

It is an honour and a privilege to be here with you in this lovely part of the world. Helen and I got in Thursday evening, and we've enjoyed every minute of our stay.

Ed Pratt has given me a tough assignment. He asked me to stand up in front of the world's foremost international businessmen, traders and investors and talk about the problems facing international business, trade and investment.

All right, let's start with the world economy.

Things are pretty calm right now. No recession. No oil crisis. No new international debt crisis. Inflation is down. Interest rates are still too high, but they're only half of what they were three years ago.

Indeed, there are plenty of reasons for satisfaction in the way things are going. Led by the United States, the Western industrial nations have had two years of economic growth. The growth has been uneven, to be sure, but it's there. And this has had positive effects on developing countries. It has restored the markets for the debtor nations, allowing them to expand their exports, keep up interest payments on their debts and start putting their houses in spic and span, I.M.F. order.

In short, when the world economy is growing, everybody's happy. And the prospects are good for continued growth -- at a reduced but sustainable level -- through 1986.

But there are some clouds in the sky. Unemployment is one of them. It is still in double digits in Europe and Canada, and there's no quick fix that will bring it down. The world is in the middle of a great transition, from the industrial age to the age of technology and informatics. That is disrupting the labour market, and short-term make-work policies will only prolong the disruption. Medium-term policies which encourage growth, flexibility and job-creating investment are the only way to bring about sustained employment.

In the meantime, unemployment and welfare payments are draining government treasuries -- and this at a time when we are all trying to reduce budget deficits.

Other reasons for concern relate to a set of interlinked imbalances in the world economy. You are all aware of the impact the high dollar is having on trade patterns, and of the resulting pressures on American producers who either export or compete with imports. There is concern here that by the time the dollar comes down again from the heavens -- as we