

It is a distinct pleasure for me to have this opportunity to speak to the Canadian Institute of International Affairs. This is particularly true coming so soon after my appointment as Minister of State for International Trade. Over the years your institute has played an important role in increasing the awareness of Canadians in international affairs and in enhancing the quality of debate in Canada on these important issues. In today's troubled times, this role is even more vital.

For a country like Canada whose people have always been outward looking and whose economy is so open and affected by international currents, an informed public awareness of international issues is important at any time. Today, it is absolutely essential that Canadians be informed because of the acute economic and political crises facing the world at present. I am sure I do not need to spell out to this group the devastating consequences which the deteriorating world economic conditions have had on all nations, rich and poor alike. At the same time the world is facing a period of political instability on a scale also unknown for some time. These two forces are of course closely linked. Political crises generate economic consequences; economic dislocations breed political instability.

Tonight I want to talk to you about international economic developments, their implications for the Canadian economy and trade and the challenges and opportunities which will confront us in the months and years ahead.

Firstly, let me touch briefly on the international economic environment. Since 1980, economic growth in the industrial countries has been sluggish and output has been virtually stagnant for over a year. There has been virtually no growth in world trade over the last 18 months. International economic forecasters have revised downwards their projections of growth for the last quarter of this year and 1983 for almost all industrial countries. Economic recovery which has been widely predicted for over a year has not yet taken hold. The impact has been seen in an intolerable increase in the level of unemployment throughout most of the Western world.

Looking beyond the industrialized world we see similar problems elsewhere. Non-oil exporting developing countries are now experiencing average growth of only 2 1/2 to 3% - the lowest level in years. The oil exporting countries have as well experienced severe declines in growth in the last 3 years. Current account balances have shifted dramatically since the second oil crisis with the industrial countries now registering a slight surplus and the oil exporters of OPEC a deficit. Estimates of the combined deficits of non-oil-exporting developing countries this year and