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CANADA SIGNS COMMON FUND AGREEMENT

The Secretary of State for External Affairs, Dr. Mark MacGuigan, and the Honourable Herb Gray, Minister of Industry, Trade and Commerce, announced today that Canada has signed the Agreement establishing the "Common Fund for Commodities". The \$750 million fund will be set up to finance international commodity agreements which have commodity buffer stocks to enhance market price stability and also to finance commodity development measures, such as research and market promotion, with the aim of improving the long-term competitiveness of various commodities.

The Common Fund, the result of four years of negotiation, is regarded as a key element in the North-South dialogue especially by the developing nations who see in it a test of the developed nations' commitment to international change. The signing of the agreement is an indication of Canada's support of the on-going process of the dialogue between developed and developing countries.

In order for the agreement to enter into force it will require ratification by 90 countries. This requires a high degree of commitment by the developing countries as well as by the developed countries.

The Common Fund is a corner-stone of the United Nations Conference on Trade and Development (UNCTAD) Integrated Programme for Commodities which has as its main focus the stabilization of prices and improving conditions of trade for 18 commodities of particular export interest to the developing countries.

The Common Fund will have two accounts. The First Account with resources of USA \$400 million in the form of capital subscriptions from member governments will help in the financing of buffer stocks. These resources would substantially increase as individual commodity agreements

associate with the Fund and add their resources to those of the First Account. Canada's direct contribution will be USA \$10.38 million. The Fund will not intervene directly in commodity markets but will work through international commodity agreements and the financial markets.

The Second Account is to have resources of USA \$350 million of which USA \$280 million will be voluntary contributions. Canada has pledged \$12 million to the Second Account. The Second Account, using grants and loans, will help international commodity organizations, such as the proposed New Jute Arrangement, finance commodity related research and development projects, productivity improvements and marketing.