

We must also recognize the potential importance for world trade of the state-trading economies of the Far East and of Eastern Europe. Mainland China, the U.S.S.R. and the Communist countries of Eastern Europe are becoming increasingly significant as traders. Certainly they are important customers for us in Canada. In our experience, the markets of the state-trading countries are difficult to cultivate. Often their willingness to buy is limited by the preoccupation of the governments of these countries with achieving bilateral balances with their individual trading partners in the West, as well as by their shortage of foreign exchange. In Eastern Europe, competition from traditional suppliers in the West - from Britain, France and Germany - is a powerful factor. These countries have been trading with Eastern Europe for many years. They know the markets; they are in a position to give effective after-sales service for their sales of capital equipment, and they are not hesitant about extending fairly generous credit facilities in order to make sales.

In cultivating these markets, much will depend on the initiative and imagination of our businessmen and financial institutions in developing trade with these countries. Recently there have been signs of a greater readiness, on the part of some of these countries, to pursue more independent trading policies and even to restore or create, at least to some degree, some features of the market economy. I believe we should stand ready to help them trade with the free world economies, if they wish to do so.

I turn now to the trade problem of the developing countries. The ending of colonial rule and the emergence of new nations in the less-developed parts of the world has raised acute problems for the continuance of the non-discriminatory multilateral trading system as embodied in the GATT. In the United Nations Conference on Trade and Development, these countries have pressed for special tariff preferences in our markets. They believe these new preferences would help them sell their manufactured products in greater volume and at higher prices. They have also pressed for international agreements to increase and to stabilize their earnings from primary products.

On the basis of our Canadian experience, I am inclined to doubt that new preferential tariff systems would be of much assistance to developing countries. On the other hand, I doubt that, if all of us scrapped our protective tariffs on goods imported from the developing countries, there would be many very serious problems of adjustment for our own industries. The real difficulty facing most of the developing countries is that their industries, by and large, are simply not efficient enough.

I find singularly unattractive the schemes now being elaborated in certain quarters in Europe for a system of tariff preferences for the developing countries limited and confined by import quotas and licensing schemes. If we must give preferences to the developing world (and I remain convinced that they would be helped very little if we did), then I don't see much to be said for attaching all sorts of conditions to such preferences and creating a vast new bureaucratic apparatus to regulate preferential entry to our markets. Such a development would be welcomed only by the protectionists among us.