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## Effects of the energy shortage on Canada and the world

*"The problems of the supply and price of oil are only the currently most acute symptoms of a much wider problem: the increasing demands made by mankind on the world's food and industrial resources," stated Mitchell Sharp, Secretary of State for External Affairs, in a report to the Standing Committee on External Affairs and National Defence on March 19. He said that the sharp and sudden rise in oil prices had produced extraordinary results throughout the world and, he warned, "unless measures are taken to insure continued growth of the world economy, the world trading system could as a result be seriously undermined".*

*Mr. Sharp continued:*

The main industrialized countries, which are large users of energy, have a major responsibility because of their importance in world trade, to try to prevent this from happening. It was with this end in view that Canada attended the Washington Energy Conference in early February and has co-operated in the follow-up to that Conference which is aimed essentially at identifying the economic facts of the situation, trying to ensure that appropriate steps to correct the situation are being taken in the various international institutions, and to lay the groundwork for an early and meaningful dialogue with the oil-producing countries on problems of mutual concern.

Another broad area of agreement in Washington was on the necessity for research into and development of the world's untapped sources of energy. These include the known deposits of the more complex forms in which oil is found, such as heavy oil and oil sands in Western Canada, and the oil shale deposits in the U.S. There is also the longer term problem of the smooth transition to other forms of energy such as nuclear power, about which quite a bit is already known, and the longer term quest for geothermal and solar power.

As both producer and consumer, Canada occupies a rather different position from a good many of the other industrialized countries. While the net effect of oil price increases on our balance of payments is very small, we cannot hope to escape the inflationary effects of still rising prices in an

already serious world inflationary situation. Nor can we as a country heavily dependent on foreign trade afford to ignore the possible adverse effects on world trade caused by the run down of foreign exchange reserves and the general destabilization of world production.

Canada therefore has supported vigorously efforts to maintain the world pace of economic activity and to encourage the newly wealthy oil producers to play a role in international financial institutions commensurate with their new financial status.

We have learned with great interest that the producing countries are actively seeking ways in which to share with other developing countries some of their new found wealth. Canada welcomes this positive step. Most of these countries are themselves in the process of development and in the earliest stages of industrialization. They have made clear their desire to use these funds for the rapid development of their economies, as well as for a large range of social purposes.

## New embassies in Middle East

A number of these countries have made known to Canada their wish for closer relations for the mutual benefit of both sides. We have therefore begun a program of extending our representation in the Middle East to assist this process. The opening of a Canadian embassy in the Saudi Arabian capital of Jeddah was announced on December 21. At that time, I said that the Government would shortly be considering the opening of other missions in the Middle