added to that relationship. As you know, one of our aims under the Third Option is to achieve a better balance in our external relations, notably with respect to our external economic interests. Given that the Community is the world's largest trading entity, Canada's second most important market and second largest source of investment capital and technological know-how, it followed that a major part of our efforts to this end should focus on the Europe of the Nine. Thus we are now negotiating a contractual link in the form of an economic co-operation agreement with the Community in order to create a joint basis for close coherent and continuing co-operation with Europe.

What we are looking to is a document which will signify the political will of both sides to engage in a major co-operative endeavour and a document which will create a framework within which our governments are committed to the active encouragement of practical co-operation between our respective private sectors. Among the objectives which both sides will have in mind in implementing the agreement are the expansion and diversification of trade, the development of Canadian and European industries, the advancement of technological and scientific progress and the protection and improvement of the environment. The means which we envisage being employed to this end include increased two-way investment, joint ventures, licensing and technological and scientific exchanges.

Once the agreement is in place what we are able to achieve in the way of industrial co-operation and consequential trade expansion will depend to a very large extent on the follow-up by the private sector and the co-operation of the provinces. Our efforts to ensure such follow-up will represent

the next major stage in the programme. The role of the government will be to continue to act as a catalyst by identifying on a sector-by-sector basis with our European partners opportunities for industrial co-operation, to provide subsequent guidance as requested to the Canadian business community, to facilitate and encourage agreed co-operation and to develop appropriate supporting policies and programmes. The signing of the agreement will not, of course, make it a magic wand which will produce results overnight. Considerable long-term effort will be required in the implementation of the agreement and it could be some time before the initiatives now being launched show significant economic returns. But if they do, as we expect they will, they could have a significant impact on Canada's future economic relationship with Western Europe.