

*The Budget*

## International Developments

I should like to begin my review of the situation by referring to a number of developments on the international scene.

One of the brighter aspects of the global picture over the past several months has been the success of the international monetary system in coping with massive balance of payments problems created by the quadrupling of world oil prices. To date at least, the process of adjustment has worked much more smoothly than most observers had expected.

We are not out of the woods yet. Although the collective deficit of the oil-consuming countries will be a little smaller this year than it was in 1974, large imbalances will continue. Unfortunately, the over-all deficit of the less-developed oil-consuming countries will be significantly larger this year than last, even if there is no further increase in oil prices. In these circumstances, wealthier countries will have a larger role to play in ensuring that financial help keeps flowing to countries facing the greatest difficulties. For the people of some of these countries, it's not just a question of austerity. It's a question of survival.

● (2010)

We made some progress this month at the meeting of the Interim Committee of the Board of Governors of the International Monetary Fund—although not as much as I should have liked. We are seeking to resolve important issues in the working of the international monetary system. It is urgent, particularly for the developing countries, that we settle the interconnected questions of Fund quota increases, the use of gold held by the IMF and the exchange rate arrangements that members of the Fund should observe. The settling of these issues would facilitate several promising plans for opening further channels for the flow of assistance to developing countries. The settling of these issues will also permit the Committee of Ministers to tackle its principal continuing task. This task should be to maintain a surveillance over a volatile international economy and to achieve the essential co-ordination of national economic policies.

This can be done only by the collective political will of responsible ministers. Economics is too important to be left to economists. The choices to be made are essentially political decisions.

I have spent a good deal of time on behalf of Canada in the international sphere. It was time well spent. We Canadians depend for our prosperity on international trade and a stable world. Moreover, the economic posture I will announce tonight owes something to the insights I have received from my colleagues from many nations.

Countries of the Third World are themselves seeking new ways to improve their longer-term growth and development. Canada is prepared to join them in seeking out the areas where progress can be made. We believe that this search should encompass new measures to assist these countries in expanding their economies and raising the standard of living of billions of people. We are looking at the ways of financing international trade and of helping them expand their exports and increase their export earnings. But these new initiatives must be firmly based on economic realities, not empty rhetoric.

[*Translation*]

In many countries the economic slowdown has generated pressures for increased trade protection. Producers inevitably seek to insulate themselves from the sharper winds of international competition. Fortunately, most governments have resisted the temptation to resort to new restrictive trade policies. At the recent Ministerial meeting of the Organization for Economic Cooperation and Development, member countries reaffirmed their pledge against the use of trade restrictions in dealing with their balance of trade problems. Canada supported this extension of the pledge. We believe that if we can abstain collectively from raising new barriers to trade, we will all be better off.

The multilateral trade negotiations underway in Geneva offer the possibility, both of more liberalized trade and a more effective use of our resources. The negotiations are far-reaching. They will cover non-tariff as well as tariff barriers, and agricultural as well as industrial products. Canada is playing an active part in these negotiations.

At the same time, we are moving to strengthen bilateral economic relations with our major trading partners. We continue to place the highest priority upon the maintenance of our longstanding network of commercial and economic relations with the United States. But we are now trying to establish new and stronger economic links with other countries, particularly with Europe and Japan. The responses to the Prime Minister's initiative for establishing new relations between Canada and the European Economic Community have been most encouraging.

I should also report that I was particularly impressed during my recent visit to the Middle East by the opportunities there for new business. I have already urged Canadian businessmen to do more to take advantage of the rich and rapidly growing markets in that part of the world.

[*English*]

One of the most unfortunate of international developments has been the slide of the United States into the deepest and most prolonged recession since the war. The sharpness of the U.S. decline has been unexpected. This has adversely affected the performance of the industrial world. About 15 million people are now unemployed in 24 OECD countries. Partly as a consequence of this industrial recession, inflation rates have receded somewhat from the very high rates of 1974, particularly in the United States, Germany and Japan.

As the recession has deepened, the prospects for the future have been scaled down. Last December the OECD was forecasting real growth of 0.5 per cent for its 24 members in 1975. Now, in a sharp reversal of that earlier forecast, it is anticipating that total output will decline again this year. While it is widely expected that the U.S. economy will begin to move out of recession in the latter half of this year and some of the other major OECD countries by year-end, there is much less agreement about the strength and speed of the recoveries. The view most generally expressed is that a considerable shortfall of output and high rates of unemployment will extend well into 1976. For some countries the immediate outlook for inflation is encouraging because of falling of some world commodity prices, prospects for good harvests, and consid-