

cess of the multilateral trade negotiations, not only as they relate to tariffs but particularly to the elaboration of codes relating to non-tariff measures. We must ensure that current economic difficulties do not lead us into regressive policies from which none will benefit. Industrial countries must move forward towards further liberalization. But in the context of greater interdependence there is a broader responsibility that is shared by developing countries for adopting policies which will contribute to an open world system for the benefit of all nations. Developing countries will stand to benefit significantly from successful MTN (Multilateral Trade Negotiations). We would expect them and particularly the more advanced, to adjust their trade policies in order to stimulate domestic consumption and to contribute to the expansion of trading opportunities generally.

"With the persistence of slow economic growth and high levels of unemployment there is a risk that unilateral trade and other current-account measures could touch off a chain reaction of protectionism. We therefore believe there is a continuing need for the political commitment provided by the trade declaration. The extension of the pledge, for a further year, with the revised preamble prepared by the trade committee to take account of developments since 1974, will serve to improve and strengthen the multilateral trading system.

### Energy research

"The energy sector holds out great challenges and possibilities in an interdependent world. Successful energy development can add substantial impetus to growth prospects for developing countries. The present international energy outlook indicates that, during the next decade and beyond, major changes in traditional patterns of energy production and consumption are necessary if demand is to be satisfied. Canada supports efforts to stimulate applied research and development of new sources of energy and to encourage exploration and development of conventional energy in developing countries. Indeed our development assistance programs have already been used to support these activities. We will play an active part in examining means of encouraging greater co-operation among governments, international institutions and the private sector.

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"Increased resource flows to developing countries, whether in the form of aid or private investment, are essential if they are to implement their development plans effectively. The terms, conditions and transfer mechanisms for such flows will vary depending on the needs and level of development of the respective recipients. By providing our official development assistance on highly concessional terms where this is appropriate and in the case of the poorest countries in the form of

### Real domestic product — first quarter, 1978

The seasonally-adjusted index of real domestic product (1971=100) advanced 0.6 per cent to 129.6 in the first quarter of 1978 from 128.8 in the fourth quarter of 1977. The index of industrial production was relatively unchanged in the first quarter. Output of goods-producing industries was off 0.3 per cent, while that of service-producing industries increased 1.2 per cent.

In goods-producing industries, moderate increases were recorded in agriculture, forestry, fishing and trapping, and utilities; manufacturing showed no growth, and mining and construction declined sharply. Agriculture was up slightly, owing to increased livestock production. Although forestry output improved about 1 per cent, the first quarter level remained well below that of the first three quarters of 1977. Output in utilities continued to show strength with increases in both electric power and gas distribution, although the rate of growth was less than in the two previous quarters.

In manufacturing, non-durable manufacturing recorded the largest quarterly increase since the first quarter of 1977, while durable manufacturing recorded the largest decline since the first quarter of 1975. The growth in non-durable manufacturing resulted largely from increases by manufacturers of food and beverage products, rubber and plastics, leather products, textiles, clothing, paper and allied products, printing and publishing, petroleum and coal products, and chemicals. The decline in durable manufacturers resulted from decreases in wood industries, metal fabricating, machinery industries, transportation equipment, electrical products and non-metallic mineral products. Manufacturers of furniture and fixtures, and primary metals showed

grants, we hope to ensure that the debt servicing capability of the countries concerned is maintained.

"The total flow of official development assistance is too low. We are encouraged by indications that countries with consistent balance of payments surpluses intend to increase their level of development assistance. The donor countries that, like Canada, are experiencing balance of payment deficits, also have a continuing obligation to the aid effort."

some strength in the quarter.

Mining output dropped for the third consecutive quarter, showing continued weakness, especially in metal mines and non-metal mines. Strikes in the U.S. coal industry (which affected steel mills) and strikes in several iron mines in Canada along with declining nickel production were partial reasons for the metal mines' weakness. Mineral fuels production was down in the first quarter, after a strong fourth quarter (increased prices for crude petroleum may have affected production levels). Construction declined for the fourth consecutive quarter, with most of the decrease resulting from a sharp drop in non-residential building activity.

### Advances in service industries

In service-producing industries, all components advanced in the quarter. Transportation, storage and communication showed considerable strength, with major gains in air transport, railway transport, urban transit systems, grain elevators, and communications. Significant growth in urban transit systems resulted from resolution to strikes in the fourth quarter. Both wholesale and retail trade experienced substantial increases in the first quarter. Growth within wholesale merchants and wholesalers of petroleum products was especially strong. In retail trade, increases were confined to motor vehicle dealers, clothing stores, and furniture, television, radio and appliance stores. Food stores and department stores declined slightly. Finance, insurance and real estate, and community, business and personal services industries continued to record substantial growth in the first quarter of 1978. Public administration and defence services were almost unchanged from those of the fourth quarter, reflecting a decline in provincial government administration and increases in Federal and local government administration.