

in mind that I want to assess the likely impact of three major developments of the past year or so: the approximately 150 per cent increase in oil prices; the Soviet invasion of Afghanistan; and the publication of the Brandt Report.

The oil shock

It is important that we grasp the scale of the most recent oil shock. It is estimated that it will mean an income loss by the OECD countries to Organization of Petroleum Exporting Countries (OPEC) of around \$150 billion or 2 per cent of gross national product. What is more, this drain will slow the OECD's economic activity by an estimated \$250 billion below what it would otherwise have been by early 1981, for a total loss in one year of \$400 billion. But it is not just the developed countries that will pay. The price rise will mean an income loss by the oil-importing developing countries of \$30 billion, reduced export earnings of some \$20 billion for them because of lower OECD growth, and other lost economic activity of roughly \$25 billion, for a total loss of \$75 billion by early 1981. We can see something of the relative scale of this shock by looking at its relation to aid. Aid this year is expected to total around \$32 billion, or roughly the same as the direct income loss to developing countries from the oil-price rise. Total oil imports of \$55 billion by the oil-importing developing countries will now far exceed aid of \$32 billion. These numbers demonstrate why we at the Venice Economic Summit stressed that the Western countries are unable to cushion the Third World from the latest oil-price rise and we insisted that OPEC itself will have to act to meet this problem.

This new oil shock is bound to have an effect on the North-South dialogue. For one thing, it makes many of the issues — such as the plight of the poorest and the recycling problems of the international financial system — much more urgent. It has demonstrated graphically the nature of the new interdependence between North and South. It makes it politically more difficult for OECD governments to resist protectionism and maintain aid levels. And it has shown once again the key place energy must have on any agenda of North-South issues.

I do not want to suggest that all of the woes of the world economy should be traced to the oil exporters. Some of the recent price rise can be seen as a catch-up to the real value of oil in 1974. Some poor developing countries are even more vulnerable to wide fluctuations in the price of their principal commodity export than they are to oil-price changes. Some mistakes have been made in managing the Western economies. But there is no doubt that the suddenness and extent of the rise have been very damaging to the world economy. It is inconceivable that there could be truly meaningful global negotiations without careful attention to the energy issue, yet the very question of whether it was to be discussed has been a stumbling block for several years. Canada is pleased that there is now agreement that energy will be one of the five major subject areas for the global negotiations, although it is too soon to predict the practical significance of this. It will be very difficult indeed for the Group of 77 to agree on a coherent policy in relation to energy. But having the item on the agenda is a step forward.

Soviet invasion of Afghanistan

The Soviet invasion of Afghanistan was condemned by the overwhelming majority of the Group of 77. Since then, the U.S.S.R. has seen a significant erosion in the previous, frequent support it received from many Third World countries in the