

to the effects of their policies on others.

The Versailles declaration also reaffirms the commitment of Summit countries to strengthen the open trading system and to resist protectionist pressures. These undertakings are not, of course, sufficient in themselves. They must also be translated into action. However, their reaffirmation at this critical stage serves to underline the common commitment of the world's leading industrial powers to work together and serves as a useful signal of support to other organizations, especially the GATT which is to meet at ministerial level in November.

The Versailles Summit was marked by several other achievements, especially a package of undertakings in the financial area which should help to promote a greater convergence of economic policy aims among Summit countries, but I should leave it to another occasion to develop this aspect of the situation.

**Export credit
subsidies**

However, I do want to refer briefly to some other issues which are currently disturbing us. The first such issue is competition over export credit subsidies. I don't need to emphasize to a group such as this the importance of government support for Canadian exporters in the highly competitive international business world. But the cost has become very high. An arrangement among OECD countries to regulate and limit the trade distorting aspects of competition on export credits has come under growing strain in the last two or three years and increases in market interest rates have far out-paced negotiated rate increases in the arrangements. It is estimated that by 1981 arrangement participants were spending between \$5 and \$6 billion a year to subsidize their exports through below-market credits and assets — not a very healthy situation.

Some progress has recently been made in tightening discipline on export credits through a package of measures which reclassifies borrowers according to objective criteria and which increases the general level of interest rates.

Canada has been pressing for greater progress towards market levels so as to reduce the burden of costly subsidies. Yet difficult as it is to support this burden, the choice is a stark one. Either we provide financing to match the competition on large capital goods exports or risk losing business and jobs to our competitors. A widely publicized case in point was the recent tender to supply subway cars to New York City. Canada's official credits agency, the Export Development Corporation, had to provide a competitive package to meet an offer from France, at well below market rates, to allow the Bombardier company to compete on an equal footing for a contract for the export of 825 subway cars to New York's Transit Authority. I can assure you that providing big cash subsidies for the sale of Canadian products to a foreign utility gives us no joy whatsoever, but neither would the loss of a contract of \$1 billion — the largest contract in the history of this country — on which so many jobs depend. We very much want to see arrangement rules tightened so as to prevent such self-defeating competition in future.
