



# Statements and Speeches

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## CANADA ADOPTS A MULTIDIMENSIONAL APPROACH TO INTERNATIONAL DEVELOPMENT

A Statement to the Parliamentary Subcommittee on International development in Ottawa, on November 25, 1975, by the Under-Secretary of State for External Affairs, Mr. H.B. Robinson.

I am pleased to appear before the Subcommittee today as Chairman of the Interdepartmental Committee on Economic Relations with Developing Countries....

The Minister, when he spoke to you, outlined the evolution of Canada's relations with developing countries and the increasing place such relations have in Canada's foreign policy. He pointed out that Canada, like other wealthy nations, is at a critical stage in its relations with the developing world, that we are facing new circumstances calling for new solutions to new problems, and that the choices we make will have far-reaching consequences not only for our foreign policy but for our national life as well.

I wish to speak today about how -- and in what context -- the Canadian Government is examining these issues and making its choices. I shall do this under three headings: the state of "development" (or development co-operation) today; the Canadian Government's response; and the challenges ahead.

There have been striking events in the dialogue between developed and developing countries during the past two years.

At the Sixth Special Session in April 1974, the radical members of the Third World put forward extreme demands, which were met with a determination on the part of some industrial countries not to concede their position on any of the central issues. The stridency on both sides no doubt reflected concern about how to cope with the combined disruptive effect of inflation, monetary instability, the food shortage, and the abrupt rise in the price of oil. The result of the session was a stand-off and an illusory consensus, a declaration and program of action adopted without a vote but also without the political will to implement it.

The sharp confrontation between developed and developing countries at the Sixth Special Session had serious effects on international co-operation in the months that followed.

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Four points are worth making here in trying to explain how and why this collision occurred:

- (1) The system of economic co-operation inaugurated after the Second World War was a striking achievement in its time. The countries involved affirmed their intention to accept responsibility for one another's welfare and economic growth to a degree without precedent. That system, however, was created by and for the benefit of Western countries. There were fewer than 20 developing countries at the time, mostly in Latin America. The architects of the postwar system could not foresee the scale and complexity of the development problems of the Seventies.
- (2) The postwar approach was reflected in the initiation of aid programs, which have grown from modest beginnings to the sophisticated network of international mechanisms and bilateral programs that exists today. These programs have had a very great effect on the growth and welfare of developing countries. Aid made a significant contribution to this growth, comprising about 10 per cent of total capital investment in developing countries. But, much more important, the unprecedented economic growth in developed countries during the past 25 years has caused the gap between rich and poor to increase in absolute terms.
- (3) Recognition of that widening gap precipitated the crisis of confidence in 1973-74. Since the early Sixties, the developing countries have, by their numbers and solidarity, progressively dominated the UN and greatly influenced the other organizations of economic co-operation. For 15 years, they have presented and pursued their demands for changes in the structure of international trade and finance. There is hardly a proposition in the New Economic Order that cannot be found in the *Prebisch Report*, which led to the creation of UNCTAD in 1964. The developed countries have responded to these demands and needs by a variety of measures during this period. But, from the standpoint of developing countries, the pace was always too slow and the response too fragmented.
- (4) Faced with the crisis that confronted them in the mid-Seventies, it is not surprising that developing countries addressed their demands for faster progress and a more flexible response to their needs in a united and determined way. With the volume of aid flows nullified by the rise in energy and food costs, with fluctuations in the major reserve currencies that reduced the value of their foreign-exchange reserves, with enormous balance

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of-payments deficits in particular cases, the developing countries, in effect, demanded assurances that they would not be left to their plight, that measures would be taken to enable them to match the expectations of their people, that they should not have to bear so much of the brunt for dislocations in the international economic system.

At the Seventh Special Session last September, the developing countries put forward their demands in a somewhat more moderate way. They were met by a much more responsive attitude on the part of developed countries. The leadership exercised by some moderate developing countries was a notable feature of the session, as was the significant advance in the position of the U.S.A. and the greater flexibility shown by members of the European Community. A genuine will to reach agreement and to avoid rhetoric were evident at the session and facilitated its successful conclusion.

Why did this change of attitude take place over 18 months?

The Sixth Special Session did have one positive effect. It brought the economic issues between developed and developing countries to the centre of the political stage. The notion of the New Economic Order gave some conceptual coherence to the many demands developing countries had been making for years. Political leaders called for a thorough review of policy related to the New Economic Order. Concerted efforts were made by a number of countries to resume the dialogue. In this way, the Seventh Special Session became a target occasion for the resolution of some of the outstanding problems.

The change in the situation in the Middle East was another factor. While the Sixth Special Session was called in the aftermath of the October 1973 war and the subsequent oil embargo and oil-price increases, the Seventh was convened shortly after the disengagement agreement between Israel and Egypt and a period of relative calm in the area. Between the two special sessions, the UN as an institution had been severely tested. By September 1975, the political climate had cooled, permitting calmer discussion of economic issues.

A third very important reason for the change in atmosphere was the world economic situation and the perception by developing countries that continued inflation and recession in the Western industrialized world would have a damaging impact on them. Many of them considered that a general deterioration of the international trade-and-payments system was too great a price to pay for the wholesale reform of that system, even if reform was badly needed. The more radical among them might still press forward, but the moderates saw the danger of straining the system too much in its fragile state. Developing

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countries also perceived more clearly their own divergent interests with respect to certain elements of the New Economic Order.

Analysis of the results of the Sixth Special Session indicated that the benefits of the New Economic Order would accrue largely to the middle-income developing countries and would do little for the countries of the "Fourth World" -- those that are at an early stage of economic development, poor in natural resources, and greatly affected by rapid increases in food and oil costs. Many of the poorer developing countries may also have concluded that excessive concentration on structural changes might inhibit the flow of assistance to them from traditional donor countries. The differing national interest of those developing countries that were importers and those that were exporters of particular commodities was also a factor.

But, if there was greater moderation among developing countries, there was also greater moderation and a greater readiness to accept new approaches among Western countries. While the shock of the oil-price rise had tended to make the developed countries more rigid in their defence of traditional arrangements, 18 months of analysis and reflection had brought home to them that the real changes in the international world required a greater degree of accommodation than they had earlier envisaged. That, too, was an important factor in the success achieved at the Seventh Special Session.

#### Canadian Government response

I should now like to turn to the manner in which the Government has organized its response to this new situation.

After the Sixth Special Session, it became apparent that a special effort was needed to resume the dialogue and to find a better basis for understanding between developed and developing countries. In the Throne Speech of October 1974, the Government indicated that Canada's contribution to international measures to aid LDCs would require an increase in the flow of development assistance and a re-examination of other policies affecting our economic relations with developing countries. Subsequently, ministers agreed to set up a Senior Interdepartmental Committee on Economic Relations with Developing Countries, chaired by the Under-Secretary of State for External Affairs, in order to prepare and co-ordinate the Canadian Government's response to "the New International Economic Order". It was clear from the start that the issues in play fell within the responsibility of several government departments and would need to be approached on an interdepartmental basis. In its operations, the Committee facilitates the co-ordinating role of the Department of External Affairs with respect to Canada's relations

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with developing countries. It also provides the vehicle for a multi-dimensional approach. Its mandate is:

- (a) to direct a continuing review of policies as they affect Canada's economic and other relations with developing countries;
- (b) to consider the consistency of Canada's international economic and other policies with its development policies;
- (c) to ensure the preparation of policy positions for major international meetings affecting Canada's economic and other relations with developing countries.

The departments and agencies that participate in its work are: the Prime Minister's Office; the Privy Council Office; the Department of Finance, Industry, Trade and Commerce, Consumer and Corporate Affairs, Agriculture, Energy, Mines and Resources; the Ministry of Transport; the Ministry of State for Science and Technology; CIDA and the Treasury Board; as well as the Department of External Affairs.

The Committee first met late in 1974 and has held four sessions at the senior level during 1975. I chair the Committee but, if I am not able to do so, it is chaired by an Assistant Under-Secretary responsible for this area in my Department.

Between sessions of the Committee, work is carried forward under a task force chaired by the Director-General of the Bureau of Economic and Scientific Affairs of the Department of External Affairs, Miss McDougall. In addition, individual working groups are set up from time to time to pursue work on specific matters.

The Committee does not work in isolation but draws on the work of other interdepartmental committees with responsibilities in related areas.

In the normal course of events, its analysis and recommendations are presented to Cabinet by the Secretary of State for External Affairs. These may relate to a major international meeting such as the Commonwealth heads of government meeting in Kingston or the Seventh Special Session or to ongoing work within the Government related to the regular round of consultations with developing and developed countries bilaterally or in international organizations. There are four central areas on which the Committee and the task force have concentrated their attention:

- (1) commodities;
  - (2) trade liberalization;
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- (3) industrial co-operation, including investment and the transfer of technology;
- (4) financial and monetary issues.

#### Development co-operation in the future

In considering what is being done in the four key areas I just mentioned, it is necessary to bear in mind that the resolution, important as it is, represents a point in time, and that the response to the needs of developing countries is a continuing process. The Canadian Government did not wait for the Seventh Special Session to initiate measures that respond to the needs identified at the earlier special session, but undertook that work immediately. It is now pursuing it in the light of Resolution 3362, which, as you will recall, is the resolution passed by the Seventh Special Session of the General Assembly.

The initiatives we took at the World Food Conference and are still pursuing in terms of its results and those of the Seventh Session are relevant here:

- (1) We made a volume commitment for the provision of grains through our aid program against the international target.
- (2) We have subscribed to the Undertaking on World Food Security.
- (3) We have placed new emphasis on agricultural development in the context of our own aid program. Over a third of our current aid expenditures are devoted to the provision of food aid to meet urgent needs, and to support for agricultural development.
- (4) We are at present negotiating the establishment of an International Fund for Agricultural Development.

As for commodities, co-operation in this area involves many other measures as well:

- (1) We have in the past months actively contributed to the negotiation of new commodity agreements on tin and cocoa.
- (2) In the tin negotiations, Canada pressed for mandatory consumer contributions to the financing of the tin buffer stock. That proposal was not included in the new agreement owing to the opposition of other consuming countries. We are now examining the possibility of making a voluntary contribution to the buffer stock, as some of them have done.

- (3) The new cocoa agreement, concluded after the Seventh Special Session, provides for a significant increase in the price range. It used to be 29.5 to 38.5 cents a pound (after an interim adjustment) and will now be from 39 to 55 cents a pound.
- (4) We are at present engaged in negotiations on coffee, and are preparing for negotiations on sugar.
- (5) All of these commodities are included in UNCTAD's Integrated Approach, and our support for these agreements is one means of giving effect to that approach.
- (6) We are examining the other commodities covered by the Integrated Approach. We have affirmed that we are prepared to seek appropriate consumer/producer solutions on a wide range of commodities, including buffer stocks where these can be useful. This approach is not limited to the commodities included on the UNCTAD list. The nature of the commitments would vary according to the trading characteristics of each commodity.
- (7) We shall be pursuing this work, in consultation with other interested countries, at the UNCTAD Committee on Commodities in December.
- (8) There have recently been proposals for early action on tea and copper, and, if such negotiations take place, we shall wish to participate in them.

Turning to trade liberalization -- we are at present reviewing our system of tariff preferences in favour of developing countries to see what further advantages may be accorded to developing countries without undue burdens for Canada.

- (1) We are formulating our tariff offer on tropical products for consideration in the Multilateral Trade Negotiations, as requested by developing countries.
- (2) We are also discussing with developing countries how the problem of tariff escalation may be handled through the sector approach in order to give the producers of raw materials greater opportunities for processing them.
- (3) The developed countries generally are pledged to seek additional benefits for developing countries in the trade negotiations.

Now on to industrial co-operation; we are exploring several new approaches:

- (1) We are considering the utility of bilateral co-operation agreements as a means of giving greater focus to our efforts in this area. The idea behind this approach is to facilitate investment and the transfer of technology by the private sector that has the greatest resources in this area. Such agreements might encompass: development assistance for capital projects, for technical training, and for managerial training; support for the development of infrastructure related to industrial development; provisions related to investment; co-operation with the private sector to ensure that these various elements complement one another in a systematic way. We have reached no final conclusions regarding this approach, but the studies under way are based on the assumption that, if these various elements of co-operation are more closely related, the whole may be greater than the sum of the parts.
- (2) We have suggested that the possibility of evolving a "model" bilateral, industrial co-operation agreement might be examined by UNIDO, and possibly by the Commonwealth Secretariat. The purpose of such a model agreement would be twofold: to advance international consideration of industrial co-operation and to serve as a check-list of issues for developed and developing countries which are considering industrial co-operation arrangements.
- (3) In addition to this approach, we are taking an active part in international consideration of transnational corporations, restrictive business practices and the transfer of technology. There is much that can be gained by analysis and the exchange of information in these areas, and we have been in the forefront of those contributing to this process.
- (4) We have stated that we are ready to share our own experience with respect to screening mechanisms, the analysis of tax laws and the analysis of the costs and benefits of technology transfers. We see a parallel role for the United Nations in such matters. From our perspective, it is essential that developing countries acquire the capacity to make their own judgments on these issues because the evolution of any international code promises to be long, difficult and of doubtful benefit to developing countries.

So far as the financial and monetary issues raised by Resolution 3362 are concerned, we are actively involved in a number of fields.

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- (1) We have strongly supported the establishment of SDRs as the central reserve asset of the international monetary system, and the phasing-out of gold, as desired by developing countries.
- (2) We have supported a readjustment of quotas in the IMF, which has resulted in a doubling of the share held by OPEC countries. In making this readjustment, we have held that the share of developing countries should not be reduced (as it would have been by the application of objective criteria such as their participation in world trade) and that the developed countries instead should absorb the reduction in their voting rights.
- (3) We have supported the creation of the IMF's Oil Facility and Subsidy Account, the inauguration of a trust fund to deal with balance-of-payments problems based on the sale of IMF gold, and the establishment of a third window in the World Bank to assist middle-income developing countries.
- (4) We are at present involved in the negotiations for a fifth replenishment of the IDA, which provides concessional financing for the poorer developing countries. We are examining, at the same time, proposals for a capital increase of the International Finance Corporation, another branch of the World Bank.
- (5) We are increasing our contributions to the regional-development banks.
- (6) It will be our objective to bring the negotiations in the World Bank and in several of the regional-development banks to a successful conclusion.
- (7) We support the liberalization of the IMF's buffer stock financing and compensatory financing facilities as a means of protecting developing countries against abrupt declines in their export earnings. This was a major issue in New York. If there is a substantial improvement in the compensatory financing facility, it might well serve the purpose of the Swedish and United States proposals in New York.

This is not the sum of our endeavour to follow up Resolution 3362 but a survey of the work under way to give effect to the Minister's statement in New York that "there must be adjustments in the international economic system that will lead to a more rapid reduction in the disparities between developed and developing countries". This is work that proceeds on a day-to-day basis with analysis and recommendations to ministers.

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We cannot predict the pace of progress in each of these areas, but we expect that the political impact of the resolution will exert a continuing influence in the detailed discussions and negotiations. The session itself will be a landmark in the relations between developed and developing countries if the co-operative atmosphere it created hastens that process.

There are two elements in the hastening of the process:

The *first* is maintaining the political momentum. Here the Conference on International Economic Co-operation, which the Minister discussed with you and which is scheduled to take place next month, will be of major importance, and so will the fourth UNCTAD conference in Nairobi next year. The inter-departmental committee is now working on the preparations for these meetings and is basing itself on Resolution 3362.

The *second* element is the series of negotiations and discussions taking place in specialized bodies. The results of the Seventh Special Session, the commitments made there, must have their substantive impact in these specialized bodies. What this means for the Canadian Government is that we must examine, in a systematic way, the various elements of Resolution 3362 as we engage in international consideration of them. Such an examination involves an assessment of the costs and benefits to the Canadian economy. What will particular measures mean in terms of Canada's competitiveness, costs or advantages for the Canadian consumer, or employment in Canada? What are the financial implications for the Canadian Government? While it is impossible to "cost" the whole range of propositions in Resolution 3362, some estimate can normally be made of the costs and benefits of the particular steps that are contemplated. If the demand is for a liberalization of trade in a sensitive area such as textiles, we can -- and must -- estimate the impact it would have on Canadian industry. And we must consider to what degree other industrialized countries are affording equivalent access to their markets.

Thus, the process also involves consultations with our major trading partners in the industrialized world. The policies we pursue on trade, commodity or financial matters affect very deeply our relations with them. Our actions affect them just as their initiatives have an important effect on us. We must work with them if we wish to obtain results. In many areas, we cannot hope to give effect to policies unless they have the consent and support of other developed countries. The dialogue is with both developed and developing countries.

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It is no easy task to comprehend or pursue the variety of issues included in this multidimensional approach to development -- particularly as it includes energy, as well as trade, aid and finance in the context of the forthcoming Paris conference. These issues and their interrelations are not well understood by all Canadians interested in them. Realizing that, we have thought it important to organize consultations with interested representatives of the private sector -- including representatives of labour, agriculture, industry, the churches and voluntary associations. Two such consultations have now been held, and we expect to continue this practice.

This practice puts the issues before interested Canadians and enables them, through their organizations, to discuss them with a broad cross-section of Canadians, who may draw their own conclusions as to the costs and benefits for Canada. A number of the organizations involved receive financial support from CIDA, which assists them in holding seminars and meetings across the country. We seek by this means to engage the interest and support of Canadians in all walks of life. We recognize that, in times of inflation and unemployment, this may not be an easy task.

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