

taking some actions, have avoided the massive "Beggar-Thy-Neighbour" policies of the 1930's. But these protectionist pressures are exerting tremendous stresses and strains on governments and on the multilateral trading framework. Unless there is some relief soon, these stresses could become intolerable. In the period ahead, some trade restricting measures by governments will be unavoidable. What will be important is that governments work together to minimize the adverse effects of these measures and to ensure that these actions do not impair the functioning of the world trading system.

Secondly, the tightness of international markets has led to keener competition, particularly in third world markets which have been growing relatively more quickly. This has involved aggressive innovations in export credit financing, increased mixing of official credits with aid funds to soften the financing terms of various export transactions, increased attention to barter transactions and buy-back provisions and the increased use of export subsidies. Price and quality of goods are not the only determinants of export sales. Financing considerations, particularly for major capital projects, have become crucial. What we are witnessing is a race amongst industrialized countries treasuries who can ill-afford these expenditures. Greater international disciplines must be negotiated. In the meantime, we remain committed to ensuring that Canadian exporters are not placed at a competitive disadvantage.

At the same time as we face these problems of slow growth and greater protectionist pressures in the industrialized countries and tighter competition in third 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 1970's, 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rapid industrialization of a number of developing countries, inadequate productivity improvement in our own country and outdated capital stock.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