nerable to the triple onslaught of economic decline, high interest rates and extreme competition from imports. We obviously are very concerned about these industries and, in some cases, are considering ways to protect them from serious injury and from unfair trade practices.

In a period of prolonged recession it is imperative that major trading countries demonstrate the sensitivity and will necessary to produce mutually satisfactory solutions. If we do not work together to alleviate these pressures the consequences could be disastrous.

We are determined not to ignore the lessons of the 1930s. We must not place our economy in a strait jacket which will prevent adaptation and real growth in the 1980s. "Beggar thy neighbour" tariff walls, artificial props for inefficient sectors and band-aid solutions do not provide effective or convincing alternatives. Canada, because of our dependence on trade and our small domestic market, has much to lose and little to gain through bilateral trade wars or rigid concepts of reciprocity. It is as simple as that.

Open trading important

I remain convinced that trade can be the engine of growth, that expanded trade opportunities provide a firm basis for new investment and more jobs. I would like to think that many of you share this view and attach priority to the maintenance and strengthening of an open trading environment.

It is worth noting that we continue to generate a merchandise trade surplus — a surplus which is vital if Canada is to continue to pay its way in the world. As a matter of fact we have had a trade surplus for 24 consecutive months — a record matched by very few countries in the world. In 1981 we ran a merchandise trade surplus of $7.4 billion and, in the first four months of 1982, our seasonally-adjusted trade surplus was in excess of $5 billion. Contrast this with the trend for our major trading partners — the United States and the European Community — which had merchandise trade deficits running in the tens of billions of dollars in 1980 and 1981.

Let me cite a specific example of how the Canadian economy has benefitted through trade. In 1965, before the conclusion of the Kennedy round, Canada exported 20 per cent of its production of machinery and equipment and 54 per cent of Canadian requirements were supplied by imports. In 1980, 50 per cent of Canadian production was exported and 65 per cent of domestic requirements were filled by imports. Over the last 15 years domestic production of machinery and equipment in Canada, which amounted to $8.6 billion in 1980, has been increasing at about the same rate as the overall domestic market, that is a real average annual growth rate of about 5 per cent. Exports have been the fastest growing component in the area with growth of about 8 per cent annually.

This sector provides a clear example of how Canada has been able to adapt to