

particularly and more obviously to the United Kingdom and Western Germany, but it is true of several other countries also. On the far eastern flank Japan is in a similar position. The communist territories would, under happier conditions, have afforded natural and growing trade opportunities, for Europe in the west and for Japan in the east -- advantages equally valuable to the communist territories themselves. We do not know whether or when these natural avenues for the expansion of world commerce will be re-opened. Meanwhile, Western Europe is that part of the free world that is most directly and adversely affected, both as a seller and as a buyer.

I am by no means of the opinion that the efforts of the free nations to increase world commerce are in serious danger of being defeated by the advances of communism. As I have mentioned, increased trade depends basically upon increased production and, of course, also upon increased markets. The free world still possesses ample resources to provide both. There are large new or relatively new areas that are undeveloped or under-developed. There are great older areas, some of them densely populated, where the tasks of raising the standards of living are little more than well begun. There are still other areas or countries, with high industrialization and high standards of living, where technical developments are providing the basis for new industry and new trade on a scale which hardly anyone could have imagined a few years ago. The main commercial effect of our territorial losses to communism is that they do compel us to make the very best use of the resources of our free, but smaller, world.

This brings me back to the question of trade restrictions. For it must never be forgotten that the real purpose behind the efforts to free trade from hampering restrictions is to make the best use of available resources. Unless producers have a reasonable chance to sell where the best prices can be obtained, and unless consumers have a reasonable chance to buy where the lowest prices are offered, resources are not likely to be used to the best advantage. I know only too well that it is a counsel of perfection to suggest that national foreign trade policies should be based on recognition of this principle, and on nothing else. Nevertheless, I do not think that the peoples of the free world can afford to do anything else except work towards freer trade amongst themselves.

If this is so, why is there any hesitation in beginning at once to clear away the tangle of restrictions that have grown up in recent years? The answer to this question may help to indicate the lines along which progress can be made.

Take the sterling area, for example. This is a very large group of countries and an extremely important group commercially. As a group, and with few exceptions individually as well, they are very hard up for dollars. Why is that so? It may be said that the explanation is obvious -- that they are short of dollars solely because they are not earning enough dollars, either by their sales here in North America, or by their sales in other markets. They must produce more, and they must make their export industries more competitive. Otherwise, they will continue to be short of dollars and, moreover, they will be open to