

The imposition of British surcharges in November was a sharp reminder to the world's trading nations of the importance of a viable British economy and of a stable pound. So far as we can ascertain, the surcharges are temporary and are not likely to affect Britain's interest in the "Kennedy round".

The close of navigation on the St. Lawrence saw the conclusion of one of the greatest years in grain shipments in Canadian history. This reflected a mammoth sale to the U.S.S.R. as well as increased exports to our traditional customers and the fulfillment of our sales agreements with East European countries and with China.

Perhaps the most far-reaching development for Canada was the preparation and painstaking negotiation of the agreement on trade in automobiles and parts with the United States which was signed by the Prime Minister and President Johnson....

TRADE AND INDUSTRY

These, then, are the highlights of 1964; what do they mean for Canada in 1965 and in the longer term? Given the need to create job opportunities for an expanding labour force, which the Economic Council has set in its report at \$1.5 million in 1970, the "Kennedy round" assumes primary importance. We are looking to the "Kennedy round" for the new and increasing export opportunities through the comprehensive reductions in tariffs and non-tariff barriers in respect of industrial items. Through expanded international trade we can gain the benefits of longer production runs conducive to increased rationalization and specialization in Canadian manufacturing industry necessary to sustain keen competition in world markets, both in terms of quality and price. We look also to expanded export opportunities for new products which will also help to broaden our industrial base in economic terms. In view of the trends in terms of trade which, over the past decade, have consistently favoured the exports of manufactures, an increased volume of Canadian exports of manufactures will play a vital role in narrowing our balance-of-payments gap on current account.

The emphasis on secondary manufactures should not obscure the importance of agriculture. We must try through the "Kennedy round" to find a way to break through the log-jam of agricultural protectionism for a freer movement in international agricultural trade. For Canada, with agriculture comprising about a third of its exports, a negotiation that does not provide acceptable conditions of access to markets for agricultural products could not be regarded as a real success.

WATERSHED IN TRADE RELATIONS

The "Kennedy round" is something more than just another tariff conference. In essence, it marks a watershed in international trade relations since the end of the war. It is a bold attempt to come to grips with the principal trade and economic issues of today. It is no less than an attempt of the trading world to cope with economic regional arrangements and to bring about the necessary mutual adjustments to the problems which they pose. In this context, it is worth pondering that the European Economic Community will be established, by 1970 and perhaps

sooner, as the second-largest single market in the world after the United States.

The "Kennedy round" will also provide an immediate opportunity to the less-developed countries to apply the principles underlying the new chapter on trade and development in the GATT. These principles recognize the need for the developing countries to have a better opportunity to increase their export earnings and develop their economies through international trade. For their part, the developed countries have already accepted that every effort should be made to reduce barriers to exports of the less-developed countries and that they cannot expect to receive reciprocity from the less-developed countries. We would hope that the arrangements for the less-developed countries would lead to free trade in tropical products and industrial raw materials. We should also hope that the commodity arrangements designed to assure remunerative returns to primary producing countries ensure reasonable price stability and the avoidance of burdensome surpluses, leading to product substitution for the goods on which less-developed countries depend for a substantial share of their export receipts.

CANADA-U.S. AUTOMOBILE AGREEMENT

In the bilateral context, the automotive arrangement with the United States is yet another example of close economic co-operation to promote and expand economic benefits to both countries. The St. Lawrence Seaway, the Columbia River, opened the prospects of what could be done jointly in the economic field where there is a basis for developing a common arrangement. Our expectation is that the new automotive arrangement should contribute to provide employment, to expand production of automobiles and parts in Canada so as to assume a more equitable share of the continental market.

Our arrangements with the U.S.S.R. and Eastern European countries, and with China, are evidence of our efforts to develop East-West trade relations. The terms that are developed for Poland's participation in the "Kennedy round" could, if successful, open up possibilities for reconciling the problems in trade relations between free-market countries and centrally-planned economies.

To sum up, therefore, the principal issues which will continue to face Canada in the foreseeable future are the expansion of manufactured exports to world markets, improved access for agricultural exports, the expansion of trade between developing countries and the development of trade relations with centrally-planned economies; If I may, I should like to inject one final thought. It is important that, in responding to the economic challenges and opportunities that confront us, we do not just produce more and more of those things that we need less and less purely in order to keep the wheels of industry turning. Material gain and welfare are not enough. Our skills, our brains and our creative ingenuity must not overlook the importance of the kind of society we should be building. The arts, the humanities, and the social sciences have also an appropriate contribution, which must be brought to bear to bring perspective and humanity to the revolutions in science and technology.