

forms of energy such as nuclear power, about which quite a bit is already known, and the longer term quest for geothermal and solar power.

As both producer and consumer, Canada occupies a rather different position from a good many of the other industrialized countries. While the net effect of oil price increases on our balance of payments is very small, we cannot hope to escape the inflationary effects of still rising prices in an already serious world inflationary situation. Nor can we as a country heavily dependent on foreign trade afford to ignore the possible adverse effects on world trade caused by the run down of foreign exchange reserves and the general destabilization of world production.

Canada therefore has supported vigorously efforts to maintain the world pace of economic activity and to encourage the newly wealthy oil producers to play a role in international financial institutions commensurate with their new financial status.

We have learned with great interest that the producing countries are actively seeking ways in which to share with other developing countries some of their new found wealth. Canada welcomes this positive step. Most of these countries are themselves in the process of development and in the earliest stages of industrialization. They have made clear their desire to use these funds for the rapid development of their economies, as well as for a large range of social purposes.

A number of these countries have made known to Canada their wish for closer relations for the mutual benefit of both sides. We have therefore begun a program of extending our representation in the Middle East to assist this process. The opening of a Canadian embassy in the Saudi Arabian capital of Jeddah was announced on December 21. At that time, I said that the Government would shortly be considering the opening of other missions in the Middle East such as in Baghdad and elsewhere.

Apart from the opening of embassies, the earlier step of establishing formal diplomatic relations with Bahrain, Qatar, Oman and the Federation of Arab Emirates was announced on February 2. The Canadian Ambassador resident in Teheran will be the Canadian representative accredited to these states.

We have also agreed to establish diplomatic relations with the two Yemens: the Arab Republic and the People's Democratic Republic. We had already established commercial relations with these two countries. This now completes the formal establishment of relations with all countries of the Middle East.

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At the intergovernmental level we shall wish to encourage discussion:

- to ensure the dependability of world oil supply;
- to discourage the use of oil and other commodities for political purposes; and
- to achieve some stabilization of oil prices at levels which are reasonable from the point of view of both producers and consumers.