The United Kingdom and other industrial nations of western Europe have for a long time been dependent on overseas countries for supplies of foodstuffs and raw materials. It was the very essence of the kind of world economy which they built up, based on the international division of labor, that they should concentrate on industrial production, and encourage and rely on a great expansion in agricultural and other primary production in overseas countries. In addition to providing capital for overseas development, they paid for their full import requirements with exports of goods and services. Why can they not do so today, and why have they not in fact been doing so for the past thirty-five years?

The immediate and apparent cause, no doubt, lay in the development of industry in the new countries, which began to produce for themselves some of the goods that they previously had to import, such as textiles and a number of other products throughout the range of light industry. To a large extent such a development was inevitable and right, once these new countries passed out of the early pioneer stage, but it is also true that the process was accelerated and extended into uneconomic fields by excessive use of tariffs. Moreover, Europe found that at least one of the new countries, the United States, was developing more rapid technological progress in many lines and effectively displacing European products in many export markets.

But dynamic free economies ought to be able to adjust themselves to changing conditions, so we must look for more fundamental reasons for the failure of the old-world - new-world trade system to accomplish this. One of these causes may be found in the old world itself, in the rigidities which developed in their industrial structure, the decay of efficiency in certain lines of production, -- above all, in the failure to replace obsolete equipment and to adjust production and marketing technique to modern mass market conditions. But even more important, and perhaps a substantial cause of the shortcomings of European industry, was the use made of tariffs and other protective devices in the new world, to thwart and frustrate every attempt by Europe to develop markets for its products. Indeed, the rates of customs duty are often highest on precisely those goods which European and other countries are able to produce best and most efficiently. And that is no accident. It has been the case that, until recent years at least, tariffs, subsidies, import restrictions and other devices have been used not with a view to securing the most efficient use of the world's resources by a free economy, but to encourage the development of industries some of which are uneconomic or should I say inappropriate. When such action comes from North America, the home of free enterprise, that surely is an extraordinary state of affairs and suggests that economic thinking has not kept pace with economic change.

I think it is fair to say that Canada is on the whole less protectionist in its outlook than the United States. It is true, of course, that in many lines our industrial development is a good many years, perhaps a generation, behind yours, and that some Canadian producers require protection against the giant industries of the United States. But as regards our trade with Europe, it is becoming more evident that even little Canada can go a long way in the direction which more and more of your own observers believe the United States must go, - the removal of barriers to imports, the acceptance of foreign competition as an essential factor in a free world economy, and therefore in your own economy. I fully realize that, in the case of the