

and increased economies. However, the question that has been raised about the automotive agreement on a number of occasions has been whether this is a pattern which can be followed in other industries. There are certain special factors about the automotive agreement that were recognized by those who engaged in the negotiations, and recognized by those who understood the nature of the problem. I believe that in other industries it would probably be a mistake to think only in terms of free trade between Canada and the United States. There are several products where a free trade arrangement on a broader basis would be of greater value to both Canada and the United States than a free trade arrangement confined to the two countries. One of these examples, of course, is pulp and paper, which I gather has already been brought to your attention. I should think also that in base metals a free trade arrangement, on a very much broader basis than between Canada and the United States, would be very beneficial to both countries, as well as to the others who would be practising free trade in these products.

Now, is a free trade area -- well, is it the right approach nevertheless? I think this is a question that has to be examined carefully. In a free trade area between Canada and the United States, it is not so much the question of harmonization of policy that is at stake, although this does arise in a particularly acute form in the area of agriculture. I think the aspect of this question that has to be looked at carefully by most Canadians is whether a free trade area between Canada and the United States would not lead fairly quickly to a customs union. That, it seems to me, is the way the question ought to be looked at. I have no doubt about the difference between the two. My concern is that those who advocate a free trade area tend to put the case in the best form, and sometimes don't look forward to the possibility that very quickly the logic of the situation would lead to the formation of the customs union, and there, certainly, the problems of harmonization are very great indeed. I would like, however, to raise some rather more political questions, other than the one that I have raised about the possibility that a free trade area might be converted very quickly into a customs union. Would not the formation of a free trade area, whether between Canada and the United States or more generally in the Atlantic community outside of the EEC, result in a more intense division between the EEC and the rest of the Atlantic community? This is a political consideration but I believe it is one of major significance. Moreover, there are other countries in the world, such as Japan which has become such an important trading partner of Canada and many other countries, and I would question whether Japan would be ready to join a free trade area, and whether the rest of us would wish to isolate Japan and appear to create another division in the world. Moreover, where do the less-developed countries fit into such an arrangement? This relates not only to those less-developed countries that happen to be related to EEC countries or to the British Commonwealth, but to those of Latin America that belong to neither.

Therefore I suggest that we should also consider, in our thinking, the possibility of maintaining the momentum toward freer trade in other directions. I am not suggesting that the studies that are going on now are not very useful indeed, nor am I saying that a free trade arrangement may not be a desirable objective, on whatever basis it is. But in terms of practicalities - in terms of trying to maintain the momentum - we should examine other possibilities. And, in particular, try to achieve free trade in selected industrial sectors wherever possible, and combine this with continuing efforts to reduce tariffs on