

- the risk to the international financial system arising from the debt crisis of developing countries has been contained and longer-term approaches are being explored;
- the open character of the world trading system has been largely preserved despite serious protectionist pressures; and
- world oil prices appear to be stable, at least for the moment.

There are, however, important challenges still facing business and government. These are:

- to encourage balanced and sustainable growth while ensuring that gains on inflation are consolidated;
- to encourage adequate flows of commercial and official financial resources to the indebted countries, in support of their own courageous adjustment efforts;
- to resist the threat of protectionism and to carry out essential adjustments of our industrial structures; and
- to seek every means to improve competitiveness and especially to encourage the development and rapid dissemination of advanced technology.

Many of these are of course familiar to you and represent important elements in your planning and marketing activities.

Take for instance markets outside North America, where growth will remain limited and uneven. We can expect only modest expansion this year in Western Europe and Japan and continued difficult conditions in the indebted and oil-exporting countries. This will limit our sales of goods and services into these major markets and influence the pace of economic recovery here at home. However, off-shore areas will remain vitally important to us over the longer term. Increased competition for these less buoyant markets underlines even more the need to improve our own competitiveness.

The United States' economy is expanding vigorously and we should do everything we can to exploit this vital and growing market for Canadian products and services.