

Mr. Chairman, this is my first appearance on Estimates for the Department of External Affairs since I last held the portfolio in 1976. I am here as the Head of an expanded Department, whose responsibilities have been enlarged to include responsibility for the conduct of Canada's trade and international economic relations. In carrying out that broader mandate I benefit from the assistance of my colleagues, Mr. Regan and Mr. Lapointe. Together, we face the task of conducting Canada's international relations in a challenging international environment.

The past year has not been easy. No country, rich or poor, has been spared the effects of global recession. The industrialized economies have been plagued by low demand, low investment and higher unemployment. Interest rates, while they have fallen, remain historically high in real terms. World trade has contracted, competition has become more fierce, and protectionist pressures have mounted.

These events also have had serious consequences for the countries of the developing world. Markets for their goods have stopped growing and real prices for their commodities have dropped. The debt loads of some countries have become severe, placing strains on the international financial system. The uncertainty of the international oil market is but the latest complicating factor. The recession has cut world demand for oil and made it difficult to predict where prices will stabilize. A sharp fall in oil prices would be a mixed blessing; a limited and controlled reduction probably would be beneficial.

The implications of all this for Canada are obvious. As a major trading nation we are immediately affected by a contraction in the world economy. Any moves by our trading partners to restrict the free flow of goods and services strike hard at Canadian prosperity.

Despite the difficulties, we have reason for optimism. Canada has fared well compared to many other nations. Our trade surplus is at record heights. Inflation and interest rates have fallen, consumer demand is picking up in the important U.S. market, and signs of global recovery have appeared. Our confidence in ourselves has withstood the tests of adversity, and there is a strong will amongst our major partners to work together.

Mr. Chairman, in my Department we are acutely aware of the direct linkage between domestic priorities and their pursuit in the international environment. We have been working diligently to advance Canadian interests in this difficult situation.