

world, must also take increasingly vigorous steps to reduce disparities between themselves and the less developed and less fortunate nations.

While the developments affecting the supply and price of oil are in part the product of special circumstances, the underlying situation thus set in relief is much more general. Food prices have risen sharply as a result of the growth of world population on which has been superimposed serious crop failures in a number of countries. The prices of other internationally-traded commodities have also increased following the simultaneous upsurge in economic activity in all industrialized countries. The increases in the food and commodity sectors have moreover led to increases in other prices producing generalized inflationary pressures.

No country has been immune from the increase in prices experienced in 1973 and which is continuing in 1974. The phenomenon is world-wide, not an isolated one affecting this or that country alone.

All countries, including Canada, have rejected a deliberately planned slow down in economic activity as a means to fight inflation. Some have turned to income and price controls. These attempts have on the whole not been successful.

The Canadian economy, perhaps more than any other, is closely tied to international trade and markets. The principal inflationary pressures have come from outside the country. It would have been singularly inappropriate under such conditions to have resorted to general income and price controls and the Government rejected them for these reasons.

A principal responsibility of the Government and one of its main policy objectives is to maintain high levels of income, production and employment. This policy should in itself help to overcome some of the supply problems which are causing prices to rise. But in addition, and more immediately, the Government's policy in dealing with inflation will be to step in, as it had done in the past, and take specific measures to increase the supply of certain goods and services, to protect those who are not able to protect themselves against the effects of inflation, to cushion consumers against sudden and disruptive price increases of essential commodities, and to prevent any group or groups from taking undue advantage of the current situation at the expense of others.

In the case of oil, the Government has been concerned about the individual hardships caused by the rise in prices and about the overall effect of the increase on the economy. Nonetheless, for Canada to become self-reliant and be protected against abrupt changes in supply, prices must be such as to encourage the exploration and development of non-conventional and frontier oil resources. The Government must ensure that a sufficient part of the funds generated by higher prices will be used for such exploration and development. It will introduce legislation to create a national petroleum company which will assure greater Canadian presence and par-

ticipation in these and other activities. It has announced the extension of the pipeline from the Western oil fields to Eastern Canada and the establishment of a single Canadian market which will guarantee an outlet for domestically-produced oil.

In furthering these longer-term objectives, the Government has a duty to manage the economy in the interests of all Canadians, and in particular to moderate the inflationary effects resulting from the oil crisis. It has sought, in co-operation with the provinces, to make sure that the difficult transition to higher oil and energy costs occurs in an orderly way so as to not cause unnecessary disruptions in economic activity, employment and prices. To this end, it must ensure that the price of domestically-produced oil does not increase at an unreasonable rate and that the price of oil be the same in all parts of Canada subject, of course, to transportation costs. Legislation will be introduced to ensure that the responsibilities of the Government in these respects can be effectively discharged.

Discussion with the provinces on the Government's objectives and on the best means of achieving them is continuing. The Government will make every effort to reach agreement on arrangements that will discharge its responsibilities in a way that is fair to the provinces where the main sources of the oil and gas are located as well as to consumers in the country as a whole.

At the same time as there is increasing concern about shortages in the supply of energy, it is apparent there is an inadequate supply of food in many parts of the world. In some countries the situation has reached critical proportions. In Canada there have not been such serious shortages but international market pressures have forced our food prices upwards. It is clear that this country's production must be increased. The Government is developing a policy on food based on the following objectives:

- an adequate and dependable supply of quality food for a growing population in Canada enjoying a rising standard of living;

- reasonable food prices:

- for the consumer, in not requiring an undue proportion of income for Canadians to secure a sufficient and balanced diet,

- for the producer, in providing a return adequate to encourage production of food items which can be economically and efficiently produced in Canada;

- a continuing supply and increasing production of these food products in which Canada has a competitive advantage for export to commercial markets and also for a contribution to international food aid programs.

The Government's objectives will guide a re-assessment of existing programs in the areas of agriculture and fisheries. The Government will wish to consult with provincial governments, consumer groups and producers.