

These developments in Europe clearly call for new and meaningful initiatives by the United States. Only if the United States is prepared to give some constructive leadership can we launch a multilateral attempt to ease some of the potential problems of adjustment. It seems to me, therefore, that the emerging threat of protectionist policies in the United States should give us serious concern. The proposals before Congress are not all bad, but some are mere protectionism -- for example, the measure contemplated on textiles and footwear. Like many outside the United States, I do not see the need for such a belligerent attack on imports into the United States of these products.

While it is a good thing that the Congress may contemplate allowing the President to scrap the American Selling Price Valuation system, it is not encouraging that it is only now at the end of 1970 that this seems in prospect. The abandonment of this particular form of protectionism was undertaken by United States representatives in the Kennedy Round and there were important tariff reductions offered in return; the failure to carry through this arrangement has undermined all the attempts by the United States since that time to exercise any leadership in commercial policy.

Let us turn now to suggesting what these various developments mean for Canadian economic policy, and more specifically for our trade policy. I have commented on the growing demand for Canadian materials and energy sources and I have drawn attention to the importance of developing the manufacturing sector of our economy in order to provide jobs and to raise productivity. I have noted the growing pressure to take account of the economies of scale and thus of the need of specialization. I have commented too on the impact on Canada of economic regionalism and of protectionism in other countries. What sort of policies are appropriate for Canada in this complex of circumstances?

First, I don't think that any of this calls for reversing Canada's policy of the last few decades of seeking better terms of access for particular Canadian products, and at the same time reducing excessive and costly protection here in Canada. Rather, it calls for a refinement of this policy and for a greater effort by the Government to apply it effectively. You will all be aware that, parallel with this policy of negotiating tariffs, we have been developing a complex of measures on the expenditure side -- of industrial development incentives and regional development grants. It seems to me that this positive expenditure policy must be co-ordinated with the more traditional trade and tariff policies so that we are certain that we are encouraging the production of the right products for our markets at home and abroad. Clearly, in all those sectors of manufacturing where technology dictates economies of scale beyond the scope of the Canadian market, it is most important to identify the particular products in which Canadian producers have a comparative advantage and for which there is some prospect of our negotiating access to some larger market. Such a selective strategy of industrial development is vital for a country of Canada's size.

It should also be clear how vital is the attitude of the United States in developing such an industrial and commercial policy for Canada. If the United States moves in a protectionist direction, with a resulting reluctance to lower barriers on imports from Canada (except on those raw materials and the energy which the United States must have), then our prospects for identifying