

at a point where they have very limited possibilities for further borrowing. They must be able to export their goods into our markets to earn the necessary foreign exchange if we are to expect them to buy our goods.

This leads me to my fourth point and it is one which I flagged earlier - that is the question of adjustment. Inflation, energy shocks, shifts in comparative advantage together with greatly intensified competition on a global scale call for accelerated adjustment or restructuring in the industrialized nations. The theme of industrial renewal is a very important element in the economic development strategy of this government. It means that in those areas where we can be internationally competitive, we must strive to replenish our capital stock, to enhance our productivity, and to aggressively seek out new markets. Human and capital resources committed to sectors where we cannot compete internationally must be redirected towards more productive uses. While certain restrictive measures may be required from time to time so as to achieve an appropriate pace for this adjustment, we must be careful to avoid being trapped into supporting industries which are incapable of ever standing on their feet with all of the costs which this entails for the rest of our society.

The fifth point, and one that is closely linked to adjustment, is the need to control our costs and to enhance Canadian productivity. Much of the Prime Minister's recent remarks were addressed to this particular point. Simply put, a declining standard of real living for Canadians is the only prospect we face if we fail to bring our costs under control. Inflation must be held down, productivity must be increased and quality must become our goal. At the same time we and other countries must avoid a situation where we look excessively at exports and export growth to drive our economies. We face that danger today and as I indicated earlier, one sees the result in areas such as export credit financing where competition between treasuries could lead to a situation where we pay other countries to buy our goods. One can regard export subsidies of one kind or another as the obverse of import restrictions. Both distort competition. Both carry an economic cost and both need to be resisted. The international institutional mechanisms to provide rules with respect to export competition and particularly the link between trade and finance are not strong nor well developed. We will need to make strenuous efforts to strengthen our co-operation in this area in the 1980's.