

pressures in the industrialized countries and tighter competition in Third World markets, we also find ourselves faced with a massive challenge of industrial renewal. Adjustments to our industrial structures are required because of the massive changes in energy prices of the 1970s, the rapid industrialization of a number of developing countries, inadequate productivity improvement in our own country and outdated capital stock. All of these forces have combined to create enormous pressures for adjustment and yet these come at a time of no or low growth. Few societies have learned to digest and control this sort of economic change well. Even in times of high growth these changes have proven wrenching. In today's economic environment, they often appear intractable.

And so we find ourselves between a rock and a hard place. Failure to adjust now will seriously impair our ability to return to a faster growth track. However, adjustment now risks adding further strain to an already precarious economic situation. Those countries which fail to adjust will find themselves squeezed in international markets and facing increased pressures to protect domestic markets because their firms will not be able to compete in the trading world of the 1980s. On the other hand, a series of national responses to this industrial challenge which does not take place within an adequate international framework risks creating a new series of policy conflicts. International rules and consultative procedures will require strengthening to avoid this possibility.

Against this rather bleak picture of the challenges facing Canada and the world trading system over the next few years, where do some of the answers lie? Twenty years in public life, including eight years as Premier of Nova Scotia, has taught me that one should not look for panaceas, and I have none to present to you tonight. I do firmly believe, however, that there are a number of steps that we can and should take to begin to meet the challenges I have just described and which, if we do meet them successfully, can lead to improved real standards of living for Canadians even in this more competitive environment.

**Steps necessary
to meet the
challenges**

The first thing we need to do is to work together with our trading partners to ensure the strength and stability of the world trading system. I have in mind primarily the General Agreement on Tariffs and Trade (GATT) which, of course, is the linchpin of the world trading system. The GATT will be meeting at ministerial level next month. This will be the first ministerial-level meeting in nine years and it will be important that we, at that meeting, ensure that the GATT continues to be in a position to play its crucial role. This will require a political reaffirmation of our collective commitment to the free trading system.

Beyond that, it will require us to take steps either at that meeting itself or in the period which immediately follows it to ensure that the GATT can withstand the pressures acting up on it. In order to do this, Canada believes it important that we develop a safeguards agreement to regulate effectively restrictive trade actions which
