

However, a question mark remains over the sustainability of the American recovery. There are several factors at play. One is the projected U.S. budget deficits, which have both contributed to inflationary expectation and increased the risk of pressure on savings, thus helping to generate high real interest rates. These high real interest rates and an over-valued U.S. dollar are distorting the American recovery itself, punishing longer-term investment and the export industries. Such high real rates as they are transmitted to other countries, similarly affect investment and consumption patterns and raise questions about the sustainability of the recovery world-wide.

To overcome these difficulties, governments and their business sectors must work together to strengthen global macroeconomic trade and financial cooperation.

Canada's prosperity is directly dependent upon a healthy and growing world economy. Exports account for 30% of Canada's Gross National Product. We recognize the importance of an open and efficient world economy. We are working vigorously in many multilateral fora towards improved global management.

As you are aware, Canada has been very active in recent international discussions. These range from meetings such as the economic summits and the periodic gatherings of trade ministers of Canada, the U.S.A., Japan and the EC to the more formal GATT and OECD ministerial meetings as well as the annual IMF/World Bank meetings. In the past three years, I have had the opportunity to chair the IMF's Interim Committee and the first ministerial meeting of the GATT in nine years. These experiences have led me to conclude that it is only through mutual understanding, hard work and a sense of shared economic objectives that governments are able to resist rising protectionist pressures and sustain the recovery.

An example of these international meetings are the yearly Economic Summits in which the seven major western industrial countries participate. I have attended several summits, including the Williamsburg Summit in May last year. There, the industrialized nations of the world met and agreed upon policies and actions aimed at ensuring that recovery materializes. Some of these actions are:

- to pursue appropriate monetary and budgetary policies conducive to lowering inflation, reducing interest rates, increasing productive investment and stimulating greater employment;