



Statements and Speeches

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CHALLENGES IN THE INTERNATIONAL ECONOMIC ENVIRONMENT

An Address by the Honourable Mark MacGuigan, Secretary of State for External Affairs, to the Rotary Club, Charlottetown, Prince Edward Island, July 5, 1982

...Within the last month, I've attended two summits, those at Versailles and Bonn, and a Pacific Rim meeting, where we struggled with the great problems of the world today — problems such as world recession and international inflation, the East-West division which encompasses so much of the world, and I think the most difficult problem of all, that of world poverty, the so-called North-South question.

The theme that I want to address today principally — and I might say briefly — can be stated as "Challenges for Canada in the Current World Economic Environment".

At the Versailles Summit last month, the Prime Minister referred to the crisis confronting the industrialized world. 'Crisis' — in my view — is not too strong a word to depict the gloomy world economic conditions which have prevailed since last autumn and which threaten to continue. In the past year virtually all industrialized countries have been experiencing low growth rates and an alarming incidence of business failure. Real interest rates are at very high levels in many countries. Unemployment, already high at the time of the Ottawa Summit last July, has grown by five million over the past year in the Organization for Economic Co-operation and Development (OECD) or industrialized countries alone, and will rise even more unless economic conditions can be improved sufficiently to provide jobs for the large numbers of young people coming on the labour market. Though progress has been made in reducing inflation in some industrialized countries, it remains at a worrying level in many others, including our own, and fears persist that it could again increase once economic recovery gets underway.

Beyond the circle of industrialized nations conditions are no better; in fact they're probably much worse. The economies of Eastern Europe are in difficulty, and several countries in that region have been having trouble servicing their debts. Third World nations, hit by reduced export earnings because of the recession in the West and by high interest rates, are also experiencing balance of payments difficulties in unprecedented proportions. With the collective deficit of the Third World this year estimated at between \$75 billion and \$100 billion the world payments system may face a serious challenge.

In looking for a viable way out of this situation, most observers have underlined the need for a reduction in the very high level of real interest rates in the United States. There is no question that this is a key factor for several reasons. Lower interest rates

Ominous
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