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ECONOMIC PROBLEMS IN NORTH AMERICA

The following is part of an address by the Minister of Finance, Mr. Mitchell Sharp, to the annual Maple Leaf Dinner of the Canadian Society of New York, on November 14, 1966:

...I shall talk about three areas of economic policy facing us in North America.

The first is: How are we to continue the attack on barriers to international trade over — let us say, the next decade and how should we deal with other issues of commercial policy? I want to consider, in particular, what ought to be our strategy for trade policy after the "Kennedy round" has been brought to a conclusion next spring.

Second, I shall talk briefly about the problems of financing the growth of world trade.

Finally, I shall say a little about our common problem of managing and prolonging our North American prosperity.

First then, trade policy. I begin by saying that trade policy means a good deal more than tariff policy. For example, tariffs have very little to do with trade in agricultural products. Quotas, production subventions, and economic aid are much more important to the movement of agricultural products between countries than are conventional tariff barriers.

Nor have European countries or our own two countries depended upon tariffs to limit the impact of imports of certain manufactured products from new sources at highly competitive prices. This is the problem of "low-cost" or "disruptive" imports, which is being dealt with either by import quotas imposed by importing countries or export quotas negotiated with the governments of exporting countries.

A third example of commercial policy problems of our time that has little to do with conventional tariffs is how to trade with those economies of Eastern Europe and Asia in which exporters and importers are branches of the state.

Moreover, I am inclined to suspect that in the great modern market entities, such as the United States and the European Economic Community, the tariff plays a relatively small role in the shaping of the economy, or in the solving of real trading problems. In these big mature economies it is much more a taxing device.

TARIFF PROBLEMS OF SMALLER ECONOMIES

But what about the role of protective tariffs in the smaller economies, such as, say, Canada and Australia? These countries have small national markets with industries which have been stimulated over the years by protective tariff systems. In such countries, the tariff has a more decisive impact on the industrial structure and the allocation of resources.

In Canada, for example, our population is too small to provide large enough home markets to support the optimum scale of production for quite a wide range of manufactured products. At the same time, many of our potential export markets are fenced off by protective tariffs, so that we are often denied the foreign sales that for us, as distinct from the United States or the common market countries, we must have to manufacture competitively.

Canada has been a member and firm supporter of the General Agreement on Tariffs and Trade since its foundation. A nation so dependent on foreign trade